

SMARTAID FOR MICROFINANCE INDEX

SELF-ASSESSMENT TOOL

Methodology

The SmartAid Self-Assessment Tool is designed to help funding institutions assess how well they are set up to fund microfinance. The Self-Assessment can be useful for:

- Understanding where an institution is strong and where it needs improvement to fund microfinance projects effectively.
- Leading an internal discussion about effectiveness and understanding what a funder needs to be effective in microfinance.
- Preparing for full participation in SmartAid by getting a good understanding of the indicators, what the SmartAid review board is looking for when assigning the scores, and how well an institution may perform on the Index.

The SmartAid Self-Assessment Tool is based on the SmartAid for Microfinance Index. The Index builds on a framework of five elements of effectiveness developed through 17 Microfinance Donor Peer Reviews facilitated by CGAP. These elements have been distilled into the nine SmartAid indicators that, taken collectively, present a comprehensive picture of a funder’s internal management systems. For a detailed description of the indicators, refer to the SmartAid for Microfinance Index 2009: Submission Guide.

SmartAid Indicators		
Strategic Clarity	1	Funder has a policy and strategy that addresses microfinance, is in line with good practice, and is based on its capabilities and constraints
Staff Capacity	2	Funder has designated microfinance specialist(s) who are responsible for technical quality assurance throughout the project/investment cycle
	3	Funder invests in microfinance/access to finance human resources
Accountability for Results	4	Funder has a system in place that flags all microfinance programs and components
	5	Funder tracks and reports on performance indicators for microfinance programs and components
	6	Funder uses performance-based contracts in its microfinance programs and components
	7	Funder regularly conducts portfolio reviews
Knowledge Management	8	Funder has systems and resources for active knowledge management for microfinance
Appropriate Instruments	9	Funder has appropriate instrument(s) to support the development of local financial markets

The Self-Assessment is ideally coordinated by the microfinance focal point within a funding institution. Its usefulness depends significantly on the involvement of key staff from different departments working on microfinance. This includes managers and staff that are directly or indirectly involved in design, management, supervision and evaluation of microfinance projects or investments within different thematic departments (e.g. financial sector, rural development, health), regional departments, in country offices and at headquarters as well as within support departments (e.g. risk management, procurement, and evaluation).

The tool is made up of three components. Two aim at gathering input from staff throughout the institution, using two different methodologies. The third component serves as the discussion of the results and next steps.

- **Staff survey with online questionnaire.** In a first step, staff is asked for their perception of their institution's performance along the five elements of effectiveness. Survey participants should represent the diversity of staff from different departments working on microfinance at all steps of the project/investment cycle. CGAP is available to provide the online questionnaire and to collect and analyze the responses.
- **Focus group meeting.** CGAP will facilitate a focus group meeting to discuss the five elements of effectiveness with a small group of key staff involved in microfinance. The focus group is intended to complement the quantitative survey by providing more qualitative information on how the institution's management systems are perceived by staff. The focus group will be structured so that participants try to reach consensus on a score of each of the elements of effectiveness. While multiple focus groups can be organized depending on the needs of the agency, each focus group should have between 6 to 10 participants so that all participants can fully engage in the process. Larger group sizes are not as effective. Participants from different departments that are involved in design, management and evaluation of microfinance projects or investments should be invited to the focus group. This meeting would be conducted after the agency has completed the questionnaire.
- **Discussion of results and next steps.** CGAP will compile the responses of the staff survey and analyze the results of the focus group meeting. Results will be presented to managers and staff, followed by a discussion of what strengths and weaknesses they reveal, and possible recommendations to improve the institution's management systems. The focal point should summarize the priority areas for change in an action plan, including a process to follow-up on progress. Funders are encouraged to invite all staff members and managers who influence microfinance programs/investments to this discussion.

The three components can be adapted to individual funder's needs. Funders, for example, can choose only to undertake the survey and to analyze the results independently. CGAP is available to provide support as needed.

Additional Resources

- **SmartAid for Microfinance Index 2009: Submission Guide (January 2009).** The Smart Aid Submission Guide distills learning from many years of CGAP’s work in aid effectiveness. It describes the methodology of the Index, the nine indicators, what the review board looks for when scoring, and the suggested documents to submit.
- **Maximizing Aid Effectiveness in Microfinance (Donor Brief No. 22, February 2005).** Presents the five core elements of effectiveness—strategic clarity, staff capacity, accountability for results, knowledge management, and appropriate instruments— that are key for development agencies and other funders to improve the way they support financial systems for the poor, and identify their comparative advantage and best level of engagement.
- **Compact for Better Aid for Access to Finance (October 2006).** Endorsed by 29 heads of agencies following the second high level meeting Better Aid for Access to Finance in October 2006 in Paris, the Compact includes four concrete commitments to improve funders’ support to microfinance.