

***Evaluation
of the
Financial Services Volunteer Corps
(FSVC)
Project in Russia***

Prepared by

***the CARANA Corporation
Dr. Mack Ott, Team Leader
Dr. Inna Guseva
Gerald Wein***

Prepared for

***Office of Program and Project Development
USAID Mission to Russia
Task Order No. OUT-PCE-I-808-97-00014-00***

February 29, 2000

Table of Contents

Executive Summary.....	i
Acronyms	iv
I. Introduction	1
A. Purpose of this Evaluation	1
B. Evaluation Methodology	2
C. Evaluation Team Members	3
D. Organization of this Report	3
E. Acknowledgements	4
II. Background	5
A. About FSVC	5
B. About the FSVC Russia Project	6
1. Organization, Staffing and Leadership	6
2. Projects (Activities): Number and Types	7
3. Key Technical or Functional Areas	7
4. The Identification and Selection of Specific Activities	8
5. Financial Arrangements: Who Pays for What	9
6. Relationship with USAID	9
C. Key Evaluation Issues	10
1. Strategic Focus	10
2. Quality of Assistance	10
3. Continuity	10
4. Impact	10
III. Findings	11
A. Strategic Focus	11
1. Strategic Planning and the Assessment of Impact	11
2. Activity (Project) Selection Mechanisms	12
3. The Role of the Regional Office in Samara	13
B. Quality of Assistance	13
1. Leadership and Staff	13
2. Selection of Volunteers	14
3. Clarity of Assignments	14
4. Length and Timeliness of Activities	14
5. Preparation of Volunteers	15
6. Support for Volunteers	16
7. Internal Self-Assessment Mechanism	16
8. Relationships with Counterparts	17
9. Counterpart Satisfaction	18

C.	Continuity	18
1.	Indications from FSVC Reports	18
2.	Sources of Continuity.....	19
3.	Interviews with Counterparts	20
4.	Survey Results	20
5.	Overview.....	21
D.	Impact.....	21
1.	Evidence from FSVC Reports	21
2.	Evidence from Interviews with Counterparts	22
IV.	Conclusions and Recommendations.....	25
A.	Conclusions	25
B.	Recommendations.....	26

ANNEXES

1. Evaluation Scope of Work
2. Interviewees by Institution of Affiliation
3. FSVC Comprehensive Russia Project List
4. Volunteer Survey Instrument
5. Summary Analysis of Volunteer Survey
6. Key Questions for Counterpart Interviews
7. Biographic Information on the Evaluation Team Members
8. Procedures for Briefing Volunteers

Executive Summary

The Financial Services Volunteer Corps (FSVC) is a not-for-profit 501c.3 organization that provides U.S. financial market expertise to strengthen the financial markets and institutions of former Socialist and developing countries. FSVC is managed by a full-time professional staff headquartered in New York and by in-country resident staff, and technical assistance is provided primarily by American volunteers. Unlike organizations that rely on volunteers who are either relatively young and inexperienced or retired seniors, FSVC selects volunteers from among experienced practitioners currently holding senior positions in U.S. financial institutions, law firms and regulatory agencies.

FSVC has operated a program in Russia since 1992. During the 4.75-year period covered by this evaluation, January 1995 through September 1999, FSVC volunteers and staff carried out 221 project activities, approximately 46 per year. Activities included travel to Russia to provide seminars, workshops and consultations (56%); U.S.-based commentaries on proposed Russian legislation or regulations (33%), and U.S. study tours for Russians (11%).

FSVC's program in Russia has focussed on strengthening the functions of the Central Bank of Russia (36%), improving payment systems (25%), strengthening commercial banks (21%), and building capital markets (17%). Another key cross-cutting theme has been developing the legal infrastructure of the financial system. As the program responds to requests from Russian institutions (i.e., is highly *demand-driven*), the relative emphasis among these areas and the specific activities undertaken within each area are essentially determined during the course of week-to-week implementation.

The evaluators found that FSVC's New York headquarters did an excellent job of setting policy, recruiting volunteers and providing leadership to the program. To maintain contact with counterparts, generate and assess requests for services and to support volunteers, FSVC operates an office in Moscow and, since early 1999, an office in Samara. The Samara office has been critical to opening up that region to FSVC assistance. The evaluation found that these offices are staffed with competent individuals who are playing an effective managerial and administrative role in supporting the FSVC program. The report raises the possibility of augmenting the technical role of these offices in the future.

USAID/Russia support during the period covered by the evaluation totaled approximately \$6.9 million. The program also received substantial non-cash contributions in terms of the time of its volunteers. Factoring in this in-kind contribution, the program's economic or real costs totaled approximately \$17.6 million.

As compared with other development programs, FSVC has utilized a very large number of technical assistance providers (228) whose typical stay in-country is short (averaging less than five workdays in evaluation team's survey). Because of these factors, characteristics such as the clarity of assignments, the quality of personnel selection (matching the volunteer to the job to be done), the adequacy of volunteers' preparation and staff efforts

to tie discrete assignments together become exceedingly important to the program's ability to achieve impact. On the basis of extensive interviews with counterparts and a sample survey of volunteers, this evaluation found that FSVC is carrying out these functions very well. The quality of volunteers provided has been outstanding. Volunteers overwhelmingly felt comfortable with their assignments, and counterparts found them well qualified. Despite the fact that many volunteers are going to a new and difficult environment to carry out their first overseas assignment, they reported feeling well briefed and very well supported by FSVC's support systems.

The many Russians interviewed for this evaluation were extremely positive about FSVC assistance. FSVC is perceived as highly responsive and fast moving. There is widespread appreciation for the fact that FSVC volunteers are successful practitioners, taking time out of busy professional schedules and advising on activities that they carry out on a daily basis. Counterparts seem to see FSVC volunteers as more independent and objective than other technical assistance providers, who (not necessarily correctly) are often seen as representing the philosophy and economic policies of a particular country or international donor. As a result, FSVC enjoys a high level of credibility and has unusual access to senior decision-makers.

Because FSVC assistance is essentially demand-driven, the program has fewer clearly defined objectives and associated benchmarks to assess impacts than many USAID programs. Reporting focuses largely on the results (outputs) of its numerous discrete assignments, providing only a cursory description of how FSVC's multiple activities within each technical area are mutually-reinforcing (providing continuity) and how together they have contributed to Russian advances in those areas (impact).

Nevertheless, the evaluation team's findings about continuity and impact (which were based on interviews rather than reporting) were quite positive. On the issue of continuity, the evaluation team found that staff involvement, repeat volunteers, follow-up via email and other factors did provide a significant measure of cohesiveness between the numerous discrete assignments carried out by different volunteers. With respect to impact, interviews with Russian counterparts revealed that FSVC volunteers and staff had made important contributions to Russian institutional improvements and that these were consistent with USAID/Russia's strategic objectives.

As the evaluation team's interviews thus revealed more evidence of strategic thinking, program continuity and impact than was apparent in FSVC's reporting to USAID, FSVC needs to do a better job of systematically reporting on these key program characteristics. Further, the evaluators also believe that continuity and impact could be improved by placing greater emphasis on strategic planning, and by other measures identified in this report's section on recommendations. USAID might also increase FSVC's impact by contracting longer-term assistance that would be complementary to and carefully coordinated with FSVC's shorter-term technical assistance.

The Russian financial sector clearly has a long way to go before it can play the constructive financial intermediation role essential to a growing, free market economy.

The evaluation team believes that FSVC's contribution to the strengthening of that sector merits the continued support of USAID, other donors and the U.S. financial community.

Evaluation of FSVC's Project in Russia

I. Introduction

A. Purpose of this Evaluation

USAID has commissioned the CARANA Corporation to undertake an evaluation of the Financial Services Volunteer Corps (FSVC), focused on its performance in delivering technical assistance to the Russian government and its private financial and capital markets. The evaluation's scope of work requires an objective examination of FSVC's administration of resources made available to it under the series of grants, how the resources FSVC brings to the table have augmented these grants, whether these resources have been effectively applied and, in particular, whether FSVC's stewardship of its grants has advanced USAID's relevant strategic objectives. (A copy of the scope of work is provided in Annex 1.)

The scope of work identifies two of USAID/Russia's strategic objectives (SOs) as being particularly relevant for the evaluation:

SO 1.3, Accelerated development and growth of private enterprise. This objective focuses on alleviating the lack of an entrepreneurial culture, an historic legacy of the 70 years of Soviet governance. Of USAID's efforts under this objective, three are particularly relevant to FSVC activities:

- Providing business training -- particularly marketing and Western management;
- Providing on-site business consulting services;
- Forming sustainable business associations, trade organizations and business support centers.

SO1.4, Improved economic infrastructure to support market-oriented growth. This objective focuses on ameliorating the lack of a clear and well-understood economic policy environment for business. Of USAID's efforts under this objective, four are of particular relevance to FSVC's activities:

- Strengthening the banking sector through training in bank supervision, advisory services, and loan guarantees;
- Improving open markets by assisting Regional Governments to design investment policies that promote more liberal trade and investment regimes;
- Promoting the adoption and use of international accounting standards;
- Supporting the creation of a housing and commercial mortgage market.

B. Evaluation Methodology

The evaluation report is primarily based on the evaluation team's review of pertinent project documents, interviews, and a survey of volunteers. The team reviewed FSVC grant proposals and grant agreements, quarterly reports, the annual report (covering all FSVC countries) and a sample of FSVC's internal evaluations.

The team conducted interviews in Washington, D.C., New York, and four cities in Russia (Moscow, Samara, Novosibirsk and St. Petersburg). During five weeks, from 25 October-20 November 1999, the team interviewed selected FSVC staff, current and former USAID staff, World Bank and IMF staff, and more than 50 counterparts from some 30 Russian institutions. Interviewees in New York were selected based on FSVC's suggestions. Interviews in Washington and in Russia were based on suggestions from USAID and FSVC staff. FSVC staff were extremely helpful in making calls and setting up meetings for the team. FSVC's excellent access to high-level Russian counterparts clearly facilitated the team's ability to interview senior people familiar with the program. With few exceptions, FSVC did not accompany the team to the interviews.¹ Interviews included personnel from the following organizations:

- legislative and regulatory bodies, including the State Duma, Central Bank of Russia (CBR) and its branches in Samara and St. Petersburg (Chief Boards of CBR), the Securities Commission (FCSM), National Association of Broker Dealers, Depository Clearing Company;
- the Directors of Regional banking associations in Samara and St. Petersburg, and the Deputy Director of the Siberian Association ;
- executive officials of Samara region government;
- the representatives of self-regulatory organizations (SROs) and local non-government organizations (NGOs), such as the Head of the Society Union "Financiers Guild" in Samara;
- commercial banks and infrastructure organizations management (depository clearinghouse association, St. Petersburg Stock Exchange).

A list of the individuals interviewed is provided in Annex 2.

For the interviews with counterparts, the evaluation team utilized a set of five basic questions (Annex 6). The team chose this interview technique in order to give respondents ample opportunity to identify issues, strengths and weaknesses in the project.

In addition, the team designed and sent out a questionnaire to a sample of 53 FSVC volunteers. Twenty-seven volunteers completed the questionnaire.² The draft survey

¹ Exceptions were interviews with top-level Russian officials, e.g., Pavel Medvedev, Chairman of Banking Subcommittee, State Duma.

² The questionnaire was designed primarily to assess workshops and consultancies in Russia, not "commentaries" drafted in the U.S. on Russian laws nor FSVC-sponsored trips to the United States. Thus, some volunteers responded indicating that the questionnaire was not relevant given their particular experience with FSVC.

instrument was vetted with USAID and FSVC personnel and field tested during an interview in New York. Recognizing that the target group was composed of busy lawyers, executives and other senior professional personnel, the survey was designed so that volunteers could respond with numerical answers expending little time. This also facilitated the tabulation of results. The survey used a rating scale of 1 –5 with the following meanings:

5 = outstanding; 4 = very good; 3 = satisfactory; 2 = marginal, and 1 = unsatisfactory

Many respondents also provided insightful narrative comments that have enriched this report and will be shared with FSVC.³ Survey results are incorporated throughout the text. A copy of the survey instrument is provided in Annex 4. A summary of the quantitative results is provided in Annex 5.

The sample for the volunteer survey was selected jointly by the evaluation team and FSVC staff. Although the sample included some volunteers from the early years of the project, preference was given to those who had served in the past two years. The team believed that those who served more than two years ago would remember less, making their responses less valid. The evaluation team chose projects (activities) to sample in technical areas roughly proportional to their representation in the universe of FSVC activities. This selection was intended to permit the team to disaggregate the results by technical area; however, the sample size is small, and the similarity of responses across all technical areas made such an exercise unproductive.

C. Evaluation Team Members

CARANA Corporation's three-person evaluation team was headed by Dr. Mack Ott. Dr. Ott is an experienced U.S. monetary economist with substantial NIS experience and extensive experience as both a short-term and long-term advisor. Dr. Inna Guseva, a finance professor at a major Moscow institute, brought firsthand experience with the Russian banking sector and had herself been a participant in two FSVC workshops. Dr. Guseva participated in all of the interviews in Russia. Gerald Wein, an economist and CARANA's evaluation manager, organized the evaluation, participated in selected interviews, conducted the survey of former volunteers and contributed to the assessment of results. Dr. Ott and Mr. Wein drafted this report, with inputs from Dr. Guseva. (Additional information on the team members is provided in Annex 7.)

D. Organization of this Report

Section II of this report presents important background information about FSVC and its project activities in Russia. This information is largely descriptive and is based on FSVC reports and interviews with FSVC staff. Section II concludes with a discussion of four major evaluation issues: strategic focus, the quality of services, continuity in program services, and impact. Section III presents the evaluation findings organized around those four major issues. In some cases, descriptive background information is included in

³ All respondents specifically authorized the team to share their comments with FSVC.

Section III (rather than Section II) to reduce the need to deal with the same issues repeatedly. Section IV presents the team's conclusions and recommendations.

E. Acknowledgements

The evaluation team wishes to thank the many people who contributed their time and effort to this report. The team is particularly grateful to the many Russian government officials and businesspeople and to the U.S. volunteers who took time out of their busy schedules to share their perceptions about the project. These were perhaps the most critical inputs to the report. The team also benefited from hearing the perspective of key World Bank and IMF personnel who have experience in the Russian financial sector and who know the work of FSVC.

Within USAID, the team benefited greatly from discussions with Carol Peasley (Mission Director), Vladimir Medoev and Ann Simmons-Benton (current and past project officers, respectively), Elaine Grigsby (Chief, Office of the Office of Economic Policy Reform), Rick Scott (Program Officer), Robert Posner (consultant on financial sector issues) and from the leadership on evaluation issues of Denis Korepanov (Mission Evaluation Specialist) and his colleagues in the Program Office.

Finally, the team wants to acknowledge the positive, receptive and constructive attitude of FSVC personnel, both in New York and in Russia. FSVC staff demonstrated by their candor, openness and support for the evaluation that they are indeed committed to making their program as effective as possible.

This report benefited from USAID's and FSVC's review of the draft version and their many thoughtful comments, corrections and editorial suggestions. Any remaining errors and/or omissions in this report are, of course, the sole responsibility of CARANA and its evaluation team.

II. Background

A. About FSVC

FSVC is a not-for-profit 501c.3 institution, organized in 1990 at the behest of President Bush to provide U.S. financial market expertise to the emerging market nations of Central Europe. From its inception, FSVC has been intentionally and explicitly bipartisan. Its progenitors were financial market practitioners of long-standing prominence in Wall Street affairs, and each had held senior foreign policy posts -- Cyrus Vance, an attorney, as Secretary of State in the Carter Administration and John Whitehead, an investment banker, as Deputy Secretary of State in the Reagan Administration.

Following the breakup of the Soviet Union in late 1991, FSVC's mandate expanded to include Russia. FSVC's work in Russia is an outgrowth of an effort that began in the summer of 1992, when Gerald Corrigan, then President of the Federal Reserve Bank of New York, led a team of 18 Americans to Russia and founded the Russian-American Bankers Forum (RABF). During this initial foray, the American financial experts helped Russian counterparts to start the government securities market and the wholesale and retail payments system. Technical assistance focused on both the institutions and the legal infrastructure. FSVC's work in Russia since 1992 has covered the gamut from drafting financial market legislation (including the Central Bank Law, Securities Market Law and the equivalent of the U.S. Resolution Trust Corporation, RTC) to advising on organizing securities dealers to providing workshops on various topics for commercial banks.⁴

During the period under review, FSVC managed programs in 23 countries -- Albania, Armenia, Belarus, Bosnia, China, Croatia, Czech Republic, Estonia, Hungary, Indonesia, Kazakstan, Kyrgyz Republic, Latvia, Lithuania, Macedonia, Moldova, Mongolia, Poland, Romania, Russia, Slovakia, Slovenia and Ukraine. Most of these programs receive financial support from USAID. Other institutions that provide financial support to FSVC include the Central Asian-American Enterprise Fund, the Chase Manhattan Foundation, Citicorp Foundation, the Eurasia Foundation, the Andrew W. Mellon Foundation, the Carnegie Corporation of New York and the World Bank.

Headquartered in New York City, FSVC employs a small technical (financial sector), managerial and clerical staff that organizes and oversees operations. In addition, FSVC supports its country programs through field offices. FSVC field staff maintain contact with key counterpart organizations and encourage them to identify areas in which high level U.S. experts might provide short-term assistance.

Most FSVC assistance is provided by highly experienced executives, lawyers and other professionals who volunteer their time. Volunteers are drawn from prestigious Wall

⁴ USAID also financed several larger programs (e.g., through the Harvard Institute for International Development and Barents) that provided technical assistance in these areas.

Street law firms and financial institutions, from similar firms from across the country, and from the Treasury, the Federal Reserve and other government agencies. Because the individuals who serve as volunteers typically are senior level executives, with busy schedules and high salaries, the periods that they are able to serve as volunteers is generally limited to one week. Since volunteers usually continue to draw a regular salary from their U.S. employers while serving as a FSVC volunteer, those employers make a significant indirect financial contribution to the program.

B. About the FSVC Russia Project

1. Organization, Staffing and Leadership

FSVC's program in Russia is managed from New York, and the organization's senior staff, including the Executive Director (Dr. Andrew Spindler) and one of its two Managing Director (Salvatore Pappalardo), are heavily involved in the Russia program. Dr. Spindler, for example, has made approximately 45 trips to Russia during the past five years both in his program management capacity and in substantive advising in commercial bank and payment systems activities. The New York staff develops grant proposals, sets program objectives and makes final decisions on the selection of activities (projects) to be undertaken and volunteers to utilize.

The Moscow office is responsible for maintaining contact with key counterparts, generating project requests, conducting an initial screening of requests and supporting volunteers. With respect to volunteer logistical support, the field offices arrange hotels, translators, in-country transportation; provide needed equipment; resolve logistical problems, set up meetings and make introductions, and reproduce documents. The field staff in Moscow and, starting in early 1999, in Samara provide on-site management support, including initial screening of activity requests, drafting of task requirements, routing of queries through the New York office to appropriate experts in the U.S. and acting as a conduit for technical advisories from New York. The staff, particularly its country manager and the Samara regional director, have developed relationships with senior Russians counterparts who look on these FSVC offices as valuable resources. These relationships, primarily with the Moscow office director, have resulted from FSVC's ability to connect the requesting Russian to appropriate high level advice in the United States on short notice. The similarity in ages between the FSVC staff and many of their counterparts -- both in their late 20s or early 30s -- may contribute to the rapport that has developed.

FSVC has established a regional office in Samara. Although the Samara office has been open only since the beginning of 1999, its director appears to have developed extensive and very productive relationships with a wide array of client groups. In addition to his energy and strong social skills, the director's previous experience in Russia -- he has lived in Russia since 1992, first as a Peace Corps volunteer and subsequently as a businessman -- and his fluency in Russian are strong assets.

Final decisions on activities (projects) are made in New York by FSVC's Management

Committee. This committee, comprised of the organization’s senior staff, meets frequently to review proposals from the field and to identify potential volunteers. While USAID does not review the nominee, the counterpart institution does review the nominee whose credentials are presented by in-country staff.

2. Projects (Activities⁵): Number and Types

FSVC data show that it used 258 volunteers to conduct 188 volunteer “projects” (activities) -- an average of 39 per year -- in or for Russia from January 1995 through September 1999. The total number of FSVC activities swells to 221 – or 46 per year -- if the activities of FSVC staff members are included. (A complete list of project activities is provided in Annex 3.) The principal types or modes of activity include:

- 123 (56%) in-country seminars, workshops and consultations;
- 25 (11%) U.S. study tours;
- 73 (33%) commentaries on proposed legislation and regulations.

FSVC activities are typically of relatively short duration. Volunteers’ visits to Russia to conduct a seminar or to provide advice to Russian institutions are rarely more than a week;⁶ study tours for Russians in the U.S. are generally one to two weeks. Commentaries, i.e., volunteers commenting on proposed legislation or regulation, are of an indeterminate length, as the volunteer may work on such an assignment intermittently over days, weeks, or even months.

3. Key Technical or Functional Areas

In terms of the topical focus of these activities, the distribution can be usefully be divided into four primary categories of financial sector advising:⁷

<u>Functional Area</u>	<u>Volunteers Only</u>	<u>Staff and Volunteers</u>
Central banking	71 activities (38%)	80 activities (36%)
Commercial banking	43 activities (23%)	46 activities (21%)
Payment systems	35 activities (19%)	55 activities 25%)
Capital markets	37 activities (20%)	38 activities (17%)
Other	<u>2</u> activities (1%)	<u>2</u> activities (1%)
Totals	188 activities	221 activities

⁵ FSVC uses the term “project” to refer to each individual overseas assignment, trip to the U.S. and commentary on proposed legislation. In USAID terminology, these would normally be called “activities” or “tasks.” Therefore, in this report, the term “activities” will refer to what FSVC calls its projects.

⁶ Respondents to the evaluation team’s survey whose service included a trip to Russia had averaged four workdays in-country.

⁷ Another valid way of thinking about FSVC’s program would be to show three key functional areas—central banking, commercial banking and capital markets. Under this framework, “payment systems” would be considered a cross-cutting theme. Another important cross-cutting theme in FSVC’s Russia work is “legal infrastructure of the financial system.”

Table 1 below provides further detail on the technical areas in which the project has worked.

Table 1

Projects by Functional Area:

Capital Markets Issues	38
Legal and Regulatory Issues	15
Broker Dealer Operations	7
Market Regulation/Standards/Operations	12
Pension Reform	4
Commercial Banking Issues	46
Accounting	3
Asset and liability Management	4
Banking Services: Credit/Lending	6
Risk Management	14
Strategic Planning/Bankers Assoc	15
Trust and Custody Operations	4
Central Banking Issues	80
Bank Supervision and Rehabilitation	54
Deposit Insurance	7
Monetary Policy and Operations	19
Payments System Development	55
Legal and Regulatory Issues, Clearing	43
Real Time Gross Settlement System	8
Payment Cards	4
Other	2
Total	221

4. The Identification and Selection of Specific Activities

FSVC prides itself that its activities are demand-driven, i.e., activities are undertaken in response to requests from Russian counterpart organizations. To generate these requests, FSVC staff in Moscow, Samara and New York maintain regular contact with a variety of counterparts. At times, FSVC staff indicates consultancies or seminars that they think might be appropriate.

Once a counterpart organization submits a request to FSVC, the field staff makes an initial assessment of its acceptability. They review the proposal's consistency with FSVC programming norms (e.g., whether it could be completed in the short timeframe of an FSVC activity and could be completed by the type of personnel to which FSVC has access) and its consistency with FSVC's view of priorities for financial sector reform. Project activities that pass this initial screening are forwarded to FSVC's New York headquarters for further consideration. In New York, FSVC's Management Committee reviews the proposal carefully to determine whether it is consistent with FSVC programmatic objectives and could reasonably be accomplished as proposed.

5. Financial Arrangements: Who Pays for What

USAID/Russia resources provided from April 1995 through December 1999 total \$6.9 million. Although other donors have provided small financial contributions, USAID has been the predominant source of the program's financial support during this period.

In addition to these cash contributions, U.S. businesses and government agencies make major in-kind contributions through the provision of staff members as short-term FSVC volunteers.⁸ FSVC estimates that these *pro bono* contributions total approximately \$10.7 million, bringing the total *real* or *economic cost* of the program to approximately \$17.6 million. Several of the volunteers interviewed during this evaluation mentioned the manner in which they kept track of the time they devoted to the project, and the team was impressed with the effort that is apparently being made to generate accurate data on donated resources.

6. Relationship with USAID

USAID has awarded FSVC annual grants in Russia since 1992. USAID has utilized annual grants rather than a multi-year grant with annual increments. As indicated above, the focus of this evaluation is on FSVC's work during the 1995-99 period.

Under current USAID procedures, grantees are given considerable latitude to carry out their activities with minimal USAID oversight. In its Russia program, FSVC's priorities have been specified in general terms in an annual grant request. Detailed workplans (such as contractors typically must submit for USAID approval) have not been required (although this has changed now that USAID has switched from a grant to a cooperative agreement mode to support FSVC's program).

Within the bounds of the grant agreements, FSVC has authority to determine what activities to implement. FSVC's periodic reports indicate what activities have been implemented and highlight the results it believes have been achieved. Although FSVC's monthly reports also outline expected future activities, USAID officers reported having been surprised on a few occasions to learn that volunteers were already in-country working on activities about which the Mission did not have advance notice. FSVC efforts appear to have now eliminated this problem.

⁸ A non-American official of one of the international agencies active in Russia noted that his organization's concern about the possible "over-use" of Americans kept him from using FSVC more often, but that, regrettably, no other country had a program similar to FSVC or was likely to start one -- since no other country shares this American tradition of volunteerism in its business community.

C. Key Evaluation Issues

The team has grouped the various issues articulated or implied in the scope of work and those that it heard in interviews into the four broad areas: strategic focus, quality of assistance, continuity and impact.

1. Strategic Focus

As noted above, FSVC's 200+ activities cover four major financial areas and 17 technical areas. Given the relatively large number of activities undertaken by FSVC, the evaluation team was asked to investigate whether FSVC's program has a strategic focus. Has FSVC identified goals and indicators that it hopes will be achieved over the life of the project in each of the key areas in which it works? Does it monitor and report on progress?

2. Quality of Assistance

The key to the quality of technical assistance is the individual(s) providing it. In the case of FSVC's program in Russia, assistance has been provided by an extraordinary 258 individuals, the great majority of whom were volunteers working a week or less. This raises several issues: (1) Is FSVC able to maintain quality control when it has to identify, recruit and prepare such a large number of experts, often on short notice? (2) Do the numerous volunteers provide information that is useful in the Russian environment? (3) Is the duration of individual assignments adequate? (4) Do volunteers have clear assignments, which reflect the needs and expectations of counterparts? (5) Is the timing of assignments appropriate to meet the needs of counterparts? (6) Does FSVC prepare its many volunteers adequately for their assignments?

3. Continuity

FSVC differs in fundamental ways from typical USAID technical assistance projects. Most USAID projects utilize long-term advisors and/or short-term advisors who, compared to FSVC, visit the targeted country for longer periods and return on a number of occasions. As FSVC volunteers typically spend only three to five working-days in-country and may not return, three obvious questions are whether FSVC provides enough assistance on a particular issue to make a difference, the rate of repeating volunteers, and the extent of follow-on consultations once the volunteer returns to the U.S. And, if a large number of experts who do not know one another treat the same subject, does FSVC have a mechanism to ensure that the work of successive volunteers is neither contradictory nor redundant?

4. Impact

In any USAID-financed project, the bottom line is impact, and impact is normally defined in terms of USAID's strategic objectives. Has FSVC clearly stated what objectives it hopes to attain, identified benchmarks to measure progress, and reported on its results against those objectives and benchmarks?

III. Findings

This section is organized around the four principal issues described above.

A. Strategic Focus

1. Strategic Planning and the Assessment of Impact

As noted above, FSVC's work in the financial sector focuses on commercial banking, central banking, payment systems and capital markets.⁹ Within these areas, FSVC monitors developments and shifts its focus to take into account changes in the Russian environment, including frequent change in the Russian personnel holding key positions.

With respect to longer term objectives, FSVC's 1998/99 proposal states that its plans "...flow from our analysis of the current situation in Russia's financial sector, projected needs as financial infrastructure develops, continuing coordination with other technical assistance providers, and an assessment of those areas where FSVC's strategic assistance would be of most benefit." However, the evaluation team found that the 1998/99 proposal provided little analysis, description of needs, clear goals or indication of the contribution that FSVC expects (or hopes) to make toward meeting those goals. The team thinks that FSVC could do a better job of articulating these points, particularly what it hopes to achieve with respect to change. Once long-term goals are clarified, the evaluation team believes that work plans, now required, should be more specific about the level of resources that FSVC would like to devote to each key technical area and the changes that FSVC would hope to stimulate.

Similarly, FSVC's quarterly reports (which USAID and the evaluators noted have improved markedly over the past several years) include statements of the "impact" of each activity. In current reports, the "impacts" identified are typically quite reasonable statements of the results that the activity is thought to have achieved, e.g., introducing new concepts to decision-makers or providing ideas about some activity that might be improved.

While the results reported are important, the real "impacts" that FSVC and USAID presumably have in mind are things such as changes in organizational behavior or in modes of operation. Achieving these kinds of impacts normally requires considerable time and may be the result of many FSVC volunteer activities as well as other types of input. The team believes that it would be useful for FSVC to take a longer view of impact – identifying the impact by technical area that FSVC hopes to see after one or two years (NOT from one or two assignments) and then reviewing annually what progress has been made. Preparing such progress reports might usefully be tied to periodic reviews that FSVC could hold with a small group of key counterparts (and perhaps involving other relevant USAID projects and/or other donors) to assess progress and to plan activities

⁹ Per footnote #7, "payments systems" and "legal infrastructure of the financial systems" are important cross-cutting themes in FSVC's Russia program.

over the coming year.

The team does not believe that identifying specific objectives and reviewing impact in these areas implies that FSVC would cease to be demand-driven. Rather, it suggests that FSVC would encourage and perhaps be most responsive to demand in certain areas. It would also help FSVC to identify substantive impact and to document its real successes.

2. Activity (Project) Selection Mechanisms

In any project, the selection of activities obviously should reflect project objectives. The question to be addressed here is, therefore, how effectively is the FSVC activity selection mechanism? Do FSVC activities clearly reflect the priorities that it has established? The evaluation team finds this, in some regards, a difficult question to answer.

At one level, FSVC's objective is to strengthen the central bank, commercial banks, payment systems and capital markets. If FSVC's strategy is to be responsive to Russian demand for all reasonable activities within that broad set of goals, and FSVC has strongly stated that this is the case, then the activity selection or screening process is not particularly critical. The evaluation team saw ample evidence that FSVC activities are indeed responsive to Russian requests. And, although the evaluation team could not look into the specifics of FSVC's 221 activities, those activities that it did review through its reading of FSVC activity files and interviews with counterparts seemed to make sense and to contribute to those broad financial sector goals.

Project selection takes on a different meaning if FSVC has a vision of the direction the Russian financial sector needs to move. For example, the view (which one FSVC staff member expressed) that Russia is not yet ready to create a deposit insurance institution implies an FSVC organizational view about the direction and sequencing of steps that Russia needs to take. Similarly, by saying "no" to a client's request, as it has done, FSVC is refuting the hypothesis that it is *solely* demand driven and implying the existence of a strategic vision, priorities for and sequencing of the sector's development, and a more rigorous screening of proposals.

In the evaluation team's discussions about the Russian financial system, about FSVC's proposal screening procedures and about FSVC's activities in various sub-sectors or functional areas, FSVC staff exhibited in-depth knowledge about the changes occurring in the financial sector and strong views about its future development. These discussions revealed that FSVC's senior staff, Board members and senior advisors, all of whom have been involved with the Russia program over a number of years, clearly think about and discuss the direction and needs of Russia's financial system and FSVC's assistance strategy. However, because there is little in writing about this, it is difficult for outsiders, including USAID and the evaluators, to assess the clarity of FSVC's vision, its consistency with USAID objectives, whether it is shared throughout the organization, or the extent to which FSVC's program adheres to it.

3. The Role of the Regional Office in Samara

The regional office in Samara gives FSVC access to the policy, financial and commercial institutions in this manufacturing-based region. In a short period of time, FSVC's regional director has developed excellent contacts and, thanks to his ability to respond quickly and to deliver top level assistance, he is sought-after by regional business leaders. This was exemplified during the evaluation team's visit to Samara through interviews with senior personnel from the regional office of the CBR, the regional government and commercial banks.

The evaluation team did not review the question of the importance of a regional program to the overall development of the Russian financial sector. However, to the extent that building a regional program is central to USAID strategic objectives,¹⁰ regional offices would appear to be highly effective.

B. Quality of FSVC Assistance

1. Leadership and Staff

Not surprising for an organization created at the behest of a sitting President and built by a former Secretary and Deputy Secretary of State, FSVC is unique in terms of the caliber of its leadership and access to premier experts willing to provide their services *pro bono*. The leadership at the Board level includes the former chairman of the U.S. central bank, a former co-chairman of Goldman Sachs and an eminent Wall Street lawyer. The executive management of FSVC is headed by a former senior vice president of the New York Federal Reserve Bank, a recognized expert in bank supervision and payment systems, who is able to call on colleagues of similar rank to provide assistance. The management of FSVC should also be recognized for its ability not only to deliver the goods, but to do so with a relatively small staff, each of whom wears several hats as the occasion requires -- manager, expert, or recruiter.

Although field staff are relatively junior, their comparative lack of technical expertise and experience in financial market development relative to FSVC's New York-based experts and volunteer consultants is compensated by their responsiveness and ability to call on FSVC's deep resources in New York. Much work is done through email responses, commentary on draft laws, and coaching based on continuity of relationships developed at very senior levels. The staff is a conduit with supporting resources unique in strength, breadth and responsiveness. Given the breadth of professional expertise that FSVC provides, no single expert could in any case be expert in more than a small percentage of those areas. Some counterparts suggested that it was just as well not to have a technical expert on-site because that would be someone to argue with, not to pass on questions and requests to the U.S.-based experts.

¹⁰ USAID S.O.s 1.3 and 1.4 are summarized on page 1 of this report.

2. Selection of Volunteers

FSVC's access to the U.S. financial community is clearly one of the great strengths of its program. USAID, World Bank and IMF officials with whom the team met consistently spoke of the extremely high quality of FSVC volunteers. The Russians are similarly impressed. Indeed, it is the quality of FSVC staff and volunteers that have gained the unusual access which it currently enjoys – demonstrated, for example, by its ability to meet with the most senior government officials and by the seat that it has on the inter-agency coordinating committee to spur development of the Russian banking system. Indeed, one official of a prestigious international institution commented to the evaluation team that he uses FSVC to gain access to senior officials.

The evaluation team also sought the views of the volunteers themselves as to whether they felt that they were the appropriate people to provide the services that were needed. The great majority of respondents felt their experience was an excellent match with the Russian needs. (Survey question #12: Av. score 4.4)

3. Clarity of Assignments

FSVC volunteers interviewed and surveyed (question #1) for this report indicated in all but three cases (out of 24) that FSVC provided a clear statement of the job that they were to do. Volunteers further indicated (question #2) that those statements of work corresponded very well (av. score 4.1) with the expectations of their Russian counterparts and with their own assessments of the work to be done (Question #3, av. score 4.1).

4. Length and Timeliness of Activities

As noted above, FSVC in-country seminars and consultancies rarely last more than a week. Although the short duration of these programs was mentioned as a concern by some USAID staff and was considered by the evaluation team to be a concern, the evaluation found Russia counterparts generally viewed the length of assignments favorably. Bank managers, for example, noted that they were able to send key personnel to FSVC seminars because they are brief and focused, whereas it would be difficult to free participants for longer programs. (The tension between getting programs to provide needed technical training but not getting the right people to be released to attend them is, of course, a recurrent problem in development programs.)

FSVC volunteers were similarly positive about the length and timeliness of FSVC activities. Respondents to the evaluation team's survey (question #9) indicated that the number of days in-country was generally adequate (av. score of 4.2) to carry out their scope of work, although several did note that an additional day for seminars or consultations would have been useful. Several also noted, however, that extending their trips beyond a week would have been difficult because of the burdens of their regular jobs.

Volunteers also reported that the timing of trips to Russia seemed to meet the needs of their counterparts (Survey question #10: av. score 4.2). When problems of timing occurred, they were often the result of external events (e.g., the financial crisis of August 1998) that diverted the attention of counterparts.

5. Preparation of Volunteers

FSVC volunteers tend to be practitioners, top people in their respective fields and thoroughly familiar with U.S. financial operations. Most have little previous professional experience outside of the U.S. Their time for preparation is limited (although, within those limits, they appear to be very conscientious), and, of course, their time in-country as a technical assistance provider is normally three to five days.

In assessing the adequacy of the preparation of FSVC volunteers, it is important to note that their role is often somewhat different from that of technical assistance providers under other projects. The team's assessment--based on a small number of volunteer interviews, its review of a larger number of FSVC activity files and its understanding of how the program works--suggests that the role of a typical FSVC volunteer is considerably more limited than a typical technical assistance provider under most other USAID programs. In more traditional development programs, one advisor is often expected to assist with the analysis of the host country's situation and the identification of problems, to identify and assess alternative strategies, to facilitate consensus-building, to help in the adaptation of foreign experience to local conditions, and to assist the host country with implementation and evaluation. Of course, this more traditional approach to technical assistance requires a longer tenure on-site by the technical assistance provider than is characteristic of FSVC volunteer activities.

Operating within FSVC's programming mode, the team found that some volunteers and counterparts viewed the volunteers' role essentially as providing information about the functioning of the U.S. financial systems and its institutions, a task for which volunteers require little preparation. One volunteer who viewed her role in this limited fashion, a senior banker who led workshops on credit management, told the evaluators that she felt it would have been presumptuous for her to have addressed Russian issues such as corruption or influence-pressure in loan evaluation, since she had no experience dealing with them. This is not to say that volunteers recommend that the Russians simply copy U.S. systems; indeed, FSVC has pointed to a number of cases in which volunteers explicitly cautioned counterparts that the U.S. model might not be appropriate for Russia. Moreover, some FSVC volunteers clearly take on a broader role; those who make several trips to Russia or comment on multiple drafts of Russian legislation often become quite knowledgeable about the Russian financial system, its institutions and norms and become more involved in the adapting U.S. experience to fit the Russian context.

To help prepare volunteers for their Russian assignments, FSVC provides briefing materials about Russia, its financial markets and the situation into which the volunteers will be placed. These efforts to brief volunteers (described more fully in Annex 8) appear to be quite thorough and conscientiously implemented. One test of FSVC preparation

efforts is how well prepared volunteers felt themselves to be in the Russia environment. The team's survey of former volunteers shows that they rate FSVC efforts highly (question #4: av. score 4.1). Considering volunteers' professional experience as well as FSVC's efforts to brief them, volunteers rated the overall adequacy of their preparation for their assignments somewhat higher (question #5: av. score 4.3).

The evaluation team's interviews with counterparts suggested that FSVC volunteers' limited knowledge/familiarity with Russia is rarely a problem. Counterparts, who typically are well trained and experienced in the vagaries of the Russian system, are satisfied to receive information from volunteers and to assume responsibility themselves for accepting or rejecting it, adapting it as may be necessary. Occasionally, a volunteer's lack of Russia-specific experience or language ability has been a source of bemusement, but counterparts expressed only positive views on the volunteers. As one respondent said, "There are many who know Russia but do not have anything of value to tell us; there are some [like FSVC volunteers] who have much to tell us and of them, few will know the language."

6. Support for Volunteers

FSVC received high marks from former volunteers for the managerial and logistic support they received. Travel, hotel reservations and other logistic support received high ratings (survey question #6; average score: 4.4). Translation services (survey question #7) and FSVC's support to overcome bureaucratic, political or cultural obstacles (survey question #11) each received among the highest average scores (4.7 and 4.8, respectively). Respondents quite consistently indicated (question #15) that, because FSVC provided excellent support, they saw no need to seek additional support directly from USAID.

The five former volunteers that the team interviewed in New York were also uniformly positive in praising the logistical support they received during their activities. The mundane details of airport pickup, hotels, interpreter and transportation seemed to be managed with little stress, contributing to both making the volunteer's experience productive and pleasant. Each of them responded "yes" to the query of whether they would be willing to volunteer again.

7. Internal Self-Assessment Mechanism

FSVC has created an internal self-assessment system that reviews each project activity when it is completed. The system is well organized and reviews the internal processes, from technical assistance request to impact and follow-on activities. The task description and the program are included along with the volunteers' assessment of logistical support. Also included are FSVC comments on how long the recruitment took, where suggestions emanated and whether these volunteers would be suitable for future assignments. Interviews with FSVC staff suggest that these internal reviews are used to identify and correct deficiencies and have resulted in a number of program improvements. Since the reviews are often candid, including occasional observations about weaknesses of volunteers, it is appropriate that they are not distributed outside of FSVC.

8. Relationships with Counterparts

Among the diverse group that the evaluation team interviewed, it was acknowledged by all – counterparts, volunteers, multilateral donors, and USAID -- that FSVC enjoys strong and productive relationships with a broad group of leading Russian public and private sector financial leaders. Judging from the team’s interviews, these relationships seem to result from a number of factors that distinguish FSVC from other advice-giving organizations.

- Because of the influential positions that FSVC volunteers hold or previously held, FSVC has been given unusual access to very senior Russian decision-makers in ministries, regulatory agencies and the central bank.¹¹
- In contrast with officials and consultants from the IMF or the World Bank or consultants from USAID or other organizations, many of whom are certainly well qualified, the Russians seem to view the FSVC’s volunteer experts as independent – with no institutional position that they are expected to represent.
- Unlike the experts that other organizations typically provide, FSVC volunteer experts are not people who make their living as advisors; they are practitioners, and this perhaps contributes to their credibility and to their perceived independence. One volunteer described his role as offering advice on a take-it-or-leave-it basis -- with no proprietary interest or policy objective imbedded in the relationship, simply one of offered expertise.¹²
- Since FSVC’s experts provide their services *pro bono* and their employers are rarely doing business in Russia, Russians are less likely to see them as being there to sell something (e.g., their future services or their firms). As one senior volunteer said, “FSVC uses volunteers, and this seems to matter to the Russians.”
- FSVC has tried to be extremely responsive -- not to be judgmental about requests and to provide volunteers promptly. Finally, although volunteers typically remain only a very short time and may well not return, there has been quite good stability among FSVC senior staff and advisors.¹³

Whatever the combination of reasons, the volunteer-counterpart relationship is rather unique, in some regards resembling a client-attorney relationship.

¹¹ For example, Paul Volcker, former Chairman of the Federal Reserve Board, Gerald Corrigan, former President of the New York Fed, John Douglas, former Chief Counsel of FDIC are three of the prominent FSVC volunteers active in advising the Russian government and central bank.

¹² Interestingly, this method of offering technical assistance, which many development professionals might view as unacceptable, seems to have been turned into an asset by visiting short-term FSVC volunteers.

¹³ Frequently, volunteers addressing legal drafting tasks continue to provide advice by commenting on draft legislation and regulations via email.

9. Counterpart Satisfaction

As previously noted, Russian counterparts consistently provided very positive feedback about the performance of FSVC volunteers and staff. For example, the evaluation team was told by numerous interviewees about the utility and effectiveness of the one-day consultancies at selected banks that typically follow seminar and workshops. Several of the Russians indicated that summaries of lessons learned and hints obtained through those consultancies have been passed on in reporting forums at banker association meetings following the events.

Volunteers who responded to the evaluation survey's query (question #13) about meeting the needs and expectations of counterparts rated themselves somewhat lower (3.9) than they rated most other program attributes. Seven of 24 respondents rated their performance on these criteria as only marginal to satisfactory.

An interesting tribute to the confidence that Russians have in FSVC is the inclusion of FSVC on the Inter-Agency Coordination Committee (IACC) that meets to coordinate assistance activities in the financial sector. FSVC's participation on this committee, comprised of senior Russian officials and representatives of the IMF, the World Bank, USAID, and other multilateral and bilateral donor organizations, is clearly odd and rankles some donor representatives. FSVC, of course, is pleased to have a seat at the table in this prestigious forum.¹⁴

C. Continuity

By continuity, the team refers to the ties between activities. Continuity is what changes 221 discrete activities into a program.

1. Indications from FSVC Reports

The evaluation team found that FSVC reports (quarterly reports, the Russia section of its annual reports, and annual proposals) were well written and did a good job of summarizing individual activities. Reports helped the reader to see what activities had been carried out in each technical area and what each had accomplished. However, FSVC reports do not do a very effective job of summarizing FSVC results over a sequence of activities. They do little to show the relationship of one assignment to another within a given technical area or to show the cumulative effect of many assignments. The synergistic effect of FSVC activities within each area, if it exists, is not obvious.

The question of continuity clearly relates to the question of strategic focus. The team felt that FSVC reports would be more useful if they more clearly explained what FSVC is

¹⁴ The unusual nature of this arrangement is not lost on FSVC leaders. FSVC President John Walker, upon reading a letter from Sergey Dubinin, Chairman of the Central Bank of Russia (CBR), addressed to Michel Camdessus, Managing Director of the IMF, James Wolfensohn, President of the World Bank, and to Paul Volcker, Co-chairman of FSVC, suggested that, "FSVC is like a tricycle working with two tanks."

trying to achieve and then related sets of activities and cumulative results to those goals. It is not clear from reading FSVC reports, for example, that it has a vision or strategy for improving bank supervision nor that the various assignments that FSVC has carried out in that area are tied together in some sort of rational, mutually reinforcing manner. It is thus easy to conclude that FSVC has carried out 200+ activities that, while responding to the felt needs of a plethora of host country institutions, do not represent what USAID would normally consider to be a strategy or a program.

2. Sources of Continuity

Although FSVC reports may suggest a large number of loosely connected activities, interviews with FSVC staff, volunteers and counterparts identified significant signs of continuity across or between assignments. The first and most important source of continuity is FSVC senior staff in New York. Those staff members represent much of the “institutional memory” of the organization. They are familiar with the key counterpart institutions, their capabilities and needs. They know what previous volunteers did, have quite a good sense of what was achieved, and know what next steps make sense. By providing guidance to FSVC field staff and by critically reviewing proposals submitted from the field offices, senior staff direct FSVC efforts to achieve impact across projects. This oversight is aided by the field staff who, given their tenure and close relations with counterparts, provide valuable insights on which activities are appropriate at a particular time.

Second, for a number of the key technical areas, a particular FSVC staff member or senior volunteer provides long-term direction and oversight. Examples include:

- In bank supervision, a recurrent volunteer (John Douglas) is a source of continuity, as are Board President John Walker and FSVC Executive Director Andy Spindler.¹⁵
- In payment systems, Senior Advisor Bill McAndrew provides continuity.
- In the drafting of legislation, several senior legal experts in the FSVC volunteer community comment regularly on drafts.
- On issues of monetary policy and operations to execute it, FSVC Co-Chairman Paul Volcker and Steering Committee member Gerald Corrigan provide continuity.

Third, a significant and increasing share of FSVC’s work is conducted by repeat volunteers and/or by experienced FSVC staff and Board members. FSVC data show that of 258 volunteers that supported the FSVC Russia project during the 1995-99 period, 90 (35%) performed more than one assignment, with some of these working on many assignments. Of 141 volunteers that will have been used on 53 activities in 1999, 41% were repeaters, and 71% of the activities will have had at least one repeat volunteer.

¹⁵ The effectiveness of this informal management of a technical area was noted in the evaluation team’s interview with Michael Fuchs, the World Bank director of bank supervision technical assistance. Fuchs indicated that there had been no lack of continuity in FSVC’s technical assistance on bank supervision, an area that encompasses all three of the FSVC delivery modes – workshops and consulting in Russia, trips to the U.S. and legal commentaries.

Fourth, key Russian counterparts, when they remain in office for sufficient time, provide continuity. For example, Mr. Pavel Medvedev, the Chairman of the Duma Subcommittee on Banking has been key to guiding a series of FSVC efforts to assist Duma members and staff to develop the legislative infrastructure for the financial sector. Laws that have been drafted with FSVC assistance and passed through this subcommittee range from the Law of the Central Bank to, most recently, the legislation creating ARKO, the agency for restructuring failed financial institutions.

Fifth, FSVC's efforts to provide background material to volunteers helps to ensure continuity, i.e., by making volunteers aware of activities that preceded them. Similarly, FSVC's practice of asking volunteers about recommendations for follow-on activities helps to build continuity.

Finally, a considerable number of FSVC's short-term volunteers, even those who make only one visit to Russia, often provide follow-up advice and documents to counterparts. (See Section III.C.4. below.)

3. Interviews with Counterparts

A third perspective on the issue of continuity comes from the evaluation team's interviews with FSVC's Russian counterparts. Most had on-going relationships with FSVC, rather than simply having benefited from one FSVC assistance activity. Several counterparts observed that they had easy access to FSVC through its Moscow office director, Mike Hammes. Others noted that they maintained an on-going relationship with one of the senior U.S.-based FSVC experts, e.g., John Douglas in bank supervision or Bill McAndrew in payment systems. In another case, FSVC utilizes the St. Petersburg Bankers' Association to maintain continuity despite the fact that it has provided a variety of technical advisors. Similar examples were provided in interviews with counterparts from NAUFOR, the St. Petersburg Stock Exchange, and the Open Market Department at the Central Bank.

4. Survey Results

The evaluation team's survey of volunteers (question #20) asked volunteers whether they believed that their specific assignments were "part of a systematic FSVC effort to address weaknesses in a particular part of the Russian financial structure." In asking this question, the team realized that there could be a systematic effort about which volunteers would not be aware. However, the team thought that volunteers might well have been shown reports from previous FSVC volunteers, talked with other volunteers, etc. Of the 25 volunteers who responded to this question, fourteen (56%) responded positively; five (20%) indicated that they felt that their activities were not part of a coordinated program, and six (24%) did not know.

The survey also asked volunteers (question #18) whether they had further contact with Russian counterparts after leaving Russia. Fifteen of the 25 volunteers (60%) who responded to this question indicated "yes," they had sent written materials, provided

advice, or sent comments on draft legislation or regulation. The team believes that these follow-on communications contribute to a sense of continuity and are likely to increase impact, although it seems that in most cases they are considerably short of an on-going relationship.

5. Overview

Continuity between FSVC assignments is a key factor in achieving impact, and the evaluation team found considerable evidence that continuity exists. Nevertheless, without consistent FSVC reporting on this characteristic, the evaluation team cannot determine the adequacy of FSVC efforts in this regard. FSVC needs to improve its reporting system so that any observer (especially USAID) can see how FSVC's many activities fit together.

D. Impact

In any development program, the success or failure to achieve desired changes is almost always the result of both the project and events exogenous to the project, making attribution, the assignment of results to a project, a difficult problem for evaluators. Certainly, this is the case of FSVC and the Russian financial system.

Much has been written in recent months about the Russian political and economic environment. A number of recognized experts have noted, for example, the debilitating effect of the lack of the rule of law and rampant corruption on reform and development efforts. Quite clearly, these underlying phenomena significantly interfere with and weaken the efforts of a project like FSVC.

The banking and capital markets sectors experienced a particularly severe blow in the virtual financial collapse of August 1998. Although weaknesses in bank supervision and lending practices, activities targeted by this project, contributed to that collapse, many of the direct causes were external to these sectors. It is widely believed, for example, that the Russian Government's failure to address fiscal problems and its decision to resort to bond financing at unsupportable interest rates, were the most important factors in this debacle.

In looking for FSVC's impact on creating a stronger financial sector, it is important to consider the over-riding effects of such events. At the same time, it is reasonable to ask whether the banking crisis was less severe because of progress to which FSVC contributed, or to ask whether FSVC is contributing to the rehabilitation of the banking sector. Amidst the insolvent institutions and failed systems, what can we see remaining of the skillful assistance and long hours of work that FSVC volunteers and staff performed?

1. Evidence from FSVC Reports

As noted above, the evaluation team does not believe that FSVC reports do an adequate job of reporting on objectives and results over sequences of activities that should be evaluated in terms of cumulative impact. More interesting results were found in

discussions with counterparts.¹⁶

2. Evidence from Interviews with Counterparts

The team's interviews with Russian counterparts provided many illustrations of the impact of FSVC activities. Some of these cases are summarized in the following paragraphs.

Central Banking. The Law on the Central Bank itself was, like many pieces of Russian financial sector legislation, drawn up with the assistance of FSVC advisors. However, here we consider two other examples, the establishment of the open market operations department and the establishment of the St. Petersburg currency processing facility. (It is interesting to note that in each case the Russian principals are graduates of the ubiquitous special program in 1993 to train Russian bankers in U.S. banking operations, law and customs. Held at the Fairfield Academy, the program was organized by former New York Federal Reserve Bank President Gerald Corrigan.)

Dr. Konstantin Korischenko, Director of the Open Market Department of the Central Bank of Russia, told the team that his department was modeled directly on the open market department of the New York Federal Reserve Bank. Dr. Korischenko explained that Gerald Corrigan was instrumental in helping to establish the Moscow Inter-bank Currency Exchange (MICEX), which became the venue for the first state securities market. JP Morgan government securities market dealers, collaborating with New York Fed open market operators, provided precise assistance in the organizational and operations details for the CBR department's buying and selling of government securities in the secondary market to control the quantity of monetary reserves. FSVC arranged for a special presentation in New York about government securities market operations and then provided introductions to the London market for a similar program. A number of Ministry of Finance technical staff and officials also participated.

In response to a question about continuity of technical assistance, Dr. Korischenko was effusive in his praise. "We were like a baby learning to walk," so that, at first, assistance had to be precise and very directed. Later, "We were like a child learning to ride a bicycle," so that the parent had to let go. "Now, we are like a university student, needing only to be directed to where in the library we can learn for ourselves." In summary, FSVC's assistance has been supportive, appropriate and not over-bearing.

The other concrete example of FSVC impact on a central bank institution is, quite literally, concrete. The St. Petersburg currency processing facility is an exact duplicate of the New York Fed's facility in South Rutherford, New Jersey. Mr. Dmitri Y. Lebedev, Deputy Head of the CBR St. Petersburg branch explained that the routines for currency grading, distribution and culling were copied from the New York Fed procedures.

¹⁶ FSVC has asked that it be noted that its policy is to be circumspect with regard to claiming credit for achievements, preferring to give credit to the Russians for any progress achieved. FSVC's leadership believes that this understated approach has been an important element in helping FSVC to maintain close and trusting relationships with senior counterparts.

Further, the plant itself, which he said would be opening in December 1999, is essentially a copy of the New Jersey facility—designed with the technical assistance of the New York Fed staff.

Bank supervision/cooperation with the World Bank. In the interview at the World Bank, Michael Fuchs, the Bank representative, recounted how a resident advisor to the CBR (funded by World Bank) had been arranged largely as a result of discussions with John Douglas. Douglas, formerly chief counsel at the FDIC, is a long-time FSVC volunteer and coordinator of assistance in matters pertaining to bank supervision and restructuring. The resident advisor (Jeff Nakrin) was recommended by Douglas. During the succeeding year, Douglas was in regular contact with the advisor and supported him on issues of substance and policy. Mr. Nakrin has now been succeeded by another advisor with whom Douglas maintains contact. Michael Fuchs characterized this collaboration as the "best experience I've had in Russia."

Legislation. Mr. Pavel Medvedev, Chairman of the State Duma Subcommittee on Banking, provided several examples of FSVC assistance and impact. Perhaps most significant was FSVC's contribution to the development of the law governing the closing and restructuring of failed banks and its implementing institution, the Agency for Restructuring of Financial Institutions (ARKO). This law and ARKO were created more or less as a carbon copy of the analogous U.S. institution, the Resolution Trust Corporation (RTC). The draft law was crafted with the assistance of John Walker, FSVC President and John Douglas, FSVC volunteer and former Chief Counsel for FDIC. During its debate in the upper house, when the draft legislation was held up over objections to a number of its components, Mr. Medvedev asked Mike Hammes of FSVC for assistance. Hammes contacted New York, and Walker and Douglas, along with other legal experts, provided counter arguments that carried the day in the upper house and led to the passage of the law. Mr. Medvedev was effusive in his praise and gratitude to FSVC and to Mike Hammes.

Mortgage banking. In Samara, the evaluation team interviewed Mr. Sergei Kharsky, recently promoted to Deputy Chairman from branch manager of Gazbank. Mr. Kharsky recounted that a FSVC seminar on mortgage banking had led Gazbank to start a mortgage program for the employees of one its major clients, Transneft, an oil and gas pipeline corporation. Mr. Kharsky said that the bank could not issue mortgage loans to the "man in the street," because in the event of default, there was no practicable way for the bank to take possession of the property, i.e., to evict the defaulting borrower from the property held as collateral. Gazbank initiated an arrangement under which Transneft co-signs for the mortgage loan, effectively guaranteeing that Gazbank will not lose money. As a result, Gazbank is making mortgage loans to Transneft employees at very modest interest rates, the mortgage market has begun on a sound footing, and the market for real property is beginning to develop. (This achievement relates directly to USAID SO 1.4 -- supporting the creation of a housing and commercial mortgage market.)

St. Petersburg Bankers Association. Mr. Viktor Titov, Managing Director of the St. Petersburg Bankers Association, explained a number of innovative projects his

association is undertaking. These include a pilot program, co-funded with the municipal government, of deposit insurance for pensioners. Another Association program will provide credit information. This bankers association, which undertakes the activities that U.S. bankers associations do such as ethics, standards, practices, training and seminars for professional development, was started with FSVC assistance from the California Bankers Association and is modeled on that group. Recent advising has been supplied by volunteers from the Florida Bankers Association. (The association's development is directly in line with a major tenet of USAID SO 1.3 -- forming sustainable business associations.)

NAUFOR, the National Association of Security Brokers and Dealers. Mr. Dmitri Nekhaevski, a member of the executive board, explained the history and functioning of his trade association of securities dealers and brokers. The association is essentially a copy of the U.S. over-the-counter trading association, National Association of Securities Dealers (NASD). The Russian Trading System (RTS), the equity securities trading system, is also a copy from the U.S. over-the-counter system NASDAQ. Like its U.S. counterpart, NAUFOR is a self-regulatory organization that sets standards of ethics and procedures for its member firms with discipline being sustained by the desire of member firms to remain in good standing so that they can display their membership charters. NAUFOR was created in 1995 with initial assistance from USAID, and became an independent organization licensed by the Russian Federal Commission on Securities Market (like the U.S. SEC) in 1997. Interactions with FSVC since 1998 have focused on seminars on broker-dealer compliance and corporate governance.

IV. Conclusions and Recommendations

A. Conclusions

FSVC is extremely good at what it does – it generates requests for assistance in Russia, finds outstanding American practitioners to do the work as volunteers, prepares and supports those people well. Its performance is very much valued and appreciated in Russia. FSVC's ability to carry out these activities in such a professional manner is due in large part to outstanding leadership from its active and renowned Board members and from a very capable and committed staff.

As this report has indicated, FSVC's mode of providing assistance is markedly different from most USAID-financed activities. It uses volunteers to provide most of its technical assistance; it is very strongly demand-driven (considerably more so than other projects which claim this); its typical assignments are unusually short, and the majority of its technical assistance providers work only one time.¹⁷

Perhaps because of the way FSVC operates, particularly its demand-driven principle, the evaluation team did not see the level of goal orientation and program coherence that USAID normally expects in its projects. Although the team's interviews were suggestive of more direction and coherence than shown in project documentation, they did not overcome fully the impression that FSVC's programming of activities is more a result of demand from a great number of counterparts, not all of whom share the same vision, than of a plan to reach certain objectives. At the same time, it must be noted that the comments of FSVC leaders show that they have an excellent grasp of the problems in the financial sector, clear views about how it needs to change, and that they screen requests so as to provide support assistance that would move the sector in that direction. With its small army of senior U.S. expert financial practitioners to call on, FSVC has succeeded in using this approach, as indicated below, to make a positive impact.

Communications between FSVC and USAID have had several weaknesses: the quality and effectiveness of FSVC performance has been somewhat obscured by weakness in reporting, and USAID has not always effectively communicated its concerns. The evaluation team believes that better communication will require efforts from both organizations and that both will benefit.

The most important question about any project is impact. Despite the concerns that have been discussed (and USAID's practice of giving annual grants which discourages FSVC from longer-term thinking), the team found considerably more program continuity and cohesiveness than is evident from reading FSVC's project reports. Most importantly, the team found that FSVC activities clearly are having an impact in areas of USAID strategic objectives.

The team's recommendations below are made with the goal of increasing the program's

¹⁷ However, since most activities utilize more than one volunteer, 71% of FSVC's Russian activities in 1999 involved at least one repeat volunteer.

achievements and better communicating those accomplishments.

B. Recommendations

The evaluation team offers the following recommendations that flow from the findings identified above.

1. Future USAID Support. As FSVC activities are having a positive impact, USAID's support of the FSVC program in Russia should be continued. FSVC activities are highly responsive to needs perceived by counterparts. The personnel that it provides are outstanding. Further, although the results need to be better documented, there is evidence that results are significant. Despite the continuing enormous weaknesses in the financial sector, USAID and FSVC should stay the course.

2. Strategic Focus. As the evaluation team found more strategic focus and continuity than is obvious from FSVC reporting, FSVC needs to clarify its objectives and indicators in its documentation. As a first step, FSVC needs to update the paper it prepared when it began its Russia program that lays out its strategic vision for the development of the Russian financial sector. This paper will provide appropriate and explicit criteria against which both field and New York staff can assess proposals from counterparts and report on progress to USAID.

In updating its strategy, FSVC should relate its program to USAID Strategic Objectives 1.3 and 1.4. By incorporating these SOs in its own business planning, FSVC will facilitate subsequent tracking and reporting in a manner most useful to USAID.

As part of its strategic planning process, FSVC should articulate goals and benchmarks in each of the major technical areas in which it works and relate plans and budget requests to them. The establishment of goals and benchmarks might best be undertaken jointly with key counterparts. If FSVC and USAID treat these goals as tentative and subject to revision, FSVC should be able to retain its essential demand-driven mode of operation.

3. FSVC reporting. The evaluation team believes that FSVC has a very positive story to tell, particularly but not exclusively for the USAID audience, that is not fully conveyed by its reporting. That story is not so much about volunteers, seminars and visits, but about changes which FSVC and its corps of volunteer Americans are helping Russia to achieve. As noted above, it would also be useful if reports provided more information on the mechanisms that FSVC is employing to ensure continuity, coordination and consistency across activities within each technical area.

4. FSVC-USAID communications. Weaknesses in communications between FSVC and USAID have sometimes contributed to a lack of confidence between the parties. For example, the occasional presence in-country of high level FSVC volunteers about whom Mission staff do not have prior knowledge has been a potential source of embarrassment to USAID and created an incentive for USAID to seek greater control. FSVC and USAID need to identify where such communications problems exist, explore their causes and

resolve them. FSVC leadership has indicated that it is now committed to treating USAID (in addition to the Russians) as clients, which the team understands to reflect a commitment to improved communication and responsiveness to USAID. This is a very positive step, which the evaluation team believes is already paying dividends.

USAID can also improve its communication to FSVC. USAID staff need to remember that FSVC is a grantee (technically the recipient of a cooperative agreement beginning in 1999) and not a contractor, and that under USAID policy grantees enjoy considerable latitude. Also, Russian counterparts' perception that FSVC volunteers are independent of USAID and other institutional "influences" contributes to their credibility and effectiveness. To ensure good communication, the team recommends that meetings between USAID's and FSVC's leadership always include appropriate staff.

An interesting question (that the evaluation team is unable to answer) is whether USAID and FSVC should develop a closer working relationship. The team believes that a closer working relationship, particularly if it involved other projects with related objectives, could potentially strengthen the program. At the same time, the evaluation team recognizes that FSVC's perceived independence is an asset—because it contributes to FSVC's credibility, acceptance and access. This perceived independence thus contributes indirectly to the program's impact, giving both USAID and FSVC an incentive to preserve it. Thus, a key question is whether FSVC and USAID could work together more closely without FSVC feeling, and being perceived by Russians, as losing its independence.

If a closer USAID-FSVC partnership is possible without a deterioration in FSVC's credibility, acceptance and access, there might well be benefits, consistent with USAID re-engineering precepts, from an increased utilization of the Strategic Objective Team concept. This recommendation would be particularly relevant if USAID decides to expand its efforts to strengthen the Russian financial sector, as suggested in recommendation 7 below, bringing other NGOs and/or contractors together in a strategic objective team context to collaborate on efforts to strengthen the financial sector.

5. Changes or additions to the FSVC in-country staff. The team recommends that FSVC and USAID consider augmenting FSVC's in-country staff with one or more individuals with considerable experience in financial market development. The team emphasizes that this is a recommendation "to consider" such a step, not a recommendation to do it. The evaluation team makes its recommendation in this way because it sees both pros and cons in such a move and because it feels that FSVC is in the best position to make this judgment. Were such a step taken, care should be exercised not to make any appreciable change in the managerial and oversight role of New York, the role of the Moscow office or the relationship between them.

Among the potential benefits, technical experts in-country would be able to participate in the technical work of the project, increasing the continuity between volunteer assignments; to provide guidance on some of the same issues on which volunteers focus; to reinforce ideas that volunteers had suggested; to help in consensus building and

implementation, and to provide input in the activity selection process. On the negative side, adding such a person to the resident staff could create an awkward dynamic vis-à-vis the other resident staff and volunteer experts. FSVC would need to watch that such staff not compete (and conflict) with more experienced volunteers. Further, such staff could not possibly be expert in all of the technical areas in which FSVC provides assistance.

In support of USAID's regional initiative, FSVC and USAID should also consider augmenting staff to replicate the successful FSVC regional office in Samara.

Finding Americans who have the needed technical and interpersonal skills and who are interested in living in Russia can be difficult and costly. Having noted the high degree to which some USAID grantees and contractors have utilized predominantly Russian staff, the evaluation team suggests that FSVC and USAID consider filling future vacancies with Russian staff. Employing qualified Russian staff members, assuming that they could be found and recruited, might facilitate communications with counterparts, assist volunteers with preparation of Russian language materials and presentations, and be a source of on-going technical assistance in periods between volunteer assignments. At the same time, these staff members would be learning from FSVC volunteers and might eventually become an independent Russian source of financial sector expertise, augmenting the long-term impact of FSVC's program.¹⁸

Any changes along this line are likely to involve additional expenses. Thus, it is important that FSVC and USAID discuss these ideas fully.

6. Moving to a multi-year program agreement. The team believes that it would be mutually beneficial to USAID and FSVC to move to a multi-year grant or cooperative agreement. A multi-year framework would add stability and could focus attention on longer-term objectives. FSVC proposals might be replaced with a combined annual report (summarizing work completed and impact across activities) and a work plan for the coming year (perhaps identifying priorities and objectives by technical area). If the parties move to this type of system, USAID should keep in mind that FSVC would remain essentially demand-driven; thus it would need to be flexible if FSVC achievements veer from its plan.

7. Longer-term technical assistance to the financial sector. Although FSVC is providing excellent assistance, there are assuredly times when somewhat longer assistance, recurrent assistance from the same individual or long-term assistance would be desirable. The team is unable to say *a priori* in which instances a particular length of assistance would be most appropriate, but reliance totally on short-term FSVC assistance would seem to be a questionable USAID strategy. The evaluation team thus recommends that USAID consider complementing FSVC short-term TA with longer-term TA from

¹⁸ Under USAID's Housing Sector Reform project, the Russian technical staff that worked for the U.S. contractor eventually separated and formed the Russian Institute for Urban Economics. The training of this staff and the creation of this Russian entity are considered to have been major unplanned contributions of the project.

other providers. Certainly the size and importance of the task of strengthening Russia's financial sector merit both types of investment programs.

The Mission's experience in other sectors shows that using multiple TA providers only makes sense if there is effective coordination among them. In this regard, the team learned about one instance in which the World Bank effectively used FSVC to open a door, to identify a need for longer term assistance, to write the scope of work for that assistance, to recruit the advisor and to supervise his work. This is an outstanding example of how short-term FSVC assistance might be combined with longer-term assistance from another institution. If USAID supports additional TA providers, as recommended above, the evaluation team urges that USAID develop mechanisms, such as that used by the Bank and FSVC, to encourage collaborative efforts between FSVC and those providers. USAID's SO team approach, as noted above in recommendation #4 above, could be a mechanism to encourage and to facilitate such collaboration.

8. Communication with former volunteers. FSVC might usefully maintain closer communications with former volunteers. This would, first, allow FSVC to collect information about continuing contact between the volunteers and counterparts. Such contacts increase the effectiveness of volunteer activities, and should be noted and encouraged. Second, the survey of volunteers suggests that many would like to know more about what is happening in Russia within their area of expertise. Providing the former volunteers with a summary of developments in those areas, perhaps sharing copies of the quarterly or annual reports or developing a small newsletter, would help them to keep informed and would probably increase the likelihood that they would volunteer in the future.

9. Building longer-term linkages. The team noted that the FSVC volunteers and Russian counterpart organizations often maintained some communication after the volunteers returned to the U.S. or the Russians to Russia. However, these ties tended to die out after a short time. The team believes that it would be highly desirable if these ties could be long lasting. Although the team has no specific recommendations about how to achieve this, it encourages FSVC and USAID to search for ways of achieving this. Creating such long-term linkages would, in the team's opinion, contribute significantly to the development of the Russian financial sector and merit USAID financial investment.

ANNEXES

- 1. Evaluation Scope of Work**
- 2. Interviewees by Institution of Affiliation**
- 3. FSVC Comprehensive Russia Project List**
- 4. Volunteer Survey Instrument**
- 5. Summary Analysis of Volunteer Survey**
- 6. Key Questions for Counterpart Interviews**
- 7. Biographic Information on the Evaluation Team Members**
- 8. Procedures for Briefing Volunteers**

**SCOPE OF WORK
FOR EVALUATION OF THE USAID/RUSSIA FINANCIAL SERVICES VOLUNTEER CORPS
PROJECT**

I. ACTIVITY TO BE EVALUATED

The focus of this evaluation is USAID's Financial Services Volunteer Corps Project (FSVC). USAID/Russia has awarded FSVC several grants to deliver technical assistance in Russia's financial services industry since approximately 1992, although the focus of this evaluation will be FSVC's work over the past five years. FSVC's goal is to channel practical professional experience of the American financial community to address complex technical questions and problems related to the development of a market-oriented financial infrastructure. Project technical assistance is aimed at promoting the creation of basic financial infrastructure in the broad areas of central banking, commercial banking and capital markets. The organization has directed its efforts to public and private sector clients, and has a new focus on work in St. Petersburg, Samara and Novosibirsk.

The project contributes toward achieving a wide variety of USAID/Russia targets supporting two of the Mission's Strategic Objectives. Specifically, the program contributes to:

- SO 1.3: "Accelerated Development and Growth of Private Enterprises;" and
- SO 1.4: "Improved Economic Infrastructure to Support Market-Oriented Growth."

II. BACKGROUND

Russia's financial institutions and markets were largely born out of the Soviet economic system based on centralized planning, and have therefore experienced many growing pains along the path to a market economy. After seven years of "reform," Russia lacks a sound, efficient, private banking system which fulfills the most basic functions essential to a market economy -- primarily financial intermediation, but also the provision of other financial/trade-related services, operation of the payment system and implementation of monetary policy. The evolution of Russia's banking sector over the last seven years was essentially in the opposite direction. Politically powerful Financial Industrial Groups (FIGs -- conglomerates of enterprises and banks) grew dramatically and began to dominate the Russian banking sector. This tightened the opaque links (financial, legal, political) between enterprises, banks and the State rather than breaking them, as is necessary in the transition from command to market-oriented economy. It is important to understand that the growth of the FIGs could not have happened without direct State financial involvement (the placing of huge amounts of the government's budgetary funds on deposit) and other indirect support.

The strength of the FIGs had perhaps an even more negative impact on the banking sector and economy. The establishment of the legal and regulatory framework needed for a commercially-oriented banking system was stymied, never implemented or enforced arbitrarily. Even the relatively powerful Central Bank of Russia (CBR) was no match for the FIGs and their political allies. Bank Supervision, a department of the CBR, despite a number of efforts in 1997, remained weak and unable to begin to do its job, among other things the enforcement of prudential standards.

In sum, a banking sector, by any definition of the term, does not exist in Russia and many of the essential building blocks have yet to take root. The goal of any further work in the Russian banking sector should be to accelerate the establishment of a "real" banking sector in Russia which supports economic growth and transition as opposed to acting as a destabilizing factor. Progress in achieving this goal will take more than dealing with large numbers of failed banks, establishment of strong bank supervision capacity, adoption of International Accounting Standards, and ensuring commercial bankers are trained in credit risk analysis and back office operations. Though these are essential elements in any bank reform strategy, they will not be sufficient. Most importantly, the development of a strong banking sector will be dependent upon changing the entire incentive structure in which banks, enterprises and the government currently operate in Russia. This requires wholesale legal/regulatory reform, primarily focused on the across-the-board enforcement of the laws and regulations, and the strengthening of the key economic/financial institutions, particularly the government regulatory/oversight institutions. This will take time, but is *sine qua non* for real banking sector reform.

A market-oriented financial sector cannot function in a legal vacuum. In the short-term, the actions taken by the GOR and CBR must send the right signals at each step of the way that this is not business as usual.

III. INFORMATION SOURCES

This is not an exhaustive list of available information sources, but the items below provide the Team with most of the available and relevant documents.

1. Grant #118-G-00-97-00242-00 with FSVC for the period of September 1, 1997 to August 31, 1998 for \$1,498,603 and Grant Modification with FSVC for the period of September 1, 1998 to August 31, 1999 for \$250,000 making a total of \$1,748,603. This program works with the Central Government.
2. Grant #118-G-00-98-00140 with FSVC from Sept. 1, 1998 to August 31, 1999 for \$1,250,000. This program works with commercial banks and private sector entities.
3. FSVC Grant proposal dated May 18, 1998.
4. FSVC periodic reports submitted to USAID/Russia.
5. All FSVC project files and reports are available at USAID/Russia.
6. Project Officers in USAID/Russia and USAID/Washington, FSVC contractor staff, home offices of organizations-providers, subcontractors, counterparts, local authorities, NGOs, and organizations implementing affiliated programs also may serve as information sources.
7. World Bank

IV. PURPOSE OF EVALUATION

The purpose of the evaluation is to ensure that the FSVC program, which brings short-term volunteers to Russia, is achieving results within the Mission strategy elucidated in Strategic Objectives 1.3: "Accelerated Development and Growth of Private Enterprises" and 1.4: "Improved Economic Infrastructure to Support Market-Oriented Growth." These Strategic Objectives aim to provide technical assistance to improve Russia's economic infrastructure and private enterprise, among other things.

The general aim of this evaluation is to determine the value of FSVC's approach to the complex task of improving Russia's financial infrastructure. Specifically, the purposes of the evaluation are to assess: 1. the impact and effectiveness of the project; 2. the performance of the grantee in achieving its objectives; 3. implementation mechanisms used in the program; and 4. grantee flexibility, especially given the dynamic political economy of contemporary Russia.

Additionally, the evaluators are expected to offer recommendations on further steps towards assistance to the sector and improving the project. Problems encountered and lessons learned from the program should be discussed with the intent to help determine future, long-term USAID strategy in the field.

V. EVALUATION QUESTIONS

1. Do short-term volunteers meet Russian needs in this area or would long-term resident consultants (or a combination of both) be more effective/appropriate?
2. What is the impact of regional work/office versus alternative use of resources?
3. Are the requests received from project counterparts of high quality?
4. Does FSVC permanent staff possess the expertise necessary to identify appropriate volunteers for counterparts?
5. Are FSVC volunteers qualified to conduct the assigned work and achieve stated results?
6. Is there a strategic plan from which FSVC's work stems or is it randomly demand driven?
7. Does FSVC have a comparative advantage in work at the Central Bank level?
8. Does FSVC have a comparative advantage in work at the regional level?

Further, the assessment of the impact of the FSVC project requires two tracks of analyses:

- a) The first is to assess impact of the project to date by determining project results such as:
 - numbers of consultants/volunteers provided;
 - quality of consultants/volunteers;
 - cost of consultants: i. individual; ii. average; and iii. total;
 - types of financial organizations served;
 - general and specific results of consultants, i.e. increased/decreased efficiency of bank operation and capital market;
 - trends in requests for services (are requests for assistance in similar technical areas? are they different? are there discernable trends in service requests?);
 - how quickly is FSVC able to respond to counterparts' requests for assistance (i.e. is the program fully demand-driven?);
 - follow-up requests;
 - does FSVC use repeat volunteers, or are new volunteers used even in cases of follow-up requests?
 - identification of best practices for success;
 - strengths and weaknesses of approaches.

b) The second track is to analyze the project in terms of Russia's economic problems. USAID would like to know if such a project is a sensible endeavor to continue given the market crash, debt default, exchange rate uncertainty, probable inflation, and problems in the banking sector. The evaluator will advise USAID if organizations still need the kinds of advice and support provided under the current project. If so, can the project be improved and

if not, what kind of services do they need? In the latter case, this evaluation will define for USAID the elements of a financial business support project that are necessary under the circumstances.

Also of critical importance to examine will be: a) how FSVC is ensuring that USAID is informed of project developments, including arrival of volunteers; and b) timeliness of FSVC reports provided to USAID. This is important given the Donor coordination effort under the IACC.

VI. EVALUATION METHODS

The overall evaluation methodology will be left to the discretion of the evaluators and can be finalized by the evaluators in collaboration with the USAID/Russia Evaluation Team and Activity Managers. However, USAID expects that at a minimum the evaluators will:

1. Review and analyze the existing performance information;
2. Interview representatives of the home offices of organizations included in the review;
3. Interview field staff of USAID, the implementing organizations, organizations implementing associated programs, including private sector organizations, Russian Federal Government and local government counterparts, and private banks;
4. Conduct site visits to St.Petersburg, Samara and Novosibirsk.

VII. SCHEDULE

Approximately five weeks are estimated to complete this evaluation with an assumption of a five-day work week. A representative work schedule is indicated below, but it may be modified on mutual agreement between the outside team and the Evaluation Coordinator.

If hired outside of Russia, the evaluation team should arrive in Moscow not later than August 23, 1999 and complete its visit by September 11, 1999. Available project documentation will be forwarded to the evaluation team members before the start date of the evaluation.

If the evaluation team is hired locally the trip to Washington will not be necessary. The evaluators can interview the project staff in the U.S. by telephone and receive the necessary documents through post.

Activity	Description	Location	Approximate Dates
Background	<p>Finalize schedule, review background documents and performance information, design a list of interviews, develop survey instrument(s) and report outline.</p> <p>Finalize and discuss the methodology and the scope of work with Evaluation Coordinator (by e-mail).</p>	Washington	August 17 – 20
Interviews I	<p>Interviews with AID/Washington staff and staff from New York offices of FSVC.</p> <p>Draft schedule for site visits. Start logistical arrangements.</p>	Washington	August 19 – 20
Interviews II	<p>Interviews with Mission and FSVC staff, subcontractors, counterparts, NGOs, and organizations implementing affiliated programs. Review methodology and refine if necessary.</p> <p>Finalize travel schedule with USAID/Russia.</p> <p>The team may wish to split into two sub-teams and visit different regions where the project has been implemented.</p>	Russia	August 23 – 25
Site Visits	<p>Conduct site visits.</p> <p>Begin drafting reports. Report structure discussion with the USAID/Russia Evaluation Team. Agreement by the Evaluation Coordinator.</p> <p>Before departure to Washington, prepare the first draft of the report, and provide exit briefing to USAID/Russia.</p>	Russia: Moscow, St. Petersburg, Samara, and Novosibirsk	<p>August 26 – September 8</p> <p>September 10</p>
Analysis, Report	<p>Draft final report design, additional interviews, if necessary.</p> <p>Final report draft submitted to USAID/Russia for comments.</p> <p>USAID/Russia reviews and comments final draft.</p> <p>Incorporate the comments into the report, finalize and submit to USAID/Russia.</p>	Washington	<p>September 13 – 15</p> <p>September 16 (due date, 10AM, Moscow time)</p> <p>September 16-17</p> <p>September 17</p>

The final report is expected to be submitted to USAID no later than September 20, 1999.

VIII. REPORTING AND DISSEMINATION REQUIREMENTS

The final report will include an overall assessment of the issues listed in the section "IV. Purpose of Evaluation" and will address the questions listed in the section "V. Evaluation Questions".

Other information to be included in the report will be determined in consultation with USAID staff over the course of the evaluation.

The electronic version of the final report in MS Word on a diskette and 5 hard copies will be submitted to USAID/Russia. The structure and format of the report will be proposed by the evaluators and approved by the Evaluation Coordinator at the beginning of the evaluation. The evaluation report will primarily be for internal use by USAID project management. It may, at USAID's determination, be disseminated to outsiders.

IX. TEAM COMPOSITION AND PARTICIPATION

The evaluation will be carried out by a two-person team of experts and one support staff person who will serve as an interpreter and logistics coordinator. Experts in the team will be outside hired consultants, one of whom will serve as team leader. The fieldwork might be supplemented by USAID Mission staff, as available/appropriate. The members of the team are as follows:

- Team Leader: Responsible for coordinating and directing the reporting effort, including preparation and submission of the draft and final report. The incumbent should have extensive overseas program evaluation experience, including USAID experience, preferably in the ENI region. S/he must be thoroughly familiar with techniques of program appraisal. As team leader, the incumbent should possess excellent organizational, team-building, and writing skills.
- Financial Business Specialist: Must possess both overseas and evaluation experience and be preferably familiar with USAID development programs. Ideally, this consultant should have a combination of consulting experience that includes financial services and business development.
- Interpreter and Logistic Coordinator: S/he should have knowledge of terminology and specifics related to the financial sphere. S/he will interpret conversations between the evaluation team and Russian-speaking project participants, as well as translate any Russian language documents provided to the evaluation team. Experience in simultaneous translation is desired. This person will also be responsible for all necessary actions as a Logistic Coordinator (i.e. scheduling, arranging meeting, purchasing tickets, etc.).

X. BUDGET

The current Grant does not budget funds for an evaluation. PD&S funds will be used to fund this evaluation. Team members from USAID if necessary will be funded from their contracts.

An estimated budget for this evaluation is attached.

Annex 2:					
			Interviewees by Institution of Affiliation:		
Institution	Place of Interview (volunteer site)	Department, or home organization for vounteers	Name	Title	Functional Area or Role
USAID, Moscow	Moscow		Carol Peasley	Mission Director	Policymaking/oversight
USAID, Moscow	Moscow		Rick Scott	Program Officer	Policymaking/oversight
USAID, Moscow	Moscow		Vladimir I. Medoev	Project Management Specialist	Policymaking/oversight
USAID, Moscow	Moscow		Denis V. Korepanov	Evaluation Officer	Policymaking/oversight
USAID, Moscow	Moscow		Robert Posner	Program Officer	Policymaking/oversight
USAID, Moscow	Arlington		Ann Simmons-Benton	Former Program Officer	Policymaking/oversight
USAID, Moscow	Moscow		Elaine Grigsby	Head, Economic Policy Reform	Policymaking/oversight
World Bank	Russia		Michael Fuchs	Project Manager	Policymaking/oversight
World Bank	Moscow		Silvina Vatnick	Princp. Fin'l Economist, Mosc	Policymaking/oversight
Rosinform Co.	Moscow		Slepnev Serguei	Chief of Software	Payment Systems
US State Dept, Reg. Inv Initiative	Samara		Yekaterina Lushpina	Admin Asst	Policymaking/oversight

US State Dept, Reg. Inv Initiative	Samara		Joan A. Agerholm	Program Coordinator	Policymaking/oversight
FSVC	New York	NY Office	Andrew Spindler	Executive Director	Evaluatee
FSVC	Moscow	NY Office	Joanne Heyman	Managing Director, Finance	Evaluatee, commercial banking, central banking
FSVC	New York		Sal Pappalardo	Managing Director	Evaluatee
FSVC	Moscow		William J. McAndrew	Senior Advisor on Payments	Payment Systems
FSVC	New York		John Whitehead	Co-Chair Board	Commercial Banking and Capital Markets
FSVC	New York	Simpson, Thacher & Bartlett	John L. Walker, Managing Partner	President	Central banking, Commercial banking
FSVC	New York (Moscow)		Paul Volcker	Co-Chair Board	Central banking, Commercial banking
FSVC	Moscow		Michael Hammes	Country Director	Evaluatee
FSVC	Moscow		Robert Van Heest	Deputy Regional Director, Russia	Evaluatee
FSVC	Samara		Adam Blanco	Regional Director, Samara	Evaluatee
FSVC	Moscow		Elizabeth Sullivan	Former Country Mgr, 1993-97	Investment analysis
FSVC	New York (Moscow)	Shearman & Sterling	Bradley K. Sabel, Partner	Volunteer	Payment Systems
FSVC	New York (Samara)	Chase-Manhattan Bank	Jacqueline A. Kaiko, Sr.VP	Volunteer	Commercial Banking
FSVC	New York (Moscow)	Orrick, Harrington, Sutcliffe	Sam Scott Miller, Partner	Volunteer	Securities Mkts

FSVC	New York (Moscow)	New York Clearing House Assoc.	Joseph R. Alexander, Counsel	Volunteer	Payment Systems
Neftchim Bank	Moscow		Elena Lupinovich	Deputy Chairm	Commercial banking
Deposit Clearing Co (DCC)	Moscow		Alexander Gorlov	Marketing Dir	Payment Systems
Bank Klienty	Moscow		Maxim Nikolaev	Deputy Chairm	Commercial Banking
Russian Standard Bank	Moscow		Andrei A. Koslov	Pres/CEO (former Dpty Direct CBR)	Commercial banking and Central Banking
Central Bank of Russia	Moscow		Alexei Yu. Simanovski	Director, Bank Sup Dept	Central banking
Central Bank of Russia	Moscow		Mikhail I. Sukhov	Deputy Head, Bank Sup Dept	Central banking
Duma	Moscow		Pavel Medvedev	Chair Banking Subcommittee	Commercial Banking, Central Banking
Natl Assoc of Securities Mkt	Moscow		Dmitri Nekhaevski	Exec Board Mbr	Capital Markets
Siberian Bank Training Center	Novosibirsk		Alexander Y. Klimov	Rector	Commercial Banking
Kantvi-Manceenkn Bank	Novosibirsk		Olga N. Selezeva	Mgr Risk Mgmt	Commercial Banking
Siberian Accord	Novosibirsk		Vladimir N. Aksenov	Deputy Director	Commercial Banking and Capital Markets
Samara Region Government	Samara		Dmitri Yakovenko	VP, Guild of Region Financiers and Accountants	Commercial Banking

Cntral BnkRussia, Samara Branch	Samara		Viktor Danilin	Branch Director, CBR	Central Banking
Cntral BnkRussia, Samara Branch	Samara		Irina A. Bukur	Chief, Bank Sup, Samara Region	Central Banking
Gazbank, Samara	Samara		Natalya Samoralova	Dpty Chairm	Commmercial Banking
Gazbank, Samara	Samara		Sergei Kharsky	Dpty Chairm	Commercial Banking
Samara Region Government	Samara		Lubov	Director of Economic Ops	Policymaking/oversight
Samara Region Government	Samara		Irina L. Boyko	Legal advisor	Policymaking/oversight
Marsh, McLenahan	Samara		Andrei Dolguikh	Regional Mgr, Samara and Volga region	Capital Markets
Solidarnost Bank	Samara		Natalia V. Ryabova	Chief of HR Dept	Commercial Banking
Volga Komsy Bank	Samara		Andrei Kogtev	CEO	Commercial Banking
Central Bank of Russia	Moscow		Konstantin Korischenko	Director, Open Mkt Ops Dept	Central Banking
Central Bank of Russia	Moscow		Elena Egorytcheva	Dpty Director, Economics Dept	Central Banking
Federal Securities Commission	Moscow		Elena Odigajlo	Chief of Dept of Securit. Mkt Partic. Regulation	Capital Markets
Agy. for Reconstr.	Moscow		Andrei A. Pekhterev	Managing Director, International Fin.	Policymaking/oversight

Credit Organizations				Organiz.	
St. Petersburg Comm. Bnk Assoc	St. Petersburg		Viktor Titov	Managing Director, Bankers Association	Commercial Banking
Industrial Constr Bnk St. Petersburg	St. Petersburg		Aleksei I. Dugar	Mgr, Intl Financial Mkts/financial inst	Commercial Banking
Industrial Constr Bnk St. Petersburg	St. Petersburg		Helen Egorova	Chief Expert, Intl Financial Mkts/financial inst	Commercial Banking
St. Petersburg Stock Exchange	St. Petersburg		Andrew Belenskia	Deputy Manager	Capital Markets
St. Petersburg Stock Exchange	St. Petersburg		Svevolog Sokolov	Deputy Director	Capital Markets
St. Petersburg Stock Exchange	St. Petersburg		Aleksei Sergeev	Deputy Director	Capital Markets
CBR, St. Petersburg	St. Petersburg		Dmitri Y. Lebedev	Deputy Head, Territorial Dept	Central Banking

Annex 3

Function Area	Project	Month	Year
I. Private Sector Projects			
Capital Markets:			
	Broker Dealer Operations		
	Dealer Operations: Standards and Practices	1	1996
19	Marketability of St. Petersburg Securities to Western Investors	12	1996
16	Stateside Training on IAS for Broker/Dealers	12	1998
3	Compliance Procedures for Broker/Dealers	4	1999
	Stateside Visit on Securities Exchange Operations	6	1999
	International Accounting Standards for Broker/Dealers	7	1999
	On-Site Inspection Training	7	1999
	On-Site Consultations- Benefits of Listing and Going Public	9	1999
	Market Regulation/Standards/Operations		
	Trading System Advisors	4	1995
	Commentary: Code of Conduct for Participants in Government securities market	3	1998
	Code of conduct for participants in veksels market	3	1998
	Self-Regulatory Organization Management	7	1998
	Commentary on the Code of Ethics for NAUFOR members	3	1999
10	Risk Management in Depository Institutions	3	1999
	Seminar/Workshop on Proper Methodologies for Taxing Securities	5	1999
5	Training Workshop on Risk Management in Trade, Clearing and Settlement Activities	7	1999
6	Seminar on Corporate Governance	9	1999
Commercial Banking Issues:			
	Accounting		
14	Introduction of International Accounting Standards	5	1998
	International Accounting Standards	8	1998
	Asset and Liability Management		
	Asset and Liability Management (Phases I)	10	1996
	Asset and Liability Management (Commentary) (Phase II)	10	1996

	Asset and Liability Management (Phase III)	12	1996
	Asset and Liability Management (Phase IV)	2	1997
	Banking Services: Credit/Lending		
	Credit Analysis Seminar (Phase I)	12	1996
	Credit Analysis Seminar (Phase II)	4	1997
	Credit Analysis Seminar (Phase III)	1	1998
8	Seminar: Mortgage Lending (Novosibirsk)	7	1999
	Workshop and Consultations on Trade Finance (Samara)	7	1999
	Workshop and Consultations on Trade Finance (Moscow)	7	1999
	Seminar: Mortgage Lending (Samara)	9	1999
	Risk Management		
	Regulations on Depository Activities and Depository Accounting	10	1997
	Internal Auditing and Control Systems in Commercial Banking (Moscow)	3	1998
	Internal Auditing and Control Systems in Commercial Banking (Omsk)	3	1998
	Consultations with Management's of Uneximbank, MenatepBank, and Inkombank on Bank Restructuring Issues	10	1998
15	Internal Control and Risk Management for Securities Transactions in Commercial Banks	12	1998
	Workshop on portfolio management for financial institutions (Ryazan)	12	1998
2	Commercial Bank Management and Planning in a Crisis Environment (Samara)	4	1999
2	Commercial Bank Management and Planning in a Crisis Environment (Novosibirsk)	4	1999
	Addressing the Y2K Problem in Commercial Banks	5	1999
9	Workshop and Consultations on Credit Risk Management (St. Petersburg)	6	1999
7	Workshop and Consultations on Credit Risk Management (Samara)	7	1999
	Practical Implementation of Risk Reduction Techniques in Russian Banks	10	1999
	Strategic Planning/Bankers Association Support		
	Assistance to the coordinating Committee of the RABF	6	1995
	Session III of the RABF on the Future of the Russian Banking System	6	1995
	Session IV of the RABF on Organizational Issues (i.e. bi-laws, membership eligibility, dues)	10	1995
	Seminar on strategic planning and development, financial planning and market analysis	1	1996
	Advisory Board/Supervisory Counsel meeting (RAIB)	6	1996
	Plenary Session of the RAIB to discuss the current state of the banking system in Russia and initiatives to promote its stability	10	1996
	Creation of a Training Library	10	1996
	Financial Self-Sustainability of the Assn. Of Commercial Banks of St. Petersburg	4	1997
	Advisory Board/Supervisory Counsel meeting (RAIB)	6	1997

	Advisory Board/Supervisory Counsel meeting (RAIB)	6	1998
	Conference: Dialogue on Russia and the West in the Current Financial Crisis	11	1998
	Consultation: Avto VazBank/CBR	5	1999
	Stateside Visit: Strategic Development of Rusky Standart Bank	7	1999
	Trust and Custody Operations		
	Commercial Bank: Corporate Trust and Custody	4	1995
	Seminar on Corporate Trust and Custody	7	1995
	Review of the Regulation on Trust Operations in Credit Institutions	9	1997
	Depository Operations Seminar	9	1997
	Trust Services and Operations in Commercial Banks	3	1998
	Payments System Development:		
	Clearance and Settlement		
	Development of a Netting and Clearance System	10	1996
	Clearance and Settlement Systems (Futures)	4	1998
	Seminar on Risk Management Policies for Clearance and Settlement	6	1998
	Payments System Forum	9	1998
	Payment Cards		
	Plastic Card Seminar I	4	1995
	Plastic Card Seminar II	5	1995
	Seminar: Plastic Cards Development	7	1999
	Other:		
	Municipal Finance	4	1997
	Commentary on the Draft Samara Regional Investment Law	8	1999
II. Public Sector Projects			
	Central Banking Issues:		
	Bank Supervision and Rehabilitation		
	Off-site/On-site Bank supervision	8	1995
	Bank Insolvency Legislative Assistance (Phase I)	9	1995
	Report on the regulation of commercial bank activities with gold and precious metals	5	1996
	Development of Early Warning System (Phase I, II)	6	1996
	Bank Insolvency Legislative Assistance (Phase II)	6	1996
	Concept Paper on measures to stabilize the banking industry	7	1996

	Consolidated Balance Sheets	7	1996
	Criteria for Problem Banks (Phase I)	7	1996
	Commentary on Letter 130A (Revised Draft Directive on Loan Loss Reserves)	8	1996
	Prompt Corrective Action	10	1996
	Mergers and Acquisitions (Phase I)	11	1996
	Roundtable Meeting on Mergers and Acquisitions	1	1997
	Conflict of Interest in Financial Institutions	2	1997
	Mergers and Acquisitions (Phase II)	4	1997
	Bank Insolvency (Phase I)	5	1997
	Commentary on Normative 11 (Draft Normative that restricts the amount of individual deposits that banks can accept)	6	1997
	Bank Insolvency (Phase II)	9	1997
	Anti-Money Laundering Seminar	11	1997
	Commentary on Draft Directive "On the Procedure of Sale of Lending Institutions"	4	1998
	Workshop for CBR on bank restructuring issues	7	1998
	Action plan to address bank insolvency crisis in Russia	7	1998
	Commentary on Bank Insolvency Legislation	8	1998
	Analysis of Legal Framework for Restructuring of Russian Banking System	9	1998
	Analysis of Draft Deposit Insurance Law	9	1998
	Analytic Paper and Consultations on Steps to Restructure Banking System	9	1998
	Analysis of Uneximbank "Rosbank" Proposal for CBR	10	1998
	Analytic Paper for CBR - Good Bank/ Bad Bank Process for Restructuring Banking System	10	1998
	Development of Action Points for Restructuring Banking System for CBR	10	1998
	Consultation on reserve requirements	10	1998
	Consultations on bank restructuring (Phase I)	11	1998
1	Commentary on Bank Insolvency Legislation	12	1998
	Bank Supervision Training	12	1998
1	Commentary on Restructuring the Russian Banking System	2	1999
	Consultations on Bank Restructuring (Phase II)	2	1999
1	Comments on the CBR's Updated Action Plan for ARCO	3	1999
	Comments on Amendments to the Law on the CBR	3	1999
	Bank Licensing	5	1999
	Comments on New Version of Bank Restructuring Law	5	1999
1	Paper: Essential Powers Necessary to Restructure the Russian Banking System	5	1999
	Consolidation and Disclosure	5	1999
	Loan Classification	5	1999
1	Paper: Shareholder Rights and the Insolvent Bank: Considerations in Restructuring the Russian Banking System	6	1999
	Amendments and Addenda to the Draft Federal Law on Restructuring of Lending Institutions	6	1999

	Market Risk	7	1999
	Deposit Insurance		
	Consultations with FDIC on Bank Resolution and Off-Site Supervision	12	1995
	Deposit Insurance Legislative Assistance (Phase I)	2	1996
	Stateside Visit of Deputy Chairman of the CBR to discuss legal and policy issues	5	1996
	Deposit Insurance Legislative Assistance (Phase II)	6	1996
	Deposit Insurance/Bank Insolvency Review (Phase I);	7	1996
	Deposit Insurance/Bank Insolvency Review (Phase II);	8	1996
	Commentary on Capitalization of a Deposit Insurance Fund	8	1996
	Commentary on Capitalization of a Deposit Insurance Fund	10	1996
	Information on Debt Instruments Used to Finance the S&L Bailout	12	1998
	Monetary Policy and Operations		
	Seminar on Repurchase Agreements	2	1995
	Security of Foreign Reserves	5	1996
	Commentary on Loan Loss Reserves	5	1996
	Development of a Collateral Overnight Interbank Market (Phase I)	2	1996
	Transfer of Federal Reserve Profits (Phase I)	8	1996
	Development of a Collateral Overnight Interbank Market (Phase II)	10	1996
	Discount Window/Monetary Policy (Phase I)	10	1996
	Transfer of Federal Reserve Profits (Phase (III)	11	1996
	Discount Window/Monetary Policy (Phase II)	12	1996
	Collateralized Overnight Interbank Market (Phase III)	3	1997
	Instruction on Intraday Secured Loans	6	1997
	Government Securities Markets and National accounts	9	1997
	Commentary : Procedure Governing Clearing Operations in Organized Term Deal Market	12	1997
	Revising Reserve requirements	3	1998
	Consultation on reserve requirements	9	1998
	Stateside Study Tour on STRIPS	10	1998
	Commentary on Draft Regulations for Repurchase Agreements (Phase I)	11	1998
	Commentary on Draft Regulations for Repurchase Agreements (Phase II)	6	1999
	Payments System Development:		
	Legal and Regulatory Issues, Clearing and Settlement		
20	Legislative Basis for Electronic Payments System (Phase I)	4	1995
	Legislative Basis for Electronic Payments System (Phase II)	6	1995

	Support to the International Steering Committee for the Development of the Payments system	9	1995
	Support to the International Steering Committee for the Development of the Payments system	12	1995
	Electronic Funds Transfer	4	1996
	Legislative Basis for an Electronic Payments System (Phase III)	7	1996
	Payments Focus Group	7	1996
	Regulation of Debit, Credit, and Stored-Value Cards	7	1996
	Legislative Basis for an Electronic Payments System (Phase IV)	9	1996
	Development of a Netting and Clearing System	10	1996
	International Steering Committee Focus Group	11	1996
	Payments Commentary on a Model Agreement Between Commercial Banks and the CBR	6	1997
	Commentary: Concept of Bank of Russia RTGS System	10	1997
	Regulation of the Procedure and Use of Sign Manual Analogs in Settlement Documents	12	1997
	Consultation on SWIFT Formats	4	1998
	Plastic Cards Legislation	4	1998
	Commentary on payment card regulation	10	1998
	Development of a National Payment Card System	2	1999
	Consultation on the Draft Law "On the Execution of Monetary Obligations on Transactions Carried Out Using Special Means"	2	1999
	Focus Group on the Current State of the Inter-Bank Payment System in Russia	2	1999
4	Commentary on Draft Law "On the Execution of Monetary Obligations on Transactions Carried Out Using Special Means" (Phase I)	5	1999
	Commentary on Law "On the Execution of Monetary Obligations on Transactions Carried Out Using Special Means" (Phase II)	9	1999
	Real Time Gross Settlement Systems		
18	Stateside Training: CBR Management Team's Visit to Study US Electronic Payment Systems	4	1997
	Payments Roundtable on Real Time Gross Settlement Systems	3	1997
	Commentary: Concept of Bank of Russia RTGS System	10	1997
	Commentary: Regulation of Formats of Electronic Documents in RTGS	10	1997
	Next Steps in Development of the Russian Payments System (RTGS)	2	1999
	Commentary on CBR Regulation on Real Time Gross Settlement Systems	4	1999
	Capital Markets Issues:		
	Legal and Regulatory Issues		
	Depository Requirements/ Trading Procedures	4	1996
	Model Securities Law	6	1996
	Compliance, Disclosure and Surveillance in the Securities Market	11	1996

	Bond Market Analysis	5	1997
	Regulations on Depository Activities and Depository Accounting	10	1997
	Commentary on Draft Regulations Governing Eurobonds	12	1997
	Commentary on Draft Regulation on Monitoring Global Depository Receipt Programs	12	1997
12	Derivatives Market Regulation (Moscow)	2	1998
	Bond Analysis Techniques II	2	1998
	Commentary: Procedure Governing Clearing Operations in Organized Term Deal Market	3	1998
11	Seminar on Derivatives Market Regulation (Vladivostok)	4	1998
13	Commentary on Regulations Governing Broker-Dealers	8	1998
	Stateside Visit on Derivatives Market Regulation	8	1998
	Seminar: promissory notes regulation	9	1998
	Commentary on "Procedure Governing Clearing in Derivatives Markets	6	1999
	Commentary on Draft Investment Funds Law	9	1999
	Pension Reform		
	October Railroad Pension Fund (Phase I)	5	1996
	October Railroad Pension Fund (Phase II)	10	1996
	Pension Fund Policy Advice (Phase I)	3	1997
	Pension Fund Policy Advice (Phase II)	8	1998

FSVC Evaluation
Questionnaire for FSVC Volunteers – Email Version
November, 1999

Questionnaire No: _____

Information about your volunteer relationship with FSVC:

- I made _____ trip(s) to Russia as an FSVC volunteer, totaling _____ working days in Russia.
- I met with _____ (number) of Russian groups visiting the U.S.
- I provided _____ (number) of commentaries from the U.S. on Russian proposed laws or regulations.

This questionnaire was designed so that questions 1-20 could be answered in only a few minutes. Of course, your responses will be more valuable if you can devote more time and provide specific comments. We promise that your comments will be carefully reviewed and considered. Optional questions 21-24 are open-ended and intended to capture your ideas about how we could make the program better. Please provide your thoughtful and candid responses.

The identity of the respondents is known only to the evaluation team. Your responses will not be attributed to you unless you specifically note that you may be quoted.

If you made more than one visit to Russia for FSVC, we ask that you respond with respect to your most recent trip.

Please rate the following on a scale of 1 – 5, with 5 being the best and 1 the worst.

5 = outstanding

4 = very good

3 = satisfactory

2 = marginal and

1 = clearly unsatisfactory

If you wish to explain an answer, you may do so by typing in your answer where indicated and sending this file back to CARANA. Thank you.

1. When I accepted the assignment, I received a clear statement of the work that I was expected to carry out?

Yes

No

I wish to explain:

Questions #2 and #3 are to be answered only if you received a written statement of work:

- **2. The statement of work that I received accurately reflected the expectations of the Russian counterparts with whom I worked?**

Score

I cannot give a rating

I wish to explain:

- **3. The scope of work accurately reflected my own assessment of the job that needed to be done?**

Score
 I cannot give a rating
 I wish to explain:

- 4. FSVC provided reports, articles and/or briefings on the technical issues, political environment and cultural norms to prepare me to work effectively on this assignment?**

Score
 I cannot give a rating
 I wish to explain:

- 5. I would rate the level of my preparation for this assignment:**

Extremely thorough (5)
 Quite good (4)
 Adequate (3)
 Very limited (2)
 Essentially, there wasn't any (1)
 I cannot give a rating
 I wish to explain:

- 6. I would rate FSVC's handling of travel, hotel reservations and other logistic support for my visit(s):**

Score
 I cannot give a rating
 I wish to explain:

- 7. I would rate the translation services provided:**

Score
 I cannot give a rating
 I wish to explain:

- 8. How receptive was the environment to your suggestions/recommendations?**

Score
 I cannot give a rating
 I wish to explain:

- 9. How appropriate was the length of your assignment?**

Score
 I cannot give a rating
 I wish to explain:

- 10. Was the timing of your assignment appropriate to the needs of your Russian counterparts?**

Score
 I cannot give a rating
 I wish to explain:

11. Did FSVC provide adequate support to you in understanding and resolving bureaucratic, political or cultural obstacles that you encountered and/or to explain things that you did not understand?

Yes/No/No support was needed (please circle correct answer)

- Score, if support was needed
- I cannot give a rating
- I wish to explain:

12. In retrospect, do you feel that you were the right person to carry out this assignment?

- Score (5 = absolutely.... 1 = probably not)
- I cannot give a rating
- I wish to explain:

13. How adequately do you feel that you met the needs and expectations of your Russian counterparts?

- Score
- I cannot give a rating
- I wish to explain:

14. Do you feel that this was an appropriate and useful activity for FSVC to undertake?

- Score
- I cannot give a rating
- I wish to explain:

15. Would it have been useful to have had more contact with and support from USAID to supplement the technical and logistic support that FSVC provided?

- Yes
- No
- I do not know

Comment (optional) about the type of additional support, if any, that would have been helpful:

16. Did you recommend follow-on technical assistance?

- Yes
 - No
- Comment (optional):

17. Was follow-on technical assistance provided?

- Yes, from FSVC
- Yes, from another institution
- No
- I do not know

18. Did you have contact with your Russian counterparts after you left Russia?

Yes, on approximately occasions

Please check (X) the following, as appropriate:

I provided advice on the adoption of new norms or procedures

I commented on proposed changes in legislation or regulations

I sent written materials to demonstrate practices in the U.S.

Other:

No

19. Aside from your visit to Russia, have you helped FSVC by meeting with Russian visitors to the U.S.?

Yes, on occasions

No

20. An important question about the FSVC program is whether there is adequate continuity between the discrete assignments of its many volunteers. With this question in mind, do you think that the assistance that you provided was part of a systematic FSVC effort to address weaknesses in a particular part of the Russian financial structure?

Yes (For instance, FSVC has sent some of the key counterparts to the U.S. for observational tours or there have been other volunteers working on essentially the same problem(s) on which I worked.)

No (I am not aware of any other FSVC activities to address the same basic financial sector issues that I was addressing.)

I do not know

Comment (optional, but an explanation of your answer would be helpful):

Thank you for responding to these questions. If you have the time and interest, we would welcome and appreciate your thoughts to following more open-ended questions.

21. Despite technical assistance through this and other donor-assisted activities, most observers believe that Russia has a long way to go in establishing an effective financial infrastructure. In your opinion, has something been missing from the FSVC program, from other assistance programs or from all programs that has impeded their impact and resulted in slower progress than might have been achieved? Is there something that you would do differently?

22. Do you have specific recommendations on how USAID and other U.S. public and private sector institutions could better contribute to the development of an effective financial infrastructure in Russia?

23. Do you have specific recommendations for improving the impact of the USAID/FSVC Russia program in the future?

24. Other comments that you would like to offer:

PLEASE CHECK ONE OF THE FOLLOWING:

You may share this completed questionnaire with FSVC.

Please do not share this completed questionnaire with FSVC.

Summary Analysis of Volunteer Survey

A. About the Survey

Sample size: 53 FSVC volunteers

Respondents: 27 FSVC volunteers

Number of respondents who reported overseas trips and number of days worked: 20

Of which 8 (40%) made more than one trip

Total trips: 32

Average length of trip: 4 ¼ working days

The survey used a rating scale of 1 –5 with the following meanings:

5 = outstanding; 4 = very good; 3 = satisfactory; 2 = marginal, and 1 = unsatisfactory

B. Summary of Results

Questions 1, 2, and 3: Clarity and soundness of assignments.

The overwhelming majority of respondents indicated that assignments were clearly articulated prior to their departures, scopes of work reflected counterparts' expectations and assignments were appropriate to the needs they observed.

Q #1. Scope of Work: Almost all respondents indicated that assignments were clear.

Q #2. Consistency with Counterparts Expectations: Av. Score: 4.1

Q #3. Consistency with Volunteers Assessment of Needs: Av. Score: 4.1

Questions 4 and 5: Preparation for overseas assignments

Almost all respondents indicated that FSVC had done a very good job in helping them to prepare for their activities in Russia. They considered themselves to be very well prepared.

Q #4. FSVC Assistance in Preparing: Av. Score: 4.1

Q #5. Self-assessment of Preparation: Av. Score: 4.3

Questions 6 and 7: Logistic Support

Volunteers gave travel arrangements mostly very high scores, although there were a few notable exceptions. Respondents were very satisfied with local support — being met at the airport, local transport, hotels, seminar arrangements, etc. Several respondents praised FSVC's local staff.

Translation services were also well regarded, with only a small number of exceptions.

Q #6. Travel Arrangements: Av. Score: 4.4

Q #7. Translation Services: Av. Score: 4.7

Question 8: Receptivity of Counterparts

Many respondents indicated that the receptivity of the environment was only fair — that political obstacles, weaknesses in leadership, inappropriate legal structures and unproductive cultural norms often limited the ability of counterparts to accept the advice that FSVC experts were offering.

Q #8. Receptivity of counterparts: Av. Score: 3.9

Questions 9 and 10: Duration and Timing of the Assignment

Most respondents indicated that the assignments were sufficiently long to carry out their assignments. Longer assignments would be difficult for most of the volunteers to work into their schedules. The timing of assignments seemed to meet counterparts' needs.

Q #9. Duration of assignments: Av. Score: 4.2

Q #10. Timing of assignments: Av. Score: 4.2

Question 11: FSVC Support

Volunteers gave the FSVC staff very high marks for helping them to understand the bureaucratic, political and cultural context in which they were working.

Q #11. FSVC support in understanding the context: Av. Score: 4.8

Question 12: Selection of the Volunteer

FSVC volunteers indicated that they felt that they had been "the right person for the job."

Q #12. Right Person for the Job: Av. Score: 4.4

Question 13: Meeting the Expectations of Counterparts

Volunteers perceived themselves as having met most of their counterparts' expectations. This finding was confirmed through the evaluation team's interviews with counterparts.

Q #13. Assessment of counterpart satisfaction: Av. Score: 4.1

Question 14: Value of the Project/Activity

Volunteers returned feeling that their activities had been highly appropriate in helping to resolved problems faced by their counterparts.

Q 14. Av. Score: 4.7

Question 15: Need for Additional USAID Support for the Activity

With only one exception, respondents thought that there was no need for additional technical or logistical support from USAID. Volunteers feel that they receive all of the support that they need from FSVC staff

Q #15. The need for USAID support directly to volunteers: Av. Score: There is no such need.

Question 16 and 17: Follow-on Technical Assistance

Eighteen of 26 respondents (69%) indicated that they did recommend follow-on assistance. However, only one-third (six of those 18) of those respondents, or 25% of all respondents, could indicate that such assistance was provided. Most did not know whether follow-on assistance had been provided or not. Although there would be no real need for them to know about such assistance unless they were being asked to provide it, several volunteers expressed frustration that there was no method of keeping abreast of FSVC activities in their technical areas of expertise and interest.

Q #16. Recommended follow-on technical assistance: 18 of 26 respondents

Q #17. Could confirm that follow-on TA had been provided: 6 of 18 respondents

Question 18: Continuing Contact with Counterparts

Of the 25 respondents who had made trips to Russia, 15 (60%) reported some follow-up contacts with counterparts.

Question 19: FSVC-Sponsored Meetings with Russians in the U.S

Only nine of 27 respondents (33%) indicated that they had met with FSVC-sponsored Russians visiting the U.S.

Question 20: Continuity

This question asked respondents whether they thought that their assignment was a systematic FSVC effort to tackle weaknesses in a particular part of the Russian financial structure. Responses were as follows:

Yes:	15 (58%)
No:	5 (19%)
Don't know:	<u>6 (23%)</u>
Total	26 (100%)

Narrative Questions

Question 21: Why hasn't more progress been achieved?

Most respondents who tackled this question see the main obstacles to progress in Russia's 70 years of Soviet rule, political instability, failures in the rule of law, corruption and the lack of experience with Western concepts of ownership, credit and banking. Most urged continued efforts to support change, patience and reasonable expectations. Several respondents noted that the U.S. system evolved over many decades.

Question 22: Suggestions to USAID and others on how to strengthen Russia's financial infrastructure.

All respondents indicated that FSVC is doing a very fine job and that USAID should continue its support. There were several specific technical recommendations that will be passed along to FSVC.

Question 23: Recommendations for improving FSVC.

A number of respondents urged that the level of financial support be increased, and one respondent recommended a multi-year funding arrangement. One respondent did question FSVC's assistance strategy, suggesting that it might be more productive to have one or two advisors for a year than a dozen different advisors for a few days each.

Selected Comments from Survey Responses

"The consultations (following a workshop) would have been more useful if a clear agenda was established in advance."

"The seminar was too short; another day was needed."

"I have made six trips for the FSVC over the past eighteen months. In every instance the logistical support has been fantastic. I have been met at the airport; hotel reservations have been well handled; the local staff has assisted in day-to-day logistics; in Russian there has been transportation and translation services; the local office has been helpful in computer support and related services. It has been an excellent experience."

"The fact that we were not directly connected with a [U. S.] government institution made us more credible."

"I know that FSVC has been providing assistance to the Central Bank of Russia on electronic payment issues for several years. I have been involved in discrete assignments... [but] I don't have a good overall picture about the state of the electronic payment system in Russia today or what role FSVC is playing at this time in the development of that system."

"Communicate to volunteers info on scope, extent, duration, purpose of the overall countrywide efforts and how each project fits into the big picture."

"In the case of the Russian electronic payment system, we cannot design their system for them, and we cannot write their laws for them. I am not convinced that the development of their electronic payment system is going slower than expected. It took the U.S. about 75 years to write a law governing wire transfers, and we had already established the legal concepts and economic base that would support that law. How can we expect the Russians to do the same in just a few years? They need to feel their way, just as we did."

"Almost certainly, continuity and focus are the key issues (at least in the payments aspect of the financial sector). I am not sure that a series of time-sliced consulting exercises with volunteers provides the degree of focus and continuity needed to develop an overall strategy. It might be better to identify one individual who would have a specific brief to provide continuous support to a senior individual for, say, one year."

"I would have liked more feedback from FSVC on how I did as a volunteer; they are too nice; some constructive criticism would have been welcome!"

"I am consistently and favorably impressed by the quality of the in-country staff of FSVC ... knowledgeable, dedicated and extremely hard working."

40	Y	Y			4	4			5			5	4	5		Y	Y			N	Y
41	Y	N		3	3	5	5	5		5	3	5	5	2	5	N	N	N	Y	N	?
42																					
43	N																				
	A																				
44	N																				
	A																				
45	Y	?			3	4	1	5	5	5	5		5	4	5	N	Y	Y	Y	N	Y
																A					
46																					
47																					
48	Y	Y	2	4	4	4	5	5	2	4	3	5	3	2	5	N	Y	N	Y	N	Y
49	Y	Y			3	4	5	5	4	4	4				4	N	N	?	Y	N	?
50	Y	?			4	4	5	5	4	4	5	5	4	5	5	N	Y	?	Y	N	Y
51	Y	Y	5	5		3	5	5	4	4	5	5	5	4	5	?	Y	?	N	Y	Y
52	y	y			3	3	4	5	4	3	4		3	3	4	N	Y	?	N	N	?
53																					
54	Y	Y	5	5	5	5	5	5	2	5	1	5	5	5	5	N	N	?	N	N	?
55	Y	Y	5	5		5	5	5	4	5	5	5	4	3	5	N	N		Y	Y	Y

	4.	4.	4.0	4.	4.	4.	3.	4.	4.	4.7	4.	4.	4.								
	05	14	8	32	42	74	92	23	18	6	40	08	73								

Basic Questions Utilized for Interviews with Counterparts

1. What are the primary responsibilities of your institution and what are your primary responsibilities within it?
2. Are you familiar with FSVC? In what FSVC activities have you participated?
3. Have you (or your institution) asked FSVC to provide any services?
4. Are there any ways in which FSVC services could be or have been made more effective?
5. What is the biggest problem impeding financial sector development?

Evaluation Team Members

Dr. Mack Ott. The evaluation was led by Dr. Mack Ott, a Director with the Barents Group of KPMG. Dr. Ott is an economist with more than 25 years of experience in advising, research, and education. A specialist in monetary policy and international finance, he has managed projects in Bosnia-Herzegovina, Egypt, Kazakstan, the Kyrgyz Republic and Ukraine. From 1994 to 1996, he was the Chief Financial Economic Advisor of the NIS Monetary Reform Project, supervising a team of economists in the field who advised monetary policymakers throughout the former Soviet Union. He was Deputy Director of the USAID-funded Financial Sector Development Project from 1996-98. He has consulted with the governments and central banks of 15 countries and published widely on topics ranging from monetary economics to offshore petroleum auctions and public finance.

Dr. Inna Guseva. The team in Russia included Dr. Inna Guseva, a professor of finance on the faculty of the International Institute for Trade and Law in Moscow. After completing her studies at Moscow State University, she taught at the Moscow State Institute of Culture. Before accepting her current faculty position in 1998, she held management positions in several prominent Moscow banks -- Rossiyskiy Credit Bank, Elbim Bank, and Mosbusinessbank -- in the course of which she participated in two FSVC banking workshop-seminars. Professor Guseva also holds an honors certificate as a specialist interpreter (English language).

Gerald Wein. Mr. Wein, an economist, has 30 years of experience in economic development activities. He worked for USAID as an economist and project planning and evaluation specialist in Latin America and Africa for 15 years. Later, he served for seven years as the Deputy or Acting Director of USAID programs in Nicaragua, Tunisia and Ecuador. After leaving USAID in 1992, Mr. Wein worked at Abt Associates as the director of two large worldwide health financing and policy reform projects. During the past two years, Mr. Wein has worked as an independent consultant on a variety of projects, including the design and management of five project evaluations for USAID/Russia. Mr. Wein's academic credentials include a bachelors degree in international relations from the University of Southern California, a masters degrees in economics from the University of California (Berkeley) and a masters degree in public administration from Harvard.

FSVC Procedures for Briefing Volunteers

The first piece of information each of the Volunteers receives is the Project Description (PD). The PD lays out: the issue that needs to be addressed, the proposed solution, the objectives of the project, the structure of the project, the proposed number of volunteers and the required skill set, relevant background information on the client, how this project ties in with FSVC's program strategy, and the economic/financial environment affecting the client's operations. The Program Officer doing the recruiting (either NY or field-based) and the Volunteer discuss the issues based on the PD.

The second step in the briefing process is to arrange a conference call between the Volunteers, the client and the New York and Russia Program Officers responsible for the project to fine tune the objectives of the project and lay out the agenda topics.

Each Volunteer receives an assignment packet. This packet typically contains: the most recent EIU (Economist Intelligence Unit) Russia Country Report, recent articles on the state of the banking system or capital market developments, reports generated either by FSVC or third parties related to the particular project, and any information on Russian laws and regulations that may influence the nature of the issue being considered by the client. The assignment packet also contains our conflict of interest waiver, background information on FSVC, policies and instructions for filing expense reports, the pro-bono form and post-project evaluation form.

The Program Officers located in Moscow or Samara brief the Volunteers through phone conversations or e-mail correspondence on the Russia specific issues that may affect the project. These discussions help the Volunteer to customize the design of presentations or agenda topics. If available, FSVC may also put prospective volunteers in touch with previous Volunteers who may or may not reside in Russia. Information on relevant Russian web sites is also passed on to the Volunteers.

If consultations are scheduled as part of the project, FSVC requires the client to provide a list of questions in advance of the Volunteers arrival in country so that appropriate materials can be prepared for distribution or discussion during the assignment.

Once the agenda is prepared, the Russia and New York Program Officers review it and have the client review it to make sure all relevant issues are being addressed. FSVC continues working with the Volunteers as they prepare the materials and case studies for the workshops/seminars.

On some projects, FSVC may schedule informal meetings with the Volunteers and some local institutions before the actual presentations begin. This allows the Volunteers to do some last minute fine tuning of their materials to make sure the topics they address are as relevant as possible to the clients experience.