

1. PROJECT TITLE Rural Financial Markets (Ohio State University)	2. PROJECT NUMBER 221 -1169	3. MISSION/AID/W OFFICE DS/RAD
	4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) 81-32 11/3/80	
<input checked="" type="checkbox"/> REGULAR EVALUATION <input type="checkbox"/> SPECIAL EVALUATION		

5. KEY PROJECT IMPLEMENTATION DATES			6. ESTIMATED PROJECT FUNDING	7. PERIOD COVERED BY EVALUATION	
A. First PRO-AG or Equivalent FY <u>77</u>	B. Final Obligation Expected FY <u>81</u>	C. Final Input Delivery FY <u>82</u>		A. Total \$ <u>2,080,000</u>	From (month/yr.) <u>9/77</u>
			B. U.S. \$ <u>2,080,000</u>	Date of Evaluation Review	

B. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
<p>1. Short-term consulting to USAID missions</p> <p>a. focus on a limited number of problem areas (i.e., savings mobilization) building upon work done previously.</p> <p>b. OSU should help missions identify short-term consultants, but project should fund only those in designated areas.</p>	OSU Project Officer DS/RAD Project Officer	
<p>2. Network --</p> <p>a. identify and train persons to work in geographic areas not covered by network, e.g., Francophone Africa</p> <p>b. greater effort to identify and support the professional development of RFM specialists from U.S. minority institutions.</p> <p>c. network should include wider variety of disciplines.</p> <p>d. project should work with regional association (e.g, FAO scheme for agr. credit development to support regional networking of RFM LDC specialists.</p>	OSU Project Officer DS/RAD Project Officer "	
<p>3. Improve dissemination of project results to AID project officers.</p>	DS/RAD Project Officer	10/81

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS			10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT	
<input type="checkbox"/> Project Paper	<input type="checkbox"/> Implementation Plan e.g., CPI Network	<input type="checkbox"/> Other (Specify)	A. <input checked="" type="checkbox"/> Continue Project Without Change	
<input type="checkbox"/> Financial Plan	<input type="checkbox"/> PIO/T		B. <input type="checkbox"/> Change Project Design and/or	
<input type="checkbox"/> Logical Framework	<input type="checkbox"/> PIO/C	<input type="checkbox"/> Other (Specify)	<input type="checkbox"/> Change Implementation Plan	
<input type="checkbox"/> Project Agreement	<input type="checkbox"/> PIO/P		C. <input type="checkbox"/> Discontinue Project	

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)	12. Mission/AID/W Office Director Approval
Clifton Barton, DS/RAD	Signature
	Typed Name Jerome French
	Date 11/3/80

Summary and Recommendations:

Overall, this cooperative agreement appears to be serving as a useful mechanism for marshalling human and intellectual resources which AID missions and regional bureaus and LDC institutions can draw upon for work on RFM problems. The cooperator has made good progress in providing the services and outputs specified in the cooperative agreement. OSU has been a major source of support for the development of a network of RFM specialists, including researchers, consultants, policy makers, and operational people. The in-depth research and consulting activities have been of high quality and well received by missions. The project has produced an impressive array of research publications, and, in addition, has provided support and encouragement for researchers in a number of LDCs. The cooperator has been energetic and conscientious in disseminating information, RFM research, projects, and policies to a wide spectrum of RFM specialists, both within the U.S. and abroad.

The only area in which the project has not measured up to the level of expectations expressed in the project paper is in the provision of short-term consultants. As we have discussed previously, the problem has derived from a number of factors, including OSU regulations governing pay for consultants, the manner in which the project has been staffed, and the paucity of incentives for project staff to either work as consultants themselves or broker the services of others.

During the fourth year of the project, we recommend the following:

1. Short-Term Consulting. OSU should continue to help missions and regional bureaus identify candidates for short-term consulting assignments. However, OSU will not be expected to contract and fund ad hoc under this project. Instead, consideration should be given to focusing short-term con-

sulting services on a limited number of problem areas, such as savings mobilization or the development of certain kinds of credit delivery and collection systems, where past studies and evaluations suggest a likelihood of being able to develop successful projects.

2. Networking. An effort should be made to identify or help train persons to work in geographic areas currently not well covered by the existing network. In particular, this effort should focus on developing resources to work in African countries, particularly French speaking areas. Greater efforts should be devoted to identifying and supporting the professional development of RFM specialists from U.S. minority institutions. Regional Associations, such as those set up by the FAO under its Scheme for Agricultural Credit Development, should be looked at as a means for supporting the development of regional networks of LDC RFM specialists. The network should be developed to include persons with a wider variety in disciplinary backgrounds, rather than relying so heavily on agricultural economists.

3. Information Dissemination. DS/RAD should explore with OSU ways of improving the dissemination of project results to AID project officers and technicians.

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RURAL FINANCIAL MARKETS PROJECT

Project No. 931-1169 - Cooperative Agreement No. AID/ta-CA-1

Interim Evaluation

Background of Project

The Office of Rural Development and Development Administration and the Department of Agricultural Economics and Rural Sociology of Ohio State University signed a Cooperative Agreement (AID/ta-CA-1) under the terms of the Basic Memorandum of Agreement (AID/ta-BMAS-7) on September 29, 1977. The life of the project was to be four years at a total cost to the AID of \$1,935,374. In June 1979 the project funding level was increased to \$2,207,000 to include in-depth work in a fourth country. The objective of the Agreement was to enhance the ability of AID missions and LDC institutions to design and implement rural financial market (RFM) projects and policies so that these markets may operate more effectively in achieving rural development goals. At the time this project was formulated, there was a substantial body of evidence, arising from the Spring Review of Small Farmer Credit in 1973 and other studies, that many of the small farmer and rural credit programs around the world were yielding disappointing results. The project paper noted that many of AID's rural development programs included the extension of credit, but because of the general lack of qualified people with expertise in rural finance, AID bureaus and missions were having a difficult time satisfying their needs for consultants, evaluators, and researchers in this area. This project was intended to help AID missions improve the design of RFM projects and policies by marshalling human and intellectual resources which AID and LDC institutions could draw upon for work on rural finance problems.

In developing this cooperative agreement, it was recognized that AID and the university had somewhat different needs and interests. The university's interests were acknowledged to be more in the research and training opportunities that this project promised, whereas it was understood that the Agency's interests and needs included program-focused applied research and consulting. Even though the tensions and possible conflicts arising from these different sets of needs and interests were evident, it was felt that with the degree of flexibility provided by the cooperative agreement mode, combined with a certain degree of give and take by both DS/RAD project officers and the university participants, this type of arrangement could be an effective means of providing a set of resources and services to missions which might be difficult for them to obtain with alternative mechanisms.

This evaluation is intended to provide a review of the progress of the project during its first three years and an assessment of its effectiveness in achieving its original goals and purposes. More specifically, the evaluation will (1) review the goals, purposes, and expectations of the cooperative agreement as discussed in the project paper and as specified in the scope of work, (2) review the accomplishments of the project to date and assess the project outputs in terms of these objectives, (3) assess the impact to date or probable future impact of the project's outputs, (4) identify problems and issues that have arisen during the first 36 months of activity, and (5) discuss priority areas and activities that should be pursued during the remaining life of the project or that should be considered for follow-on activities.

1. Project Goals and Purposes

The overall goal or objective of this project, as stated in the project paper and the Cooperative Agreement, is to improve the ability of AID missions and LDC institutions to design and implement rural financial market (RFM) projects and policies so that these markets may operate more effectively in achieving rural development goals. Indicators of success in achieving this goal that were specified in the project paper included: positive changes in RFM policies; successful implementation of RFM programs consistent with improving income and employment opportunities of the rural poor; reduced implementation problems due to inadequate conceptualization and monitoring; and better impact evaluation flowing from projects. It was recognized in the project paper that many of these are long term objectives and that it might not be possible to measure some of these achievements until after the project has been completed.

The more specific purpose of the project was to marshal human and intellectual resources which AID missions and regional bureaus and LDC institutions can draw upon for work on rural financial market problems.

The expectations for this project, as stated in the project paper, were that firstly, the project would support activities that would strengthen the ability of researchers, consultants, and policy makers worldwide to properly treat rural financial market questions, and secondly, that it would serve as a vehicle to provide missions and regional bureaus with improved access to consultants to work on rural

financial market projects including program documentation, research, evaluation, and policy issues.

The cooperative agreement called for Ohio State University to provide four types of inter-related technical services under this project. These included:

- a. Applied research and consulting on rural financial market problems and policies;
- b. Special studies and evaluations on problems commonly found in rural financial markets and small farmer credit programs around the world;
- c. The development of a resource and consulting network on rural financial markets; and
- d. The timely dissemination of information on rural financial market development strategies to LDC, AID, and other donor practitioners, and members of the consulting network.

Measures for verifying the achievement of the project purpose that were specified in the project paper included:

- a. utilization of consultants from the roster to work on rural financial market problems;
- b. employment of guidance and information made available through state of knowledge and specific research studies in the development and design of projects;

- c. enactment by the LDCs of policy recommendations developed as a result of the specific studies, evaluations, and in-depth research activities.

ACCOMPLISHMENTS OF THE PROJECT DURING THE FIRST 36 MONTHS

The project paper lists four general categories of outputs that were expected from this project:

1. A consulting and resource network relating to rural financial markets;
2. Consulting and applied research on rural financial market problems and policies;
3. State-of-knowledge papers and special studies on problems commonly found in rural financial markets and small farmer credit programs around the world and approaches for solving these problems; and
4. The timely dissemination of information on rural financial market development strategies to LDC, AID, and other donor practitioners, and members of the consulting network.

The following is an assessment of the performance of the cooperator in producing these outputs through the first three years of the project.

1. The Development of Rural Financial Markets Consulting and Resource Network

One of the basic tasks this project was expected to accomplish was the development of a network of persons with interests and experience relating to rural financial market development who would be available to assist AID missions and LDC institutions by providing applied research and consulting services. This task involved two basic parts, including the identification of persons with interests and experience in this field, and activities to strengthen the abilities of persons interested in or working in this field to undertake productive research and consulting activities.

The OSU project team has viewed the development of this network to be an important aspect of the project and have devoted a large amount of effort to this activity. This has included maintaining several rosters of persons and organizations interested in problems of RFMs. Their most broadly based roster includes over 2000 individuals and organizations in 123 countries. This listing includes U.S. and LDC researchers, policy makers, development practitioners, and organizations. Contact with these persons and organizations is maintained on a regular basis through the quarterly RFM newsletter and related correspondence. A second listing of approximately 100 individuals includes policy makers and researchers dealing with RFM issues. This group receives periodic mailings of articles (approximately 10 per year) which are not widely available by other means. The third listing includes approximately 103 researchers and consultants who are available for periodic consulting assignments relating to RFM problems. Information on the availabilities of persons on this roster is updated on a regular basis and is made available upon request to

persons within AID, the World Bank and other organizations who are looking for RFM consultants.

In addition to identifying persons and institutions working in this area, the OSU project team has endeavored to support the development of this network through various types of training activities, workshops and conferences, and research and information dissemination. To date, seven workshops or conferences have been held in Jamaica, Bangladesh, the Dominican Republic, Tunisia, the United Kingdom, Canada, and Nepal. These meetings have brought together researchers, policy makers and others to discuss critical aspects of RFM policies, programs, and problems in both individual countries and wider regions. In addition, approximately six seminars have been conducted in Washington, D.C. to bring together technicians from AID, the World Bank and other organizations to discuss key RFM policy and program issues faced by donor organizations.

In terms of the level of effort, OSU appears to have done a commendable job in helping to develop and support a network of RFM specialists. Dale Adams, in particular, has played an important role in identifying persons with interests in RFMs and has taken an active role in promoting interaction and information exchange among persons in this network. These activities have produced direct and immediate benefits to AID and other donor organizations by making it easier to identify and locate consultants and researchers to assist in various types of consulting assignments.

There are at least two areas in which the composition of the present network could be improved. First, it includes a relatively small

number of persons and organizations with interests and experience in Africa and the Middle East. This is particularly true as it relates to potential consultants. RFM consultants with experience in Latin America are relatively abundant, and it is generally possible to locate well qualified persons for the large number of consultant assignments in Latin American countries. Similarly, there does not appear to be an imbalance between the supply of RFM specialists with experience in Asia and the consulting requests from this region.

However, it is generally very difficult to identify RFM consultants qualified to work in African countries, particularly in French speaking areas. An effort should be made to identify or help train persons with interests in geographic areas not currently covered by the existing network. Greater efforts should be devoted to identifying and supporting the professional development of RFM specialists from both LDC's and U.S. minority institutions.

Secondly, the present network could be improved by seeking to incorporate persons from a wider variety of disciplinary backgrounds, who would be able to bring different sets of experiences, skills and viewpoints to bear on RFM problems. The present network is primarily composed of agricultural economists who are interested in problems of agricultural finance. Persons from other disciplinary backgrounds and specialities such as monetary economists, financial analysts political economists, political scientists, anthropologists, and rural sociologists are less well represented. Partly because of this, rural financial market problems often tend to be defined in ways which fit conveniently with the perspectives and methods of the agricultural

economists but leave out other crucial dimensions of RFM problems. Examples of important areas which warrant greater emphasis include problems of financing small-scale non-farm enterprises, political aspects of reforming financial policies and institutions, problems of informal finance, and financial management problems of financial institutions serving rural customers. AID's ability to deal with these and other problems of RFM's could be improved by strengthening the existing network to include persons with a broader array of disciplinary backgrounds.

2. Consulting and Applied Research on Rural Financial Market Problems and Policies

Under the terms of the cooperative agreement, Ohio State was to undertake in-depth applied research and consulting activities in four countries, as well as approximately twelve person months per year of shorter term consulting assistance. The in-depth activities were expected to provide assistance to missions in analyzing the performance of rural financial markets as well as consulting assistance to assist with the development of strategies, policies and projects designed to improve the performance of these RFM's in meeting the needs of poor rural households. The shorter-term consulting services were intended to help missions meet their needs for specialists to assist with designing, implementing, and evaluating projects or project components dealing with rural finance. In particular, regional bureau representatives felt that having these types of services funded under this project would provide them with access to individuals who

might be difficult to access through alternative channels (e.g., non-U.S. consultants with experience in Middle Eastern and French speaking African countries.)

Outputs to Date

During the first three years of the project, in-depth applied research and consulting activities have been developed in four countries, as the cooperative agreement stipulated. Two of these in-depth activities have been carried out directly by OSU, while the other two have been carried out under subcontracts with Arizona State and Syracuse University.

Following is a summary of the in-depth activities:

A. Thailand - The in-depth work in Thailand grew out of a short-term assignment by Dick Meyer of OSU, Chet Baker of the University of Illinois, and Cliff Barton of DS/RAD assisting the mission with a financial sector assessment in May, 1977. Subsequent short-term consulting visits were made in October, 1978 and March, 1979 to assist the mission in developing a project paper for their Rural Off-Farm Employment Assessment (ROFA) Project which was designed to provide the mission with a comprehensive assessment of rural enterprises, farm household labor allocation, marketing, and rural financial market performance in three areas of Thailand. The mission subsequently provided \$500,000 through the ROFA Project to fund the local costs of these assessments, and Ohio State University and Michigan State University worked out agreements with the mission and with Kasetsart

University to help implement the work specified in the ROFA project. Richard Meyer of OSU began a two year assignment in Thailand in September, 1979 as the senior advisor for the OSU project, and has been advising three OSU graduate students involved in the project as well as working with personnel from Kasetsart and MSU.

In reviewing the progress of the Thailand activities with the mission in May 1980 and during a subsequent visit by the Mission Director, Don Cohen, to Washington in July, we found that overall the mission has been highly pleased with the performance of Meyer and OSU in carrying out this activity. In spite of severe administrative problems created by having to comply with the guidelines of the Thai Department of Technical and Economic Cooperation which makes the AID funding available to Kasetsart, the research activities have proceeded on track and show promise of yielding very interesting results. Relationships between the OSU team and the Thai researchers at Kasetsart have been excellent. The mission has remained supportive of the project as it has been designed and are looking to the research results to assist them in several areas of their strategy and program development, in addition to whatever follow-on activities relating to small enterprise development might emerge as a result of the present set of activities.

Two reviews of the overall ROFA Project activities have been carried out in recent months. In May, 1980, Peter Thormann of Asia/TR reviewed the ROFA activities as part of a TDY assignment focused on reviewing rural industry policies and programs in Thailand and

exploring the implications of the mission's current activities for future project and program development. Thormann's report, (available in DS/RAD), raises several issues regarding actions to ensure that the results of the various studies being conducted under the ROFA Project are used by persons concerned with the development of rural industry strategies, policies, or projects. He makes several useful recommendations for actions that could assist this process. Firstly, he suggests the addition of a project development oriented senior staff member to the project who would be responsible for developing linkages with potential users of study results and working with the mission and appropriate Thai institutions to help translate ROFA project outputs into new project ideas or policy initiatives. Secondly, he suggests increasing the contact between the ROFA Project staff and Thai government, academic and business communities, and donor organizations, by more frequent meetings with the ROFA Project's advisory committee (composed of high level government and business leaders). Thirdly, he suggests holding a workshop in November to discuss the preliminary findings of the project with government officials and others involved in the formulation of sections of the fifth national development plan that deal with employment policy and rural small scale industry.

The project team has concurred with these recommendations. Plans are underway to hold a workshop in November to discuss the preliminary findings, and an effort is being made to locate a suitable senior person to be responsible for disseminating the project results and working with the mission and relevant Thai institutions to translate them into policy and project initiatives.

Thormann's report also recommends tighter procedures for the use of short-term consultants, and the development of a plan of action for carrying out the work stipulated in the ROFA Project Paper on rural financial markets. These recommendations also appear to be sound and efforts should be made by the OSU team to see that these actions are carried out.

A second review of the project was an administrative review carried out by David Boyne of OSU and Larry Connor of MSU in June 1980, (available in DS/RAD). In addition to an excellent assessment of the progress of the project during the first year, this report places particular importance on the development of a detailed work plan for year two of the project. The project team has indicated that the development and review of this work plan would be completed by the end of September 1980. This work plan should stipulate intermediate reports that are to be provided, along with report deadlines, staff assignments, and related budget costs.

B. Jamaica - Work in Jamaica was initiated in June, 1978 with OSU providing assistance to the mission in carrying out a financial sector assessment as a contribution to the mission's overall agricultural sector assessment. This work was followed up by a number of applied research studies that have been carried out in conjunction with the Data Bank and Evaluation Division of the Ministry of Agriculture and the Jamaican Development Bank. The mission and the Jamaican Government have programmed approximately \$120,000 in counterpart funds to support the local data collection and analysis costs of

these activities. OSU, in conjunction with local researchers, have carried out a series of surveys that are providing information about the distribution and use of formal credit in small farmer areas, including the impact of several small farmer programs at the farm level, and problems associated with these programs at both the borrower and lender levels. The surveys are also providing information on the importance of farmer savings, informal credit, off-farm employment, and input and marketing problems affecting small farmers in the areas covered by these lending programs.

The feedback that DS/RAD has received from the mission indicates that both the Data Bank and Evaluation Division of the Ministry of Agriculture and the Jamaican Development Bank have been appreciative of the research assistance that OSU and the local researchers with whom they have been working have been providing. Reviews of the research results by both the mission and LA/DR indicate that they are pleased with the quality of the research that has been carried out.

The main issue from DS/RAD's perspective is whether or not it is justifiable to provide the level of support that has been committed through the RFM Project in a country where the mission does not have any current projects dealing with rural finance and where there appears to be little prospect of projects in this area in the near future. The mission has indicated that their interest in this project lies in the contribution it can make to the policy planning process and the support it is providing to the two local institutions with which it is involved. It is also playing a role in strengthening the

capacity of local researchers to carry out research in the area of rural financial markets. Furthermore, the results of this project are expected to provide useful inputs to the Caribbean Agricultural Credit Training Committee (CACTCOM) conference in Guyana in November that Doug Graham of OSU and Compton Bourne of the University of the West Indies are helping to organize. This project, therefore, might provide a starting point for a broader set of activities that could be carried out in other parts of the Caribbean in conjunction with CACTCOM.

The mission has indicated that they are interested in seeing the activities planned for Jamaica for the final year of the project continue as planned in order to honor the commitments that have been made to the Ministry of Agriculture. In light of this, and the impacts the project is having in terms of strengthening Jamaican planning and research capabilities relating to rural financial markets, we would recommend that this set of in-depth applied research and consulting activities continue as planned through the fourth year.

C. Bolivia - The in-depth applied research and consulting activities in Bolivia have been carried out through a sub-contract with Jerry Ladman of Arizona State University. This activity was designed to assist USAID/Bolivia in analyzing the structure and performance of rural financial markets and their relation to small farmers as part of their Farm Policy Study (Project Number 511-0485). The cooperative agreement provided the funding for the senior research (Ladman), research assistants, secretarial support, and for domestic travel, computer costs, and supplies. The mission agreed to contribute \$65,000 to fund international travel, per diem, and field research costs.

The scope of work for this activity called for Ladman and his associates to analyze the following components of the credit environment in Bolivia:

1. Small farmer savings and credit behavior;
2. Characteristics of consumers of financial intermediation services in rural areas;
3. The management, performance and behavior of formal financial institutions;
4. Informal financial intermediation services in rural areas;
5. The role of the GOB, policies, and institutions; and
6. Rural financial markets and their behavior as dynamic systems.

In addition, the research team was to analyze the impact of credit on farm operations and farm income from the data collected under the credit impact component of the Farm Policy Study. Based on these analyses, the team was to provide recommendations for intervention strategies.

Five changes of government since the project began have caused a number of delays in the implementation of the various surveys and studies that were planned. Overall, however, the project appears at this point to be progressing well and the mission has not indicated any displeasure with the performance of the contractor in carrying out these activities. Studies on group lending of the Bolivian Agricultural Bank and the Integral Cooperatives and linear programming of small-farmer use of credit are expected to be completed by the end of 1980. The study on factors influencing credit use in small farm households was completed in 1979 as an M.S. thesis at OSU and was judged to be the outstanding M.S. thesis at OSU

for the year. Additional studies on informal financial markets in the Valle Alto, small farmer credit impact and cash flow analysis, and credit unions, including members attitudes toward credit unions, credit delivery systems, savings mobilization and credit union management are underway and are scheduled for completion by September, 1981.

In addition to the work that was agreed upon when this relationship was initiated with the mission in January 1978, USAID/Bolivia made a further request for consultant services from the RFM Project to assist them with a more general financial sector assessment. An additional \$38,000 was provided by the mission for this task, which was carried out during the summer of 1979.

In assessing the impact of the project's activities in Bolivia, it does appear that the project is succeeding in marshalling human and intellectual resources which the mission and Bolivian institutions can draw upon for work on rural financial market problems. In the case of this activity, these resources have included both Bolivian researchers as well as U.S. researchers who are willing to focus on RFM problems in Bolivia on a long-term basis. It is still too early to assess what impact the activities in Bolivia might have in terms of the overall goal or objective of the project, which is to improve the ability of AID missions and LDC institutions to design and implement RFM projects and policies which improve the performance of these markets in achieving rural development goals.

D. Peru - The in-depth activities in Peru were initiated in the summer of 1979 through a sub-contract with Robert Vogel of Syracuse University. The purpose of these activities was to provide applied

research and consulting assistance to assist the Banco Nacional para las Cooperativas (BANCOOP) in implementing an experimental program for mobilizing rural savings. The cooperative agreement provided the services of Vogel for approximately six months per year and two graduate students. The AID technical assistance grant to BANCOOP provided approximately \$25,000 funding for various field expenses connected with the experimental savings mobilization program.

This effort stands in marked contrast to most donor supported rural finance projects which concern themselves almost exclusively with extending credit, and pay little attention to the problem of mobilizing savings and helping financial institutions achieve self-reliance. The project has focused on strengthening the capabilities of BANCOOP to mobilize savings in two areas, Huancayo and Tingo Maria. It also includes an applied research component to analyze factors influencing savings decisions, the characteristic of depositors, sources of deposits, and the behavior of deposits over time.

Initial results of savings mobilization programs in Huancayo and Tingo Maria have been extremely encouraging. The BANCOOP savings mobilization efforts were launched in 1979 in the face of adverse economic conditions. In addition to rapid inflation, the Peruvian economy had shown no real growth in several years. Moreover, BANCOOP faced potentially formidable competition from established financial institutions, including several commercial banks. Yet, by the end of 1979, BANCOOP had mobilized over 40 million soles (over \$150,000 U.S.) in time and savings deposits, which already exceeded the objective to be met by the end of the

project in mid-1981. During 1980 progress has been even more rapid, and by September the time and savings deposits at the Huancayo and Tingo Maria offices had reached nearly \$1 million U.S.

Although problems still remain in extending this program to BANCOOP's other branches, this project has already demonstrated that a great deal can be done to strengthen the ability of financial institutions to mobilize rural savings. It casts into doubt the conventional wisdom which asserts that savings cannot be mobilized in rural areas of developing countries because most of the rural population has no margin for saving over consumption needs. This project is beginning to demonstrate that with the proper types of incentives to both borrowers and bank staff that savings can be mobilized in a cost effective manner, and that financial institutions serving rural areas can develop self-sustaining operations that do not require continued infusions of subsidized capital from foreign donors.

Beyond its immediate impact on BANCOOP, this activity offers a possible alternative approach that should be seriously considered in AID projects dealing with rural financial markets in other countries. Rather than focusing solely on problems of extending credit, as most AID and World Bank rural finance projects have done, this project suggests that a great deal more could be done to help banks mobilize local resources. This approach runs counter to the institutional pressures on foreign donors to move large sums of money, and is not likely to appeal to local political leaders who frequently receive large benefits through their ability to influence the distribution of subsidized loans. However, it does suggest how one part of a successful long-term approach to developing rural financial markets might be achieved.

Short-Term Consulting. In addition to the longer term consulting activities concentrated in four countries, the cooperative agreement called for OSU to provide up to twelve person months per year of short-term consulting assistance to missions. As originally envisaged in the project paper, some of these consulting requests would be filled by OSU staff, while other requests would be filled by drawing upon members of the consulting network outside of OSU.

Table I lists the short-term consulting activities that have been carried out under funding provided by this cooperative agreement. During the initial year of the project, the short-term consulting activities were focused on Thailand, Jamaica, and Bolivia; subsequently, these activities led to the development of longer term relationships with these missions. During the second and third years short-term consulting activities were carried out in a number of African and Latin American countries in response to requests from the local missions. Short-term consultancies in the Asian regions were mainly limited to activities supporting the in-depth work in Thailand, although extensive consultations were carried out with the missions and local institutions in Bangladesh and Nepal in conjunction with two major workshops that were carried out in these countries. In the Near East Region, Tunisia was the only country in which short-term consulting activities paid for under this project were carried out.

Responses from missions where short-term consultancies were carried out have indicated they have been pleased with the quality of the consulting services carried out under the project. No missions indicated they were unhappy with the performance of any of the short-term consultants funded under the project.

Beyond the short-term consulting activities paid for under this project, OSU has provided frequent assistance to missions and regional bureaus in identifying qualified consultants for assignments funded by the regional bureaus or missions. On the average, OSU has responded to approximately 40-50 requests of this type per year.

Finally, OSU staff and consultants have been available to regional bureau personnel for informal consultations and have frequently provided advice and information by phone and during visits to AID/Washington.

Overall, the level of effort stipulated in the cooperative agreement for short term consulting (approximately 12 person months per year) has been met by OSU. In addition, the regional bureaus have indicated that they feel the cooperator has performed a very useful service in assisting them and missions in their regions in identifying appropriate RFM consultants.

Issues. In spite of the fact that OSU has provided the level of effort called for in the cooperative agreement for short-term consulting, both DS/RAD and the OSU project staff have generally not been satisfied with the mechanisms that have been developed under this project to handle short-term consulting requests.

Firstly, it has become increasingly clear to DS/RAD that the current cooperative agreement does not provide an effective mechanism for obtaining short-term consulting services from OSU staff. Under current OSU rules, staff members, even those not associated with the project, are not paid a consulting fee for any short-term consulting assignments they might under-

take as part of a university contract. However, if they were to undertake a consulting assignment paid for by a mission, the World Bank, or some other funding source, they could be entitled to a consulting fee for a limited amount of outside work. Since faculty members only have a limited amount of time available for outside work, anyone with other paid consulting opportunities available would not be likely to accept an (unpaid) short-term assignment under university contract with AID. In practice, the university regulations have made it virtually impossible to access qualified OSU staff members for short-term assignments.

The only exceptions have been the short-term assignments undertaken by the full-time project staff. The project has provided funding for three senior persons from OSU who have been available for occasional short-term assignments. However, two of the three, Meyers and Graham, have been almost totally occupied with the in-depth work in Thailand and Jamaica. The third senior staff person, Dale Adams, has undertaken several short-term assignments, but has been constrained from undertaking more because of responsibilities for other aspects of the project.

Although these constraints have limited the availability of OSU staff for short-term assignments, the project staff has done a commendable job in developing a network of RFM specialists from elsewhere in the U. S. and overseas. Moreover, as we mentioned before, the project staff has done an excellent job in identifying candidates for consulting assignments.

In DS/RAD's view, however, OSU has not provided adequate staffing for managing the short-term consulting component of the project. Discussions between DS/RAD and OSU were held during the second year of the project

about adding a staff member to manage the short-term consulting activities, but OSU was unable to locate a person to perform these duties. As a consequence, the management burden for the senior member of the project staff has increased. In DS/RAD's view, this is not efficient use of project resources.

As a consequence of these incentive and staffing constraints, this project has provided few advantages over existing IQC mechanisms for contracting and supplying short-term consultants. On the other hand, as we have noted previously, it has been effective in developing a network of consultants and providing recommendations to regional bureaus and missions for filling individual requests.

Recommendation. During the final year of the project, we recommend that OSU continue to help missions and regional bureaus identify candidates for short-term consulting assignments. However, OSU will not be expected to contract and fund these consultants under this project. The funds for short-term consulting originally budgeted for the fourth year will be delated, except for the amounts budgeted to support the in-depth work in Thailand, Jamaica and Peru.

3. State of knowledge papers and Special Studies.

The project paper suggested two types of special studies or state of knowledge papers that might be carried out under this project. The first type was to be short-term investigation of problem areas that were being looked at in the in-depth country activities. The second type of special study was to be short-term evaluations of on-going rural finance projects in which AID had special interests.

To date, the OSU project staff has carried out special studies in the following areas:

- a. Group lending - Studies of group lending have been initiated in Thailand, Bolivia, the Dominican Republic, Nepal, the Philippines, and India.
- b. Impact of credit use at the farm household level - A preliminary paper has been prepared by Christina David and Richard Myer. Additional studies are currently underway in Thailand, Bolivia, and Jamaica.
- c. Improving the design and evaluation of credit projects - A preliminary paper has been prepared by J. D. VonPischke and Dale Adams. A series of papers will be prepared on various aspects of this problem during the fourth year. These will be presented in a joint AID-World Bank Conference in June.

In addition, the project has provided encouragement and in-direct support for RFM researchers in a number of countries who have carried out special studies on a wide variety of topics. Annex A provides a listing of some of these studies which have been carried out in conjunction with this project.

The overall impact of this project on RFM research has been substantial. The project has permitted OSU to continue to play a central role in stimulating and supporting RFM research. This support has been notable in that it has reached out to researchers in LDC environments who otherwise might find few sources of encouragement for continuing or developing

(IN RAD PROJECT FILES)
As Millard Long has noted on page 3 of his evaluation ~~Annex A~~ the research and publications that OSU has generated have played an important role in reconstructing the thinking of policy makers and development agencies regarding RFM policies and programs. The interest rate issue is one particularly salient example, but work in other area such as savings mobilizations, the role of informal lenders, and alternative delivery systems has also been considerably influenced by the thinking of Dale Adams and others associated with OSU.

Overall, the special studies have focused on priority areas, and OSU's outputs for this aspect of the project are consistent with the expectations laid out in the project paper and cooperative agreement. (For additional comments on OSU's research outputs, see Annex B, pages 5-10).

4. Information Dissemination.

The fourth general category of outputs that was specified in the cooperative agreement was the timely dissemination of information on rural financial markets development strategies to LDC, AID, and other donor practitioners, and members of the consulting network. We previously have described in the discussion of the development of the research and consulting network some of the channels of information dissemination that have been developed under this project. These have included the newsletter, workshops and conferences, and periodic mailings of articles to researchers and policy makers. In addition, the cooperator has assembled and distributed five Annotated Bibliographies on rural finance publications, and has provided reference services to AID personnel and researchers in LDC's who are unable to locate elsewhere copies of interesting studies or reports

OSU has played an active role under this project in disseminating information on RFM policies, programs, and research results. A questionnaire distributed to recipients of the RFM Newsletter indicated readers were generally very pleased with the newsletter and considered it a valuable means of keeping abreast of issues and activities in this field. Some readers felt that more discussion or airing of alternative view points on policies would be useful. Others suggested more focus on successful or unsuccessful rural credit and savings programs and operations.

However, approximately 95 percent of the 400 persons who responded to the questionnaire (out of 2,000 recipients worldwide) rated the newsletter to be either useful or very useful and felt that AID should continue to fund it.

A questionnaire was also sent to persons who participated in one or more of the RFM workshops. Sixty persons responded out of approximately 300 persons who participated in the seven workshops. The overall evaluation by these participants of OSU's handling of these workshops was again very positive. Nearly all of these respondent felt that workshops of this sort were useful for exchanging information about RFM's, and that these types of discussions were important for supporting development of improved RFM policies and programs. The cases of Bangladesh and Nepal suggest that these types of work shops are particularly useful when host governments are contemplating embarking on new programs or shifting directions of existing programs and policies.