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**MID-TERM EVALUATION OF THE FINANCIAL  
SERVICES VOLUNTEER CORPS, INC.**

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## LIST OF ACRONYMS

<b>ADB</b>	Asian Development Bank
<b>AID</b>	U.S. Agency for International Development
<b>AIIP</b>	American Investment Initiative in Poland
<b>CEE</b>	Central and Eastern Europe
<b>CSB</b>	Czech State Bank
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>ESOP</b>	Employee Stock Ownership Plan
<b>EUR</b>	Europe Bureau of U.S. A.I.D.
<b>FDIC</b>	Federal Deposit Insurance Corporation
<b>FRBNY</b>	Federal Reserve Bank of New York
<b>FSVC</b>	Financial Service Volunteer Corps
<b>MBA</b>	Mongolian Banker's Association
<b>MBI</b>	Mongolian Banking Institute
<b>MSI</b>	Management Systems International
<b>NBP</b>	National Bank of Poland
<b>NIS</b>	Newly Independent States of the Former Soviet Union
<b>PRE</b>	Private Enterprise Bureau of U.S. A.I.D.
<b>SOE</b>	State-owned Enterprise

## **EXECUTIVE SUMMARY**

### **Background and Methodology**

Established in 1990, the Financial Services Volunteer Corps (FSVC) is a not-for-profit organization based in New York, which channels technical assistance on a voluntary basis from U.S. financial services experts to countries making the transition to market economies in Central and Eastern Europe and the former Soviet Union.

To this end, FSVC focuses its assistance through two project components: a banking component (which includes both commercial banking and central banks) and a capital market component. In the first, FSVC supports the institutional development of private or privatizing commercial banks and central banks by providing technical assistance and specialized training. The capital market component is aimed at assisting in the formation of stock exchanges; the development of securities markets through drafting and revision of securities laws; developing regulatory and capital markets authorities; establishing broker/dealer operating practices; and organizing exchange management and professional associations.

This mid-term evaluation examines the program activities of FSVC in Central and Eastern Europe and Mongolia from 1990 to September 1994. This evaluation was conducted by Management Systems International (MSI) at the request of A.I.D.'s Global Bureau. The evaluation team was staffed by Cathy Silverstein (Team Leader/Senior Associate), and Adam Prokopowicz (Senior Associate). The team reviewed FSVC activities over a three week period (October 18 - November 4) in New York, Poland, Hungary, Czech Republic, and Mongolia. As per the Scope of Work, this evaluation excludes FSVC's other activities in Central and Eastern Europe, its Russia programs<sup>1</sup>, and the American Investment Initiative in Poland. These activities are funded by other offices in A.I.D.

To determine the impact of assistance, over 60 field interviews were conducted with host country counterparts including senior managers within the central banks, commercial banks, stock exchanges, professional associations, universities, training and research institutes, as well as government officials, and other stakeholders. In addition, the evaluation team interviewed a representative sample of ten volunteers, obtained relevant information from A.I.D. officials and FSVC staff, and reviewed relevant A.I.D. and FSVC documents.

### **Major Findings**

Based on the evaluation team's research, there is good evidence that FSVC has contributed positively to the formulation and adoption of key policy and procedural changes which are enhancing the development of modern financial systems in the countries reviewed. Most beneficiaries interviewed indicated that their participation in FSVC-sponsored projects has significantly increased their professional knowledge and abilities.

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<sup>1</sup> FSVC's activities in Russia include the Russian-American Banker's Forum and the Academy for Advanced Studies in Banking and Finance.

In addition, FSVC-sponsored assistance has in many cases helped to produce benefits extending beyond the initial recipient. This has been demonstrated, for example, in the replication of FSVC-sponsored training efforts within the commercial banks, central banks, and educational institutions where training participants work. Also, the various laws and policies that have been adopted with the assistance of FSVC volunteers are benefitting the financial sector as a whole. Thirdly, many beneficiaries have established and are maintaining valuable professional relationships with colleagues in the U.S. and Hong Kong which began during their participation in FSVC-sponsored trainings.

Interviewees consistently remarked that FSVC's major strength is the highly qualified cadre of volunteers who are able to provide assistance on a wide range of topics and working situations. FSVC has also shown the ability to often respond within short time periods to host country requests. In addition, the voluntary nature of FSVC's assistance has added credibility in the eyes of beneficiaries.

FSVC has met or exceeded its planned outputs for the first and third grant periods (first quarter 1991 and second quarter 1992 respectively). For the second grant period (fourth quarter 1991), FSVC fell short of its expected outputs, however this was due mainly to the setting of goals that the team feels were overly-ambitious, and to the need for more time to establish an in-country presence abroad than FSVC originally anticipated. This was addressed in 1992 with the introduction of Country Directors.

The organization is taking steps to enhance its institutional sustainability for the future. For example, it is undertaking new project development activities in Central and Eastern Europe and Asia, while pursuing non- A.I.D. sources of funding. FSVC's new public relations activities include tapping the institutions of its volunteer "alumni" for contributions, and a newsletter targeted to potential funding sources such as foundations. With an experienced staff and new, consolidated office space, FSVC is well-positioned for future institutional growth.

Given these achievements however, the evaluation team noted the need for FSVC to implement several improvements. For example, there is a need for more consistent, regular follow-up and monitoring of assistance projects in all countries visited. More follow-up is needed on a periodic basis at established intervals such as every six or nine months. FSVC also needs to consider developing long-term, country-specific strategies in order to better meet local needs and more efficiently target its resources in the future.

In summary, FSVC has demonstrated the consistent provision of highly-qualified technical assistance to the transitional economies of Central and Eastern Europe and Mongolia in a timely, and efficient manner. This has been achieved even amid FSVC's considerable growth and expansion of activities from 1990 to the present.

## **I. EVALUATION OVERVIEW**

As detailed in the Scope of Work, the purpose of this evaluation is to assess the three-year performance of the Financial Services Volunteer Corps under A.I.D. grant number DHR-0017-G-00-0079-00. The purpose of the grant is to provide support, advice, and assistance to host country efforts to implement democratic principles, free market economies, and overall financial sector development.

A.I.D. requested this evaluation be limited to an examination of FSVC's program activities in Central and Eastern Europe and Mongolia. FSVC's activities in Russia (including the Russian-American Banker's Forum and the Academy for Advanced Studies in Banking and Finance) were therefore excluded for purposes of this report, since these programs were funded by other A.I.D. sources outside the original grant and amendments.

- The evaluation has three major objectives: 1) to assess the effectiveness of FSVC in achieving its stated objectives, as described in the grant agreement (detailed in the section, "FSVC Background, Objectives, and Staffing"); 2) to determine the impact of the activities carried out under the Commercial Banking Component and Capital Market Component described in the grant agreement; and 3) to identify those features of the project that can be replicated in similar projects at other locations.
- The Scope of Work requested the evaluation team examine the following key issues: the technical assistance provided by volunteers; future institutional sustainability of FSVC; management issues such as sources of non- A.I.D. funding, organizational structure, and staffing; and actual outputs versus expected outputs as indicated in the grant agreement and Amendments 1-5 from August 31, 1990 through December 22, 1992.

To meet these objectives, the evaluators obtained primary data from numerous individual and group interviews with direct recipients of FSVC training and technical assistance and host country beneficiary institutions. In addition, the evaluators interviewed FSVC staff in the New York headquarters and FSVC Country Directors in the field. These interviews were conducted over a three-week period in New York, Poland, Hungary, Czech Republic, and Mongolia. These field interviews were conducted with senior managers within the central banks, commercial banks, stock exchanges, government ministries, professional associations, training centers, universities, and research institutes.

In addition, the evaluation team interviewed a representative sample of ten volunteers who had participated in six countries including Poland, Czech Republic, Slovakia, Hungary, Russia, and Mongolia. These volunteers included senior executives from the Federal Reserve Bank(s) of New York and San Francisco, several attorneys, and the Executive Director of a foundation. This included discussions with volunteers currently offering training programs in Poland, Hungary, and Mongolia. The team was able to observe these training classes while in session.

After speaking to recipients of FSVC assistance and others knowledgeable about the financial sector, the team aimed to determine the appropriateness of the assistance, and the benefits derived from that assistance. These benefits were determined at two levels: firstly, in terms of the professional development of the individual trainee; and secondly, the broader or secondary impact of the assistance. This could include unintended benefits of assistance, or broader impacts on policy, legislation, and development of the financial sector. The evaluators were also able to synthesize lessons learned through discussions with A.I.D. representatives, FSVC staff, former FSVC volunteers, government officials, and other stakeholders.

Secondary data was obtained from A.I.D./Washington via grant amendments, FSVC reports to A.I.D., FSVC lead mission reports, periodic progress reports, training evaluations, project identification forms, and other internal reports prepared by FSVC from 1990 to the present.

## II. FSVC BACKGROUND, OBJECTIVES, & STAFFING

### Background & Objectives

Established in 1990, FSVC is a not-for-profit organization which channels voluntary technical expertise of U.S. financial services professionals to the countries of Central and Eastern Europe and the former Soviet Union that are in transition to market economies. To this end, FSVC provides technical assistance and training in the following areas: 1) commercial banking; 2) central banking; and 3) capital markets development. These three areas of assistance are in tandem with the objectives indicated in FSVC's Mission Statement:

*"To undertake and carry out all manner of activities, including rendering reports and advice, with the purpose of advancing education and lessening the burdens of government with respect to the transition to and implementation of democratic principles, free market economics, and general economic development in Central and Eastern Europe and appropriate other countries around the world, and all other activities that would be appropriate in connection with the foregoing..."<sup>2</sup>*

To meet these objectives, Country Directors in the field help local institutions define their needs and form specific requests for assistance. In response to these requests, FSVC recruits senior-level bankers, lawyers, accountants, and other professionals to serve on a voluntary basis. Most assignments average 1-2 weeks, however FSVC has fielded several long-term advisors in Central and Eastern Europe. Volunteers work on a range of projects individually tailored to meet the needs of the local host country financial sector institution. These projects have included assistance in the following areas:

- Commercial banking structure and the credit process
- Central bank supervision and regulation
- Privatization and foreign investment
- Corporate, securities, bankruptcy, and foreign investment laws
- Stock exchanges and commodities markets
- Corporate, federal and municipal government finance
- Insurance
- Accounting standards

The history of A.I.D. funding for FSVC is presented in Table 1.

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<sup>2</sup> Source: Financial Service Volunteer Corps, Certificate of Incorporation, excerpt provided by FSVC.

**Table 1: A.I.D. Funding for FSVC Programs**

<b>Source (Bureau)</b>	<b>FY90</b>	<b>FY91</b>	<b>FY92</b>	<b>FY93</b>	<b>90-93 Total</b>
<b>Private Enterprise</b>	\$250,000	\$400,000	\$600,000	\$300,000	\$1,550,000
<b>Asia</b>			\$320,000		\$320,000
<b>Europe</b>		\$1,000,000	\$1,000,000	\$700,000	\$2,700,000
<b>Total</b>	\$250,000	\$1,400,000	\$1,920,000	\$1,000,000	\$4,570,000

**Activities Overview**

As stipulated in the Grant Agreement and its Amendments, FSVC's activities fall into the following areas:

- Lead missions to assess financial sector conditions and identify specific assignments for volunteers;
- Follow-up missions of short-term trainings and technical assistance conducted by U.S. experts to financial and government institutions in response to specific requests;
- Group training programs in the U.S. for professionals in relevant financial sector institutions such as commercial banks, investment and accounting firms, insurance industry affiliates;
- High level consultations and conferences in the U.S. attended by professionals to increase knowledge, share information, and establish professional contacts;
- Continuing education programs in the U.S. for professionals; and
- Other advisory services including informal assistance, consultations, or gathering of professional reference materials.

These activities are discussed in greater detail on a country-by-country basis in a later section entitled: "Impact Evaluation By Country."

## **Staffing and Organization**

FSVC was founded, and is currently co-chaired and founded by Cyrus R. Vance and John C. Whitehead. Its organizational structure has undergone several key changes since its origin in 1990.

In 1990, FSVC led several missions to selected countries in Central and Eastern Europe. These missions were comprised of teams of well-known U.S. policy makers, senior banking officials, and other technical experts. The purpose was to make contact with newly-elected government officials to learn their needs and priorities, examine constraints in the financial sector, and make specific recommendations for future forms of assistance which would appropriately address those constraints.

In 1990, FSVC was run by its Steering Committee and Board of Directors, with day to day operations conducted by the Executive Director who also worked on an un-paid basis. In 1991, the Board of Directors determined that additional staff should be engaged to serve under the Executive Director and that he should become a paid member of the staff. As a result, FSVC initiated the new positions of Program Director, Administrative Director, and a secretary. From 1991-1992, FSVC was staffed by five individuals who implemented an average of 45 projects a year. Aside from the Executive Director who began with FSVC in 1990, the Program Director was chiefly responsible for program management.

The Program Director was responsible for initiating in-country activities, and recruiting volunteers for specific projects. Given the heavy demands of these responsibilities, and the need for maximum flexibility to meet those demands, FSVC was then comprised of an informal management structure. During this time, few internal reports were produced (except for annual reports), and documentation of project requests or follow-up is unavailable.

In early 1992, FSVC hired its first Country Director, based in Poland. In actuality, FSVC requested that this individual provide three functions: that of Country Director, technical advisor to the Ministry of Privatization, and ad hoc Regional Director for Central and Eastern Europe. As technical advisor, he was able to provide his professional expertise to stimulate the privatization process, above and beyond his administrative functions as Country Director. FSVC found this dual role to be a valuable model which has been replicated in other countries to the extent possible. In his third role, he identified and responded to project requests in other countries in the region.

During this year, FSVC also added an Administrative Assistant, a Country Director in Mongolia, an Executive Director of the American Investment Initiative in Poland, and his Program Assistant. In addition, FSVC added a Director of the Russian-American Bankers Forum and three Program Advisors.

FSVC's activities expanded greatly in 1993. New Country Directors were hired for Hungary and Slovakia, and a Program Officer was hired for the New York office. FSVC initiated the Russian American Banker's Forum and the Academy for Advanced Studies in Banking and Finance in Russia. Based on the experience gained in the prior three years, and the increased

activities they were undertaking, FSVC then recognized the need for a more well-defined organizational structure.

In September 1993, FSVC created a new position in the organizational structure, that of Managing Director placed between the Executive Director and the Program Director. Formerly of the Federal Reserve Bank of New York and Continental Illinois Bank, the new Managing Director aims to strengthen FSVC's management systems and program development. As such, he has initiated a number of new policies, procedures, and reporting formats. Some of these improvements in the recruiting and staffing of projects are described in the next section, while other changes are discussed in greater detail in the "Management Issues" section.

FSVC was originally established with a Steering Committee, which still meets to set overall policy for the organization. In 1992, FSVC's by-laws were amended to allow for an Executive Committee to have authority over day to day decisions. This Executive Committee is comprised of Executive Director, President, and Managing Director. Until recently, its role has been to approve projects proposed by the field offices. In November 1994, FSVC created a new Management Committee which will meet every 10 days to undertake project approval. It is comprised of the Executive Director, Managing Director, Program Director, and Administrative Director. As a result of this new structure, the Executive Committee will now be able to focus more on financial and policy issues of concern to the organization.

### **III. PROJECT SELECTION AND RECRUITMENT**

The following describes FSVC's process of project selection and recruitment as it has been implemented since the end of 1993. This description includes some valuable modifications made by the Managing Director since his arrival that year, as well as criteria for selection. In addition, the evaluators have compiled volunteer responses to questions asked in interviews regarding their experience with FSVC.

#### **Project Selection and Recruitment Process**

Country Directors in the field normally receive assistance requests from host country counterparts with whom FSVC has established previous contact. These include key government officials and senior managers from the financial sector community. After Country Directors identify and define a project request, they usually discuss the proposal with the Program Director in New York to determine if it is appropriate for presentation to the Executive Committee. If so, the Country Director then formerly writes up the project request on the new Project Description Form. This form is then sent to the Executive Committee in New York for review.

The Executive Committee, which usually meets every two-three weeks, then reviews the project request and makes the final decision on the project. If the Executive Committee grants approval for a project, FSVC then brainstorms to determine the expertise required of the volunteer(s). The Project Description Form is then used as a marketing tool to recruit appropriate volunteers. Currently, volunteers are selected from information files maintained by the Program Officer. The volunteer recruitment process can take from several days up to two-three weeks.

#### **Project Selection Criteria**

FSVC's selection of projects is based on the following criteria:

- Topic of assistance must be appropriate and within the realm of financial sector assistance;
- Project must be a genuine request directly from an institution;
- Project must not raise any potential conflict of interest for FSVC staff or volunteers;
- FSVC does not accept assignments for feasibility studies;
- Project request must be identifiable, measurable, and achievable in a specified time frame;
- Project must not be for procurement purposes; and
- Assignments are rejected if the recipient would pay a fee elsewhere for similar service.

This pre-screening procedure seems to be quite effective, as only two out of the last 50 projects have been rejected by the committee. These were rejected because of possible conflict of interest or inappropriate subject matter, two key areas of concern to FSVC.

### **Pro Bono Volunteers**

The evaluation team interviewed a representative sample of ten volunteers who had participated in six countries including Poland, Czech Republic, Slovakia, Hungary, Russia, and Mongolia. These volunteers included senior executives from the Federal Reserve Bank(s) of New York and San Francisco, Office of Comptroller of the Currency, commercial banks, as well as attorneys and the Executive Director of a foundation. These interviews included volunteers currently offering training programs in Poland, Mongolia, and Hungary; as such the team was able to observe these training classes in session.

FSVC's key assets are the technical experts it is able to recruit on a voluntary basis from the U.S. financial community. These professionals are often leaders in their fields from both public and private sector institutions and include senior-level bankers, lawyers, accountants, and other technical experts. Based on interviews with volunteers and host country counterparts, volunteers appear to have more than sufficient expertise and skills to meet the demands of their assignments.

Volunteers typically provide assistance for a period of one-two weeks. They work on a range of projects individually tailored to meet the needs of the local host country financial sector institution. These projects have included assistance in the following areas:

- Commercial banking structure and the credit process
- Central bank supervision and regulation
- Privatization and foreign investment
- Corporate, securities, bankruptcy, and foreign investment laws
- Stock exchanges and commodities markets
- Corporate, federal and municipal government finance
- Insurance
- Accounting standards

Table 2 summarizes the effectiveness of FSVC in preparing volunteers for their assignments abroad. It ranks the responses of the ten volunteers interviewed to the following question: 1) Did FSVC provide you sufficient knowledge and appreciation of overall USAID objectives as well as specific USAID private sector objectives? and, 2) Were you provided sufficiently specific scopes of work and background information prior to your assignment?

**Table 2: Summary of Volunteer Responses**

"Did FSVC provide you sufficient knowledge and appreciation of overall USAID objectives as well as specific USAID private sector objectives?"

YES	NO	NO RESPONSE	TOTAL
2	5	3	10

Were you provided sufficiently specific scopes of work and background information prior to your assignment?

YES	NO	NO RESPONSE	TOTAL
8	1	1	10

Volunteers generally agreed they had been given sufficient orientation as to the objective of their proposed assignment. This was particularly true in the case of training assignments where topics are decided upon in advance. They also agreed that FSVC had done a good job of selecting host country institutions, defining project objectives, arranging travel logistics, and providing in-country support.

Several volunteers believed they could have benefitted from more background information on the environment in which they would be working. This included information on the politics and history of the particular country, the management structure and function of the organization or department which is receiving the assistance, and cultural orientation.

Some volunteers had made a contribution in assisting the host government in policy reform. These were volunteers who had participated in lead missions or had assisted in the adoption or amendment of specific laws and/or policies. However, most volunteers interviewed had provided technical assistance or training to a specific institution, or to practitioners in the banking sector at large. As such, they generally had not directly assisted in the policy reform process, but had helped in the overall process of developing the financial institutions.

### **New Improvements**

While recruiting efforts by FSVC have been somewhat haphazard in the past, the organization has now gained more experience, and is implementing better procedures. Since his arrival in 1993, the Managing Director has imposed much-needed, new rigor on the project selection and volunteer recruitment process. This is in the form of new procedures which will enable FSVC to respond to field requests in a more consistent, and well-organized manner. These modifications appear to have greatly improved the process, which is still being fine-tuned.

For example, some Country Directors interviewed complained that they had sometimes not been able to fulfill a client request in a timely manner due to the irregular schedule of

Executive Committee meetings. In the past, the Committee would apparently meet every two-three weeks with little prior announcement. Country Directors also noted poor continuity from one Committee meeting to the next. A project put on hold during one meeting due to other priorities, might be inadvertently overlooked in the next meeting as additional projects were requested.

To address these issues, FSVC has created, as of November 1994, a new Management Committee which will review project selection and meet every ten days. Instead of selecting projects, the Executive Committee will focus more on financial and policy issues of concern to the organization. The Management Committee is comprised of the Executive Director, Managing Director, Program Director, and Administrative Director. Country Directors should now be able to prepare their assistance requests on a more timely basis, and better manage the expectations of clients in the field.

The Project Description form now being used is an important and useful document. It serves as a project proposal for the Executive Committee, a tool for recruiting volunteers, and a scope of work for host institutions. The evaluators support its continued and consistent use.

To date, FSVC has achieved a reputation for excellent selection of highly qualified volunteers on a timely basis. It is the hope of the evaluation team that by imposing new rigor to increase professionalism, that FSVC does not instead encumber the recruitment process with too much bureaucracy. For the future, FSVC will need to find the right mix of head office administrative control and field office autonomy and discretion. This mix can best be achieved by soliciting field staff recommendations in the process of making new procedural changes.

## **IV. IMPACT EVALUATION BY COUNTRY**

The following represents the findings on the impact of FSVC-sponsored assistance in the four countries reviewed by this evaluation: Poland, the Czech Republic, Hungary, and Mongolia. For each country, an overview is provided on the economic situation and constraints to financial sector development. A summary of activities is also provided for each country from the time of initial lead mission to date. This section then details the impact of FSVC assistance on host country counterparts, and provides indications of broader or secondary impacts, above and beyond the intended results. A discussion of program management issues is provided, as well as a country-specific list of conclusions and recommendations for future action.

### **A. Poland**

#### **1. Overview of Economic Situation and Financial Sector Constraints**

##### **The Reform Process**

Poland has achieved quite a few important goals in its recent efforts to reform monetary policy and the financial sector. In recent years, it has sharply reduced inflation, implemented indirect instruments of monetary control, initiated a program of banking system reform and privatization, and developed its money markets. In addition, Poland has established the foundation for more effective bank supervision, instituted a central bank accounting system and basic prudential regulations, improved the payments system, and developed the Warsaw Stock Exchange.

Nonetheless, Poland's transformation is far from complete, and maintaining the momentum of reform is essential in ensuring a successful outcome. The success of transformation programs in Poland depends crucially on the development of efficient financial intermediaries and capital markets. The massive restructuring of the productive sectors requires a financial system that can mobilize savings and channel it efficiently.

##### **The Banking Sector**

Despite improvements, the Polish banking sector is still significantly underdeveloped. The total assets of all Polish banks are lower than the total assets of one large western bank. The ratio of total assets of the banking system to the GDP amounts to about 20 percent.<sup>3</sup> The Polish banking system still requires restructuring to meet Western standards. This will involve continued training to ensure changes in bank management systems, policies, and operations. Although many private banks have been established and a number of state banks have been privatized, more than 80 percent of bank operations are still executed by the state-owned banks.

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<sup>3</sup> In the developed countries this ratio often exceeds 100 percent.

The recent restructuring programs have modernized and improved the performance of most of the public commercial banks. This includes the privatization of the first two of nine banks scheduled for privatization. These banks have significantly improved the structure of their portfolios, management systems, and performance. However, over half of the banking system's assets and liabilities is still controlled by the four specialized banks. Their structure and governance have been left largely unchanged, and some are experiencing severe portfolio problems, such as the Bank for Food Economy and PKO Bank (the largest bank in Poland).

Although significant progress has been achieved in defining the role of the central bank in the Polish banking system, significant improvements are still needed in the National Bank of Poland's ability to carry out its chief functions of performing bank supervision and setting monetary policy. To accomplish this task, a modern technological and operational infrastructure must still be established.

Significant challenges to the financial system will be created by the expected acceleration of privatization efforts. After many months of political dispute, the Mass Privatization Program will be implemented in 1994 and will result in privatization of about 300 enterprises within three years. This program will result in the establishment of the National Investment Funds, and create significant demand for a variety of financial services. It will require strengthening the Polish banking system and capital markets. Other forms of privatization efforts will be continued.

### **Polish Capital Markets**

From 1991 to 1993, the basic infrastructure of the Polish securities market was established, however, the capitalization of companies listed on the Warsaw Stock Exchange is still low. Some basic elements of the Polish capital market are being addressed to improve investor confidence, develop securities law, implement a dealer licensing system, and develop a tax system to promote the growth of capital markets. However, many other issues must be addressed before a full, modern and stabilized capital market will be established.

The Polish government also plans further development of the Warsaw Stock Exchange. The government is expected to support the participation of additional institutional investors in the market such as insurance companies, pension funds, and investment banks. Furthermore, the development of closed and open trust funds is planned.

The most pressing detailed tasks in this area involve further development of securities law and other regulations to promote capital market expansion; the elimination of many regulations impeding the growth of capital markets; the implementation of an efficient clearance and settlement system; and the definition and implementation of rules permitting banks to participate in capital markets activities.

### **"Strategy for Poland"**

The Polish government recognizes that continued financial sector reform and development are crucial to support the economic recovery. To this end, the government has recently published

a document entitled "Strategy for Poland." This document defines Poland's medium-term economic strategies and policies and expresses its commitment to financial sector reforms and privatization. This document envisages a variety of measures directed to the development of the financial sector. These measures include the need for:

- Continued consolidation of commercial banks to establish several strong regional banks providing specialized services;
- Continued ownership transformation in the banking system to increase efficiency;
- Establishment of a Bank Guarantee Fund to encourage commercial bank lending;
- Numerous measures to consolidate and demonopolize the insurance sector;
- Creation of an Insurance Supervision Office to take over the responsibilities of insurance supervision from the Ministry of Finance; and
- New types of insurance companies to support planned changes in the social insurance system.

This overview of several constraints of Polish financial markets and government economic policies indicates that there are vast opportunities for the development of training and assistance programs in that country. The "Strategy for Poland" indicates that the current government places priority in investing in human resources, improving the qualifications of managerial staff, and enhancing the ability of employees to contribute to the changing structure of the national economy and new requirement of labor market.

## **2. Summary of FSVC Activities**

This section reviews FSVC's activities in Poland during the period 1990-1994. Information on these activities was obtained from FSVC's annual, quarterly and monthly reports, and from interviews with FSVC staff in New York and Warsaw. This is FSVC's oldest and largest program. As outlined below, FSVC/Poland has been engaged in a number of high-profile activities since 1990.

### **FSVC/Poland Activities, 1990<sup>4</sup>**

From May 5 through May 12, 1990, FSVC sponsored a lead mission to Poland chaired by Mr. Cyrus Vance and Mr. Herbert Okun, FSVC Executive Director. The mission included two groups of U.S. experts which comprised a Banking Team, and a Capital Markets and Privatization Team. Lead mission members met with high-level government officials, leaders

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<sup>4</sup> This information was collected from all available sources provided by FSVC. However, the documents do not provide complete data on some of FSVC's activities in 1990.

in the National Bank of Poland, and managers of state-owned banks to assess needs and opportunities for future assistance in financial sector development.

The Banking Team recommended that the Polish government concentrate on building the technological and operational infrastructure necessary to support a modern banking system. This would include creation of a settlement system and implementation of a recognized accounting system. Furthermore, the team identified the need to address constraints to privatization of the state-owned banks, need for training in the credit process, bank operations, and commercial finance, plus legal and regulatory constraints.

The Capital Markets and Privatization Team focused on the needs to develop a market with simultaneous privatization of state-owned companies. The team presented observations and recommendations for creating basic capital markets such as improvements in investor confidence, accounting systems, securities laws, dealer licensing system, and taxation. The need for bank involvement in the privatization process was also emphasized. In addition, the mission team identified the need for a training program for personnel engaged in the nascent securities industry, bank supervision, and commercial banking administration.

As a result of the lead mission, FSVC received several requests for assistance from Poland. In answering these requests, FSVC placed five volunteers in Poland during 1990. The volunteers provided assistance in the following areas:

- The first volunteer concentrated on drafting and commenting on Polish securities legislation to the Polish Securities Commission and the Polish Broker's Association.
- Another volunteer developed the concept of a six-month internship for Polish individuals to enhance their eligibility for Harvard Business School. The program focussed on securities registration and research, commercial banking credit, and investment banking operations.
- FSVC sponsored a volunteer to provide representatives of the National Bank of Poland with information on FDIC deposit insurance, unsecured loans, and banking law.
- One volunteer provided materials on international accounting standards and international bank accounting principles, central bank operations and liberty bond programs to the Ministry of Finance.
- A volunteer furnished the National Bank of Poland with materials on the U.S. Liberty Bond program and central banking operations.

### **FSVC/Poland Activities, 1991**

In 1991, FSVC continued addressing issues and problems identified by the 1990 lead mission. FSVC developed and conducted a group training program for five officials of the Ministry of

Finance, Insurance Division. They spent one week in New York to meet with members of the New York State Insurance Department, representatives of private insurance companies, investment bankers, and the brokerage community. In addition, FSVC sponsored four officials from the Ministry of Finance, Insurance Division to attend the annual meeting of the National Association of Insurance Commissioners in the U.S.

In 1991, FSVC also provided volunteers from Coopers and Lybrand to conduct a training program in New York for three representatives from the Ministry of Privatization. The trainees participated in six-month internships in selected financial institutions to gain work experience required for admission to the Harvard University Graduate School of Business. After completing the program, the trainees entered the University and matriculated in 1993.

### **FSVC/Poland Activities, 1992**

In 1992, FSVC hired an Eastern European Regional Director to be based in Poland. His mission was to promote FSVC programs in Poland, assess the needs for assistance in the financial sector elsewhere in the region, and provide technical assistance to the Ministry of Privatization, Mass Privatization Department. This program concentrated primarily on trading and distribution issues and constituted roughly 30 hours of program time per week.

FSVC staff devoted significant efforts to developing contacts with prospective beneficiaries and helping them prepare requests for assistance. As a result of these efforts, FSVC activities in Poland significantly increased. In 1992, FSVC launched nine follow-on missions, two group trainings, and one individual training program in the U.S. Moreover, FSVC sponsored the participation of a Polish financial specialist at a professional conference in the U.S., and initiated the American Investment Initiative in Poland (described briefly below).

Follow on missions in 1992 included:

- Two FSVC volunteers visited selected private Polish companies to provide technical assistance in financial and cost accounting, management, and a model audit process.
- Another volunteer was placed at the Polish Accountancy Development Foundation to develop training programs for accountants and set up a certified national accounting organization.
- At the request of the Ministry of Finance, Banking and Financial Institution Division, Insurance Department, a U.S. insurance executive evaluated competitive issues related to privatization of the Polish state-owned life insurance company. An industrial relations consultant also visited the same department to assist in negotiation with unionized employees, and to deliver several training seminars.
- One volunteer, a representative of a major international accounting firm, conducted an assessment of the training needs in actuarial science in the Polish

insurance industry. This program led to the development of a scope for a training program.

- FSVC sponsored the visit of a U.S. securities lawyer to provide assistance and prepare comments to the Polish Brokers Association on regulations governing securities trading.
- A team of three attorneys made a presentation to the Polish Securities Commission Conference on securities regulation for emerging markets.

During 1992, FSVC also supported two officials from the Ministry of Finance, Insurance Department to attend a two-week training program at the FDIC in Washington, D.C. In addition, FSVC initiated an ongoing program with the Poznan Commodities Exchange by inviting two interns to the Sugar, Coffee and Cocoa Exchange in the U.S. for one month. As a follow-up to previous assistance provided to the Polish Securities Commission, FSVC sponsored a one-month training program at securities firms in the U.S. for a member of the Commission. This training involved meetings with the Securities and Exchange Commission, and a visit to Chicago security brokers.

The same year, FSVC sponsored the participation of three representatives of the Ministry of Finance, Insurance Department at the Seventh Annual Conference of the National Association of Insurance Commissioners in Washington, D.C. Subsequently, the representatives visited New York to discuss a variety of privatization and insurance-related issues at the New York State Insurance Department.

In the second quarter of 1992, FSVC was asked to help stimulate foreign direct investment in Poland. At President Lech Walensa's request, FSVC sent a lead mission which recommended a program now known as the American Investment Initiative in Poland (AIIP). This program assists Poles to review and improve their laws and policies on foreign investment. In addition, the program helps Polish companies market to U.S. investors, and works with U.S. companies wishing to invest in Poland. In 1992, the AIIP was staffed by a U.S. citizen of Polish heritage and an assistant, and does not utilize U.S. volunteers. This program was funded by a special grant provided by A.I.D. in 1992.<sup>5</sup>

### **FSVC/Poland Activities in 1993**

In 1993, FSVC provided six follow-up missions to Poland, organized four group training programs and one individual training program, sponsored two trips to a professional conference in the United States, and developed two advisory programs. FSVC also continued its support to a long-term university education program and the AIIP. Follow-up missions included:

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<sup>5</sup> A review of the activities of the American Investment Initiative in Poland was not included in the scope of work for this evaluation.

- A volunteer committee of senior managers from a Wall Street brokerage firm advised the Warsaw Stock Exchange on back office operations.
- FSVC volunteers delivered a three-session seminar on mass privatization issues to the Poznan Academy of Economics.
- Two computer specialists visited the Poznan Commodities Exchange to review and improve the exchange's trading system.
- Two actuarial consultants visited Warsaw to present a seven-day seminar to representatives of the Polish insurance industry on loan reserve analysis and other insurance practices.
- A U.S. attorney visited the Polish Securities Commission to provide a legal review and commentary on the securities law in progress. FSVC also provided a senior expert in cooperative agricultural banking to analyze and evaluate the situation in the Polish agricultural banks.

FSVC also organized a trip for two representatives of the Poznan Commodities Exchange to the U.S. to gain familiarity with the warehouse receipt business which constitutes an important component of the commodities market. Four, month-long internships for representatives of the Poznan Commodities Exchange were arranged by FSVC at the Cocoa, Sugar Coffee Exchange in New York.

Other FSVC-sponsored activities included bringing three individuals from the Ministry of Finance, Insurance Department to attend a one-week training session at the New York State Insurance Department. Subsequently, two visitors participated in one-week internships at life insurance and property insurance companies, and one visitor attended the Annual Insurance Regulators Conference.

Two staff members of the Polish Securities Commission were sponsored by FSVC for one-month internships at the Investor Banker's Trust Company in Boston. A ten-week internship for a Polish attorney from the Ministry of Privatization, Mass Privatization Department was organized in a New York law firm. This program was organized with the Central and East European Law Institute of the American Bar Association, and concentrated on contract negotiations for foreign investor buy-ins.

In addition, FSVC sponsored the participation of Polish nationals in professional conferences abroad. Three officers of the Polish Securities Commission participated and delivered presentations at the Annual Conference for Securities Commissioners in Washington. FSVC covered some costs for several individuals representing the Warsaw Stock Exchange, the Polish Securities Commission and the Ministry of Privatization to attend the International Stock Exchange Conference in Budapest.

FSVC's Regional Director in Poland continually advised the Ministry of Privatization. In addition, FSVC provided on-going assistance to the Warsaw Stock Exchange to facilitate the

separation of the depository function into an independent institution. Within this program, FSVC provided legal assistance to secure a no-effect letter authorizing the Exchange depository as an approved holding location for U.S. investment companies.

### **FSVC/Poland Activities, 1994**

FSVC hired a new Country Director in 1994. This individual has been successful in establishing contacts and designing projects with several new host country counterparts. These include the Polish Bankers Association, the National Bank of Poland, the Bank Handlowy, and the Bank Pekao, S.A.

In the first half of 1994, FSVC provided four follow-up missions, several training programs in the U.S., and other advisory programs. These activities included:

- FSVC invited an executive of the Federal Reserve Bank of New York to provide technical assistance to the National Bank of Poland on a variety of issues related to its market operations.
- A team of eight volunteers from Bankers Trust provided a seminar on derivatives products which was attended by 22 representatives from the NBP and five officials from the Polish Securities Commission.
- FSVC staff provided a two-week, intensive seminar for the Ministry of Privatization, Mass Privatization Department on over-the-counter trade regulatory and technical issues.
- An FSVC volunteer conducted a two-day seminar on regulatory aspects of derivatives products for 26 representatives of the NBP and three representatives of the Polish Securities Commission.

Earlier this year, FSVC covered the costs of two internships for the representatives of the Polish National Depository at the Depository Trust Company to study procedures related to the monitoring and control of dematerialization of physical securities. FSVC also sponsored a two-week internship for an official of the Polish Securities Commission at Salomon Brothers in New York to study accounting and regulatory reporting systems, net capital standards and controls.

FSVC initiated a series of U.S.-based, individual training programs for four employees of the NBP. These programs involved study tours in the U.S. that included visits to the World Bank, Federal Reserve Bank of New York, the First Tennessee Bank in Memphis, and an internship with Bankers Trust. At the time of this evaluation, the interns were in the U.S. FSVC also provided funding for a representative of the Ministry of Finance, Department of Insurance to participate at the First Conference of the International Association of Insurance Supervisors in the United States.

### 3. Impact on Host Country Counterparts

The following findings result from interviews with 35 client beneficiaries in Poland. To the extent possible, the interviews were conducted to provide a representative sampling of training and technical assistance provided to the commercial banks, central bank, and capital markets. In addition, other interviews were conducted to evaluate the relevancy of the FSVC projects and to investigate the projects requested that were not implemented or are still in the development phase. The Evaluation Team met with representatives of A.I.D., an FSVC volunteer working in Warsaw, and the FSVC Country Director. Post-training evaluation forms provided by the FSVC Country Director were also reviewed.

To summarize the effectiveness of FSVC's work with the host country counterparts interviewed, Table 3 has been prepared. It ranks responses to key questions included in the interview questionnaire.

**Table 3: Summary of Client Responses in Poland**

1. Did the FSVC volunteer have sufficient expertise to fulfill the request for assistance?

Completely	Mostly	Somewhat	No	Total
30	4	1		35

2. Did the volunteer program address your needs and expectations?

Completely	Mostly	Somewhat	No	Total
29	4	2		35

3. Did the training/assistance improve your ability to perform your job function or lead to other measurable impacts on your institution?

Completely	Mostly	Somewhat	No	Total
25	5	5		35

The field interviews indicated that 85 percent of the beneficiaries felt that the FSVC training projects were well-focused, achieved their objectives, and completely addressed their needs. In fact, a significant number of the respondents revealed that the training projects surpassed their expectations.

A few less favorable opinions were expressed by some participants who had been previously trained in the United States or Western Europe, and had greater professional experience than others interviewed. Therefore, it is possible their expectations of the training exceeded the scope and the objectives of the project.

Other findings of impact on host country counterparts are detailed below:

1. Many recipient institutions interviewed have implemented suggestions provided by FSVC-sponsored training and technical assistance. These suggestions were provided through FSVC volunteers to address specific issues in the development of the banking sector, capital markets, and the insurance industry in Poland. As a result of these recommendations, recipients noted how that assistance has resulted in procedural, policy, or other changes which are improving the development of their institutions. For example:

- As a result of FSVC-sponsored assistance, the Warsaw Stock Exchange developed a proposal to A.I.D. entitled "Support to the Warsaw Stock Exchange in the Implementation of an Independent National Depository of Securities" (dated May 3, 1994). This contained a detailed description of such issues as legal and organizational framework for the Depository, fee structure, and new or revised procedures. As a result, the Polish National Depository secured a U.S. SEC "no-effect" letter authorizing the Depository as an approved holding location for U.S. investment companies.
- FSVC launched training projects at the Mass Privatization Department of the Ministry of Privatization on issues such as the creation of an over-the-counter market and a common back office for the Polish brokerage industry. The interviews revealed that without the expertise and training provided by FSVC, the Ministry staff would not have had sufficient capability to develop and implement this program as successfully. This would have caused delay in the development and implementation of the program and required assistance from other sources.
- FSVC staff provided the Warsaw Stock Exchange executives with practical recommendations on internal procedures such as drafting a new organization chart, reviewing job descriptions and management structure. Subsequently, several new jobs were created and the duties and responsibilities of several employees were changed.

2. FSVC training activities appear to have furthered the practical knowledge and skills of the staff members of many financial institutions. Many participants indicated that as a result of these training projects, they feel better prepared to conduct their job duties. This has in turn increased the overall capacity of the Polish financial sector.

Based on direct quotes by interviewees, training participants noted the following types of improved skills which will be of use in their specific jobs: enhanced management ability; first-hand experience on the activities of the U.S. financial markets and insurance companies; full understanding of the role and duties of an insurance supervisor; greater understanding of the modern insurance system; and the importance of appropriate regulation of information disclosure in the insurance sector.

#### **4. Broader Impacts**

The Evaluation Team identified a range of secondary benefits resulting from FSVC training programs. These benefits were either unintended results of assistance, or evidence of broader impacts of FSVC-sponsored assistance on the development of the financial sector. Examples of these are as follows:

1. The information provided by FSVC-sponsored trainings is being shared and replicated for further distribution within the institutions which have received assistance. Interviews indicated that the representatives of the Ministry of Privatization, the Warsaw Stock Exchange, and the Ministry of Finance were particularly active and successful in disseminating knowledge and promoting results of the FSVC training projects. They have taken steps to institutionalize the training of these new market-oriented, professional topics within their institutions.

For example, many participants interviewed disseminated their knowledge and experience obtained from training. Some participants developed detailed reports, briefings, or seminars on the training program and distributed these reports to their supervisors and subordinates. On several occasions, these internal materials and reports raised questions and triggered staff discussion on the opportunities for implementing some of the ideas presented during the FSVC training.

2. FSVC-sponsored assistance has in some cases led to implementation of policy changes that are above and beyond the original scope of assistance. These new policies are further enhancing Poland's transition to a market economy by modernizing its financial sector. For example:

- Using knowledge gained from FSVC-sponsored trainings, the staff of the Insurance Department of the Ministry of Finance developed and submitted recommendations to appropriate officials to improve the Polish insurance system, loan reserve system, and related issues. The Ministry of Finance presented several position papers on reform of the Polish insurance system to several committees of the Polish Parliament. According to the respondents, their recommendations were used in these papers, which are being considered by the current government.
- Legal expertise provided by FSVC volunteers to the Polish Securities Commission (PSC) resulted in drafting and implementation of several critical regulations regarding capital requirements. According to beneficiaries interviewed, these new requirements in turn provided institutional strengthening for many Polish enterprises.

3. FSVC's Poland program has contributed to the development of close professional contacts between key financial institutions of the U.S. and Poland. These contacts are the basis for long-term cooperative programs and institutional arrangements, while serve the interests of both countries. Continuing cooperation between Polish and U.S. interests involve

the exchange of professional materials, on-going correspondence and advice. Institutions which still maintain contacts include: the Poznan Commodity Exchange and the Sugar, Coffee, and Cocoa Exchange in New York; Ministry of Finance, Insurance Division and the New York State Insurance Department; and the Polish Securities Commission and Investors Banker's Trust in Boston.

4. FSVC-sponsored trainings have led to professional advancement for several individuals. Several respondents indicated that FSVC training activities motivated them to further their professional expertise by seeking additional education. As a result, FSVC is helping to produce a cadre of well-trained professionals poised to become leaders in the financial sector, government, and private enterprise in the future. For example:

- Interviews indicated that four participants representing the National Bank of Poland, the Ministry of Privatization, and the Ministry of Finance were promoted upon the completion of the FSVC-sponsored training programs.
- Based on information received through FSVC assistance, the representatives of the Polish Securities Commission published 10 professional articles on issues related to the development of a modern financial system in Poland. The articles were published in professional publications and magazines in Poland.

5. As a result of contact with FSVC, some beneficiaries have become active in international financial organizations. This constitutes a potentially long-term liaison, and creates opportunities for Polish financial experts to increase their knowledge and professional skills. By active participation in the international financial community, the Polish specialists are exposed to the newest achievements in their respective fields, and have an opportunity to validate their knowledge and ideas on various aspects of modern financial markets. For example:

- Partially as a result of FSVC-sponsored assistance, the Polish Ministry of Finance, Insurance Department has become a founding member of the International Association of Insurance Supervisors. FSVC sponsored their participation in the First Conference of this organization.
- FSVC sponsored a trip for representatives of the Ministry of Finance to the Annual Meeting of the National Association of Insurance Commissioners.
- Representatives of the Warsaw Stock Exchange, the Polish Securities Commission, and the Ministry of Privatization attended the International Stock Exchange Conference in Budapest, as a result of FSVC assistance.
- Based on FSVC sponsorship, three Polish Securities Commission representatives delivered papers at the Annual Conference for Securities Commissioners in the U.S.

## **5. Program Management**

During 1990-1994, the FSVC program in Poland was managed by three different individuals. In the 1990-1992 period, FSVC activities were directed from the New York office by the Program Director. In 1992, a Regional Director for Eastern Europe was hired and based in Poland. He performed the duties of Country Director until December 1993 when he was promoted to Program Director in the New York office. FSVC then hired a new Country Director in January of 1994. This individual is now responsible for administering the program, reporting on FSVC activities in Poland, and maintaining contacts with A.I.D.

### **Project Identification and Development**

FSVC/Poland has been successful in working with prospective Polish beneficiaries to determine and develop future projects. Project proposals have been developed in collaboration with Polish counterparts. FSVC implemented an iterative project development process in which the potential beneficiary receives the draft developed by FSVC and then suggests changes and improvements. Usually, several meetings were needed to develop a final project concept. This procedure provided an opportunity for discussion of all issues related to the project, and insured that the stated project goals and objectives were well-understood by all parties.

Interviews indicated that FSVC/Poland does not currently have a long-term strategic plan for developing future projects. Instead, the activities are managed on a "project-by-project" basis. In the initial period of developing FSVC activities in Poland, the lack of a long-term strategy did not negatively impact the effectiveness of its activities, since local training needs were easily identifiable and concerned limited audiences. Moreover, the requests for assistance received from the Polish interests in that period were on very basic issues related to financial market development.

This situation is rapidly changing, as economic reforms in Poland are underway at a rapid pace. Polish counterparts are eager to learn and are quickly increasing their professional knowledge. As a result, their needs for assistance are becoming more detailed and sophisticated. Future training programs will have to address specific issues and be tailored to the more complex needs of recipients. Therefore, FSVC should consider developing strategies that would assist the organization to better answer these needs and more efficiently focus its resources.

The evaluators also learned that FSVC intends to work with several new financial institutions in Poland, while planning to scale down or eliminate some previous assistance programs. It seems that this shift in the scope of assistance is due to a large extent from differences in professional interests and expertise between the current and former Country Directors. While this new direction is likely driven by local demands, it illustrates the lack of a strategic, long-term focus. By establishing a strategic plan, FSVC could evaluate if the proposed changes in activities in Poland are consistent its long-term goals in that country.

## **Cooperation with A.I.D. and Other Organizations**

The Evaluation Team visited Poland at a time when new A.I.D. project officers had recently arrived. Consequently, the Team could not obtain much information on the history of FSVC cooperation with A.I.D. However, the A.I.D. staff indicated its full support for FSVC and expressed its interest in working together in the future. A.I.D. was very interested in leveraging FSVC assistance to provide additional training and resources for other A.I.D.-funded programs in Poland. For example, an FSVC volunteer might be seconded to teach a brief course at the Warsaw Banking Institute, based on his/her area of expertise. A.I.D. will be looking to expand these activities of mutual cooperation and coordination in the future.

Several publicly and privately-funded organizations provide assistance to the Polish government, banks and other financial institutions. FSVC succeeded in developing good working relationships with many of these organizations. Several joint training programs were conducted with other organizations such as the U.S. Peace Corps or the Central and East European Law Institute.

## **7. Conclusions and Recommendations**

### **Conclusions**

#### *On Impact*

1. FSVC has effectively assisted a variety of Polish beneficiaries in developing a modern financial system and in promoting expansion of the private sector. This is evidenced chiefly by FSVC's beneficial role in encouraging the successful implementation of Poland's Mass Privatization Program. As mentioned earlier, mass privatization constitutes a major factor contributing to structural changes in the Polish economy and expansion of the Polish private sector.
2. An important secondary benefit of FSVC-sponsored projects has been the professional contacts that have been established between Polish professionals in the financial community and their counterparts in the U.S. Some volunteers still maintain professional and personal contacts with the participants. They exchange professional materials and publications, and maintain telephone or mail contact. These contacts contribute to the strengthening of the Polish financial sector.

#### *On Program Management*

1. Interviews conducted by the Evaluation Team indicated that the FSVC system of selecting highly qualified volunteers is very effective and constitutes the major strength of this organization. FSVC has provided capable and committed volunteers to assignments in Poland who were devoted to providing high quality assistance. Some respondents indicated that they would like to develop and participate in follow-up courses conducted by the same instructors.

2. Interviews indicated that few participants of FSVC-sponsored programs were aware of FSVC/Poland, its mission, objectives, and capabilities. In fact, many beneficiaries of the FSVC projects did not recognize or remember FSVC's name. Instead they referred to the individual as "the American advisor." Polish respondents were unaware that these consultants had been sponsored by FSVC on a voluntary basis, nor realized they had been supported by USAID. On the other hand, the trainees were very familiar with the professional achievements of individual volunteers, their background, and companies.
3. FSVC's ability to select hosts for U.S. based programs was highly rated by the Polish beneficiaries. Polish participants indicated that U.S. hosts were well-prepared, provided participants with valuable and well-organized presentations, and supplied relevant training materials and publications. The U.S. hosts provided a high level of training, and trainees had an opportunity to address their areas of special interest. These U.S.-based programs gave Polish participants the opportunity to develop mutually beneficial professional contacts and personal relationships between their institution and their U.S. hosts.
4. Beneficiaries interviewed generally expressed high opinion about FSVC's staff capabilities in defining and implementing assistance projects. Yet, several beneficiaries confessed that on certain occasions they have encountered shortcomings in project description, needs assessment and development of terms of reference.
5. Each FSVC director brought to the Polish program his individual management style and contributed professionally to training and advisory activities. In addition, each has proven to be effective in identifying opportunities for training and technical assistance programs. Although without conducting a formal needs assessment, the FSVC staff has been successful in developing a variety of effective and timely projects. Although the number of projects increased significantly since 1990, this expansion has not resulted in reduced project quality.
6. Most recently, FSVC/Poland has been successful in developing assistance assignments directed to larger audiences. For example, in 1994, the Warsaw office organized two short-term seminars that attracted about 50 participants. The team believes this is a useful trend to pursue, in order for FSVC to leverage the impact of its assistance.

### **Recommendations**

1. FSVC should consider developing a specific country strategy for Poland in order to better meet local needs and more efficiently focus its resources. As mentioned above, the needs for assistance in Poland are becoming more sophisticated. Future assistance projects will have to address more specific issues and be tailored to the more complex needs of the recipients.
2. FSVC should redefine its project monitoring system for Poland. Several beneficiaries indicated a lack of follow-up activities or evaluation procedures after the completion

of FSVC-sponsored assistance. While FSVC participants and volunteers complete post-assignment evaluation forms immediately after a program, FSVC should take steps to conduct evaluation of its assistance projects on a regular basis. While short-term evaluation efforts are simpler, medium and long-term evaluation efforts will provide the most reliable and objective assessment of the effectiveness of FSVC's program. This can be achieved by interviewing or surveying the participants six to twelve months after the completion of the project. FSVC could consider using the experience of some other organizations working in the region to establish an efficient system of project evaluation.

3. FSVC should consider establishing a data base of names of the beneficiaries, and periodically contact them either by telephone or mail. These contacts would serve several purposes. Such contacts are a valuable method of monitoring the long-term impact of training programs as mentioned above. Participants are also a useful source of current information on the Polish financial sector, privatization initiatives, and political trends. This information could help the Country Director identify needs and opportunities for future assistance, and enable him to react in a timely manner to important events. Contact with former recipients may provide an effective public relations and marketing tool.
4. FSVC needs to improve communications with Polish counterparts. Beneficiaries noted the need to be better updated on the progress and actions regarding their requests for assistance. This communication should be conducted in line with Polish business etiquette and administrative requirements. For example, many organizations require written documentation of joint initiatives or preliminary agreements. Consequently, written confirmation or information is not received, it may often be perceived as lack of commitment for cooperation. FSVC could better manage the expectations of Polish counterparts by updating them regarding their requests for assistance on a regular basis.
5. While the current reports produced by FSVC/Poland provide sufficient information to fulfill A.I.D. reporting requirements, FSVC should consider providing additional information. This would include FSVC's promotional and marketing efforts, meetings with prospective beneficiaries, contacts with other organizations, cooperation with A.I.D., and other donors, and other professional activities. In addition, reports should include a description of the results of project monitoring and follow-up, identification of future project opportunities, and future development strategies. Providing this information would be of benefit to A.I.D. and FSVC staff in New York alike. All parties would be better informed about the entire spectrum of activities conducted by FSVC/Poland.
6. To improve awareness of FSVC activities, the organization should intensify its public relations and marketing efforts. FSVC could simply better inform trainees before and after assignments that FSVC is sponsoring the assistance. In addition, FSVC informational materials could be distributed at a training session. FSVC could also approach A.I.D. for assistance in promoting FSVC's volunteer nature and professional

services. For example, information on FSVC could be included in A.I.D. publications directed to Polish interests seeking U.S. expertise and assistance.<sup>6</sup>

Interviews in local media could be used to highlight success stories from training programs. For example, the former Regional Director created a good precedent by granting an interview on FSVC activities in Poland to one of the most popular Polish newspapers in the U.S., "Nowy Dziennik" on October 13, 1994. FSVC could also consider producing a low-cost, computer-generated newsletter to inform its constituencies about training opportunities.

7. FSVC and A.I.D. should consider organizing a new lead mission to Poland. The economic situation in Poland has significantly changed since 1990, and many recommendations developed by the previous lead mission have been addressed. The new lead mission could re-evaluate the previous recommendations and conduct a needs assessment for future programs. This should lead to the development of a long-term FSVC strategy for Poland. This visit could also be used as an important public relations and marketing tool.

The proposed lead mission should include prominent representatives of the U.S. financial community with knowledge of Eastern European economic and financial reforms, FSVC management, and specialists in training and project development. During their visit to Poland, the members of the proposed lead mission could also participate as advisors or lecturers.

## **B. Czech Republic**

### **1. Overview of Economic Situation and Financial Sector Constraints**

In 1991, private capital markets were virtually non-existent in the former Czechoslovakia. Yet, the government's goal was the acceleration of the privatization process to achieve a rapid transfer of public property into the hands of private owners. To achieve this, the federal government concentrated on developing privatization and restitution laws. A secondary goal of the government was the creation of capital markets for the efficient allocation of capital. To this end, new stock exchanges were established in Prague and Bratislava.

Today, due in large part to the disciplined fiscal and monetary policies of the Czech government, the Czech Republic's financial sector continues to be relatively healthy. For example, the country enjoys the lowest official figures on inflation and unemployment in the region. It is the only country in the region not currently running a budget deficit. Significantly, the country recently received an international bond rating by Moody's of

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<sup>6</sup> One suggested publication is "Jak Korzystać z Amerykańskiej Pomocy, Przewodnik dla Polskich Biznesmenów". The recent edition of this booklet provides information on the Polish Business Advisory Service, MBA Enterprise Corps, Citizens' Democracy Corps, Peace Corps Poland, and the Central and East European Law Institute.

investment grade, exceeding that of Greece (an EU member). This will enable the Czech Republic to gain additional access to resources in the international financial markets.

Despite these noteworthy improvements, private sector development is not yet complete. The second wave of voucher privatizations for large-scale companies has only just begun. Local capital remains scarce, which hampers domestic investment. Enterprise restructuring will not move forward until the capital markets, still in the early stage of development, can become more liquid.

The commercial banking sector is slowly being privatized, and the concepts of loan and asset management are still new and unfamiliar. In addition, the Czech National Bank (central bank) is only beginning to have the capability to carry out its functions in the areas of bank supervision and implementation of monetary policy. In addition, municipalities and regions outside of Prague receive relatively little donor assistance, yet are suffering from the liquidation of local state-owned industrial enterprises.

## **2. Summary of FSVC Activities**

To date, the FSVC's activities in the Czech Republic have been focussed on development of the Prague Stock Exchange, the Czech National Bank, and the Ministry of Finance. Unlike elsewhere in the region, they have provided less direct assistance to the commercial banks.

### **FSVC/Czech Republic Activities in 1991**

On the invitation of the Czech and Slovak Federal Republic, FSVC conducted a lead mission in March of 1991. The purpose of the mission was to analyze the constraints to financial sector development with respect to commercial banking, privatization, evaluation of companies, capital markets, insurance, accounting, and related aspects of the financial system. Sixteen individuals participated in the mission, comprised of two teams which concentrated on Banking and Capital Markets.

The Banking team sought ways to help the former Czechoslovakia reform its banking system in transition to a market economy and multi-banking system. Meetings were held with Ministries of Finance, Foreign Trade, and Economy (and its Agency for Foreign Investment), as well as with members of the Federal Assembly, newly created commercial banks, foreign trade banks, savings banks, private entrepreneurs, and academics. The team recommended a broad-based strategy for banking reform which emphasized understanding the processes of lending, monetary policy, and commercial bank operations.

The Capital Markets team focused on privatization, capital markets creation, and adoption of an internationally-accepted accounting system. The team met with government officials, members of the Federal Assembly, entrepreneurs, and related professionals. As a result, the team outlined a reform program for voucher-based privatization, foreign investment, micro-economic policies, capital markets regulation, a legal framework for debt markets, standardized accounting procedures, and developing a private insurance sector.

The lead mission identified several fundamental needs for an efficient and profitable banking system. These included: 1) depositor confidence; 2) ability to make sound lending decisions; 3) market competition among banks; 4) private ownership of banks; and 5) modern and efficient information and money transfer systems.

Based on this lead mission, FSVC has been delivering assistance in the Czech Republic since 1991 to address these important constraints in the financial sector. Following the lead mission in, FSVC completed the following assistance activities:

- Four volunteers prepared an in-depth outline of the legal framework for privatizing large SOEs. They held meetings with the head of the State Bank to discuss practical implications of their findings.
- At the request of the Ministry of Privatization and A.I.D., two volunteers designed a process for privatizing companies and for helping their counterparts evaluate candidate enterprises.

In addition, FSVC initiated a training program for the State Bank. Over a period of several months, eight volunteers from the Federal Reserve Bank of New York (FRBNY) provided assistance on bank supervision, regulation, and evaluation.

### **FSVC/Czech Republic Activities in 1992**

FSVC increased its activities in the former Czechoslovakia during 1992. It identified the need to train personnel to administer the securities laws and opening of the exchanges planned for 1992. In addition, FSVC supported six long-term volunteers, continued training for members of the State Bank, and sponsored seven follow-up assignments.

Long-term volunteer assignments included the following:

- Through cooperation with the Central European Institute, a U.S. non-profit based in Prague, FSVC sponsored a volunteer to provide financial assistance for tourism projects.
- A volunteer spent one year with a Czech management consulting firm conducting seminars ranging from cash management to marketing for members of large industrial enterprises and community groups.
- FSVC supported a volunteer for one year to provide assistance in asset restructuring and portfolio valuation to the Obchodni Bank, the Czechoslovak foreign/trade bank.
- FSVC placed a volunteer with extensive background in municipal finance to assist the City Architect of Prague. The volunteer worked in several cities on municipal finance projects with local government officials.

- At the request of Investicni Banka, FSVC supported a long-term volunteer who prepared English language training and information documents for distribution in conjunction with its research department.
- One volunteer served as Program Director at the Entrepreneurship Competition Foundation, which works with entrepreneurs on business development strategies. She also served as an advisor to the Minister of Finance in the area of U.S. and U.K. bilateral technical assistance coordination.

In addition, FSVC sponsored seven short-term follow-up assignments described briefly below:

- In response to a request from the Ministry of Finance, FSVC arranged for two volunteers to provide extensive comments on draft regulations of collective investment funds. Another volunteer provided comments on drafts of the Federal Securities Law.
- A team of eight members from the University of Chicago Executive MBA Program spent three weeks with Skoda, the country's largest automotive firm, to provide assistance in business development, finance, and marketing.
- Two U.S. business professors aided the Slovak Technical University to develop a curriculum of business and management courses.
- Three volunteers from the FRBNY spent three weeks preparing and performing an evaluation of the implementation and management of a newly-adopted accounting system at the Czech State Bank (CSB).
- The President of the FRBNY, with two other executives, held several meetings with the President of the Czech State Bank to discuss technical assistance activities in the areas of licensing and license applications, bank supervision, and accounting procedures.

Also in 1992, FSVC arranged four training programs for members of the CSB to the Federal Reserve Bank in New York. Firstly, a member of the FRBNY gave a week-long seminar on bank licensing procedures. Shortly thereafter, the Deputy Head of CSB's Prudential Banking Supervision Department and the Manager of Financial Analysis and Inspection spent five weeks at the FRBNY learning about policy and operations relevant to their respective responsibilities. The training culminated in participation in an on-site bank examination in New York state.

Following this program, CSB's Director of Licensing received two weeks of extensive training in New York regarding bank licensing and license applications. Later that year, FSVC sponsored participation of two members of CSB bank supervision department at a joint FDIC/World Bank seminar on standard central bank policy and operations.

In addition, FSVC arranged private sector internships in the U.S. for a Czech member of the Finance Ministry who subsequently matriculated at Harvard Business School. These internships provided him with the necessary exposure to U.S. business practices prior to starting his course work.

### **FSVC/Czech Republic Activities in 1993**

Aside from the on-going long term advisor activities described above, FSVC engaged in numerous short-term follow-up activities in 1993. These included:

- Two volunteers from the New York Stock Exchange evaluated the accountant clearing and settlement procedures at the securities department of the Investicni Banka.
- The Vice Chairman of a major U.S. commercial bank assisted senior management at the Komerčni Banka in preparing its first strategic overview, focusing on retail operations and risk management.
- FSVC continued to sponsor three students at Harvard Business School from the Czech Republic. These students successfully graduated in first quarter 1993, and all plan to return home to resume their business careers.

### **FSVC/Czech Republic Activities in 1994**

In the second quarter of 1994, FSVC hired its first Country Director dedicated to financial sector activities in the Czech Republic. Prior to that, the in-country activities had been managed through the Regional Director for Central and Eastern Europe based in Warsaw.

FSVC-sponsored projects through the second quarter of 1994 include the following:

- The former Chairman of IBM and a Senior Executive Vice President from the FRBNY initiated a series of technical assistance projects advising the Chairman of the Prague Stock Exchange on securities regulation.
- Several FSVC volunteers from the U.S. Federal Reserve designed and delivered a curriculum of 10 weeks of lectures for newly hired staff in the Czech National Bank's Supervision Department. Topics included fundamental risks of banking, risk analysis, credit analysis, capital market and international banking activities, loan policy, audit and internal controls, payment systems, and the bank examination process.

Currently, FSVC is concentrating its efforts in two new areas:

- 1) FSVC is providing assistance in developing an export financing scheme for the Czech Republic's Export Guarantee and Insurance Corporation. This independent, government-owned organization, needs help in issuing

international bonds and other aspects of export finance. FSVC has provided advisors for two phases of assistance. The first phase entailed a week long training for employees on both the financing and lending sides of the business. In the second phase, recipients gained expertise in capital market development and loan portfolio management.

- 2) FSVC is beginning to target assistance in municipal finance and capital budgeting in regions across the Czech Republic.

In addition, FSVC is sponsoring several key individuals to attend specialized courses at the New York Institute of Finance and to attend the FRBNY's own bank examination classes.

### 3. Impact on Host Country Counterparts

The following findings are based on interviews conducted in the Czech Republic with a range of recipients of FSVC training, short-term, and long-term technical assistance. These individuals include senior management of the Czech National Bank, the Prague Stock Exchange, the Czech Obochni Bank (Foreign Trade Bank), newly hired bank examiners from the Czech National Bank, former long-term FSVC advisors, and government officials from the Ministry of Economy. The Evaluation Team also met with representatives of A.I.D. and the FSVC Country Director.

Table 4 summarizes the effectiveness of FSVC's work with the host country counterparts interviewed. It ranks responses to key questions included in the interview questionnaire:

**Table 4: Summary of Client Responses in the Czech Republic**

1. Did the FSVC volunteer have sufficient expertise to fulfill the request for assistance?

Completely	Mostly	Somewhat	No	Total
7				7

2. Did the volunteer program address your needs and expectations?

Completely	Mostly	Somewhat	No	Total
6	1			7

3. Did the training/assistance improve their ability to perform their job function or lead to other measurable impacts on their institution?

Completely	Mostly	Somewhat	No	Total
5	1	1		7

As noted above, all recipients interviewed were extremely pleased with the high calibre of expertise provided by the FSVC volunteers. Recipients were pleased with their qualifications and their willingness to address the needs of the institution by translating or otherwise modifying training materials as necessary, and by demonstrating patience and flexibility. The advisors also gained great credibility in the eyes of the training recipients given the volunteer basis of their assistance.

In response to the third question above, those recipients who were less than "completely" satisfied felt that while the training was useful, it was in some cases too advanced or theoretical at this early stage. They intended to reserve the information for the future when they believed it would be more applicable.

Other findings of impact on host country counterparts are detailed below:

1. Most recipients of FSVC-sponsored training interviewed have gained knowledge which has enhanced their ability to function in their professional capacity. For example:

- A Czech legal advisor to the Prague Stock Exchange was preparing to attend an upcoming meeting between the Exchange's Legal Department and the Ministry of Finance. The meeting's purpose is to form draft legislation on the taxation of Czech investment companies. He emphasized that as a result of FSVC-sponsored training, he learned much on the regulation of U.S. securities. As a result, he noted he was now in a better position to make decisions on new legislation that would be appropriate in the Czech context, by using the American experience as a benchmark.
- At the Czech Trade Bank, a long-term advisor sponsored by FSVC had been fundamental in setting up the new investment banking function. This department had no prior experience, and the department did not exist previously. According to the recipient, the bank staff "did not know what a bond was" in the beginning. After one year, the advisor was able to educate the staff about bonds, how they are valued, and guided the bank through the first municipal bond issue in the Czech Republic. The investment banking department has now grown from ten to 100 staff.
- Based on the suggestion of a volunteer from the Federal Reserve Bank of New York, the Czech National Bank hired 25 additional supervisors, then had FSVC provide them additional training.

2. There is evidence that recipient institutions have implemented suggestions provided by FSVC volunteers. These include procedural or other changes which are improving the ability of these institutions to function at international standards. For example:

- An FSVC volunteer, a former chief accountant of the SEC, gave a lecture on listing requirements to the Prague Stock Exchange. As a result, the Exchange adopted his recommendations. These included a requirement that companies

provide detailed financial background in order to be listed. In addition, the Exchange will have listing requirements translated into English to encourage listing by outside companies, another volunteer recommendation.

#### **4. Broader Impacts**

The Evaluation Team identified a range of secondary benefits resulting from FSVC training programs. These benefits were either unintended results of assistance, or evidence of broader impacts of FSVC-sponsored assistance on the development of the financial sector. Examples of these secondary, or broader impacts are as follows:

1. The information provided by FSVC-sponsored trainings is being shared and replicated for further distribution within the institutions which have received assistance. Several banks have taken steps to institutionalize the training of these new market-oriented, professional topics. For example:

- Recently, FSVC-sponsored a training course for newly hired bank examiners in the Czech National Bank (CNB) using volunteers from the FRBNY. The course included a provision of "training of trainers": senior officials were provided teacher's manuals to use during the course. This provided them greater understanding of the subject material while giving them insight into ways of teaching the material. As a result, the CNB intends to establish a new internal training department using this course as a model. One of the trainees from this course will also become head of this new training department.

2. A secondary benefit of FSVC-sponsored training and assistance has been the new professional contacts that have been established between recipients and their counterparts in the U.S. These contacts have proven to be valuable professional resources. For example:

- The Director of General Supervision Policy and Regulations Section of the Czech National Bank has participated in FSVC-sponsored training provided by the FRBNY. Based on contacts made through the training, he noted that he has since telephoned key officials at the FRBNY on several occasions to address specific topics of concern to his institution. He cited that he would not have had these contacts nor this senior-level access without the trainings he attended.
- One recipient, on the staff of the Prague Stock Exchange, had visited the Boston Stock Exchange (BSE) and New York Stock Exchange, sponsored by FSVC. He mentioned that since his return, he has consulted with one of his contacts at the BSE to compare experiences in their institutions. He views the BSE as an important model for the future development of the Prague Stock Exchange.

3. Most recipients interviewed cited their improved English as an important secondary benefit of having received FSVC-sponsored assistance. This was due mainly to having attended FSVC-sponsored trainings in the U.S.

## **5. Program Management**

Based on discussions with program beneficiaries, government officials, FSVC staff, volunteers, and A.I.D. personnel, the evaluators have noted the following regarding management of FSVC's program in the Czech Republic.

### **Long-Term Advisors**

It should be noted the evaluation team learned that several of the FSVC long-term advisors in the Czech Republic were individuals who had initiated and received job offers from local banks and institutions due to their own efforts. These individuals had then approached FSVC for financial support to supplement local-salary incomes, provide housing, and/or medical insurance coverage. After receiving FSVC assistance, these individuals in turn became de facto "FSVC advisors."

On the one hand, this scenario indicates an effective match between resourceful individuals and the intended goals and objectives of FSVC. As such, this match is a win-win situation for the advisors, for FSVC, and more importantly, for the Czech recipients. However, the evaluators believe it also offers an illustration of a lack of planning and strategy on the part of FSVC: these advisors were not the result of targeted assistance efforts by FSVC. The evaluators would like to see FSVC take a more targeted approach in the future in line with a well-defined country strategy for the Czech Republic.<sup>7</sup>

### **Project Identification and Development**

The Country Director also holds a secondary position as long-term technical advisor to the Center for Foreign Relations within the Ministry of Economy. This dual role is a good one, as this position allows FSVC to keep abreast of technical assistance projects to the Czech Republic among the various international donors. It also leverages the impact of his individual assistance by giving him other project responsibilities in addition to the usual tasks of project management.

The evaluators noted that recipients interviewed at the Czech National Bank were not aware that FSVC had sponsored the training. As the trainers and materials had come from the FRBNY, recipients were led to believe that the Fed also sponsored the course. The same is true for the Czech Obchodni Bank, who had a long-term advisor for a year without clearly understanding the source of that assistance.

FSVC/Czech Republic has demonstrated the ability to respond quickly to local requests. A.I.D. views this as an important benefit of FSVC's local program. As an example, FSVC

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<sup>7</sup> Currently, FSVC no longer provides long-term advisors in-country.

was able to respond immediately to a request from Prime Minister Vaclav Klaus to the U.S. Ambassador for assistance on bankruptcy law. Exemplifying maximum flexibility and utilization of resources, within five days of the request, FSVC assigned a senior attorney to draft revisions to the Czech bankruptcy statute to grant debtor enterprises a grace period for organization.

While not in line with FSVC's activities elsewhere, the Country Director's new direction into the areas of export finance and municipal finance is in response to important local needs, which have developed as the country has become more financially sophisticated. These forms of assistance are also priority areas for A.I.D. programming. As such, it is important for FSVC to continue to pursue these areas of assistance.

### **Cooperation with A.I.D. and Other Organizations**

As mentioned above, the FSVC Country Director in the Czech Republic holds a secondary position as technical advisor with the Ministry of Economy's Center for Foreign Relations. This position gives him a key role as a liaison between U.S.-based assistance programs and other local donor activities. In this role, he has conducted a comprehensive review of U.S. assistance projects and the effect the A.I.D. phase-out to begin in FY 1995. He has also coordinated with A.I.D. and EU PHARE to establish the USAID Democracy Network Program, which targets small grants, training, and technical assistance to the Czech Republic's nonprofit sector.

FSVC/Czech Republic has worked well in conjunction with other U.S. assistance programs. Through the offices of the local U.S. Treasury Advisor, FSVC was able to identify the need for assistance to the Komerční Banka on a short-term basis. As a result, FSVC placed two advisors there. The first, a retired Senior Vice President and Chief Financial Officer of a major money center bank, worked together with the bank's Chairman to define and develop the role and responsibilities of Chairman. The second volunteer, an experienced real estate analyst with a background in investment banking and start-up companies, spent three weeks providing assistance in the areas of corporate finance and real estate.

## **6. Conclusions and Recommendations**

### **Conclusions**

#### *On Impact*

1. Recipients interviewed were extremely pleased with the high calibre of expertise provided by the FSVC volunteers. They often remarked on the technical competence and professional commitment of these individuals. In addition, those who trained in the U.S. were impressed with how well-organized and relevant the trainings, meetings, and consultations in the U.S. had been. FSVC staff both in New York and the Czech Republic appear to have done an excellent job of recruiting volunteers for training and tailoring U.S.-based programs.

2. Training recipients have often maintained professional contacts with volunteers and contacts made in the U.S. These individuals and their institutions have benefitted from these new contacts on both personal and professional levels.
3. FSVC-sponsored assistance has frequently resulted in benefits above and beyond the level of the initial recipient. This has been demonstrated in efforts to replicate FSVC-sponsored training and share newly gained information within the Czech National Bank, the Czech Trade Bank, and the Prague Stock Exchange.

#### *On Project Management*

1. Several recipients of FSVC-sponsored assistance were unaware of the source of that assistance. They were unfamiliar with FSVC as an organization, or unaware that FSVC was supported by USAID.
2. FSVC has demonstrated timely and appropriate responsiveness to the requests of the Czech government and A.I.D. It has also provided a good example of synergy with other donor programs. This has been achieved due to FSVC's ability to fill in the gaps in assistance not currently being provided by other A.I.D.-funded programs.
3. FSVC has proven its flexibility and ability to provide a range of high-level expertise on a wide variety of technical subjects. In several cases, FSVC has provided experts which would otherwise have been unavailable through other donor programs on a volunteer basis.
4. Based on the Czech Republic's priority to enhance exports, A.I.D. suggested FSVC consider providing more assistance in the area of trade financing. While somewhat beyond the normal FSVC assistance, this will be an important assistance area for FSVC to concentrate on in the future.
5. FSVC has recognized several key areas to focus assistance in the near future, yet these requests have been largely demand-driven. While FSVC has shown exemplary responsiveness to local demands, this also illustrates the lack of a strategic plan for prioritizing FSVC assistance. This demonstrates the need for an assistance plan for future activities, which will enable FSVC to be an even more effective service provider.

#### **Recommendations**

1. FSVC has already recognized the need to focus more technical assistance to municipalities outside of Prague. This will be increasingly important as municipalities gain new autonomy and require assistance in capital budgeting and municipal finance. Little donor assistance is currently targeted outside Prague or Plzen. In addition, economic conditions are much less favorable outside these major cities. Given relatively good quality communication and transportation, provision of assistance to outlying areas should not be a logistical problem. For these reasons, the evaluators

strongly encourage FSVC to continue to target other municipalities for future assistance.

2. The Prague Stock Exchange and Czech National Bank cited the need for additional access to and exchange of information on relevant subjects. These include securities and banking regulations in other countries, both adopted and proposed, and other information which will enable beneficiaries to be better prepared for discussions with potential foreign investors. FSVC could explore and make known the current information resources available in the Czech Republic. If appropriate resources are unavailable, FSVC might consider teaming with other U.S.-funded programs to set up a resource center for the financial community.
3. A few recipients cited the need for volunteers to be more prepared on the background and context of working in the Czech Republic before arriving in the field. This is to ensure the appropriateness of their advice and attitudes. This could be achieved by providing volunteers with well-chosen background materials, encouraging conversations with prior volunteers, and perhaps more thorough screening of volunteers to ensure they will function most effectively in the field.
4. A.I.D. in Prague noted a major improvement in communication and cooperation as a result of the new Country Director's efforts. Specifically, A.I.D. is now kept abreast on FSVC-sponsored programs taking place in country, and is more comfortable with asking FSVC to fulfill assistance requests it receives. Since A.I.D. emphasized it would like this open communication and "team spirit" to continue in the future, the evaluation team encourages FSVC to keep this in mind as the program continues.
5. FSVC should consider implementing a process of regular follow-up of assistance recipients and trainees. Since no individual was responsible solely for activities in the Czech Republic before 1994, few formal reporting procedures existed. Indeed, the lack of follow-up information was apparent in the writing of this evaluation. Now that a new Country Director is in place, there is an opportunity for FSVC to institute a more formalized process of monitoring and evaluation.

Evaluation of assistance programs should occur immediately after the assistance, as well as at later intervals such as six or nine months. In an environment like the Czech Republic which is developing at such a rapid pace, this feedback will be increasingly important to tailor assistance appropriately in the future.

## **C. Hungary**

### **1. Overview of Economic Situation and Financial Sector Constraints**

In the last five years, Hungary has played a pioneering role in the political and economic transformation of Central and Eastern European countries. In the late 1980's and early 1990's, Hungary introduced many economic reforms which brought significant changes to the Hungarian financial sector. In 1987, a two-tiered banking system was created when the

National Bank of Hungary, the central bank, divested itself of commercial banking functions. Three banks obtained commercial banking status as a result: the Hungarian Credit Bank, the Commercial and Credit Bank, and the Budapest Bank. Similar status was extended to the Hungarian Foreign Trade Bank.

In 1988, the government implemented far-reaching tax reforms, introduced several reforms of the banking system, and implemented measures to liberalize wages and prices. These reforms were quickly followed by the introduction of new legislation on company law and regulations on the reorganization of state-owned enterprises. In 1990, the government enacted new, substantially liberalized legislation on private business and the stock exchange, and held the first free elections since World War II.

Despite Hungary's continued efforts toward economic reforms, the banking sector still faces crucial constraints. This is chiefly due to the large portfolio of non-performing loans and inadequate capitalization of the commercial banks. The recent economic recession in Hungary forced many businesses into bankruptcy and liquidation, which led to further increases in non-performing loans of the banks. Under the new banking and accounting laws, banks are required to make provisions for bad and doubtful debts. However, provision requirements have become so large that several banks, even the biggest ones, have eroded their capital bases.

In 1992, the government purchased some of the bad loans from the banks in exchange for long-term treasury bonds. Yet this did not solve the underlying problems and more bad loans resurfaced in 1993. To alleviate this problem, the government has implemented a two-step emergency program. In the first stage, the government injected additional capital into the banks, allowing them to make sufficient provisions for bad and doubtful debts. Ten banks with low capital inadequacy ratios were involved in this so-called "bank consolidation" program. In the second stage, borrowers with doubtful or bad debts will be required to draw up adequate reorganization plans. This program is an important step in the process of improving the financial condition and profitability of the financial institutions before bank privatization can be completed.

In 1990, the Budapest Stock Exchange was opened and has experienced rapidly increasing activity to date. Currently, the Budapest Stock Exchange is in the process of drafting expanded compliance regulations to strengthen their market and transaction watch capabilities. The Exchange expects further listings of shares as new Government securities are issued to address the high budget deficit, and as the notes of closed-end investment funds are admitted. In addition, an increasing number of foreign investors has shown interest in Hungarian securities, and some privately-owned Hungarian companies are interested in listing on the Exchange.

In October 1994, the Hungarian government decided to speed up the privatization process. In November, the government will submit a draft privatization law to the Hungarian Parliament that outlines a strategy for privatization and the sale of state property. A major goal of this law is to substantially reduce the size of state-owned property and to speed-up the sale of property under state ownership.

Under the privatization law, the government will decide on the privatization of strategic firms such as banks, financial institutions, and large enterprises. The privatization of medium and small companies will fall under the jurisdiction of the State Privatization and Property Management Share Company. Currently, close to 900 firms are awaiting privatization. The implementation of the privatization law will require significant strengthening of the Hungarian financial sector.

This brief overview of economic conditions and constraints of the Hungarian financial sector indicates that the reforms in this area are far from being completed. Hungarian government officials, managers of financial institutions, and other key personnel will require significant assistance in implementing future reforms.

## **2. Summary of FSVC Activities**

### **FSVC/Hungary Activities in 1990**

FSVC organized a lead mission to Hungary between September 16 and September 21, 1990. The mission consisted of two interdisciplinary teams: the Banking Team and the Capital Markets and Privatization Team. The mission was led by Mr. John Whitehead as Chairman with Mr. Herbert Okun serving as Executive Director, and included thirteen individuals.

The Banking Team advised the Hungarian government and the private banking sector on a variety of issues related to the creation of a modern banking system. This included the role and function of off-site and on-site banking operations, and the role of retail banking services available to the Hungarian public. The Team indicated that the creation of an efficient payment and clearance systems should constitute a priority in restructuring the Hungarian banking system.

The Capital Markets and Privatization Team developed recommendations on the establishment of an over-the-counter market and developing regulations for trading floor operations. The team also noted a variety of settlement and accounting issues and the necessity for conducting training for securities brokers. Furthermore, the team reviewed the role of the stock market and commercial banks in the privatization process.

### **FSVC/Hungary Activities in 1991**

Subsequent to the lead mission, FSVC developed and conducted two follow-up missions in 1991, as well as several training programs in the U.S. These included:

- A group of four FSVC volunteers conducted seminars at the Budapest Stock Exchange on systems for clearance, settlements and payments.
- A team of three volunteers held a five-day seminar at the International Training Center for Bankers addressing a variety of issues related to investment bank development and operations.

Group training programs in the U.S. included two representatives of the Hungarian Office for Bank Supervision and Capital Markets regulation who spent two weeks meeting with senior-level officials of the U.S. government. Another training program in the U.S. involved a member of the Hungarian National Bank responsible for trade and government securities who spent one week at the Federal Reserve Bank of New York studying open market functions and practices.

### **FSVC/Hungary Activities in 1992**

In 1992, FSVC delivered three follow-up missions to Hungary, three group training programs and one individual training program in the United States. Follow-up missions consisted of:

- A team of FSVC volunteers from a major international clearing corporation and a major U.S. commercial bank made two trips to the Budapest Stock Exchange. The team established a strategic advisory committee to address a variety of technical issues related to the operations of the Exchange.
- Three U.S. bankers conducted a four-day seminar in Budapest for senior private bankers responsible for strategic planning in response to the request from the Hungarian government and the Hungarian Banking Association.

FSVC-sponsored group training programs to the U.S. included:

- Two members of the Budapest Bank visited New York for three weeks to study commercial bank procedures and operations.
- A group of twelve Hungarian bankers visited the U.S. to participate in a customized training program in retail banking.
- Six members of the Budapest Stock Exchange participated in a week-long training program in three U.S. stock exchanges, investment houses and smaller investment firms. This program constituted a follow-up to training activities initiated by FSVC in Hungary at the Budapest Stock Exchange.

In addition, FSVC sponsored a Director of the Clearance and Settlements Department of the Budapest Stock Exchange for a two-week training program at the U.S. Securities and Exchange Commission's Institute of Emerging Markets.

### **FSVC/Hungary Activities in 1993**

In 1993, in expectation of a significant increase in demand for assistance, FSVC installed a Country Director in Hungary. The new director concentrated on developing several project ideas and strategies for the FSVC program expansion. In addition, he organized one follow-up mission and two individual training programs in the United States. The follow-up mission entailed sponsoring the visit of a senior manufacturing executive to provide training in ESOP plan development at the Second Hungarian ESOP conference.

The two U.S.-based training programs provided are as follows:

- FSVC invited a senior manager from the Hungarian Foreign Trade Bank to the U.S. to consult on financial policy issues with prominent specialists at the International Monetary Bank and the World Bank.
- FSVC organized a one-week trip for the CEO of the Budapest Stock Exchange to visit the Philadelphia Stock Exchange and assess a variety of strategic planning issues, and study futures trade policies, compliance activities and investment banking procedures.

#### **FSVC/Hungary Activities in 1994**

In 1994, the number of the FSVC projects in Hungary significantly increased. The Country Director was successful in organizing nine follow-up missions, one group training program in the United States, and providing one advisory program. These follow-up missions included:

- The Director of the U.S. Bureau of Engraving and Printing Office visited the National Bank of Hungary to advise the Hungarian partners on modernization of their banknote manufacturing process.
- Two volunteers presented a seminar on municipal financing to the representatives of the National Bank of Hungary, commercial banks, the Ministries of Finance and the Interior, and the EBRD. The seminar covered basic municipal financing terminology, analysis of various types of financing, and examination of offering documents.
- An FSVC volunteer assisted the Ministry of Finance in the formation of the Bank Control Unit. To this end, the volunteer addressed a variety of organizational and strategic issues.
- Two Federal Reserve Bank of New York managers assisted the National Bank of Hungary in developing its Audit Department. In that capacity, they provided technical instruction on computer systems and auditing, and assessed the effectiveness of the department.
- FSVC invited a Security Pacific executive to conduct a two-week strategic assessment of the National Savings Bank (OTP) and its affiliates.
- Two municipal finance experts conducted an examination of the Hungarian municipal financing market. They also led a round-table discussion on municipal financing with representatives of the Ministries of the Interior and Finance, major state-owned banks, the Securities Supervision Commission, and other Hungarian financial interests.

- FSVC assisted the Hungarian-American Enterprise Fund and the International Management Center in structuring a seminar in Budapest on "Going Public". FSVC then sponsored two volunteers to make presentations at the seminar.
- An FSVC volunteer assessed existing procedures and made recommendations to the Budapest Stock Exchange for future development and strengthening of market compliance.
- One volunteer assisted the Budapest Stock Exchange in assessing the opportunities for developing an options clearing system.

In addition, FSVC organized a visit of three executives of the National Bank of Hungary to the U.S. for two weeks to discuss currency and payment systems issues with the U.S. Bureau of Printing and Engraving, and four Federal Reserve Banks.

### 3. Impact on Host Country Counterparts

The following findings are based on interviews conducted in Hungary with a range of recipients of FSVC training and technical assistance. These individuals include representatives of the Ministry of Finance, the National Bank of Hungary, the National Savings Bank (OTP), the Budapest Stock Exchange, and other government officials. The Evaluation Team also met with representatives of A.I.D., U.S. Embassy personnel, a FSVC volunteer working in Budapest, as well as with the FSVC Country Director.

Table 5 summarizes the effectiveness of FSVC's work with the host country counterparts interviewed.

**Table 5: Summary of Client Responses in Hungary**

1. Did the FSVC volunteer have sufficient expertise to fulfill the request for assistance?

Completely	Mostly	Somewhat	No	Total
5				5

2. Did the volunteer program address your needs and expectations?

Completely	Mostly	Somewhat	No	Total
5				5

3. Did the training/assistance improve their ability to perform their job function or lead to other measurable impacts on their institution?

Completely	Mostly	Somewhat	No	Total
4	1			5

All interviewed Hungarian beneficiaries indicated that the FSVC training projects fully met their expectations. They stated that the training projects were very well-organized and focused on appropriate subjects. In their opinion, all the issues defined in the project description were addressed and adequate information was provided.

The beneficiaries indicated that the FSVC staff was successful in providing high-quality volunteers who contributed to the reforms of the Hungarian financial sector. The volunteers were perceived as very effective and knowledgeable. The Hungarian recipients indicated that in their opinion, the FSVC volunteers possessed appropriate skills for their assignments.

However, two respondents stated that some volunteers did not have full understanding of the constraints of the Hungarian economic and financial system. Consequently, sometimes they provided advice which, although professionally correct and exciting, could not be applied in the Hungarian economic and political environment.

The following are additional findings regarding the impact of FSVC assistance on beneficiaries and their institutions in Hungary:

1. FSVC activities have assisted the Hungarian government in implementing new policies and reforms in the transition to a market economy. For example:

- As a result of two FSVC training programs, the National Bank of Hungary submitted a written statement to the President and the Parliament concerning the printing of the new Hungarian currency, the *forint*. Based on these recommendations, the Hungarian government gave priority to printing the currency locally for the first time. As a result, the National Bank of Hungary initiated steps to import printing machines to Hungary.
- Based on FSVC-sponsored assistance, the Ministry of Finance developed a preliminary draft of their correction action plans. Hungarian banks will have to adhere to these policies and regulations to demonstrate improvements in their performance.

2. FSVC-sponsored activities appear to have helped Hungarian financial institutions to develop a modern financial system by stimulating improved operational procedures. For example:

- The FSVC training programs provided to the Budapest Stock Exchange resulted in drafting compliance procedures for the Exchange. At the time of this evaluation, the Exchange was planning to introduce these procedures in 1994.

- The National Savings and Commercial Bank developed a draft of a medium-term strategy assessing major directions of bank development and restructuring. This document was prepared as a direct result of assistance by the FSVC Country Director. Subsequently, the beneficiary developed a document entitled "National Savings and Commercial Bank -OTP Bank, Medium-Term Strategy," which is currently under review.

#### **4. Broader Impacts**

The Evaluation Team identified several secondary benefits resulting from FSVC training programs. These benefits were either unintended results of assistance, or evidence of broader impacts of FSVC-sponsored assistance on the development of the financial sector. Examples of these secondary, or broader impacts are as follows:

1. The information provided by FSVC-sponsored trainings is being shared and replicated for further distribution within the institutions which have received assistance. This constitutes the dissemination of knowledge about many aspects of a modern financial system to a much broader group of Hungarian financial interests than originally intended.

For example, several recipients noted that materials obtained during the training are usually distributed among the staff of the respective banks, ministries and other institutions. Some institutions require that trainees submit a detailed report and conduct a presentation to staff members. There is evidence that much knowledge and advice provided by the FSVC volunteers has been presented to other financial institutions on an informal basis or during the meetings of various Hungarian professional societies and organizations.

2. FSVC's program has contributed to the development of close professional contacts and relationships between key-financial institutions of the United States and Hungary. They create a base for long-term cooperative programs and institutional arrangements and well serve the interests of both countries. This fact was also noted by the A.I.D. office in Budapest. For example, close working relationships have now been established between the National Bank of Hungary, the FRBNY, and the U.S. Bureau of Printing and Engraving.

3. Interviews indicated that FSVC-sponsored assistance has helped many Hungarian beneficiaries to better evaluate their current activities and identify their training and professional development needs. Several respondents stated that the FSVC training activities motivated them to seek additional professional opportunities. This was noted in the Ministry of Finance's Bank Control Unit, for example. Other respondents have since enrolled in Business English classes.

#### **5. Program Management**

From 1990-1993, the FSVC program in Hungary was managed from the New York office by the Program Director. As mentioned above, a new Country Director was named in 1993. Since the available documentation of management procedures implemented by FSVC in

Hungary prior to his appointment is scarce, the following remarks will concentrate on the current management system and practices of the Budapest office.

In 1993 and 1994, in addition to providing training programs, the FSVC Country Director devoted significant efforts to developing contacts with prospective beneficiaries and preparing strategic directions for further FSVC expansion in Hungary. Moreover, he conducted a variety of administrative functions, developed quarterly and annual reports, maintained working relationships with the A.I.D. Budapest office, and the United States Embassy in Hungary.

As a result, FSVC /Hungary's program is based on well-established, long-term cooperation with several key-institutions namely the Budapest Stock Exchange, the Ministries of Finance and the Interior, the National Savings Bank, and the National Bank of Hungary. The Country Director has recently initiated contacts with other financial institutions in Hungary such as the State Securities Supervision, the ESOP Share Foundation and the Budapest Bank.

The Country Director is very familiar with the cultural and business environments in Hungary and other Central European countries, and is well-equipped to conduct his current duties. He has lived in Budapest since 1990. Prior to joining the FSVC team, he performed investment banking and management, and financial consulting services in the Central European region. In addition to his basic duties, the FSVC Hungary Country Director serves as an informal, free-lance volunteer advisor to many current and prospective FSVC clients. FSVC has also recently asked him to examine other assistance opportunities for FSVC in Central and Eastern Europe.

### **Project Identification and Development**

The Country Director has introduced a well-organized and structured approach to developing training programs in that region. Immediately after being hired by FSVC, the Director evaluated results of the previous training programs organized by this organization in Hungary. Subsequently, he contacted previous Hungarian partners and discussed needs and opportunities for launching new projects. He has also identified and approached a number of other financial institutions that could be interested in FSVC's services. Equipped with this knowledge, the new Country Director established priorities and developed long-term strategies for project development in the Hungarian market.

In developing a long-term strategy for FSVC assistance in Hungary, the Country Director took the steps outlined below:

- Conducted a needs assessment for Hungary and identified host-country organizations to target;
- Established long-term assistance needs for 1994 and 1995 for several key organizations: Ministry of Finance, National Bank of Hungary, National Savings Bank, Ministry of the Interior, and the Budapest Stock Exchange;

- Defined a desired sequence of training programs for each institution based on consultations with training recipients;
- Proposed most appropriate forms of training based on the needs assessment and evaluation of financial constraints; and
- Finalized the plan based on consultation with A.I.D. in Budapest.

The Country Director implemented a system and procedures of maintaining continuous contact with the Hungarian partners. He conducts informal, individual briefings with former, current and prospective clients minimum once every 30 to 40 days. He has also established a computer data base of important contacts and officials in the Hungarian financial sector. The Country Director has also developed an efficient system of documenting his activities. Each important meeting is documented in writing. The Country Director maintains documentation of informal advisory services extended to Hungarian interests.

### **Cooperation with A.I.D. and Other Organizations**

The evaluation team was impressed by the scope and form of cooperation developed between the FSVC Country Director and the A.I.D. Mission in Budapest. The Country Director works closely with A.I.D., contacting their office at least once a week. Each FSVC volunteer is introduced to the A.I.D. officer at the beginning of his/her assignment. Moreover, each volunteer debriefs the A.I.D. office at the end of the assignment. FSVC also has continuous access to the A.I.D. mission staff and its technical resources.

The A.I.D. representatives indicated that the FSVC program constitutes a major component of their assistance program to the Hungarian financial sector. The evaluators sensed a climate of professionalism, mutual confidence and support between FSVC and the A.I.D. office. According to the A.I.D. representatives, FSVC provides practical expertise that is in high demand in Hungary. Furthermore, the FSVC is able to provide the requested services quickly. Finally, the A.I.D. staff is very impressed by the methodical approach to developing training projects implemented by the Country Director.

FSVC and A.I.D. have demonstrated the benefits of mutual cooperation. A.I.D. officers on numerous occasions provided ideas and contributed to development and execution of the FSVC projects. With the support of the FSVC advisors, A.I.D. Hungary is developing its assistance program to the Ministry of Finance. On A.I.D.'s request, the Country Director has assisted the Hungarian-American Enterprise Fund, and the International Management Center in Budapest.

## **6. Conclusions and Recommendations**

### **Conclusions**

#### *On Impact*

1. There is evidence that through its assistance, FSVC has helped stimulate the formulation and adoption of key policy changes which will enhance the development of a modern financial system in Hungary.
2. Beneficiaries interviewed indicated that their participation in FSVC-sponsored projects has increased their professional knowledge and enhanced their management skills. However, some respondents indicated that they will have to validate the benefits of these programs in the course of their everyday professional assignments in the future.
3. Interviews indicated that some Hungarian beneficiaries established close professional relationships with the American volunteers. They frequently correspond and exchange professional materials. This has benefitted all parties on both a personal and professional level.

#### *On Program Management*

1. Significant changes in the activities of the FSVC/Hungary office have occurred since the installation of the new Country Director. FSVC's approach has been greatly improved by a thorough needs assessment and development of effective strategies in developing training programs.
2. The Hungarian training participants indicated that the U.S.-based FSVC training programs were very well-organized and resulted in both professional and personal benefits. This is to a large extent a result of FSVC's effectiveness in identifying and selecting appropriate host organizations and institutions in the U.S. According to beneficiaries, U.S. hosts were well informed about the purpose of the program and had organized a detailed and well-structured agenda for the visits. U.S. host organizations were flexible in accommodating the needs and expectations of the Hungarian visitors. Consequently, the visitors had sufficient opportunities to address issues of their special interest.
4. The quality of training provided by FSVC is highly appreciated by the Hungarian recipients. They perceive FSVC's system of selecting volunteers and U.S. host organizations as very efficient. The volunteers are perceived as quite capable professionals who provide valuable and practical solutions and recommendations.
5. Several beneficiaries felt that the language barrier negatively impacted the quality of the volunteers' assistance. The respondents indicated that some interpreters did not have financial experience and consequently had difficulty translating complicated

financial terms and concepts. Furthermore, the quality of interpreting equipment is in need of improvement.

6. The interviewed beneficiaries were complimentary of the FSVC/Hungary Country Director for his professional knowledge, diplomatic skills, and cultural sensitivity. They are particularly impressed by his proactive approach and enthusiastic attitude in developing training initiatives.
7. A.I.D./Hungary expressed that cooperation with FSVC/Hungary was exemplary. This point should be well-noted by FSVC to replicate this cooperation with other A.I.D. offices in their other countries of operation.

### **Recommendations**

1. FSVC should consider expanding its involvement and intensifying support to the privatization process in Hungary. If the Hungarian government is persistent and successful in implementing the privatization program that is expected to affect about 900 enterprises, there will be many needs and opportunities for developing future training programs.
2. The FSVC office in Hungary should enhance its project monitoring and impact evaluation system. Interviews indicated that FSVC implemented short-term project evaluation procedures. The participants and the volunteers also complete post-assignment evaluation forms. To better evaluate its projects, the FSVC office should implement medium and long-term evaluation efforts on a regular basis.

For example, participants could be surveyed six to twelve months after the project completion date. FSVC staff could also inform participants on the benefits of evaluation and methods of impact assessment at the beginning of each assignment. The Country Director has implemented some useful ideas noted above for monitoring and tracking projects and clients. FSVC could benefit by incorporating many of his ideas to other field offices.

3. Although FSVC has proved effective in public relations and marketing in Hungary, it should consider additional activities in this area to better inform the Hungarian constituencies about its projects, achievements, and capabilities. Such success stories could be shared through newspaper articles or TV interviews. FSVC could also consider producing and distributing a computer-generated newsletter.
4. FSVC should continue working with the selected group of the Hungarian financial institutions. The assistance provided has been well-structured, and there are many needs for follow-up assistance. The effectiveness of FSVC assistance has usually been very high, since projects are developed based on an assessment of the recipients' needs and operations. However, the FSVC office should also consider expanding the number of Hungarian partners. In particular, the opportunities to work with commercial and newly-privatized banks may well serve FSVC's overall objectives.

5. FSVC should develop strategies to continue its activities in the Hungarian market after the USAID office in Budapest is phased out in 1996. The elimination of this office will significantly impact FSVC/Hungary's program, and will require changes in its methods, operations, and types of activities.
6. FSVC should consider providing the Country Director with administrative assistance. The current administrative workload is significant and consumes a considerable portion of the Country Director's time. Based on preliminary calculations, it appears a full-time secretary could be hired at a cost of less than \$1,000 a month.
7. Based on feedback by beneficiaries, the evaluators suggest that FSVC explore ways of improving the delivery of its programs in the Hungarian language. This could be accomplished through establishing a pool of well-trained, specialized interpreters; using U.S. interpreters; pre-translated training materials; and improved simultaneous translation equipment. Before each assignment, the Country Director could prepare interpreters with professional terminology and concepts that may be discussed. FSVC could also maintain a database of new professional terms provided by translators at the end of an assignment. In addition, FSVC could explore the possibility of establishing a U.S.- Hungarian business and finance library.
8. The evaluation team believes the strategic planning approach demonstrated by FSVC in Hungary is exemplary. It is based on sound needs assessment, the current operating environment, and targeting of key institutions for assistance. This approach focusses on appropriate forms of assistance, and is undertaken with consultation of the recipients and the local A.I.D. mission. The evaluators believe this is a valuable model of strategic planning which FSVC should replicate in its other countries of operation, to the extent possible.
9. The Country Director has assembled useful information materials on Budapest and Hungary. These materials provide all the necessary information that a volunteer or visitor may need to feel at home in Hungary. The data and information provided in these materials is updated on a continuous basis. FSVC/Hungary could set a good example in this area for other FSVC field offices.
10. As mentioned above, in Hungary, each FSVC volunteer is introduced to the A.I.D. officer at the beginning of his/her assignment, and debriefs the A.I.D. office at the end of the assignment. This has proven to be a valuable feedback mechanism for A.I.D., for FSVC, and for the volunteers as well. Such cooperation with A.I.D. should be continued, and encouraged in other FSVC's other countries of operation.

## **D. Mongolia**

### **1. Overview of Economic Situation and Financial Sector Constraints**

In 1990, after seven decades of communist rule, Mongolia was faced with dismantling the world's second oldest central planning system. Since the 1990 democratic revolution,

Mongolia's newly elected government has liberalized its entire economy. The Mongolian government has been committed to progressing towards democratization and the establishment of a market economy by emphasizing four areas of reform: macroeconomic stabilization; removal of price controls; liberalization of foreign trade; and privatization. Most of the legislation is in place or in progress.

Today, almost all prices have been liberalized, as well as foreign trade which has benefitted the emerging private sector. In addition, Mongolia now has a new, two-tiered banking system, which includes the Bank of Mongolia (the Central Bank) and 13 commercial banks which previously did not exist. The Bank of Mongolia is actively engaged in undertaking monetary policy regulation while focussed on ensuring a stable exchange rate and facilitating economic growth. These are important achievements, since the instruments of monetary policy are brand new in Mongolia. Privatization through a voucher system is currently underway, although the commercial banks have yet to be privatized.

Despite many noteworthy improvements, Mongolia still faces enormous constraints to financial sector development and to making the full transition to a market-based economy. The concepts of private land ownership, taxes, and a free floating exchange rate are completely new in Mongolia's history. Like many former communist countries making the transition to market economies, Mongolia lacks concrete banking skills and knowledge of the role and function of commercial banks. In addition, managers of the central bank and the new stock exchange will need continued assistance to enable these institutions to function optimally. This lack of knowledge and exposure is a key impediment to a viable financial sector.

## **2. Background on FSVC Activities**

Based on the constraints outlined above, the training of bank personnel, at all levels, is a key priority for Mongolia's future development. To this end, FSVC has focused on providing assistance to the commercial banking sector in Mongolia since 1991.

### **Lead Mission, 1991**

At the request of the Mongolian Government, FSVC conducted a lead mission to Mongolia in June 1991 led by FSVC Executive Director Herbert Okun. FSVC's objectives were to identify a strategy for helping to restructure the commercial banking system, stimulate privatization, and promote development of capital markets. As a result of the mission, FSVC chose to concentrate its resources on the creation of a commercial bank training program. It aimed to create a core group of trained bankers who understood the principles and practices of international and commercial banking and who would become key staff of the Mongolian commercial banking sector in the future.

## **FSVC/Mongolia Activities, 1992**

FSVC continued to develop relationships with the leadership of the Mongolian Stock Exchange and the Central Bank. These relationships formed the basis for subsequent assistance requests. As a result, FSVC provided assistance through the following activities:

- A volunteer with substantial experience in U.S. capital markets conducted a week-long seminar for members of the Mongolian Stock Exchange on the functional role of mutual funds in a market economy.
- FSVC sponsored the participation of the Chairman of the Stock Exchange at two seminars abroad. The first was at the U.S. Securities and Exchange Commission's Institute for Emerging Markets, followed by a week-long program of discussions with representatives from the New York Stock Exchange organized by FSVC. The second, the Polish Securities Commission Conference on Emerging Securities Markets, was attended by the Chairman of the Mongolian Stock Exchange and another Exchange member.

## **Commercial Banking Training Program (1992 - 1994)**

In addition to the above activities, in October 1992, FSVC launched its Commercial Bank Training Program. This program, funded from a grant from the A.I.D. Asia Bureau, aims to help Mongolian bankers modernize their financial system. It was jointly organized by FSVC and the Hong Kong Management Association (HKMA), with the Bank of Mongolia providing local logistical and administrative support. The program was designed to provide over one hundred bankers with three weeks of classroom training in Mongolia. The top six trainees were then selected to participate in a six-month internship program in Hong Kong.

The four components of FSVC/Mongolia's Commercial Bank Training Program are detailed below:

- Component I was a competitive selection process to identify individuals who would qualify for the program. Ideally, a candidate would have working command of English and demonstrated aptitude for banking and finance. Based on responses from local newspaper advertisements, 108 applicants took the initial examination in December 1992. In January 1993, a series of interviews were held with the top 58 candidates, from which the final 30 were selected for the training program.
- Component II comprised a one week symposium for the 30 finalists on "The Economic Role of Commercial Banks in a Market Economy." The course included topics such as fundamentals of central banking, deposit insurance, bank capital and liquidity, and credit analysis.
- The 30 trainees then participated in Component III, a three-week intensive commercial bank training program in March 1993, conducted by HKMA, under

the direction of FSVC. This program concentrated on three areas: fundamentals of bank operations, credit analysis, and international trade and finance.

- Based on a competitive selection process and four exams held during Component III, six trainees were selected to go to Hong Kong for six-month internships. Component IV was the placement of these six trainees at two commercial banks in Hong Kong, from July 1993 through January 1994. Chemical Bank hosted four trainees and Hong Kong and Shanghai Bank hosted two trainees. These banks targeted four key areas for extensive on-the-job training, among other relevant banking topics: 1) current accounts; 2) letters of credit; 3) credit administration; and 4) credit analysis. On completion of the internship, the trainees returned to their respective banking institutions in Mongolia in February 1994.

### **Other Activities in 1993**

In addition to the bank training program, FSVC supported two short-term projects in Mongolia in 1993. FSVC sponsored a volunteer legal specialist who reviewed the revised draft of the Mongolian Securities Law. The attorney's comments were delivered to the Chairman of the Mongolian Stock Exchange. FSVC also recommended and sponsored the participation of the Deputy Director of the Ministry of Fuel and Energy at the Second International Conference on Coal and Lignite in Hong Kong.

### **New Commercial Bank Training Program (1994 - 1995)**

Based on the positive reception of the first training program, and the request of the Mongolian banking community, FSVC has received additional A.I.D. funding to continue the training program through March 1995. FSVC's goal is to train an additional 60-90 bankers over a two-three year period.

The program will follow last year's model with some modifications and expansions. A total of 13 courses will be offered through the Mongolian Banking Institute (MBI) in English taught by American bankers and financial specialists. Each class will have a maximum of 24 participants: 20 commercial bankers and four professors from the Bank and Credit Departments of the Economics College and the Mongolian State University.

Another 30 candidates for the training program are now being selected. FSVC will again contract the HKMA to teach the program, this time expanding the training in Ulan Bator to nearly four weeks. Out of the 30 participants, another six-eight will be selected for internships in Hong Kong. This time the internships will average three months in length and be more highly focused on the training needs relevant to the job function of the individual banker.

## **Mongolian Bank Training Institute**

The Mongolian Banking Institute (MBI) was established in June 1993 as the educational division of the Mongolian Bankers Association. The goals of the MBI are to establish standardized commercial banking procedures, policies and systems and to become the resource center for the commercial banking community. To this end, the MBI has sponsored the Commercial Bank Training Programs set up by FSVC. FSVC and the MBI actively work together in planning, preparing course outlines and materials, and scheduling the FSVC-sponsored classes. In addition, FSVC has been active in helping to establish the MBI's new library and resource center, while continuing to provide ongoing technical assistance and support to the Banking Institute. The MBI will continue to offer core courses taught in Mongolian by local staff on principles of accounting, elementary and intermediate English, and banking and business English.

### **3. Impact on Host Country Counterparts**

The following findings are based on interviews conducted in Mongolia with a range of recipients of FSVC in-country training. These included interviews with department managers at the Bank of Mongolia (Central Bank), the Trade and Investment Bank, the Ardyn Bank, representatives of the Mongolian Bankers Association (which represents the 13 commercial banks), the Mongolian Bank Training Institute, as well as four of the six trainees who participated in six month internships in Hong Kong set up by FSVC. The Evaluation Team also met with two FSVC volunteers providing training in Mongolia and the FSVC Country Director.

To summarize the effectiveness of FSVC's work with the host country counterparts interviewed, Table 6 has been prepared. It ranks responses to several key questions included in the interview questionnaire.

**Table 6: Summary of Client Responses in Mongolia**

1. Did the FSVC volunteer have sufficient expertise to fulfill the request for assistance?

<b>Completely</b>	<b>Mostly</b>	<b>Somewhat</b>	<b>No</b>	<b>Total</b>
7	1			8

2. Did the volunteer program address your needs and expectations?

<b>Completely</b>	<b>Mostly</b>	<b>Somewhat</b>	<b>No</b>	<b>Total</b>
8				8

3. Did the training/assistance improve your ability to perform your job function or lead to other measurable impacts on your institution?

<b>Completely</b>	<b>Mostly</b>	<b>Somewhat</b>	<b>No</b>	<b>Total</b>
7	1			8

As noted above, the recipients interviewed found the FSVC-sponsored trainings to be extremely beneficial. They emphasized the high level of expertise and professionalism of the trainers. The programs completely met, and in most cases exceeded, the expectations of the beneficiaries. Since the level of expertise of the Mongolian banking community has been limited to date, some recipients were not able to utilize some of the information provided. However, the class discussions raised important topics for future consideration such as the regulation of foreign banks and deposit insurance. Since written training materials were provided, the trainees will be able to refer to these materials in the future as they gain more experience. In this way they will be able to more fully utilize the resources provided by the trainers in the future.

1. All recipients of FSVC-sponsored training interviewed gained new knowledge which has enhanced their ability to function in their respective jobs. Based on this training, these individuals have now initiated procedural and other changes which are improving the ability of their institutions to function in a market economy. For example:

- One participant stated that before he participated in the FSVC training, there were no in-house rules for issuing letters of credit at his commercial bank. After his return from Hong Kong, he began to implement new rules in his bank based on information gained from the six-month internship.
- After returning from Hong Kong, the Manager of the Banking Department in a commercial bank has now instituted new service quality measures in his Ulan Bator branch. He has also initiated new procedures for improving maintenance procedures with credit card merchants.
- One training participant at the Bank of Mongolia believes that as a result of FSVC training, she is now better equipped to discuss economic indicators with local IMF staff than before.

2. Half of the participants of the Hong Kong Training interviewed have been promoted to positions of significant responsibility within six months after completing the training. As such, these individuals are now becoming future leaders in the Mongolian financial sector.

For example, three months after returning from Hong Kong, one trainee is now Executive Director of Monetary Policy at the Bank of Mongolia, while another is now the Manager of International Settlements at the Trade and Development Bank. In addition, the Mongolian Bankers Association mentioned that FSVC commercial bank training is now considered by senior bank managers to be a "prerequisite" to future advancement in the banks.

#### **4. Broader Impacts**

The Evaluation Team identified a range of secondary benefits resulting from FSVC training programs. These benefits were either unintended results of assistance, or evidence of broader impacts of FSVC-sponsored assistance on the development of the financial sector. Examples of these secondary, or broader impacts are as follows:

1. Several banks have taken steps to institutionalize the training of these new market-oriented, professional topics within their banks. The information provided by FSVC-sponsored trainings is being shared and replicated for further distribution within the institutions which have received assistance. For example:

- The MBI is translating the materials of prior FSVC trainings for greater distribution among the 21 branches of the Mongolian Banker's Association outside the capital.
- After returning from the Hong Kong training, the Manager of International Settlements at a commercial bank now discusses standard USP 500 rules for documentary credit with the seven employees in his department on a regular basis.

2. There is noteworthy evidence that FSVC -sponsored training is having a secondary impact on the educational system in Mongolia. For example, banking and financial topics are increasingly included in the curricula of key educational institutions. This has been achieved partly by including professors in each of the banking training courses whenever possible. Each class of FSVC's Commercial Bank Training Program aims to include four participants who are professors from the Economics College and the Mongolian State University.

These courses are important for university professors who can then leverage their new banking knowledge by updating university-level curricula in these leading educational institutions. In turn, these new courses impact the 30 students which graduate each year from the graduate Banking program at the Mongolian National University and on the 60 graduates each year at the Economics College. In this way, FSVC-sponsored training is reaching a much wider array of participants than originally anticipated. For example:

- One FSVC trainee from the Bank of Mongolia now teaches two new subjects at Mongolian University, trade finance and loan analysis. She has 26 students in each class, and is thus impacting over 50 future bankers. In addition, she has sent five staff members for FSVC-sponsored training.
- Two trainees from the Trade and Investment Bank have lectured on bank marketing, trade finance, and credit cards at Economics College. Each course was for three days and involved 100 students, the entire class of banking and finance majors at the College.

In addition, The Mongolian Banker's Association has initiated the teaching of banking courses on a pilot basis in a secondary school in Ulan Bator. In 1993, 25 students aged 14-16 participated, with another 25 in the current course this year. Thus, bankers are spreading their commercial bank knowledge to youth, to help educate them in market economics and banking. As a result, they will be better educated as consumers, tax payers, and potentially future bankers.

3. An important benefit of the training program in Hong Kong has been the new professional contacts that have been established between Mongolian commercial bankers and their counterparts in Hong Kong. These contacts have proven to be valuable professional resources for the Mongolian training recipients. One result of these contacts is that new products and services are now becoming more readily available in the Mongolian banks. For example:

- One trainee from the Ardyn Bank was able to make several key contacts in the Hong Kong banking community which have greatly benefitted her bank. As a result of contacts made with Hong Kong and Shanghai Bank's credit card department and the Olivetti Corporation, Ardyn Bank recently signed an agreement to receive 10 ATM machines for a pilot debit card program in Ulan Bator.
- In addition, a contact made in Hong Kong with American Express has resulted in a new agreement for Ardyn Bank to provide American Express Traveller's checks to its customers. As the largest commercial bank in Mongolia, representing 60% of all individual savings, the deal signifies a substantial benefit to customers in the future.

4. Several FSVC volunteers have been asked to become involved in policy-making and legislative activities, sometimes after completing their initial assignments. These activities are contributing to positive changes Mongolia's transition to a market economy. For example:

- As a result of the training she provided, one FSVC volunteer was asked to speak directly to the Central Bank and to Parliament regarding the new banking law. She was given an opportunity to provide the U.S. perspective, and consult directly with policy makers on achieving a draft law of international standard.
- At the request of the Mongolian Stock Exchange, FSVC sent a copy of the revised Securities Law to a partner at a major New York law firm for legal review. The attorney's comments were faxed to the Chairman of the Mongolian Stock Exchange and author of the Securities Law. The law is expected to be approved by Parliament in 1994.

5. Most recipients interviewed cited their improved English as an important secondary benefit of having received FSVC-sponsored assistance. This was true both for the Hong Kong trainees (who used English daily during their six months there) and for training recipients in Ulan Bator (where courses are taught in English). In addition, some prior

training "graduates" have now become translators for recent trainees, thus further enhancing their English skills and banking knowledge. For example, of the 12 translators selected for the current Commercial Bank Training Program, eight were previously trained in FSVC's 1993 training program.

## **5. Program Management**

Based on discussions with program beneficiaries, government officials, FSVC staff, and A.I.D. personnel, the evaluators have noted the following regarding management of FSVC's program in Mongolia.

It appears that the strategy of focussing on one well-planned activity, the Commercial Bank Training Program, has not only benefitted the intended beneficiaries, but has resulted in a coherent, well-defined program, where lessons learned from the first year have been easily incorporated into the second. As noted above, the 1994-1995 Commercial Bank Training Program has incorporated lessons learned from the prior year. As a result, the in-country training portion has been expanded, while the internship abroad to Hong Kong has been proposed for a shorter period of three months instead of six.

FSVC's program is well-known in Ulan Bator. Unlike in other countries the evaluators visited, recipients of FSVC-sponsored training were aware that the trainings had been sponsored by FSVC. There appears to be no other donor or A.I.D. -sponsored program dedicated to assisting the commercial banking sector in Mongolia besides FSVC.

### **Project Identification and Development**

Aside from his responsibilities as Country Director, this individual is responsible for examining the potential for expansion of FSVC activities elsewhere in the region as appropriate. This dual role for a Country Director is a good one, as it leverages the impact of the individual's assistance by giving him project development responsibilities in addition to performing the usual tasks of project management.

The Country Director in Mongolia has done an exemplary job of outreach to financial institutions in the U.S. and abroad for the purpose of securing potential internships for recipients of the Bank Training Program. Through his efforts, he secured the commitment of the Hong Kong and Shanghai Bank and Chemical Bank in Hong Kong to provide six-month internships for six trainees. In June of this year, he met with the head of the international department of U.S. Bancorp, and the Director of Training, Bank of America to further discuss their participation in the program. He has also performed outreach to local resources, including a team of experts at Arthur Anderson based in Ulan Bator to explore their interest in teaching future accounting courses.

### **Cooperation with A.I.D. and Other Organizations**

The evaluation team was not able to ascertain the extent of cooperation between FSVC and A.I.D./Washington, as key personnel were not able to be interviewed. However, it is the

evaluation team's understanding that FSVC makes every effort to inform A.I.D. in Ulan Bator of its activities and seek its counsel regarding A.I.D. priorities. On the other hand, the Mongolian desk officer in AID/w expressed frustration at not being kept informed of FSVC's work.

FSVC/Mongolia has demonstrated the ability to coordinate with other U.S.-sponsored programs to leverage the impact of its assistance. For example, as mentioned above, FSVC recommended the Deputy Director of the Ministry of Fuel and Energy to attend the Second International Conference on Coal and Lignite in Hong Kong. FSVC arranged funded for the trip through the U.S. Department of Energy.

## **6. Conclusions and Recommendations**

### **Conclusions**

#### *On Impact*

1. FSVC has effectively enhanced the development of the financial sector in Mongolia, especially through its Commercial Bank Training Program. All recipients interviewed cited the importance of the training in their own professional development as well as in the improved functioning of their financial institution.
2. FSVC Volunteers in Mongolia have been of high calibre, demonstrating technical competence and professional commitment. Recipients unanimously remarked on how much they learned from these individuals and how they have progressed as a result. FSVC has therefore done an excellent job of recruiting volunteers for their Mongolia program.
3. Training recipients have often maintained professional contacts with both volunteers in the U.S. and the sponsors of the job training programs in Hong Kong. These trainees have benefitted from these new contacts both personally and professionally, and additional trade and business has occurred as a result.
4. The recipients of the Hong Kong training are becoming pillars of the financial community in Mongolia. They are setting positive examples for their peers, subordinates, and supervisors through their command of English, knowledge of modern banking practices, and understanding of free market concepts.
5. FSVC's trainings have frequently resulted in benefits above and beyond the level of the initial recipient. This has been demonstrated in efforts to replicate FSVC-sponsored training within the commercial banks, central bank, and educational institutions.
6. By supporting the Mongolian Banker's Association which represents the 13 commercial banks, and its Bank Training Institute, FSVC is effectively leveraging the impact of its assistance.

### *On Management Issues*

1. FSVC has wisely placed programmatic emphasis on assisting the commercial banking sector at this time. This demonstrates commitment to making the most impact given limited resources. By concentrating its efforts in this way, FSVC has been able to design a well-conceived, coherent program aimed at a specific target group.
2. The Country Director has done an excellent job of securing six month on-the-job training positions for the Hong Kong trainees, providing high calibre volunteers on a timely basis, and running a well-conceived program consistently over the past two years. This is especially noteworthy given the limitations of telecommunications in Mongolia, and the overall hardship living conditions.

### **Recommendations**

1. FSVC Mongolia should explore providing commercial banking to branch managers, accountants, loan officers and the like outside the capital. Approximately 70% of commercial bankers in Mongolia work in branches outside the capital, Ulan Bator. Yet all the recipients of FSVC-sponsored training to date have been from Ulan Bator. This is due to both logistical constraints and the fact that senior bank managers are located in the capital. The Mongolian Bank Training Institute expressed interest in training 200 bankers from the countryside in future programs. While the logistics could be difficult, the evaluation team strongly encourages FSVC to pursue this course of action.

These individuals speak little or no English. They are much less familiar with commercial banking activities in a market economy than their counterparts in Ulan Bator. Trainings might have to be simplified for greater comprehension. Thus, the evaluation team suggests that future bank training utilize Mongolian lecturers to the extent possible. These could be conducted in Mongolian by Mongolian bankers who have already participated in prior trainings and are comfortable and familiar with the subject matter.

2. Several training participants interviewed suggested the need for more depth and less breadth in training topics. Rather than different courses in a variety of areas, they preferred to receive more detailed training in subjects most relevant to their particular jobs. For example, over time a trainee might participate in 2-3 separate courses on the topic of credit analysis, each at a progressively more complex level, as the participant's knowledge and experience grows.

The Country Director in Mongolia is aware of this need, and as such, has planned for participants to take a series of courses along certain "tracks." In this way, the new courses offered will not be attended by everyone, but trainees will take several in-depth courses which relate to their job function. The evaluation team believes this is a good plan of action based on the suggestions of participants.

3. It was suggested that FSVC could help design a needs assessment form for participants of the training program. It would provide a tool for the commercial banks to use in assessing the professional development of the trainee and identify needs for future training as the trainee puts theory into practice. This would be in addition to the post-training evaluation form. The evaluation team strongly endorses this idea.
4. FSVC Mongolia could be more aggressive in sharing its "success stories" in Mongolian media. For example, recently returned trainees from Hong Kong could be interviewed in local press to emphasize the importance of their training, and provide examples of positive role models for others.
5. Mongolia is the only FSVC field office not on the computer network, nor does it have a fax machine. Given the limitations for computer linkage, communication with the New York office could be enhanced by providing the Country Director with a fax machine. This will also support his secondary activities in program development for the region.

## V. MANAGEMENT ISSUES

### A. Actual Outputs vs. Planned Outputs

The chart below shows the number of outputs FSVC agreed to produce from 1991 - 1992, based on its A.I.D. grant agreement and amendments. "Lead Missions" were initial forays into selected countries to review financial sector constraints and identify opportunities for technical assistance to address them. The lead mission teams laid out findings, observations, and recommendations for future FSVC voluntary assistance. "Follow up missions" indicate any additional in-country project activity that occurred after the lead mission. This refers to any transfer of information and assistance by an FSVC-sponsored volunteer or staff member to a host country recipient individual or institution.

"Professional consultations" describes the hosting of key individuals from abroad to make contacts and share information with counterparts in the U.S. This is distinctive from "training" programs, in which FSVC coordinated groups of professionals to visit the U.S. for training in specific disciplines in the financial sector.

In addition, the grant and amendments included a target number of individuals to participate in "WORLDNET" teleconference programs in the U.S. However, these conferences did not materialize due to circumstances beyond FSVC's control. For this reason, their targets have been excluded from the chart below.

Planned outputs indicated in the chart were to be completed by the dates shown as indicated in the Grant and Amendments. These dates reflect A.I.D.'s reporting requirements on a fiscal year basis. However, FSVC does not track its outputs on a fiscal year basis. Instead, this information is compiled on a calendar year basis and is included in FSVC's annual reports. For this reason, FSVC's annual reports have been used to complete the following chart. This is on the understanding that while the information is not statistically accurate, it is the best (and only) information available to determine actual vs. planned outputs for FSVC.

In addition, FSVC outputs were not historically reported in the categories proscribed by the grant agreement. For example, the available FSVC documents did not clearly distinguish between a "follow-up mission," a "consultation," and a "group training." Therefore, it has been up to the evaluators to make the best judgement of available data based on consultation with FSVC staff and careful scrutiny of FSVC reports.

No information was available on expected outputs of FSVC for 1993 or 1994.

**Table 7: FSVC Planned vs. Actual Outputs, 1991 - 1992**  
(As Stipulated in A.I.D. Grant Agreement and Amendments 1 & 2)

Target Completion Dates:	3/1/91 (Grant Agreement)		10/31/91 (Amendment 1)		4/30/92 (Amendment 2)	
	PLAN	ACT.	PLAN	ACT.	PLAN	ACT.
<b>Lead Missions</b>	3	3	3	3	2	0
<b>Follow-up missions</b>	1	8	22	5	10	24
<b>Consultations in U.S.</b>	n/a	n/a	10	0	9	9
<b>Training Groups to U.S.</b>	n/a	n/a	n/a	5	4	7

As the chart shows, FSVC met or exceeded its planned outputs for the first and third grant periods. In early 1991, FSVC accomplished the goal of three lead missions, to Poland, Hungary, and Yugoslavia. Follow-up missions greatly exceeded the very conservative number of one planned output.

Amendment 1 (indicated by the second set of columns) outlined a more aggressive goal of 22 follow-up missions and 10 consultations. The data suggests that FSVC fell far short of completing its planned outputs for this period. However, the evaluators believe these expected outputs were overly-optimistic, and that FSVC required more start-up time than originally estimated to establish its programs abroad. This was due to time needed in hiring new staff, establishing in-country contacts, and learning to function within a foreign, highly volatile, operating environment with often inadequate infrastructure and services.

In 1992, FSVC conducted an additional three lead missions to the Czech Republic, Bulgaria, and Mongolia, in line with their planned outputs. FSVC's activities greatly increased in all areas of assistance. This was due to the energies of several highly-dedicated staff members, and the enthusiasm of host country counterparts in receiving high-calibre assistance on a voluntary basis. For more details on the specific activities of these countries from 1990-1991 to the present, please see the discussion of "Background on FSVC Activities" in the previous chapters of this report, "Impact Evaluation by Country."

### **New Reporting Requirements, 1992**

In December 1992, Amendment Five to the grant agreement indicated a new quarterly reporting requirement for FSVC through December 1994 for each country in which FSVC volunteers are placed. The report would include the following:

- A broad overview of the issues and constraints in the financial sector which are likely to surface in the coming months;
- A synopsis of the activities of each volunteer during that quarter;

- Information on contact and joint activities with other donors and governmental or private sector entities; and
- Plans for future placement of volunteers and their scopes of work.

A review of these reports by the evaluation team reveals that the reports for the first three quarters of 1993 included activities in Poland, Czech Republic, Slovakia, and Hungary only. The reason for this is unclear. However, beginning in fourth quarter 1993, the report also included program activity in the NIS and Mongolia. Since first quarter 1994, the report format has been more formalized and is now bound and more informative.

While the reports satisfy minimum A.I.D. requirements, they could be greatly improved. For example, FSVC could add information on their promotional and marketing efforts, meetings with prospective beneficiaries, contacts with other organizations, cooperation with A.I.D., and other donors, and other professional activities. In addition, reports could include description of the results of project monitoring and follow-up, identification of future project opportunities, and future development strategies. This would better inform A.I.D. of FSVC's activities while providing FSVC a potentially useful tool for internal evaluation and marketing.

## FSVC Outputs, 1993-1994

FSVC's Grant Amendments have not specified expected outputs exclusively for 1993 or 1994. Therefore, no comparison of expected vs. actual outputs can be provided for these years. However, the evaluators have been able to aggregate information on the actual number of FSVC outputs from 1993 through October 1994. The following tables provide these output figures for that period for Poland, Hungary, Czech Republic, and Mongolia:

**Table 8: Outputs 1993 and 1994 Financial Service Volunteer Corps  
- 1993 - Number of Outputs - FSVC<sup>7</sup>**

Number of:	Poland	Hungary	Czech	Mongolia	Total
<b>In-Country Courses</b>	3		4	6	13
<b>Volunteers</b>	10	3	24	9	46
<b>In-Country Trainees</b>	50		250 <sup>8</sup>	30	330
<b>Institutions</b>	18	4	2	10 <sup>9</sup>	34
<b>Trainees Abroad</b>	6	3	19	6 (Hong Kong)	34

**Table 9: 1994 Through Oct 31 - Number of Outputs - FSVC<sup>10</sup>**

Number of:	Poland	Hungary	Czech	Mongolia	Total
<b>In-Country Courses</b>	6	7	5	4	22
<b>Volunteers</b>	16	12	5	5	38
<b>In-Country Trainees</b>	55	113	38	85	291
<b>Institutions</b>	8	7	6	18	39
<b>Trainees Abroad</b>	9	2	3	0 (6-8 Planned)	14

<sup>7</sup> Source: FSVC Program Director and Program Officer, and FSVC 1993 Annual Report, "Summary of Activity, 1993," page 7.

<sup>8</sup> Based on trainings provided over one-year by FSVC long-term advisor to Inventa, a Czech management consulting firm.

<sup>9</sup> Figure provided by Mongolia Country Director, corrected from 1993 Annual Report.

<sup>10</sup> Source: FSVC Program Director and Program Officer.

## **B. Cost Effectiveness**

The evaluators were not able to obtain sufficient information to conduct a comprehensive cost effective analysis of FSVC's activities from 1990 to the present. However, FSVC has taken several measures to minimize the cost of providing its services to beneficiaries abroad. These methods appear to have been effective in keeping costs down while not having compromised on the quality of service delivered.

For example, FSVC has been careful to keep administrative overhead at a minimum by choosing not to have stand-alone offices in its countries of operation. Country Directors in the field currently operate out of their homes or share office space with host country counterparts. They generally require little or no administrative support. FSVC therefore has the benefit of having local Country Directors without the expense of stand-alone offices and support staffs.

FSVC has also provided highly-skilled technical experts in a wide range of topics on a voluntary basis. Such expertise would normally impose great cost on a service provider. Thus, the equivalent value of in-kind contributions by these individuals is significant. Many U.S. organizations that employ these volunteers have provided supplemental support by duplicating training materials or subsidizing their employees. Host countries have also made resources available on a no-fee basis. For example, during a recent seminar in Hungary, FSVC had simultaneous translation equipment donated by the Ministry of Industry.

## A.I.D. Funds Expended

The following table indicates A.I.D. funds granted and expended by FSVC from August 1990 through September 14, 1994.

**Table 10: Financial Services Volunteer Corps  
A.I.D. Funds Granted & Expended for CEE and Mongolia  
August 1990 - September 14, 1994<sup>11</sup>**

Date	Bureau	Amount Granted	Amount Expended	Notes
8/90	ASIA	\$250,000	\$250,000	Original Grant: Initial Program Expenses
6/91	ASIA	\$400,000	\$400,000	Amendment 1
9/91	ASIA	\$1,000,000	\$1,000,000	Amendment 2
9/92	PRE	\$600,000	\$600,000	Amend 3: \$350,000 to be spent outside CEE
9/92	PRE	\$320,000	\$320,000	Amend 3: Mongolia
11/92	PRE	\$1,000,000	\$1,000,000	Amend 4:CEE
12/92	PRE	\$700,000	\$470,000	Amend 5:Poland : AIIP
8/93	PRE	\$300,000	\$100,000	Amend 6: General Activities
1/94	EUR	\$2,000,000	\$1,020,000	CEE
5/94	ASIA	\$396,210	\$90,000	Mongolia
9/94	EUR	\$2,500,000	0	CEE

## C. Planning Process

Based on a review of FSVC's activities from 1990 to date, it appears that in the past, FSVC has performed activities on a rather ad hoc basis. FSVC did not historically have strategic country-specific plans, nor a formal planning process for the overall organization. In light of these shortcomings, FSVC's achievements have been extraordinary. Few organizations would have been able to provide assistance of consistently high-quality without a planning mechanism.

<sup>11</sup> Source: FSVC Financial Report. Figures rounded to nearest \$10,000.

While this informal approach was not a great detriment to FSVC in the past, such an ad hoc approach could easily signal problems for the future. With a staff which has tripled in size, with operations stretching from the Czech Republic to Mongolia, and with the goal of future expansion, FSVC now needs to implement a more formalized process of setting goals, assistance targets, and expected outputs. This should be achieved on an overall, as well as a country-specific basis.

Fortunately, FSVC management is keenly aware of this issue and is taking steps in this direction. The Managing Director recently hired an outside consultant to examine FSVC's internal financial, administrative controls and make recommendations. As of the date of this report, all but one of his recommendations has been implemented. In addition, the Managing Director requested that Country Directors send weekly reports to New York on the status of each project. These reports enable the New York office to be better informed to respond to requests or other situations which arise in the field.

Interviews with management and field staff revealed that FSVC intends to expand its activities in Eastern Europe and Asia in the future. To help in this process, FSVC Country Directors in Hungary and Mongolia have recently been given secondary responsibilities for examining the expansion of FSVC into other countries in their respective region. To ensure the success of these new activities, FSVC will need to develop long-term country-specific strategies and a well-defined process of project development.

The new weekly reports could be a valuable tool in the planning process if lessons learned and new ideas are shared with other Country Directors. As all field offices (except for Mongolia) are networked via computer, the evaluators suggest these reports be shared among Country Directors on a weekly basis. This would be especially practical among Country Directors in the same region, such as those in Poland, Czech Republic, Slovakia, and Hungary.

Technical assistance needs in the transitional economies are becoming more sophisticated, especially in the CEE. Future assistance projects will have to address these issues and be tailored to the more complex needs of recipients. For this reason, FSVC should consider developing specific country strategies in order to better meet local needs and more efficiently focus its resources.

#### **D. Institutional Sustainability**

The following section examines the future institutional sustainability of FSVC. Based on the Scope of Work, the evaluation team reviewed FSVC's fundraising and public relations activities, staffing, and physical resources. This discussion identifies what changes are necessary, and what steps FSVC is already taking, to ensure its long-term viability in the future.

## Fundraising Activities

Aside from A.I.D. funding, FSVC has received funding from private sources. The chart below lists those sources which were earmarked solely for the CEE and Mongolia through 1993:

**Table 11: Financial Services Volunteer Corps  
Sources of Non-AID Funding Activities in CEE and Mongolia  
1991-1993**

Source	Date	Amount	Notes
Carnegie Corporation of New York	1991	\$100,000	CEE Activities
	1992	\$418,632	Conflict Resolution Program
Mellon Foundation	1991	\$150,000	CEE Activities
Pew Charitable Trust	1991	\$1,000	Poland - Training Program
German Marshall Fund	1991	\$4,900	Poland - Training Program Ministry of Ownership Change
		<b>Total: \$674,532</b>	

These private sources comprised roughly 14% of FSVC's overall funding through 1993. FSVC will need to ensure adequate funding in the future to support its continued activities and planned program expansion.

To achieve this, FSVC is now reviewing potential activities in other countries and exploring some non-A.I.D. funding sources. In November 1994, FSVC's Country Director in Mongolia and the Managing Director met with key personnel of the Asian Development Bank in Manila, Philippines to discuss future support for their commercial bank training program in Mongolia. Discussions with the ADB are also underway to possibly expand FSVC's activities in other countries in the region.

FSVC is also looking to tap its extensive network of volunteers from premier private and public sector institutions for potential financial support. To this end, FSVC has initiated a series of social events for the volunteer "alumni." FSVC is also in the process of launching a newsletter targeted to these and other potential funding sources such as foundations and other private contributors.

## Staffing

The field trips indicated that the skill level of the FSVC staff in the New York headquarters and in the field is generally sufficient to meet current needs. Most field staff have solid backgrounds in commercial banking, investment banking, or the legal profession. Country

Directors in Czech Republic and Mongolia are proficient in the local language, and all field staff are familiar with the cultural and business environments in their countries of operation.

However, several Country Directors indicated their need for additional training to further develop their management, planning, and project development skills. The evaluators strongly support enhanced training for FSVC field staff in the following areas: personnel management, time management, strategic planning, project development, needs assessment, and data management of project outputs, follow-up, and monitoring. This will improve the ability of field staff to set priorities, conduct outreach and public relations activities, design projects, and maintain sound records FSVC of accomplishments.

The evaluators also noted that some additional support may be needed in the field. Poland is FSVC's largest CEE program, which is run by only one individual. In reviewing its priorities in the future, FSVC should consider hiring a second professional in Poland, especially to assist in project development and public relations activities. FSVC might also consider hiring part-time administrative support for the field office in Hungary. This could be increasingly important as the FSVC/Hungary Country Director becomes more involved in project development activities elsewhere in the region as expected.<sup>13</sup>

### **Office Space and Equipment**

To be effective in marketing and promotional activities, the field staff should have the capability to produce high-quality promotional materials, training manuals, and reports. To date, FSVC has provided its field staff with basic office equipment such as computers and printers. Interviews with Country Directors revealed that some of this equipment is outdated. For example, the Country Director in Budapest noted his printer is of poor quality.

FSVC should consider upgrading printing equipment as appropriate, or supplementing the local budget to enable field staff to get materials printed by outside vendors as needed. The FSVC staff's computer skills should also be reviewed to determine the need for additional training. The entire staff could also benefit from access to E-mail. By improving communication and data exchange, FSVC could increase its overall effectiveness and professionalism.

FSVC has recently moved into new office space (in the same building) which will allow the entire New York staff to be located on the same floor. Thanks to the efforts of FSVC staff and patrons, the three-year lease arrangement was negotiated on extremely favorable terms. This will greatly improve work flow and increase efficiency.

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<sup>13</sup> According to FSVC headquarters, they recognize this need, and have decided to hire a Senior Country Director.

## **E. Monitoring and Evaluation**

### **Monitoring of FSVC Recipients**

The evaluation team noted the need for more consistent, follow-up and monitoring of assistance projects by FSVC/New York and all field offices visited. Indeed, the lack of follow-up information became apparent while writing this report. Now that FSVC has more capital and human resources than ever before, FSVC needs to institute a more formalized process of monitoring and evaluation.

Currently, recipients of FSVC assistance are asked to complete evaluation forms to provide feedback immediately following the intervention. While this is beneficial, it is also important that monitoring and follow-up continue to occur at regularly-established intervals such as at six or nine months. It is important for FSVC to receive the necessary feedback to adapt training and assistance to meet local needs. By tracking recipients, FSVC can better judge the impact of its assistance, and its effectiveness. Recipients are important contacts for the future: this information also forms the basis for baseline data from which to later conduct a future needs of assessment of these beneficiaries.

### **Feedback to and from Volunteers**

FSVC currently requests, but does not require volunteers to complete the equivalent of trip reports or the like which formally provides feedback to FSVC headquarters. The evaluators believe this is a missed opportunity for FSVC to learn important information from the field with which to improve their assistance delivery.

Most volunteers did complete reports at the end of their assignment targeted to a host country institution at their request. This report usually included the volunteer's findings and recommendations. However, few volunteers interviewed had been given feedback on whether or not these recommendations had been implemented. One volunteer stated he had offered 25 written recommendations to FSVC after his assignment in public sector finance in Slovakia, yet was not aware whether or not any of his recommendations had been implemented.

It is crucial that FSVC begin to systematically track the results of the volunteer assignments by doing more follow-up with the recipients and volunteers alike in order to better analyze the impact at its assistance on beneficiaries. Better tracking will also provide the volunteers a certain satisfaction in knowing the results of their efforts and will encourage them to volunteer again for appropriate follow-up missions in the future.

## **VI. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS**

### **Conclusions**

#### **On Impact**

1. There is clear evidence that through its assistance, FSVC has stimulated key policy and procedural changes which are enhancing the development of modern financial systems in their countries of operation. In addition, beneficiaries interviewed indicated that their participation in FSVC-sponsored projects has significantly increased their professional knowledge and abilities.
2. FSVC-sponsored assistance has frequently resulted in benefits above and beyond the level of the initial recipient. This has been demonstrated in efforts to replicate training within the commercial banks, central banks, and educational institutions. Interviews also indicated that many beneficiaries have established professional relationships with U.S. counterparts. This has benefitted all parties and supports the long-term strategic interests of both countries.
3. Interviews consistently indicated that FSVC's major strength is the highly qualified cadre of volunteers it provides in a timely, and cost effective manner. Beneficiaries unanimously cite the quality of FSVC assistance on a wide range of topics and working situations. In addition, the voluntary nature of FSVC's assistance adds credibility in the eyes of beneficiaries.

#### **On Program Management**

1. The evaluation team noted the need for more consistent and regular follow-up and monitoring of assistance projects in all countries visited. More follow-up is needed on a periodic basis after delivery of assistance. This is important for FSVC to receive the necessary feedback to adapt training and assistance to meet local needs. It is also to provide baseline data to enable FSVC to better track the impact of its assistance. This information is also the foundation for baseline data from which to later conduct a future needs of assessment of beneficiaries.
2. Despite having set some immediate priorities for assistance, FSVC field offices do not appear to have strategic plans to guide their long-term assistance activities. In addition, project development is somewhat haphazard, largely subject to the background and experience of the individual Country Director, instead of aligned with established government, A.I.D., or FSVC priorities. FSVC headquarters has recognized the need for more systematic strategic planning on an organization-wide basis.
3. FSVC has effectively leveraged the impact of its assistance by requiring that Country Directors perform dual roles as advisors to targeted institutions. This enables the

individual to provide a service above and beyond the administrative duties required of a Country Director, and also increases the credibility of the individual by the host country recipient.

4. Interviews indicated that some beneficiaries in Poland and the Czech Republic were unaware that consultants had been sponsored by FSVC, nor realized they had been supported by USAID. They were also unaware of FSVC, its mission, objectives, and voluntary nature. In fact, some beneficiaries of the FSVC projects did not recognize FSVC's name. This points to the need for better public relations activities by FSVC to reinforce the linkage to U.S. sponsored assistance.
5. The language barrier has been a constraint for some beneficiaries of FSVC training and technical assistance especially in Czech Republic and Hungary. However, in Mongolia and Poland translators have been utilized successfully during training programs. While English is an important skill for professional development, it will be increasingly important to provide training to others who do not currently have sufficient English to qualify for FSVC assistance.

## **Recommendations**

### **Program Management**

1. FSVC should consider developing specific country strategies in order to better meet local needs and more efficiently focus its resources. As mentioned in this report, technical assistance needs are becoming more sophisticated especially in the CEE. Future assistance projects will have to address more specific issues and be tailored to the more complex needs of recipients. For this reason, FSVC needs local strategies which ensure their activities are in line with consistent objectives. FSVC/Mongolia now demonstrates an excellent example of the benefits of devoting resources to one key, well-planned activity such as the commercial bank training program. The evaluators suggest FSVC consider applying such a strategic focus to its program activities in other countries.
2. FSVC urgently needs to implement a process of regular follow-up of assistance recipients and trainees. Indeed, the lack of follow-up information was apparent in the writing of this report. Now that FSVC has more capital and human resources than ever before, FSVC needs to institute a more formalized process of monitoring and evaluation. Evaluation should occur immediately after assistance, as well as at later intervals such as six or nine months. This feedback will be increasingly important for tailoring assistance appropriately in the future. By tracking recipients, FSVC can better judge its effectiveness. Recipients are also important contacts for the future.
3. The evaluation team believes the approach to project development demonstrated by FSVC/Hungary is exemplary. It is based on sound needs assessment, the current operating environment, and targeting of key institutions for assistance. The approach focuses on appropriate forms of assistance, and is undertaken with consultation of the

recipients and the local A.I.D. mission. The evaluators believe this is a valuable model of strategic planning which FSVC should replicate in its other countries of operation. Coincidentally, one Country Director suggested the need for clearer guidelines on project development. Perhaps the approach in Hungary could be applied in other countries where FSVC is active. This would likely be of great benefit to all Country Directors, especially as economic transition proceeds and new assistance needs emerge.

4. Several recipients cited the need for volunteers to be more prepared on the background and context of the host country before arriving in the field. This is to ensure the appropriateness of their advice and attitudes. This could be achieved by providing volunteers with well-chosen background materials, encouraging conversations with prior volunteers, and perhaps more thorough screening of volunteers to ensure they will function most effectively in the field.
5. The opportunity exists for greater cooperation and coordination with A.I.D. The activities of FSVC/Hungary in this area can serve as a model. In Hungary, each FSVC volunteer is introduced to the A.I.D. officer at the beginning of his/her assignment, and debriefs the A.I.D. office at the end of the assignment. This has proven to be a valuable feedback mechanism for A.I.D., for FSVC, and for the volunteers as well. Such cooperation with A.I.D. should be continued, and encouraged in FSVC's other countries of operation.
6. FSVC should increase its efforts to target assistance to geographical areas outside the capital cities. For example, in Mongolia, 70% of commercial banking personnel are located outside the capital. The network of branch banks outside the capital cities has been largely overlooked by international donors, and will have an increasing need for technical assistance and training. In the CEE, municipalities outside the capitals will begin to need more direct assistance in the areas of capital budgeting and municipal finance as they gain more autonomy from central government control. This should be considered in tandem with the development of country-specific strategies as detailed in recommendation one, above.

### **Reporting and Information Sharing**

1. Several Country Directors and volunteers interviewed believe a communication gap exists between the field and the New York office. While this is endemic to any organization with offices in diverse locations overseas, this is an important area for FSVC to address and improve. Country Directors now send 1-2 page weekly reports to New York updating senior staff on the status of projects. This provides a necessary flow of information from the field to the New York Office.

The evaluation teams believes these weekly reports could be a valuable resource for sharing lessons learned and new ideas with other Country Directors. As all field offices (except for Mongolia) are networked via computer, the evaluators suggest these weekly reports be shared among Country Directors on a weekly basis. This would be

especially practical among Country Directors in the same region, such as those in Poland, Czech Republic, Slovakia, and Hungary.

2. While the current reports produced by FSVC provide minimal information to fulfill A.I.D. reporting requirements, FSVC should supply additional information to improve the reports. This includes marketing efforts, meetings with prospective beneficiaries, contacts with other organizations, lessons learned from A.I.D. and other donors, and other professional activities. In addition, reports should include results of project monitoring and follow-up, identification of future project opportunities, and future development strategies. Providing this information would benefit A.I.D. and FSVC staff alike. All parties would be better informed about FSVC's activities and achievements.
3. Although FSVC has proven very effective in public relations and marketing, it should consider additional activities in this area to better inform its constituencies about its projects, achievements, and capabilities. Such success stories could be shared through newspaper articles or TV interviews. FSVC could also consider producing and distributing a computer-generated newsletter.
4. To keep A.I.D. better informed, FSVC could forward copies of upcoming project description to A.I.D. Project Officers in the field prior to an assistance assignment by a volunteer.

**Appendix A.**  
**List of Persons Interviewed**

**Appendix A.  
List of Persons Interviewed**

**CZECH CONTACTS**

Marek Belsan  
Prague Stock Exchange, LTD. Prague

Jitka Cenková  
Ministry of Economy Prague

Jirí Korb  
Ceskoslovenska Obchodni Banka, A.S. Prague

Irena Mihovicová  
Czech National Bank Prague

Pavel Racoča  
Czech National Bank Prague

Zuzana Tomášková  
Czech National Bank Prague

Jindrich Vasut  
Czech National Bank Prague

John J. Vax  
Internationale Nederlanden Capital Markets Prague

John Rogers, Project Officer  
U.S. Agency for International Development,  
Czech Republic

**HUNGARY CONTACTS**

Christopher E. Black  
Financial Services Volunteer Corps Budapest, Hungary

David L. Cowles  
U.S. Agency for International Development Budapest

Alexandra K. Hendrickson  
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Gábor Kende  
National Savings and Commercial Bank Ltd. Budapest

Mary F. Likar  
Embassy of the United States of America Budapest

János Löblin  
National Bank of Hungary Budapest

Dr. Sándor Nagy  
National Bank of Hungary Budapest

László Náray  
Ministry of Finance Budapest

#### MONGOLIA CONTACTS

Bazarragchaa Balbaryn  
Mongolian Bank's Association Ulaanbaatar

Gerel Balchidorjiin  
Mongolian Bank's Association Ulaanbaatar

B. Bayaraa  
Mongolian Stock Exchange Ulaanbaatar

Chook O. Chuluubat  
Bank of Mongolia Ulaanbaatar

Deriilaamyatav and Mrs. Gerlee  
Mongolian Bankers Association Ulaanbaatar

Luvsanceren Dolgoryn  
Mongolian Bank's Association Ulaanbaatar

Burenjargal Erdenesanaa  
Trade & Development Bank of Mongolia Ulaanbaatar

Ch. Sainbileg  
Trade & South Bank of Mongolia Ulaanbaatar

D. Sukhgerel  
American Embassy Ulaanbaatar

## POLAND CONTACTS

T. Mark Kraczkiewicz U.S.A.I.D.	Warsaw
Barbara Baranska Doradca Prezesa d/s Kształcenia Kadr i Koordynacji Pomocy Zagranicznej	Warsaw
Piotr Bednarski Narodowy Bank Polski	Warsaw
dr Jan Bogutyn Ministerstwo Finansow	Warsaw
Fred Byrne Bank Handlowy	Warsaw
Mariola Dabrowska National Bank of Poland	Warsaw
Ewa Herman-Izycka National Bank of Poland	Warsaw
Pawet Jastrzebski Narodowy Bank Polski	Warsaw
Maria Jaworska Narodowy Bank Polski	Warsaw
Jacek Jonak (KPW) Komisja Papierow Wartosciowych	Warsaw
Krzysztof Kalicki, Ph.D. First Deputy of Minister of Finance	Warsaw
Dr. Ryszard Kokoszczyński Narodowy Bank Polski	Warsaw
Beata Krajewska National Bank of Poland	Warsaw
Sławomir Lazor Narodowy Bank Polski	Warsaw

Roman Lewszyk Polish Securities Commission	Warsaw
Piotr Mienicki Narodowy Bank Polski	Warsaw
Beata Mrozowska Departament Ubezpieczen	Warsaw
Marek Ociepka Ministry of Finance	Warsaw
Marek Oles Bank Handlowy W Warszawie S.A.	Warsaw
Danny Pickell FSVC	Warsaw
Ewa Popowska Narodowy Bank Polski	Warsaw
Elzbieta Pustola Warsaw Stock Exchange	Warsaw
Ireneusz Sitarski Ministerstwo Przekształcen Własnościowych	Warsaw
Malgorzata Sobótka Ministry of Privatisation	Warsaw
Krzysztof Stradomski Bank Polska Kasa Opieki S.A.	Warsaw
Bogdan Szafranski Ministerstwo Przekształcen Własnościowych	Warsaw
Mr. Wieslaw Szczuka Ministry of Finance	Warsaw
Elzbieta Tromer Ministry of Privatisation	Warsaw
Anna Trzecinska Narodowy Bank Polski	Warsaw

Urszula Tuszynska  
Bank Polska Kasa Opieki S.A.

Warsaw

Arthur R.P. Wielkoszewski

USAID - Warsaw

Aldona Wnek  
Ministerstwo Finansow

Warsaw

Krzysztof Wójcik  
Narodowy Bank Polski

Warsaw

### US CONTACTS

Terry O. Blagg  
Comptroller of the Currency  
Administer of National Banks

Short Hills, New Jersey

Dana J. Chasin  
FSVC

New York, New York

Thomas Cochran  
Resources Development Foundation

New York, NY

Joanne H. Heyman  
FSVC

New York, New York

James A. Hughes  
The Options Clearing Corporation

Chicago, Illinois

Richard Kezer  
Former FSVC Volunteer

New York, NY

Ambassador Herbert S. Okun  
FSVC

New York, NY

Roberta Puschel  
Federal Reserve Bank of NY

New York, NY

Donald Rice, Esq.  
Partner, Chadbourne & Parke

New York, NY

W. Gordon Smith  
Federal Reserve Bank of San Francisco

San Francisco, CA

J. Andrew Spindler  
FSVC

New York, NY

Harriet Tamen, Esq.  
FSVC Volunteer

New York, NY

**Appendix B.**  
**List of Documents Reviewed**

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**Appendix B.**  
**List of Documents Reviewed**

1. FSVC Annual Reports, 1990 - 1993.
2. FSVC Quarterly Reports: Q1-1993 through Q2-1994.
3. FSVC Lead Mission to the Czech and Slovak Federal Republic, March 11-6, 1991.
4. FSVC Lead Mission to Mongolia, June 17-24, 1991.
5. FSVC Lead Mission to Hungary
6. FSVC Lead Mission to Poland
7. FSVC Proposal to A.I.D. for Commercial Bank Training Program in Mongolia, 6/28/93.
8. U.S.A.I.D., Grant Agreement for FSVC, August 31, 1990.
9. U.S.A.I.D., Amendments 1-6 to Grant Agreement for FSVC, dated 6/91, 9/91, 9/92, 11/92, 12/92, and 8/93 respectively.
10. "Capital Asia, Mongolia," April 8, 1993.
11. "Recent Economic and Political Developments in Mongolia," Dagvadorjiin Tserendorj, East Asian Institute, Columbia University, April 1993.

**Appendix C.**  
**FSVC Mid-term Evaluation Interview Questions**



**Appendix C.**  
**FSVC Mid-term Evaluation Interview Questions**

**Training/Assistance Recipient Survey Questions:**

**Project Description**

Describe: project scope and objectives, duration, location, key recipients

**Project Planning and Definition**

Who initiated this project?

Was your initial request for assistance rejected?

If yes, did the FSVC staff work with you in modifying your request?

Did you participate in developing the final scope of work?

If yes, who cooperated with you in developing the final scope of the project?

How did you learn about FSVC's programs?

Why did you choose FSVC rather than other assistance sources?

Did you provide FSVC with detailed requirements for the volunteers?

Did you participate in selecting volunteers?

How much time did it take from the initial contact with FSVC to receiving a volunteer?

**Project Execution**

Describe the assistance provided by volunteers?

Did the FSVC volunteer have sufficient expertise to fulfill the request for assistance?

Describe the forms of your cooperation with the FSVC staff during the project.

Was this cooperation sufficient?

Were briefings with FSVC and AID conducted? If yes, how often?

What issues were not discussed and should be addressed during these meetings?

**Project Results**

Who were the recipients/beneficiaries of the assistance at your institution?

How many people were affected by this program directly, or indirectly?

Did the volunteer program address your needs and expectations?

What were the volunteer's strengths and weaknesses?

Did the training/assistance improve your ability to perform your job function or lead to other measurable impacts on your institution?

Give examples of program results and impact (anecdotal, organizational, etc.).

Was the program implemented in a timely manner?

Were any materials published as a result of this program?

How did the program change/strengthen your relationship with the U.S.?

Did you identify other needs for the FSVC assistance in your country or institution during the course of this project?

Was there any feedback evaluation system and follow-up system?

Did FSVC follow up on your recommendations?

Did you have other FSVC volunteers at your institution after this project?

Are you interested in continuing cooperation with FSVC?

### **Project Evaluation Procedures**

Were periodical progress briefings conducted in the course of the project?

Who participated in these briefings?

Were any written reports submitted during the course of the project?

Were any changes made to the initial scope of work as a result of interim evaluations?

Did you encounter any technical, cross-cultural, language problems during this project?

## **Volunteer Survey Questions**

### **Project Description**

Describe: project scope and objectives, duration, location, key recipients.

### **Project Planning and Definition**

Did FSVC provide you sufficient knowledge and appreciation of overall U.S. A.I.D. objectives as well as specific U.S. A.I.D. private sector objectives?

Were you provided sufficiently specific scopes of work and background information prior to your assignment?

How much time before the assignment were you approached by the FSVC?

Did you participate in developing the final scope of work?

If yes, who cooperated with you in developing the final scope of the project?

How did you learn about the FSVC?

Was the project appropriate for your background?

Why did you decide to participate in this project?

Did you do any previous work in this market/country?

### **Project Execution**

#### **Technical Support Provided by the New York Office**

Was a briefing conducted prior to your departure?

Who conducted this briefing and when was it conducted?

What issues were discussed during the briefing?

What issues were not discussed and should be addressed during this meeting?

### **Technical Support Provided by the FSVC Field Office**

Was a briefing conducted at the beginning of the program?  
What issues were discussed during the briefing and which were not?  
What background materials were provided to you?  
Did the briefing and materials cover appropriate issues?  
Were you introduced to the recipient by the FSVC staff?  
Were any other introductions made by the FSVC staff?

### **A.I.D.**

Describe your contacts with AID personnel in the host-country.

### **Project Completion and Results**

Who were the recipients/beneficiaries of your project?  
Were they qualified and prepared?  
Describe your recommendations.  
Did the recipient implement these recommendations?  
Provide us with description or evidence of the impact that your program made in the host country.  
Did you cooperate with the host-country officials in selecting the participants?  
Did you have access to appropriate government officials of the host country?  
How many people were directly or indirectly affected by your program?  
Identify the strengths of the program.  
Were the objectives of this program accomplished?  
Describe perception of FSVC in the host country.  
Did you identify other needs for FSVC future assistance in the host-country?  
Did you have another assignment in this host-country?

### **Evaluation Procedures - Field Office**

Were periodical progress briefings conducted during the course of the project?  
If yes, how many?  
Who participated in the briefings?  
Did you submit interim written/oral reports to the FSVC and AID staff while in the host-country?  
Did the FSVC staff contact the recipient during the course of the project?  
Were any changes made to the initial scope of work as a result of interim evaluations?

### **Evaluation Procedures - New York Office**

Were you contacted by the NY Office while in the field?  
What was the nature of these contacts (subjects discussed, changes of the scope of the project)?



Did you conduct a briefing to the FSVC New York staff upon return to the U.S.?  
Did you submit a final, written report?

## **FSVC Staff Survey Questions:**

### **Project Planning and Definition**

#### **Requests for Assistance**

How many requests for assistance were received?  
Who generated these requests (FSVC, Recipients, AID)?  
Who submitted the requests (Banks, Ministries, Local Government)?  
What was the nature/subject of these requests (Type of assistance requested)?  
What were the criteria used to assess, and subsequently accept or reject the request?  
How many requests for assistance were accepted and rejected?  
Was the recipient informed about the results of this assessment?  
If the request was rejected, did you have further communication with the potential recipient?  
Was the request for assistance modified and resubmitted?

#### **Scopes of Work**

Who developed the final scope of work (NY Office, Field Office, AID)?  
Was the Executive Committee involved in developing the scope of the project?  
Were the recipients or host-country officials involved in developing the scope of work?  
Were former or prospective volunteers involved?  
Describe the project development process:  
- time between the submittal of the request and starting of the project;  
- who approved the project (field staff, N.Y. office, Executive Committee);  
- major improvements in the system of evaluating and approving requests.

#### **Volunteers**

How were the volunteers selected?  
How do you maintain the list of prospective volunteers?

### **Project Execution**

#### **Technical Support Provided by FSVC New York Office**

Was a briefing conducted prior to departure?  
How many days before the departure date was the briefing conducted?  
What issues were discussed during the briefing?  
What background materials were provided to the volunteers?  
How many days before the departure date were the materials provided to the volunteers?

## **Technical Support Provided by the Field Office**

Was a briefing conducted upon arrival in the host-country?  
Who conducted the briefing and what issues were discussed?  
What background materials were provided to volunteers?  
Was the volunteer introduced to the recipient by the FSVC staff?  
Were there any other introductions made by the FSVC staff?

## **Project Evaluation and Results**

### **Project Evaluation**

What were the strengths/weaknesses of the program?  
What recommendations were made regarding:  
- scope of the project  
- role of the FSVC N.Y. and field offices, AID, host-country recipients  
- evaluation of volunteers and their qualifications  
- cultural and language sensitiveness of the program  
- type of recipients  
Did this project evaluation impact the direction and priorities for FSVC/AID programs in the host-country?

### **Project Evaluation Procedures - Field Office**

Did the FSVC staff contact the recipient in the course of the project?  
Were periodic progress briefings conducted during the course of the project? If yes, how many?  
Who participated in the briefings?  
Were any interim written reports submitted in the course of the project?  
Were any changes made to the initial scope of work as a result of the interim evaluations?

### **Project Evaluation Procedures - New York Office**

Was a briefing conducted by the volunteer upon return to the U.S.?  
Did the volunteer submit a final report?  
Did the recipient submit a project report?  
Did the field office submit a final report?  
Was a final evaluation document developed by the FSVC New York office staff?  
Which members of the FSVC staff/executive committee conducted the final project evaluation?  
Was the Executive Committee involved in conducting the final evaluation?

**A.I.D. Staff Survey Form:**

**Project Planning and Definition**

Describe A.I.D. involvement in generating assistance requests.

Did you participate in developing the final scope of work?

If yes, who cooperated with you in developing the final scope of the project?

Did A.I.D. participate in identifying and selecting volunteers?

**Project Execution Phase**

Describe the scope of your contacts with FSVC and volunteers.

Describe the forms of your assistance to this project.

**Project Evaluation and Results**

Describe major forms of this monitoring and evaluation.

Provide major conclusions from this evaluation.

Describe A.I.D. recommendations regarding assistance provided by FSVC.

**Appendix D.  
Evaluation Scope of Work**

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**Midterm Evaluation  
of the  
Financial Services Volunteer Corps, Inc.**

Article I - Objective

The objective of this evaluation is to assess the 3 year performance of the Financial Services Volunteer Corps, Inc. (FSVC) under USAID grant number DHR-0017-G-00-0079-00. The purpose of the grant is to provide support, advice and assistance to host country efforts to implement democratic principles, free market economies, and general financial market development. Specifically, FSVC provides training and technical assistance to host country governments and private sector organizations in order to support the development and improved functioning of the financial markets in USAID-assisted countries. The technical assistance is provided primarily by volunteers from the U.S. legal, commercial banking and securities industries.

Article II - Statement of Work

This project evaluation has three major objectives: 1) to assess the effectiveness of the project in achieving its stated objectives, as described in the grant agreement 2) to determine the impact of activities carried out under the Commercial Banking Component and Equities Market Component detailed in the Program Description of the grant agreement dated August 31, 1990 and 3) to identify those features of the project that can be replicated in similar projects.

Article III - Background of the Activity

The FSVC was designed to permit a direct exchange of expertise between members of the financial sector of the United States and governments and institutions of developing countries which were attempting to move to market mechanisms. In these countries there was a recognition of the critical role capital markets play in economic development, but at the same time, there was an absence of in-country expertise to develop such markets. The FSVC proposed to utilize advisory services donated by highly experienced executives from the financial services industry to assist countries attempting to develop well-functioning, market-driven capital markets.

The development of capital markets is frequently constrained by several commonly encountered conditions symptomatic of the failure of institutional and market mechanisms. One of the principal objectives of the assistance being provided under the FSVC Project is to help countries overcome constraints which prevent the efficient operation of these markets. Thus, the FSVC addresses not only the institutions which support efficient capital markets, such as stock exchanges, but also the laws, regulations, and economic policies which impede the development of these markets.

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Midterm Evaluation of the FSVC

The FSVC focuses its assistance in two main areas: the structure and capacity of government institutions authorized to regulate capital markets and the laws and mechanisms which control the operation and regulation of capital markets.

The first area in which the FSVC targets its assistance is the development and reform of regulatory institutions, an important factor in promoting the efficient operation of capital markets. The FSVC provides assistance in the development and reform of these institutions by addressing some of the following issues:

- a) The unification of government offices charged with the supervision of capital markets and the provision to these offices of sufficient authority to promote and enforce regulations to develop the market.
- b) The development of adequate skills among regulatory staff to control and promote capital markets.
- c) The development of sufficient knowledge among regulatory staffs of the function and mechanisms of financial markets, and the appropriate role for regulation.
- d) The identification of outdated, inconsistent, and unenforceable regulations.
- e) The development of institutional responsibility not only for the regulation of capital markets but for the successful development of these markets.

The second area in which the FSVC targets its assistance is the development of capital market institutions, the elimination of structural barriers and the development of market incentives for participation in capital markets. Technical assistance in capital market development is meant to focus on the following areas:

- a) Adoption of positive incentives to increase the supply of securities. These incentives could include reduction of the tax rate for publicly listed companies, liberalization of the price of shares traded, taxation of dividends and capital gains in a manner equitable to other investment alternatives, revision of laws and regulations, privatization of profitable parastatals, and the promotion of the development of new financial instruments.
- b) Promotion of mechanisms to increase demand for securities such as an increase of the comparative yield on securities compared to interest income, provision

### Midterm Evaluation of the FSVC

of tax incentives for investment in securities, expansion of the role of institutional investors, opening of markets to foreign investors, and improvement in disclosure and regulatory effectiveness in market operations to improve investor confidence.

The above defined foci of assistance are implemented through two project components: a commercial banking component and an equities market component. The commercial banking component provides assistance to both private and public sector structural and institutional issues. The equities markets component is directed towards providing assistance in the formation of stock exchanges; the development of equity markets; crafting or revising security laws; developing regulatory and capital market authorities; establishing broker/dealer operating practices; and organizing exchange management and professional associations.

### Management

Funding support for the FSVC was initially provided by a grant from USAID sufficient to cover the initial six months of operation and subsequently through contributions from private corporations and non-profit organizations. It was the responsibility of the FSVC to attract contributions from private sector sources. Partial funding of technical assistance costs were to continue to be provided through grants from USAID.

Supervision of the FSVC is provided by a steering committee composed of senior executives from the financial services industry serving in a *pro bono* capacity. The steering committee selected an executive director of the FSVC who served initially on a *pro bono* basis. The FSVC organization has full responsibility for the recruitment of volunteers and provision of technical and administrative support to such volunteers. The steering committee assists in the development of PBV assignments on an *ad hoc* basis.

### Funding and Expected Outputs

USAID, through the Private Enterprise Bureau, first funded FSVC through an initial grant of \$250,000. This initial grant provided funding from August 31, 1990 to September 30, 1991 for Direct Program Expenses (i.e. air transportation, per diem, local transportation and administrative staff). USAID provided additional assistance in five subsequent grant amendments.

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Midterm Evaluation of the FSVC

The first grant amendment dated June 5, 1991 increased funding through September 30, 1991 by \$400,000. These funds came from the PRE Bureau. This increase in funding was expected to allow the FSVC to; 1) assess financial market conditions in three countries (not specified); 2) conduct approximately twenty-two follow-up missions and provide technical assistance; 3) bring ten groups of professionals from host countries to the United States for training by investment and commercial banks or accounting firms and insurance industry affiliates; and 4) participate in six WORLDNET programs on financial issues relating to the countries targeted by FSVC's international missions.

The second grant amendment dated September 30, 1991 increased funding through April 30, 1992 by an additional \$1 million. These funds came from the Europe Bureau (EUR). This increase in funding was expected to allow the FSVC to; 1) assess financial market conditions in two countries (not specified); 2) provide technical assistance in ten follow-up missions; 3) provide high level consultations in the United States between host country professionals and their American counterparts; 4) bring four groups of professionals from host countries to the United States for training by investment and commercial banks or accounting firms and insurance industry affiliates; and 5) participate in three WORLDNET programs on financial issues relating to the countries targeted by FSVC's international missions.

The third and fourth grant amendments (dated September 30, 1992 and November 13, 1992 respectively) increased funding through September 30, 1993 by \$1,920,000. Of these additional funds, \$1 million was sourced by EUR Bureau, \$600,000 by PRE Bureau and \$320,000 by Asia Bureau. The third and fourth grant amendments aims are to provide funding for previously mentioned project activities. At least \$320,000 of the \$1,920,000 is to be expended on Mongolia country activities (i.e. banker's training).

The fifth and most recent amendment dated December 22, 1993 increases funding through December 31, 1994 by \$700,000. The source of these funds is the EUR Bureau. This funding is stipulated to be spent to support the American Investment Initiative in Poland.

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Midterm Evaluation of the FSVC

The table below describes the sources of funding for the FSVC.

BUREAU	FY90	FY91	FY92	FY93	90-93 TOTAL
PRE	\$250,000	\$400,000	\$600,000	\$300,000	\$1,550,000
ASIA			\$320,000		\$320,000
EUR		\$1,000,000	\$1,000,000	\$700,000	\$2,700,000
TOTAL	\$250,000	\$1,400,000	\$1,920,000	\$1,000,000	\$4,570,000

The total funding to date provided to FSVC by USAID is \$4,570,000.

Article IV - Evaluation Questions

The evaluation questions presented below illustrate the key issues that the evaluator is expected to address, but are not intended to act as a limitation to the scope of this evaluation. These questions may be refined and reformulated during discussions with the USAID project officer (PRE/EM) and other USAID officials in the initial phase of the evaluation.

Orientation of Volunteers

- a. Has the FSVC provided sufficient orientation to *pro bono* volunteers to provide them with knowledge and appreciation of overall USAID objectives as well as specific USAID private sector objectives?

Technical Assistance

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Midterm Evaluation of the FSVC

- a. Were sufficiently specific scopes of work and sufficient background information provided by the mission or bureau at the time it initiated the pro bono volunteer request?
- b. Did PBVs have access to high government officials to provide advice in policy dialogues?
- c. Have PBVs arrived in-country to provide assistance in a timely manner?
- d. Is there evidence that assistance provided by PBVs has assisted the host government in policy reform and the development of financial institutions?
- e. Has FSVC selected PBVs with sufficient expertise and skills to meet the demands of the relevant project?

Institutional Sustainability

- a. What changes in the FSVC are necessary to ensure long-term viability of the organization?
  - i) Is the size and skill level of the staff sufficient to meet current and future needs?
  - ii) Does the work-space and equipment in use limit the effectiveness of the FSVC?
  - iii) Has the FSVC engaged in sufficient outreach to ensure fiscal sustainability? How can the organization become more effective in publicizing its activities? How can the FSVC improve the quality of communication about its activities?

Management

- a. How have private sector sources of funding been used to supplement USAID grants to the FSVC?
- b. To what extent has FSVC become an administrative and financially independent institution? If it has not, why?

Midterm Evaluation of the FSVC

- c. What is the composition of the steering committee? Is it composed of senior executives of the financial services industry?
- d. Has the steering committee been able to provide assistance to the activities of the FSVC including recruitment of PBVs?
- e. Has the steering committee provided input in the development of projects?

Outputs

- a. To what extent is FSVC achieving its institutional objectives (...to promote expansion of private enterprise by assisting countries to develop well-functioning capital markets")
- b. The FSVC was intended to be a market-driven organization which would have the flexibility to respond rapidly to changing conditions in countries in the process of creating and strengthening financial markets. Has the FSVC been able to respond appropriately to requests for assistance which exceeded its design in the grant agreement and following amendments?
- c. Has the FSVC made progress in abiding by the earmarks of Amendment 5, dated December 22, 1992 which targeted \$350,000 for country activities other than those in Central and Eastern Europe, \$320,000 for Mongolia and \$700,000 to support the American Investment Initiative in Poland?
- d. The FSVC was to produce the following outputs within specified time periods. Describe how effectively the FSVC produced these outputs and if they were produced within the specified time periods.

By March 1, 1991:

complete approximately three lead missions to countries in Central and Eastern Europe to assess financial market conditions and to identify specific assignments for volunteers.

Midterm Evaluation of the FSVC

- and complete one follow-up mission to one of the three countries to provide technical assistance in response to a particular request and previously identified assignment.

By September 30, 1991:

- complete approximately twenty-one additional follow-up missions to any country visited by an FSVC lead mission to provide technical assistance in response to a specific request and previously identified assignment;
- bring ten groups of professionals from countries visited on FSVC lead missions to the United States for training in various financial disciplines, such training to be conducted by commercial banks, major investment and accounting firms, and insurance industry affiliates;
- and participate in four to six WORLDNET programs on various financial issues relating to the countries targeted by FSVC's international missions

By April 30, 1992:

- complete two additional country lead missions to assess financial market conditions and identify specific assignments for subsequent volunteers;
- complete approximately 10 additional follow-up missions to any of the countries visited by a FSVC lead mission to provide technical assistance in response to a specific request and previously identified assignment;
- facilitate the visit of approximately nine individual professionals to the United States to participate in high level consultations with their American counter-parts and participate in training in various financial disciplines;
- coordinate the visit of approximately four groups of professionals from countries visited by FSVC lead missions for training in various financial disciplines which are expected to be conducted by major commercial and investment banks, accounting firms and insurance affiliates;

Midterm Evaluation of the FSVC

- and participate in approximately three additional WORLDNET programs on the various financial issues relating to the countries targeted by FSVC's international missions.

The grant amendment dated December 22, 1992 added that the FSVC would deliver a quarterly report on each country in which FSVC volunteers are placed. The report would include several elements including:

- a broad overview of the issues and critical areas in the development of the financial sector at that time and which are likely to surface in the following months,
  - a synopsis of the activities of each volunteer for that quarter,
  - information on contact and joint activities with other donors and governmental or private entities,
  - and plans for future placement of volunteers and their scope of work.
- e. The activities of the FSVC have predominantly been focused in Central and Eastern Europe
- i. Describe efforts which have been made to educate mission staff in other regions about the FSVC. Why have other USAID missions not utilized the services available through the FSVC program?
  - ii. Should the FSVC undertake activities in other parts of the world? If so, does it have the capacity to undertake activities in other parts of the world given its current structure and form? What changes in the organization are necessary to permit it to operate effectively in countries outside of Central and Eastern Europe?
- f. Given the grant nature of its funding, what is the appropriate role for USAID bureaus in the management and oversight of FSVC?

Article V - Methods and Procedures

This mid-term evaluation will assess the effectiveness and impact of the FSVC project. Data will be collected from the grantor (USAID/Washington, PRE/EUR/ASIA/Mongolia), the

Midterm Evaluation of the FSVC

grantee and from FSVC beneficiary institutions in countries from the EUR region (Poland, Czech Republic, Hungary, Bulgaria, Yugoslavia, Romania, et al.) and the Asia region (Mongolia). The evaluators will obtain primary data from individual and group interviews with key informants. Secondary data is available from the grantor's and grantee's project documents (proposals, grant agreement, and progress reports prepared by FSVC).

This evaluation should be organized in three phases:

1. Preparatory work: The first phase will include: 1) familiarization of the evaluation consultant with the terms of this scope of work; 2) an initial assessment of project effectiveness obtained through USAID project documents, FSVC progress reports, interviews with USAID/W project officers and FSVC representatives; 3) refinement of the scope of work; and 4) reformulation of evaluation questions and development of appropriate data collection methods.

2. Field work will consist of a 1-3 day visit to FSVC headquarters in New York City, a 7 day visit to Mongolia and Hong Kong and a 10 day visit to Poland and the Czech Republic. Mongolia, Poland and the Czech Republic were selected because these are the EUR and Asia countries that have the largest number of FSVC activities.

3. Analysis and Report Writing: Data analysis and writing will be conducted throughout the preparatory work and site visits. The evaluation consultants will prepare a draft report for USAID/PRE's review five working days after returning from the field. The final report should be completed within ten working days after receiving A.I.D.'s comments.

#### Team Composition:

This evaluation requires the services of evaluation specialists with experience in institutional analysis, knowledge of USAID operations, and the ability to evaluate the economic and financial viability of FSVC. Speaking ability in Czech and Polish is desirable. The consultants will be expected to work a six-day week. The consultants will be responsible for their own administrative and logistical support, including securing clerical assistance for preparing the final report. The consultants should not depart for any foreign country until they are informed by the project manager that official country clearance has been received.

#### The Report:

The evaluation consultants will prepare a draft final report and provide 10 copies to USAID/PRE/EM for review. Within five days of submitting a draft report the evaluation consultants will give an oral presentation of the major findings, conclusions and recommen-

Midterm Evaluation of the ESVC

dations to the PRE Bureau technical officer and to selected offices from the EUR and Asia Bureaus.

The consultants will submit 10 copies of the final report to the PRE Bureau technical officer within ten working days of receipt of USAID comments on the draft. In any event, all work relevant to this evaluation shall be completed within 90 days of signing this delivery order (D.O.).

The consultants will prepare a written report in conformance with PRE Bureau evaluation procedures. PRE/DP will provide the necessary documentation guidance. The report will include the following sections:

1. Table of Contents
2. Acronyms
3. USAID Evaluation Summary (Part 1)
4. Executive Summary (not to exceed three pages)
5. Body of the Report
6. Appendices. These should include at a minimum:
  - (a) Evaluation Scope of Work
  - (b) Description of the methodology used in the evaluation
  - (c) Findings/Conclusions, Recommendations Matrix, and
  - (d) Bibliography of documents consulted

Technical Director:

The USAID technical officer for this work is Rebecca Maestrini

Terms of Performance

Services acquired hereunder, including the submission of the draft final report, will be completed fifty-five working days after signing this D O

Logistical Support:

PRE/EM and PRE/DP will provide the contractor with pertinent USAID documents.

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Midterm Evaluation of the FSVC

Prior to commencing overseas travel to perform the scope of work contained herein, contractor will procure insurance coverage as provided by the Defense Base Act Insurance (DBA). Inquiries related to DBA insurance should be directed to:

Wright & Company Insurance Brokers  
1400 I street N.W.  
Suite 1100  
Washington D.C. 20005  
202-289-0200 or  
800-424-9801 (outside the Washington area)

The contractor will include the following statement in each voucher submitted for payment:

"I have not accepted and will not accept payment under any other USAID financed consulting arrangement for any period for which I am claiming payment under this voucher."

All vouchers/invoices shall be submitted to MFM CMP U.S. Agency for International Development, Room 703, SA-2, Washington, D.C. 20523.

Illustrative Work Schedule:

- |            |  |
|------------|--|
| Day 1 - 5  | Work begins. contractor reviews preliminary work plan, reads files, arranges appointments, prepares data collection instrument(s) and finalizes work plan. |
| Day 6 - 30 | Contractor visits FSVC, NYC and Poland, the Czech Republic, Mongolia and Hong Kong   |
| Day 40     | Draft contractor report submitted to USAID for comment.  |
| Day 55     | Contract team leader edits, prints and presents final report to A.I.D  |

Note: the specific dates for this evaluation have yet to be determined

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