



AID EFFECTIVENESS INITIATIVE COUNTRY LEVEL EFFECTIVENESS & ACCOUNTABILITY REVIEWS (CLEARs)

Terms of Reference COUNTRY LEVEL EFFECTIVENESS AND ACCOUNTABILITY REVIEWS (CLEARs)

BACKGROUND

Donor agencies spend an estimated US\$800 million-\$1 billion per year on microfinance. Unfortunately, donor support has often been ineffective in helping to build permanent access to financial services for poor people.

Launched by ministers, heads of agencies and the Consultative Group to Assist the Poor (CGAP)¹, the Microfinance Donor Peer Reviews compelled 17 development agencies to look at themselves in the mirror, through the eyes of their peers, to understand why their operations do not systematically reflect good practice, and to take corrective action. From April 2002 to November 2003, 17 CGAP members participated in Microfinance Donor Peer Reviews. The Peer Reviews have yielded five elements of effectiveness endorsed by all participating agencies and symbolized by the Effectiveness Star: (i) strategic clarity; (ii) strong staff capacity; (iii) accountability for results; (iv) relevant knowledge management, and (v) appropriate instruments. All the agencies reviewed published their letters to management with recommendations, and are taking concrete actions to improve their effectiveness.²

During a meeting of heads of agency and senior management held in February 2004, the participating agencies committed to a four-step program of work to build on the conclusions of the Peer Reviews. One of the steps consists of bringing the aid effectiveness initiative closer to the field. In response, CGAP members are launching the **Country Level Effectiveness and Accountability Reviews (CLEARs)**. Much like the Peer Reviews, the Country Reviews reflect a peer effort and they will complement the work done during the headquarter-based reviews, the field visits, and the recent Uganda Sector Study.

The CLEARs bring donor aid effectiveness one step closer to field operations and to stakeholders (government, practitioners) who cooperate with donors on programs. CGAP developed these terms of reference (TORs) through a peer consultative process. CGAP drafted a questionnaire and sent it to its 28 member donor focal points and selected field-based staff. Twenty-five people (both field-based and in headquarters) from 14 donor agencies completed the questionnaire. Six agencies took part in a conference call in July 2004 to discuss the responses and outstanding issues. The present document represents the result of this joint effort.

¹ CGAP is a consortium of 28 development agencies that work in the field of microfinance and is housed at the World Bank. CGAP was created by the major donor countries and leading practitioners to be a resource to the industry in setting standards, providing advisory services, undertaking research and development and funding innovations in the field. CGAP serves financial service providers, development agencies, government and other service providers such as auditors and rating agencies. Additional information may be found at www.cgap.org.

² For more information on the Peer Reviews, see http://www.cgap.org/projects/donor_peer_reviews.html

OVERALL OBJECTIVE

The overall objective of the CLEARs is to help donors improve their effectiveness in building financial systems that work for the poor through both individual and collective actions.

SPECIFIC OBJECTIVES

- (1) Build on the high level momentum created by the Microfinance Donor Peer Review findings and recommendations to deepen CGAP's aid effectiveness work to reach the field.
- (2) Help donor field-based staff and headquarter staff identify factors that foster or hinder donors' individual and collective effectiveness in selected countries, and make specific recommendations for improving aid effectiveness.
- (3) Support joint programs, initiatives, or efforts that address specific countries' constraints to scaling up microfinance; and
- (4) Draw lessons learned across countries to develop a framework for mapping actual and optimal donor interventions at the three levels of pro-poor financial systems (micro, meso and macro).³

OUTPUTS

Up to six CLEARs will take place between October 2004 and December 2006, in a diversity of regions. The outputs of the Country Reviews will be as specific as possible, taking into account time and resource constraints. The Country Reviews are not comprehensive sector studies, but rather focus on strategic issues relevant to donor effectiveness. They aspire to help donors: (i) identify gaps in the financial systems in the countries in which they work; (ii) design interventions that build on their comparative advantage and take into account the work of others; and (iii) make changes to their internal procedures and systems to work more effectively with others at the field level.

Four main outputs are envisioned:

I. Country-Specific Recommendations

Briefing to donors and all stakeholders. The review team will present its initial analysis and recommendations during two separate meetings – one will be for all participating stakeholders such as government, practitioners and donor staff, and the second will be exclusively for donor staff. The analysis will be largely based on the feedback received from all stakeholders interviewed.

Donor effectiveness report. The report will consist of two parts. Part one will consist of an “open letter” addressed to all donors that participated in the CLEAR with a presentation of the gaps in the pro-poor financial sector, an analysis of the factors that support or hinder donor effectiveness, and concrete recommendations on how donors can maximize their effectiveness. This document will be published alongside CGAP’s other aid effectiveness documents.

³ A pro-poor financial system consists of three levels: Micro (clients and retail institutions such as banks, NGOs, co-operatives, etc.), Meso (auditors, rating agencies, professional networks, credit bureaus, training centers, information and technology) and Macro (policies, regulation and supervision).

The second part of the report will be the individual assessments of each donor agency that participated in the review. Each agency will receive only their own assessment. The assessments will be presented in the form of the modified Effectiveness Star (with the eight elements), and a 360 degree assessment from key stakeholders in the country (government staff, donor staff, executing agencies, microfinance practitioners, staff from training institutes, etc).

II. Follow-up and Implementation Support

Donor community response to review recommendations. Donors will be encouraged to develop a written response to the report that includes a plan detailing specific actions, a timeline, responsible parties and resources for implementing recommendations, etc.

Implementation support and tools. Upon request, CGAP will provide strategic and technical advice to help donors implement the CLEAR recommendations. The extent of CGAP's support will depend on the demand and could vary from minimal to extensive. CGAP staff or consultants could be involved in this work. The follow-up support could take place at two levels:

- Country level. Beyond submitting the report, CGAP will be available to (i) return to the country to present the recommendations in the final report; (ii) develop generic tools based on the best existing tools to help field-based donor staff apply good practice (examples include financial sector indicators and sample terms of reference for conducting a market assessment); and (iii) support the design of joint initiatives such as defining common reporting mechanisms and creating a donor group on microfinance. The extent of CGAP's support will depend on the demand and could vary from minimal to extensive.
- Donor headquarters. CGAP can help make the link between the individual agency Peer Reviews and the CLEARs. When appropriate, CGAP will brief management and staff from donor agency headquarters on the findings of the CLEARs and implications for the agency. CGAP will also present the results of the CLEARs at the second High Level Meeting planned for 2006.

III. Synthesis of Lessons Learned

CGAP will draft a synthesis report to pull together the lessons learned from the five CLEARs. The synthesis report would present the updated Effectiveness Star, including the elements of donor effectiveness in microfinance at the field level. The lessons learned on what it takes to improve donor effectiveness from a country perspective could complement the new donor guidelines currently being drafted.

IV. Framework for Mapping Donor Activities in Pro-Poor Financial Systems

Donors can more effectively support pro-poor financial systems by collaborating with each other. An output of the CLEARs will be a framework for assessing donor effectiveness at the field level that could be used in any given country for determining their optimal contributions. The framework will build on these TORs, revised after pilot testing during the six CLEARs.

SCOPE-AREAS OF REVIEW

The CLEAR methodology is based on interviews with a critical mass of stakeholders using individual interviews, selected focus groups, and surveys such as the donor effectiveness 360 degree questionnaire.

Drawing on the Effectiveness Star that emerged from the Peer Reviews and recent thinking on the financial systems approach to microfinance (microfinance seen as an integral part of the financial sector), the scope encompasses three areas of review: (i) gap analysis of donors’ engagements in building pro-poor financial systems; (ii) individual agency effectiveness; and (iii) donor collaboration.

These areas will serve as an overall guide for the content of the CLEARs. The diversity of donors involved in this exercise will be taken into account. Donors are set-up differently (from highly decentralized to virtually no field presence), work in varying ways (from direct implementation to the use of project management units or executing agencies), and focus on different types of interventions (from supporting retail institutions to engaging in policy dialogue with governments). Review teams will work with donors to tailor this guide to the needs of each agency and country. Based on the factors above, some areas may require more detailed analysis than others. Moreover, the term "donor" will need to be expanded in certain cases to include project management units, executing agencies or projects that receive direct guidance from donors and act on their behalf.

I. Gap Analysis of Donors’ Activities in Building Pro-Poor Financial Systems

The reviews will include a rapid analysis of the microfinance sector in the country, using a pro-poor financial systems approach.⁴ Specifically, the gap analysis will (i) map donors’ actual involvement across the three levels of the pro-poor financial system; (ii) determine existing gaps in donor support, focusing on areas where donors can provide support, and (iii) explore how the donor community can fill these gaps, based on individual donors’ aligning their operations to their comparative advantage. The reviews will also make every effort to analyze the relationship between donor investments in the various levels of the financial system with its overall performance (value for money). This analysis will be done against the background of the governments’ financial sector priorities (e.g., FSAPs).

Illustrative FSD Gap Analysis

Financial Systems	Donor Activities	Donors Involved	Gaps	Recommendations for Donor Actions	Who
MACRO					
MESO					
MICRO					

II. Individual Agency Effectiveness

The analysis of individual agency effectiveness will be based on the five core elements of effectiveness that emerged from the Peer Reviews, plus additional elements deemed important at the country level. These additional elements are: (i) commitment to collaboration; (ii) influence and clout in the country; and (iii) responsiveness to local stakeholders. The elements of donor effectiveness might need to be refined during the course of the reviews and weighted depending on individual donors’ structure and types of interventions.

⁴ For information on this approach, see Helms, Brigit and Goodwin-Grown, Ruth, *Towards a Framework for a Financial Systems Approach to Expanding Poor People’s Access to Financial Services*. DRAFT version provided during the CGAP Annual Meeting, Paris. November 2003

The matrix below shows the eight elements, with indicators of good practice.

Elements of Effectiveness	Analysis	Recommendations
<i>Strategic Clarity and Coherence</i> <ul style="list-style-type: none"> • Coherence of agency’s vision of microfinance • Vision in line with accepted good practice 		
<i>Technical Expertise and Resources</i> <ul style="list-style-type: none"> • Staff with technical capacity • Appropriate systems to select and monitor outsourced expertise and implementing partners 		
<i>Accountability</i> <ul style="list-style-type: none"> • Knowledge of the microfinance portfolio • Transparency of portfolio performance 		
<i>Knowledge Management</i> <ul style="list-style-type: none"> • Learns from agency’s own and others’ experiences 		
<i>Instruments</i> <ul style="list-style-type: none"> • Ability to work directly with the private sector • Wide range of flexible instruments 		
<i>Commitment to Collaboration</i> <ul style="list-style-type: none"> • Commitment to collaborating with other donors • Systems and incentives in place to engage in operational collaboration with other donors 		
<i>Influence and Clout in the Country</i> <ul style="list-style-type: none"> • Perceived as influential in the country, e.g., can influence government policies and trends in the sector 		
<i>Responsiveness to Local Stakeholders</i> <ul style="list-style-type: none"> • Consideration for local demand and/or consultation with the government and other stakeholders before developing programs 		

III. Donor Collaboration

The CLEARs will seek to identify the necessary conditions for effective donor collaboration in microfinance in each country. The review team will report on examples of successful collaboration models, as well as common pitfalls and bad practice in donor collaboration. Options for collaboration range along a wide spectrum. At one end, collaboration might involve agencies agreeing to engage in different specific activities based on their respective comparative advantage. At the other end of the spectrum, donors can pool resources to conduct joint programming. A myriad of other collaboration options lie in between.

HUMAN RESOURCES

I. Review Team

Given the time-intensive nature of the CLEARs (three weeks in-country), and based on similar experiences such as the CGAP Uganda Sector Study, the review team will include two consultants, in addition to one donor peer and two CGAP staff.

Consultants. The consultants will be primarily responsible for the investigative work, including collecting and reading background documents and interviewing donor staff and other stakeholders. They will be involved in the preparation stage, participate full-time during the three week review, and will write the first draft of the report.

Donor Peer Reviewer. The donor peer will join the review team during the last week of the in-country review to help shape the recommendations of the team. In preparation, the donor peer should follow email communications on the review’s progress, participate in one or two conference calls, and peruse background documents.

CGAP. The overall Country Review process will be managed by a CGAP staff member, the CLEAR manager. The CLEAR manager will be the common thread across the six reviews. He will be actively involved in the preparation stage, may spend up to three weeks in-country, and will have primary responsibility for the final publication of the report. A senior CGAP staff member will join the review team during the last of week of the review.

Review team members	Key qualifications
Consultants (2 persons)	Microfinance expertise, understanding of donor aid effectiveness, country/region experience, not based in the country of review, excellent communication skills
Donor peer (1 person)	Field-based or with at least two years of recent field exposure, exposure to the Peer Reviews, not based in the country s/he reviews, not from the same agency as the donor champions (see below)
CGAP (2 persons)	Familiarity with the Peer Review initiative

II. Country-level Contacts

The successful completion of the CLEARs will require the support of several key persons in-country

- **Donor Champions**

CGAP will identify two donor staff in-country for each CLEAR to champion the review. They will provide guidance to the review team, help identify the key people to be interviewed from each stakeholder group, select the best background documents, give regular feedback to the review team, and provide overall support (very much like the focal point role in the Peer Reviews). The local champions will be crucial to the smooth organization of the CLEARs, but are not members of the review team. The agencies for which the champions work will be subject to the review just like all other agencies. Criteria for selecting the donor champions include: good knowledge of microfinance in the country; familiarity with other donors’ work; widely respected in-country; and commitment to promoting the CLEARs.

- **Logistics Coordinator**

CGAP will hire a logistics coordinator in-country for each CLEAR to make appointments, organize the focus groups and de-briefing meetings, and take care of other logistical matters. Requirements for this position include: experience in making appointments, excellent organizational skills, and strong interpersonal aptitude.

- **Contact Persons from the Government and Practitioner Stakeholder Groups**

The review team will identify representatives from the practitioner community and the government to serve as its main contact persons for these two stakeholder groups in each country. These representatives should be widely perceived as credible and knowledgeable by their constituencies (e.g. the director of the local microfinance association).

COUNTRY SELECTION AND REVIEW CALENDAR

CGAP staff and member donors will establish a calendar for the six CLEARs. This involves two key aspects: selecting the countries and agreeing on review dates.

The following criteria will help guide the final choice of countries to host a CLEAR:

- Presence of donor staff willing to actively champion the exercise (ideally two people from two different donor agencies). This criteria is an absolute pre-requisite.
- Local demand/perceived need in-country and/or strong contacts in-country. Using the list of countries pre-selected by CGAP's member donors, the CLEAR Manager will assess the receptivity of each country before making a final decision.
- Presence of donor staff with some microfinance experience.
- Potential for impact on future donor aid effectiveness.

The six CLEARs should cover a diversity of countries in terms of:

- Geographical size
- Maturity of microfinance sector development
- Extent of donor involvement

The tentative review schedule is as follows:

First Review:

October 4-25 in Cambodia

Proposed Dates of Subsequent Reviews:

February 13-March 4, 2005

April 24-May 13, 2005

August 28-September 16, 2005

November 14-December 2, 2005

March 5-March 24, 2006

TASKS

The CLEARs are comprised of four main phases: preparation, in-country review, reporting and follow-up.

Phase 1: Preparation

The preparatory phase will be coordinated by the CLEAR manager, in cooperation with the remainder of the review team (consultants and donor peer), and with the support of the in-country donor champions and the logistics coordinator. All key stakeholders should be informed well in advance of the Country Review's purpose, scope and timing.

Specific tasks:

- **Confirm date and review team.** CGAP is responsible for confirming the review dates and coordinating the composition of the review team.
- **Engage agency management and key stakeholders.** CGAP will work with member donors' focal points to inform management (heads of field offices and/or regional department heads) about the

CLEARs and garner their engagement for the process. The donor champions and the logistics coordinator will circulate a one-page letter of introduction signed by CGAP to heads of country offices/embassies and key informants to encourage their participation in the Country Review (see Annex 5).

- **Hold conference call.** CGAP will organize a phone conference with the review team and the country team to go over the TORs, and assign responsibilities for the planning tasks.
- **Hire logistics coordinator.** CGAP will recruit a person in-country to serve as the logistics coordinator, with support from the donor champions. This part-time position would start well before the actual review.
- **Identify key informants.** This task will be one of the most time-consuming elements of the preparation, and it is key to the success of the CLEAR. With guidance from the review team, the donor champions will identify key informants from the main stakeholder groups. Persons to be interviewed include:
 - (i) donor staff specialized in microfinance
 - (ii) non-microfinance specialist staff who manage donor programs
 - (iii) donor staff who have been influential in the country's microfinance sector but have since left
 - (iv) regional staff from head-office responsible for microfinance in the country of review (phone interviews)
 - (v) staff from donor PMUs and executing agencies (these people are especially important to understand the relationship between the donor and the executing agencies)
 - (vi) staff from consulting firms and international NGOs working locally in microfinance
 - (vii) staff from microfinance associations, networks, training institutions, and other relevant service providers
 - (viii) government staff involved in microfinance
 - (ix) microfinance practitioners from a variety of institutions of different sizes, taking special care to also meet practitioners working outside the capital (banks, cooperatives, MFIs etc).
- **Compile background documents.** The review team, with the advice of the donor champions and other contacts, will gather documents available both at head offices and in the country of review on microfinance, financial sector development, donor collaboration, etc. See the "Background Documents" section of the TORs for an illustrative list of documents.
- **Schedule meetings.** The logistics coordinator will schedule meetings and telephone interviews with all key informants. As much as possible, meetings will take place in one location to avoid reviewers spending too much time traveling. When necessary, the reviewers will visit the interviewees in their place of work.
- **Send surveys.** The donor champions and logistics coordinator will help distribute the Profile of Donor Microfinance Activities and the Donor Effectiveness 360° Questionnaire to all participants. The purpose of the profiles is to provide a snapshot of donors' consolidated microfinance activities in the country. The 360° questionnaire will gather key informants' perceptions of individual donors' effectiveness in the country. See Annex 1 and 2 for the surveys. In some cases, the 360° questionnaire will be sent together with the letter of introduction.

- **Arrange logistics.** The logistics coordinator will organize an office with easy access to communications, electricity, and transportation throughout the review. When possible, the local World Bank office would be a good choice. Assistance might also be required to reserve a meeting room for the final briefings.

Summary of Phase I Key Tasks

Tasks	Who?	Due when (prior to review date)?
Confirm date and review team	CGAP	6 weeks
Engage agency management	CGAP, DC, FP	6 weeks
Hire logistics coordinator	CGAP, DC	4 weeks
Hold conference call	RT, DC, LC	4 weeks
Identify key informants	CGAP, DC, FP	4 weeks
Compile background documents	DC, LC	3 weeks
Schedule meetings	LC, DC	3 weeks, final meeting schedule due 1 week prior to start of the review
Send surveys	LC, CGAP	3 weeks
Arrange logistics	LC	On-going

Key:

FP = CGAP member donor focal points
 DC = Donor Champions (in-country)
 RT = Review Team
 LC = Logistics Coordinator

Phase 2: In-Country Review (3 weeks)

During the first two weeks of the review, the consultants and the CLEAR manager will be in-country. They will meet with a critical mass of stakeholders using individual interviews and selected focus groups. The donor peer and the senior CGAP team member will join the review team for the third and final week in-country. The complete review team will meet selected key informants a second time, check its draft findings with the country champions, and organize two debriefing workshops.

Specific Tasks:

- **Hold preparatory meeting.** Once in the field, the review team, the donor champions, and the logistics coordinator will meet to go over the agenda and the logistics for the first two weeks. During this preparatory meeting, the donor champions will brief the review team on key issues facing the development of microfinance in the country, including new project proposals in the pipeline. Any documents not previously sent should be distributed to the review team.
- **Interview key informants.** The review team will interview key informants in person or by telephone. Ideally, meetings will be individual to preserve confidentiality. In some cases, the review team might split-up to maximize the number of meetings. All interviewees will be asked for their suggested recommendations on how to improve donor effectiveness.
- **Conduct focus group meetings.** When appropriate, the review team will hold focus group meetings. Such meetings may be organized for one stakeholder group (e.g., practitioners, the in-country donor coordination group) while others may be designed to explore specific issues. Generally, participants in the focus groups will also be interviewed on an individual basis.
- **Consolidate and analyze the Profiles of Donor Microfinance Activities.** The consultants on the review team will compile all profiles received to prepare a consolidated overview of donor microfinance activity in the country.

- **Refine draft findings, with selected key informants.** The complete review team will meet selected key informants again, using them as a sounding board to refine its draft findings and recommendations.
- **Check factual accuracy with the donor champions.** Maintaining independence and objectivity is essential to the process and the results of the CLEARs. Nonetheless, the review team will go over its draft findings and recommendations with the donor champions to check factual accuracy.
- **Prepare and deliver debriefings.** The review team will put together a Power Point presentation of findings and recommendations for two debriefing meetings. The purpose of the de-briefings is to provide frank and constructive feedback in a collegial manner.

One meeting will be for all stakeholders and will seek feedback on the review team’s draft findings and recommendations. The second meeting will be exclusively for donor staff (both technical and management) to discuss the findings and the implementation of the draft recommendations, including possible follow-up actions. The debriefings could be organized on two different days. The detailed notes for the presentations and feedback received during the meetings will form the basis of the report.

Summary of Phase II Key Tasks

Tasks	Who?	Due when?
Hold preparatory meeting	RT, DC, LC	1 st day of review
Interview key informants	RT	on-going
Conduct focus group meetings	RT, LC	on-going
Consolidate donor profiles	RT, LC	on-going, due 2 nd week in-country
Refine draft findings	RT	3 rd week of review
Check factual accuracy	RT, DC	3 rd week of review
Prepare and deliver de-briefing	RT, LC	3 rd week of review

Phase 3: Reporting

- **Draft report.** The review team will start drafting the report while in-country. It will be concise, concrete and actionable, with special emphasis placed on offering practical recommendations. The recommendations will be based on the views gathered from all stakeholders, including the government and the practitioners, combined with the review team’s own analysis. It will consist of two parts – an “open letter” addressed to all the donor agencies that participated in the review, and individual assessments for each agency that participated in the review.

The open letter will build on the de-briefing presentation and feedback received during the meetings. It could include the following:

- Snapshot of the country’s pro-poor financial sector (micro, meso and macro levels), including the identification of gaps in the system and the needs of the sector in the next five years;
- Analysis of the internal factors that hinder or foster donor aid effectiveness in microfinance, (strengths and challenges). Whenever possible, the report will highlight examples of existing donor good practice; and
- Recommendations to the donor community on how to improve aid effectiveness based on the comparative advantage of individual agencies and how to provide appropriate support to the sector in the future.

The open letter will not contain direct recommendations to governments or other stakeholders. It is likely, however, that some recommendations for donors might directly relate to their interactions with government counterparts or other stakeholders.

The annexes of individual agency assessments will include:

- Assessment of the donor agency based on the eight proposed elements of effectiveness – the modified Effectiveness Star; and
 - Bullet point recommendations on the agency’s future role in the sector based on its comparative advantage, when feasible.
- **Check for factual accuracy.** The review team will submit the draft report to the donor champions within six weeks of the review’s end for a quick factual accuracy check. The review team is independent and will only accept those suggested changes it deems appropriate.
 - **Send final report.** CGAP will send the final report to all participating donors in the country and their respective heads of agencies. It is expected that the final report will be published on the CGAP website, alongside other aid effectiveness documents such as the Microfinance Donor Peer Review letters to management.
 - **Draft synthesis report.** Upon completion of the six CLEARs, CGAP will prepare a synthesis report on lessons learned and policy implications of all the reviews. (A framework to map out donor interventions in building pro-poor financial systems will be attached to the synthesis report.)

Summary of Phase III Key Tasks

Tasks	Who?	Due when (after review’s end)?
Draft report	RT, DC	6 weeks
Check for factual accuracy	RT, DC	8 weeks
Send final report	CGAP	11 weeks
Draft synthesis report	CGAP	August 2006

Phase 4: Follow-Up

On an as-needed basis, CGAP staff and/or consultants may return to the country to present the final report. Following the CLEARs, some countries may develop joint initiatives. Upon request, CGAP will provide appropriate support.

Specific tasks:

- **Seek a response from individual agencies on the open letter and the individual assessment.** CGAP will engage management from headquarters and country offices/embassies to respond to the results of the review.
- **Encourage joint response from in-country donor coordination group.** CGAP hopes that donors in country will prepare a written response to the review recommendations, including a plan detailing specific actions they will undertake.
- **Advise on joint initiatives.** If and when applicable, CGAP and/or consultants will support joint initiatives developed by donors following the CLEARs, through email/phone consultations and possible subsequent visits.

- **Disseminate synthesis report broadly.** CGAP will encourage its members donors to widely share the findings of the CLEARs throughout their agencies—both headquarters and field. CGAP will also disseminate the results with other institutions interested in aid effectiveness such as the OECD/Development Assistance Committee.
- **Present results of the CLEARs at the high level meeting.** CGAP will present the synthesis report at the second high level meeting during which progress toward the Joint Memorandum action steps will be discussed. It will engage agencies’ top management on how to use the results of the CLEARs to improve aid effectiveness on the ground.

Summary of Phase IV Key Tasks

Tasks	Who?	Due when?
Seek responses from donors	RT, DC	4 weeks after submission of report
Advise on joint initiatives	RT, DC	on-going, based on demand
Disseminate synthesis report	CGAP	Starting August 2006
Present results at high level meeting	CGAP	2006

KEY DOCUMENTS

Following is an illustrative list of documents that may be included in the package for the review team:

- Profile of donor microfinance activities
- Existing surveys and evaluations on the country’s microfinance sector
- Country microfinance and financial sector reports
- Summary of the national policies related to microfinance
- Documents relative to donor coordination
- Individual program evaluations
- Documents of projects in the pipeline
- Existing strategies, annual reports of donors
- Banking superintendent report on banking sector
- Banking and financial regulation
- Economic intelligence report

ACCOUNTABILITY FOR TAKING ACTION

The open letter (the part of the report that deals with the entire donor community) is a public document that will be widely disseminated. It is also hoped that all agencies will agree to publish their individual assessments as was done with all the Peer Review letters to management.

The active engagement of heads of agencies and heads of country offices/embassies is essential to the ultimate success of the CLEARs . Only with their commitment will the reviews’ recommendations lead to concrete improvements on the ground. During all stages of the review, every effort will be made to instill accountability for implementing the recommendations within and among agencies.

LIST OF ANNEXES

1. Profile of Donor Microfinance Activities
2. Donor Effectiveness 360° Questionnaire
3. Individual Agency Assessment
4. Financial Systems Development – Gap Analysis
5. Letter of Introduction
6. Joint Memorandum from the 17 agencies that took part in the Microfinance Donor Peer Reviews

Country Level Effectiveness and Accountability Reviews (CLEARs)

1. Profile of Donor Microfinance Activities

Name of Donor Agency: _____

Name of Contact Person: _____

Email: _____ Phone: _____

Thank you for taking the time to complete this profile. It will be a useful input for the CLEAR to gain a better understanding of overall donor activities in [name country], and to identify opportunities for donor cooperation.

Types of microfinance initiatives

Please indicate your agency's main areas of activity and number of projects in each area (you might be active in one area without having a specific project):

Area of activity	Please circle	Number of Projects
MACRO (Policy)		
Policy (financial sector)	YES NO	
Microfinance Regulation and Supervision	YES NO	
Other <i>(please specify)</i> _____	YES NO	
MESO (Industry Infrastructure)		
Audit Firms	YES NO	
Training Organizations	YES NO	
Microfinance Networks/Apex	YES NO	
Other <i>(please specify)</i> _____	YES NO	
MICRO (Retail Institution)		
Institution building	YES NO	
Loan funding	YES NO	
MFIs	YES NO	
Commercial Banks	YES NO	
State Owned Banks	YES NO	
Credit unions/cooperatives	YES NO	
Other <i>(please specify)</i> _____	YES NO	

Microfinance Portfolio: Commitments and Disbursements

Please indicate figures in \$US or specify if other currency. If you do not have exact figures, please include an estimate.

	Please enter \$ Amount
Total disbursement for microfinance (stand alone projects and credit components) for years 2001 – 2003	
Total disbursement for microfinance credit components for years 2001 – 2003	
Total commitment for microfinance (standalone projects and credit components) for year 2004	
Total commitment for microfinance credit components for year 2004	

Instruments available to support microfinance

Instrument	Please circle
Grants for capital	YES NO
Grants for TA	YES NO
Loans for capital	YES NO
Loans for TA	YES NO
Loans to Government	YES NO
Equity	YES NO
Guarantee	YES NO
Other (Please specify) _____	YES NO

How many staff working in your agency have microfinance expertise? _____

Thank you for your time. The results of this survey will be used for the final review report.

Country Level Effectiveness and Accountability Reviews (CLEARs)

2. Donor Effectiveness 360° Questionnaire

Your comments can help donor agencies improve their performance. Please note that this questionnaire is strictly confidential - we will collect it from you during our meeting. You can also forward it to Eric Duflos in a sealed envelope or by email at eduflos@worldbank.org

Who do you work for? (Please circle)

Donor agency/project Government Microfinance Practitioner Technical Provider Other (please specify) _____

Assessment of Individual Donor Agencies

Please assess the following donors' effectiveness in microfinance in [name country] on a scale of 1 to 5, with 1 being very weak, 2 weak, 3 medium, 4 strong, and 5 very strong. Your assessment may draw from your direct experience with the donors or from your overall impression of their effectiveness in the [name country] microfinance sector. Definitions for each element of donor effectiveness are included at the end of the questionnaire.

Donors	Strategic Clarity	Technical Expertise	Accountability	Knowledge Management	Instruments	Influence and Clout	Commitment to Collaboration	Responsiveness to Local Stakeholders
A _____	/5	/5	/5	/5	/5	/5	/5	/5
B _____	/5	/5	/5	/5	/5	/5	/5	/5
C _____	/5	/5	/5	/5	/5	/5	/5	/5
D _____	/5	/5	/5	/5	/5	/5	/5	/5
E _____	/5	/5	/5	/5	/5	/5	/5	/5
F _____	/5	/5	/5	/5	/5	/5	/5	/5

Donors	Strategic Clarity	Technical Expertise	Accountability	Knowledge Management	Instruments	Influence and Clout	Commitment to Collaboration	Responsiveness to Local Stakeholders
G _____	/5	/5	/5	/5	/5	/5	/5	/5
H _____	/5	/5	/5	/5	/5	/5	/5	/5
I _____	/5	/5	/5	/5	/5	/5	/5	/5
J _____	/5	/5	/5	/5	/5	/5	/5	/5
K _____	/5	/5	/5	/5	/5	/5	/5	/5
L _____	/5	/5	/5	/5	/5	/5	/5	/5

Assessment of the Effectiveness of Donor Collaboration.

What are the main strengths of donor collaboration in supporting pro-poor financial services in [insert country]?

1

2

3

What are the main weaknesses of donor collaboration in supporting pro-poor financial services in [insert country]?

1

2

3

What is your main recommendation to improve donor collaboration?

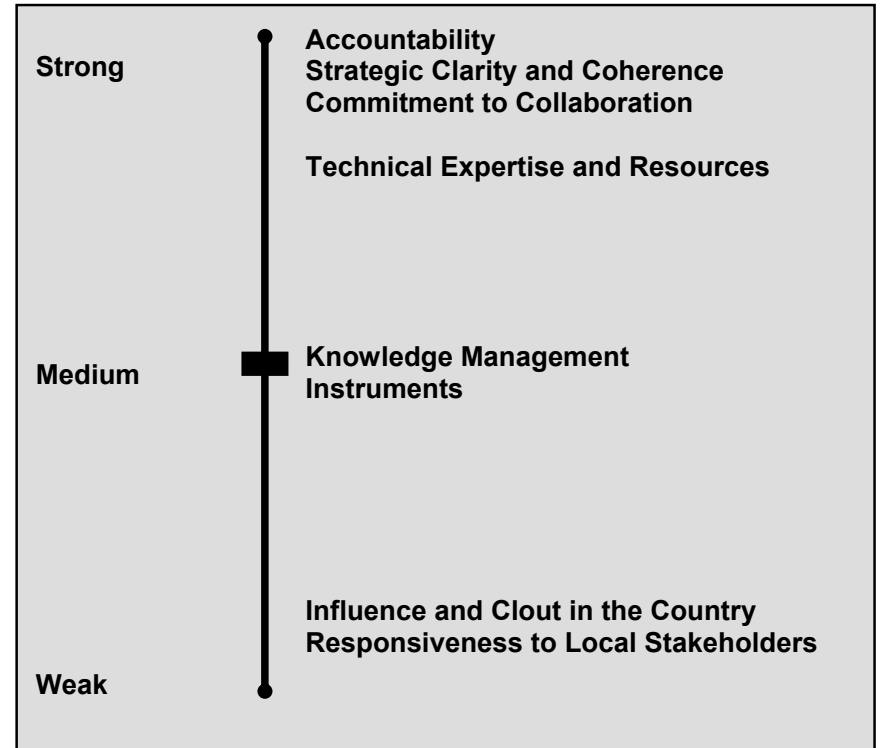
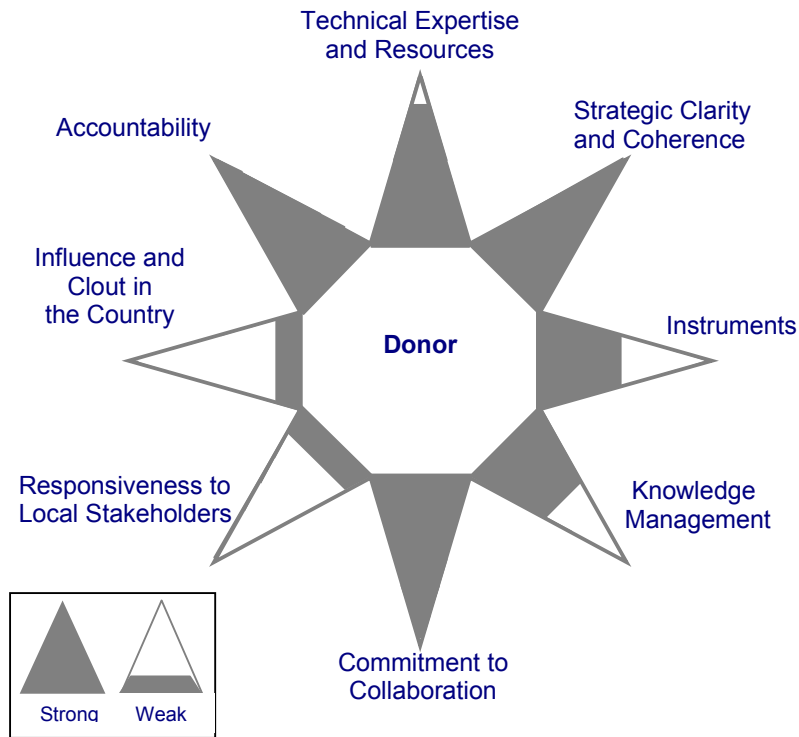
Thank you very much for your time.

DEFINITIONS

- *Strategic Clarity* Coherence of agency's vision of microfinance.
Vision is in line with accepted good practices.
- *Technical Expertise and Resources* Staff with technical capacity.
Appropriate systems to select and monitor outsourced expertise and implementing partners.
- *Accountability* Knowledge of the microfinance portfolio.
Transparency of portfolio performance.
- *Knowledge Management* Learns from agency's own and other's experience.
- *Instruments* Ability to work directly with the private sector.
Wide range of flexible instruments.
- *Commitment to Collaboration* Commitment to collaborating with other donors.
Systems and incentives in place to engage in operational collaboration with others.
- *Influence and Clout in the Country* Perceived as influential in the country, e.g., can influence government policies.
- *Responsiveness to Local Stakeholders* Consideration for local demand and/or consultation with the government and other stakeholders before developing programs.
-

Country Level Effectiveness and Accountability Reviews (CLEARs)

3. Individual Agency Effectiveness



Country Level Effectiveness and Accountability Reviews (CLEARs)

4. Financial Systems Development - Gap Analysis

Financial System	Donor Activities	Donors Involved	Gaps	Recommended Donor Actions	Who?
MACRO					
MESO					
MICRO					

Country Level Effectiveness and Accountability Reviews (CLEARs)

5. Letter of Introduction

Sample used for Cambodia

Dear colleague,

We are pleased to invite you to take part in the upcoming **Country Level Effectiveness and Accountability Review (CLEAR)**. We will be in Phnom Penh from October 4-23, 2004.

The genesis of the Country Review stems from common concern among the donor community to improve its effectiveness in supporting microfinance (the provision of financial services to poor people). Donor agencies spend approximately USD 800 million-1 billion per year in supporting microfinance, and yet, their operations do not systematically reflect accepted good practice.

To understand why donor support is often ineffective, heads of 17 bilateral and multilateral development agencies launched an aid effectiveness initiative in 2002 : the Microfinance Donor Peer Reviews.⁵ As a 28 member donor consortium housed at the World Bank and dedicated to improving microfinance, the Consultative Group to Assist the Poor, (CGAP), facilitated this exercise. The reviews identified key elements of donor effectiveness in microfinance and made recommendations to each participating agency. All agencies are taking concrete steps to implement the recommendations. (see http://www.cgap.org/projects/donor_peer_reviews.html for published results).

Based on the positive contributions of the Peer Reviews, heads of agency and donor staff have urged CGAP to take the aid effectiveness initiative one step further—to the country level where donors are closest to operations and local stakeholders. The overall objective of the CLEARs is to help donors improve their effectiveness in building financial systems that work for the poor through both individual and collective actions. Specifically, the CLEARs seeks to

- (i) deepen CGAP's aid effectiveness work to reach the field, building on the momentum and experience of the Peer Reviews;
- (ii) help donor agencies analyze and improve their individual and collective aid effectiveness;
- (iii) support joint donor initiatives to scale up microfinance; and
- (iv) help donors map actual and optimal interventions at the three levels of pro-poor financial systems (micro, meso and macro).

The output will consist of frank and concrete recommendations to improve donor effectiveness. Beyond the Country Review, CGAP will remain available to engage with donors working in microfinance in Cambodia.

⁵ Agence Française de Développement, African Development Bank, Asian Development Bank, Canadian International Development Agency, DANIDA, Department for International Development, European Commission, Gesellschaft für Technische Zusammenarbeit, International Fund for Agricultural Development, International Labour Organization, Kreditanstalt für Wiederaufbau, The Netherlands, Norwegian Agency for Development Cooperation, Swedish International Development Cooperation, Swiss Agency for Development and Cooperation, United Nations Development Programme / United Nations Capital Development Fund, U.S. Agency for International Development

While in Cambodia, we would like to speak to a wide cross section of key stakeholders including government and financial services providers about their perception of donors contributions to building a solid pro-poor financial sector. Most meetings will be individual, although a few group meetings may also take place.

We will contact you shortly to confirm a precise meeting day and time at your convenience. We have attached a brief questionnaire to gather your assessment of donors' effectiveness, and would appreciate if you could complete it and returned to me. It will be treated in full confidentiality.

Your participation in this review is essential to make sure the analysis and recommendations improve donor effectiveness in Cambodia, ensuring that a greater number of poor people have access to finance.

Yours sincerely,

Eric Duflos
On behalf of the review team
eduflos@worldbank.org

About CGAP:

CGAP is a consortium of 28 development agencies that work in the field of microfinance and is housed at the World Bank. CGAP was created by the major donor countries and leading practitioners to be a resource to the industry in setting standards, providing advisory services, undertaking research and development and funding innovations in the field. CGAP serves financial service providers, development agencies, government and other service providers such as auditors and rating agencies. Additional information may be found at www.cgap.org.

CGAP Member Donors, September 2004

Bilateral Members

Australia, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, Luxembourg, The Netherlands, Norway, Sweden, Switzerland, United Kingdom, United States

Multilateral Members

African Development Bank, Asian Development Bank, European Development Bank for Reconstruction and Development, European Commission, International Bank for Reconstruction and Development, Inter-American Development Bank, International Fund for Agricultural Development, International Labor Organization, United Nations Development Programme/United Nations Capital Development Fund

Foundations

Argidius Foundation, Ford Foundation

Country Level Effectiveness and Accountability Reviews (CLEARs)

6. Joint Memorandum from 17 CGAP members that took part in the Peer Reviews

AID EFFECTIVENESS INITIATIVE: MICROFINANCE DONOR PEER REVIEWS High Level Meeting: *Leveraging Our Comparative Advantage to Improve Aid Effectiveness* February 2004, Paris

We, the 17 development assistance agencies participating in the Microfinance Donor Peer Reviews, affirm our continued commitment to improving aid effectiveness overall, and specifically in microfinance.⁶ We would like to thank Mark Malloch Brown of the United Nations Development Programme (UNDP) and Jean-Michel Severino of the Agence Française de Développement for co-hosting the High Level Meeting in Paris, and the Consultative Group to Assist the Poor (CGAP) for organizing the meeting. By taking a hard look at one side of the development equation – our own effectiveness in delivering development assistance – we can take another step toward achieving the Millennium Development Goals (MDGs).

The High Level Meeting gave the top management of our agencies a unique opportunity to tackle the issue of aid effectiveness in a concrete way. Although just one of many areas in which our agencies work, microfinance – or building financial systems that work for the poor – is an appropriate area for reflecting on aid effectiveness because we have already agreed to standards of good practice, but currently do not uniformly apply those standards to our programs on the ground. In fact, the Microfinance Donor Peer Reviews confirmed that we could have a far greater impact with current levels of spending, by aligning our microfinance programs with good practice and building on the diversity of our strengths.

We recognize that microfinance contributes to achieving the MDGs, in particular, the overarching aim of halving extreme poverty and hunger by 2015. But addressing market failures that prevent poor people from accessing the financial services they need is a massive and daunting task. Microfinance is a very dynamic field that has moved from “microcredit” to “microfinance” to “building financial systems that work for the poor”. This changing landscape makes microfinance a particularly challenging area for the development community. It means that we must engage with a diversity of players, from Central Banks to self-help groups, from commercial banks to community savings and loans cooperatives to auditors and credit rating firms, recognizing that there is great scope for a diversity of approaches. When possible, we should support the national plans of governments to develop the overall financial sector. Each of us should contribute in a way that leverages our respective strengths and promotes mutual learning. At the very least, we should avoid actions that distort local financial markets.

The Peer Reviews conducted between May 2002 and November 2003 and the High Level Meeting exposed our agencies to frank and transparent assessments and recommendations on how we can improve the way we work. We held up a mirror to our own internal systems, processes and procedures. These are the factors over which we have the most control and can make more immediate changes. Many of us feel that the methodology, analysis and recommendations of the Peer Reviews are applicable to other areas of development assistance beyond microfinance.

⁶ Agence Française de Développement, African Development Bank, Asian Development Bank, Canadian International Development Agency, DANIDA, Department for International Development, European Commission, Gesellschaft für Technische Zusammenarbeit, International Fund for Agricultural Development, International Labour Organization, Kreditanstalt für Wiederaufbau, The Netherlands, Norwegian Agency for Development Cooperation, Swedish International Development Cooperation, Swiss Agency for Development and Cooperation, United Nations Development Programme / United Nations Capital Development Fund, U.S. Agency for International Development

We endorse the five key elements of effectiveness that have emerged from the Peer Reviews, as they provide a useful framework for assessing and benchmarking our performance. They are: 1) strategic clarity and coherence; 2) strong staff capacity; 3) accountability for results; 4) relevant knowledge management; and 5) appropriate instruments. For those among us who wish to remain engaged in building pro-poor financial systems, we commit to do all that we can to achieve basic competency in each of the five elements to ensure adherence to basic standards of good practice. We also need to expand the work of the Peer Reviews to include our country-level partners and look for ways to work together more effectively. We have seen that collaboration is not always easy, but we endeavor to search for ways to reduce transactions costs for all involved – both for ourselves and our partners in the field.

Moving forward, we commit to four action steps to transform the Peer Review recommendations into tangible results for poor people. We request that our technical colleagues translate these steps into a program of work for the next two years. The objective of this continued work is to be more effective in every country by identifying our strengths and appropriate niches, leveraging each others' strengths, and aligning and harmonizing our operations with country priorities.

1. **Codify good practices.** Current joint guidelines of good practices are nearly 10 years old, and require updating, both to incorporate the lessons from the Peer Reviews and to make them easier to apply to operations. New guidelines should include, among other things, a code of conduct for using subsidies to work with the private sector and guidance on the best use of different instruments available to bilateral and multilateral donor agencies. We commit to sending clear, strong messages to all operational staff in at least two areas: (i) a requirement to consult with government, all other donors, and stakeholders before approving any new support in a specific country or with specific institutions to ensure complementarity and avoid undermining others in the market; and (ii) accountability and transparency on performance of the portfolio are more important than “looking good”; and transparency is critical to reaching our shared vision of creating sustainable access to financial services for poor and low-income people.
2. **Share and leverage staff capacity and knowledge.** We concur that a strong internal technical capacity is essential to manage or outsource microfinance operations. However, we all cannot and should not make equally intensive investments in building staff capacity and knowledge management systems. Therefore, we should seek to leverage and build on our technical capacity and knowledge by encouraging cross-agency secondments, drawing on expertise in the private sector, investing in our national staff, delegating programs to those agencies with strong technical staff capacity (especially when that technical capacity is decentralized) where appropriate, strengthening and scaling-up networks, engaging in joint training, and building and contributing to common knowledge management systems like an internet portal.
3. **Take the Peer Review process and recommendations to the field.** Building on the decentralized structure of many of our agencies, the Peer Reviews should increase the ownership, voice and participation of our colleagues, partners and stakeholders (government and private organizations) at the country level. Activities in selected partner countries should be undertaken to a) obtain the feedback of field-level stakeholders beyond the donor community; and b) test and document cases of collaboration among donors with complementary strengths.
4. **Conduct two-year follow-up.** In two years' time, we plan to reconvene to discuss which steps we are taking, individually and collectively, to implement the Peer Review recommendations. Each of our agencies should assess and track progress towards the recommendations of its Peer Review. As part of the follow up, agencies could choose to undergo a voluntary “checkup” review. These lighter reviews should explicitly incorporate benchmarking of our performance.