

Portfolio Reviews

Resource Guide for Funders

A Technical Guide

December 2012

Barbara Scola-Gähwiler

Alice Nègre



CGAP is an independent policy and research center dedicated to advancing financial access for the world's poor. It is supported by over 30 development agencies and private foundations who share a common mission to improve the lives of poor people. Housed at the World Bank, CGAP provides market intelligence, promotes standards, develops innovative solutions, and offers advisory services to governments, microfinance providers, donors, and investors.

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CGAP

1818 H St., N.W., MSN P3-300

Washington, DC 20433 USA

+1 202 473 9594

www.cgap.org

www.microfinancegateway.org

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Acknowledgments

This Technical Guide builds on the experiences of CGAP members that conducted reviews of their microfinance portfolios during the past three years. CGAP participated in some of these portfolio reviews, provided technical advice, or served as a member of the steering committee that supervised the review process. In particular, the authors thank AFD, UNCDF, GIZ, and EIB for sharing their experiences with us and with other CGAP members. We also thank Lene Hansen, a reviewer of this Technical Guide and an evaluator in the EIB and UNCDF portfolio reviews, and Nathalie Assouline, the lead evaluator in the AFD portfolio review. Both have made significant contributions to the development of this methodology. Our thanks also go to Richard Rosenberg, who reviewed this Technical Guide and provided inputs from his experience as a lead evaluator in portfolio reviews for IDB, UNCDF, UNDP, and the World Bank. Finally, we thank Mayada El-Zoghbi for sharing her experience as a steering committee member in the AFD and UNCDF portfolio reviews and for providing guidance during the production of this Technical Guide.

I. Purpose of This Technical Guide

This Technical Guide presents the portfolio review as an evaluation method that can help funders learn from what they fund. Microfinance portfolio reviews first appeared in the 1990s as an evaluation method that compares the performance of microfinance projects across a funder's portfolio. At that time, funders focused on building strong, sustainable institutions that would provide access to financial services to low-income populations. Portfolio reviews helped assess whether this goal was achieved, by using standard financial performance indicators to evaluate the sustainability of microfinance institutions (MFIs).¹

Today, the focus has shifted to a broader vision of financial inclusion, which requires funders to consider project performance beyond the sustainability of a supported MFI. As microfinance sectors evolve and the number and diversity of funders increase, development agencies have to constantly reconsider the added value they bring to their target markets and whether their operations are relevant contributions to responsible market development. In this context, portfolio reviews evolved to assess not only the financial and social performance of MFIs, but also the relevance of the project design in a given market context and the quality of delivery.

There is no standard methodology for portfolio reviews, and this Technical Guide will not deliver a ready-to-use blueprint for evaluators. Rather, it takes stock of the lessons learned so far and aims to capture emerging practices among funders of financial inclusion. Ideally, this Technical Guide will reduce the efforts for funders conducting portfolio reviews in the future and increase the validity and comparability of results.

This Technical Guide is meant to be a reference document for staff of donors and investors who design and implement portfolio reviews, as well as for the evaluation teams who perform the reviews. It is organized as follows:

- Section II describes the objectives and characteristics of a portfolio review.
- Section III discusses the questions a portfolio review can help answer.
- Section IV describes a step-by-step process of a typical portfolio review.
- Section V offers practical advice on how to implement a portfolio review.
- The annexes include template terms of reference (TOR), template interview checklists, and a sample outline for the final report.

¹ See Rosenberg (1998) and Rosenberg (2006).

II. *What Is a Portfolio Review?*

A portfolio review analyses the composition of the microfinance portfolio and the performance of individual projects² across the portfolio to assess whether a funder delivers on its microfinance strategy. Combining these two perspectives provides a comprehensive analysis of whether a funder is on the right track to achieve the overall objectives it has set for its microfinance operations. The main characteristics of a portfolio review are summarized in Table 1.

First and foremost, portfolio reviews are a **learning tool** for funders who want to understand what works, what doesn't, and why. Analyzing performance across a funder's portfolio can yield meaningful learning and can help inform future program design and strategic reorientations. Using a systematic approach to compare the main drivers of project performance throughout the portfolio helps identify common patterns of success and failure. As opposed to individual project evaluations for which lessons may be harder to extrapolate, portfolio reviews generate lessons based on the entire portfolio. These lessons are likely to have broader validity and help funders make evidence-based decisions. In CGAP's experience working with various funders, portfolio reviews have proven more likely to lead to actual improvements in operations compared to individual project evaluations.

Portfolio reviews also fulfill an **accountability** function. They assess whether funders are achieving results and whether these results are relevant in the current market context. The reader, be it the head of the agency, civil society organizations, or beneficiaries of aid programs, can find out whether a funder delivers on its microfinance strategy and how a funder adds value. If done regularly—every three to five years—portfolio reviews help funders track performance over time and show whether strategic reorientations have led to the expected results. As such, portfolio reviews provide useful input for funders designing or revising their microfinance strategy.

² The generic term “project” is used throughout this Technical Guide to describe an individual intervention as tracked in the funder's monitoring and evaluation system, usually with a unique project identification number. Terminology varies across different organizations, and sometimes the terms “investment” or “program” are used synonymously to “project.” In this Technical Guide, a project can include funding of one or several recipients and can be part of a set of interventions (program).

Table 1. Characteristics of Portfolio Reviews

Objectives	✓ ✓	Learning Accountability
Scope	✓	Review of a funder's microfinance portfolio or a significant portion of it
Focus	✓ ✓	Portfolio composition Project performance across portfolio
Analytical Tools	✓ ✓	Systematic approach (scoring) to compare performance across the portfolio Desk review complemented with input from staff and project stakeholders

While portfolio reviews serve both purposes, there can be trade-offs between learning and accountability. Accountability requires that a portfolio review is done by independent evaluators with little or no involvement of staff responsible for the portfolio that is evaluated. However, from a learning perspective, staff involvement increases the chances that staff members know, buy into, and apply the lessons learned from a portfolio review.³ Funders and evaluators should be aware of this trade-off so that the methodology and process selected for a portfolio review are in line with the funder's priorities.

Portfolio reviews are **one of many tools within a funder's monitoring and evaluation (M&E) system.**⁴ They build on other data collection tools (such as those used for routine monitoring); they do not substitute for other types of periodic evaluations (e.g., project/program/country evaluations) rather, they serve to complement these other evaluations. When considering doing an evaluation, funders should carefully think about what drives the need for evaluation, what possible limitations they may face, and what specific question(s) they would like to answer. This reflection will help determine which method is best suited for their needs.

Portfolio reviews should be distinguished from impact evaluations. Portfolio reviews focus on the first parts of the results chain⁵ (inputs, outputs, and outcomes) and provide only approximate data about the impact of projects on beneficiaries. Funders interested in measuring the impact of microfinance projects on clients should consider the different impact evaluation methods that are emerging in the microfinance sector (CGAP 2011).

³ This is not unique to portfolio reviews but concerns any type of evaluation. OECD (1998, p. 10) notes, "The Principle of independence has to be balanced with the interest in promoting ownership of the evaluation products and their recommendations. At the same time, if accountability, and not lessons, is the primary purpose of an evaluation, then the independence function is critical."

⁴ With the advance of results-based management as a central principle in development cooperation, development agencies have invested in building M&E systems that address diverse internal and external information needs. For more information, see World Bank (2009).

⁵ The "results chain" is a model often used in development cooperation to describe the sequence of development interventions beginning with inputs used in activities that lead to outputs, outcomes, and ultimately, impact.

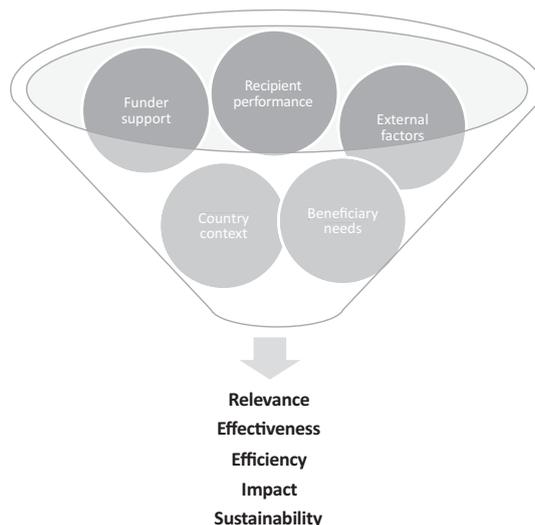
III. What Questions Can a Portfolio Review Answer?

The **overarching question** a portfolio review aims to answer is whether a funder delivers on its microfinance strategy. To answer this question, a portfolio review typically assesses the *composition* of a funder’s microfinance portfolio and project *performance* throughout the portfolio. In other words, a funder needs to fund the right projects *and* these projects have to perform. Since these two dimensions are not necessarily linked, a portfolio review has to assess them both systematically.

Assessing the composition of the microfinance portfolio serves to verify whether a funder supports projects that are in line with its microfinance strategy. Evaluators assess, for example, whether the types of projects, the regional allocation, the levels of intervention, and the funding instruments correspond with the funder’s strategic objectives.

Project performance depends on many different factors, some of which can be influenced by the funder and others that are beyond the funder’s control: funder support, recipient performance, country context, beneficiary needs, external factors, etc. (see Figure 1). The two drivers of project performance that are specifically important to assess are *recipient performance* (e.g., for retail financial service providers, indicators include portfolio

Figure 1. Drivers of Project Performance



quality, financial and operational sustainability, outreach) and the *quality of the funder's support* (e.g., staff and resource allocation, selection of recipients, monitoring, responsiveness to changes in the project environment). Recipient performance, especially the sustainability of the institution supported by the funder, is crucial for the project outcomes to continue beyond the duration of the project. The quality of the funder's support is what the funder can most directly influence.

To assess and compare project performance throughout the portfolio, a portfolio review uses a **systematic approach** based on the standard evaluation criteria: relevance, effectiveness, efficiency, impact, and sustainability (OECD 1991, see Table 2). Using such a standardized and systematic approach has many benefits: (i) exhaustiveness, in that it will help answer a funder's specific questions but can also uncover unexpected issues, (ii) comparability across projects, over time, and possibly with other funders, (iii) usability of indicators since the Development Assistance Committee (DAC) Principles for Evaluation of Development Assistance criteria are well-known by evaluation specialists and consultants, and are likely to be used in internal M&E systems.

Funders might also have specific hypotheses or questions on what works well and what doesn't, and the portfolio review can be used to test these hypotheses. For instance, is the greenfield (i.e., a newly established MFI) model more efficient in terms of increasing outreach compared to investing in existing institutions? Is direct implementation more efficient compared to implementation via an intermediary? Is a funder's project management efficiently supporting operations? Reflecting upfront on the specific questions a funder wants to answer with a portfolio review is likely to increase the usefulness of the

Table 2. DAC Evaluation Criteria

Relevance	The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, global priorities, and partners' and funders' policies. Note: Retrospectively, the question of relevance often becomes a question of whether the objectives of an intervention or its design are still appropriate given changed circumstances.
Effectiveness	The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.
Efficiency	A measure of how well economic resources/inputs (funds, expertise, time, etc.) are converted into results.
Impact	Positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended.
Sustainability	The continuation of benefits from a development intervention after major development assistance has been completed. The probability of continued long-term benefits (i.e., leading to sustainable access to finance). Note: The portfolio review assesses the operational and financial sustainability of the partner (e.g., MFI) expected to provide benefits over the long term, but also looks at the environmental and social sustainability of the project.
Adapted from OECD (1991).	

review and will indicate to the evaluators what they should focus on. Portfolio reviews can lead to concrete recommendations that will help the funder refine its strategy and improve its future performance. Box 1 provides an example of how the European Investment Bank used portfolio reviews to perform different thematic evaluations.

Box 1. Thematic and Specific Evaluations at the European Investment Bank

The European Investment Bank (EIB) Group regularly conducts thematic evaluations that can be based on one of EIB's strategic objectives, a sector, a program or initiative, or a type of instrument. Thematic evaluations follow a standard evaluation process and use evaluation criteria in line with the Evaluation Cooperation Group's (ECG) standards. One of the main methodological steps includes a portfolio review aimed at analyzing the types of EIB Group's operations signed under the selected theme in the countries/region over the period considered for the evaluation. The synthesis reports of thematic evaluations are presented to the Board and published on EIB's Web site.

In addition to regular thematic evaluations, EIB recently completed the "Mid-Term Evaluation of Cotonou Technical Assistance for Microfinance in Sub-Saharan Africa." This evaluation had a clear thematic and regional focus and addressed one specific question: the strengths and weaknesses of channeling technical assistance through microfinance investment vehicles. The findings from the evaluation helped EIB identify the most effective models of providing technical assistance. As a next step, EIB is planning to develop standard indicators for measuring the performance of technical assistance.

IV. The Review Process

This section describes the typical phases of a portfolio review and discusses the tools used and the outputs produced in each phase. The Technical Guide highlights what can be standardized among different funders and provides guidelines on how to adapt the proposed process and methodology to a funder’s specific needs and context, as well as potential data, time, and budget constraints.

A portfolio review typically includes five distinct phases (Figure 2). The scoring and stakeholder consultation phases can take place simultaneously.

A. Preparation Phase

The preparation phase usually takes one to two months and aims at reviewing the scope of the review, the methodology, tools, and level of effort (see Table 3). For a portfolio review to add the most value, the review process and the methodology should be

Figure 2. Phases of a Portfolio Review

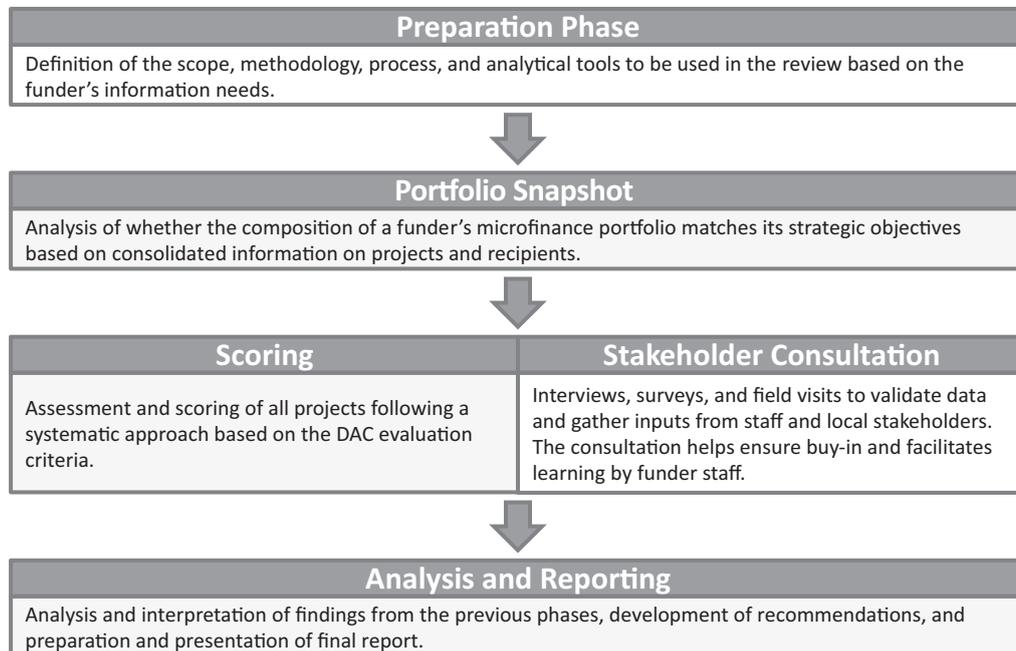


Table 3. Phase 1, Preparation Phase

Objectives	Definition of the scope of the review, the methodology, process, and benchmarks; identification of the tools to be used; and agreement on the level of effort
Duration	1–2 months
Deliverables	<ul style="list-style-type: none"> • Inception report • Tools for each of the subsequent phases • List of all projects to be reviewed

adapted to the funder’s needs and expectations, but also to possible limitations, such as restricted data availability or time and resource constraints. Limitations in terms of timing, data availability, and other constraints should be identified upfront to align expectations. Accordingly, the methodology can be simplified or the scope of the review narrowed.

In the preparation phase, the evaluation team and the funder work together to refine and adapt the evaluation framework to the funder’s information needs and decide on the scope of the review. Equipped with these parameters, the evaluators develop the tools needed for data collection and analysis and suggest the timeline for the subsequent phases. The list of deliverables, as indicated in the initial TOR, should also be revisited. The inception report is the main deliverable of this phase. It describes the approach suggested by the evaluators, the purpose and scope of the review, the evaluation methodology and questions, limitations, standards against which the portfolio is assessed, and the review process, including level of effort, deliverables, and deadlines.

Step 1. Defining the Benchmarks

The portfolio review compares achievements with objectives, both at the project level and at the portfolio level. In the first step, the funder and the evaluators discuss what those objectives are and decide upfront against which benchmarks the portfolio should be evaluated. In most cases, overall objectives are defined in the funder’s microfinance or financial sector development strategy, a results framework, or similar document. However, not all funders have a formal microfinance strategy or the strategy might be outdated, in which case the evaluators and the funder should define the applicable benchmarks for the review together. Previous evaluations, audit reports, or project-level results frameworks can be useful sources of information to get a sense of a funder’s strategic priorities. Industry benchmarks such as “Good Practice Guidelines for Funders of Microfinance” (CGAP 2006), should also be taken into account.

At this stage, evaluators should have access to the following documents:

- Microfinance strategy, financial sector development strategy
- Results frameworks, logical frameworks
- Project documentation (sample)
- Evaluation policies and guidelines, templates, and standard performance indicators
- Previous evaluation/audit reports

Step 2. Checking Data Availability

Data availability strongly influences the level of detail that can be expected from the review and the level of effort required to collect information on projects and their performance. The funder should provide access to the project database and project-level performance information, including all key documents produced during the project cycle (market assessment, project identification, approval, agreements with partners, progress and monitoring reports, and evaluations).

Evaluators should verify the robustness of the project database, in particular how easily microfinance projects are identified in the project database and whether projects from different departments and components in larger financial sector or multi-sector programs are included. Evaluators then examine a sample of project documents to see whether the necessary data are available and whether they are consistently reported, with performance indicators tracked systematically.

While many funders have improved their internal monitoring systems over the past decade, the availability of project information and performance data remains a widespread challenge.⁶ In some cases, collecting portfolio data can become one of the main purposes of a portfolio review, as was the case for some of the earlier portfolio reviews.⁷ If data provided by the funder through its project database, internal monitoring system, and project documentation are insufficient, evaluators can recommend collecting additional data. In this case, evaluators and funders need to agree on responsibilities and level of effort allocated for this additional data collection. In some cases, data can be reconstructed with the help of publicly available data (e.g., recipient performance through MIX market) or by requesting additional data from project managers or recipients. Evaluators can design a standard template to collect the necessary data, and they can request funder's support in disseminating, collecting, validating, and transferring data to the evaluation team. Interviews and field visits can also be used to collect and

⁶ In the SmartAid for Microfinance Index, an assessment of funders' internal management systems, funders receive the lowest scores on indicators related to "accountability for results." See CGAP (2010).

⁷ See Rosenberg (2006).

Box 2. Portfolio Snapshot at African Development Bank

As is the case in many organizations, the African Development Bank (AfDB) has several departments that support financial inclusion projects, including the private sector department, the human and social development department, the agriculture department, and the governance department. There is no automated system in place that allows extracting and consolidating information about all microfinance projects at AfDB.

To get a comprehensive overview of the portfolio, AfDB in 2010 decided to undertake a portfolio snapshot that could later be used for a more thorough portfolio review. Several methods were used to collect data: a survey with project managers, the review of project documents, and the extraction of data from the accounting system. Data from external sources, such as the Microfinance Information Exchange (MIX), were also used to complement the internal data. While most data at AfDB were stored somewhere, tracking and consolidating information proved to be a serious challenge that required a systematic approach, time, and resources.

validate missing data. Collecting additional data requires additional time; the length of time is often underestimated by both funders and evaluators. Box 2 explains how the African Development Bank first undertook a portfolio snapshot, which involved collecting missing data, to prepare for a full-fledged portfolio review.

Step 3. Defining the Scope of the Review

Depending on the purpose of the review and the available resources and time, the scope of the review should be clearly defined. If more than one department designs and manages microfinance projects, there is a need to discuss what should be covered by the review. From a learning perspective, all departments involved in microfinance should be included in the portfolio review, or at least in the portfolio snapshot. As such, the review process itself provides an opportunity for knowledge exchange.

The sample of projects to be reviewed should be clearly defined. While a portfolio review does not necessarily cover the entire microfinance portfolio of a funder, its learning value is higher if it covers at least a significant cross-section of it. Funders with very large and diverse microfinance portfolios might choose to limit the scope to a specific subset of projects, such as projects in one region, projects with a similar thematic approach, or projects focused on one specific level of intervention (see Box 1).⁸

⁸ For example, EIB reviewed the performance of its technical assistance support in sub-Saharan Africa.

A decision is also needed on whether closed projects and very recent projects should be included in the review. For instance, recently approved projects can be assessed only in terms of relevance, as no data are yet available on their results. Unless the funder's strategy and delivery approach have changed fundamentally, it is best to also include closed projects. A larger sample size leads to more broad-based conclusions and helps assess whether project performance has evolved over time. Also, including closed projects allows assessing longer term results of a funder's interventions, which is not possible for current projects.

The funder should also clarify to what extent the evaluators are asked to make strategic or operational recommendations that go beyond the conclusions of the portfolio review (e.g., recommendations on new areas of work the funder should focus on). Any other outputs expected by the funder (e.g., delivery of workshops or training based on the results) should also be defined at this stage.

Step 4. Planning the Review Process

Once the purpose, the benchmarks, and the scope of the review are defined and the evaluators have a sense of the available data, they can propose a more detailed plan for the review process. The plan should include a detailed timeline and the expected level of effort for each phase. Ideally, it should also identify dates for intermediary meetings and deadlines for deliverables.

The responsibility for the overall process and commitments from the funder's side should also be discussed, including staff availability, timely clearance of intermediate deliverables, and support in organizing interviews and field visits. Evaluators depend on the timely availability of documents, project performance data, and feedback to produce the expected results.

Step 5. Tool Development

In preparation for subsequent phases, the evaluators should develop the tools needed for data collection and scoring. These tools, further described in the following sections, typically include the following:

- Template for portfolio snapshot
- Scoring system
- Criteria or preselection of countries to be visited
- Interview guidelines

Table 4. Phase 2, Portfolio Snapshot

Objectives	A consolidated overview of the funder's portfolio
Duration	1–2 months (can be longer if the funder's M&E system does not provide required information). Collecting additional data can require a month or more.
Deliverables	<ul style="list-style-type: none"> • Portfolio snapshot (often an Excel document listing projects and recipients with key data and allowing for a comparative analysis) • Intermediate report on portfolio composition and project performance (including recipients' performance and the quality of project management)

B. Portfolio Snapshot

In this phase, the evaluators collect, consolidate, and analyze information on projects (see Table 4). The main output is a consolidated snapshot of the funder's microfinance portfolio: What are the characteristics of the projects? How has the portfolio been managed? What institutions are supported? How are they performing? This mapping allows for a thorough analysis of the composition of the portfolio and can be used to detect correlations between project characteristics and performance. It is also a necessary input for the project scoring, as it gathers all project-level information in one place.

Step 1. Data Collection

Together with the funder, evaluators agree on the basic project information (see examples in Table 5) and the common set of recipients' performance indicators (see examples in Table 6) that should be collected for all projects. Ideally, all data are reported as of a set date. If the review happens in the first semester of the year, the reporting date might be December

Table 5. Project Information (Examples)

Project Identification	Project Management	Project Performance
<ul style="list-style-type: none"> • Project ID (code or number) • Department/managing unit • Name of project • Name of project officer • Region and country • Type of project—standalone or component • Level of intervention—retail level, wholesale finance, market infrastructure, policy, global public goods • Purpose—technical assistance, refinancing, research, and/or knowledge sharing • Funding instruments—debt, equity, guarantee, grant, other • Pricing—concessional or market-based • Short description of objective 	<ul style="list-style-type: none"> • Project dates—identification, approval, disbursements, repayments, number and dates of supervision missions, termination • Duration • Type of contract—performance-based, tranches/lump sum • Amounts—total committed, disbursed, and reimbursed • Share of funding provided by funder and share provided by co-funders • Resources—staff time, consultants, administrative and monitoring costs 	<ul style="list-style-type: none"> • Targets • Baseline data • Results at time of the review (and if possible, at important milestones or project end)

Table 6. Information on Recipients (Examples)

	Retail Financial Service Providers	Wholesale Financial Service Providers	Market Infrastructure	Policy/Regulation/Supervision
Description	<ul style="list-style-type: none"> • Name • Type—retail (bank, cooperative, nongovernmental organization, nonbank financial institution, other), wholesale (holding, international investment fund, local apex, etc.), market infrastructure (telecommunications operator, insurance company, credit bureau, industry association, etc.), policy (government, central bank, etc.) • Years of operation • Range of services • Funding structure • Years funded by the funder 			
Performance	<ul style="list-style-type: none"> • Outreach (number of clients served and poverty level) • Portfolio quality • Financial sustainability (profitability) • Efficiency • Social performance 	<ul style="list-style-type: none"> • Performance of the wholesale provider in terms of outreach, portfolio quality, sustainability, etc. • Performance of the wholesale provider's investees 	Examples: <ul style="list-style-type: none"> • SEEP practitioners guide for microfinance associations • IFC Credit Bureau knowledge guide^a • IFC standard indicators on access to finance^b 	Examples: <ul style="list-style-type: none"> • IFC standard indicators on access to finance • Evaluators should look at indicators defined in agreements, workplans, or national financial inclusion strategies, if applicable.
^a http://www.ifc.org/ifcext/gfm.nsf/AttachmentsByTitle/FI-CB-KnowledgeGuide-E/\$FILE/FI-CB-Knowledge-Guide-E.pdf ^b http://www.ifc.org/ifcext/rmas.nsf/Content/StandardIndicators				

of the previous year. Evaluators compare performance at the project start (baseline) and at the reporting date. For closed projects, evaluators look at data at the project end and, if available, at more recent data to see how the recipient evolved after the funder's support had ceased, which is important to assess the sustainability of a project. If projects include several recipients, performance data should be collected for each recipient.

There are well-tested standard indicators to measure the financial and social performance of retail financial service providers in each of the categories listed in Table 6. For guidance on indicators to include, see Rosenberg (2009), the SEEP Microfinance Financial Reporting Standards,⁹ and tools developed by the Social Performance Task Force.¹⁰

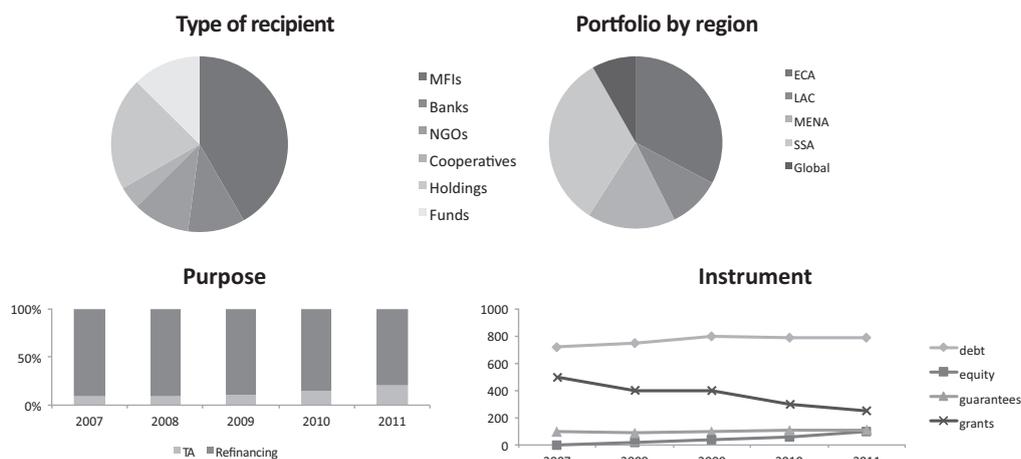
For microfinance investment vehicles, wholesale finance institutions, apexes, and other intermediaries that channel funding to retail institutions, evaluators should assess both the performance of the provider and, to the extent possible, the performance of the retail institutions in its portfolio.¹¹ This can help evaluators compare the performance and cost-effectiveness of direct and indirect interventions.

⁹ <http://www.seepnetwork.org/pocket-guide-to-the-microfinance-financial-reporting-standards-measuring-financial-performance-of-microfinance-institutions-resources-180.php>

¹⁰ <http://sptf.info/resources/mix-sp-indicators>

¹¹ Most apexes monitor portfolio quality, operational sustainability, and efficiency of MFIs in their portfolio. Two-thirds of apexes monitor some social performance indicators. However, data quality varies by institution. See Forster, Duflos, and Rosenberg (2012).

Figure 3. Sample Visuals, Portfolio Composition



For other types of recipients, there are few standards. The SEEP Network has developed financial performance indicators for microfinance associations: “Measuring Financial Performance: Practitioners Guide for Microfinance Associations”¹² and the “SEEP Success Indicators for Microfinance Associations,”¹³ while IFC uses standard indicators on access to finance that include indicators at the market infrastructure and policy levels. Evaluators should choose and suggest indicators to compare performance across projects to the extent possible.

Step 2. Preliminary Analysis

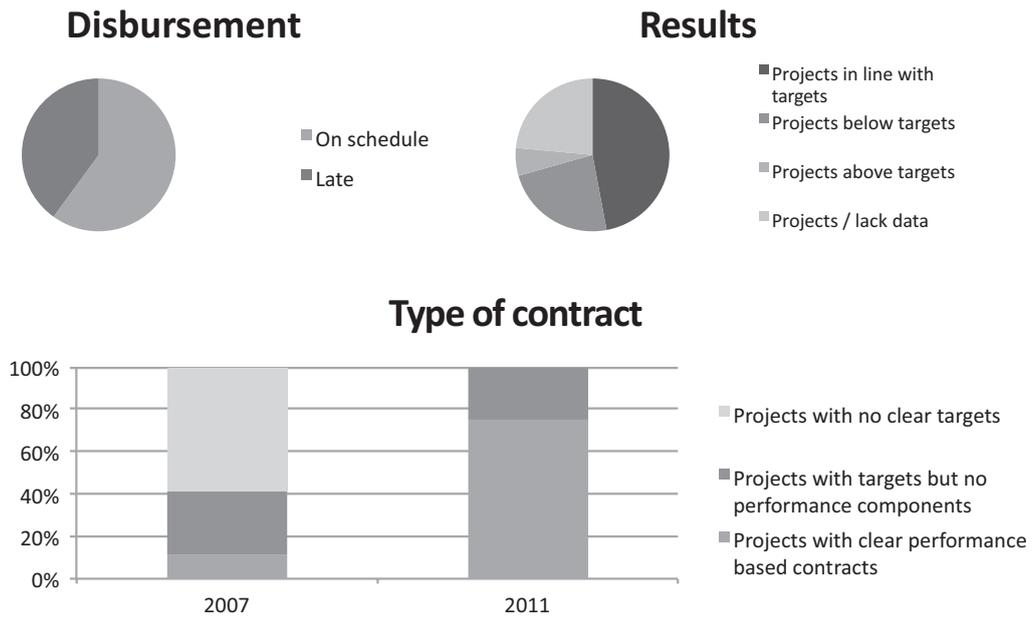
It is useful to conduct a preliminary analysis of the portfolio snapshot and share the findings as an intermediary output with the funder. This analysis might point to performance patterns and can help refine the interview questionnaires or the scoring sheet.

In their analysis, the evaluators should look at whether the **composition of the portfolio** is aligned with the funder’s microfinance strategy. Using the portfolio snapshot, evaluators can filter the portfolio by different criteria, such as the purpose of the funding, rural versus urban client segments served, country or regional allocation or the instruments used (see Figure 3). Total commitments can also be compared to projections. Based on these comparisons, evaluators are able to assess whether the funder’s portfolio is driven by its strategy. For example, this analysis would quickly reveal a mismatch

¹² http://www.seepnetwork.org/filebin/FinancialPerformance_web_en.pdf

¹³ http://www.seepnetwork.org/filebin/SuccessIndicatorsforMFAs_web_en.pdf

Figure 4. Sample Visuals, Project Management and Performance



between a strategy that focuses on rural poverty and a portfolio of projects supporting mainly urban institutions.

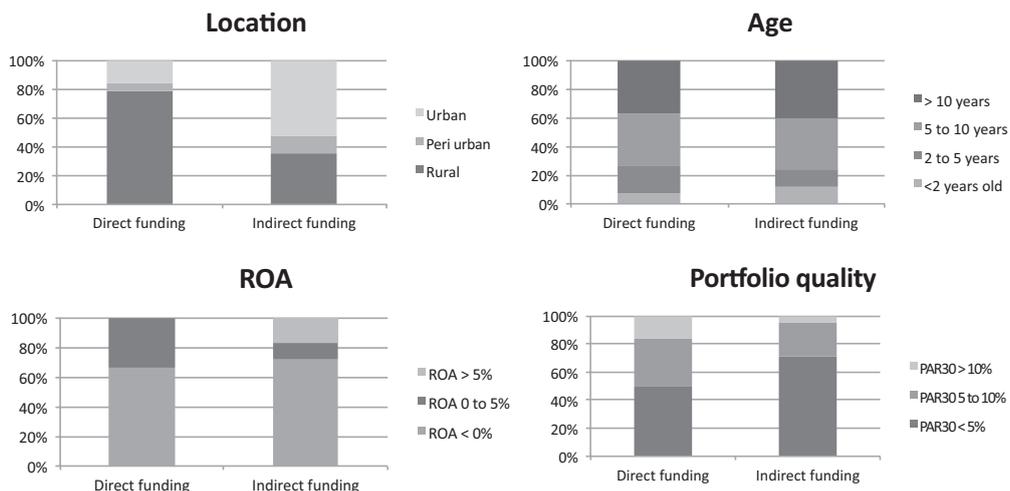
Evaluators then prepare aggregate performance data on **project management**. They can, for instance, highlight the average duration of projects, the percentage of projects meeting targets, or the breakdown of the portfolio by type of contract (see Figure 4).

Finally, evaluators prepare aggregate performance data at the **recipient level**. For recipients at the retail level, evaluators can prepare the breakdown by portfolio quality, financial performance, etc. (see Figure 5). Visual representations of the portfolio and how it evolved over time are a useful way to present the findings of this analysis.

C. Scoring Project Performance

Scoring project performance is the core piece of the portfolio review. Assigning scores based on standardized indicators helps compare performance across the portfolio and generates a global view of portfolio performance. It reduces potential bias and allows evaluators to identify general performance patterns. In this phase, the evaluators score all projects based on available documents and consolidate scores across the portfolio. The time needed for this phase varies greatly, depending on the number and standardization of project documents (see Table 7).

Figure 5. Sample Visuals, Recipients



Step 1. Define the Scoring Factors

Developing a scoring system that matches the funder’s information needs and helps the evaluators focus on the relevant information is a critical success factor of the portfolio review. A balance has to be found between standardization and leaving enough room for the evaluators’ own judgment and lessons emerging from qualitative analysis. The starting point for designing the scoring system is the DAC evaluation criteria and the specific questions the funder wants to answer through the portfolio review. Scoring factors that are specific, relevant to answering the funder’s questions, and measurable given the available information should be selected for each of the criteria. A sample scoring grid following this model is presented in Table 8.

Similar to the portfolio snapshot, if the project works through wholesale institutions or apexes (i.e., indirect financing), the scoring should not be based only on the performance of these intermediaries, but should also include the performance of the underlying investees. Above all, sustainability should not be scored based on the performance of a

Table 7. Phase 3, Scoring

Objectives	Summary of Portfolio Performance
Duration	The time needed to score a project depends on the amount and level of standardization of project documents. The evaluator should budget 3 to 8 hours per project.
Deliverables	<ul style="list-style-type: none"> • Completed scoring sheet for each project • Consolidated scores

Table 8. Sample Scoring Grid

Relevance	Scoring Factors
Are project objectives consistent with the funder's overall strategy/expectations?	R1 Extent to which project objectives are aligned with funder's strategy/expectations (thematic focus, regional/country focus, instruments and delivery approaches, target beneficiaries, etc.)
Are projects following internationally recognized best practices?	R2 Extent to which the project is in line with internationally recognized best practices (e.g., "Good Practice Guidelines for Funders of Microfinance" CGAP [2006])
	R3 Extent to which the project intentionally/explicitly creates incentives and helps recipients implement the Client Protection Principles ^a
	R4 Extent to which project intentionally/explicitly contributes to the implementation of the Principles for Investors in Inclusive Finance ^b (Funders can include other standards and principles they have endorsed into the scoring sheet)
Are projects relevant with regard to market/country needs and national strategies?	R5 Extent to which the project intentionally addresses specific market needs and is in line with national strategies
	R6 Extent to which project objectives have remained valid during implementation/been adjusted to accommodate changes in partner/country circumstances throughout implementation
What added value was created by the funder that would not have been achieved without funder support?	R7 Extent to which the project is based on clear and documented analysis of value added, taking into account funder's comparative advantage and other stakeholders' (donors/partners/government) activities
Are projects designed to meet intended objectives?	R8 Degree to which the type and level of intervention (e.g., direct vs. indirect lending, greenfielding vs. working with existing MFIs, retail vs. market infrastructure vs. policy work) match project objectives
	R9 Consistency between project objectives and recipient needs, strategy and capacity to implement the project, and extent to which consultation ensured effective ownership by recipients and partners
	R10 Extent to which instruments, funding amounts, and disbursement plan are in line with the project logical framework (i.e., goals, expected outputs, outcomes and impact, timeframe)
Effectiveness	Scoring Factors
How appropriate is the M&E system to track effectiveness?	ES1 Extent to which outcomes were clearly specified, with baseline values, performance targets, and relevant monitoring indicators
	ES2 Extent to which reporting includes social performance indicators. ^c (Funders may select some of the indicators to look at specifically.)
	ES3 Extent to which performance has actually been monitored
Are project objectives achieved or likely to be achieved?	ES4 Extent to which the recipient has implemented, or is implementing, the anticipated activities (e.g., open branches, improve management information systems [MIS], develop new products)
	ES5 Extent to which project outcomes have been/are being met (e.g., number of active clients, loan portfolio size, increase in outreach in a specific area)
	ES6 In case of loans/refinancing, extent to which the recipient has repaid/is repaying the installments on time
Efficiency	Scoring Factors
Is the funder delivering on its commitments in a timely and efficient manner?	EY1 Extent to which the project was designed, negotiated, and finalized within reasonable time/agreed timeframes
	EY2 Extent to which financing was provided in line with activities/other financing needed or extent to which disbursement took place according to plan

(continued)

Table 8. Sample Scoring Grid (*continued*)

Efficiency	Scoring Factors
How appropriate are the contracting and M&E systems to ensure efficiency?	EY3 Extent to which the funder has used transparent, competitive procurement processes for contracting resources to implement the project (e.g., consultants, service providers, etc.)
	EY4 Extent to which the funder's contracting (e.g., performance-based contracts) and monitoring system (e.g., calls, reporting, evaluation missions, sanctions, etc.) incentivize performance against targets
	EY5 Extent to which the funder reacted appropriately in case of deviation from initial plans and targets
Are project outputs commensurate with the input of resources and time allocated?	EY6 Extent to which internal costs and staff resources allocated are commensurate with results (<i>if data on costs and resources are unavailable, benchmarks and comparison with other projects in the portfolio can be used</i>)
	EY7 Extent to which the funding amount allocated for the project is commensurate with (expected or actual) results
Impact	Scoring Factors
To what extent have projects improved access to sustainable finance for low-income people?	I1 Extent to which the project has increased outreach to clients (net change in the number of clients)
	I2 Extent to which the project has improved the quality of access (product and service innovation, reaching out to new markets, etc.)
Have projects brought positive impact at the sector level?	I3 Extent to which the project has had a positive impact on micro-finance/financial access industry and policy in the country (e.g., contribution to building strong institutions, regulatory reform, etc.)
Are projects generating any unanticipated positive/negative impact?	I4 Extent to which the project has contributed to development impacts outside of the financial access sphere (e.g., catalyzing social change) or generated shortcomings, such as negative social impacts or environmental damage
Sustainability	Scoring Factors
Is there a clear exit strategy for the funders' support?	S1 Extent to which exit options were assessed and defined in project design and subsequent work plans, and monitored by relevant indicator(s)
How are recipients performing—are they able to sustain their operations without ongoing funding?	S2 For technical assistance projects, extent to which the project includes clear handing-over/succession planning and phase-out of interventions
	S3 Extent to which recipients have increased their financial sustainability (operational self-sufficiency [OSS] and financial self-sufficiency [FSS], return on assets [ROA]) over period of funding, and have the financial capacity to address recurrent costs
	S4 Extent to which recipients have increased their institutional capacity (MIS, procedures, etc.) and their capacity to grow
	S5 Extent to which recipients have improved/maintained portfolio quality (portfolio at risk [PAR]) and are on par with or exceed average portfolio quality indicators in the country
	S6 Extent to which operations at the market infrastructure and policy level are likely to continue after funding is withdrawn (national buy-in, revenue generation/alternative funding)
	S7 For closed projects, demonstrated capacity of the recipient to continue to offer services beyond the duration of the project
^a http://www.smartcampaign.org/about-the-campaign/smart-microfinance-and-the-client-protection-principles ^b http://www.unpri.org/files/2011_01_piif_principles.pdf ^c http://www.themix.org/social-performance/Indicators	

fund or apex, but mainly on the sustainability of the MFIs themselves. Evaluators should also look at how relevant this indirect intervention is compared to direct investments from the funder (see factor R8 in the sample rating grid in Table 8).

Adapt the scoring grid. Evaluators should adapt the scoring grid according to the information needs and specifics of the funder and limitations in terms of data availability, time, and budget. To meet the funder’s information needs, there may be additional factors evaluators need to assess that are not yet included in the sample grid in Table 8. Funders might also have specific hypotheses or questions on what works well and what doesn’t; the portfolio review can be used to test these hypotheses. Scoring factors in the sample grid that are not relevant for a funder’s information needs can be excluded.

If related to the standard evaluation criteria, additional questions can be easily integrated into the grid. The evaluators can also decide to include additional evaluation criteria with their own set of questions and scoring factors. However, experience has shown that too many scoring factors can be counterproductive as this distracts evaluators and dilutes results. As a rule of thumb, there should not be more than 10 scoring factors per evaluation criterion.

As mentioned in Section IVA, “Preparation Phase,” data availability can be a major constraint for scoring projects. For instance, assessing impact is especially challenging because funders often do not have enough available information on the impact of their projects. Assessing the relevance of a project to country needs is another example, because evaluators might not have good knowledge of all project countries. To overcome these constraints, evaluators can choose to use proxies. For instance, evaluators can assess the *likelihood* that projects achieve impact (based on the evaluators’ judgment). Regarding the second example, evaluators can focus on whether and how the funder assessed country relevance (based on project documentation) during project design. Evaluators can also recommend running parallel impact assessments to complement the lack of data. However, it should be noted that impact studies would normally have had to be designed at project start-up, rather than ex-post to successfully capture the baseline and the counterfactual (what could have happened without the project).

One or several scoring grids? The grid proposed in Table 8 leads to a global score per project. It combines the assessment of two main drivers of the project performance assessed in a portfolio review: recipient performance and the quality of the funder’s support. As an alternative, funders might wish to develop several scoring grids instead of only one, to emphasize the differentiation between these two drivers of project performance. For instance, a specific grid, still following DAC criteria, could be developed to assess only recipient performance, and another one to assess the quality of the funder’s support. However, using several grids makes it more difficult to get a consolidated view of the performance of each project. Presenting the results is also more complicated, because there will be several scores per project.

Step 2. Develop Scales and Scoring Guidelines

Once the scoring factors are defined, evaluators have to decide what scale to use and how the scores should be assigned. A scoring scale with an even number of scores (e.g., from 1 to 6) prevents concentration on the middle score and facilitates the assessment of whether a project is above or below average. If the funder already uses a scale in internal assessments or evaluations, the portfolio review can use the same scale to make results comparable. The scale should be large enough to allow for differentiation, but note that more than six levels are not likely to be useful. Table 9 provides a sample six-level scoring scale.

The evaluators should define scoring guidelines, especially if the work is split among several people. There are several ways to formulate scoring guidelines; evaluators should choose a method that works best for them.

Method 1: Provide general guidelines. The evaluators define general guidelines for each of the standard evaluation criterion and the scoring factors. In these guidelines, the evaluators can specify what to look for and what to prioritize in case of competing factors, and explain what relevance, effectiveness, efficiency, impact, and sustainability concretely mean for the funder. This method leaves the evaluators enough room for judgment while establishing a common understanding of the evaluation criteria across evaluators.

Method 2: Precisely describe scales for each factor. The most detailed approach is to describe the scoring scale for each of the scoring factors. The evaluators discuss upfront what they would consider a performance of 1 to 6 on any given scoring factor (see example in Table 10). A disadvantage of this method is that it leads evaluators to a “check-the-box” approach, when they should use their judgment to score projects. The scoring factors typically used in a portfolio review cannot automatically be translated into scores but require an evaluator with sufficient expertise who can

Table 9. Sample Scoring Scale

Scoring Scale	
Successful	6 Exceptionally successful.
	5 Very good. Worth extending or replicating.
	4 Satisfactory/all right. Good for this specific situation, but not worth replicating/extending.
Unsuccessful	3 Weak but minimally acceptable. The evaluator would not support such a project, but wouldn't veto it or stop it.
	2 Unacceptable. Unlikely to produce a decent development return on the funds invested. The evaluator would veto such a project.
	1 Exceptionally poor. Probably does serious damage, or represents extreme bad practice.

Table 10. Sample Scoring Guidelines for Effectiveness Scoring, Factor E1

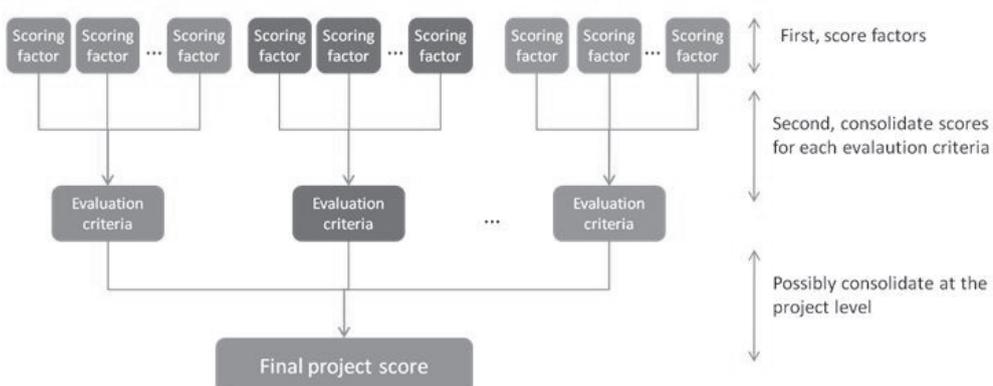
Scoring Factor	1	2	3	4	5	6	Evidence
E1: Extent to which objectives were clearly specified, with baselines values, performance targets, and monitoring indicators	No objectives defined	Overall objective defined, but no specific objectives defined for project	Specific objectives defined, but no baseline values, performance targets, or monitoring indicators	Objectives, baseline values, targets, and indicators defined, but weak or inconsistent	Clear and consistent objectives, baseline values, targets and indicators defined	Exceptional M&E system in place with clear objectives, baseline data, targets, and indicators	Content of the funding agreement

assess the performance of a project in a specific context. Using a very detailed scoring grid can distract evaluators and make it more difficult to come up with a global judgment about the performance of a project. Also, defining all scoring scales upfront is time consuming and difficult, especially for funders with very diverse portfolios. A simplified version of this approach would be to define only the extreme scores 1 and 6 or to describe what a satisfactory score would be.

Step 3. Decide How to Consolidate Scores

After individual scores are assigned for each scoring factor, they are consolidated into an aggregated score for each of the standard evaluation criterion, and possibly into an overall score for the project (see Figure 6). The consolidation of the scores

Figure 6. Consolidation of Scores



either can be left entirely to the evaluator’s judgment, or it can be done according to a defined method.

Method 1: General rules. One approach is to introduce general rules according to which the evaluator assigns an overall score. These rules leave room for judgment, but indicate which of the scoring factors prevail over others (see example in Box 3).

Method 2: Assigning weights to scoring factors. Alternatively, scoring factors can be weighted, so that more important scoring factors have more influence on the overall score. This method requires that the evaluators decide upfront on the relative importance of different scoring factors, which is generally more rigid and allows for less judgment. Also, a given factor can be more or less important depending on the context, and thus deserve different weights in different contexts. Method 2 is therefore often less efficient than Method 1, and specifically less adaptable by funders with diverse microfinance projects in different contexts (e.g., in mature and nascent markets).

Step 5. Assigning Scores

The evaluators review available project documents to obtain the necessary information to score project performance. Information from this desk review can be completed with information from interviews and field visits (see Section IVD, “Stakeholder Consultation”). The evaluators score projects according to the scoring guidelines developed upfront. They should list available evidence and justify in writing why they assigned a certain score; in case of large portfolios, to save time, the evaluators might focus on justifying the lowest and highest scores. To test whether the scoring system is used consistently across different evaluators, it is recommended to have all evaluators score a sample

Box 3. Sample Consolidation Rules

- A project cannot receive the maximum score on an evaluation criterion if one or more of its underlying scoring factors scored less than satisfactory.
- The score obtained on the criterion cannot be higher than scoring factor X (X prevails over other scoring factors).
- A project that scored high on relevance for targeting a relevant client segment can achieve a “very good” overall score only if its effectiveness is rated at least “satisfactory,” meaning that it actually reaches target clients (e.g., especially poor, women, rural).

of three projects and check whether the scores and justifications are consistent. If scores are consistent, the portfolio can be split among the evaluators for scoring. If not, the evaluators might need to provide more guidance on how to score, or the scoring factors may need to be revised to ensure they are more specific and leave less room for subjectivity. The evaluators should then test again whether consistency in scoring has improved.

For quality assurance, all projects should be scored independently by two evaluators before a final score is assigned. However, in the case of large portfolios, it might not be possible, given the time involved in reading all project documents and scoring. In any case, the lead evaluator should review all scores and check whether the justifications provided by the other evaluators are consistent with the scoring guidelines and whether the assigned scores are in line with her/his knowledge of the project or country in question.

Once all projects have been scored, consistency should be checked across projects using the following rules of thumb:

- Are the 10 best/worst rated projects really those that the evaluation team would have considered the 10 best/worst? This check should be performed for the overall project performance as well as for each evaluation criterion.
- Have some factors influenced the scores too heavily compared to others? For instance, have all projects in a country received the same score? Is this justified, or is there a bias? Does the age or size of a project drive performance? If recent projects are rated consistently lower, is it because there are performance issues or because there is not enough information available?
- In cases where funders have an internal scoring system, these scores can also be compared with scores resulting from the portfolio review. Potential discrepancies may help identify issues in the portfolio review methodology or in the M&E system.

Step 6. Aggregating and Sharing the Scores

As for the portfolio snapshot, it is useful to conduct a preliminary analysis of the scoring and share the findings as an intermediary output with the funder. This output provides average overall scores, as well as average scores for specific factors. If the sample size allows, scores can be broken down by type of funding instrument, region, level of intervention, etc. (See Figure 7).

D. Stakeholder Consultation

The objective of this phase is to enhance the evaluators' understanding of country contexts and project achievements (see Table 11). While the initial scoring is essentially based

Figure 7. Sample Visuals to Illustrate the Scoring

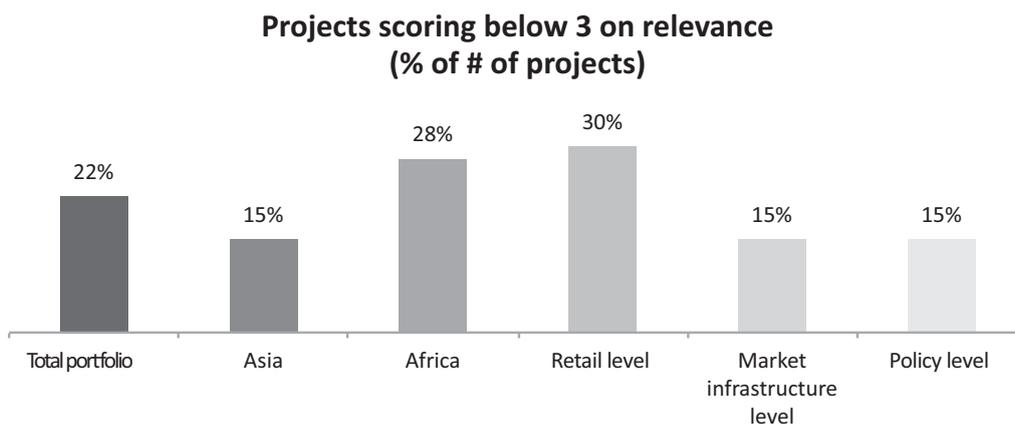
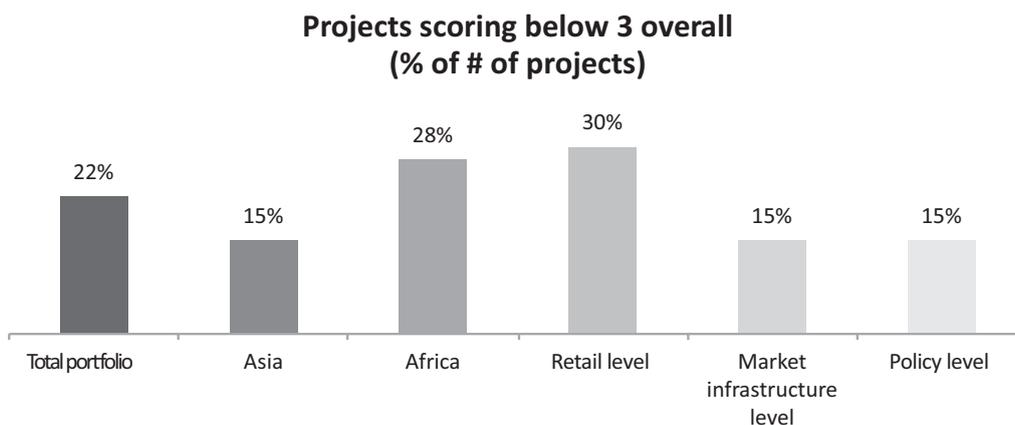


Table 11. Phase 4, Stakeholder Consultation

Objectives	Collect external and qualitative information about project performance and quality of funder's support
Duration	Interviews: 1–2 weeks Field visits: 8–12 days per country Total: 1–2 months
Deliverables	<ul style="list-style-type: none"> • Country debriefing notes • Revised scores as needed

on documents written or collected by the funder, interviews and field visits present an opportunity to collect external, qualitative information on project performance. This information can be used to validate or revise the scores and help evaluators interpret findings from the desk review.

Interviews can be done in various forms: email or online **questionnaires**, phone or face-to-face **interviews**, or **focus groups**. The evaluators should choose and mix methods, to adapt to the size of the funder's portfolio, the extent to which desk review information is missing, the location of the people to be interviewed, and the available time and budget.

The evaluators should get feedback from various stakeholders groups. Interviewing a representative sample of the **funder's headquarters and field microfinance staff** provides details on the project management process and project performance. Interviews with staff in country offices also help enhance the understanding of country context. Interviews with **recipients** give another perspective on the project achievements and on the funder efficiency. These interviews are also useful for the evaluators to get a sense of the sustainability of the funds recipients and therefore the projects. Interviews with staff and recipients can also help validate data on project performance reported by the funder's M&E system. The evaluators should interview **other local stakeholders**, i.e., policy makers, industry associations, other funders, and financial service providers, to gain an external perspective on the funder's work and additionality in the country. More details on what the interviews should cover are provided in the annex.

Country Visits

To conduct face-to-face interviews or focus groups, country visits are often necessary. Most portfolio reviews include country visits to validate findings in the field. Country visits give evaluators opportunities to make their own judgment about the funder's activities in a country.

To allow for sufficient time to meet with both project participants (e.g., recipients, co-funders, funder's country staff) and other local stakeholders (e.g., policy makers, industry associations, sector experts), country visits usually last between four to eight days on site, excluding travel time. The length of the visit depends on the number of projects in the country, the number and type of recipients to be visited, the complexity of the microfinance sector, and the extent to which the evaluators are familiar with the country.

The evaluators select a sample of countries to visit according to criteria decided with the funder. The evaluators could simply list pros and cons of visiting each country and discuss the final selection with the funder. In the case of a large portfolio, a more formal

approach might be needed to select the countries. Criteria for country selection should include at least the following:

- Representativeness, to ensure a variety of investment size, instruments, types of programs, intervention levels, and performance levels
- Past evaluation(s)—countries that have been evaluated recently will be the last priority, since the evaluators already have access to the results of these evaluations, and will not want to overburden the country counterparts
- Evaluators' knowledge of the country—if the evaluators have good knowledge of the country, they might not need to visit it again to assess the relevance of the funder's work there
- Future commitments—in the case of a recent change in the strategy, countries with projects reflecting the new strategy should be favored
- Any special events taking place that might impede the visit (e.g., crisis, elections) or make it more productive (local conferences or stakeholder meetings)

Country visits can be used to validate the evaluators' initial scores. One possible approach is to have the evaluators score projects based on available documents before the field visit. This helps the evaluators refine the questions to be covered in interviews during the field visit. After the field visits, the evaluators score the projects again and compare their scores with their initial assessment. While experience from several portfolio reviews shows that scores usually do not differ significantly before and after country visits, comparing scores before and after country visits helps validate findings.

E. Analysis and Reporting

In the analysis phase, the evaluators use data collected in previous phases to answer the evaluation questions defined for the portfolio review (see Table 12). In particular, they combine findings from the previous phases and analyze the compiled data for trends and correlations to extract lessons on what works, what does not, and why. Based on these findings, the evaluators develop recommendations for the funder. The findings and recommendations are consolidated in the final report.

Table 12. Phase 5: Analysis and Reporting

Objectives	<ul style="list-style-type: none"> • Analyze and synthesize findings from the portfolio review; develop recommendations; draft and present final report
Duration	<ul style="list-style-type: none"> • Approximately 2–4 months (up to presentation of draft report)
Deliverables	<ul style="list-style-type: none"> • Final report • Presentation on the main findings and recommendations

Step 1. Screen Portfolio Snapshot and Scores for Performance Patterns

At this stage, the evaluators have a wealth of data and information at their disposal, and through interviews and field visits, they have formed their own opinion about the performance of the funder's microfinance projects. The challenge is now to consolidate the results and extract findings that will help the funder improve the performance of its portfolio and the quality of its support.

To identify what works and what does not, the evaluators should look for common performance patterns across projects, drawing on both the portfolio snapshot and the consolidated scores. If the funder or the evaluators already have hypotheses about what drives or hinders performance, they can use those as a starting point for their analysis. Possible questions for analysis are as follows:

- Do some project types consistently perform better than others (e.g., standalone projects vs. components of larger programs)?
- Do some funding instruments consistently perform better than others (debt, equity, guarantee, grant, combination of instruments, other)?
- Does one type of intervention consistently perform better (e.g., direct vs. indirect)?
- Do some types of partner institutions perform better than others (e.g., different legal types, small vs. large institutions, greenfields vs. existing institutions, etc.)?
- Do projects operating in countries where the funder has a country office/technical field staff perform differently than others?
- Has project performance increased over time, especially at the time when the funder revised processes and/or the focus of interventions? (This is possible only if the review covers many years and a large number of closed projects.)
- Is the funder consistently performing better on some scoring factors? (For example, a high average score for relevance but a low average for efficiency would show that project monitoring is the weaker part of the project cycle.)

Step 2: Analyze Why Certain Projects Perform Better Than Others

After the analysis of common patterns, the evaluators should have a good picture of what works and what does not. Now they should focus on the "why." The evaluators can refine their analysis by looking at the drivers of the overall scores, in particular the recipient's performance and the quality of the funder's support. As defined in the scoring grid, the overall score is a summary of several factors that can be driven by the partner institution, the funder, or even external factors. A project could score low on effectiveness because, for example, (i) the partner institution has not implemented the activities agreed with the

funder, (ii) the funder has not identified clear targets and failed to monitor progress, (iii) the project generated an unintended negative effect on the community, or (iv) external factors impacted the project/institution (e.g., civil uprisings/conflict, inflation hikes, etc.).

Step 3. Compare with Qualitative Findings

Ideally, the results from scoring, interviews, and field visits should be mutually reinforcing. However, if results from the different phases lead to different conclusions, evaluators have to carefully validate the scoring system and use their judgment to decide which findings are most solid. Also, it is possible that there are no general patterns, in which case it will be difficult for evaluators to distill general lessons. However, the fact that the funder's portfolio is highly diverse and the potential for cross-learning among projects is low can be a finding in itself.

Once the common patterns of what works and why emerge from the analysis, the evaluators should go back to the overarching and specific questions defined in the first phase of the portfolio review. In most cases, answering these questions will require drawing on multiple data sources and involve the evaluators' judgment. These questions point to the funder's priorities and can be helpful to decide which findings to highlight in the final report.

Step 4. Develop Recommendations

The results of the analysis form the basis for developing recommendations on how the funder can improve the performance of its portfolio. The evaluators should make sure to cover specific points required by the funder, but should also include other relevant recommendations. To be useful, the recommendations should take into account the funder's overall strategy, organizational structure, and capacity—i.e., they should be as practical as possible. One approach to help the funder prioritize is to segment recommendations into improvements in the short term, medium term, and long term.

Step 5. Write Final Report

The final report is the main output of the portfolio review: it should respond to the overarching question of whether the funder delivers on its microfinance strategy and to any other specific questions defined upfront. The report should provide findings on the composition of the funder's portfolio, how the portfolio performs overall, and what drives project performance. It should also include recommendations based on these findings.

The final report should be a coherent standalone product a reader can understand without having to read other intermediary reports and deliverables produced during the review process. It should be concise and draw the reader's attention to the main findings the evaluators consider important and realistic for the funder to act on. The main part of the final report should present the results (see sample outline in annex). The report does not necessarily have to follow the steps of the review process. Rather, evaluators should choose a structure that facilitates the communication of the main findings and responds to the funder's initial questions. Apart from the report, evaluators should also prepare a presentation that summarizes the main findings and recommendations that can be used to present the results to the funder (see Section V, "The Implementation of a Portfolio Review").

V. The Implementation of a Portfolio Review

A. Timing and Level of Effort

Portfolio reviews are time-consuming and costly. Funders should not underestimate the time staff require to manage the process and to prepare the necessary documentation for evaluators. The duration of the different phases depends on the scope of the review and the availability and quality of project data. The stronger and more standardized the funder's internal monitoring and evaluation systems are, the lower the efforts to collect data for the evaluators. Table 13 shows estimates for the different phases of the portfolio review as well as factors that determine how much time is needed.

Overall, a portfolio review takes between seven and 14 months from initiation to the submission of the final report. Before the actual portfolio review starts, a funder

Table 13. Time Allocation for Different Phases of the Portfolio Review

Phase	Duration (estimate for 2 full-time consultants)	Factors Driving Level of Effort
Planning and terms of reference	1–3 months	<ul style="list-style-type: none"> • Coordination among evaluation department/operational departments to decide on the purpose of the review and write the TOR
Hiring of consultants		<ul style="list-style-type: none"> • Funder's procurement systems • Availability of appropriate consultants
Preparation phase	1–2 months	<ul style="list-style-type: none"> • Organizational set-up (e.g., number of departments involved in review) • Leadership by funder staff and buy-in from management • Scope of review
Portfolio snapshot	1–2 months	<ul style="list-style-type: none"> • Scope of review, number and diversity of projects • Data availability and level of standardization
Scoring	1 month	<ul style="list-style-type: none"> • Scope of review, number and diversity of projects • Data availability, ease of access to data (e.g., online project database), and standardization
Interviews/field visits	1–2 months	<ul style="list-style-type: none"> • Sample of countries to be visited • Number of interviews planned • Recent field missions/country evaluations
Analysis and reporting	2–4 months	<ul style="list-style-type: none"> • Scope of review, number and diversity of projects • Feedback on draft report and buy-in from funder staff and management
TOTAL	7–14 months	

should budget one to three months for planning, organizing internal resources (financial and human), writing the terms of reference, and hiring evaluators. Review implementation takes between six and 11 months. Funders should carefully think about the timing of a portfolio review so that it can feed into their strategy revision processes or internal events—e.g., staff retreats. A portfolio review should be conducted regularly, perhaps in three- to five-year intervals.

The time needed for the preparation phase (planning, refining the methodology, and developing the tools) is often underestimated. At this stage, both funder staff and consultants have to be highly involved in the process. It is necessary to spend this time upfront so that the actual review process is efficient and fulfills the funder's information needs. The preparation phase also helps assess the time needed to collect the necessary data and documents. Funders often tend to overestimate the quality of their M&E system and therefore underestimate the time needed to compile all the information, especially when collecting additional data is required.

B. Terms of Reference

The TOR should be as specific as possible, but they do not have to determine the review process and the methodology in detail. First, they should define the purpose of the review, including the questions to be answered. They should also define the scope of the review, with an initial estimate of the number of projects to be included, as well as the information that is available at the funder level on projects and countries of operation, since these factors will directly affect the time and resources needed for the review. If the evaluators are to make recommendations on how to revise the funder's microfinance strategy that go beyond the lessons learned from the portfolio review, this should be clearly specified in the TOR. They should include the budget, the broad time frame, and suggested deliverables. However, the TOR should leave room for evaluators to suggest specific methodology, tools, and data sources to be used for the review. TOR templates are provided in the annex.

C. Selection of Consultants

The overall responsibility for a portfolio review should be with an independent team of evaluators. Independence is important not only to achieve accountability, but also to gain an external view on the relevance and performance of projects. The evaluation team needs to combine evaluation skills with expertise in microfinance. "The credibility of evaluation depends on the expertise and independence of the evaluators and the degree of transparency of the evaluation process" (OECD 2010).

Some funders have an independent evaluation department that can conduct a portfolio review, with or without the help of external consultants. The evaluators from a funder's evaluation department know the funder's processes and strategic priorities and might need less time to find the relevant information in project documents and databases. However, evaluation departments rarely have microfinance specialists on staff, which is a key requirement for a microfinance portfolio review. A team of evaluators from a funder's evaluation department and external consultants can combine both strengths.

If the portfolio of a funder spans various technical areas (e.g., from agriculture finance to regulation and supervision of the financial sector), an even more diverse skill set is required. Project management skills and leadership are also essential, especially for the team leader. Finally, data processing and analysis skills are necessary to process all quantitative data and scores. A good way to assess a consultant's evaluation skills is to ask for previous evaluations conducted or to consult other funders.

When selecting evaluators, funders might face a tradeoff between previous funder knowledge and independence. Consultants who know the funder well might have a comparative advantage in navigating the funder's internal systems, processes, and documents. However, their judgment might be less independent. Experience suggests that technical knowledge, experience in microfinance, and knowledge of the funder's countries of operation are more important than the knowledge of the funder's systems. In any case, funders should make sure consultants declare any conflicts of interest. Given the limited pool of qualified consultants with the necessary skills and experience to conduct portfolio reviews in microfinance, a consultant's earlier involvement with the funder, or even with projects to be reviewed, cannot be excluded and needs to be disclosed.

The number of consultants required depends on the scope of the review. At a minimum, a core team of two consultants with a clear team leader is required. The team leader is responsible for the integrity of the team's performance and ensures the quality of all deliverables. The team leader is also the main focal point for interactions with the funder and should maintain frequent contact with the funder staff overseeing the process. If there are different parties or companies involved, their responsibilities should be defined in writing upfront. The funder should also define in a written agreement the confidentiality of the data and the ownership of the findings, deliverables, and tools developed during the process.

As mentioned, the independence of the evaluation team is important for the quality of the review. Having staff evaluate projects of current or former colleagues is likely to lead to conflicts and will not provide an independent view on the portfolio performance. If staff are part of the evaluation team, it should be made clear that the responsibility for the final report lies with the independent evaluation team, and staff should be assigned tasks that do not put them in conflict with colleagues.

D. Management of the Review Process

Portfolio reviews can be initiated by different departments within a funding agency, most typically the microfinance technical unit or the evaluation department. The overall responsibility for the portfolio review can be with either department. From experience, funders that conducted a portfolio review primarily for learning purposes have found it more useful and efficient to have the technical unit manage and assume overall responsibility for the review process. Given the lead, the technical unit is best placed to ensure that the portfolio review answers its information needs and that the deliverables are useful for the team to improve its future work in microfinance. Funders conducting a portfolio review primarily for accountability purposes might assign the evaluation department the overall lead to emphasize the independence of the review process.

In both cases, the unit that takes the lead in the overall management of the process should involve the other unit throughout the process. A steering (or advisory) committee may be established to oversee the review process, validate the deliverables, and make the necessary decisions for the subsequent phases, such as the selection of countries for field visits (see Box 4). The steering committee should include members of the evaluation department and all operational and technical departments involved in microfinance. Funders also should consider inviting external representatives to participate in the steering committee, especially when funder staff are lacking experience or some of the skills necessary for the portfolio review.

Box 4. Agence Française de Développement's *comité de pilotage*

Agence Française de Développement (AFD) created a steering committee comprised of one representative from its evaluation department, one from the operational department, several representatives from the microfinance team, and one external expert. Representatives from two other operational departments were invited to join the meetings. The steering committee approved the methodology and scope of the portfolio review and the selection of project countries to visit. The committee members convened for a kick-off meeting, an intermediary meeting after the field visits, and the final debriefing meeting. Regular communication between the staff person managing the review process and the steering committee ensured that the review was in line with AFD's expectations.

A focal point should be designated among funder staff to manage the process and communicate with evaluators. The focal point is responsible specifically for the data collection process: disseminating evaluators' requests for additional data to the relevant person(s) and making sure data are collected. The focal point is also crucial for the validation of the deliverables: disseminating the draft deliverables to different departments, collecting comments, and aggregating them before sharing them with the evaluation team.

Funders with different departments managing microfinance projects should discuss the scope and expectations for the portfolio review upfront. While organizational structures and institutional processes may make it more difficult to include the portfolios of different departments in the review, the value added for learning and knowledge exchange is likely to be well worth these additional efforts. Conducting a portfolio review that spans all relevant departments helps discover synergies, provides an opportunity to exchange knowledge, improves coordination among the departments, and can be the first step toward a common approach to microfinance across the organization. For such a review, support from higher level management and department heads is crucial.

Involving staff throughout the review process is important to help validate intermediary findings. It increases the acceptance of the results and the likelihood that the learning from the review process feeds into future programming and operations. All staff (at headquarters and in country offices) should be informed early on about an upcoming portfolio review and should understand the purpose and scope of the exercise. Intermediary deliverables (inception report, portfolio snapshot, country reports, etc.) and interviews are a good way for the evaluation team to share highlights and major milestones with staff, which improves transparency about the process and helps build staff ownership. Box 5 provides another example of how staff can be involved in the scoring process.

Box 5. How Would You Score Yourself?

The evaluation team leading the 2010 portfolio review for the French development agency, AFD, asked project managers to pre-complete parts of the scoring grid, which then served as a basis for discussion about each project. This allowed consultants to understand projects quickly and helped fill information gaps remaining after the desk review. More importantly, it helped engage staff and led to a constructive dialogue throughout the review process. Of course, evaluators were responsible for setting and justifying the final scores.

E. Debriefing and Disseminating Results

The presentation of the portfolio review results is a critical moment in the review process. The draft report should first be shared with staff managing the review process for their initial feedback. This gives evaluators a chance to correct any factual inaccuracies and adapt the language and tone before the report is submitted to the steering committee. The report should be submitted to the steering committee before the debriefing meeting to give committee members enough time to critically review the report and, if necessary, consult with the evaluators.

The TOR and timeline of the review should incorporate enough time for all departments to provide comments, for the focal point to aggregate and send these comments to the evaluators, and eventually for the evaluators to revise the report as needed and prepare the final presentation for management. The presentation of the results should be concise and should focus on the main findings and recommendations.

Ultimately, a portfolio review is supposed to lead to institutional learning, better strategies, and better performance of the funder's projects on the ground. This goal is not yet achieved with the presentation of the results to the steering committee. Translating the portfolio review findings into learning¹⁴ and better practice is a challenge that depends highly on management and staff, but also on the quality of internal knowledge management systems and other institutional factors outside the evaluators' control.

A face-to-face dialogue is one of the most effective ways to share findings and discuss implications. The funder can organize an internal meeting to discuss the portfolio review and to develop an action plan for the implementation of the recommendations. If the results of the portfolio review are meant to feed into a strategy development process, the evaluators can also be asked to facilitate a workshop to further discuss the implications of the findings for the strategy and the funder's microfinance operations. Funders can also choose to discuss findings at regular learning events or staff retreats. A presentation by the evaluators, as external facilitators, to a broader group of operational staff is often welcome and provides an opportunity to discuss the results and actions to be taken.

Disseminating the final report as a publication, internally or externally, is another way to get messages across. To reach different audiences, appropriate information products should be developed. These products should be well-edited, visually appealing, and packaged in a form that is appropriate for the target audience's information needs and potential level of attention. The full report might be of interest to some audiences, while for others a two-page briefing note may be much more useful. The timing of the results

¹⁴ See also OECD (2011).

Box 6. From Recommendations to Learning

In 2009, the German Technical Cooperation, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), undertook an annual independent evaluation with a focus on its microfinance portfolio. The results of evaluations and project reviews are captured in a management response system that identifies who is responsible for implementing recommendations made in project reviews and evaluations. This system strengthens the role of M&E within the organization and ensures that recommendations lead to learning, a key priority at GIZ.

dissemination is also important. The findings are more likely to influence behavior if they are shared with staff at relevant moments in a decision process. Integrating portfolio review findings in a staff manual, for example, can increase the likelihood that staff take them into account.

Management endorsement and responsiveness are critical factors of whether the review findings will lead to better policies and practices. At a minimum, management should attend the presentation of the final report or any subsequent strategy workshops. A written management response that is disseminated internally can also help increase the level of attention and show management's commitment to take action. Some funders have institutionalized processes to ensure management attention and follow up in response to evaluation findings (see example in Box 6).

VI. Annexes

A. Terms of Reference (TOR) Template

1	Title
	The title for the portfolio review exercise should be short, descriptive, and easy to remember. It is also helpful to define an acronym that can be remembered and pronounced easily.
2	Background
	<p>This section describes the context of the portfolio review. Concentrate on elements that are relevant for the evaluators to understand, including the following:</p> <ul style="list-style-type: none"> ▪ Summary of funder’s strategy in microfinance and how it has evolved over time ▪ Description of links between funder’s microfinance strategy and its overall development objectives ▪ Short description of the current microfinance portfolio—number of projects, total committed amount, geographical allocation, levels of intervention, direct vs. indirect interventions, funding instruments, etc. This information will help consultants assess the level of effort and the type of evaluation skills needed. ▪ Description of organizational set-up and responsibilities of different departments and field offices in project/investment cycle ▪ Summary of previous portfolio reviews of other relevant evaluations
3	Portfolio Review Objectives
	<p>It is important to describe the purpose of the review and articulate expectations clearly. Evaluators need to understand why the funder has decided to undertake the portfolio review and how the results will be used.</p> <ul style="list-style-type: none"> ▪ Rationale for conducting the portfolio review ▪ Overall objectives of the review ▪ Specific review questions ▪ How results will be used and how they add value
4	Methodology and Review Process
	<p>Specifying methodological requirements in the TOR helps consultants write more precise technical and financial proposals. Methodological requirements may include the following:</p> <ul style="list-style-type: none"> ▪ Scope—Estimate type and number of projects to be reviewed, describe departments involved ▪ Evaluation criteria—Recommend the DAC evaluation criteria or the funder’s standard evaluation criteria ▪ Process requirements—Suggest a review process with different phases, such as those recommended in this Guide. For each phase, describe objectives, key tasks, and any specific methodological requirements (e.g., requirement to conduct country visits). ▪ Availability of data—Describe information available in the funder’s M&E system and identify potential data constraints
5	Roles and Responsibilities
	<p>The TOR should specify the roles and responsibilities both of the funder and the of evaluation team, including the following:</p> <ul style="list-style-type: none"> ▪ Overall responsibility for the portfolio review—e.g., the funder’s independent evaluation unit ▪ Management of the review process—roles and responsibilities of person/unit designated to manage the review process (focal point) ▪ Composition, role, and responsibilities of the steering committee ▪ Composition and responsibilities of the evaluation team ▪ Required qualifications of the evaluation team
6	Reporting Requirements and Deliverables
	<p>The TOR should specify expected deliverables and set realistic targets.</p> <ul style="list-style-type: none"> ▪ List and description of expected deliverables (e.g., for each phase in the review process) ▪ Target dates for deliverables ▪ Instructions on how deliverables are to be submitted, to whom, and in what form

7	Timeline and Estimated Level of Effort
	The timeline should be realistic and allow for enough flexibility. Mention important dates that influence the timeline—e.g., dates of upcoming board meetings. <ul style="list-style-type: none"> ▪ Timing of different phases ▪ Key milestones in the review process ▪ Other important dates
8	Cost Projection
	The initial cost projection is based on an estimate of the level of effort for each phase in the review process. Important drivers of costs and the level of effort are the number and diversity of projects to be reviewed, the availability of data, and the number of country visits.
9	Procurement Process
	Most funders have specific procurement rules that should be specified or referred to in the TOR. At a minimum, the following elements should be included in the TOR: <ul style="list-style-type: none"> ▪ Procurement process and deadlines ▪ Selection criteria ▪ Required documentation

B. Stakeholder Consultation—Interview Checklist

Funder’s microfinance staff. Evaluators should talk to a representative sample of staff involved in microfinance projects along the project cycle, including project design, implementation, monitoring, and evaluation. The sample should include staff based at headquarters and in the field. Issues to be addressed in the interviews with staff include the following:¹⁵

1. Project management processes—Project identification and market assessments, monitoring, reporting requirements, coordination with country offices, etc.
2. Self-evaluation of projects performance, reasons cited for success/failure—Evaluators can use this opportunity to test their own hypotheses for high/low performance and potentially discuss the initial scoring of projects with staff. Reading project documents is often not enough to understand why a project performed well or not, and explanations by staff can help evaluators interpret the documents.
3. Data validation—The interviews can also be used to double check information provided by the funder’s M&E system.

Interviews with staff in country offices will help enhance the understanding of the country context. They should cover the following:

1. The country’s microfinance sector—Stage of development, previous and current challenges, positioning of funder’s partner institutions
2. Funder’s country microfinance strategy and its relevance to the overall country strategy and additionality compared to other funders

¹⁵ Portfolio reviews do not aim to provide an exhaustive skills assessment of the funder’s staff. Thus staff interviews should focus on project management and not staff skills assessment. Staff skills should be covered only if they impact project performance.

3. Role and acknowledgment of the country office in project management—Involvement in the identification, analysis, and monitoring phases; means and frequency of communication with the headquarters/microfinance focal point; training received on microfinance topics; acknowledgment of their project management responsibilities in work plans and incentive systems
4. Project performance—Discussion of evaluation criteria, challenges faced, possible market distortion created, exit strategies, reasons for high/low performance, and lessons learned
5. Positioning of the funder and quality of the funder’s relationship with recipients, local stakeholders, and co-funders (coordination)

Staff interviews are also opportunities to share highlights of the review, increase transparency of the review process, and build staff ownership of the review results. At the end of the field visits, the evaluators should offer a debriefing session to discuss observations and validate findings.

Recipients. Interviews with funder support recipients provide another perspective on project achievements. They are a useful opportunity for the evaluators to get a sense of the sustainability of the project. Evaluators should try to speak to the senior management, middle management, and operational staff of the recipients, to gather their comments and assess their skills and capacity to sustain project outcomes beyond the duration of the funder’s support. The interviews should focus on the following:

1. Presentation of the recipient institution—In the case of retail providers, market position, history, mission, clientele, products, performance in terms of portfolio quality, growth, financial sustainability, and the experience of senior and middle management. To save time while on site, this information can often be found in evaluation/rating reports or on the institution’s Web site and reviewed before the field visit.
2. Description of the microfinance sector—Legal environment, market infrastructure, actors, competition, challenges, and needs at all levels of the financial system at the time of project approval and at the time of portfolio review. To save time while on site, evaluators should collect and read country information before the visit, and use interviews only to get feedback on specific issues.
3. History of the relationship between the funder and the support recipient and reasons for partnering with the funder (vs. other funders, i.e., recipient perceptions of the funder’s additionality/value added/comparative advantages).
4. Description of the project—Goals, amount, sources of funds, implementation steps, possible revision of targets, remaining steps, and challenges faced in meeting targets.
5. Feedback on the project—Relevance compared to country needs and the recipient’s own strategy and achievements compared to targets, cost and time efficiency, impact on the recipient and the microfinance sector, and sustainability.

6. Feedback on the funder’s quality of management—Setting targets, reporting requirements, supervision missions, responsiveness to the changing environment, and exit strategy.

The evaluators might also choose to meet clients of retail financial institutions supported by the funder, using focus groups, to validate staff perception of client satisfaction with the product range, service quality, improvement over the project duration, etc.

Other local stakeholders. Interviews with other local stakeholders, including policy makers, other funders, financial service providers, or industry associations, help evaluators gain an outsider perspective on the funder’s work and its additionality in the country. The interviews should cover the following topics:

1. Respondent involvement in microfinance
2. Description of the microfinance sector—Legal environment, market infrastructure, actors, competition, challenges, and needs at all levels of the financial system at the time of the project approval and portfolio review
3. Assessment of the funder’s work in the country—Relevance of the project, potential market distortions, comparative advantages and additionality compared to other funders, transparency, and quality of consultation with other stakeholders
4. Feedback on the funder’s quality of management and project governance—Involvement in decisions and supervision of investments, information sharing/reporting and feedback on performance, responsiveness to changing policies, funding approach, etc.

C. Sample Outline of Final Report

1	Title
2	Executive Summary
3	Background and Methodology
	<ul style="list-style-type: none"> ▪ Rationale for conducting a portfolio review and overall objectives ▪ Short summary of the funder’s microfinance strategy (point of reference against which the portfolio performance is assessed) ▪ Specific review questions ▪ Scope of the portfolio review ▪ Methodology and limitations encountered during the process (e.g., data constraints)
4	Portfolio Snapshot
	<ul style="list-style-type: none"> ▪ Detailed description of the funder’s microfinance portfolio along the key indicators described in this Technical Guide. The evaluators should focus on indicators and graphs that are related to their main conclusions. ▪ Analysis of recipient’s performance according to standard performance indicators (see Section IVB) ▪ Conclusions on whether the composition of the portfolio is aligned with the funder’s microfinance strategy.
5	Performance of Microfinance Portfolio and Quality of Funder’s Support
	This section should cover detailed findings from the portfolio review. It is up to the evaluators to decide how to best structure this part, which does not necessarily have to follow either the review process or the DAC evaluation criteria. It is important to choose a structure that allows highlighting the most important findings and facilitates uptake by the funder—e.g., by responding to its initial questions.
6	Recommendations and (if included in the TOR) Potential Strategic Directions for the Funder to Consider

VII. Resources

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VIII. *Quoted Portfolio Reviews*

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