



The SmartAid Index

How effective are you in advancing financial inclusion?





WHAT IS THE SMARTAID INDEX?

The SmartAid Index measures whether funders are set up to support financial inclusion effectively. It is based on the simple premise that strong internal management systems lead to better projects on the ground. Since the pilot round of the SmartAid Index in 2007, twenty development institutions participated in SmartAid, representing the major funders supporting financial inclusion.

The SmartAid Index is a service for all types of funders that want to improve their effectiveness in supporting financial inclusion. Past SmartAid participants include development finance institutions, multilateral development agencies, regional development banks, and bilateral agencies using different instruments, such as grants, debt and equity investments, or loans to governments. The main benefits of SmartAid include:

- **Helps identify internal best practices and areas for improvement.** Institutions can use SmartAid to understand where they are strong and where they need improvement to support financial inclusion projects effectively. It can be used to draw management attention to issues that may have been overlooked and helps identify priorities for change.
- **Spurs internal dialogue on improving effectiveness.** Funders can use SmartAid to facilitate an internal dialogue about effectiveness in supporting financial inclusion. Implementing SmartAid requires collaboration across the organization and helps spark discussions among different departments that work on financial inclusion or between staff and management.
- **Allows funders to compare their performance with peers.** SmartAid helps funders understand where they stand relative to other funders. This provides opportunities for peer learning and collaboration. It also helps funders track their progress over time and compare progress with that of their peers.
- **Provides evidence of commitment to effectiveness.** By participating in SmartAid, funders show their commitment to effectiveness to both internal and external stakeholders. Funders who validate and publish their SmartAid results demonstrate their commitment to transparency and accountability, which sends a strong signal to partners, stakeholders, and peers.

"Your effectiveness to deliver results on the ground is linked to how effective you are internally, whether you have the right incentives, whether you have the right structure, whether you have the right staff, whether you use your instruments effectively. I mean all these are the key building blocks and that's what SmartAid brings to the table."

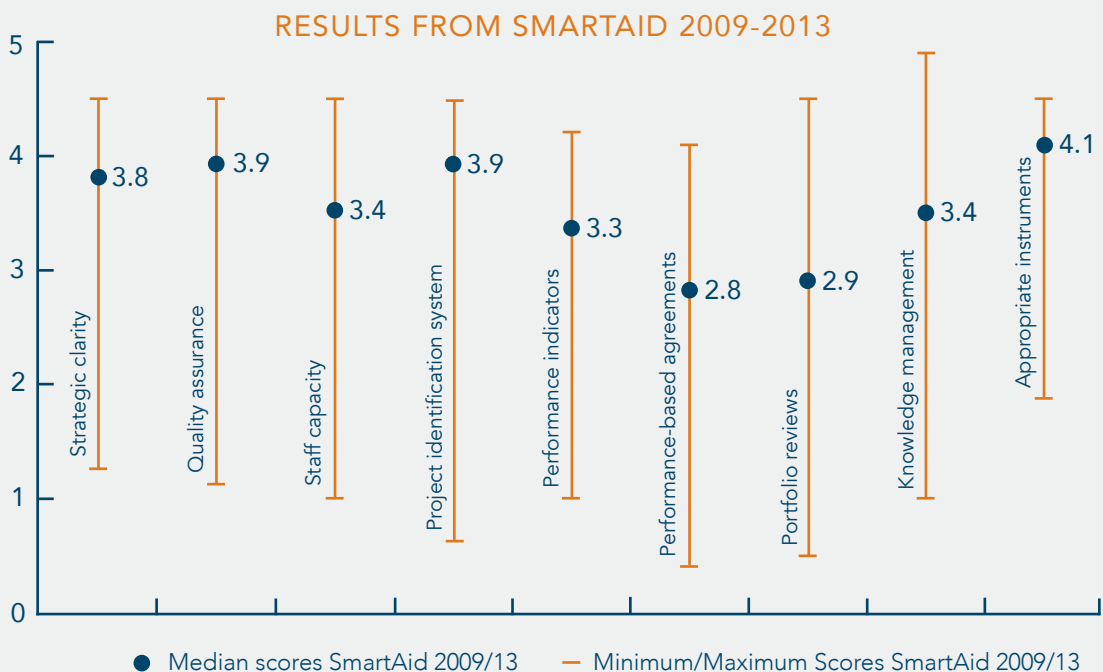
-- Henri Dommel, UNCDF



WHAT DOES THE SMARTAID INDEX MEASURE?

The SmartAid methodology was developed by CGAP in collaboration with a broad range of funders and financial inclusion experts and advisers on aid effectiveness. SmartAid uses nine indicators to assess funders' internal systems.

1. **STRATEGIC CLARITY:** Funder has a strategy that addresses financial inclusion.
2. **QUALITY ASSURANCE:** Funder has quality assurance systems to support financial inclusion projects.
3. **STAFF CAPACITY:** Funder has the staff capacity required to deliver on its financial inclusion strategy.
4. **PERFORMANCE IDENTIFICATION SYSTEM:** Funder has a system in place that identifies all financial inclusion projects.
5. **PERFORMANCE INDICATORS:** Funder monitors performance indicators for financial inclusion projects.
6. **PERFORMANCE-BASED AGREEMENTS:** Funder incorporates performance-based elements in agreements with partners.
7. **PORTFOLIO REVIEWS:** Funder regularly reviews the performance of its financial inclusion portfolio.
8. **KNOWLEDGE MANAGEMENT:** Funder has systems for knowledge management.
9. **APPROPRIATE INSTRUMENTS:** Funder has appropriate instruments to support financial inclusion.





HOW DOES IT WORK?

In the past, the SmartAid Index was offered every two years. It was fully administered by CGAP and relied on an external review board consisting of four independent financial inclusion specialists. Going forward, the SmartAid Index is offered as a tool that funders can use with support from certified consultants who have all participated in the previous external review board and have been certified by CGAP. There are three options to conduct a SmartAid assessment:

SMARTAID INDEX SELF-ASSESSMENT

The funder uses SmartAid without external assistance based on a toolkit provided by CGAP. This option is most useful for agencies that are exploring the process but not yet committed to public disclosure. A self-assessment spurs internal discussion and helps the agency identify internal strengths and weaknesses; however, there is no external assessment included in the process. The score received with this option is comparable with other SmartAid scores, but is not validated by CGAP and will not be integrated into industry benchmarks.

SMARTAID INDEX ACCOMPANIED SELF-ASSESSMENT

The funder receives support from a certified SmartAid consultant to conduct the self-assessment. This option is useful for agencies that have limited staff capacity and may need support to facilitate the internal process required to implement SmartAid. As with the self-assessment, the focus is on internal discussion and generating knowledge around what it takes to improve internal practices. The support of the SmartAid consultant will also ensure that the funder gets information on the practices implemented by other agencies on the indicators that might need improvement. The score received with this option is comparable with other SmartAid scores, but is not validated by CGAP and will not be integrated into industry benchmarks.

SMARTAID INDEX VALIDATED ASSESSMENT

The funder receives support from a certified SmartAid consultant to conduct the SmartAid assessment, and the results are validated by a second certified consultant and CGAP. This option is useful for agencies that are seeking support throughout the process, that want to benchmark their performance against their peers, and that would like ultimately to publish their score. A detailed report provides recommendations for improvement. The score and the report are validated by CGAP and are published on www.cgap.org.

For more information and to sign up for the SmartAid Index, visit the CGAP Web site at:
www.cgap.org/about/programs/smart-aid

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