



Advancing financial access for the world's poor

SmartAid for Microfinance Index

Alexia Latortue

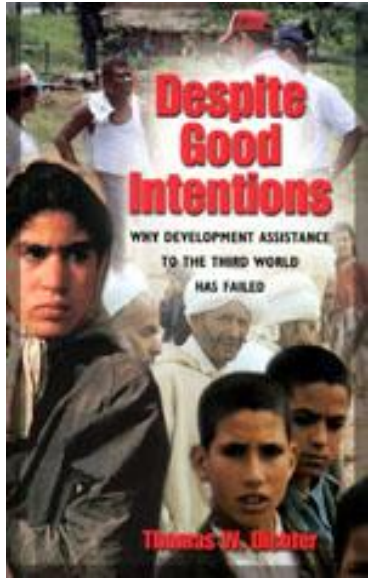
December 16, 2008

Microfinance and aid effectiveness

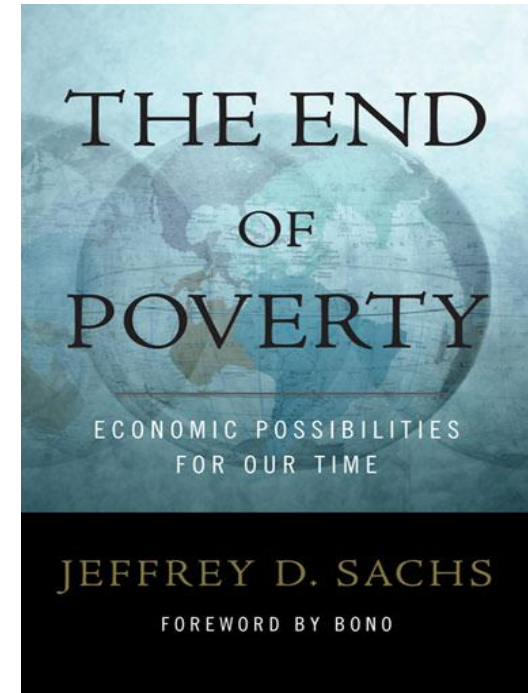
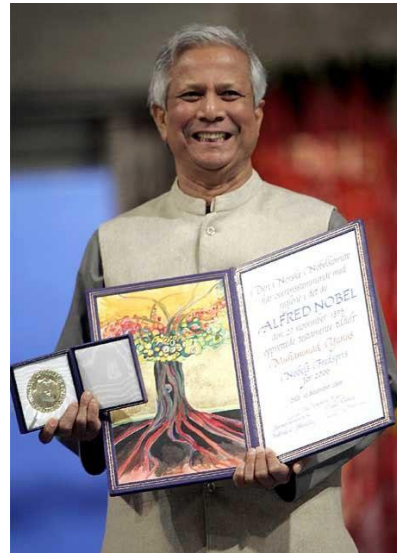
CGAP....

not in the Index business

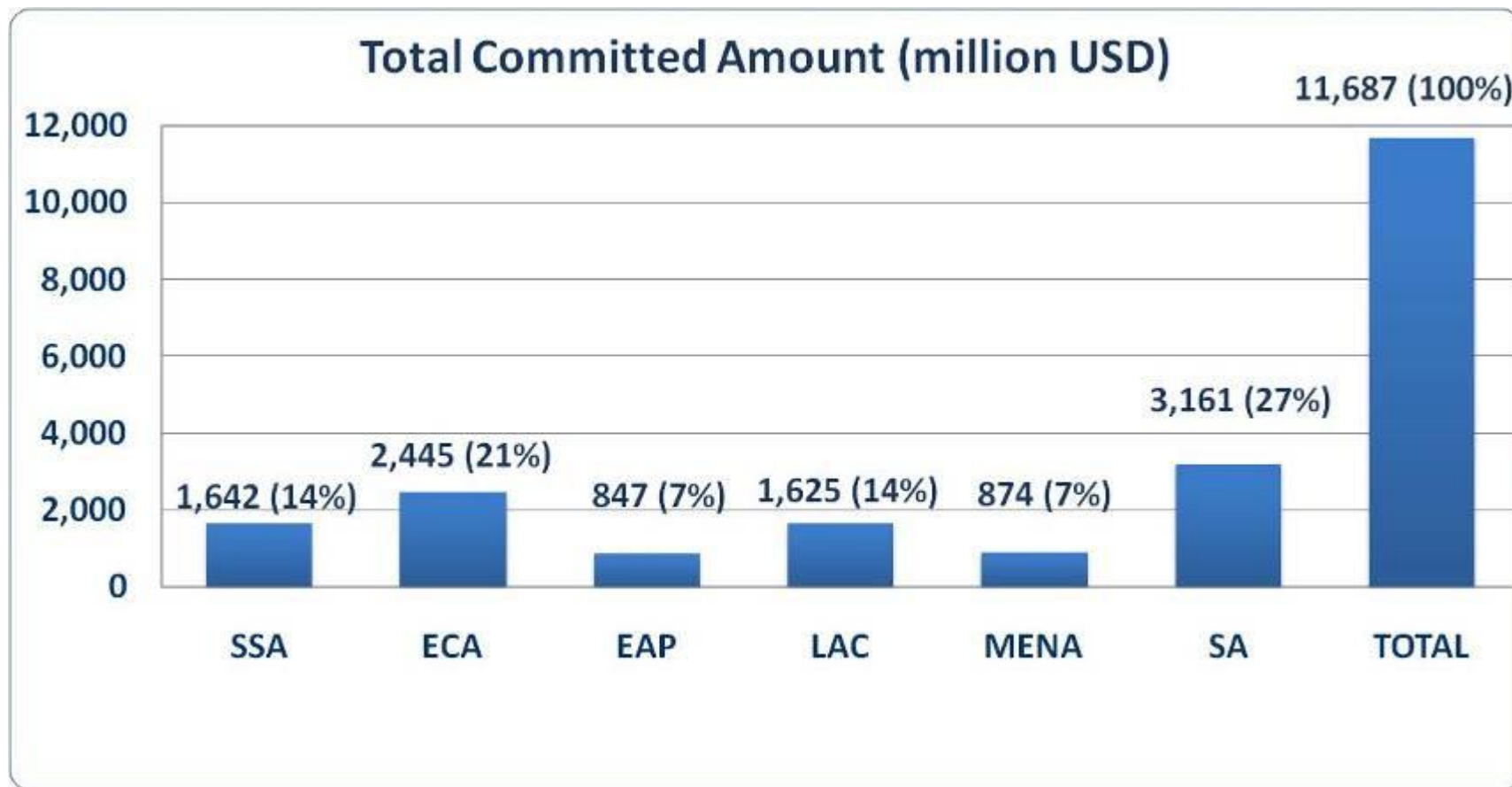
Microfinance: Everyone's new favorite



BILL & MELINDA
GATES *foundation*



Significant funding for microfinance

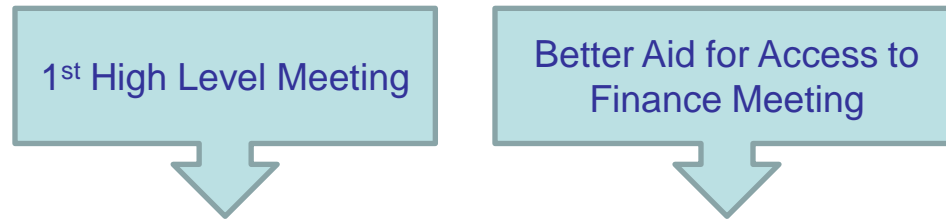


Number of respondents: 54

Note: Global projects are not included in this graph. They account for about 1,094 million USD (9%).

SmartAid: Where are we coming from?

Aid Effectiveness Initiative: Microfinance as a Test Case



2002 2003 2004 2005 2006 2007 2008

Peer Reviews

AfDB, AFD, AsDB, CIDA, Danida, DFID, EC, GTZ, ILO, IFAD, KfW, Netherlands, NORAD, Sida, SDC, USAID, UNDP

Portfolio Reviews

IDB, UNDP and World Bank

Country Reviews

Uganda, Cambodia, Nicaragua, Madagascar, Sri Lanka, Pakistan

SmartAid for Microfinance Index

What SmartAid is

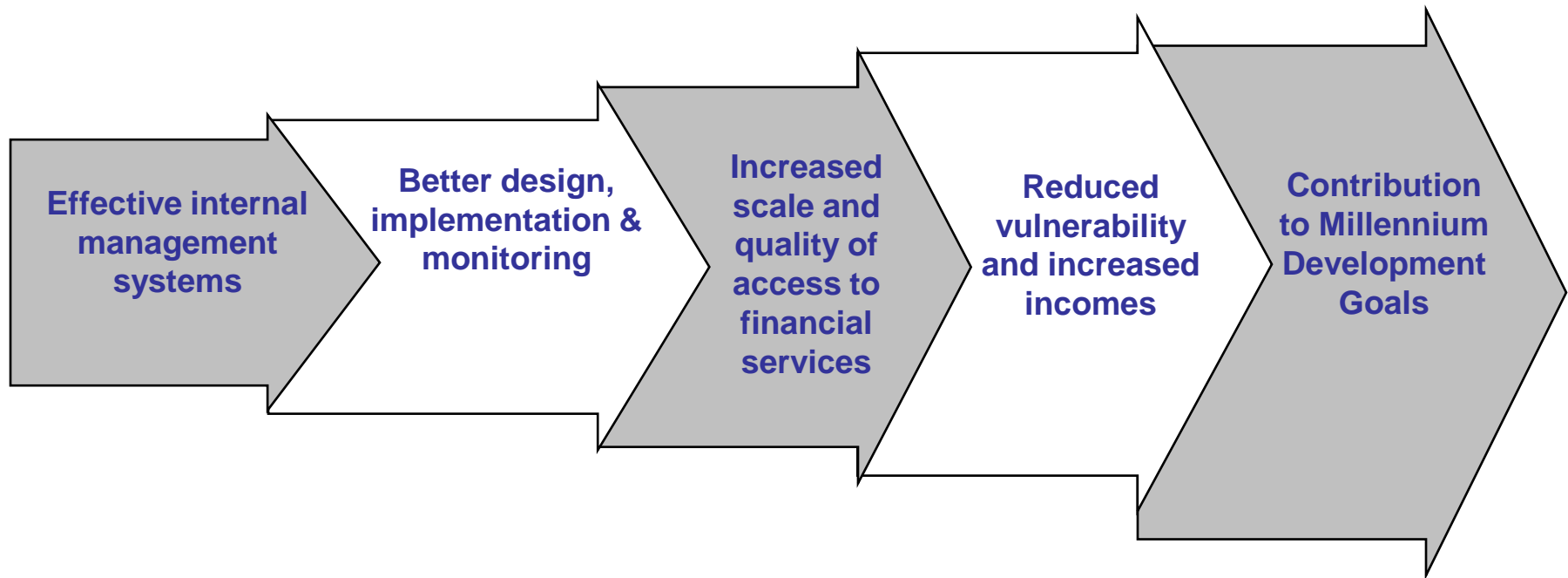
A service to development institutions

- determine where change is needed
- provide incentives to improve
- help identify comparative advantage and opportunities for collaboration

A means to promote transparent assessment of funders

A communication tool to participate in discussions on aid effectiveness

Fundamental premise: Change starts at home



Measures whether funding agencies are set up to support microfinance effectively

What SmartAid measures

Strategic Clarity	1. Policy and strategy that addresses microfinance, is in line with good practice, and is based on its capabilities and constraints	15 points
Staff Capacity	2. Designated microfinance specialist(s) who are responsible for technical quality assurance throughout the project/investment cycle	15points
	3. Investments in microfinance/access to finance human resources	10 points
Accountability for Results	4. Flagging system for all microfinance programs and components	10 points
	5. Tracking and reporting on performance indicators	10 points
	6. Use of performance-based contracts	10 points
	7. Portfolio reviews are regularly conducted	10 points
Knowledge Management	8. Systems and resources for active knowledge management	10 points
Appropriate Instruments	9. Appropriate instrument(s) to support the development of local financial markets	10 points

How SmartAid works

Funder receives SmartAid
Submission Guide
with nine indicators

Funder
provides
documents
for each
indicator

Ongoing discussion
with management
and technical staff

A Review Board of four
microfinance experts
reviews documents and
assigns a score

Funder implements
changes; CGAP
available
for advisory services



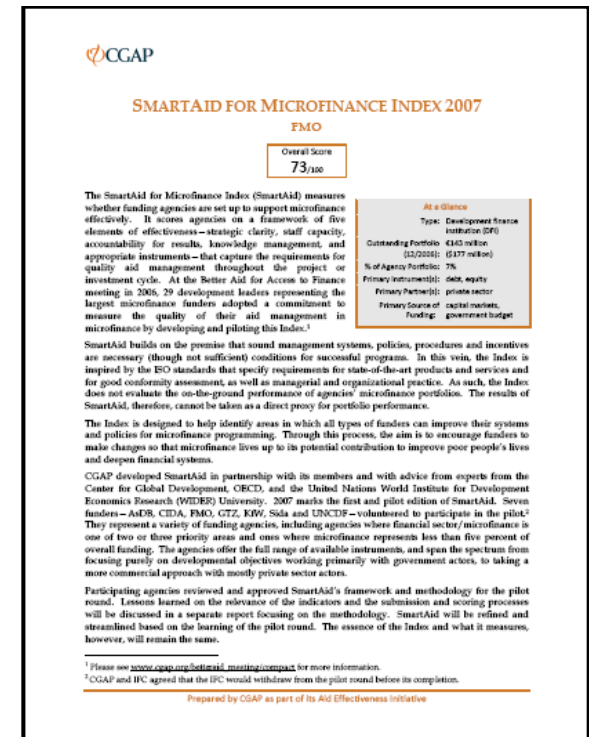
SmartAid: More than just a score

A tailored report...

- Strengths and weaknesses
- Good practice example
- Recommendations for improvement

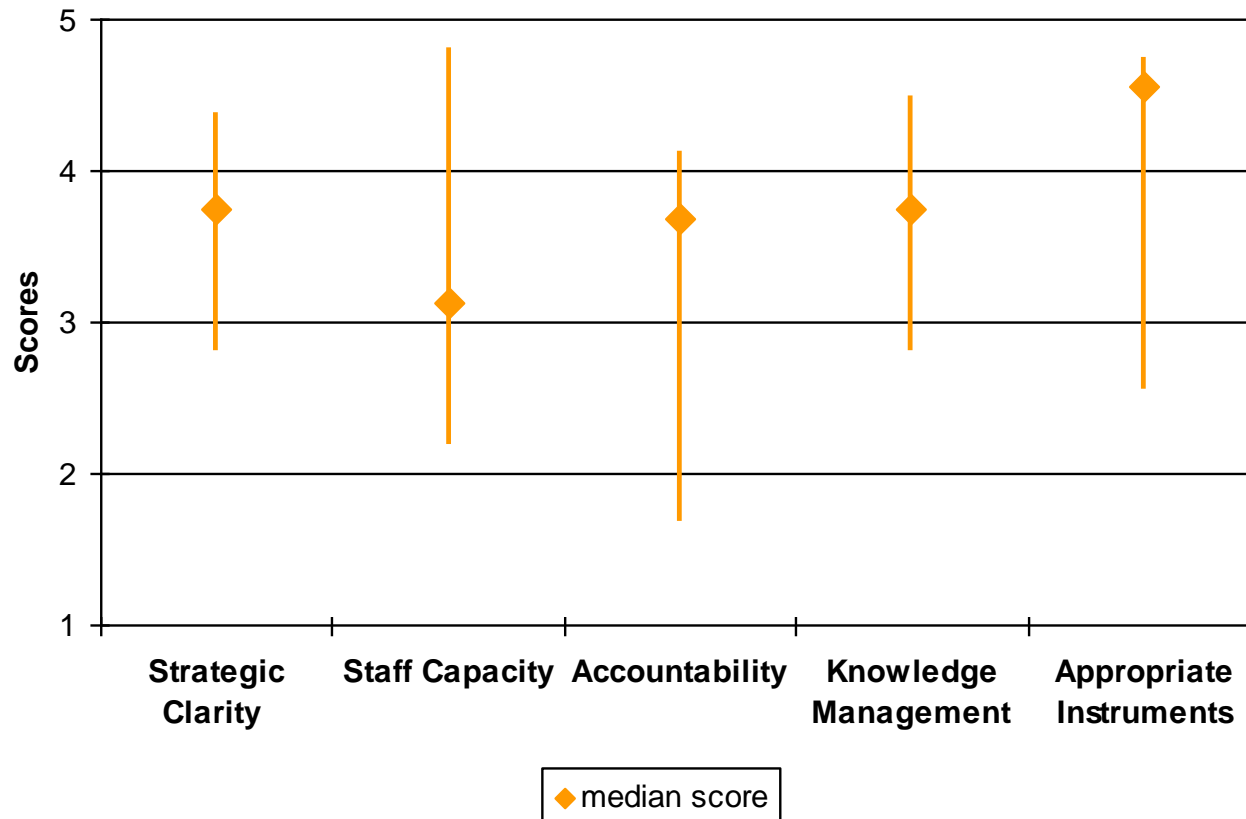
A learning process...

- Debriefings with management and technical staff
- Assistance in prioritizing recommendations and developing an action plan



Pilot round in 2007: results

Seven pioneering funders: AsDB, CIDA, FMO, GTZ, KfW, Sida, and UNCDF



Pilot round in 2007: What funders say

“SmartAid is useful for UNCDF both internally and externally. Internally, we created an action plan to put the recommendations into practice. Not all actions will be completed in the next year, but they are underway. Externally, it has helped us identify where the other agencies are strong and how UNCDF can partner with them.”

John Tucker, UNCDF

“SmartAid helps us rethink our microfinance operations — what works well, what does not work so well.”

Nimal Fernando, AsDB

“At first, GTZ was worried because as a technical assistance provider we were not sure if the interpretation of the results would make sense. But it worked. SmartAid is credible and so are the indicators. It was easy to provide documents for the indicators. The trust in CGAP is an important component.”

Gabriela Braun, GTZ

Lessons learned

- Broad consensus on validity of five elements of effectiveness
- Consultative development process of Index creates buy-in
- Adding opportunities for discussion/exchange around paper-based methodology is key
- Change is possible, but a strong mandate from top management and continuity in staffing is necessary
- Measuring agency-wide systems can be a challenge
- Not all that matters can be measured, not all that can be measured matters

Critical success factors

- Evidence to validate link between systems and outcomes/impact
- Incorporating new funders, including private aid flows
- Linking sectoral effectiveness initiatives like SmartAid to broader efforts
- Getting to the incentive gap – balance between carrots and sticks



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www.cgap.org

www.microfinancegateway.org



MINISTRY FOR FOREIGN AFFAIRS OF FINLAND



USAID
FROM THE AMERICAN PEOPLE



Federal Ministry
for Economic Cooperation
and Development



FORD FOUNDATION



Department for
International
Development