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Evaluation of the
FINANCIAL RESOURCES MANAGEMENT PROJECT

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EVALUATION OF THE FINANCIAL RESOURCES MANAGEMENT PROJECT

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Preface

The objective of this report is to provide evaluation of past work and guidance for the future direction of the Financial Resources Management Project. The statement of work for the evaluation identifies three specific objectives.

1. Examine the quality and relevance of the applied research carried out to date, and the substantive progress towards accomplishing project outputs under the cooperative agreement, including dissemination and training activities.
2. Make recommendations for overcoming possible constraints to achieving outputs and the goal specified in the project paper and assess whether there is an adequate balance between applied research and field support activities.
3. Make recommendations on future applied research agenda, field support activities, the appropriate balance among these activities, and the type(s) of institution(s) best suited to carry these out, in order to address the emerging applied research and field support priorities and needs identified by the evaluation.

This mid-term evaluation began in mid-September 1993 with a visit to Ohio State University by the evaluation team. The team is composed of three members. Maria Floro, the team leader, is an Assistant Professor in the Economics Department at American University. Mark Rosenzweig is a Professor in the Department of Economics at the University of Pennsylvania. Carl Mabbs-Zeno is the Rural Finance Advisor to the Economic and Institutional Development Division of the Global Bureau of USAID while on leave from the U.S. Department of Agriculture. He has served as Project Officer for the Financial Resources Management Project since the mid-term evaluation began.

Executive Summary

The purpose of the Financial Resources Management Project is to increase knowledge about the role and use of financial resources and improve capacity for the management of such resources, particularly in the rural and agricultural sectors of LDC's. This is to be achieved through research on informal finance markets, performance of financial institutions and policy regulating financial markets. It is a ten-year project being implemented mainly through a cooperative agreement with Ohio State University. During the first four years of the project, activities specific to 22 countries and four regions in addition to the United States were undertaken. Various conferences, published research papers, student dissertations, meetings papers, edited books, and USAID mission reports were produced. Direct assistance to USAID personnel, and recipient country academics and government officials was also extended through personal contact.

This evaluation finds that the central purpose stated for the project adequately justifies a further five years of effort by USAID at the level originally planned. However, the areas of research originally designated for achieving the project purpose are inadequate in scope, and the research should explicitly examine the demand side of financial markets, accentuate financial services other than credit provision, and appraise long-run effects of reform. Additional integration of the project with work on related research purposes would strengthen the outcomes. This evaluation also finds that a cooperative agreement, which allows flexibility for the cooperator in defining mission and method, is well conceived for fulfilling the project purpose although USAID research interests should be more clearly specified. A mechanism, such as a basic ordering agreement, should accompany the cooperative agreement to serve short-term needs of USAID missions.

The ultimate effects of research on the themes specified in the FIRM Project Paper could not be fully evaluated, but most USAID missions where FIRM was active were very satisfied with the work. Problems were identified in technical quality of research in addition to the concerns over coverage of research with respect to topics and countries. These suggest the need for ongoing peer endorsement of research products, without which confidence in technical assistance is jeopardized. The set of countries under investigation is currently expanding and more synthesis of results is planned. These are necessary to complete the project.

To make needed adjustments without excessively jeopardizing continued success in other facets of FIRM, the report recommends:

1. competition for a new, five-year cooperative agreement among qualified institutions,
2. clearer definition of research quality in the cooperative agreement, and
3. improved mechanisms for coordinating rural finance research with research on other factors at USAID.

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EVALUATION OF THE FINANCIAL RESOURCES MANAGEMENT PROJECT

Project Summary

A. Institutional History¹

The FIRM project follows a history of USAID support for research on rural finance that began in 1964 in Korea and Taiwan. The Spring Review on Small Farmer Credit in 1972-73 reviewed research and operational experience, and exerted considerable intellectual influence for the policy change by USAID away from interest rate subsidization and toward strengthening financial institutions. The Rural Financial Markets Project extended these lessons from 1976-80. It was followed by a colloquium titled Rural Financial Markets in 1981 given jointly by USAID, Ohio State University and the World Bank. The colloquium firmly established the revised approach to rural finance. The new position was described in a 1984 book Undermining Rural Development with Cheap Credit by Dale Adams, Douglas Graham and J.D. Von Pischke. In 1982 the Experimental Approaches to Rural Savings (EARS) Project was authorized to implement the new approach. It promoted more effective financial institutions in developing countries by mobilizing rural savings. The evaluation of EARS and the Rural Financial Sector Development Workshop, both in 1987, were the major influences within USAID leading to the preparation of FIRM.

Funding for FIRM was authorized in May 1989 and funding for the cooperative agreement (DHR-5450-A-00-9084-00) with Ohio State University was authorized in September 1989. A contract was given to the Inter-American Management Consulting Corporation with the expectation that it would fulfil the role of a commercial firm in implementing the components of FIRM other than research. In 1990, however, the consulting corporation completed its activity under FIRM.

The cooperative agreement has been amended numerous times to adjust for add-on arrangements. At the end of FY1993, the core funding of FIRM totaled \$1,848,988 and add-on's totaled \$5,018,535 (table 1). The cooperative agreement ends August 31, 1994.

In September 1992, a Resources Support Services Agreement (DHR-5450-R-AG-1026-01) was completed to provide technical, administrative and professional support to FIRM. An Administrative Assistant and a Project Officer have been provided to FIRM from the U.S. Department of Agriculture under this Agreement.

¹Information in this section appears in Annex 2 of the project paper, "Review of the Sector's Intellectual Development" (USAID 1989). A more complete history is given in Mobilizing Savings and Rural Finance: The AID Experience (USAID 1991).

Table 1. Funding Sources for FIRM

source	project	date	amount
R&D/EID	FIRM core	9/89	\$369,000
		7/90	\$258,333
		6/91	\$400,000
		9/91	\$11,655
		4/92	\$390,000
		5/93	\$420,000
		7/93	\$39,000
Costa Rica		3/90	\$394,355
		10/90	\$130,000
		8/91	\$1,300,000
El Salvador		10/90	\$52,297
		6/91	\$25,234
		7/91	\$15,000
Dominican Rep	Commercial Farming Systems	10/90	\$766,012
AFR/ARTS	Peri-Urban Economic Growth in Sub-Saharan Africa	6/91	\$170,871
		6/92	\$90,000
		8/93	\$150,000
Philippines	Rural Financial Markets	6/91	\$177,538
AFR/MDI	Informal Financial Markets	6/91	\$100,000
AFR/TR	Strengthening African Agri- cultural Research and Fac- ulties of Agriculture	6/91	\$122,000
S&T/RD	Sahel	8/91	\$50,000
Mozambique		9/91	\$162,180
Gambia	Financial Sector Restruc- turing Support	12/91	\$247,900
		8/93	\$31,111
R&D/WID	Women's Access to Credit and Financial Services	8/92	\$26,000
		4/93	\$125,000
R&D/EID	Gambia	8/92	\$80,000
AFR/ARTS/FARA	Agribusiness in Sub-Saharan Africa	9/92	\$300,000
		7/93	\$390,483
R&D/EID	Finance 2000 Conference	9/92	\$73,553
TOTAL			\$6,867,522

B. Project Purpose

The project paper for FIRM states

"the project purpose is to increase knowledge about the role and use of financial resources and improve capacity for the management of such resources, particularly in the rural and agricultural sectors of LDCs" (USAID 1989, p. 12).

This is the most direct guide to purpose, but many other references to purpose are provided in the project paper. The "goal" is given

"to promote broad based, participatory and sustainable economic growth by expanding, at reasonable cost, access to financial services by the broadest spectrum of LDC populations" (USAID 1989, p. 11).

Both the purpose and goal specified in the cooperative agreement with Ohio State University contain essentially the same language as the project paper.

The project paper further states that the purpose will be achieved if, by the end of FIRM

1. the knowledge base relating to rural financial market issues is substantially expanded,
2. institutional capability exists in participating countries to provide a broad spectrum of population with access to financial resources, and
3. research findings generated by the project are being effectively communicated to host country and donor policy makers (USAID, p. 12).

Five categories of output are described in the project paper:

1. research,
2. technical services products,
3. strengthened institutional capacity,
4. donor coordination, and
5. network support.

In 1989, when FIRM began, Ohio State University was expected to be responsible primarily for research while a commercial firm was planned to implement other components. This was expressed in both the project paper and in the program description accompanying the cooperative agreement. In 1990, Ohio State University accepted responsibility for the full set of project outputs, as indicated in subsequent workplans.

Because a cooperative agreement was used to implement FIRM, another dimension of purpose may be implied by the project design. Unless specifically authorized by statute, cooperative agreements may be used

1. "to support or intensify the activities of independent organizations which contribute to the achievement of Foreign Assistance Act objectives; or

2. to develop the independent capacity, integrity, and quality of the recipient as an entity whose function is for the economic or social betterment of underdeveloped countries" (USAID Handbook 13, pp. 1-7).

None of the project documents indicates that either of these purposes is explicitly associated with FIRM, and, thus, they do not guide this evaluation.

C. Activity to Date

During the first four years of FIRM, activities specific to 22 countries and four regions in addition to the United States were undertaken. Of these, the most substantial programs were in Costa Rica, the Dominican Republic, the Gambia, and the Philippines. Various conferences, published research papers, student dissertations, meetings papers, edited books, and USAID mission reports were produced (Appendix A). Direct assistance to USAID personnel, and recipient country academics and government officials was also extended through personal contact.

Evaluation Methods

The evaluation team conducted interviews with 27 people who contributed to or were otherwise familiar with the work of FIRM in addition to staff and students at Ohio State University. These included USAID personnel working on the countries studied in FIRM, officials in the countries studied by FIRM, and researchers not directly associated with FIRM (Appendix B). Most interviews were conducted by at least two of the evaluation team members, but some were conducted by only one evaluator, including several by telephone to overseas contacts.

Questionnaires were sent to 16 USAID missions to formally solicit reactions to work under FIRM (Appendix C). Seven written responses were received. Of the remaining missions, several were subsequently represented by interviews. Together, the questionnaires and interviews provided contact between the evaluation team and knowledgeable persons in all countries where FIRM expended a major effort.

All major documents produced under FIRM were collected and reviewed. The evaluation team closely read selected publications from the set. The team was assisted by two outside reviewers on Spanish language publications.

These products are assessed below in three categories: research products, technical assistance and other products. Following the Statement of Work for the Mid-Term Evaluation of FIRM, the assessments "examine the quality and relevance of the applied

research carried out to date, and the substantive progress towards accomplishing project outputs under the [cooperative agreement], including dissemination and training activities." The evaluation report then recommends ways to overcome constraints currently facing achievement of the project goal and assesses the balance between applied research and field support activities. Finally the report recommends an agenda for future applied research and field support activities in the context of the institutions best suited to further pursuit of FIRM goals.

The interpretation given the term "research" is consequential for comprehending our analysis. Work whose scope and problem definition were essentially defined by USAID mission offices or regional bureaus, and whose effect has been to apply established principles to a particular locale is regarded here as technical assistance.

Research Product

The research embodied in the papers of the FIRM project encompasses three main areas, in conformity with the project paper: analyses of the informal financial sector in rural areas, assessment of the performance of financial institutions that serve rural clientele, and the relationship between the macroeconomic policy environment and the success of the financial sector. In assessing this research, the overarching question is whether knowledge has been significantly increased about the role of finance in sustainable and equitable economic development. This is the first of the three specific purposes of FIRM. Its achievement is essential to the fulfillment of the other purposes because it establishes that FIRM can provide assistance of distinguished quality. Four criteria are employed in this evaluation.

1. Are the studies on the research frontier in terms of methods of analysis and theoretical concepts?
2. Are the methods and approaches used in the studies well-suited to achieving the ultimate USAID objectives?
3. Are the studies innovative?
4. Have the studies influenced the work and thinking of other researchers in important ways?

These criteria were applied to research in the first two categories cited above. The research relating macroeconomics to finance is mainly application of established principles to particular circumstances (usually in Latin America), and it is assessed later in this report under technical assistance. Emphasis is given to work on informal markets as this is the strongest area of research under FIRM. The full set of published materials is summarized in table 2.

**Table 2. Publications Summary
1990 - September 1993**

	1990		1991		1992		1993		coming	
	E ¹	F ²	E	F	E	F	E	F	E	F
books	0	5	0	0	1	4	1	2	0	1
book chapters	1	2	1	1	2	0	0	0	1	0
journal articles	2	1	1	0	5	0	3	1	1	0
presented papers	2	0	0	0	1	0	0	0	0	0
proceedings	0	0	3	0	2	0	0	0	0	0
mainly as ESO ³	17	1	19	6	11	16	12	2	0	0
other ESO's	5	7	2	3	8	17	3	15	0	0
student theses	2	0	5	0	6	0	7	0	0	0
mission reports	7	2	4	1	0	0	4	0	0	0
others ⁴	7	2	2	1	4	0	2	0	1	0

¹ In English.

² Not in English.

³ Includes, as English, reports that appear in more than one language. Includes presentations and mission reports released as ESO's but not otherwise published.

⁴ Includes bibliographies, glossary, book reviews, published comment, poster paper, published abstract.

A. Non-FIRM Research During the Project Period

An evaluation of the FIRM research program on informal financial markets requires reference to studies undertaken outside FIRM and appearing in major economics journals. The study of households and institutions in rural areas of low-income countries has been an important and innovative area in economics in general during the years of the FIRM project. Based on newly available survey data on rural households and on models of firm-household behavior under risk, this empirical research has focussed on three important issues. First, to what extent are households constrained in their ability to cope with fluctuations in incomes as indicated by intertemporal consumption movements? Second, to what extent are farm household decisions and behaviors influenced by the problems of lack of complete intertemporal markets? Third, what are the mechanisms in the informal sector that contribute to consumption smoothing and how do they interact?

Studies by Townsend (*Econometrica*, forthcoming) of intravillage co-movements in the consumption of Indian farmers and by Paxson of the seasonal consumption patterns (*Journal of Political Economy*, 1993) and the interyear savings behavior (*American Economic Review*, 1992) of Thai farmers are examples of this research. Deaton (*Econometrica*, 1991) describes intertemporal consumption patterns that arise when borrowing is constrained. Together, these studies are important in that they suggest rural households are able to a remarkable degree to cope with income fluctuations, a major purpose of credit institutions, although the mechanisms by which this is accomplished are not well specified.

In contrast to the studies based on consumption, other recent studies have shown that farmers' investment decisions are distorted by risk and the absence of complete markets. Rosenzweig and Binswanger (*Economic Journal*, 1993) show that smaller farmers sacrifice profits much more than do larger farmers in order to mitigate the consequences of weather fluctuations. Rosenzweig and Wolpin (*Journal of Political Economy*, 1993) further show that the inability to cope with income fluctuations considerably reduces the efficiency of medium and small farmers in India. Their study empirically demonstrates that low income, in the absence of insurance and credit mechanisms, contributes to income inequality and sustains poverty.

Studies by Lucas and Stark (*Journal of Political Economy*, 1988) Rosenzweig and Stark (*Journal of Political Economy*, 1989) and Rosenzweig (*Economic Journal*, 1988) have shown how intrafamily transfers contribute to income-smoothing and substitute for loans, and how the need for risk-mitigation results in particular household structures and migration patterns in rural Botswana, India and Malaysia. Udry (*World Bank Economic Review*, 1990) documents how, in one African country, loans play an insurance role. Besley, *et al.* (*American Economic Review*, 1993) also discuss the theory of rotating credit institutions.

This group of studies brings out the importance of credit demand and suggests the multifaceted role that credit plays in poverty alleviation.

Parallel to the renewed interest in the empirical study of informal sectors in rural areas of low-income countries has been an increase in the sophistication of the econometric methodology applied. The research on low-income countries, particularly those that focussed on human resources, has been characterized by a sensitivity to problems of sample selection, of sample heterogeneity, and of the endogeneity of many household characteristics and has utilized and developed methods of exploiting panel data to achieve substantially better estimates of causal relations among policy-relevant variables. Researchers have also recognized the limitations of using conventional survey data, and have looked for "natural" experiments. The use of rainfall data to measure risk and to estimate the effects of risk directly is one example (Wolpin, *International Economic Review*, 1982; Paxson, 1992; Rosenzweig and Binswanger, 1993) along with targeting survey data to environments in which new program initiatives have begun so as to trace out their effects.

B. The Scope of FIRM Research

1. **Informal Finance.** The studies undertaken by FIRM focussing on informal financial markets are impressive in the variety of countries and topics that have been covered, in their clarity of expression and in their knowledge of specific details characterizing the environments that they have studied. The studies, however, overlook the three prominent areas of research addressed in the mainstream economics literature (income fluctuation, incomplete intertemporal markets and consumption smoothing), have not drawn from many of the studies mentioned above or recent methodological advances, and have serious methodological problems in data analysis. Only one of the studies cited above (Besley, *et al.*, 1993, which provides one reference), cites any of the Ohio State studies of the informal sector.

These shortcomings are not compensated for by innovation in theory. The studies, rather, use existing theoretical concepts and then apply them in empirical explorations. Indeed, in contrast to the best of the studies undertaken outside FIRM as indicated above, none of the FIRM studies have appeared in the major economics journals or even the major development or agricultural journals as refereed articles (e.g., *American Journal of Agricultural Economics*, *Journal of Development Economics*, *Economic Development and Cultural Change*, *Journal of Development Studies*, *World Bank Economic Review*). As many of the FIRM papers are recent, this may be only a matter of time; it is therefore necessary to evaluate the content of the studies to assess their contributions to knowledge and their placement relative to the research frontier. However, it is also true that pre-FIRM studies from the same research group have not typically appeared in major journals.

The FIRM studies with respect to framing questions and in discussing (as opposed to adducing) evidence are up-to-date in terms of recent microeconomic (theoretical) advances in understanding the consequences of imperfect markets, information asymmetries and incentives problems; many FIRM studies are couched in terms of the concepts (and jargon) associated with agency theory and new theories of industrial organization. The studies also directly and indirectly address some of the important broader issues examined in the recent literature, but their contributions to knowledge are narrow and do not sum to a coherent whole. The specific questions addressed are not uninteresting-- the characteristics of financial institutions that contribute to their viability, the demand for loans from different informal loan sources, the determinants of non-repayment of loans, the demand for deposits, the extent to which specific formal financial institutions crowd out indigenous informal credit institutions, the effects of gender on loan denials, among others. However, as there are no major new theoretical insights in the studies, their main potential contributions are in obtaining new evidence. Unfortunately, however, the major methodological problems characterizing almost all of the studies, perhaps most importantly due to the limitations of the data that are collected and used, make it difficult to rely on any specific findings or to generalize from them. And, there is little coherency in the research program, in that issues highlighted in some FIRM studies are ignored in others.

The FIRM studies contrast with the recent non-FIRM studies in a very important aspect apart from where they have appeared: almost none use data based on probability samples of households or (non-financial) firms. Instead, the data used in the FIRM studies for the most part describe either financial institutions or loan portfolios. The most important consequence of this is that the set of FIRM studies is marked by an almost complete absence of evidence on the impact or effects of rural financial institutions on income levels, distribution or growth. A second consequence is that, when the recipients of loans are studied through samples drawn on the basis of institutions, the inferences and estimates are afflicted by choice-based sampling bias, substantially limiting their usefulness.

Studies of the performance of financial institutions and their viability can be useful in contributing to the design of interventions that may ultimately contribute to the achievement of development goals, and some of the FIRM institutional studies fill a unique and valuable niche left unfilled by the household-based studies. On the other hand, institutional performance cannot ultimately be well understood or judged without reference to the economic context in which the institutions are placed and their effects on incomes or welfare, and this requires data that describe the agents served (or not) by the institutions.

A second contrast with work that has been undertaken outside of FIRM in the contemporaneous period is that almost none of the data bases used or amassed as part of the FIRM are longitudinal. This severely limits the ability of the researchers to infer

anything about causation, particularly in terms of the consequences of policy initiatives, because of the inability to cope with the major problem of unmeasured heterogeneity that can be mitigated by panel-data econometric technique, applied in many non-FIRM studies. Collecting longitudinal household data is more expensive and time-consuming than collecting data on institutions at one point in time, as tends to be the FIRM approach. This is insufficient justification for failure over five years of research, with core funding whose use is largely determined by the cooperator, to contribute substantially in this area.

It is difficult to answer whether more studies based on such data by FIRM would yield a high payoff compared to fewer studies by FIRM based on longitudinal household surveys because the Ohio State group has not demonstrated its expertise to carry out such surveys or such studies. However, what it appears that the FIRM studies carried out so far have not made significant contributions to an understanding of rural financial market issues compared to the research studies that have been carried out using existing household surveys. The FIRM research has also ignored existing survey data; most of the non-FIRM studies have been undertaken with data sets available to FIRM researchers and everyone else in the research community. Data collection is only a partial substitute for lack of ingenuity in exploiting the existing rich data base on rural areas of low-income countries that continues to expand.

2. Institutional Performance. The principal paper focussing on the determinants of institutional viability is that by Chaves and Gonzalez-Vega (1993). This paper discusses the "successful" rural financial intermediation program in Indonesia. The paper illustrates the strengths and weaknesses of the FIRM studies as well. The paper is very interesting, using organization theory to understand why rural financial intermediaries have been successful in Indonesia. The attention to the problems of information and incentives is well placed and the concepts and their application to the specific institutions are clearly discussed. The analysis appears reasonable. However, the success of the Indonesian institutions is gauged primarily by the ability of the institutions to be profitable and by the fact that the number of loans made increased. While surely sustainability is a necessary condition, it is not sufficient for evaluating an institution.

The questions about who the institutions served and whether they on net augmented output and growth are not addressed adequately. The fact that loans increased is not sufficient to understand the impact of the institutions. First, the Indonesian economy was growing at a rapid rate, so loan demand must also have risen. Did the new banks meet all of the new loan demand? Second, the new institutions may have "crowded out" preexisting informal institutions; it is not clear that on net loans increased. The inattention to the changing role of informal financial sector is surprising. Third, it is stated that the loans are "...mostly reaching the poor" (p. 8). However, there is no direct evidence of this in the

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paper, which contains, as in almost all of the FIRM projects, mainly information on the institutions. As a consequence we know the size of loans and the number of people who get them, but nothing about the characteristics of those who get loans or those who do not get them, or about the populations not served by the institutions. The paper thus overstates the case when it refers to success, even though the authors are careful to define it narrowly.

Questions about the impact of viable formal financial institutions on the institutions and contractual arrangements in the informal sector, on development, and on the distribution of wealth and incomes are clearly an agenda for the future, but FIRM research to date displays neither a keen interest in these issues nor the specific experience for addressing them with suitable data collection or tools of analysis.

C. Technical Quality of FIRM Research

It is not feasible to provide a comprehensive evaluation of all of the FIRM studies. Instead this evaluation discusses a sample of FIRM studies to illustrate the major weaknesses and strengths of the FIRM project, with particular attention to the methodological weaknesses and limitations. This is done in the expectation that by drawing attention to the problems, future research can be improved, although not necessarily by the same FIRM personnel.

1. Inconsistency Across Studies. One of the surprising features of the FIRM studies is their lack of consistency. Two examples of FIRM studies in which advances made by other FIRM or Ohio State studies are ignored are given here. These inconsistencies suggest the lack of overall coordination of the FIRM and are examples as well of some of the typical weaknesses of the studies. One of the important themes stressed by the Ohio State group in recent years (Gonzalez-Vega (May 1993) summarizes this nicely) is that transaction costs are major elements of the costs or prices of loans faced by both borrowers and lenders. This is a principal reason why subsidizing interest rates, only one element of loan costs, can be ineffective or counterproductive. Despite this, the FIRM study that estimates cost and profit functions of private and commercial banks based on Bangladesh data (Khalily, Meyer, Hushak, and Cuevas, 1992) only includes interest costs as the price of loans, with no discussion of the limitation of this assumption or references to other literature by Ohio State researchers on loan costs. This mechanical exercise, which pays, in addition, no attention to whether the error term is correlated with any of the regressors (such as how long the bank manager has been at the bank), is of little value, particularly in assessing how to cope with problems of distributing rural credit.

A second example of a substantive contradiction across FIRM studies is in the study of the repayment performance of loan-takers. In Aguilera-Alfred and Gonzalez-Vega (1993), a sample of loans is followed over time to assess the determinants of repayment.

An important methodological point made in the study is that by using longitudinal data on (the same set of) loans, one can avoid the problem that the composition of who receives loans (and loan types) may change over time, which may bias inferences about the determinants of repayment performance based on a time-series of loan defaults. Furthermore, the study indicates that a number of borrower characteristics, such as assets, affect repayment (although that is not the principal point of the study). In another FIRM study (Khalily and Meyer, 1993), however, time-series, cross-sectional data on loan defaults in Bangladesh are used to estimate how bank characteristics and political conditions affect non-repayment. While the finding that election years affect repayment probabilities is intriguing (but of little policy relevance), the omission of the economic conditions that could likely affect loan recipients is strange. Moreover, as indicated in the Aguilera-Alfred and Gonzalez-Vega study, loan repayment performance is affected by who obtains loans, which changes over time. It is not clear from this study whether defaults vary over time for given loans, whether the composition of loan recipients was changing or whether changing economic conditions affected loans and these were correlated with the included bank and political variables. The authors do not discuss these problems.

2. Choice-Based Sampling. One of the problems of sampling based on credit institutions, apart from the important limitation that the impact of these institutions cannot be known, is that inferences are likely to be biased and thus the value of the empirical study is substantially lessened due to heterogeneity and selection. Two examples of this problem are the above Aguilera-Alfred and Gonzalez-Vega loan study and the studies by Baydas, Meyer and Aguilera-Alfred (1993). In the first, inferences are drawn about i) how the characteristics of farms affect loan repayments and ii) how well loan managers predict the riskiness of loan applicants. Because, however, there is no information on loan applicants denied loans or non-applicants who might need loans, the results from this study are not very convincing. For example, it is found that farmers without land titles were no less likely than titled land farmers to repay loans. This result, however, may be due to selection-- those who were able to obtain loans without land collateral (without a land title) were likely to have had other unmeasured (by the researchers) attributes that made them appear to the lenders to be creditworthy, as they turned out to be. Indeed, the authors explain this "counterintuitive" result with another selection argument. One therefore cannot conclude that titling is not important in increasing the flow of credit. If the data cannot be used for this test, what is its value?

The titling finding is one example of the consequences of sample selection, but indeed all of the estimated relationships, even if apparently in accord with the researcher's expectations, are biased due to the sample selection. One cannot infer anything about how a farmer's characteristics affect his/her repayment behavior from a sample of loans that are granted. Similarly, the highlighted conclusion of the study that the lenders could predict well

the riskiness of borrowers is not necessarily correct. This is because the inference is based only on the behaviors of those borrowers that actually received loans-- loan officers may have incorrectly screened out borrowers who would have repayed. Such borrowers are not in the sample, of course.

Understanding who repays loans, who is denied loans, and who receives loans and why requires understanding who seeks and obtains loans; both supply and demand must be examined. This point is well-articulated in Baydas, Meyer and Aguilera-Alfred (1993) (this is another example of the lack of coordination among FIRM studies). However, this latter study is also an example of choice-based sampling problems associated with sampling based on programs or institutions. In this case, a sample was taken of entrepreneurs participating in a credit program (in Ecuador). Recognizing that it is implausible to understand loan screening without also having a sample of persons not in the program, the research took a sample of non-program participants. These were identified, however, (according to Baydas, Meyer and Aguilera-Alfred (1992)), by asking the program participants to identify people "similar" to them who were not in the program. This choice-based sample, based on program participation, combined with a "snowball" sample has no known sample properties. The problem of the selectivity of the sample is not mentioned in either study, and in the published 1993 study using these data the snowballing method is not mentioned (the non-participant sample is identified as merely "random"). It is not likely that the program participants or their acquaintances represent a random sample of all entrepreneurs in the study area, and the empirical results on who obtains loans cannot be interpreted without knowledge of the determinants of program participation. Again, samples of loans, or of credit program recipients (and their friends) who are not randomly selected into the programs are relatively low-cost, but they provide empirical evidence of limited value because it is impossible to generalize from them in any systematic way.

3. Endogeneity of Loan-Recipient Characteristics. One important consequence of insufficient attention to the behavior of potential loan recipients-- farmers, entrepreneurs-- is inattention to the fact that many farmer characteristics that are treated as exogenous in the FIRM empirical studies are themselves manifestations of the limitations of rural credit markets. For example, one of the important questions concerning the consequences of imperfect markets is to what extent wealth or collateral affects the probability of obtaining a loan. But it must be recognized that farmers who were able to obtain loans in the past are also more likely as a consequence to be wealthy in the current period if loans truly constrain farmer's ability to purchase sufficient variable inputs or to make profit-maximizing capital investments. Loans affect profits and wealth, while profits and wealth affect the ability to take on and obtain loans. Thus, regressions based on cross-section associations between farmer profits and wealth do not say very much about how wealth or income affect loan demand or supply, or how loans affect profitability. Yet FIRM studies typically treat

wealth and profits as if they were exogenous to loans. Examples are Nagarajan, Quisumbing, and Otsuka (1992) and Nagarajan, David and Meyer (1992).

More subtle, but equally important, is the fact that the existence of credit constraints will cause farmers to take actions in other markets that they might not otherwise do. For example, farmers who face constraints on credit available to smooth consumption may be more likely to take wage jobs or to engage in risk-sharing contacts, such as share tenancy. Regressions of loans obtained on the amount off-farm work chosen by farmers or on the proportion of the land they choose to share out or in (as in Nagarajan, David and Meyer (1992)) thus do not reveal very much about the constraints on credit; they also suggest that the researchers have not fully considered the implications of imperfect markets and the specific ramifications of the problems of informal finance. Even more surprising is that one finds regressions in which loans from one source are regressed on the amount of loans a farmer has obtained from another credit source. The direction of causation is unclear, and the policy relevance is even less clear.

4. Nonrandom or Endogenous Distribution of Programs and Institutions. Longitudinal data can help alleviate the biases caused by the existence of unmeasured characteristics of farmers. Methods are available that permit control in panel data for such unmeasured farmer characteristics as risk aversion, reliability, and ability, that affect both farmer and lender behavior, and are correlated with measured variables, such as wealth, education and contractual terms. Longitudinal data can also be effective in quantifying the effects of program interventions when such interventions are non-random.

The FIRM studies are not only insensitive to the endogeneity of individual farmer characteristics to credit constraints but also to the endogeneity of actual interventions or institutions. The researchers use methods of statistical analysis that would only be appropriate if randomized interventions were performed, but where banks or other credit institutions or programs are located is typically neither exogenous nor random. Furthermore, FIRM does not appear to perform randomized interventions nor to collect data (or use data) that might yield estimates of the consequences of nonrandom interventions. An important (because of the topic), but substantially flawed study in this regard, is that which examines how or whether non-governmental organizations (NGO's) affected indigenous financial institutions in the Gambia (Nagarajan, Meyer and Ouattara (1993)). While this study, like most of the FIRM studies, contains good ideas informed by theory and contextual knowledge about the possible effects of the incursion of such organizations and provides a good description of the environment studied for the reader, the actual empirical analysis that represents the important addition to knowledge is weak because the data collected by the FIRM researchers are very limited.

In this study, the researchers collected data describing the functions of indigenous self-help groups in 20 villages, some of which were served by NGO's. To answer the question of whether the NGO's affected the presence and functioning of the self-help groups, the researchers merely compare the function of the self-help groups in the NGO and non-NGO villages. These differences are then assumed to be the "effects" of NGO's. This type of analysis obviously cannot identify the impact of NGO's without attention to the fact that the NGO's were not randomly allocated among villages. One can just as well interpret the relationship between the functions of the self-help groups and the presence of an NGO as describing where the NGO's chose to locate. Even information retrospectively ascertained on how the self-help groups changed their functions after the NGO's arrived would be insufficient, as self-help groups that disappeared as a consequence of the NGO presence would not be taken into account.

The more serious limitation of the study is the reliance on institutional data, as the researchers merely obtained characteristics of the self-help institutions. Consequently, as the authors say "An unanswered question concerns the distribution of access to financial services that occur with these changes" (p. 13). Indeed, it seems that the basic question is whether the population was made better off by the NGO's; the issue of how particular institutions may have altered their functioning with the arrival of NGO's is of limited interest. Why did the researchers not evaluate the impact on the villagers? They comment that "The scope of this did not permit data collection from individual villagers, so there is no way of knowing how access to financial services may have improved or worsened..." (p. 13). This sentence makes it appear that FIRM's scope of research is limited by external factors, but if they do not answer this question, who will? Why was the scope limited to answering the less important question?

Technical Assistance

Although individual USAID missions typically initiate technical assistance projects, such assistance should be an integral part of FIRM's research program. Issues for research should be identified in collaboration with host governments and research institutions, and be coordinated with other donors. Ultimately, the effectiveness of technical assistance provided under the FIRM cooperative agreement should be evaluated based on questions like the following:

1. Does it address the needs of local people?
2. Have governments implemented and maintained agreed sectoral reforms?
3. Have those reforms had the positive economic effects intended?

The present evaluation does not fully answer each of these due largely to the lag between assistance and effect. Unfortunately, there is little follow-up in the published reports from FIRM addressing the impact of past assistance, even from the USAID finance projects preceding FIRM. An interim assessment of the effectiveness of technical assistance is presented by considering the level of:

1. satisfaction by USAID missions with assistance from FIRM in their country,
2. participation by local researchers and other personnel in the design and implementation of the research,
3. coverage of critical issues in financial markets, and
4. technical quality of research.

A. The Scope of FIRM Assistance

Since FIRM began in 1989, the specific scope of work with respect to technical assistance has often been determined by the USAID mission or bureau requesting Ohio State's expertise although in some cases, Ohio State took the initiative in shaping the terms of reference. The large role played by USAID missions in defining technical assistance is better justified than in defining research issues. FIRM services to USAID Missions and Regional Bureaus have ranged from development of schemes for improving savings mobilization in rural areas to diagnoses of financial sector problems to policy analysis and dialogue.

There were 16 missions that initially expressed interest in FIRM project technical services in 1989, but only three of these eventually received technical assistance from FIRM: one short-term consultancy on microenterprise finance (for USAID/La Paz mission) and two medium-term consultancies on rural financial policy reforms and assessment of the banking system and financial management (for USAID/San Jose and USAID/Santo Domingo respectively). Other add-on's with technical assistance components were undertaken in Costa Rica, Dominican Republic, Egypt, El Salvador, the Gambia, Indonesia, Mozambique, Philippines, Portugal and Zaire (table 1).

The main forms of technical assistance provided to USAID missions and bureaus were:

- 1) documentation and descriptions of the formal and informal financial sectors including linkages between the two sectors and the type of institutions that operate within each sector, and
- 2) the dissemination of market-oriented policy reforms via policy dialogue, conferences and workshops.

Documentation ranged from review of literature on Sub-Saharan African agribusiness and finance to borrower (household and firm) surveys and analysis of financial institutions. Most of this work provides microeconomic level information about the formal and informal financial sectors, particularly with respect to the second theme: the operational nature and viability of financial institutions. Except in a few cases, however, there is little evidence on the nature of any serious attempt to link these microeconomic level information with macroeconomic development concerns and issues.

There were also several training workshops, seminars and conferences held in different countries aimed at 1) disseminating the results of Ohio State's research and the concomitant policy recommendations as well as 2) developing the capacity for countries to effectively regulate and supervise their financial institutions. Appendix D lists the meetings and conferences sponsored under FIRM to disseminate research findings while Appendix E lists the professional and policy meetings attended by the FIRM team members.

Ohio State has also provided short-term technical assistance to USAID missions in Honduras, Indonesia, Madagascar, Nicaragua and Ecuador during the period 1989-1993 as shown in Appendix F. In addition there have been consultations, short-term studies and advising in project designs for the USAID Gemini Project, Asian Development Bank, Inter-American Development Bank, International Fund for Agricultural Development, World Bank and the Food and Agriculture Organization in the Philippines, Paraguay, Bangladesh, Brazil, Mozambique, Russia, Uganda and Egypt (generally, funded outside FIRM). This diverse set of technical assistance activities has contributed to the dissemination of research results and to the discussion about finance programs and problems.

Ohio State University regularly interacts both formally and informally with other international donor agencies. This is partly done in the workshops and conferences participated by FIRM as well as in its field research. The nature of these interactions ranges from mere exchange of information to prolonged discussions over appropriate policies for rural finance.

B. Quality of FIRM Assistance

There is general satisfaction with the results of FIRM technical assistance services, based on interviews with officers in USAID missions and regional bureaus and on the results of the questionnaire as shown in Appendix G. Ohio State enjoys substantial credibility among the USAID mission and Regional Bureau officers. In particular, questionnaire respondents noted Ohio State's ability to meet specific requests in an effective and timely manner. Ohio State's policy recommendations are considered by the USAID missions extremely relevant and of high quality, based on USAID officer interviews and the USAID mission survey questionnaire results. A few of the questionnaire respondents raised the need

for a macroeconomic perspective in undertaking rural financial market analysis and policy formulation. This point was reiterated by individuals interviewed in selected host countries.

There is little doubt among USAID mission and bureau officers that the technical services under FIRM (particularly documentation of the operations of financial institutions in the formal and informal sectors) helped in understanding specific rural financial market problems of the host countries. There was some support for this view from non-USAID individuals interviewed and who have worked with Ohio State in the field. This is especially true for those working in host countries where the existing knowledge base on rural finance is quite low and there is little institutional capacity for research in these areas.

Efforts by FIRM often benefit from close collaboration with local researchers who bring expertise on changing local circumstances. This has particularly been true in Latin America. In Africa, where local research capacity is weak, the Ohio State researchers have tended to follow a scope determined mainly by USAID missions. In some instances, however, FIRM research substantially differed with local approaches. For example, several studies conducted independently by local research institutions in the Philippines argue against assuming that liberalization in financial markets improves access to bank loans for small borrowers and the poor. These studies have led to research on demand for credit and to comparisons with other countries who have experienced financial deregulation. The local institutions have placed priorities within their research agenda that recognize components of the current national strategy, such as agrarian reform, promotion of rural, small-scale industry, and employment generation. The locally determined priorities were eventually recognized in efforts associated with FIRM (Teh and Lapar).

FIRM research has at times produced new and useful insights. For example, previous research has indicated that informal financial intermediaries did not necessarily serve the marginalized population, shown in study of credit unions in the Philippines (Lamberte, *et al.*, 1990). Research by FIRM in the Gambia furnished the first comprehensive documentation of the clientele of NGO and other financial institutions, demonstrating the extensive reach of informal institutions. These findings were influential among international donors on certain NGO initiatives.

There were, however, serious concerns raised during interviews with the evaluation team regarding the soundness of Ohio State's policy advice and the appropriateness of the technical assistance provided to the local institution affiliated with Ohio State under the FIRM agreement. These concerns are based on experience of host countries that have undertaken the suggested financial reforms for a considerable period and also on the institutions' awareness of the growing number of studies documenting the successes and failures of financial liberalization in other countries.

One host country official cited the importance of fitting financial reforms into the nation's broader development strategy. For example, productivity growth, more equitable distribution of opportunities, resources and income, and poverty alleviation are primary concerns in the Philippines. The role of financial intermediaries on each of these is of high priority to officials and researchers, but the FIRM study focused on problems of branch banking. Specific recommendations on issues like bank branching is interesting, but not a pressing concern of the Philippine government.

The prevalent concentration on microeconomic and technical aspects of managing financial institutions tends to skirt international and macroeconomic questions. For example, the Rural Finances Development Project in the Dominican Republic

1. investigated examination procedures of the Superintendency of Banks,
2. assisted transfer of basic banking technology to credit unions, and
3. promoted deposit mobilization, especially by the Agricultural Development Bank and the credit unions.²

These forms of assistance were warranted and helped the viability of the targeted institutions. There was, however, no compelling justification presented in the study for pursuing the chosen policy options to stimulate the formal financial sector, namely, deposit mobilization and adopting modern banking practices. FIRM researchers apparently accepted priorities set by USAID although they possess greater expertise than USAID on financial reform.

FIRM research in the Dominican Republic provides little evidence for assessing its impact. There is little discussion in publications on the Dominican Republic effort of the net effect of international donor assistance through credit programs or other recommended policy reforms. These omissions are inconsistent with the problem recognized by FIRM research in the Gambia that institutions may be designed or modified mainly to capture foreign donor funds (Nagarajan, Graham and Meyer). Furthermore, there was no assessment shown of the clientele served by the targeted institutions or the effect of changes in those institutions on the range of their clientele. As discussed above with respect to research methods, an adequate evaluation of impact would also require study of people not served by the financial institutions. The indicator used to measure success in the Dominican Republic was the amount of deposits mobilized, an indicator with tenuous linkage to development.

The fundamental approach towards financial sector development advocated by Ohio State is being increasingly challenged following a decade or more of dominance in policy

²These institutions were selected because they are the principal conduits for international credit programs.

design by donors. Both the objectives of and the methods for achieving financial sector reform are attracting new approaches. This has led some research institutions and/or individuals in those institutions to undertake research on rural finance independent or outside the purview of FIRM. The question of whether markets respond to policy reforms according to Ohio State's expectations is explicitly addressed in a recent internal review of World Bank experience in rural finance (1993).

One particular USAID concern stated in the Cooperative Agreement has been inadequately addressed through technical assistance. The gender issue has been narrowly discussed and examined in two specific forms of FIRM products: an annotated bibliography of the literature, and the analysis of informal finance emphasizing female employees in an agricultural development bank in Egypt. Research on credit rationing involving women entrepreneurs was also conducted in Ecuador and the Gambia. Outside these outputs, there is little indication that the gender issue has been addressed in policy dialogue and research in the past four years. For example, there is no information regarding on the proportion of training workshop participants that are women. There are however, some plans to work with Dr G. Morris, a consultant under FIRM, analyzing women's access to financial services in Ghana and, possibly, Uganda.

Other lacunae in the coverage of technical assistance are illustrated by the Gambia effort. The study of NGO's serving as financial intermediaries led to the establishment of appropriate regulations and operational guidelines for such NGO's. It was not made clear what impact the guidelines would have on the outreach of the NGO's with respect to the number and type of clientele served. A broader set of questions remains unanswered. What is the appropriate role of the state in the Gambian financial market? What conflicts in the development of the financial sector are there between welfare and the functional efficiency of the system? USAID officials in the Gambia expressed concern over the lack of competition in the formal sector and the persistently high interest rates. How many people are served by neither the formal banking sector nor the NGO's? Are there lessons on how to deal with the high bank concentration from other regions with similarities in experience, such as Thailand, the Philippines or the Southern Cone countries?

Despite the many appearances by FIRM personnel at conferences and workshops sponsored, at least in part, by multilateral agencies and donors other than USAID, there is only sporadic reference in FIRM reports to many of the key lessons from the experience of these agencies. For example, various divisions of the World Bank have conducted several multi-country studies on financial reform that have been influential in reforming policy of developing countries (Cho and Khatkhate, 1989; World Bank 1991). The value of such studies lies in drawing lessons from the different operational norms and conditions of various countries. They observed the need to adjust the principles of market deregulation in accord

with the development of the real sector, the presence of certain macroeconomic disequilibria, and even the presence of market failure. The World Development Report 1989 (World Bank, 1989) section on Financial Systems and Development emphasized the observed difficulties of engineering financial reform and the dangers of pressing too hard on liberalization before preconditions in the productive sectors have been satisfied. The policy reforms promoted by FIRM in Costa Rica and Mozambique acknowledge such difficulties. These concerns, however, were not adequately addressed through technical assistance to the Philippines or in the Gambia.

Other Products of FIRM

A variety of activities were undertaken under FIRM without direct impact on research or technical assistance. These generally contributed to the project goals of dissemination and training. In several cases, however, the products were professional activities that facilitated communication by researchers outside FIRM among themselves, to USAID, and to the staff at Ohio State.

One type of output was the sharing of experience through cooperating with local institutions. Technical assistance usually targeted government policy makers, but, in addition, several local research institutions were effectively assisted by FIRM even as they assisted FIRM. This was accomplished explicitly in Costa Rica through sub-contracting to the Academia de Centroamerica, and in the Philippines with the Philippine Institute for Development Studies. A wide range of host country technical personnel benefitted by working with the Ohio State staff in the Dominican Republic and elsewhere. The value of this collaboration was confirmed to the evaluation team but is not measured.

Most of the conferences sponsored by FIRM were designed to disseminate results of Ohio State's work, but the conferences always included work by other researchers. In particular, the Finance 2000 conference attracted a wide spectrum of views on rural finance. In the published proceedings, the synthesis reports emphasize the themes prevalent in Ohio State's work, particularly government failures in financial intervention, with little attention to market failures. The Finance 2000 conference afforded an opportunity to present a wider range of perspectives, but no proceedings were produced.³

Considerable support to graduate students apparently came from FIRM, including 21 students funded by the project, and 13 Ph.D. dissertations and 9 Masters theses in rural

³A paper summarizing the Global 2000 conference is being prepared but is not available for the evaluation.

finance since FIRM began. The quality of these students is generally high and they typically return to developing countries to positions of influence. Ohio State University has productively extended its experience through a global network of former students.

Ohio State has received input from other researchers through its Visiting Scholars and its "brown bag" programs. Both programs have successfully sought people who could challenge Ohio State students and staff although these programs have not been extensive enough to assure adequate critique. Visiting scholars from developing countries significantly strengthen Ohio State's international contacts, while some of the American intellectual leaders in rural finance have participated in the seminar series.

Ohio State University has further strengthened its ties to other researchers through its document center (ACTS). It currently houses over 5,000 documents on rural finance. Ohio State is also starting an e-mail network to link researchers on rural finance globally. The Ohio State mailing list of about 500 names is used to annually distribute a listing of outputs from FIRM. One of the FIRM's team members has also been active in the training program for mid-career staff of financial institutions at the Economics Institute in Boulder, Colorado.

The Future of FIRM

The planning for FIRM in its second five years begins by recognizing the patterns of past strengths and weaknesses in the project. These are then related to new and ongoing needs and constraints. The culmination of the FIRM evaluation is the recommendation for USAID action based on how these considerations can be treated by the available reform options for FIRM.

A. Environment Surrounding FIRM Planning

The principal assessments of FIRM performance discussed above are summarized in table 3.

1. Past Strengths. The strength of the FIRM project is most apparent in the positive consensus among USAID personnel who have worked with the staff of Ohio State on FIRM projects. FIRM has provided data and advice that was typically received enthusiastically by USAID missions. The research applied to certain narrowly defined issues and localities is also embraced by USAID missions. This work and the researchers themselves have been accorded substantial professional recognition.

Table 3

FIRM Performance to Date	
achievements	USAID mission perceptions advice in local context training of local staff compiling relevant data institutional capacity established student training and placement professional perception of product
problems	research design synthesis of research experience coordination with research on other factors of production USAID priorities unclear professional perception of product

The development of the rural finance program at Ohio State is partly due to FIRM and its predecessor projects. The program utilizes an exceptionally experienced team of researchers and a lengthy history of effective student training and job placement. The output from Ohio State reflects these strengths by consistent application to important issues, up-to-date knowledge of the field, wide-ranging fieldwork, and clarity in presentation. These achievements and a variety of associated professional activities attest to the merit of USAID's long association with Ohio State University.

2. Past Weaknesses. The weaknesses include both shortcomings in the scope of existing FIRM products and in their execution. Little research attention was directed toward linking performance of financial institutions with development indicators. No major theoretical insights were realized.

The scope of work under the cooperative agreement was limited, in part, by the interpretation at Ohio State that USAID placed transcendent priority on narrowly applied research. To the extent that USAID officers associated with FIRM failed to recognize the importance of breadth in the research program, they hampered performance of FIRM. To the extent that Ohio State failed to motivate its staff to remain pacesetters in rural finance thinking, it did not fulfill its role in the cooperative agreement.

Long-term applied research projects and related technical assistance services are less common under FIRM. This is partly due to the organizational set-up of USAID. Often, the composition and focus of USAID missions change and this has an impact on the nature and

continuity of FIRM projects. The quality of research is hampered by the lack of continuity within USAID. Since most of the technical assistance provided is short-term in nature, the impact on the host countries is difficult to determine.

Although the quality of FIRM research is open to criticism, its problems are less a constraint on achieving FIRM's purpose than are the problems of scope. Nonetheless, specific methodological lapses are apparent in the inconsistencies among studies, sampling techniques, and inadequate use of existing data.

3. New and Unmet Needs. The FIRM project was designed to focus on three theme areas recognized in 1989:

1. informal financial markets and their linkages to formal finance,
2. viability of rural financial institutions, and
3. financial market regulation.

Future work under FIRM should be based on a reconsideration of the priorities facing rural finance. The three themes retain much of their relevance. However, some change in priorities has arisen from altered conditions in the world economy and some change from reassessment of the problems.

Recent work by Ohio State on informal financial markets should be extended in the second half of FIRM. Several elements of the work on viability and regulation of financial institutions also deserve continued emphasis. The role of transactions costs and a better understanding of mechanisms for deposit mobilization are particularly important. Improved institutional design requires further development of the technology of financial instruments and innovation of non-standard delivery methods.

Gaps in the coverage of FIRM research should be addressed by future research. The research should explicitly examine the demand side of financial markets, accentuate financial services other than credit provision, and appraise long-run effects of reform. Better provision for linking recommended financial reforms and other activities of FIRM to their development impact are needed, including the distribution of impact by economic sector and gender. Additional integration of the project with work on related research purposes would strengthen the outcomes. Other developments presenting new finance research challenges include the rapid changes in Eastern Europe and the former Soviet Union, and the growth of African stock markets.

The highest priority among remaining gaps in knowledge on rural finance should be placed on synthesis of the rich experience gained by Ohio State staff and others in recent years. Generalizations across countries and methodological conclusions can be drawn to facilitate solving problems facing USAID outside the areas specifically studied under FIRM.

The synthesis should build on the view of rural finance as a network extending beyond specifically financial institutions; linking to input markets, investment demand, cultural attributes, foreign investment, urban migration and macroeconomics.

Specific issues to address in this synthesis begin with a more rigorous demonstration of how and why rural finance problems constrain development. This requires showing where government interventions have failed to solve problems and where interventions are effective. This task further requires considering how finance discriminates with regard to gender, ethnicity, occupation and other groupings and, ultimately, improves the potential for rural finance and financial institution design to assist the poor. It is necessary in the course of investigating how finance affects the development goals to improve understanding of the strengths and weaknesses of possible government interventions. In the end, USAID's concern is improved institutional design and implementation as a means of affecting growth and distribution.

4. New Opportunities and Constraints. The institutional environment facing FIRM in the near future is presently uncertain in several respects. Ohio State has a faculty opening which it is filling with a view to strengthening the rural finance program. A new staff member who complements existing strengths in the program could greatly reduce the problems mentioned above. USAID is undergoing a reorganization. The new organization may give more or less emphasis to rural finance with implications for future funding. USAID is also reinterpreting the use of add-on's to cooperative agreements. Under the present interpretation, a new cooperative agreement would not receive add-on's from country missions and regional bureaus without competition. Some or all of the funds needed to accomplish its purpose would be allocated through the cooperative agreement itself. This manner of funding, however, is not yet tested and may be revised further before a new cooperative agreement is signed under FIRM. Some mechanism, such as a basic ordering agreement, that facilitates mission participation in research design and that offers missions an opportunity to initiate research is essential for FIRM.

B. Taxonomy of Reform Options

The options for reform of the FIRM project can be placed into three categories:

1. adjust the project purposes,
2. adjust the strategies being used,
3. adjust the instrument,

and four subcategories:

1. introduce a new instrument,
2. supplement the existing instrument,
3. renew the existing instrument, or

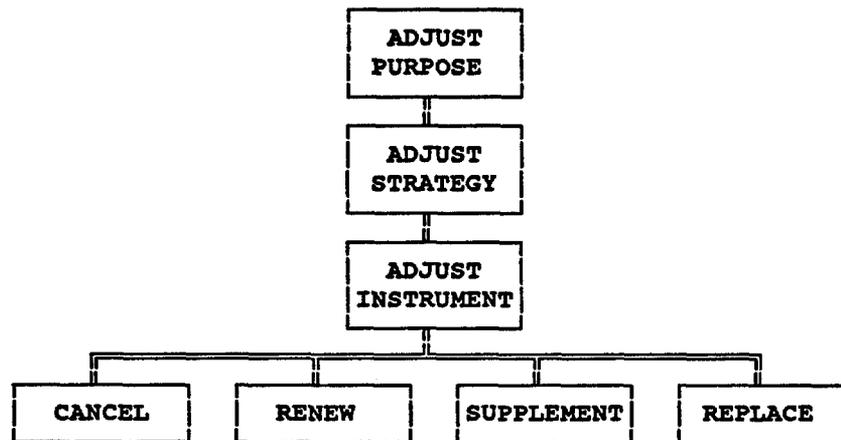
4. cancel the project.

In this use, project purpose refers to the most fundamental objectives that are recognized as guides within FIRM. The strategies of FIRM are the types of activity undertaken. The instrument is the set of formal agreements that legally define FIRM.

The major categories of options are related sequentially while the four subcategories are mutually exclusive (figure 1). Thus a review of options should begin with category 1. Regardless of whether 1 is adopted, the review proceeds to category 2. Again, regardless of whether 2 is adopted, the review proceeds to simultaneous consideration of options in the sub-categories.

Figure 1

Reform Options



1. **Project Purpose.** The FIRM project is presently guided by a multitude of purposes.⁴ Project purposes might be redirected, broadened or given new priorities. The present focus of purpose on a factor of production (finance) might be redirected toward a specific development problem, like food security, equal opportunity for women, or slow economic growth. Alternatively, the set of purposes could be broadened. For example, the goal of contributing to rural economic growth might become the main guiding principle,

⁴The explicit statements of purpose are described on pages x-y.

suggesting that rural finance research must compete for project resources with other potential activities. The present FIRM arrangement might be less disrupted by setting new priorities among the purposes currently in FIRM. The role of informal institutions in reaching targets, for example, might be identified as a particular concern. Changes in purpose could require complete restructuring or elimination of the project.

2. Project Strategy. Several strategies are simultaneously pursued within FIRM. The project paper cites five approaches to achievement of the project purpose:

1. applied research,
2. technical assistance,
3. training,
4. donor coordination, and
5. information network support (p. 1).

These are made operational through five types of product:

1. publication of research findings and syntheses,
2. technical services products,
3. strengthened host country institutional capacity,
4. improved donor coordination, and
5. network support (project paper, pp. 2-3).

The same types of change that might be made in purpose are also possible in strategy, i.e. redirected, broadened, or given new priorities.

3. Project Instrument. The instrument used to implement the strategies of FIRM has been a cooperative agreement which utilizes core funding and add-on's by regional bureaus and missions. The present structure could be adjusted marginally by rewriting the language in the cooperative agreement to alter or clarify its terms. Changes in language might specify different methods to be used in research or specify different research products than currently identified. Further, USAID might monitor the project more closely or with greater attention to substance (in contrast with procedure) than it has in the past. The incentives within the cooperative agreement might be altered by linking levels of performance to prospects for future projects, effectively establishing a probationary period for the agreement.

Alternative instruments are available to serve the present goals of FIRM, principally, a grant or a contract. According to USAID Handbook 1 (Sup B, p. 25-1), a cooperative agreement is to be used when

1. the principal purpose of the relationship between the Agency and the recipient is one of support to the recipient rather than acquisition of services for the direct benefit of the Federal Government, and
2. "substantial involvement is anticipated between the Agency and the recipient during the performance of the proposed activity".

A grant is to be used when the first of these conditions is true but "the recipient is to have substantial freedom to pursue its stated program or project purpose." A contract is to be used when substantial involvement between Agency and recipient is expected, as with a cooperative agreement, but the principal purpose of the instrument is the acquisition of services for the direct benefit of the Federal Government.

The instruments currently employed by FIRM might be substantially adjusted or replaced. The cooperative agreement with Ohio State University was awarded noncompetitively to continue an existing successful relationship with USAID. If the particular capabilities of Ohio State are not deemed essential for FIRM, a cooperative agreement beginning in September 1994 could be offered on a competitive basis. If the goals of serving a U.S. academic institution are not considered essential to FIRM, a contract might be offered for essentially the same work. Under a contract, use of core funds might be linked to specific USAID approval for each sub-project, based on a review by independent evaluators. If work funded by the core requires greater scrutiny and USAID staff are not technically competent for that task, proposals for spending core funds might be examined by evaluators independent of USAID. The core funding might even be offered to separate contractors on the basis of proposals they submit. The add-on's by other USAID offices face a similar range of options.

C. Assessment of Reform Options

1. **Adjust Purpose.** The most fundamental critique of purpose questions whether the link between financial services and development is adequately established to justify FIRM. The empirical basis for claiming that rural financial services commonly constrain economic growth or equity has not been rigorously established. The hypothesis underlying FIRM's objective, that improved rural financial services are essential to development, is sufficiently supported by theory to justify direct focus on that hypothesis.

With additional focus on how finance is related to development indicators, the original purpose of FIRM remains relevant as a guide for further investment by USAID. However, the specific research themes originally designated for achieving the project purpose are too restrictive. In preparation for the continuation of FIRM, a, more comprehensive set of research themes should be delineated.

A separate issue relating to research purpose is whether financial services is an appropriate focal point for research compared with other topics. If focusing on finance distracts from the fundamental development issues of improving quality of life, the research purpose should be restated to better integrate the research with work on other factors of production. Further, focusing on financial services must avoid replacing the goal of development with the goal of stability in financial institutions (whether formal or informal).

This evaluation report finds that the central purpose stated for FIRM adequately justifies a further five years of effort by USAID at the level originally planned. Additional focus on development impact, broadening the coverage of financial markets, and integration of the project with work on related research purposes would strengthen the outcomes.

2. Adjust Strategy. The weaknesses identified in FIRM's progress do not derive from the strategy described in the project paper but some problems arose from poor communication in interpreting the strategy. Ambiguities in the project purpose might have been reduced by setting clear priorities among various types of output. In particular, the interaction between research and technical assistance is critical to achieving the project's purposes. The differing missions of various components of USAID give rise to differing priorities among these elements of FIRM as they would for any research project. Country missions turn to FIRM for assistance on immediate, concrete problems. They typically recognize that technical assistance may require some applied research, such as gathering new data or formal analysis. The country mission needs, however, are commonly specific to their circumstances. The Global Bureau concurs with country and regional missions that applied research is the rationale underlying FIRM, but the Global Bureau assists country and regional missions by strengthening the individuals and institutions that perform the technical assistance. Its responsibility, under FIRM, is assuring access for missions to high quality technical assistance.

The strategy of the Global Bureau contains several elements, each of which is necessary to effectively serve country and regional missions:

1. funding of research within the project, but not specifically identified by country missions,
2. coordinating the synthesis of experience under the project, and
3. confirming the technical quality of research.

The first element is addressed by core funding in FIRM. Core funding is specifically intended to free the research team implementing FIRM to consider issues that are important to applied research but which are not supported by individual country missions. These issues

might include synthesis of research, long-term concerns, comparisons across countries, and studies in countries not assisted by USAID.

The second element is addressed through conferences that bring FIRM researchers in contact with their peers and through the preparation of a synthesis report. The synthesis facilitates future requests for technical assistance. In a major, long-term research effort like FIRM, it should be assembled within a state-of-the-art review, as specified in the initial project paper (p. 13).

The third element, research quality, is addressed through peer review of FIRM products. Peer review is accomplished mainly through publication in professionally recognized books and journal articles but extends to presentations at conferences, the mid-term project review and various other forums. The technical assistance products that serve country mission requests are generally insufficient to attract active professional review. Rather, the research team must continually reestablish that its work is on the technical frontier through a research program facing issues of interest outside USAID.

This evaluation report finds that the strategy employed by FIRM during its first five years is well conceived for fulfilling its purpose although it should be more clearly specified.

3. Adjust Instrument. The various instruments available to implement FIRM have strengths and weaknesses deriving from a few attributes of their design. Some of these attributes must be simply accepted or rejected, but most can be adjusted to mitigate weaknesses. The attributes relevant to redesign of FIRM include:

1. duration of project,
2. whether work is competed,
3. whether a contract, grant or a cooperative agreement is used, and
4. whether an academic institution or a consulting firm is used.

Projects which commit USAID resources for relatively long periods, say five years or more, enable the contractor, grantee or cooperator to make relatively long-term investments, such as hiring and training staff. Performance during the latter period of a long-term arrangement is more predictable. This provides an advantage when coordinating with other projects or when making marginal adjustments to the principal project. A long-term arrangement also incurs less management cost by USAID. With the reduced role of USAID, however, there is less incentive for the recipient to pursue USAID goals in a long-term arrangement. Clearly a long-term commitment also constrains the ability of USAID to adjust the project in the short term.

Contracts and related instruments are offered by USAID for competition except where a potential contractor has unique capabilities that justify avoiding the expensive, lengthy and risky competitive process. A competition waver substitutes the judgement of project designers over the judgement of the competitive process. The competitive process can generate ideas from applicants that the original project designers never envisions and some ideas might even be adopted from losers of the competition. The Federal Grants and Cooperative Agreement Act and USAID directives encourage the use of competition in grant awards wherever feasible (GAO 1993, p. 18).

Failure to compete tends to lead to long-term relationships with USAID in areas where USAID is a major source of funding, as it is in rural finance research. The fact that an institution is supported by USAID strengthens that institution, enhancing its unique capabilities to service USAID. Thus the problems and benefits of long-term contracts might follow from failure to compete.

Contracts are effective in eliciting rapid and precise responses. Cooperative agreements are more flexible. They allow the researcher a greater role in identifying problems and methods for study. They also allow the researcher to better respond to changes over time. Cooperative agreements may serve goals of the cooperating institution in addition to the explicit goals of USAID.

The needs of missions for relatively rapid and precise research and related forms of technical assistance can be served through a basic ordering agreement in lieu of the add-on's employed during the first half of FIRM. If add-on's are no longer acceptable under new USAID guidelines, another mechanism for mission participation in research design is essential.

This evaluation report finds that the instruments employed by FIRM should be adjusted to offset inadequacies in two major areas:

- 1. They fail to assure research that establishes academic leadership by the cooperator in the field of rural finance.**
- 2. They fail to integrate research on rural finance with research on other factors of production.**

To make these adjustments without excessively jeopardizing continued success in other facets of FIRM, the report recommends:

- 1. competition for a new, five-year cooperative agreement among qualified institutions,**
- 2. clearer definition of criteria for evaluating research quality in the cooperative agreement,**

3. **an expanded scope of research,**
4. **a mechanism for responding to specific mission needs, such as a basic ordering agreement or add-on's, and**
5. **improved mechanisms for coordinating rural finance research with research on other factors at USAID.**

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⁶Specific works cited in the text but not listed under References are included in the Publications List of the Agricultural Finance Program at Ohio State University.

Appendix A. Research Projects under FIRM

Location	Dates	Content
Africa	1992-	Reviewed 1,200 items of literature on Sub-Saharan African agribusiness and finance. Collected data for selected case studies of fruit and vegetable sub-sectors.
Costa Rica	1991-	Conducted policy analysis, dissemination, and public debate activities on financial reform and the elimination of the state-owned banks' monopoly on deposit mobilization. Examined the implications of macroeconomic management for the performance of financial institutions. Studied the structure of the banking system, measured costs of intermediation, and designed legal reforms. Explored improvements of prudential supervision and its extension to credit unions and other nonbank intermediaries. Strengthened NGO's with micro-enterprise credit programs.
	1990-91	Examined the role of financial reform in structural adjustment programs and participated in national policy dialogue on economic liberalization.
	1988-90	Studied sources, terms and conditions of the supply of financial services for agriculture. Evaluated the performance of several intermediary types. Provided technical assistance to USAID and other government agencies on policy dialogue about rural financial market policies. Examined the political economy of nationalizing the banking system.
Dominican public	Re- 1982-92	Conducted savings mobilization campaigns and experiments at Banco Agricola and credit unions. Identified major institutional and policy changes, leading to a comprehensive financial reform. Sponsored research projects by Dominican institutions, generating over 200 papers and 14 books. Conducted workshops and participated actively in policy dialogue. Emphasized deposit mobilization, transaction costs, market structure, informal markets, prudential supervision, and macro-economic policies.

Appendix A. Research Projects under FIRM (continued)

Location	Dates	Content
Egypt	1993	Studied several forms of informal finance among employees of Agricultural Bank.
El Salvador	1990-91	Surveyed 2,000 households and firms in rural and urban areas to determine access to formal and informal financial services, terms and conditions, and net creditor and debtor status. Calculated formal and informal financial flows. Analyzed composition of financial assets and liabilities.
The Gambia	1992-93	Conducted comprehensive analysis of financial markets from 1981-91. Qualitative and quantitative data collected from the formal banking system and several informal financial networks including cooperatives, village banks and NGO's. Studied questions on level of financial activity, financial services offered, market niches, clientele served, terms and conditions, and efficiency of financial performance.
Indonesia	1992	Identified the determinants of success in 10 rural financial intermediary systems.
Latin America	1989-90	Reviewed rural finance activities of USAID in Latin America, 1942-90.
Mozambique	1990-92	Generated baseline data on household member participation in land, labor and financial markets in peri-urban area of Maputo. Investigated linkages between formal and informal finance in the Banco Popular de Desenvolvimento.
Philippines	1986-	Conducted comparative study of commercial and rural bank performance. Designed and monitored rural savings experiments. Analyzed financial problems of rural, non-farm enterprises. Collected data on efficiency of formal-informal financial linkages. Completed research on several forms of informal finance in rural areas and the performance of credit unions.

Appendix A. Research Projects under FIRM (continued)

Location	Dates	Content
Philippines	1990-91	Analyzed institutional and financial history of eight unaffiliated credit cooperatives. Determined factors shaping their financial viability. Analyzed viability of 12 credit unions belonging to the National Federation of Credit Unions.
Portugal	1987-	Studied credit unions, farmer cooperatives and farm households in collaboration with the Instituto Superior de Agronomia-University of Lisbon. Analyzed transaction costs, loan recovery and credit rationing of credit cooperatives. Studied financial problems in the Azores.
Zaire	1989-91	Collected and analyzed data on formal and informal finance in the Bandundu and Shaba regions. Reported financial assets and liabilities of farm households. Studied performance of banks and credit unions.

Appendix B. Interviewees for FIRM Evaluation

AFRICA

Atherton, Joan	AID/Africa	Peri-Urban project
Smith, Jay	AID/Africa	Peri-Urban project
Aryeetey, Ernest	U. of Ghana	visiting scholar at OSU
Delgado, Chris	IFPRI	professional peer
Gibson, Ernest	AID/Africa	Agribusiness project
Christopher, G.	AID/Africa	Agribusiness project
Herlehy, Tom	AID/Africa	former Gambia office
Jabara, Cathy	Cornell program	Gambia household survey
Witthans, Fred	USAID/Gambia	
Carr, Benjamin	consultant, the Gambia	

LATIN AMERICA

Crawford, Tom	AID/Dominican Rep.	agricultural officer
Cuevas, Carlos	IDB	former OSU faculty
Feder, Gershon	World Bank	professional peer
Fitchett, Del	World Bank	professional peer
Harriet, Judd	IDB	former USAID, El Salvador
Nilsestuen, W.	AID/LAC	
Zuvekas, C.	AID/LAC	
Adams, Adalgisa	Banco InterAmericano de Desarrollo, Dominican Rep.	
Poyo, Jeffrey	IDB	with OSU in Domominican Rep
Wenner, Mark	Apt Associates	finance researcher
Eduardo Lizano	Academia de CentroAmerica, Costa Rica	

ASIA

Lamberte, Mario	Philippine Institute for Development Studies	
Llanto, Gilbert	Philippine Institute for Development Studies	

EUROPE

Snell, Jim	AID/Europe	future work
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GLOBAL

Johnston, T. David	AID/G/EG/EID	
Steele, Gloria	AID/G/EG/EID	

Appendix C. Questionnaire Used in FIRM Evaluation

Note: The questionnaire sent to USAID missions contained more space for writing responses than the version that follows.

**FINANCIAL RESOURCES MANAGEMENT (FIRM) PROJECT
MID-TERM EVALUATION QUESTIONNAIRE**

I. INTRODUCTION

This questionnaire will be used to provide information in support of the mid-September 1993 mid-term evaluation of the R&D/EID-managed Financial Resources Management (FIRM) project. This questionnaire focuses on (a) the substantive contributions of the FIRM project, (b) project management and administration, and (c) future project activities. Your cooperation in filling out this questionnaire is greatly appreciated.

a. Mission _____ Name (optional) _____

b. Please describe the nature of your exposure/experience with the FIRM Project.

II. SUBSTANTIVE CONTRIBUTIONS OF THE FIRM PROJECT

A. Quality and Quantity of Project Services

1. What kinds of services has the Project provided in your country/office?

- _____ Short-term field research
- _____ Long-term field research
- _____ Short-term technical support services
- _____ Long-term technical support services
- _____ Conferences, workshops, training, etc.

2. How have these services been funded?

- _____ All from Mission/Regional Bureau funds
- _____ Mostly through Mission/Regional Bureau funds
- _____ All from R&D/EID funds
- _____ Others

3. Rank your perception of the quality of this Project (5=excellent; 4=good; 3=fair; 2=poor; 1=unable to assess at this time).

- _____ Quality of Ohio State University staff involved
- _____ Effectiveness of FIRM researcher's collaboration with host country institutions/individuals
- _____ Timeliness of services
- _____ Quality of workshops, conferences or seminars
- _____ Quality of training activities
- _____ Quality of technical assistance provided
- _____ Usefulness of technical services provided
- _____ Relevance of research findings
- _____ Overall usefulness to Mission
- _____ Overall usefulness to host country
- _____ Other (please explain)

B. Project Impact and Relevance

1. Describe the most important outputs generated by the Project to date -- such as policy/legislative reforms, new information, recommendations, guidelines, etc. (Please be as specific as possible.)

2. How have the Project's outputs been used by your Mission or Office? (Please check all appropriate items.)

- To inform policy dialogue with host country government
- To collaborate with other donors
- To develop USAID/Regional Bureau program strategy
- To inform on program/project impacts
- To design new projects or programs
- To design or contribute to other research
- Other (please specify)

3. How have the Project's outputs been used by the host country? (Please check the appropriate items.)

- To improve understanding of linkages between formal and informal financial markets
- To improve understanding of the viability of rural financial institutions
- To formulate new rural financial markets development policies or regulations
- To change existing policies or regulations
- To improve research/policy linkages
- To strengthen host country research institutions
- To strengthen and inform staff of local institutions
- Other (please specify)

4. Describe the most important impacts of the Project to date. (Please be as specific as possible.)

5. Who do you think benefitted most from the Project or the research? (Please rank the following beneficiaries with number 1 referring to the one benefiting the most.)

- USAID/Regional Bureau
- Host country
- Other donors (specify) _____
- Ohio State University
- Other researchers
- Other (specify) _____

6. Are/were these benefits consistent with your expectations?
 Yes No (Please provide brief explanation)

7. Has the Project helped address priority concerns of your Mission, as established with the Cooperator at the time the work was undertaken?

a. Yes b. No c. Unable to assess at this time

8. How relevant and useful have the Project's activities been to the needs of host country government and policy makers? (Please check the appropriate item.)

a. _____ highly relevant b. _____ relevant c. _____ somewhat relevant
 d. _____ not relevant e. _____ other (please explain)

9. Rank those factors that contributed to achieving the impacts described above. (5=highly important; 4=important; 3=fairly important; 2=not important; 1=unable to assess at this time)

- _____ Usefulness of research results
- _____ Quality of technical services provided
- _____ Timeliness of product delivery
- _____ Effectiveness in disseminating research findings (meetings, workshops, publications, etc.)
- _____ Ability to work effectively with host country policy and decision makers
- _____ Participation of trained local personnel
- _____ Other (please specify)

10. How relevant and useful have the Project's research activities been to your Mission/Office's needs? (Please check the appropriate item.)

a. _____ highly relevant b. _____ relevant c. _____ fairly relevant
 d. _____ not relevant e. _____ other (please explain)

11. Has the Project helped to strengthen host country capacity to undertake research and/or implement policy reforms related to informal and formal financial markets linkages, the viability and performance of rural financial institutions, and the impacts of financial market regulation and supervision? Please answer by indicating "Yes", "No", "N/A" in each of the boxes below.

Strengthen Host Country Capacity

	Research	Implement Policy Reform
Informal & Formal Linkages		
Performance of Rural Fin. Inst.		
Market Regul. and Superv.		

C. Dissemination

1. How were research results disseminated? (Please check appropriate space(s) below.)

- Workshops/Seminars
- Distribution of printed reports
- Involvement of host country and/or USAID personnel in research
- Other _____
- No dissemination

2. Has the Project disseminated research results effectively?

a. ___ Always b. ___ Usually c. ___ Sometimes d. ___ Never

3. Are research results disseminated in a form that is useful?

a. ___ Always b. ___ Usually c. ___ Sometimes d. ___ Never

4. What steps could be taken to improve the effectiveness of information dissemination?

II. PROJECT MANAGEMENT AND ADMINISTRATION

1. Please rank the following aspects of Ohio State University's management of the Project (1=excellent; 2=good; 3=fair; 4=poor; 5=unable to assess at this time).

- a. Timeliness of responses _____
- b. Financial reporting _____
- c. Logistical arrangements _____
for country visits
- d. Preparation of proposals _____
- e. Overall management _____
- f. Providing appropriate researchers _____
- g. Other comments _____

2. What have been the most significant management, implementation and/or technical problems encountered in carrying out the Project? (Please be as specific as possible.)

3. Has the Project placed too much management burden on the Mission?

a. ___ Yes b. ___ No (please specify and explain briefly)

4. If the answer is "Yes," what, if anything, should be done to reduce the management burden on the Mission?

5. Please assess the R&D Bureau's management of the Project? (Please check appropriate answer.)

a. ___ Excellent b. ___ Good c. ___ Fair d. ___ Poor
e. ___ Unable to assess at this time

IV. FUTURE PROJECT ACTIVITIES

1. Should R&D Bureau central support for a project addressing financial market issues continue?

a. _____ Yes b. _____ No c. _____ Unable to assess at this time

2. If the answer above is "Yes," are there critical issues in the area of financial markets not currently being addressed that the Project should address in the future?

a. _____ Yes b. _____ No c. _____ Unable to assess at this time

3. If the answer to the above is "Yes," please indicate the substantive issues or topics that should be addressed.

4. In your opinion, over the next 5 years, which of the following do you foresee your Mission or Office requiring from the Project?

- _____ Mostly/all research
- _____ Mostly/all technical assistance
- _____ Both research and technical assistance
- _____ Conducting workshops, seminars, conferences
- _____ No more assistance from the Project
- _____ Unable to assess at this time

5. What, if any, improvements would you like to see in the nature of the services provided by the Project? (please describe)

6. Please add any additional comments you would like to make.

Appendix D. Conferences Sponsored Under FIRM
(attendance indicated in parentheses)

Seminar on Financial Intermediaries in the Rural Sector, Manila, Philippines, September 1988 (100).

Seminar on Macroeconomic Management, La Romana, Dominican Republic, June 6-8, 1989 (30).

Seminar on Informal Financial Markets in Development, Rosslyn, Virginia, October 18-20, 1989 (150).

Seminar on Financing Small and Micro-enterprises, San Jose, Costa Rica, October 21, 1989 (100).

Planning Workshop for Peri-Urban Project, Washington, DC, October 23-24, 1988 (20).

Conference on Economic Policies in Costa Rica, San Jose, Costa Rica, March 29-31, 1990 (350-450).

Conference on Flows of Information in El Salvador and Relationship to Monetary Policy, San Salvador, El Salvador, September 20-24, 1990.

CIRAD/OSU Seminar on Finance and Rural Development in West Africa, Ouagadougou, Burkina Faso, October 21-25, 1991 (160).

Universidad Católica/OSU Conference on Credit Programs and Strategies for Agricultural Development, Santiago, Chile, December 3-4, 1991 (100).

Seminar on Financial Market Reform, Santo Domingo, Dominican Republic, March 15, 1991 (150).

Workshop on the Dynamics of Rural Development, Manila, Philippines, August 1991 (40).

OSU-WOCCU International Seminar on Credit Unions and Financial Reform, Santo Domingo, Dominican Republic, February 7-9, 1992 (150).

Seminar on Agricultural Development Banks, Santo Domingo, Dominican Republic, June 26, 1992 (100).

Seminar on Research on Financial Markets, San Jose, Costa Rica, July 20, 1992 (60).

Appendix D. Conferences Sponsored Under FIRM (continued)

Seminar on Financial Reform and Prudential Supervision, San Jose, Costa Rica, July 21-22, 1992 (100).

Seminar on Financial Reform Issues, San Jose, Costa Rica, August 25, 1992 (150).

Seminar on Prudential Supervision of Credit Unions, San Jose, Costa Rica, December 17, 1992 (80).

WOCCU-OSU International Seminar on New Views of Credit Unions, Guatemala, March 24-26, 1993 (250).

Finance 2000 - Financial Markets and Institutions in Developing Countries, Washington, DC, May 27-28, 1993 (100).

Workshop on Financial Market Reform, Banjul, The Gambia, June 21-29, 1993 (40).

Workshop on Egypt Research, Cairo, Egypt, June 24, 1993 (80).

Seminar on the Costs of Financial Intermediation, San Jose, Costa Rica, July 16, 1993 (50).

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Appendix E. Conferences Attended under FIRM

Date	Country	Personnel	Activity
9/93	Ecuador	Gonzalez-Vega	Lectured on prudential supervision at INCAE program.
9/93	Mexico	Adams, Gonzalez-Vega	Presented papers on rural finance at seminars sponsored by Ministry of Finance.
7/93	El Salvador	Gonzalez-Vega	Lectured on policy reform at FUSADES.
7/93	Costa Rica	Gonzalez-Vega	Organized a seminar on the costs of financial intermediation and presented a paper.
7/93	Guatemala	Gonzalez-Vega	Gave a lecture on policy reform at CIEN.
6/93	Costa Rica	Gonzalez-Vega	Lectured on financial reform at INCAE.
6/93	Ecuador	Gonzalez-Vega	Lectured on financial reform at INCAE program.
3/93	Guatemala	Gonzalez-Vega, Chaves	Presented papers on financial reform, credit unions, and prudential supervision at WOCCU-OSU seminar on new views of credit unions.
2/93	Egypt	Adams	Seminar on new directions for Agriculture Bank.
1/93	Bolivia	Gonzalez-Vega	Presented seminar on microenterprise financing at Banco Sol.
1988-93	General	Adams	Conducted course on rural financial markets in the Economics Institute, Boulder, Colorado.

Appendix E. Conferences Attended under FIRM (continued)

Date	Country	Personnel	Activity
12/92	Costa Rica	Gonzalez-Vega	Presented a paper at the seminar on normative aspects of prudential supervision and their applicability to credit unions.
12/92	Netherlands	Adams	Presented paper on informal finance at seminar in Wageningen University.
11/92	General	Adams, Meyer	Presented seminars in the World Bank and AID on lending through merchant-client projects.
11/92	Costa Rica	Gonzalez-Vega	Gave two lectures at the seminar on economic policy research in Central America, at INCAE, on regulation and prudential supervision of financial intermediaries.
11/92	Egypt	Adams	Paper/NENARACA on courses in rural finance.
10/92	General	Meyer, Cuevas	Presented summary of research project on agribusinesses and finance in Sub-Saharan Africa in AID.
10/92	Bolivia	Gonzalez-Vega	Presented paper at AID seminar on microenterprise support.
10/92	Costa Rica	Gonzalez-Vega	Presented a paper on financial reform at a seminar on the Costa Rican financial model, organized by the Association Nacional de Fomento Economico.
10/92	Panama	Gonzalez-Vega	Presented paper on policy reform at seminar organized by the International Center for Economic Growth.
9/92	Germany	Adams	Presented paper on informal finance at seminar sponsored by GTZ on successful rural credit activities in low income countries.

Appendix E. Conferences Attended under FIRM (continued)

Date	Country	Personnel	Activity
8/92	General	Graham	Presented a paper at the International Conference on agricultural development policy options for Sub-Saharan Africa, Sasahawa Foundation, Arlie House, Washington, D.C.
8/92	General	Meyer, Nagarajan	Presented paper on assessment of the role of informal finance in the development process at the International Association of Agricultural Economists meeting in Tokyo.
8/92	General	Meyer	Presented paper on topic of commercial bank and agricultural development bank efficiency at the American Agricultural Economics Association meeting at Kansas State University.
8/92	General	Meyer	Presented paper on loan repayment in rural financial markets at the International Association of Agricultural Economists meeting in Tokyo.
8/92	China	Adams	Presented paper on the role of rural finance in development at a meeting of agricultural economists.
8/92	Costa Rica	Gonzalez-Vega	Presented a paper on financial reform at a seminar on current financial issues, sponsored by the Costa Rican Bankers Association.
7/92	General	Meyer, Graham	Presented paper on agribusiness finance in Africa at the AID Conference on Agricultural Marketing and Agribusinesses in Africa in Baltimore.
7/92	Costa Rica	Gonzalez-Vega	Presented a paper at a seminar on financial reform and prudential supervision.

Appendix E. Conferences Attended under FIRM (continued)

Date	Country	Personnel	Activity
6/92	Costa Rica	Gonzalez-Vega	Presented a paper at the seminar on institutional roots of economic policy in Costa Rica, sponsored by the IRIS project, University of Maryland.
6/92	Dominican Republic	Gonzalez-Vega	Organized the International Seminar on Financial Reform and the financing of the Agricultural Sector and presented a paper.
5/92	Indonesia	Gonzalez-Vega	Gave a lecture on Indonesia's rural financial markets.
3/92	Indonesia	Gonzalez-Vega	Presented paper at AID regional Conference on small and microenterprise development, on lessons from the past and challenges for the future.
3/92	Germany	Gonzalez-Vega	Presented paper on financial reform and microenterprise finance at Raiffeisen Center in Bonn.
2/92	Dominican Republic	Gonzalez-Vega	Organized the International Seminar on Credit Unions and Financial Reform, and presented a paper.
12/91	Dominican Republic	Gonzalez-Vega	Lectured on Lessons for the Dominican Republic of Financial Reform in Costa Rica, at the Central Bank.
11/91	General	Gonzalez-Vega	Member of panel on microenterprise finance at IDB seminar on financial reform in Latin America, Washington, D.C.
11/91	Mozambique	Graham	Reported findings of OSU base-line survey of land, labor and financial markets in peri-urban area of Maputo, Mozambique to officials of National Planning Commission of the Govt. of Mozambique.

Appendix E. Conferences Attended under FIRM (continued)

Date	Country	Personnel	Activity
11/91	Mozambique	Graham	Presented findings of base-line socio-economic survey of peri-urban region of Maputo, Mozambique at Centre for the Study of African Economies, University of Oxford.
10/91	General	Graham	Presented summary address to CIRAD/OSU seminar on finance and rural development in West Africa, University of Ouagadougou, Burkina Faso.
10/91	General	Cuevas	Co-organized seminar on finance and rural development in West Africa, University of Ouagadougou, Burkina Faso.
10/91	Costa Rica	Gonzalez-Vega	Lectured on a program of economic policy reforms for Costa Rica, for the Coalicion Costarricense de Iniciativas de Desarrollo.
10/91	Costa Rica	Gonzalez-Vega	Presented a paper at the Seminar on Cooperative Development in Costa Rica, sponsored by FEDECREDITO, on savings and rural development.
9/91	Dominican Republic	Gonzalez-Vega	Participated in the Seminar on Structural Adjustment and Agricultural Policy Reforms, jointly sponsored by the Instituto Superior de Agricultura (ISA) and the Agricultural Policy Studies Unit (UEPA) of the Ministry of Agriculture.
9/91	Dominican Republic	Gonzalez-Vega	Participated in a workshop organized by the Universidad Catolica on Structural Adjustment and Macroeconomic Policy Management in the Dominican Republic, and presented a paper on the Role of the Financial Sector in a process of Structural Adjustment.

Appendix E. Conferences Attended under FIRM (continued)

Date	Country	Personnel	Activity
8/91	Honduras	Gonzalez-Vega	Presented a paper on microenterprise finance at seminar organized by FUNADEH.
7/91	Costa Rica	Gonzalez-Vega	Lectured on Finance and Development at the INCAE Central American Workshop on Economic Policy Design, sponsored by the World Bank.
7/91	Costa Rica	Gonzalez-Vega	Lectured on the viability of microenterprise credit programs, sponsored by the Ministry of Labor, ACORDE, and the Association of PVOs.
5/91	Costa Rica	Gonzalez-Vega	Presented a paper at the Regional Security Conference on Political and Economic Reconstruction in Central America, sponsored by the International Institute for Strategic Studies, London, and the Center for Political Research and Training, in San Jose, on Central America: Prospects for Economic Development and Integration.
4/91	General	Gonzalez-Vega	Presented paper on rural finance and the macroeconomic environment at the Fifth Technical Consultation on the Scheme for Agricultural Credit development, FAO, Rome.
4/91	General	Meyer	Presented a paper on rural finance research priorities at FAO, Rome and the University of Oxford.

Appendix E. Conferences Attended under FIRM (continued)

Date	Country	Personnel	Activity
3/91	Dominican Republic	Gonzalez-Vega	Organized a seminar on financial Market Reform and the Liberalization of Interest Rates: Examples from Rural Financial markets, at the central Bank of the Dominican Republic and presented a paper on the Purposes of financial Market reform in the Dominican Republic.
2/91	Costa Rica	Gonzalez-Vega	Participated in the seminar on the perspectives on the liberalization of the basic grains market in Costa Rica, sponsored by USAID, the Technical Assistance Project for Agricultural Development in Central America of the World Bank (RUTA), and the Ministry of Agriculture.
2/91	Ecuador	Gonzalez-Vega	Lectured on rural financial markets at INCAE program.
10/90	General	Gonzalez-Vega	Participated in GEMINI workshop on microenterprise finance, Washington, D.C.
9/90	General	Gonzalez-Vega	Presented paper at World Bank conference on temporary trade shocks, Oxford University.
9/90	Costa Rica	Gonzalez-Vega	Gave four lectures at INCAE, on macroeconomic management, for the Costa Rican Government's economic advisors.
9/90	El Salvador	Cuevas, Graham	Presented findings to government and business leaders in El Salvador on study of flows of informal finance in El Salvador and relations to monetary policy.
8/90	General	Meyer	Presented a paper on analyzing the farm level impact of agricultural credit at the American agricultural Economics Association meeting in Vancouver.

Appendix E. Conferences Attended under FIRM (continued)

Date	Country	Personnel	Activity
7/90	Costa Rica	Gonzalez-Vega	Gave three lectures at INCAE on financial markets and macroeconomic management, to experts from the Central American region.
6/90	Dominican Republic	Gonzalez-Vega	Organized and presented two papers at the Workshop on Macroeconomic Management in the Dominican Republic.
5/90	General	Meyer	Presented a paper on transaction costs of financial intermediation at the UN Conference on Savings and Credit for Development in Copenhagen.
5/90	Costa Rica	Gonzalez-Vega	Lectured on adverse selection in rural financial markets at INCAE.
3/90	Costa Rica	Gonzalez-Vega	Presented a one-day Workshop on Sources of Agricultural credit, for the staff of the Banco Nacional de Costa Rica.
3/90	Costa Rica	Gonzalez-Vega	Presented papers at the Conference on Economic Policies in Costa Rica.
12/89	Honduras	Gonzalez-Vega	Presented paper on financial services as a development factor at workshop on the role and financing of cooperative enterprises, sponsored by WOCCU.
11/89	Costa Rica	Gonzalez-Vega	Gave a Seminar on the Sources of financial Services for Costa Rican farmers, for representatives of the private and state-owned banks.
10/89	General	Gonzalez-Vega	Participated in workshop on problems of bank supervision in a commodity dependent economy, organized by the Sequoia Institute, Washington, D.C.

Appendix E. Conferences Attended under FIRM (continued)

Date	Country	Personnel	Activity
10/89	General	Gonzalez-Vega	Delivered W.I. Myers lecture at Cornell University, on foreign assistance and financial markets in developing countries.
10/89	General	Adams, Cuevas, Graham, Meyer	Presented papers at the seminar on informal financial markets in development in Rosslyn, VA.
10/89	Costa Rica	Gonzalez-Vega	Organized a Workshop on the Promotion of small and Microenterprises and present a paper.
10/89	Costa Rica	Gonzalez-Vega	Organized and participated in a three-day Workshop on Applied Macroeconomics, for the junior faculty of the School of Economics, University of Costa Rica. Lectured on the new political economy and on temporary trade shocks.
9/89	General	Gonzalez-Vega	Gave a two-day seminar on building durable financial systems for AID in Washington, D.C.
9/89	General	Meyer	Presented papers on rural non-farm employment and finance for non-farm enterprises at the APO Conference on rural Employment in Tokyo.
9/89	Dominican Republic	Gonzalez-Vega	Organized and gave a seminar for the staff of the Banco Agricola on the Viability of Agricultural Development Banks and Access to Rural financial Services.
8/89	General	Meyer	Presented paper on functional form and the demand for rural deposits in Bangladesh at the American Agricultural Economics Association meeting in Louisiana.

Appendix E. Conferences Attended under FIRM (continued)

Date	Country	Personnel	Activity
8/89	Kenya	Adams	Presented a paper on informal finance at a World bank seminar.
6/89	General	Gonzalez-Vega	Participated in AID conference on natural resource sustainability and financial markets, Washington.
6/89	General	Meyer	Participated in a panel on institutional reform for a contractor meeting at S&T/RD, Washington, D.C.
5/89	Costa Rica	Gonzalez-Vega	Gave five lectures on rural financial markets to INCAE's MBA students.
4/89	Costa Rica	Gonzalez-Vega	Gave five lectures on rural financial markets at INCAE, to students in their MBA program.
4/89	Costa Rica	Gonzalez-Vega	Organized and participated in a three-day Workshop on Applied Macroeconomics, for the junior faculty of the School of Economics, University of Costa Rica. Lectured on macroeconomic stabilization programs and on bank supervision and regulation.
3/89	General	Gonzalez-Vega	Presented paper at World Bank workshop on macroeconomic management and long-term growth, in Mexico City.
3/89	Costa Rica	Gonzalez-Vega	Organized and participated in a three-day Workshop on Applied Macroeconomics, for the junior faculty of the School of Economics, University of Costa Rica. Lectured on interest rates and on finance and growth models.
3/89	Costa Rica	Gonzalez-Vega	Presented a one-day workshop at the Central Bank of Costa Rica on the Sources of Financial Services for farmers in Costa Rica.

Appendix F. Short-term Assistance under FIRM

Date	Country	Personnel	Activity
..... for USAID			
1988-92	general	Gonzalez-Vega	Member of the Advisory Committee to the Administrator of AID on Microenterprise Development.
10/92	Bolivia	Gonzalez-Vega	Consulted on microenterprise finance.
1988-93	Costa Rica	Gonzalez-Vega	Studied the impact of the crisis on the performance of the banking system and on financial management.
1983-92	Dominican Republic	Gonzalez-Vega	Advised on rural financial market policies.
9/91	Honduras	Larson	Investigated the informal financial sector.
7/89	Honduras	Larson	Evaluation of credit union project.
5/92	Indonesia	Gonzalez-Vega, Chaves	Evaluated 10 rural finance programs.
6/93	Madagascar	Meyer	Reviewed proposed financial sector project.
7/91	Nicaragua	Larson	Study of marketing and credit linkages.
3/90	Nicaragua	Larson	Financing constraints of importers.
5/93	Uganda	Adams	Assess credit project for ag. export promotion.
1992	General	Chaves, Gonzalez-Vega	Wrote paper on regulation and supervision of microenterprise finance organizations under GEMINI Project at USAID.

Appendix F. Short-term Assistance under FIRM (continued)

Date	Country	Personnel	Activity
..... for USAID and DAI			
6/90	Ecuador	Meyer	Studied financial issues of microenterprises
..... for Asian Development Bank			
1990	Asia	Adams	Prepared chapter on informal finance.
7/89	Philippines	Adams	Consult on informal financial study.
..... for InterAmerican Development Bank			
1992	Latin America	Gonzalez-Vega, Chaves	Evaluated microenterprise credit programs in Colombia, Paraguay, Mexico and the Dominican Republic. Prepared policy guidelines for Board of Directors.
1990	Latin America	Gonzalez-Vega, Graham, Poyo, Aguilera	Conducted studies of the viability of three agricultural development banks (Costa Rica, Dominican Republic, Ecuador).
8/93	Paraguay	Chaves	Evaluated microenterprise organization.
7/90	Paraguay	Larson	Evaluated microenterprise credit project.
..... for IFAD			
7/92	General	Meyer	Led discussion session for IFAD staff on rural financial policies for Africa.
..... for World Bank			
1992	General	Cuevas	Helped conceptualize research project on enterprise development in Sub-Saharan Africa.

Appendix G. Summary of Questionnaire Responses

	Uganda	Bolivia	The Gambia	Egypt	Mozambique	Costa Rica	Madagascar
service provided	short-term, technical support	short-term conferences	short-term fieldwork, technical support, and conferences	short-term research, conferences, and consultation	long-term research in peri-urban and informal markets	long- and short-term technical support and conferences	short-term technical support
quality rating*	3/4	4	4	high	4	3/4	3/4
usefulness rating*	3		4		3/4	3	4
use to mission	informative, collaborative, helped in project design	informative	prepared action plan, assisted policy dialogue, collaborated with donors		useful interim and final reports	fairly relevant	excellent
use to host country	revealed formal/informal links, viability of institutions, policy formation	offered lessons from other countries	revealed formal/informal links, viability of institutions, policy formation, and strengthened local institutions	clarified key issues, assisted in action plan, and strengthened local research capacity	assessed links among sectors, viability of institutions, and regulation; questioned OSU role.	influenced policy, and strengthened local research capacity	extremely helpful in institution building

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Appendix F. Short-term Assistance under FIRM (continued)

Date	Country	Personnel	Activity
..... for World Bank (continued)			
8/92	Bangladesh	Adams	Advised on design of rural finance project.
3/91	Bolivia	Adams	Conducted an assessment of rural financial markets. Gave seminars in USAID and the Ministry of Planning.
1990	Brazil	Cuevas, Graham, Meyer	Assisted Brazilian university to design a rural finance study.
3/93, 7/93	Mozambique	Larson	Investigated informal financial sector.
12/91	Russia	Adams	Assess rural finance problems in Russia.
8/91	Uganda	Adams	Sector assessment of rural finance system.
..... for the Food and Agriculture Organization, U.N.			
1992-93	Egypt	Adams	Advised on restructuring Egypt's Agricultural Bank.
..... for the Foreign Service Institute, State Department			
1983-93	General	Gonzalez-Vega	Taught three-day courses on development finance to mid-career State economists.

Appendix G. Summary of Questionnaire Responses (continued)

	Uganda	Bolivia	The Gambia	Egypt	Mozambique	Costa Rica	Madagascar
beneficiaries	USAID host country		host country; not yet impacted at people level	host country	certain financial institutions, other donors, host country, USAID	host country, other donors, OSU, USAID	
met USAID priorities	yes				yes, met all expectations	yes, relevant, high quality	yes, highly relevant
dissemination	used local personnel			not yet	USAID reports, involved host country	USAID reports, workshops, books, newspapers	
areas for improvement						link theory with practice, update project data	long-term planning used sub-contract
impacts			high quality, very useful, timely	results contra- dict beliefs of certain donors and local officials	useful, high quality research; assisted local staff, affected policy reform	policy advice, donor collabor- ation, evaluated financial insti- tutions	

*4 = excellent, 3 = good, 2 = fair, 1 = poor