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United Nations Capital Development Fund

**Independent impact assessment of the United Nations
Capital Development Fund – Executive summary**

Summary

The executive summary of the independent impact assessment of UNCDF, carried out in compliance with Executive Board decision 99/22, presents the findings of the assessment on the effectiveness, efficiency, relevance and financial sustainability of the United Nations Capital Development Fund (UNCDF). The evaluators make a series of recommendations and identify options for consideration in the current deliberations on the future focus, corporate governance and business model of UNCDF.

The independent impact assessment is divided into three components conducted by separate teams of independent consultants (see annex 1 for an overview of the assessment components). The full reports of all components are available on the Executive Board web site at www.undp.org/execbrd.

Contributions from the Department for International Development of the United Kingdom and the Belgian Survival Fund helped to finance this assessment. The remainder of the cost of the assessment was covered by UNCDF regular resources.

This document should be read in conjunction with the 2003 UNCDF results-oriented annual report (DP/2004/17). Together these assessments of the performance and status of the Fund inform the UNCDF management response (DP/2004/19), the third document submitted by UNCDF to the Executive Board at the present session.

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Executive Summary of the Synthesis Report of the Independent Impact Assessment of UNCDF

Universalial Management Group

Overview of the Report

1. Universalial is pleased to submit to the Executive Board of the United Nations Capital Development Fund (UNCDF) this final report on the Independent Impact Assessment (IIA) of UNCDF mandated by the Executive Board of UNCDF in its decision 99/22.
2. The primary objective of the IIA was to assess whether UNCDF is performing as an effective, efficient, and sustainable organisation that has remained relevant in carrying out its mandate to reduce poverty in the Least Developed Countries (LDCs). A second objective was to assess whether UNCDF has responded appropriately to implement the 1995 policy shift, which narrowed the Fund's focus to microfinance operations and local governance programmes. A third objective was to assess the extent to which UNCDF has implemented the recommendations of the 1999 independent external evaluation.
3. This document (Volume I) is the synthesis report of the Independent Impact Assessment. Volumes II to IV are presented in separate documents, and contain the methodological appendices, UNCDF Portfolio Analysis, and results of the Staff Survey respectively.
4. The IIA was informed by three distinct processes: the Organisational Performance Assessment (OPA) conducted by Universalial (Canada); the Programme Impact Assessment (PIA) of UNCDF Microfinance Programmes in Kenya, Nigeria, Malawi and Haiti, conducted by Enterprising Solutions Global Consulting, LLC (USA); and the PIA of UNCDF's Local Development Programmes in Uganda, Mozambique, Mali and Cambodia, conducted by ECIAfrica Consulting International (Pty) Ltd (South Africa).
5. To assess the organisational performance of UNCDF, Universalial collected primary data using a mix of qualitative and quantitative techniques which included document review, individual and group interviews at HQ and in the field (147 individuals participated); a project portfolio analysis; field visits to Madagascar, Benin and Niger; and a survey of 170 stakeholders including all UNCDF staff at headquarters and in the field and UNDP Resident Representatives and Deputy Resident Representatives (response rate was 63%). Universalial integrated the results and findings of the two Programme Impact Assessments of the Microfinance and Local Development programmes with those of the Organisational Performance Assessment to produce the IIA Synthesis Report.

Findings on UNCDF Performance

6. **Effectiveness** – UNCDF microfinance and local governance projects are generally aligned with corporate policy and strategy. Corporate policies on pro-poor focus and local participation are being applied in UNCDF, although there is a need to develop strategies that will strengthen the participation of marginalised groups, especially women in participatory processes. UNCDF has made some progress in the application of the gender mainstreaming policy, especially in some projects, but the consistent application of this policy across projects and throughout the project remains a challenge. UNCDF has implemented most of the recommendations of the external evaluation of 1999; others are still being worked on.

7. The PIAs confirmed that the underlying programme logic of the Local Development and Microfinance Programmes is largely sound. UNCDF Microfinance and Local Governance interventions contribute to poverty reduction at the local level and to participation and empowerment, and there is indication of impacts. Some challenges were noted, such as fully including marginalised groups, particularly women. There is evidence that UNCDF has contributed to impacts on the policy environments in the countries in which it works and it has been successful in leveraging replication of its approaches by a diverse group of donors.
8. UNCDF's contributions to sustainability of results also emerge in this assessment. UNCDF microfinance programming has improved MFI performance in key aspects of institutional sustainability, such as outreach and efficiency levels. In local governance programming, the LDPs have been embedded in local practice and procedure, which creates a solid foundation for sustainability. There are a number of contextual and capacity issues – both for MFIs and local authorities – that are noted as concerns for the sustainability of results in MF and LG programmes.
9. **Efficiency** – UNCDF's modest administrative (HQ) budget reflects an appropriate deployment of resources and has remained constant in nominal terms over the past five years. At the same time, however, the decline in contributions to core resources has led to reductions in programme expenditures. The inevitable result is an overall trend that raises concerns about organisational efficiency: in relative terms, the administrative costs are increasing in relation to programme funding. Important to note, however, is that Technical Advisory Services, which are key elements of UNCDF programmes, are counted as HQ/Admin costs and not programme costs, which serves to distort this measure of efficiency somewhat. UNCDF has improved some work processes, especially those related to response times in parts of the project cycle, but improvements are still required in financial planning, tracking and reporting, and corporate information management.
10. **Relevance** – UNCDF programming models in both microfinance and local governance demonstrate a clear and innovative niche. It fulfils an important risk-taking, innovation role that other development agencies and LDC Governments are interested in expanding and building on. Furthermore, assessment of UNCDF's programmes confirmed that UNCDF's mission, programmes and goals are relevant to the achievement of the Millennium Development Goals (MDGs). Its programming supports the Programme of Action for the LDCs for the decade 2001-2010 and responds to the local needs of the countries in which it intervenes. UNCDF supports most of the broad goals of UNDP, but there appear to be missed opportunities for collaboration that could enhance UNCDF's relevance. While donors are decreasing their core contributions to UNCDF, they are using UNCDF as a vehicle to implement their countries' international development strategies through non-core funding and parallel financing, which have increased considerably in recent years.
11. **Financial Viability** – Although UNCDF's expenditures and income are aligned, indicating a well-balanced budget, this has been achieved by significantly cutting programme budgets and adjusting administrative budgets. The Fund did not meet its 2003 target for core funding and, given that core funding is the principal way in which it funds its activities, the decline and unpredictability in core funding seriously jeopardises UNCDF's ability to fulfil its mission and role within the UN system. Non-core funding is becoming more important in relative terms, but there are issues to consider in assessing its potential contribution in the future. The decline in the project pipeline, together with the current relationship between headquarters expenditures (which includes administration, as well as technical advisory services) and programme expenditures, raises significant issues for UNCDF's viability.

Findings on Factors Affecting UNCDF Performance

12. **Leadership** – UNCDF receives a great deal of praise for the leadership exercised by the Executive Secretary and his senior team, particularly from donors and other external stakeholders.
13. **Governance** – The Executive Board has an oversight role with respect to UNCDF and has implemented this function with diligence and professionalism. However, some limitations in the governance structure have caused staff to become somewhat disillusioned about the role and contributions of the Executive Board, particularly as concerns the mobilisation of resources.

14. **Niche** – UNCDF programming models in both microfinance and local governance demonstrate a clear and innovative niche, although within the UN family, UNCDF's niche in microfinance is better defined than in the local governance area. Various changes in the international development context and the decrease in UNCDF's core resources directly affect its niche. For example, the shift towards programmatic forms of development cooperation may affect UNCDF's approach, which focuses on small-scale pilot projects. Likewise, the shift from downstream funding to upstream funding means that donors are more likely to allocate aid directly to recipient governments, rather than to funding various projects, although there remains an important role in the development financing architecture for innovative, risk-taking organisations such as UNCDF.
15. **Resource Mobilisation** – UNCDF has articulated a resource mobilisation strategy that primarily targets core funding resources. The strategy has resulted in some modest gains but is not likely to ensure the viability of the Fund.
16. **Highly Qualified Staff** – UNCDF's highly talented staff, one of the Fund's strongest assets, is experiencing a period of low morale as a result of uncertainties about the future of the Fund. Faced with budget cuts that have focused greater attention on efficiency, HQ and field staff are struggling to minimise the effects of the cuts on performance.
17. **Programme Management** – UNCDF has made elements of its project cycle more effective, but there is room for improvement. Planning, monitoring and reporting systems that support results-based management are in place. The processes and systems that support further institutionalisation of a "managing for results" culture require additional strengthening. The Evaluation Unit (EU) has developed several approaches to integrating accountability and learning into organisational practice, but resource cuts and some resistance from programme units to respond to the demands of EU affect its overall effectiveness.
18. **Knowledge Management** – In spite of recent efforts, UNCDF requires better approaches to manage its knowledge more effectively. It has implemented a number of stand-alone information systems, but these have not improved its efficiency in managing knowledge. The Intranet is still an underutilised resource. However, this area has been flagged internally and steps are being taken to improve substantive knowledge sharing within programmes and across programmes – drawing on both HQ and field experience.
19. **Communication and Branding** – UNCDF has developed a variety of effective communication materials to articulate its identity to the external world, but the branding of the Fund remains problematic and does not do justice to the quality of the work undertaken.
20. **UNCDF Structure** – The ongoing decentralisation of technical advisory and programme management staff is an appropriate strategy for UNCDF. In spite of some changes, UNCDF's structure still presents challenges with respect to internal communication and coordination within HQ and between HQ and the field.
21. **Partnerships** – UNCDF has increased the number of partnerships with various agencies and these are quite positive. It has also developed constructive partnerships with academic and research partners and is appreciated as a strong contributor in building knowledge. Its partnership with UNDP is important and profitable to both organisations, but would be more effective if institutional roles and responsibilities were further clarified. The relevance of UNCDF partnerships could be further enhanced if they fit into a broader partnership strategy.

Conclusions

22. UNCDF is an effective organisation that has, by and large, organised its existing portfolio according to the 1995 policy shift and responded to the recommendations of the independent external evaluation conducted by ITAD (Information, Training and Agricultural Development) in 1999. The Fund has also contributed to significant results through both its microfinance and local governance programmes in poverty reduction, policy impact, and replication of its projects by donors. UNCDF's areas of expertise are very much in demand in LDCs and respond to the MDGs as well as to country needs. In fact,

LDCs are asking for more of UNCDF's services. UNCDF is praised by the majority of its stakeholders as a flexible partner that is active in developing knowledge, effective in implementing projects, and influencing the orientation of the sectors in which it works. Since 1999 UNCDF has achieved generally positive results, as noted in its annual self-assessment reported in the Results-oriented Annual Report (ROAR) and confirmed in this assessment. Moreover, UNCDF has been creative in remaining a relatively efficient organisation, and achieved a balanced budget in 2003. This success – and it is a success – is due to various factors, including a dedicated and talented team of staff and leaders, innovative thinking, a clear niche, and an ability to match its expertise to the needs of the LDCs. Like many organisations, UNCDF has some limitations that were noted in this report, for example in knowledge management, communication and branding.

23. The real issue for UNCDF, however, is the more fundamental question of its financial viability after 2004, which, at the moment, is questionable. In our view, this dilemma is the result of several factors: the mismatch between the niche of UNCDF and international donor funding trends; UNCDF's governance structure, which is not as enabling as it could be to address these viability questions; and UNCDF's role in the UNDP Group, which should be clarified. The Fund is at a critical stage in its life and, as suggested by the former Executive Secretary, would like to address its future actively rather than dying "a slow death."

Recommendations

24. Recognising the urgency of the situation, the following recommendations are addressed to the Executive Board, the Administrator of UNDP and the UNCDF Management Team. The IIA team urges stakeholders to fully take into account these recommendations in the on-going discussions about UNCDF's future. We have grouped the recommendations in broad categories that link to the findings on UNCDF's performance.

Positioning, Niche, and Relationship to its Key Partner - UNDP

Recommendation 1

25. **The Administrator of UNDP and the UNCDF Management Team should clarify the role and responsibilities of UNCDF within UNDP and its associated Funds. This clarification would be part of a larger strategy undertaken by the UNDP Group that would support both organisations in positioning themselves to tackle the development problems that are part of their respective mandates.**
26. The niche of UNCDF as an agency is very much linked to its partnership and role within the UNDP Group. As noted in this report, the absence of a clear definition of how UNCDF can/could support the organisational goals of UNDP limits UNCDF's ability to remain viable and does not help UNDP in addressing UNCDF's funding issue. Until now, UNCDF and UNDP have clarified their collaboration only through programming MoUs in microfinance and in local governance. In our view, this is not sufficient, and limits the greater institutional synergy that could emerge from a clearer definition of the role of UNCDF in helping UNDP reach its broad goals.
27. This discussion and clarification are key at this stage in the life of UNCDF – they could allow UNDP to see UNCDF as an even more strategic partner in reaching some of UNDP's goals. Greater clarity on synergies between the two organisations could also enable UNDP to actively mobilise resources for UNCDF.
28. This organisational strategy between UNCDF and UNDP could include the following points:
 - What is expected from UNDP and its associated Funds (specifically UNCDF) with respect to UNDP's expected results? To what extent should it align with UNDP and its interests/goals? Or, is there an overall framework for the UNDP Group that associated funds should align with?
 - Are the mandates and niches of UNDP and its associated Funds (particularly UNCDF) sufficiently robust to support the expected results of UNDP or of the UNDP Group?

- What would be an adequate cost-recovery system for the relationship between UNDP and its associated Funds, particularly UNCDF?
29. In the context of these strategy discussions, it is critical to address the issue of UNCDF's programme niche (areas of focus/strategic positioning), based on its comparative advantage, the market, its need to access funds, and the interests it shares with UNDP (for example in private sector development). The IIA only begins to identify limitations and possibilities. We recommend that a consultative process be designed in which a broad group of stakeholders beyond UNDP and UNCDF – including donors, programme countries, experts in the subject areas – can contribute in the affirmation, further focusing, or redefining of UNCDF's programme niche. In this process it would be important to take into consideration the recognised expertise, results, reputation, and demand from LDCs that UNCDF has built in its current two programme areas. This would ensure that redefinition is anchored in UNCDF's comparative advantages, contextual demands and opportunities.

Financial Viability, Resource Mobilisation, and Governance

Recommendation 2

30. **The Senior Management Team of UNCDF should establish a team to review and analyse UNCDF's business model and corporate governance arrangements and their strengths and weaknesses, and to propose some alternatives on the future of the Fund in light of the current decision-making process. Some options are provided below.**
31. In the 1960s, UNCDF was created by the General Assembly with the general mandate of assisting developing countries in achieving accelerated and self-sustained economic growth by supplementing their existing sources of capital assistance. Over the past decades the Fund has evolved to some extent in response to the broader context – balancing the reduction in contributions on the one hand with the capital and technical assistance needs of LDCs on the other, but without changing fundamentally its governance structure, mission, management arrangements and funding modality. In analysing the Fund's future, it may now be necessary to analyse the business model and governance structure that provide the foundation for its work.
32. In this regard, there are several options for the future of UNCDF. Only three main options are discussed below. Each has an orientation that is either market-driven, where financial viability drives the organisation's approach, or mission driven, in which the needs of the LDCs and innovation drive its approach. It should be noted that the evaluation team provided these options as potential illustrations of a way forward. Additional options may be identified once the recommendation is implemented. Similarly, these options should be fine-tuned by the group responsible for addressing the recommendation in order to reflect the feasibility of their implementation.

- **Option 1: Entrepreneurial model**

UNCDF becomes a more entrepreneurial organisation. Its governance structure moves towards a broader representation, and its mandate widens. UNCDF obtains management autonomy from UNDP, and the Executive Secretary (renamed) becomes head of UNCDF. In this option, UNCDF's relationship to the Executive Board would need to be clarified according to the revised management structure. UNCDF would target and market its microfinance and local governance services to all countries and international agencies (CGAP as an example) and develop a cost structure that makes it competitive. This could have implications for UNCDF's current LDC focus. It would become a more demand-driven organisation and less of an innovative instrument of the UN family. The greater demand-orientation limits the extent to which UNCDF can preserve its current mission-driven nature. Funding would be generated primarily through fees for services.

- **Option 2: UNDP Instrument**

UNDP and UNCDF become more strategically aligned and increase the pool of funds. This arrangement would imply no changes to the corporate governance structure. UNCDF's mission would become more closely aligned to UNDP's programme and priorities (i.e., private sector, water). There are many ways for the two organisations to align. For example, the UNDP

Administrator suggested that UNCDF and UNDP could combine forces on focused initiatives (i.e. water infrastructure initiative of the MDGs). Such an effort could capture the minds and hearts (and therefore the financial support) of donors around an important goal. The selection of common initiatives, however, would need to be made carefully, based on UNCDF's existing or strategically developed comparative advantage, as well as clear demand from donors and recipients. Funding would be more secure, based on UNDP funding (UNDP provides core resources to UNCDF out of its voluntary contributions) in addition to assessed and/or voluntary contributions from donors.

- **Option 3: Status quo with assessed contribution**

This option would bring no changes to the current corporate governance, mission, and management arrangements. The primary shift would be in developing a more secure and diversified approach to funding. Certain adjustments would be made to the status quo, for example, by moving to assessed rather than voluntary contributions and expanding the range of organisations and the arrangements through which UNCDF seeks resources to carry out its mission (i.e. expanding resources obtained from World Bank, foundations, new private sector partnerships). These changes in practice would be consistent with the original Charter of UNCDF and would provide UNCDF with a more predictable stream of income. UNCDF continues the decentralisation of services that has begun within both programming units, but would focus on countries where there is high demand for its services and a high potential for UNCDF to obtain funds for its services (i.e. countries with a high potential for generating revenues).

33. All of these options, or possibly a combination of them, should be examined strategically as a matter of the highest priority for UNCDF. The options are meant to illustrate the types of business models and corporate governance arrangements available to UNCDF. Following a decision on this, UNCDF should then proceed with elaborating a complementary partnership strategy.

Summary of Business Model Options

OPTION		IMPLICATIONS			
		GOVERNANCE STRUCTURE	MISSION AND NICHE	MANAGEMENT ARRANGEMENTS	MARKET ORIENTATION AND FUNDING
1	Entrepreneurial Model	Broader representation Redefined relationship between UNCDF and Executive Board	Local governance and microfinance services to all nations and other agencies (who can pay)	Autonomous management with greater decision-making authority	Market-driven Competitive cost structure Funding primarily through fees for services
2	UNDP Instrument	UNCDF continues to be governed by the UNDP/UNFPA Executive Board	More closely aligned to UNDP's Programmes, priorities and geographic focus	UNDP Administrator remains the Managing Director of UNCDF	UNDP-driven UNDP funding, possibly plus assessed and/or voluntary contributions to UNCDF
3	Status quo with Assessed Contribution	UNCDF continues to be governed by the UNDP/UNFPA Executive Board	Support to local governance/decentralization and microfinance/inclusive financial sectors in the LDCs	UNDP Administrator remains the Managing Director of UNCDF	Mission-driven Assessed and/or voluntary contributions Expanded array of options for funding

Recommendation 3

34. **If UNCDF is faced with the continued decline in programme expenditures in the coming years, it will need to make significant reductions in the administrative budget or find alternative sources of funding for this budget item.**
35. If UNCDF cuts programming any further, the staffing complement and infrastructure will be out of line with programme expenditures. At this point, UNCDF will need to look at making cuts in its administrative / HQ budget. However, budget cuts are possible only until they begin affecting the 'critical mass' of people and infrastructure at headquarters that are required to respond to UNCDF's context.
36. There are options for managing these issues:
- Increase funds available for programme approvals (from core contributions and other sources);
 - Reduce administrative expenditures to the level of necessary critical mass of staff;
 - Include technical advice as part of programme spending, as is done in other agencies;
 - Assess the contribution that non-core funding agreements can make in covering HQ costs;
 - Improve cost-recovery for services currently provided to UNDP at a subsidised rate;
 - Develop other sources or mechanisms to cover administrative/HQ costs.
 - Transform UNCDF's status into an Executing Agency Status, which would allow the agency to execute or implement specific programme components, once funding has been secured from UNDP or other development agencies¹.

Strategic Leadership

Recommendation 4

37. **The UNDP Administrator, as a matter of urgency, should work with the Executive Board and UNCDF Management Team to identify a new Executive Secretary for UNCDF.**
38. The identification of a new leader is an urgent issue for UNCDF. While the Fund is producing good results and has the support of its major stakeholders, uncertainties about funding and how and what decisions will be made about UNCDF's future are affecting staff morale. Senior UNDP officials are undecided about whether to set the direction of UNCDF first and then hire an Executive Secretary, or to appoint an Executive Secretary to lead the change. In our view, the cost of leaving the situation fluid is greater than the cost of making a decision as quickly as possible. The selection process should consider the importance of both intellectual leadership and strategic management competence of a new Executive Secretary.

Effectiveness

Recommendation 5

39. **UNCDF should address the recommendations made in the PIAs and incorporate relevant recommendations into future programming.**
40. The IIA team reviewed the recommendations of the PIA and conducted a field mission in order to look at the extent to which UNCDF had development impacts. Our conclusion is that although UNCDF is generally strategically positioned to achieve its objectives and its activities make a significant contribution to poverty reduction, policy impact and replication, and the sustainability of results, several areas could be strengthened in order to lead to improved results.

¹ In a presentation of the ROAR to the Executive Board, mention was made by the former Executive Secretary that "there was growing demand for UNCDF to act as an executing or cooperating agency" and suggested that UNCDF was preparing a formal proposal to the Executive Board.

41. In local governance programming, the PIA suggested several recommendations that would help UNCDF achieve better results. Some of the recommendations go beyond what UNCDF can achieve alone but, rather, are to be addressed by the local governments. For example:

- Clarifying the structure and role of various government substructures, as well as the relationship between local government and other tiers of government.
- Ensuring greater cooperation and collaboration between sector ministries and local governments, for example, by extending and institutionalising decentralisation innovations to sector management at a local level
- Addressing the need for structures and systems that contribute to effective downward accountability

However, the following areas for improvement can be addressed by UNCDF:

- Including strategies that explicitly link LDPs to Local Economic Development (LED); LED would be an important pillar of local development in conjunction with, and to support, existing local development interventions
- Improving the integration of natural resource management into the LDP approach
- Working with central governments on the timeliness of fiscal transfers to local governments, as a matter of priority
- Providing greater support and capacity to Local Governments for the generation of own source revenue and for securing a sufficient recurrent budget for maintenance of services and infrastructure
- Investing in capacity building in the area of participatory and strategic planning to ensure that these processes are genuinely empowering and inclusive
- In as much as its funding constraints allow, trying to maintain a significant in-country presence of senior technical advisers, programme managers or regional technical advisers

42. In microfinance, the PIA suggests that UNCDF could improve results by focusing on three broad areas for improvement:

- Reviewing all microfinance activities to assess the extent to which they are demand-driven and therefore encourage the development of a healthy market/competitive environment
- Move from a passive funder role to step up engagement in networking, collaboration, and partnerships, and continue to contribute to the deepening of financial systems through concerted, high impact interventions.
- Internalising the concept of a 'learning organisation' within the Microfinance Unit, enhancing the existing evaluation culture through more systematic follow-up, monitoring and timely internal and industry-wide dissemination of lessons learned

The PIA report provides more detailed recommendations per Impact Area.

43. UNCDF should review these recommendations using a process similar to the one used following the 1999 independent external evaluation and, as appropriate, address these recommendations in future programming.

Recommendation 6

44. **UNCDF should continue to implement the actions necessary to achieve its commitment to gender mainstreaming and equality. In so doing, it should consider developing a closer relationship with UNIFEM.**

45. The UNCDF response to the gender mainstreaming study conducted in 2002, which focussed on LG programmes, included a gender mainstreaming action plan for 2002-2004. Some of the steps outlined in that action plan have been completed (for example, ensuring that gender is addressed in the UNCDF Impact Assessment exercise). For others, it is less clear what progress has been made, yet

the action areas remain relevant for the whole organisation (both microfinance and LGU programming). For example:

- Clarification of Institutional Arrangement for Gender Mainstreaming
- Review, simplification, and reissuing of Corporate Gender Mainstreaming Policy; these guidelines should be user-friendly and readily accessible to all staff and partners.
- Review of project budget allocations for gender activities; in projects where there are funds allocated to gender activities or designated positions for gender specialists, UNCDF needs to take extra steps to make sure that the activities are carried out and the posts are filled as envisioned in the project design document.
- Gender screening at project formulation, which can be done by integrating the opinion of gender specialists from the UN system in the peer review teams.
- Gender capacity building, including training of staff and the broadening of the pool of gender experts at the local level, with expertise in either microfinance or local governance.
- Incentives for gender mainstreaming incorporated into job descriptions.

However, it is critical that the organisation prioritise among these areas and set reasonable milestones that can be achieved in the context of scarce resources.

UNCDF Branding

Recommendation 7

46. **Regardless of the decisions made with respect to the future directions of UNCDF, the Fund requires** clearer brand identification – clearer mission statement, symbols, templates, logos.
47. Our data suggest that there is relatively little differentiation in the field between UNCDF and UNDP. This could become even cloudier, depending on the decisions made with respect to the future of the relationship between UNDP and UNCDF. A number of elements hinder the branding – the name ‘UNCDF’ itself; the lack of distinction made between the missions of UNCDF and UNDP; and the absence of distinctive symbols. UNCDF is aware of the need to brand the Fund both internally and externally and has developed a Communication Strategy, which is a good first step. It could go further in asking for a better differentiation between UNDP and UNCDF. The Year of Micro-credit (2005), which UNCDF is jointly co-ordinating with UN DESA, could be used to launch the UNCDF brand.

Knowledge and Information Management

Recommendation 8

48. **UNCDF should continue to invest in knowledge sharing, particularly in those knowledge systems that will increase the synergy between operational units and improve knowledge sharing in the field.**
49. Modern organisations are constantly striving to improve their ability to generate and use the knowledge they gain from experience. For UNCDF this occurs within both programmes and the evaluation unit. While UNCDF is constantly improving ways to use and share knowledge in each programme area, our evaluation suggests that it still needs to improve its ability to share information across programmes or operational units. This could be done through cross-programme work groups or teams that could distil and share programming lessons and review the approaches used to disseminate knowledge in the field. The Microfinance PIA also identifies the need to internalise “learning organisation” concepts as a broad area for improvement in the organisation. UNCDF has already begun to implement a series of actions to improve its management of knowledge (including the revamping of its Intranet in March 2004) and we support the pursuit of the recommendations set forth in the 2002 Knowledge Management Report.

Recommendation 9

- 50. As the various clusters and modules of Atlas are being deployed, we recommend that UNCDF create a monitoring team to oversee their implementation, to understand if the deployment of these modules has addressed the operational issues raised in the IIA and in other UNCDF Functional Analyses.**
51. UNCDF has great expectations for the implementation of Atlas, which is a system designed to increase the efficiency of the Fund in managing its programmes, people and finances. It is hoped that the new system will lead to improvements, but it may not address all the issues that have been raised about effective resource management.
52. As the modules of Atlas are being implemented, UNCDF should monitor whether each module addresses the concerns about planning and deployment of resources, results-based management, human resources management, income management, cash management, procurement and the management of fixed assets.

Annex 1: Components of the 2004 Independent Impact Assessment of UNCDF

