IMPACT ASSESSMENT DISCUSSION PAPER NO. 16

THE IMPACT OF THE INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE'S RESEARCH PROGRAM ON RURAL FINANCE POLICIES FOR FOOD SECURITY FOR THE POOR

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ABSTRACT

This study examines the contributions of the International Food Policy Research Institute (IFPRI) between 1993 and 2001 to analysis, outreach, capacity building, and training related to the role of rural finance in poverty reduction. The IFPRI multicountry research project on Rural Finance Policies for Food Security for the Poor (known internally as MP5) involved data-intensive research by more than 14 research fellows on the impacts of access to rural financial services in countries. This report examines the contribution of the program within four countries where microfinance research and outreach activities were conducted and its contribution to global knowledge about rural finance and food security. The study involved interviews with more than 80 policymakers, donor representatives, microfinance practitioners, and academics/researchers.

The research project was global in scope, providing information from a variety of institutional environments, but the focus was on micro-level outcomes associated with diverse rural financial structures. It addressed issues of critical importance: (1) does microfinance have an impact on the poor, and is this impact achieved through better risk management as well as increased income generation?, (2) does the structure of financial service providers matter in supporting this impact?, and (3) how can the microfinance industry be made more sustainable? The research provided answers to these questions and thus represents a huge contribution to knowledge about the industry.

The IFPRI research used solid and consistent empirical methods. The research design, data collection, and econometric techniques were all first class. Several respondents noted that IFPRI is unique in that it has the reputation and intellectual resources to meet such a daunting challenge. The study of impacts of microcredit on welfare enhancement and food security through pathways such as risk management and income enhancement exploited strong capacity within the Food Consumption and Nutrition Division (FCND) in Washington. The academic research community, in particular, recognized that IFPRI filled a major research gap by engaging in these impact studies.

The institutional focus of the IFPRI Research Program on Rural Finance Policies for Food Security of the Poor (IRFPP) work—on how and under what circumstances microfinance institutions (MFIs) worked best—diverged from typical IFPRI products that examine how micro-level actors respond to policy change. The IRFPP focus is more in line with FCND work examining risk-management institutions and their performance in varied environments.

Output

The study found that the research project produced a number of impressive outputs and impacts. Outputs included more than 85 publications, including 33 books,

book chapters, and refereed journal articles. Impacts were measured by examining the project's knowledge generation and how this knowledge affected policy.

IRFPP has an outstanding record in terms of quantity and quality of published output. The publications clearly contain answers to the key research questions and these answers are summarized in a number of easily accessible publications. The synthesis work provides concise summaries of cross-country findings related to the impacts and appropriate institutional structures of MFIs. Training and capacity building were not overly impressive, but the research was, from the start, focused on producing global public goods and was not designed to produce large numbers of training beneficiaries.

The IRFPP researchers made a number of presentations to global audiences. The Ghana workshop, in particular, was well attended and received favorable reviews from participants. These global messages helped build IFPRI's reputation as an up-and-coming source of microfinance research. The academic research audience responded in a positive fashion. This pattern of output—messages delivered to a global audience—has, however, limited the impact of the research program in individual countries, where delivery of output was limited. In most cases, country-specific messages were delivered only to institutions that funded the research or those that participated directly in it. A continuing refrain from decisionmakers in the case-study countries was that they were unaware of the IFPRI research.

Impacts of IRFPP Research

The evaluation team identified and attempted to measure the strength of two distinct pathways of IRFPP impact. The first is a global one: through the creation of knowledge useful to the academic research audience and global policymakers. Academics and academic representatives of the industry and donors were universally flattering about the conduct and findings of the IFPRI studies. Prior to the IFPRI work, doubt existed in the academic research community about the effectiveness of microfinancial services in generating incomes, smoothing consumption, and empowering clients. Industry representatives often took these findings as a given, but donors and many in the academic community were skeptical. Most agree that the IFPRI studies provide strong evidence of benefits from program participation. IFPRI made important methodological contributions to the accurate measurement of such benefits when program participation and access to credit were endogenous. IFPRI findings of positive social net benefits from improved credit access have bolstered donor support of such institutions, resulting in increased credit access in rural areas in many parts of the world.

Some of the IFPRI findings related to institutional structure and its impact on sustainability are slowly being accepted by practitioners. For instance, several MFIs are abandoning strict reliance on group liability and experimenting with individual lending models. A decade ago, the group model was firmly ensconced in the industry's psyche; evidence is slowly encouraging departures from conventional wisdom. Some of this evidence comes from individual MFI experiences; some is garnered through studies such as IRFPP.

The second major pathway of impact is a local one: through information provided to partner MFIs. As shown in the case studies, when research was conducted with the approval and interest of local MFIs, the resulting message was most likely to be heard and adopted. In many cases, the IFPRI research provided hard information on something the MFIs already suspected; the evidence from the study helped support change. The ultimate impacts (on clients and institutions) of such changes are impossible to measure, given available data, but improved financial viability of partner MFIs was documented. The degree of attribution of such change to the IRFPP research is also difficult to measure. In the case, however, of nonparticipating MFIs, the in-country impacts are minimal. This point is discussed further below.

Impacts on MFIs

MFIs and the loose organizations they form tend to be heterogeneous in terms of organization structures, skill mixes, and capacity. In general, they receive information in several ways: from donors and through reports provided by donor-supported projects, through workshops and learning opportunities, through acceptance by industry-supporting consultants, and through ad-hoc "best practices" messages. On a day-to-day basis, "best practices" messages are the most commonly cited sources, and they filter down through industry groups (such as the international microfinance network), newsletters, and similar sources. Best practices result from field trial and error, country experiences, and so on, and are thus not direct research outputs. For the IFPRI research recommendations to become widely adopted by MFIs and even their industry groups, they would have to undergo substantial testing and validation at the project level.

IFPRI microfinance research findings have been absorbed into global public information. This information has impacted the industry in numerous ways by creating research-consistent best practices and consensus among policymakers and donors about the effectiveness of microfinance.

Recommendations for Enhanced Research Impacts

The microfinance research fell outside of many of the traditional IFPRI research thrusts and the project struggled to gain recognition by industry practitioners outside of partner MFIs. This report concludes with recommendations on how impact might be enhanced under such circumstances.

Understanding the audience

The impact of the research would be enhanced if the researchers better understood two things: the needs of the stakeholders and the means by which stakeholders acquire information. If IRFPP was viewed as an attempt to deliver a message to an academic research audience, then the research was right on target. Similarly, global policymakers had access to the message. However, many practitioners and policymakers expressed the viewpoint that the research objectives really did not meet their needs. This finding is partly a result of the global public-good objectives of the IFPRI research.

In addition, if the research was designed to have an impact on MFI operations within countries, then the researchers should have spent more time understanding how the intended audience receives its information. As noted, MFIs receive most of their information through established paths such as best practices messages, consultant advice, and so on. Researchers who wish to have an impact on MFIs must ensure that their message becomes mainstreamed into this path.

Delivering the message

Dissemination efforts for this project were inadequate, partly as a result of IRFPP funding mechanisms. Several improvements are suggested. First, since MFIs themselves tend to form regional groupings, a series of regional workshops would facilitate effective dissemination of research findings. Such workshops and the interactions they facilitate might help identify region-specific research programs to sharpen the focus to meet regional needs. An example of a region-specific need is the issue of optimal regulatory frameworks in Sub-Saharan Africa. Second, the time lag between the study and publication of reports needs to be reduced. Effective follow-up for early dissemination of the research findings must be given top priority.

Third, cost-effective dissemination tools other than the Internet should be explored. Distribution of hard copies of study reports might be increased, especially in developing countries where Internet access is costly and time-consuming. Developing-country audiences perceive electronic copies to be poor substitutes for professionally produced hard copies. IFPRI might explore obtaining a web domain within the IFPRI domain that is specifically microfinance-oriented. Linking such a domain to other microfinance sites will enhance spread of the research message. Fourth, impacts within a country will be enhanced if research reports and presentation of results are better focused on the needs of specific groups, such as different reports for practitioners and policymakers.

Achieving sustainability of policy impact

The IFPRI studies provide strong evidence that access to financial services improves the standard of living of poor people in rural areas and helps ensure food security. Since these two outcomes form a core of the IFPRI mandate, addressing them as a part of a multicountry research program made eminent sense. IFPRI must decide whether continued work in this area is needed. If the major questions of concern to the institution have been answered, then movement into a new area of research is appropriate. However, if IFPRI were to abandon this line of research, its credibility in the rural finance area would be reduced, and the future impact of past research would suffer.

ACRONYMS

AIMS	Assessing the Impacts of Microenterprise Services (a USAID project)
ASA	Association of Social Advancement
BIDS	Bangladesh Institute of Developmental Studies
BRAC	Bangladesh Rural Advancement Committee
CDF	Credit and Development Forum
CGAP	Consultative Group to Assist the Poorest
DATA	Data Analysis and Technical Assistance
DEMATT	Development of Malawian Traders Trust
FCND	Food, Consumption, and Nutrition Division
FINCA	Foundation for International Community Assistance (an international NGO)
GHAMFIN	Ghana Microfinance Institutions Network
GTZ/BMZ	Federal Ministry for Economic Cooperation and Development (Germany)
IFAD	International Fund for Agricultural Development
IFPRI	International Food Policy Research Institute
IIDS	Institute of Integrated Development
IRFPP	IFPRI Research Project on Rural Finance Policies for Food Security of the Poor (also known as MP5 in the IFPRI documentation)
MELA	Micro Enterprise Lending and Assistance
MFI	Microfinance Institution
MMF	Malawi Mudzi Fund
MRFC	Malawi Rural Finance Company
MUSCCO	Malawi Union of Savings and Credit Cooperatives
NBFI	Nonbank Financial Institution
NGO	Non-governmental Organization
NR	Nepalese Rupee
NRS	Nepal Rashtra Bank
PAT	Poverty Assessment Tool (produced by the IFPRI researchers to assess the poverty-targeting effectiveness of MFIs)
PKSF	Palli Karma-Sahaya Foundation
PMERW	Promotion of Micro Enterprises for Rural Women
RDRS	Rangpur-Dinajpur Rural Services
RRDB	Regional Rural Development Bank
SACA	Smallholder Agricultural Credit Association
SBP-CSD	Self-Help Banking Program of the Centre for Self-Help Development
SCG	Savings and Credit Group
SEEP	Small Enterprise Education and Promotion network (USAID)
SFDP	Small Farms Development Program
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

1. INTRODUCTION

This study is part of an ongoing series that seeks to assess the impact of IFPRI's research and outreach programs. The assessment series includes studies of the impact of IFPRI's programs in Pakistan, Bangladesh, Viet Nam, and Malawi. This study departs somewhat from these earlier analyses because the program in question is multicountry—indeed, global—in nature. The study examines IFPRI's contributions to analysis, outreach, capacity building, and training related to the role of rural financial services in poverty reduction between 1993 and 2001. As microfinance is currently viewed as a promising tool in the fight against global poverty, the IFPRI Research Project on Rural Finance Policies for Food Security of the Poor (IRFPP) was timely in its conception and was designed to add information to the debate about how financial services can improve household well-being. This report examines the contribution of the program within specific countries where research and outreach were conducted and its contribution to global knowledge and global public goods.

Because of the global nature of the project, its impacts are somewhat more difficult to measure than they would be within a specific country context. Spillovers from the research were expected; indeed, one of the main purposes of the project was to create cross-country comparisons that would enable findings to be confirmed in different environments. Thus, analysis of the microfinance research program needs to examine the impacts of the research within the case study countries, but should also extend to knowledge provided to international stakeholders. These stakeholders include microfinance providers, donors, and policymakers, and the global research community. In examining both global and local impacts of the research program, we enter an ongoing debate within IFPRI—how much to emphasize global public goods versus information for specific stakeholders.

The use of rural finance, and especially microfinance, as a development and poverty alleviation tool grew out of the ashes of large-scale subsidized credit schemes that existed worldwide between the early 1950s and the late 1980s. Enthusiasm for these schemes waned through the 1980s, partly as a result of research-based evaluations showing high costs of doing business, low loan repayment rates, increasing dependency on subsidies, and diversion of credit away from the poor and toward politically powerful recipients (for example, Adams, Graham, and von Pischke 1984). Policymakers recognized the role that rural credit could play in facilitating technology adoption and promoting investment, but were dismayed by the failure of large-scale schemes. As a result, donors had virtually abandoned rural-based agricultural finance at the start of the 1990s.

Enthusiasm for microfinance began to grow following the experience of the Grameen Bank in Bangladesh (Hossain 1988) and successes in urban microfinance in Latin America. Today, more than 20 million households participate in microfinance programs worldwide. Microfinance programs are substantially different from prior agricultural credit programs as they involve smaller loan volumes, are unlikely to be tied to specific input packages, and are not generally agricultural in nature. In fact, outside of well-documented successes in South Asia, most prior microfinance programs were urban in nature. The spread of microfinance institutions (MFIs) suggests that they might be especially helpful in reducing poverty, and small savings from efficiency-enhancing innovations due to microfinance research will be converted into benefits for large numbers of poor and near-poor households.

Microfinance programs appeal to donors and practitioners on a number of fronts, including their perceived ability to reduce poverty. Innovations such as group lending, collateral substitution, and new attitudes toward subsidies have improved the financial viability of microcredit programs and widened access to formerly unserved groups such as women and the poor. The acknowledged success of programs such as Grameen Bank creates enthusiasm among disparate groups of interested parties. However, important questions exist about everything from stylized facts such as repayment rates and reliance on donor subsidies to questions about the design of dynamic incentives and the role of repayment schedules in determining repayment rates (Morduch 1999a). While enthusiasm for MFI programs builds, important questions persist about how successful they have really been and how structure and attributes of specific programs affect their success.

Households in rural areas face numerous risks, many of which are associated with the inherently risky nature of agricultural production. Such risks, and household management of them, can contribute to food insecurity and associated adverse outcomes such as malnutrition and illness. IFPRI has a long history of analyzing policy to improve food security, and the principle reason it began its microfinance research was to understand how financial services could contribute to enhanced food security. At the start of the IRFPP, virtually no information existed on the food-security impacts of microfinance.

The IRFPP waded into this debate, armed with cross-country examples and a mission to provide policymakers with evidence about the costs and benefits, impacts on participants, and structural attributes of microfinance programs. The IRFPP formally began in 1993, but its components were in place well before the inauguration. In fact, early IFPRI research on the Grameen Bank (Hossain 1988) helped document the success of this institution and undoubtedly contributed to the spread of enthusiasm for the microfinance industry. Many of the studies that form the IFPRI research program were well under way prior to 1993, and some were started by IRFPP protagonists prior to their formal affiliation with IFPRI.

The primary audience for the IRFPP, as it was originally conceived, comprised policymakers, donors, and other researchers. The audience was implicit in the main research focus: the impacts of credit programs and access to credit on household well-being, particularly food security. The researchers measured well-being in terms of consumption, nutrition, child health, and so on and the research program was housed in the Food, Consumption, and Nutrition Division (FCND) at IFPRI. The focus on consumption and nutrition effects across countries separates the research program from other concurrent efforts examining microfinancial services. Other research programs examine impacts on household enterprise (such as the Assessing the Impacts of Microenterprise Services [AIMS] program funded by the United States Agency for International Development [USAID]), how MFIs could be structured to better meet client needs (see, for example, Sebstad and Cohen 2000), and the benefits and costs of program participation in a specific country (Pitt and Khandker 1998). None of these efforts had a consistent focus and used similar methods across a number of countries. In fact, IFPRI is probably unique among world organizations in its ability to conduct a study of such magnitude.

This program evaluation has three aims. First, we document the outputs from the work, including publications, workshops, training, and so on. Second, we articulate the outcomes from these outputs: how opinion (among researchers, policymakers, donors, and microfinance participants) or policy changed as a result of the research. Third, we measure the ultimate impacts, in quantitative terms where possible, of the research. This final aim focuses on how policy and program design changed as a result of IRFPP research findings and how such changes affected household welfare.

The ultimate aim of this review—to measure impacts of the research program—is complicated by the IRFPP dual local-global focus. It is difficult enough to measure how policy changes impact well-being; in specific countries, it may be possible to measure well-being using estimates of changes in economic surplus or other means. Moving to global impacts complicates impact measurement significantly. A second complication is related to the attribution problem; the bulk of the cross-country research was designed to produce "generic" global public goods in the form of improved information. Untangling the specific IFPRI contribution to global knowledge is, as described below, a near-intractable problem.[1]

This paper is divided into several sections. The project overview begins by describing the range of activities with which the IFPRI project was involved. The second section examines perceptions of the value of IFPRI research. Perceptions were solicited from the following communities of stakeholders: policymakers and practitioners in four case study countries; donors and financial supporters of the program; academics who look to IFPRI as a source of knowledge; and international policymakers and practitioners. The third section examines tangible indications of impact and value, and the fourth summarizes implications and lessons learned. A final section summarizes the study and draws conclusions.

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[1] IFPRI needs to resolve the issue of name recognition. In some cases, the global public good—information—may be associated with substantial improvements in well-being through better policies and programs. Even if no one associates the information with IFPRI, these improvements in well-being exist, and IFPRI has completed its mission. However, lack of name recognition may limit donor funding for IFPRI projects in the future, and the institution needs to be aware that "branding" may be necessary for long-term sustainability.

2. PROJECT OVERVIEW

IFPRI began the microfinance research project as a means of understanding how financial intermediation could improve food security. The main program objective was to inform policymakers how development of the rural financial sector could enhance prospects for food security.

The objectives of the IRFPP and the key policy questions the research addresses are spelled out in a number of IFPRI documents (see, for example, Zeller et al. 1996). The project's main objective is "to contribute to the identification of policies and institutional arrangements that help to integrate the rural poor into sustainable savings and credit systems" (Zeller et al. 1996). Credit, as viewed through this project, can improve incomes and stabilize consumption; both outcomes increase well-being. The goal of microcredit programs is not to directly influence household income in the short run, but to enable more efficient intertemporal allocations; such efficiency gains help increase income and household well-being over time. The project then sought to inform policymakers and stakeholders about the design and impacts of such credit programs. The research was conducted in nine countries: Bangladesh, Cameroon, China, Ghana, Madagascar, Malawi, Mali, Nepal, and Pakistan. A separate, more self-contained study conducted in Egypt can be considered part of the overall IRFPP (see Table 1 for a summary of research by country and Appendix A for a research chronology).

Table 1—Details of key researchers and collaborators

Country	Key IFPRI researcher(s)	Local collaborating institutions	Funding source(s)	Survey dates
Bangladesh	Sharma; Zeller; Ahmed	Bangladesh Rural Advancement Committee, Association of Social Advancement, Rangpur-Dinajpur Rural Services	GTZ	1994
Cameroon	Schreider; Heidhues		GTZ	1992
China	Von Braun	Chinese Academy of Social Science; Ministry of Agriculture	GTZ	1994
Egypt	Malik; Zeller	Ministry of Agriculture and Land Reclamation	USAID	1997
Ghana	Kennedy; Payongayong; Haddad; Tshibaka	Ministry of Health; the Ministry of Food and Agriculture	USAID	1992–93
Madagascar	Zeller; Bjorg	Ministry of Research and Development; Institut National de Recherches Appliquees au Developpement Rural		1992
Malawi	Diagne; Zeller	National Economic Council; Ministry of Women, Children, Community Development and Social Welfare; Bunda College of Agriculture; Malawi Rural Finance Company	Rockefeller Foundation; GTZ; Irish Aid	1995
Mali	Schrieder		GTZ	
Nepal	Sharma	The Gorkha Development Project Nepal (GTZ)	IDRC; USAID; Winrock International	1991–92
Pakistan	Malik	Ministry of Food	USAID	1986–91
Cross-country synthesis	Zeller; Sharma; Lapenu		BMZ	

Source: IFPRI documents

Several policy questions are directly addressed by the IRFPP:

1. What is the scope of enhanced access and participation of the poor in formal and informal credit and savings arrangements?
2. How can the direct and indirect effects of access to credit and savings by the poor be improved?
3. How can formal financial institutions for the poor be improved, and can formal institutions be linked with informal savings and credit systems?

The first question deals with access to credit programs and has two subcomponents. One subcomponent is to examine microcredit programs and quantify the degree to which the poor are able to participate. This information can be used to measure the impact of such programs on aggregate poverty and help program designers assess how effectively they are reaching their target group. A second subcomponent involves examining the determinants of program participation. This information can be used to alter program design and help uncover means of extending access to excluded groups. Impacts of this line of research will be felt through improved welfare for the ultimate recipients of the credit and reduced losses from poorly targeted public programs.

The second question will inform program design, targeting, and so on to enable microfinance providers to adjust their products and enhance the welfare impacts of credit programs. It involves determining how recipients use credit and how such use maps into changes in individual and household well-being. Such information is critical for product design, and the IFPRI research naturally builds on earlier findings of studies of credit program design. For instance, Adams et al. 1984 found that traditional rural credit programs ignored the essential fungibility of credit within the household; program structure often prevented credit from being used for consumption purposes and thus inhibited the overall welfare impact of the program. When IRFPP began, many were skeptical about the role of credit and, more broadly, finance, in smoothing consumption. The conventional wisdom at the time said that credit was only useful in stimulating investments, and most credit programs were designed to promote productive investments. The IFPRI project explores the role of credit in enabling intertemporal management of household resources; by so doing, it will provide information on how programs can be altered to improve such management. The ultimate impact of such research is felt through improved program design and avoidance of efficiency losses.

The final question is one of institutional deepening and encompasses regulatory reforms, creation of management systems, and using program design to overcome information asymmetries to help build the financial "system." This information will enhance the efficiency with which financial services are provided and broaden access to such services through stronger financial institutions. If microfinance programs have positive social impacts, these impacts will be multiplied over time through sustainable institutions. Research funding was not divided equally among these objectives; the household studies, by nature, consumed the bulk of the resources.

The research program was, at the start, primarily focused on household-level impacts of rural financial services. As such, the program distinguished itself from competing research projects, which focused on enterprise-level impacts within the household and means by which MFI management could be enhanced. Over time, as IRFPP began to demonstrate how access to financial services assisted household risk management, some of these competitors began to focus more on risk-management attributes of financial services.

The audience for the studies differed somewhat from typical IFPRI studies. Policymakers, donors, and the academic community form the principal IRFPP audience, but microfinance policy is generally made separately from food policy, and the policymaker target group is thus not the standard IFPRI audience. The IRFPP was expected to affect these groups by informing about the impacts of microfinance on food security and poverty, providing guidance as to the appropriate regulatory framework and industry structure, and illustrating successful models of microfinance delivery. The latter impact suggests an additional research audience: MFIs and nongovernmental organizations (NGOs) providing financial services, and consultants who assist such entities. Each of these audiences was included as a part of this study.

IRFPP Research Methods

The IRFPP used two levels of analysis: household and institutional. At each level, different methods of analysis were used with appropriate indicators of performance, but the methodologies were kept similar across the country studies. The methodologies are presented in general format in Zeller et al. 1996 and are summarized here.

Household level

The main conceptual framework for household analysis involves three pathways by which credit and savings affect wealth generation and household food security:

- Income generation
- Asset accumulation strategies to smooth income over time
- Use of credit to finance immediate consumption needs

Within each country, IFPRI researchers used household surveys containing similar variables and relatively similar sample survey structures to examine access to credit, the relative importance of formal and informal credit sources in the household portfolio, and the overall impacts of access and credit uptake on household food security and other indicators of well-being such as income, food expenditures, caloric intake, and nutritional status. By maintaining a degree of standardization in data collection and analysis, comparisons across countries and even inferences to excluded countries were possible.

A key policy concern identified early in the research program was the impact of credit access on poverty reduction. This concern emerged from a desire to identify and justify the role of public investments in rural financial institutions. While public intervention might be justified based on rural market imperfections and information asymmetries, an additional motivation is the poverty-reduction potential of microcredit programs (Zeller and Sharma 1998). Because numerous factors affect poverty, careful measurement and modeling were required to isolate the impact of access to financial services on the household. All cases in the cross-country project used a similar two-staged econometric estimation procedure, accounting for the endogeneity of microfinance program participation in the first stage. This uniformity allowed comparison across cases and the potential for consistent summarization.

The project also experimented with the novel notion that access to credit (a measure of credit supply) may be a better measure of the potential impact of credit programs than program participation or credit uptake. The access concept helps the analyst deal with the problem of endogeneity of credit uptake. While credit uptake reflects conditions of demand and supply, access reflects only the supply side of the market and can thus be considered exogenous to the household. The research focuses on measurement and policy-relevant determinants of access to credit; by doing so, the studies show how formal microfinance programs affect the mesofinancial economy (for example, Diagne and Zeller 2001). Such a focus was missing from prior studies, which examined only micro-household or micro-enterprise outcomes. Alternative means of measuring access were evaluated and new measures were incorporated into several of the country studies. These methodological contributions represent one of the strengths of the project.

Institutional level

The institutional research examined the determinants of the structure and conduct of financial institutions and the effects of program design and policies on MFI performance. The analysis borrows from the New Institutional Economics (NEI) framework (see Lapenu, Zeller, and Sharma 2000 for details) to describe the environment in which MFIs find themselves and the evolution of MFIs and MFI-related institutions such as regulatory structures. The analysis answers three key questions: (1) which types of institutions and contracts work better in which environment? (2) how can the performance of MFIs be improved in terms of breadth and depth of outreach and financial sustainability? and (3) how can the different actors—the state, policymakers, donors, and MFIs themselves—strengthen the development of MFIs? The information used in the institutional analysis was gathered from IFPRI case studies, other relevant case studies, and an extensive survey of approximately 1,500 MFIs worldwide.

The IFPRI survey of microfinance institutions was needed because only limited information existed on the universe of MFIs around the world. While several MFI "directories" existed, each was limited and none provided a comprehensive picture of the global spread of the industry. The study identified the location, institutional setting, structure, outreach, volume of activities, performance, and constraints faced by MFIs around the world. As such, it provides information to researchers and a reference for donors and MFIs. The survey of MFIs began with a query to supporting institutions to obtain information about individual MFIs and their support networks; responses from these supporting institutions were used to identify the sample universe for the second stage of sampling. A total of 770 institutions (MFIs and support networks) responded to the survey.

Toward the end of the research project, the researchers created a simple tool to be used by MFIs to better target their programs to poor clients. This tool was adopted by the Consultative Group to Assist the Poorest (CGAP), which is the leading global information provider to MFIs. The tool has been used in a number of country studies. In Nepal, for example, the Centre for Microfinance used the CGAP tool to examine the targeting effectiveness of the Nirthan Utthan Bank, Ltd., an MFI that had been operating in the country for more than ten years.

Major Lessons from the Research

The major lesson from the research is that microfinance represents an important contributor to household well-being through its impacts on consumption smoothing and human capital investments. In contrast, the prevailing school of thought at the project's inception was that microfinance was important only for production and investment promotion. As a result, many analysts concentrated on enterprise-level effects (such as AIMS). The IFPRI project identified and quantified the role of the finance trinity (credit, savings, and insurance) in enhancing well-being through the three pathways identified above. Additionally, the project was among the first to convincingly quantify economic benefits from participation in rural financial programs. Many of these benefits are public in nature and help justify government support for such programs as subsidies for operation and institution building. This information is especially relevant for current policy dialogue, which seeks to understand the role of public subsidies in MFI promotion. The research also identified the role of finance in enhancing food security and paved the way for subsequent analyses of the impact of finance on vulnerability.

IRFPP findings are summarized in a number of publications, including Zeller and Sharma 1998, 1999; Zeller, Sharma, and Lapenu 2000; and Sharma, Zeller, and Lapenu 2000. Findings were disseminated within selected countries through workshops and other means, and to broader global audiences through reports to donors, outreach-type publications, conferences and workshops, and peer-reviewed articles and books. Several messages emerged, including the following:

1. Households with improved access to credit are better able to adopt technology, increase their incomes, and improve food expenditures and calorie intake. Effects on nutritional status, however, were not consistent across the case studies (see Zeller and Sharma 1998, especially Table 18, for a summary of these findings).

2. In all cases, clients borrowed only relatively small amounts of money, although significant variability occurs across countries, by income grouping, and by source of loans.
3. Contrary to prior perceptions, poor people have a demand for financial services, and sustainable financial institutions can be designed to serve the poor. These prior perceptions led to erroneous policies through the late 1980s (some persist today): (1) inaction because the poor were deemed uncreditworthy; and (2) subsidized interest rates because it was assumed that the poor could not "afford" high interest payments.
4. Subsidies to interest rates are not advisable and, in fact, can limit the financial sustainability of MFIs. Subsidies may be appropriate during the early stages of MFI development, but a fixed schedule for reduction of subsidies should be built into the development plan.
5. Savings services are a critical component of the finance equation: the poor demand savings services and savings provide capital for MFIs. Demand for financial services by the poor is partially a result of a desire to avoid food insecurity. As an implication, savings services should be designed to meet the needs of the poor.
6. Poor households tend to be credit-constrained and underserved by formal markets; they tend to be risk averse; and they have limited access to income-generating activities. MFIs generally do not include the poorest of the poor among their clients. Transaction costs and steep collateral requirements still hamper the poor in participating in formal financial markets. These constraints are associated with low consumption and constrained investment behavior that perpetuates poverty given that finance has potential for lowering poverty.
7. Much of credit used by the poor is used for consumption. An estimated 50–90 percent of formal and informal credit to the poor is used for consumption expenditures. The implication of this finding is that credit programs, if they are to meet the needs of poor clients, must recognize the inherent fungibility of credit.
8. Informal financial institutions provide critical services, especially to the poor, in all countries. Lessons learned from these institutions include: the need to tailor products to client needs, the importance of local knowledge, the need to build financial relationships over time and their implications for institutional sustainability, the need for adequate and well-specified enforcement arrangements, and the importance of incentives for the lender as well as the borrower. The study also identified some of the weaknesses of informal institutions and identified a way for formal lenders to overcome these weaknesses.
9. Product innovation should be encouraged to meet the demands of clients. Examples include unsecured loans, use of collateral substitutes, and provision of different insurance products.
10. Organization of the MFI is a critical determinant of its success. Member-based organizations have certain clear-cut advantages, but are not universally most appropriate. Similarly, group lending provides advantages in some organizations, but has not been successful in others.
11. MFI success is conditioned on an appropriate regulatory framework and an enabling policy environment. Some regulation is required in certain cases,

particularly in the areas of internal financial management and transactions between financial intermediaries. A tiered approach to regulation is recommended based on the situation in the country in question.

12. Agricultural finance represents a special challenge to MFIs because of the wide geographic spread of producers, low education levels that make information sharing costly, and inherent risks associated with agricultural production.

Costs of Research

Impacts of the IRFPP should be assessed in relation to its cost. The overall cost of the research project is estimated to be $3.5 million, but this aggregate figure does not tell the entire story. With respect to cost, two main funding mechanisms exist: IFPRI core funds and special project funds generated from outside donors. Although data on costs are not complete as yet, the principal IRFPP investigator estimates that less than 15 percent of the total came from core funds. Thus, IRFPP was largely a product of noncore or project funding, and overhead from the special projects actually generated more funds for IFPRI than were spent out of the core. Of course, overhead implies costs to the institution, so comparisons are difficult.

Funding mechanisms have some implications for outputs and impacts. Special project funds are usually tied to specific outputs such as donor reports and only rarely include funds for workshops and outreach publications. Special project funds are generally less likely to produce global public goods and tend to focus on issues specific to a country or region rather than on global issues. The evaluation must consider how funding affected the program's outputs and impacts.

Intermediate Outputs

The main output of social science research is enhanced information. This information is used to create better institutions and policies, and to improve program design. These changes affect well-being, which is the ultimate measure of program impact (see below). On an intermediate level, information was provided through a number of outlets, particularly publications, workshops, training, capacity building, and other outreach efforts. In addition, two global *products* were produced that are used by analysts and MFIs themselves. These intermediate outputs provide a sense of the breadth of the project and also help focus analysis of its impacts.

Publications

The first and most lasting impression of this research program is the sheer volume of published output produced under the IRFPP umbrella (see Appendix B). These publications range from informal working papers to reports to donors, from policy briefs to refereed journal articles, books, and book chapters. However measured, these publications represent a huge achievement in published output; their diversity assures that each group within the intended audience will have access to the findings. Note that several of the major IRFPP publications have only recently been completed (two of the IFPRI research reports and the book have publication dates after January 2001); lags between publication and impacts must also be considered in the evaluation process.

Table 2—Number of IRFPP publications as books, monographs, research articles, and working papers

Item	Malawi	Bangladesh	Madagascar	Global	Total
Books, monographs, and book chapters	2	2	1	18	23
Papers in refereed journals	2	2	3	4	11
Discussion and working papers	7	2	2	26	37
Selected papers presented at conferences	1	2	–	16	19
Total	**12**	**8**	**6**	**64**	**90**

Source: IFPRI documents

A positive feature observed in the publication pattern is the continuous and consistent flow of publications throughout the period when the IRFPP was active (Tables 2 and 3). Another pattern of publications that emerged from the analysis is the focus of IFPRI on a global audience rather than on particular regions or countries. Some 72 percent of the publications are global in nature, either involving cross-country comparisons or issues common to different regions. Although the studies were conducted in 10 countries, publications were specific to only three countries (Malawi, Bangladesh, and Madagascar). In these countries, IFPRI researchers were more intensively involved, either through outposting or frequent visits. The other country study findings were not fully utilized and made available for general audiences within the specific countries. This cross-country focus is consistent with the intent of the project and, indeed, with the mission of IFPRI, but may inhibit the impact of the research within individual countries. This issue will be addressed in more detail later in this evaluation.

Table 3—Breakdown of IRFPP publications

Years	Malawi	Bangladesh	Madagascar	Global	Total
Books, monographs, and book chapters					
1996	–	–	–	2	2
1997	1	–	–	4	5
1998	–	–	–	2	2
1999	–	–	–	2	2
2000	–	1	1	3	5
2001	1	–	–	4	5
2002	–	1		1	2
Total	**2**	**2**	**1**	**18**	**23**
Papers published in refereed journals					
1996	1	–	1	2	4
1997	–	1	–	–	1

Years	Malawi	Bangladesh	Madagascar	Global	Total
1998	1	–	1	–	2
1999	–	1	1	1	3
2000	–	–	–	1	1
2001	–	–	–	–	–
Total	**2**	**2**	**3**	**4**	**11**
Papers published in discussion and working paper series					
1996	4	–	1	7	12
1997	–	–	–	3	3
1998	1	1	–	3	5
1999	2	1	–	3	6
2000	–	–	1	5	6
2001	–	–	–	5	5
Total	**7**	**2**	**2**	**26**	**37**

Source: IFPRI documents

Data sets

For each of the countries in the study, a multiple-round survey was conducted with between 300 and 500 household observations. While these data sets have been thoroughly analyzed to address project objectives, they have not been fully exploited for other purposes. Of these 10 data sets, only 3—those from Egypt, Malawi, and Pakistan—are available on the IFPRI website; the others can be made available to researchers.

Workshops, seminars, and presentations

Recognizing the importance of dissemination of research output, IRFPP research findings were presented in a number of seminars and workshops. The research findings were presented and discussed in about 26 workshops across the world (Table 4). About 50 percent of the workshops were for or by academics and the remaining attendance was equally shared by donors and microfinance practitioners. This pattern clearly shows that discussions of the findings were oriented more toward academic researchers and policymakers than donors or MFI practitioners. This orientation is consistent with the desire to produce global public goods. Again, few of workshops were presented for individual country audiences.

Global products

A major output of the project was a database on the global spread of MFIs. This database shows some 1,500 institutions in 85 developing countries supported by international organizations. These reach 57 million members, 44 million savers, and 23 million borrowers.[2] The database can be used to analyze the performance, depth, and outreach of the MFI industry in developing countries.

[2] Since some MFI participants are both borrowers and savers, the total number of participants is lower than the sum of borrowers and savers.

Table 4—IRFPP workshops and their audiences

Year	Principle audience			
	Academics	Donors	MFIs	Total
1995	1	–	–	1
1996	4	–	–	4
1997	2	–	1	3
1998	4	–	2	6
1999	–	1	–	1
2000	1	4	3	8
2001	1	2	–	3
Total	13	7	6	26

Source: IFPRI documents

A second major global product was the CGAP Poverty Assessment Tool (PAT) (http://nt1.ids.ac.uk/cgap/poverty/). The CGAP PAT, developed as part of the IRFPP program, provides information to MFIs about their depth of outreach and the extent to which they reach the poor. It shows poverty levels of clients relative to people within the same community, using a multidimensional poverty index that allows for comparisons between MFIs and across countries. The tool involves a survey of 200 randomly selected clients and 300 nonclients, takes about four months to complete, and costs around $10,000. Information on the use of this tool is presented below, but it is now widely used in a number of countries.

Analysis of Intermediate Outputs

The project clearly produced a large number of publications, but fewer other forms of outreach were employed. As expected, since the bulk of the funding came through special projects, donor reports tend to predominate, particularly for individual country cases. In fact, outside of Bangladesh, Madagascar, and Malawi, no country-specific publications were produced other than donor reports or IFPRI working papers. Few country-specific workshops or alternative means of dissemination were conducted, especially in countries where IFPRI staff were not outposted. The publications that became widely available focused on cross-country comparisons. Such comparisons were true to the IFPRI mission of producing global public goods. For a project that relied heavily on special project funding, production of such a large number of global public goods was an impressive accomplishment. The impacts of these outputs are, however, more difficult to measure as they are global in nature.

The lack of in-country presentations presents a small problem because microfinance research diverges from the food policy focus of much other IFPRI research. Microfinance represents a relatively new research theme for IFPRI; the audience for the work differed from the “typical” IFPRI audience. Within specific countries, few actors in the microfinance industry (policymakers, donors, MFIs) historically looked to IFPRI for research results. MFIs, in particular, found many of the IFPRI publications inaccessible, and generally obtained their information from workshops and regularly established microfinance information sources (CGAP, the microfinance summit, and others). Without clear understanding of the demand for microfinance research and how it should be delivered to its intended audience, the impact of the IRFPP research on the policy process is diminished. This idea is discussed below in the individual country case studies.

3. MEASURES OF THE INFLUENCE, VALUE, AND IMPACT OF IFPRI MICROFINANCE RESEARCH

Methodology

Economists have generally made few attempts to understand the benefits or impacts of social science research. However, a nascent literature on social science research impacts has emerged as research programs are scrutinized. Motivations for such scrutiny revolve around three sources. First, as budgets tighten, public decisionmakers require more evidence of the impacts of research, including policy research. Second, assessments of the value of policy research programs may help guide the allocation of resources to programs with the highest expected returns. Third, program design may be enhanced by research findings leading to more efficient expenditures of public funds.

Studies looking at the value of such research have concluded that the output of economic research is information (for example, Gardner 1999; Norton and Alwang 1997; Schimmelpfennig and Norton 2002). This information is converted to economic value through its impact on decisions related to resource allocation or policy design. Thus, measurement of the impacts of research must involve two components: (1) the impacts on policymakers' subjective beliefs about the consequences of actions; and (2) the welfare impacts of those actions.[3]

Several approaches to valuing social science research were discussed in Norton and Alwang 1997. These are roughly categorized as (1) the econometric approach, (2) the surplus approach, and (3) the Bayesian decision theory approach. In practice, the approaches complement each other, and an interesting hybrid approach estimates the value of information about changes in benefits (states of nature) from different decision paths (actions) to measure the value of economic research (Schimmelpfennig and Norton 2002; Norton and Schimmelpfennig 2001). Research provides decisionmakers with information about the probability of different outcomes based on decisions about actions. These decisionmakers had prior impressions about these probabilities, and the change occurring in these distributions following knowledge of research helps measure the ultimate impact. These methods are especially useful in the case of a single decisionmaker making discrete policy decisions or with a transparent decisionmaking process. They are also useful when focusing on impacts within specific countries. Impacts of global public goods are much more difficult to measure.

The impacts of research on policymakers' and MFI practitioners' subjective beliefs about consequences of actions can be separated into several components. First, was the research message heard by the audience? Once the appropriate audiences are

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[3] Schimmelpfennig and Norton (2002) note that in most policy environments, political-economy interactions such as lobbying and political tradeoffs become important. We intend to abstract from such concerns.

identified, measurement of the degree to which the message was received is straightforward. In the current study, we measured receipt or knowledge of the research message through direct interviews with selected audiences. Ability to attribute the message directly to IFPRI (that is, establishing name recognition) may also be important. Second, was the message believed? That is, what are the audience's perceptions of the overall quality of the research? The evaluation began by addressing these questions.

Once information is attained on research impacts on subjective beliefs about policy parameters, the welfare impacts of subsequent actions should be measured. In certain forms of policy research, these impacts are easily measured; indeed the information needed for such measurement is often a product of the research. For instance, Norton and Alwang 1997 discuss the impacts of research on integrated pest management in agriculture in the Philippines. The research itself involved measuring parameters such as the supply of and demands for pesticides and horticultural products. Changing exchange rate policies (the focus of the research) induce shifts in these curves, which, in turn, affect well-being. In this case, the research helped justify changing exchange rates, and the research products could be used to measure the impacts of research-induced policy change.

The IFPRI microfinance research measured the impacts of access to credit on household well-being (incomes, consumption, nutritional status, and so on). This information can be combined with the information on the effects of the research on the propensity to fund MFIs (a changed policy parameter) to measure the impacts of the *research* on the poor. However, many of the other "parameters" measured during the course of IRFPP are not easily translated into welfare changes and are not amenable to economic surplus analyses.

To measure global impacts, three primary stakeholder groups were identified: policymakers and donors, MFIs and consultants who provide them information, and the research community. Respondents were selected from each group and subjected to a series of questions designed to elicit their knowledge of the research, their appraisal of its quality and relevance, and how their actions were affected.[4] No attempt was made to measure the dollar values of global information produced by the research. Rather, we focused on the impacts of research on perceptions of key policymakers.

The research itself was conducted in 10 countries, so impacts within these countries had to be examined as well. This review required selection of a subset of stakeholders who might be affected by the research and a subset of countries to examine impacts in depth. Policymakers and donors, representatives of MFIs, and members of the research community were interviewed in the selected subset of countries.

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[4] We attempted to verify the veracity of responses by repeating questions in different contexts and by asking respondents to be as specific as possible about information sources.

Global Impacts of IRFPP Research on Policymakers and Donors

Interviews with policymakers and donors occurred at the international level (for example, consultations with BMZ/GTZ [the Federal Ministry for Economic Cooperation and Development] in Germany and with the World Bank in the U.S.) and, where possible, within each case study country. These interviews were structured to understand the degree of reliance on IFPRI-type research, familiarity with IFPRI findings, and the extent of acceptance of the key IFPRI messages. The interviews went on to elicit how such findings have been translated into policy change.

At the start of IRFPP, donors were skeptical about the prospects for rural finance; in fact, in the early 1990s, the World Bank and others had almost entirely abandoned agricultural lending. The model of project-based support for state-owned development banks was almost entirely discredited. Since this time, and corresponding in a temporal sense to the conduct and publication of the IRFPP studies, donor support for rural finance, micro or not, has grown. Part of this resurgence in interest is due to demonstrated successes of such programs, part to innovations in practices that have improved the effectiveness and efficiency of rural finance. On both of these scores, IFPRI research contributed to the dialogue, and while attributing a specific portion of the shift in favor of finance is impossible, policymakers and donors agreed that IFPRI has had a substantial influence on the dialogue.

The IFPRI research demonstrated convincingly that access to financial services can improve household food security, and this finding helped build a case for continued institutional support for finance institutions by the donor community. Several interviewees commended the IFPRI research by saying that their findings helped put to rest any residual doubt about the poverty-reducing potential of financial services.

Further, IFPRI evidence about the various pathways by which financial services affect household well-being clearly affected how donors think about financial services in rural areas. Through the early 1990s, donor-supported programs focused almost entirely on how credit was used; loans were disbursed based on farm plans and expected returns on investments. Such a focus was associated over time with low repayment rates and unsustainable institutions. IFPRI is widely recognized as a leader in the school of thought that finance can improve risk management through consumption smoothing and other means and that the impacts of credit participation on households extends beyond enterprise incomes. These findings supported lending practices based on ability to repay loans (regardless of the source of this ability) and household incomes rather than on the specific use of the loans. This switch in focus has increased repayment rates and allows donors to more effectively concentrate on institution building as a source of institution and program sustainability. The switch also implies lower costs of information collection.

For instance, the USAID-AIMS project now builds capacity for MFIs to examine the potential creditworthiness of clients based on their asset position, income-earning potential, and perceived ability to repay loans. Global best practices, as disseminated through CGAP and other sources, encourage flexible lending norms with the implicit recognition that the multiple pathways by which access to finance can affect well-being justify such flexibility.

IFPRI research demonstrating that, in some environments, models other than strict group liability may be effective has also had an impact on donors, policymakers, and MFIs. Respondents noted that there is now creeping recognition that in some environments, reliance on group enforcement may not be sustainable due to inherent social pressures and within-group heterogeneity. Now, several major MFIs, such as Banco Sol in Bolivia and the Foundation for International Community Assistance (FINCA) are experimenting with individual loans, and others are considering similar actions. While such decisions are often based on individual experiences[5] rather than multi-country research results, the research findings are seen to have contributed to the legitimacy of field operations.

The main policymaker/donor groups interviewed during the course of this review include GTZ/BMZ ,USAID, and representatives of the World Bank. These institutions either supported the IFPRI research or support MFIs, or both.

GTZ/BMZ

The bulk of the IRFPP research was funded by the German government either through BMZ or through GTZ under the BMZ umbrella. This funding mechanism differs significantly from most donor-funded research in that it provides unconditional funds for research and the support is not necessarily tied to field operations. BMZ supports strategic research as a part of its support for the overall Consultative Group on International Agricultural Research (CGIAR) network. The funding is allocated based on proposals from the CGIAR partners. These proposals undergo blind review and the process breaks the typical linkage between funded research and donor activity. Such a process leads to more freedom on the part of researchers in designing their research agenda, but also may lessen the short-run policy impacts of the research. Compounding this problem, a key institutional proponent of the IRFPP research agenda within BMZ (Mr. Kropp) has since retired, leaving a gap in the institutional home of the research.

BMZ was clearly interested in funding a research project that produced a global public good; the cross-country nature of the IFPRI project was designed to generate information of a global nature. Individual country results were viewed as an added benefit of the research, but the overall concern of this funding entity was global information to be used by any interested party.

Interviews with representatives of BMZ and GTZ in Germany indicate only vague institutional memory with respect to the IFPRI research, but many of the IFPRI messages have been “mainstreamed” into government policy. In the past 10 years, GTZ has moved

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[5] Private capital markets also seem to be more interested in funding individual liability models. Private capital is a major and growing resource for MFIs.

away from individual MFIs toward a systems approach that supports apex institutions, microfinance networks, and central banks. They also support building regulatory capacity within host-country governments. Their policy support has moved away from credit per se and toward savings mobilization. While they have not fully adopted the "finance trinity" approach, they have begun to experiment with microinsurance products on a limited scale. Their support also promotes flexible loans that are not tied to specific input packages, and they have decided to move away from insistence on group liability. In recent years, GTZ has made substantial movement toward support for MFI groupings that provide loans to individuals as opposed to groups. GTZ funding has declined as budgets tighten, but MFI programs have not been hit as hard as others.

USAID

USAID has a strong history of support for the microfinance industry. The USAID microenterprise initiative, started in 1994, provides the bulk of project support and addresses "microenterprises." Microfinance is treated as a subset of microenterprise support. The AIMS and Small Enterprise Education and Promotion network (SEEP) programs deal with financing for microenterprises and examined the impacts of such financing on the viability of the microenterprise (not on the household per se). However, over time, studies commissioned under these projects began to examine the households in a more holistic sense and expanded the analysis beyond strict attention to the financial viability of the enterprise. Many of the later studies conducted under AIMS examined impacts of credit on household income, asset accumulation, nutritional status, women's empowerment, and so on. The shift away from enterprise-level toward household-level analysis began in the mid-1990s, and part of the reason behind it may have been growing awareness of the IFPRI findings. The focus on the household and later attention given to risk and uncertainty by AIMS analysts followed, in a temporal sense, the IFPRI focus.

Despite being conducted at a similar time to the IFPRI studies and having a reasonably similar focus, little cross-fertilization between the IFPRI and the AIMS studies occurred. For instance, the 1996 AIMS summary of the literature of impacts of microenterprise credit (Sebstad and Chen 1996) does not cite any of the IFPRI work. The two projects were, to some extent, competitors, and this competition may explain the unwillingness to publicly acknowledge their intellectual debt to IFPRI. On the other hand, project managers may have been genuinely unaware of the IFPRI results. More recently, AIMS has recognized several of the IFPRI findings and a 2000 synthesis (Sebstad and Cohen 2000) cites IFPRI findings.

Through the 1990s, USAID conducted studies of the impacts of microfinance and building tools to assist microenterprises and MFIs in assessing clients and impacts. These studies provided information similar to that of the IFPRI studies. Interviews with representatives of USAID indicated a high degree of regard for the quality and conduct of the IFPRI studies, but noted that, since they (USAID) were producing similar material and findings, the impacts of IFPRI were not as great as they might have been. However, as noted above, the AIMS focus on households and on risk-related factors lagged by several years the IRFPP work; efforts to elicit this influence from project directors were largely unsuccessful. USAID used USAID-produced studies, and these studies had a substantial impact on how the institution thought about microfinance. MFIs receiving USAID support are encouraged to use AIMS/SEEP tools.

IFPRI's research in microfinance did not, thus, have a huge impact on USAID policy. The research findings helped confirm findings of the USAID-supported studies and build confidence in the results of these other studies, but an independent influence of the IRFPP was difficult to separate from other research findings.

World Bank

World Bank staff were overwhelmingly flattering in their assessment of IFPRI research in general and the IRFPP in particular. Interviewees noted that the IFPRI name provided legitimacy to the research. "I do not need to question methods when I read an IFPRI report; I know the research is high quality," was a common sentiment. Several recent World Bank publications related to microfinance and its impact on poverty cite IFPRI findings to support the general notion that a well-run microfinance program can have a tangible impact on poverty reduction.

Perception and Impacts on Microfinance Practitioners

Several international agencies supporting microfinance programs and projects were contacted for their impressions of the IFPRI research. Representatives from USAID/AIMS, CGAP, MicroSave, the World Bank, and other global MFI practitioners (see Appendix C) all agreed that the quality of IFPRI research is generally high. Because of this quality, findings from IFPRI studies are usually judged to be reliable; high-quality research methods build confidence in results. The IRFPP research is no exception, and respondents unanimously expressed confidence in the results. At the same time, however, broad agreement among practitioners supported the idea that the research was not really designed to provide operational guidance to MFIs and, as such, has had only limited impact on them.

As the microfinance industry has matured, its practitioners have relied more on experimentation and moved toward more flexible programs and away from strictly followed lending models. For instance, the Grameen Bank model was for many years considered the industry standard, followed without modification by practitioners. Now, experimentation and heterogeneous program design are the norms. Such changes are consistent with the IRFPP, but it is impossible to separate those which can be directly attributable to the research from normal maturing industry trends.

A common sentiment expressed by microfinance practitioners was that the IFPRI research was overly "academic" in nature and thus of limited use. The evaluation team was surprised by this response, but believes it contains three elements: focus, methodology, and presentation. The main focus of the IFPRI research was to provide cross-country evidence on the efficacy of access to financial services using a common methodological framework. Many representatives of MFIs would argue that this efficacy was already established by field studies and program evaluations, and that methodological consistency is not a primary interest (part of the "too academic" complaint). Practitioners responded that many of the IFPRI findings, such as the notion that access to financial services can reduce food insecurity, were already widely accepted in the field prior to publication of the research findings. Others, such as the idea that strict joint liability might not be the most appropriate in all environments, were also implicitly understood. The IFPRI findings thus helped confirm existing beliefs about microfinance, but did not provide new or surprising information. MFIs are currently interested in receiving operational guidance such as how to evaluate client needs, improve operations and management, and other contributions to improved financial sustainability.

The perceived problem with the IFPRI methodology is related to suspicions about overly quantitative methods. Much of the action-oriented research currently being conducted for MFIs is qualitative or participatory in nature. Methodological issues highlighted in the IFPRI publications, such as proper control for the endogeneity of program participation, were not viewed as important, and disdain for such concerns limited use by MFIs of the IRFPP findings. These comments are not an indictment of IFPRI methods; they may, however, justify continued investment in user-friendly dissemination techniques.

None of the respondents were willing to estimate the degree to which IFPRI findings influenced industry guidelines on a global scale. These same respondents expressed more interest in receiving operational guidance based on action-oriented research rather than academic interest. The evaluation team noted an alarming reaction by such practitioners against what is perceived to be overly academic research.

The microfinance industry now has a substantial institutional support network, anchored by CGAP, which serves as the microfinance gateway. This network provides technical assistance in a variety of forms, but the most frequently cited form is through the publication and dissemination of "industry best practices." These best practices were created as a part of the Microenterprise Best Practices (MBP) Project funded by USAID. Over time, as research findings are accepted and confirmed across a variety of environments, they become "best practices" and are often adopted by MFIs or experimented with on a case-by-case basis. In practice, these best practices are more general and generic and provide tools to MFI managers on how, for example, to evaluate potential new products (see Brand 1998, for an example). Best practices are thus management tools, and much of the information produced by IFPRI was not amenable to being converted into industry best practices. Again, none of the respondents contacted in the course of this study was able to state the degree to which IFPRI findings have influenced these best practices, but the sense was that the IFPRI findings were too country-specific to be of use and did not provide the types of tools MFI management needs to make decisions.

One of the significant contributions by IRFPP research to microfinance practitioners was through development of the PAT. This tool is part of the CGAP toolkit and is available on the CGAP website. The PAT has been recognized by MFIs in different parts of the world and has been used extensively to assess their poverty-targeting effectiveness. As reported by CGAP, PAT has been used by 23 MFIs across the world covering different regions, mainly South Asia, East Asia, and Africa.[6]

Perception Among Academics

Perceptions of quality

Several academics were interviewed as part of the IRFPP evaluation. Academic audiences were identified through an Econ-Lit search using the terms "microfinance" and "microcredit" as keywords. The majority of these academics were from developed countries, but authors of any published papers would appear in the search. A random subset was contacted by telephone and participated in a short interview. For each of the case study countries (see below), a subset of academics was identified through searches of references from country-specific literature. The perceptions of the case study academics are presented in the later section.

Perceptions of developed-country academics of the IFPRI research were overwhelmingly positive. Respondents were flattering in their assessment of IFPRI research in general and noted that the IRFPP research was no exception. The academic audience stated that the IRFPP agenda was well conceived and, as a result, the program complemented other ongoing investigations of microfinance. In particular, except for a few studies being conducted at the World Bank and elsewhere, no cohesive group of researchers was examining the issue of impacts of microfinance on clients. The presence of high-quality cross-country comparisons of microfinance impacts filled a major hole for the academic research community.

The academic audience was positive in its impression of IFPRI's solid empirical methods and high-quality data collection. Mention was made of the "supply side" measures of access to financial services and the combination, in several countries, of qualitative and quantitative techniques. Most academics were less familiar with the project's institutional analysis, but were eager to see such findings make their way into the refereed literature.

The impacts of the IFPRI research on the academic research community were mainly felt in two ways. First, IFPRI contributed to understanding about impacts of access to microfinance on food security and well-being. Solid empirical findings from IFPRI in this area helped release research resources to address other issues such as optimal structure of MFI regulation, determinants of repayment rates, client profiles, and

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[6] For details on the use of this tool in seven countries, please see http://www.ids.ac.uk/cgap/poverty/pat/pat.html.

so on. Several respondents noted that IFPRI is unique in its ability to coordinate and ensure quality in such a massive research undertaking. Second, some of the methods, particularly the idea of using a self-reported measure of access to credit, may become more widely accepted if they hold up under the academic review process. Acceptance of these methods may open up a number of potentially interesting research topics in the future.

This audience was skeptical about the ultimate impacts of the IRFPP research on policymakers and practitioners. The main microfinance policy issue faced in most less-developed countries is design of the appropriate regulatory framework. The IFPRI research did not specifically examine how regulation affected MFI performance nor did it explicitly examine different regulatory models. In fact, most of the IFPRI recommendations from the country research were thought to be too specific to the institutions studied (for example, group liability was not always the most appropriate lending model in Malawi) to be of use to policymakers. The academic audience agreed that the "bigger picture" IFPRI finding that access to financial services enhances well-being may have helped build donor and policymaker support for increased microfinance funding. They thought, however, that this message was already accepted by this audience and thus did not change perceptions.

Academics also noted that MFIs themselves are not large consumers of academic-type research. Within developing countries, MFI audiences generally lack capacity to understand technical (and sometimes subtle) messages. MFIs seek more "action-oriented" research producing such tools as means of assessing client needs, enhancing internal operations, and so on.[7] The academic audience noted correctly (see below) that in cases where the IFPRI research was directly associated with MFI operations in a country, the resulting research message would have a high probability of being accepted. But other MFIs would not be receptive of such messages. Part of the problem is the means of communication, and academics note that long time lags between research inception and ultimate publication lower the value of findings to MFIs. Lags are particularly damaging in an industry such as microfinance, where change is rapid and constant. As the IFPRI findings become mainstreamed into the "best practices" universe, they may become more widely accepted, but attribution will remain a serious problem.

The academic audience also noted that microfinance research is outside of the realm of "typical" IFPRI studies. They expressed appreciation for the time and effort IFPRI has invested in cultivating an audience and establishing credibility among food policy and development policymakers. These contacts are not directly relevant for microfinance policy and, without putting an equivalent effort into cultivating long-term relationships with microfinance policymakers, the impacts of the research through changes in policy will be diminished. There was also concern for perceived lack of continuity of IFPRI research on microfinance; the impacts of the research will not grow over time if microfinance research is discontinued.

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[7] None of the academics interviewed was aware of the PAT.

Citations of IFPRI Work

An Econ-Lit search of the terms "microfinance" and "microcredit" in January 2002 yielded some 46 citations of relevance. Of these, 23 were easily accessible through electronic means, interlibrary loan, and so on. Only 6 of these 23 citations contained references to IRFPP publications (10 cite IFPRI work if the 1988 publication by Mahabud Hossain is included). Thus, at this time there has been relatively low penetration of the IFPRI research message into the formal academic research. The main reason for this low penetration has to be the relatively late emergence of IRFPP-sponsored research findings in academic journals and books; research always involves a gestation period, and the full period of gestation has not yet passed for the IFPRI literature. Another reason may be the fact that much of the IFPRI research has been published in sources that are relatively inaccessible to the U.S. research community, particularly country-specific results.

Summary

The team found evidence of respect by all audiences for IFPRI research. The IFPRI name is associated with high-quality research of interest to a wide spectrum of policymakers. Those familiar with the IFPRI microfinance literature were appreciative of its quality. The academic research audience was most familiar with the IFPRI microfinance work and was positive about the agenda and the quality and believability of the findings. Policymakers were positive in their assessment of the research, but many questioned the policy relevance of the findings. The research results were said to confirm what many had already suspected. For instance, the main finding—that microfinance helped improve food security—confirms the positive image of microfinancial services that most policymakers and donors already held. This information might have been used within each institution to justify funding increases for MFI programs, but documenting such an outcome was impossible. Worldwide, MFI programs have at least held their own against other development program alternatives.[8] However, respondents from each stakeholder group were unwilling to attribute such changes to the IFPRI research.

During the latter stages of the IRFPP research, a noticeable shift in focus occurred among students of and practitioners in the microfinance industry. Use of financial services to manage risk became more prominent and the role of such services to promote capital accumulation assumed lesser importance. This shift came as a result of growing information about the importance of risk management to vulnerable households, and this information is partially attributable to IFPRI research. During the course of the evaluation, it was not possible to clearly quantify the IFPRI contribution to global information, but it is clear that this contribution was substantial.

Respondents often stated that the findings, although believable, were not very useful in formulating and designing microfinance policy. The research itself was not set

[8] Notwithstanding recent increases in commercial sources of credit for MFIs.

up to examine specific policy questions nor to provide generalizable program guidance. The main funding agency, BMZ/GTZ, did not have an underlying policy change in mind when they decided to fund the research, and lack of a microfinance agenda may have hindered use of the results. Other policymakers and donor agencies also appreciated the quality of the work, but did not think the agenda addressed by the IFPRI researchers was particularly relevant for their global work.

Microfinance practitioners were least positive about the IRFPP research. A common reaction was that the research was "too academic" in nature to be of use to MFIs. While this audience agreed with most of the IFPRI findings, they noted that most were already widely accepted by industry participants. Thus, according to these respondents, the research confirmed existing conceptions but had little impact among industry participants. This response, however, needs further consideration. Many of the changes in the industry and industry best practices are consistent with recommendations derived from the IRFPP research. The research may have contributed to changes in industry practices by altering the available information set. The review team found it, however, impossible to separate and quantify the IFPRI contribution to this global public good.

4. COUNTRY CASE STUDIES

As noted in the previous section, four countries were selected for further analysis of research impacts. The countries were selected to ensure diversity in geographical coverage, the MFI environment, and the intensity of IFPRI involvement within the country. Two of the countries had significant IFPRI in-country presence, and two involved more limited researcher-host country interactions. Malawi and Bangladesh were selected to represent the first group and Ghana and Nepal to represent the latter. Malawi and Bangladesh were obvious choices as IFPRI presence in both countries has been significant and long-lasting. In fact, the microfinance component of the Malawian program is discussed in some detail in the report by Ryan (2000). The countries differ substantially in that MFIs in Bangladesh are among the most studied in the world, while relatively little is known about the microfinance industry in Malawi. Thus, it is useful to compare the penetration of research messages in each environment; in Bangladesh the IFPRI message competes with other, often contradictory messages, while in Malawi the IFPRI findings are nearly the only message in town.

Ghana and Nepal were added as case studies because the research was not accompanied by significant in-country presence. By examining the impact of the message in these two countries, we illuminate the degree to which knowledge spillovers occur when the research project is conducted without country-based outreach and dissemination. The case studies in these two countries are illustrative; we did not expect to find a large impact, rather to generate lessons about improving spillovers. These countries differ in that Ghana has a substantial network of microfinance institutions and a history of rural banks and small-scale finance dating back to the cocoa cooperatives in the early 1920s. Today, it is estimated that 60 percent of the financial sector in Ghana is micro in scope. Given this history and the substantial resources government and donors have used to promote MFIs, it was expected that the IFPRI research would have only a minimal impact. Nepal, on the other hand, has had less experience with MFIs, and existing MFIs have not generally been widely studied.

The four country case studies were conducted during January and February of 2002. The studies involved extensive background analysis combined with a short field visit. Evaluation team visits were coordinated by local stakeholder representatives. In all countries, representatives from the stakeholder groups—policymakers/donors, microfinance practitioners, and researchers—were visited (Table 5). The purpose of the case study analysis was to assess the impact of IRFPP research under diverse research and MFI environments (see above). Interviewees were asked their opinions of the IFPRI research program and how it was conducted, the degree to which they accepted or agreed with findings, and how findings were translated into measurable program change. As will be seen below, the ultimate impact of the IFPRI research within each case study country hinged upon the design of the research, the degree of interaction between researchers and stakeholders, and the structure, strength, and depth of outreach.

Table 5—Interviewees in selected case countries

Country	Number of respondents			
	MFIs	Donors	Research institutions or universities	Total
Ghana	11	3	1	15
Malawi	9	3	4	16
Nepal	5	3	3	11
Bangladesh	8	2	9	19
From outside case countries	–	15	9	24
Total	33	26	26	85

Ghana

MFI environment in Ghana

The rural finance industry in Ghana evolved along with the growth of the rural cooperatives movement. Growers used cooperative structures to develop the cocoa industry during the 1920s and 1930s, and finance was viewed as a critical component of industry development. These institutions thrived for four decades, but the cocoa cooperatives movement and the Cooperative Bank were doomed by the post-independence formation of the Cocoa Marketing Board. Since this time, several attempts have been made to provide formal-sector credit to rural dwellers. Currently, Ghana is served by 1 central bank, 8 commercial banks, 4 merchant banks, 4 development banks, and 132 rural/community banks. In addition to formal banks, the rural finance industry encompasses semiformal and informal institutions as well as nonbank financial intermediaries. The industry includes everything from insurance organizations, credit unions, cooperatives, and NGOs to collectors for rotating credit and savings (*susus*), moneylenders, traders, and so on.

The government has taken several steps to strengthen and support rural financial intermediation. Credit facilities and technical support have been provided to assist in restructuring rural banks, to enable improved deposit mobilization and credit delivery by formal and informal institutions, and to build capacity in the Bank of Ghana to examine and oversee rural banks. A number of donor-supported projects, such as the European Union's Rural Banks Project, the World Bank Rural Finance Project, and several International Fund for Agricultural Development (IFAD) projects, have helped build capacity and nurture a nascent rural microfinance sector. These projects have resulted in a vibrant microfinance sector that includes an indigenous technical support and information-sharing network (the Ghana Microfinance Institutions Network—GHAMFIN) and current movement toward an apex organization. Self-regulation of small and informal financial service providers is envisaged as the Bank of Ghana continues to strengthen its ability to regulate the formal sector.

As noted, the microfinance industry is robust, and estimates show that MFIs account for more than 60 percent of the financial transactions in rural areas. The vast majority of microfinance is delivered under a model of strict group liability, and respondents claim that, due to strong social cohesion in rural areas, this model works best.

IFPRI collaboration

The IRFPP study conducted in Ghana focused on evaluation of credit programs targeted toward women with special reference to household income, food security, and nutritional status. The study was conducted with the collaboration of the Ministry of Food and Agriculture. No researcher from IFPRI was posted in Ghana. The research was funded by USAID.

Output

Two household surveys were conducted in two different regions to capture the wide diversity of credit schemes present. A sample of 394 households was surveyed to assess the impact of credit schemes on food security. The field studies were conducted during July-August 1992 and February-March 1993. The researchers prepared the final report during September 1994. As reported by IFPRI periodic work progress statements, the findings of the study were discussed with government officials, project managers, and community leaders in group discussions and roundtables during 1995. Otherwise, the research report was not published and not widely circulated within the country. The findings were included in a policy brief published by IFPRI.

Perceptions and impacts of IFPRI research

Interviews in Ghana were conducted with researchers, policymakers, donors, and MFI practitioners. There was, overall, little penetration of the IFPRI message among policymakers and practitioners. In fact, few policymakers and no "practitioners" interviewed during the course of the team visit (January 23–26, 2002) were aware of the IFPRI project. Most interviewees stated they received their information from easily accessible publications and reports and suggested that the IRFPP findings in Ghana had not been widely disseminated.

Several large-scale microfinance support projects have been instituted in the country and, in general, policy and practice are driven by these projects. Examples include movement toward an apex institution for rural banks and promotion of self-regulation among very small and informal financial service providers. Both of these are components of a World Bank-sponsored project called the Rural Financial Services Project. This project, in conjunction with the United Nations Development Programme (UNDP)-sponsored Micro-Start project, provides technical assistance and capacity-building support for MFIs. They work through GHAMFIN, the loose network of MFIs in Ghana. Country directors for the two projects and the executive director of GHAMFIN showed no knowledge of the IFPRI research. They suggested that the IRFPP researchers might provide valuable lessons to help them think about industry restructuring, but lamented that the findings had not been made widely available.

Among donors, USAID, the chief funder of the Ghana IRFPP research work, had undergone substantial staff turnover since country study and no longer has large-scale microfinance programming in Ghana. USAID is, however, considering microfinance as a part of its current support for microenterprises. GTZ is providing technical support for the World Bank-supported rural finance project, but the GTZ representative in Accra stated that the IFPRI research would have only indirectly influenced policy there. This individual was unaware of the IFPRI findings.

Many of the IRFPP lessons from the cross-country research were either already in place or not particularly relevant for Ghana. For instance, savings mobilization has been a key component of rural finance for many years and is associated with the widespread practice involving *susu* collectors. These are informal "savings promoters" who collect small sums of money (so small that formal banks would not be interested) from people. Flexible loan products have also been available from microfinance providers since at least the late 1980s as a competitive rural industry began to learn from its experiences. Efforts have been made by MFIs to promote lending to the poorest of the poor, and most MFI practitioners say that low loan volumes and flexible terms have induced even the poorest to engage in such programs. Group lending is widely practiced in Ghana, due, say most respondents, to its overwhelming success. Suggestive research results from other countries are not likely to change a practice that is perceived in Ghana to be an overwhelming success. In this case, the IFPRI cross-country finding showing that strict joint liability may not always be the most appropriate model comes into conflict with country-specific experience. The research message is not perceived to be strong enough to overcome experience in Ghana, where strict group liability appears to be working well.

The perception from the field was that MFIs have evolved over time, and successes and failures, in the Ghanaian context, have driven field operations and policy formulation. As a result, policy and practice in Ghana are relatively unresponsive to anything but very strong research results, particularly in studies from abroad. For example, loan products offered by MFIs in Ghana are remarkably diverse in amounts loaned, repayment terms, interest rates, and so on. These products were created by individual MFIs as a response to knowledge of client needs and experimentation over time; a research message from another country saying that a certain product worked well would not immediately be adopted. The procedure for adaptation of international MFI research for use in the country follows the agricultural technology model without going through experiment station adaptation tests. A product that might work undergoes field analysis and testing, but since product messages come from a wide range of sources and since MFI products can experience a near-infinite number of variations, attribution to a particular research project is impossible.

Summary

The major lesson from Ghana is that IFPRI research has not had a strong direct impact. Several plausible explanations exist for this finding. First, the IFPRI research was conducted without strong institutional support from the microfinance industry and neither the donor nor the host ministry was overly concerned with microfinance per se. Second, the findings were not widely disseminated within the country and no country-specific report was produced that made the information accessible to the stakeholders. Third, the microfinance industry in Ghana is robust and a number of institutions and projects are providing the industry with information. Thus, the IFPRI message had to compete with a large number of high-quality alternative messages, messages that were produced specifically for the microfinance industry in Ghana. Finally, many of the issues currently facing the microfinance industry were not directly addressed by the IFPRI Ghana research. These issues are predominantly regulatory in nature and require substantial institutional analysis. Such analysis was not a prominent part of the Ghana IRFPP research.

The cross-country IRFPP research may, however, have an indirect impact in Ghana, one that is difficult to measure. Many of the IFPRI recommendations coming from the cross-country syntheses relative to flexibility in loan products, increasing credit limits over time, the need to mobilize savings as a part of the finance trinity, and so on have been adopted by MFIs in Ghana. Attribution of these changes to IFPRI research is problematic, and no one could identify IFPRI as the source of such recommendations. As such findings become accepted by global practitioners, they have impacts. In addition, project support for MFIs is beginning to bring IFPRI-like principles into play; some of the research message should be communicated to GHAMFIN and the rural financial services project.

Malawi

MFI environment in Malawi

Malawi has a limited history of agricultural credit based on maize clubs. One example is the Smallholder Agricultural Credit Association (SACA), which was formed in 1987 as a department of the Ministry of Agriculture. SACA provided seasonal loans to smallholder farmers through group lending and used coercive group enforcement methods. Such methods led to high loan repayment rates, but the scheme was not particularly successful in helping develop the smallholder sector, nor was it widespread. Prior to 1994, few formal rural financial service providers existed in addition to SACA. One of them was the Malawi Mudzi Fund (MMF), a Grameen Bank-type MFI that began in 1987 and focused on lending to groups of poor women. The MMF was always relatively small in scope: in April 1995 it provided only 2,676 loans and 95 percent of its client base was female. It was originally supported by an IFAD project and in 1995 it merged with the Malawi Rural Finance Corporation (MRFC), the successor to SACA.

Other formal rural financial services providers include the Malawi Union of Savings and Credit Cooperatives (MUSCCO) and Promotion of Micro Enterprises for Rural Women (PMERW). MUSCCO was created in 1980 with technical and financial support from USAID. It uses well-established credit cooperative principles and had grown to encompass some 23,000 members by 1993. The PMERW was formed in 1986 with technical and financial support from GTZ. This program began as a multiservice development project with a limited credit component, but over time credit provision has assumed more prominence. Its structure has changed significantly over time, but it currently employs a group-lending model with 10–15 member groups of poor female entrepreneurs. At the start of the IFPRI research in Malawi, PMERW had 34 savings and credit clubs with a total of only 506 members.

The formal rural credit system, which was never large in scope, collapsed in 1994 as political parties promised debt forgiveness during their campaigns to replace President Banda. Following massive default by pre-election borrowers, the formal rural credit system became virtually nonexistent by the end of 1994. Donors recognized the need to reinvigorate the rural financial sector and SACA was replaced in 1994 by the Malawi Rural Finance Company (MRFC). This timing coincided with the start of IRFPP research in Malawi (see below). Initial funding for MRFC came through the World Bank-sponsored Rural Financial Services Project. It was hoped that MRFC could quickly commercialize and eventually privatize its operations. At the start of the IFPRI research in Malawi, then, the formal rural finance industry was small and in turmoil. This state of affairs provided an entry point for the IFPRI researchers in the microfinance policy dialogue as policymakers were operating in an information environment that was nearly nonexistent.

Currently, the MFI industry in Malawi is still in its infancy. In addition to the three MFIs mentioned above, FINCA, Development of Malawian Traders Trust (DEMATT), and a few others operate on a relatively small scale. Although MRFC commercialization is still hoped for, the industry continues to rely heavily on public support. An MFI network is being established, but has as yet found no donor support and no permanent staff. The MFIs thus operate independently without coordination and lack the ability to share information and jointly build capacity based on the Malawian experience.

IFPRI Collaboration in Malawi

The IFPRI project in Malawi began with the outposting of Suresh Babu to Bunda College of Agriculture in 1990. The original IFPRI/Bunda project (see Ryan 1999a for details) did not include a microfinance component, instead focusing on capacity building for agricultural policy analysis. IRFPP involvement in Malawi began with the outposting of Manfred Zeller in 1994. This timing was fortuitous as the MRFC was being established at the same time, and MRFC management was eager to receive research-based information to guide design of their program. As the formal IRFPP Malawi research proposal for Malawi was being created, MRFC management provided regular input into research objectives and questionnaire design. Aliou Diagne, a Rockefeller

Foundation post-doctoral fellow, was outposted to Bunda College in Malawi in 1997 and joined Dr. Zeller in the microfinance research. The research program was funded by Rockefeller Foundation, United Nations Children's Emergency Fund, the Ministry of Women and Children's Affairs and Community Services (MOWCACS), GTZ, and USAID. A later institutional analysis that focused on group lending models was supported by Irish Aid.

Microfinance research immediately assumed a central position within IFPRI's overall Bunda College capacity-building program. The research formed the disciplinary backbone of the M.S. teaching program; Master's candidates almost uniformly pursued microfinance topics in their research, undergraduate students were involved in data collection and entry, and Bunda faculty began to develop an expertise in microfinance policy and analysis.

Table 6— Description of Malawian MFIs participating in IRFPP research

	Participating microfinance institution			
	MRFC	MMF	MUSCCO	PMERW
Donors	World Bank	World Bank and IFAD	USAID	GTZ
Focus	Small holders for farm and nonfarm sector	Mainly women for nonfarm activities	Relatively better off; mainly for farm activities	Multisector project for microenterprises for women
Nature of client grouping	15–20 members of joint-liability group	Five members of joint-liability group	Individuals under saving cooperative principle with federal structures	Initially based on individual, later shifted to groups

Source: IFPRI documents, evaluation team interviews

The IFPRI team decided to focus on assessing the conduct, performance, and impacts of four rural institutions: MRFC, MMF, MUSCCO, and PMERW (Table 6). Aside from MRFC, however, the IFPRI project did not formally interact with the MFIs upon which it focused. MRFC management was regularly engaged in discussions about the IRFPP research, but the other institutions were more passive participants. However, all stakeholders in the Malawian microfinance industry were invited to participate in workshops to assess the conduct and findings of the IFPRI/Bunda research. In this sense, the IRFPP research was fully collaborative in design.

Main research components

The research was divided into two components: the intensive household data that formed the bulk of the study and a more participatory analysis of group lending practices supported by Irish Aid. The field work for the main study (see Diagne and Zeller 2001) was conducted during 1994–95 in three rounds, covering 404 households in 45 villages of Malawi where the four microcredit programs studied were operating. The first round took place in February-April 1995, the second round in July-August 1995, and the last round in November-December 1995. Bunda College students were fully engaged in this process by helping design questionnaires, field testing and enumerating the instruments, and participating in data entry and analysis. The data for the analysis of group lending practices was collected from 96 credit groups in four satellite offices of MRFC (see Diagne et al. 2000 for details). The survey was conducted in three rounds, with the first two in June and November 1998. A third round involved a participatory rural appraisal (PRA) conducted by students of Bunda College, which was conducted in August 1999.

Outputs

The research emanating from IRFPP in Malawi was published in a number of reports and papers disseminated by IFPRI and the Bunda College of Agriculture. An October 1996 workshop held at Bunda College enabled the researchers and stakeholders to discuss preliminary findings and make adjustments to the analysis. Findings were regularly discussed with MRFC management and were disseminated through policy briefs made widely available to the stakeholder community.

Published output for Malawi was substantial (see Appendix B) and a formal research report was published by IFPRI during 2001 (Diagne and Zeller). Further, 13 students completed their M.S. degrees at Bunda College using the IRFPP dataset, and these students published more than 10 papers in national journals (see Appendix C for details). Currently, all but one of these students is employed in research positions, in the public sector, or attached to specific projects. The data from this study are available to the public on the IFPRI website and may thus be considered to be a public good.

Four in-country workshops were held to discuss the research proposal, review publications, and disseminate research findings (see Appendix D for details on content and participation). These workshops were widely attended by stakeholders, including representatives of government agencies, donors, and MFI practitioners. In addition, two short courses and one intensive training session were conducted by Bunda College under the auspices of the IRFPP.

Perceptions and impacts of IRFPP research

The evaluation team visited Malawi from January 26–31, 2002, and interviewed members of the three target groups—MFIs, research institutions, and donors (see Appendix C for a list of contacts). During the discussions, the team assessed the effect of IFPRI research by obtaining their views on the overall IFPRI program and its research findings. These findings were categorized into major headings (see Table 7). The team elicited information on how the research findings affected MFI operations within Malawi and how MFI operations or policies were changed in response to the research findings. The team also elicited perceptions from stakeholders relative to the quality and relevance of the findings and the conduct of the research program.

Overall, perceptions of the IRFPP in Malawi were consistent with recognition of the quality and scope of its microfinance research. The project has impacted three specific areas. First, MRFC, the MFI partner in the research, implemented many of the changes suggested by the research. Second, the IFPRI findings relative to the appropriate structure of microfinance products have become the basis for policy discussions in Malawi. Third, the expertise built at Bunda College as a part of the IRFPP is likely to have a long-standing impact in the country, as the Bunda researchers have become active and respected participants in national policy dialogues.

Effect of IRFPP research on participating MFIs. MRFC, the main partner in the IRFPP, was positively affected by the IFPRI research findings. MRFC effected most of the major IFPRI recommendations, such as the need for improved program targeting, increased efforts to extend credit to poor nonparticipants, and increased flexibility in group arrangements (relaxation of strict joint liability) and lending norms (flexible loan sizes and repayment schedules) in full (Table 7). Other findings, such as creation of innovative products, improved capacity building, and monitoring and evaluation have only been partially adopted by MRFC. The MFI noted that, due to its own administrative and budgetary constraints, these suggestions have not been fully adopted.

Table 7— Effect of IFPRI research on MFIs in Malawi

	Degree of adoption		
IFPRI recommendations	Full	Partial	No
Improved targeting of program	Yes	–	–
Better access to credit through outreach	Yes	–	–
Creation of innovative products	–	Yes	–
Flexibility in group arrangements	Yes	–	–
Flexibility in lending norms such as loan size and repayment schedules	Yes	–	–
Diversification in lending to farm and nonfarm activities	Yes	–	–
Improved capacity building	–	Yes	–
Improved monitoring and evaluation	–	Yes	–

Source: Evaluation team interviews

The impact of these changes on MRFC performance and, ultimately, on its clients is somewhat more difficult to assess. We do so by examining its recent performance, as given in the MRFC 2000 Annual Report. Significant progress occurred in certain growth indicators during the last five years (Appendix Table D.2). Specifically, MRFC registered progress in increased credit outreach, improved penetration with higher participation of more members, diversification of loans including loans for consumption purposes, and better recovery performance, except during 1999–2000 (Table D.2). It is plausible to attribute such growth to some extent (though not fully) to institutional changes that occurred following the IFPRI recommendations.

In particular, adoption of more flexible lending norms (such as flexible loan sizes and repayment schedules) was identified by MRFC management as being an important contributor to institutional growth. Improved loan repayment performance is at least partially attributable to progressively higher loan ceilings, whereby a borrower sees his/her credit limit increase over time. This innovation was adopted following IFPRI findings that the prospect for increased loans in the future was a major incentive for repayment of current-period loans. Similarly, relaxation of strict group liability lending, another IFPRI suggestion, is a likely contributor to increased repayment rates.

The team also attempted to elicit estimates of the degree to which these changes could be attributed to the IRFPP findings. MRFC management noted that, through their own field experience, they were aware of most of these findings. For instance, MRFC loan officers were aware of problems related to strict group liability in rural areas. These officers noted that unequal social status among group members could contribute to group instability and hamper the sustainability of the rural lending program. IFPRI's independent corroboration of these findings helped strengthen MRFC resolve to make such changes. Thus, IFPRI findings contributed significantly to changes that have made this institution stronger and more sustainable. The management was extremely flattering of the IFPRI research and recognized its contribution to positive institutional changes. Management was especially pleased about the degree of collaboration and responsiveness of IFPRI researchers to their needs.

Effect of IRFPP research on nonparticipating MFIs. Many of the other microfinance practitioners in Malawi expressed ignorance of the study findings. In particular, management at MUSCCO, one of the focal MFIs for the IFPRI research, was unaware of the study. Possibly this ignorance was due to inadequate circulation of IFPRI publications within the country and the manner in which MFIs obtain information. But the conclusion can only be that IFPRI/MUSCCO interactions were not as strong as those with the MRFC. Respondents noted that industry best practices and information from CGAP and the Microfinance Summit were their most frequent sources of MFI-related information. To the extent that IFPRI findings have permeated these sources, the research has had an impact but, other than the MRFC, individual MFIs in Malawi were unable to identify IFPRI as a source of information.

Several IFPRI findings have, however, become part of the discussion about the appropriate financial structure in Malawi. For example, DEMATT, which is involved in training and capacity building, recently began undertaking microfinance activities as a part of a UNDP/United Nations Capital Development Fund (UNCDF)-supported program. This program has adopted savings and lending norms that are consistent with the IFPRI study findings, including progressively larger loan sizes. It would be inappropriate to attribute these changes directly to the IFPRI research, but the research findings have clearly migrated into perceptions about appropriate best practices in the Malawian context.

Effect of IRFPP research on donors. Most of the donors contacted for discussion by the team are aware of IRFPP research through policy reviews published and widely circulated within Malawi by IFPRI and Bunda College. They unanimously complimented the rich quality of IFPRI research, especially its high-quality quantitative analysis. However, a subset of donors felt the need for intensive research on MFI operational issues that are distinctly different among countries. As a result, the focus of IRFPP research was observed to have only a partial impact on donors and policymakers.

Donors in Malawi stated that much of their information came either from industry best practices or well-established sources of microfinance information and that the IFPRI research, while conceptually sound, did not meet their specific needs. Personnel turnover and changing programmatic priorities have led many donors away from support for microfinance. However, UNCDF continues to support a major initiative to build microenterprise and microfinance in Malawi; its representative complimented the quality of the IRFPP research, but also questioned its applicability to current needs within the country.

Effect of IRFPP research on the research community. Bunda College was the only research institution in the four case-study countries through which the entire research process was managed. Capacity building of the College was one of the more important components of the IRFPP effort in Malawi. The team perceived a large positive effect on this capacity as manifested through better technical skill, improvements in research methods, and enhanced research publications. Bunda College is now recognized within Malawi as an authority on rural microfinance and is regularly sought for policy advice. It is now in a position to compete for further microfinance research projects but, to date, it has not been awarded any. The team perceived, however, that research follow-up has not effectively been pursued by IFPRI, and there is justification to undertake future actions and make the research efforts more sustainable. Staff at Bunda College expressed desire for continued interactions with IRFPP researchers.

Summary

The impacts of the IFPRI research in Malawi have been strongest in two areas. First, impacts are especially evident in MRFC, the MFI that participated most actively in the research program. The research produced several critical insights into improvements that MRFC subsequently adopted. Second, IRFPP made a substantial contribution to capacity building at Bunda College and stakeholders find a lasting impact through this capacity. Bunda College representatives are regularly invited to microfinance-related workshops and are respected participants in the country's microfinance dialogue.

Widespread general recognition of the IFPRI work exists in Malawi. However, the ultimate impacts of microfinance research in Malawi have been constrained by three factors. First, few MFIs exist, so experimentation with innovative practices has been limited. Second, human capacity in existing institutions has not been well developed, and without continued technical assistance, institutions are constrained in their ability to effect changes and innovate. Third, policy institutions are not yet well formed and, as a result, policy dialogue has proceeded slowly. These factors all contribute to lack of experimentation on the part of MFIs, slow response to research-based policy suggestions, and generally low continued impact of the IRFPP.

Donors in Malawi were not overly responsive to the IFPRI message. Donors were made aware of the IFPI research through invitations to workshops and regularly published policy briefs. However, turnover among donor employees and changing program priorities have limited adoption of IFPRI recommendations. Outside of UNCDF, few donors actively support the MFI industry in Malawi.

Nepal

MFI environment in Nepal

After four decades of planned economic development, Nepal is still predominantly a rural and agrarian economy where 90 percent of the population resides in rural areas and about 81 percent of the population depends on agriculture and related activities. The agricultural sector contributes about 42 percent to GDP and is characterized by low productivity. In rural Nepal, the country's varied topography and transportation difficulties lead to diverse agroeconomic conditions and poor linkages between many areas. These conditions are reflected by a varied MFI industry characterized by extensive coverage in the low-lying Terai area and only limited coverage in the hills. Topographical differences have necessitated experimentation to determine the most effective MFI delivery models.

Within Nepal, a wide range of institutions are active in the microfinance sector, each with its own way of making financial services accessible to the poor. However, the microfinance industry in the country has evolved under heavy influence of its neighbors—India and Bangladesh. The structure of MFIs in Nepal may be categorized into three broad sectors: a formal sector, semiformal savings and credit cooperatives, and informal savings and credit organizations (SCCs) and self-help groups.

The government recognizes the key role financial services can play in poverty reduction. By law, commercial banks representing the formal sector in Nepal are required to lend 12 percent of their total portfolio to "priority" sectors and 3 percent to "deprived" sectors. The priority sector is loosely defined as microfinance entities, either retailers providing loans directly to poor clients (individually or in groups) or wholesalers providing bulk loans to those organizations, which then lend to the poor. The deprived sector is defined as those entities expressly targeting poor clients. Given the unsatisfactory repayment record of these loans in the past, a number of commercial banks prefer to pay the penalty imposed by the state rather than lend to the microfinance sector. Although interest rate limits have been lifted on these loans, the rates continue to be subsidized, making it virtually impossible for commercial banks to break even on their loans to either the priority or deprived sector.

Two major players represent the formal development bank sector. First, the Agricultural Development Bank of Nepal (ADBN) has a long history of providing microfinance services, most notably under its Small Farmers Development Program (SFDP), which was a groundbreaking initiative when it was started in the 1970s. The financial performance of SFDP has deteriorated over the years, and the Bank is now heavily dependent on external funds to maintain its capital base. There is now an effort to consolidate SFDP groups into self-sustaining cooperatives. Currently 242 SFDPs exist, with membership of approximately 115,000 in some 16,800 groups. About 54.4 million Nepalese rupees (NRs)[9] have been mobilized as savings and 63 ten million NRs disbursed as loans to SFDP members. Other microfinance programs implemented by ADBN are the Small Farmer Cooperative Ltd., the Micro Enterprise Development Projects, and Production Credit for Rural Women.

Table 8—Performance of nonbank financial institutions licensed by Nepal Rashtra Bank

Particulars	Year					
	1996	1997	1998	1999	2000	2001
Number of NBFIs:						
Finance companies	34	41	43	45	46	48
Development banks	–	–	–	–	7	12
Rural development banks	4	5	5	5	5	5
Savings and credit cooperative societies	13	19	29	35	35	34
Financial intermediary NGOs	23	29	34	30	10	15
Total loans and advances (in millions of NRs)	2,138.4	4,170.7	6,257.6	8,365.5	10,671.7	24,779.6

Source: Annual Reports of Nepal Rastra Bank, various years.

The second major development bank is the Nepal Rashtra Bank (NRS), which is playing a crucial role as the regulatory and licensing authority for microfinance providers. Legally, NGOs in Nepal (at least those registered under the Societies Act) have not been entitled to undertake profit-making business activities (such as financial intermediation). However, due to rapidly growing engagement of NGOs in the microfinance sector (initially as promoters) and the lack of institutions providing microfinance services in many areas of the country, the Central Bank of Nepal (NRB) has provided a mechanism by which select NGOs can engage in financial intermediation activities.

Under its licensed rural financial outlet of nonbank financial institutions (NBFIs) (including development banks, savings and credit cooperative societies, and NGO financial intermediaries), NRS has extended credit support to rural people in a significant manner (see Table 8). The number of NBFIs has grown substantially between 1996 and 2001, with finance companies and savings and credit cooperative societies leading the way. The total volume of credit grew by a remarkable 1,160 percent over the same period.

The most widespread MFI model in Nepal is the Grameen Bank model. More specifically, five Regional Rural Development Banks (RRDBs), the Nirdhan Utthan

[9] Current exchange rate is approximately \$1US = 60 Nepalese rupees (NRs).

Bank, and the Self-Help Banking Program of the Centre for Self-Help Development (SBP-CSD) use some form of replication of the Grameen Bank model. As of the end of May 2000, about 173,000 members had received 4,114 million NRs through this lending model (Table 9).

Table 9—Credit operations of Grameen Bank replicators in Nepal (cumulative through May 2000)

Institutions	Number of borrowers (000)	Loans disbursed (millions of NRs)	Savings collection (millions of NRs)
5 RRDBs	119	3,302	200
Nirdhan	25	394	31
SBP-CSD	29	418	51
Total	173	4,114	282

Source: Nepal Rastra Bank.

Until recently, most of Nepal's MFIs fully adopted the Grameen Bank approach to lending norms, group functioning, and repayment schedules. Recently, however, individual MFIs have begun to experiment and have attempted to diverge from these norms. Changes include experiments with flexible repayment schedules, patterns of loan disbursal to individuals (as opposed to groups), and variable interest rates. These changes are effected by taking into account local needs and client profiles. In some cases the changes are being made in response to serious threats to MFI viability. For instance, interest rates on many rural loans are being reduced due to the pressure from Maoist guerrillas, a dangerous trend that may affect the viability of formal microfinance institutions themselves.

Nepal has a long history in the operation of traditional savings and credit associations, often referred to in the literature as rotating savings and credit associations (ROSCAs) but known locally as *Dhukuti*. These tend to be nonregistered but quite formally structured in terms of membership rights and obligations, and so on. About 10,000 unregistered Savings and Credit Groups (SCGs) are found in Nepal; some are quite large and formal, even though they are not registered either as NGOs or cooperatives. The vast majority of these SCGs grew out of assorted development initiatives (literacy programs, water and forestry user groups, mother and child programs, and so on) into which a savings component had been introduced.

Research related to microfinance within Nepal is limited. The major players contacted by the evaluation team are the Institute of Integrated Development Studies (IIDS) and the Centre for Microfinance (CMF). IIDS is conducting action-oriented research and case studies with special reference to gender and development. A small portion of its research portfolio is said to be devoted to microfinance. In fact, the evaluation team identified only one publication by IIDS staff devoted to microfinance issues, and this publication did not cite the IFPRI work. CMF is a private organization actively associated with microfinance activities since 1998. This group engages in research on a contract basis, but also disseminates research and operational information from within and outside the country. CMF also provides training and networking support to microfinance practitioners.

IFPRI collaboration in Nepal

The IRFPP research component in Nepal involved the doctoral thesis of one of the IRFPP researchers (Manohar Sharma). The International Development Research Center (IDRC), the USAID mission in Nepal, and Winrock International helped fund the field research. CARE/Nepal and the Gorkha Development Project of GTZ/Nepal provided operational and administrative support for the field study. IFPRI funded the final analysis and study write-up. Enumerators were employed in a one-off basis and no attempt was made to build lasting capacity for field research.

IRFPP involvement in Nepal was thus limited to supporting dissertation research. The study findings were incorporated into the multicountry analysis (see, for example, Zeller and Sharma 1998), but no country-specific documents or reports were produced other than the dissertation. The dissertation was not circulated in Nepal and no workshops were held to disseminate findings. As a result, it is not a surprise that no MFI in Nepal is aware of the study (see below).

Main research components

The fieldwork for the IRFPP research was conducted during 1991–92. The overall objective of the research was to undertake a comparative evaluation of the behavior of different types of households under risk situations. Both formal and informal credit markets were analyzed for their contributions to management of risk and food security.

The empirical analysis was based on household data collected from 253 households distributed in five sites. These sites were demarcated based on criteria such as ecology/farming system, access to market infrastructure, climate variability, and the structure of contractual arrangements in land and labor. The field study was conducted in four rounds. The first round involved a complete inventory of household assets and included the household roster (August/September 1991). Other survey rounds followed the crop seasons (December 1991, March/April 1992, and June/July 1992). These rounds focused on quantifying changes in household behavior and consumption patterns. The targeted households included small-, medium-, and large-scale farmers and landless households. The study also attempted to identify factors affecting borrowing behavior and in particular the potential for collateral substitutes.

Perceptions and impacts of IFPRI research

The evaluation team visited Nepal from February 2–6, 2002 and interviewed major microfinance practitioners, donors, and researchers in Nepal (see contacts in Appendix C). None of the MFIs or policymakers who were interviewed was aware of the

IFPRI microfinance study. Few others seem to be aware of the research. For example, a major study of risk and vulnerability for rural Nepal conducted by one of the major research institutions (CMF 2000) examines the role of microfinance in managing risk, but does not cite either the IFPRI country work or any of the IFPRI cross-country comparisons. Thus, the IRFPP research conducted in Nepal appears to have had no measurable impact on these groups.

However, CMF used the CGAP PAT, developed by IRFPP researchers, to evaluate the poverty-targeting effectiveness of the Nirdhan Utthan Bank, a major Nepalese MFI. The bank indicated that the information from the targeting evaluation was incorporated into programming decisions, but was unable to provide specifics. The impressions of the bank management as well as CMF staff were that the PAT is an effective means of evaluating MFI targeting and that it is straightforward and easy to use. Interestingly, neither the Nirdhan Utthan Bank management nor the CMF researchers who used the PAT were aware that it was an IFPRI/IRFPP product.

Like MFIs in Ghana, those in Nepal cited "best practices" information coming from CGAP and the microfinance summit as key sources of information. They also learn from their own experience through experimentation and through regional information exchange groups and workshops. Although Internet use is quite common in Nepal, Internet-based information would likely be sought only from familiar gateways such as the CGAP websites. It is extremely unlikely that an MFI or policymaker would surf the Internet, stumble onto IFPRI, and subsequently adopt the findings. None of these stakeholders was aware, prior to the evaluation team's visit, that IFPRI provides MFI-related information. Academic research on the subject of microfinance is not widely followed by either policymakers or MFIs in Nepal, except to the extent that it becomes incorporated into industry best practices. Nepalese MFIs and policymakers expressed special interest in ideas for MFI sustainability in hilly and remote areas. Several interviewees asked specifically if the IFPRI research addressed these issues.

Donors in Nepal were generally not aware of the IFPRI research. One GTZ member in Nepal expressed knowledge of the IRFPP research, but was unable to recall specifics. He was aware of the global project, but was unaware that a research component was conducted in Nepal. The team was unable to uncover any decision or action by a donor group in Nepal that changed as a result of the research.

If we look at the relevance and applicability of IRFPP research findings to Nepal, it is disappointing that many important issues particular to Nepal (such as the appropriate model for hilly terrain regions) were not addressed in the research. However, the need for flexibility in lending and savings products, as emphasized in the cross-country IRFPP syntheses, has been recognized by MFIs in Nepal. For example, many of the Grameen replicators have undergone changes in credit delivery mechanisms, repayment scheduling, and so on. Attributing such changes to IFPRI research is impossible, but the research may have indirectly contributed to such changes through its impact on global perceptions about best practices.

Summary

The participation of Nepalese institutions in the IRFPP research was insignificant and, as a result, the research has had only a minor impact in the country. Unlike Malawi and Bangladesh (see below), where local institutions had an active interest in the research, no MFI in Nepal had a stake in the research findings. When combined with only limited outreach (no workshops/seminars and no publications targeted exclusively to a Nepalese audience) and the means by which MFIs attain information, this lack of active interest meant that the research would have virtually no impact on Nepalese institutions. More traditional consumers of IFPRI information, such as officials in the agricultural ministry, were aware of IFPRI projects, but were unaware of the microfinance research.

More interactions with Nepalese institutions may have made the research more relevant to the Nepalese environment. The overall findings of the IRFPP research did not focus on issues especially relevant to Nepalese MFIs, particularly those in hilly regions who are in desperate need of operational guidance.

Bangladesh

Obviously, Bangladesh is an important part of the global microfinance industry. Its importance began to be recognized, especially following Hossain's publications, in the late 1980s. It would be difficult to undertake a global study of the role of rural finance in alleviating poverty without including Bangladesh, and this may be an important factor behind IRFPP's involvement in the country.

The MFI environment in Bangladesh

The microfinance industry in Bangladesh has made significant progress over the last two decades both in terms of widening and deepening credit provision to targeted clients. Many NGOs that started as relief organizations have turned into development agencies and become MFIs by focusing on savings mobilization and microcredit provision. The range of financial services provided by MFIs has undergone a series of changes, and extensive research on the sector has contributed to this evolution. The success of Grameen Bank has encouraged several NGOs to start new microcredit programs within and outside Bangladesh. At present, more than 600 MFIs are in operation in the country. The industry is characterized by many small MFIs—more than 60 percent have outstanding loan volumes of less than 4 million taka[10]—and a few very large ones (Table 10). At the end of December 2000, more than 12 million beneficiaries were covered by MFIs in Bangladesh with more than 50 billion taka dispersed as loans.

Five large MFIs dominate the Bangladesh microfinance sector: the Grameen Bank, a formal, specialized bank for the poor; Proshika, the Bangladesh Rural Advancement Committee (BRAC); the Association of Social Advancement (ASA); and

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[10] The exchange rate in February 2002 was approximately 60 taka/US$ 1.

Rangpur-Dinajpur Rural Services (RDRS). The latter three, which participated in the IFPRI IRFPP research, account for as much as 40 percent of the outstanding loan volume countrywide (Table 11).

Table 10—distribution of lending by total loan amount, Bangladesh MFIs

Loans outstanding (millions of taka)	Total microfinance NGOs	Percentage of total
Less than 0.2	74	12.67
0.2 – 0.5	106	18.15
0.5 – 1	94	16.10
1 – 2	79	13.53
2 – 4	55	9.42
4 – 8	52	8.90
8 – 16	44	7.53
16 – 32	40	6.85
32 – 64	22	3.77
64 – 100	5	0.86
100 – 200	4	0.68
200 – 500	4	0.68
500 and above	5	0.86
Total	584	100.00

Source: *CDF Statistics,* Vol. 11, CDF, Dhaka 2000.

As the industry has grown, several important issues have been recognized by industry participants. Coordination of information, targeting practices, need for capacity building, identification and delivery of other support services, information dissemination, and regulatory issues have been identified as important industry needs. The Credit and Development Forum (CDF), in operation since 1992, provides some technical support and serves as an information and policy coordination unit within the industry. The Palli Karma-Sahaya Foundation (PKSF), in addition to providing assistance for income generation, disseminates findings of studies conducted within and outside the country. The Bangladesh Institute of Development Studies (BIDS), an internationally recognized center for development research, conducts limited research on microfinance services and their role in development.

Table 11—Savings and loan volumes by participating MFIs, 2000 (in millions of taka)

MFIs	Savings collected	Credit disbursed
BRAC	3,550	13,546
ASA	1,607	7,780
RDRS	121	406

Source: Documents published by BRAC, ASA, and RDRS

IFPRI collaboration in Bangladesh

The IFPRI study in Bangladesh was organized by Manfred Zeller and Manohar Sharma through frequent visits to Dhaka. The study was managed through these visits, as no IRFPP researcher was outposted to Bangladesh on a long-term basis. The field study was conducted from June 1994 through April 1995. Data Analysis and Technical Assistance (DATA), a private organization engaged exclusively for the study, collected much of the data. A community-level survey in 120 villages was complemented by a three-round survey of 350 households from a random sample of 128 credit groups.

IFPRI involved three major group-based microfinance institutions—BRAC, ASA, and RDRS—as partners in the research, in much the same way that MRFC was involved in Malawi. Field surveys were designed to include clients of these three institutions and the institutions were engaged in discussions about survey content and design. Each institution is distinct in its approach, the services it provides, and target clientele. The features that differentiate the MFIs are presented in Table 12. IFPRI also partnered with Proshika, another major MFI, for a limited institutional analysis.

The main objectives of the research in Bangladesh were to examine and analyze: (1) the determinants of formation and outreach of group-based rural financial institutions; (2) the process of group formation and implications for the performance of savings and credit groups; and (3) the effects of participation in financial services on household resource allocation, income generation, and consumption (Zeller et al. 2001). The Bangladesh component of the global IRFPP was partly motivated by the country's prominence in international microfinance circles.

Output

As noted, primary data were collected during 1995. A draft of major findings was prepared by the research team at IFPRI/Washington and circulated among the stakeholders in Bangladesh during July 1996. No presentations of results or workshops were held in the country. The MFI stakeholders were aware of the findings and confirmed that those findings were taken into consideration while making decisions on changes in operations and microfinance program implementation.

Subsequent to termination of the study in Bangladesh, IFPRI did not initiate any action to disseminate the study findings formally or informally. The findings were incorporated into policy briefs focusing on cross-country comparisons (for example, Zeller and Sharma 1999). These briefs were widely circulated among different global stakeholders (donors, MFIs, researchers) and also through the IFPRI website. However, few target groups in Bangladesh actually accessed this information, and fewer were aware that Bangladesh was one of the countries in the cross-country study. Though publication of the Bangladesh results as a part of the cross-country analysis helped provide information to global decisionmakers and researchers, lack of publication of Bangladesh-specific analysis kept local stakeholders from being informed of the findings. Further, IFPRI took a relatively long period (about five years) to publish its formal research report (Zeller et al. 2001). This research report was also made available through the IFPRI website and few hard copies were sent to Bangladesh. Such a delay may affect the relevance of the study findings due to the dynamic nature of the microfinance industry.

Table 12—Description of participating MFIs/NGOs in IRFPP research

Particulars	MFI BRAC	ASA	RDRS
Approach	Registered as a bank transformed from NGO	Microfinance NGO undertakes banking activities such as savings and lending; makes loans through branch network at retail level	NGO facilitates formation of groups and links with rural state-owned banks
Targets	Men and women for farm and nonfarm activities	Mainly off-farm enterprises for women	Mainly income-generating activities in agriculture, animal husbandry, and fish-farming
Ultimate clients	Individual group members with less than 0.5 acre of land	Individual group members with less than 0.5 acre of land; recently made loans for moderately poor (owning more than 0.5 acre)	Individual group members with less than 1 acre of land; recently individuals with up to 1.5 acres were made eligible
Services provided	In addition to savings and lending products, provides marketing arrangements, housing loans, and group loans for irrigation structures; a multi-input integrated development organization	Different saving and lending products; concentrates only on financial services	Links the groups with banks for savings and credit services; provides training in social and business management and provides marketing assistance
Lending norms	One-year loan period to be repaid in weekly installments	One-year loan period to be repaid in weekly installments	One-year loan period in two categories: (1) for trading, services, production activities with a shorter gestation period to be repaid in bimonthly installments; (2) loan to be repaid in single installments

Source: Documents published by BRAC, ASA, and RDRS.

One of the valuable outputs of IRFPP research in Bangladesh is the availability of about 350 observations from households on issues related to the impacts on households of access to microcredit. These data have not yet been fully utilized and can be exploited further. They are not currently available on the IFPRI website. The data can also be used as a benchmark for future studies on microfinance in Bangladesh.

Perception and impact of IRFPP research

The evaluation team visited Bangladesh from February 6–13, 2002 and interviewed research stakeholders such as MFIs, research institutions, and donors. The purpose of the visit was to assess the effect and impact of IFPRI research by obtaining views on the quality and relevance of IFPRI findings and action taken on the microfinance policy front during the last few years (1996–2000). Where changes in programs or policies were observed, efforts were made to attribute these changes to the IRFPP findings.

Table 13—Effect of IFPRI research on partner MFIs

IFPRI recommendations	Adoption of recommendation		
	Full	Partial	No
Improved targeting of program	Yes	–	–
Better access to credit through outreach	Yes	–	–
Creation of innovative products (savings and credit)	Yes	–	–
Branch network in remote areas	–	Yes	–
Flexibility in group arrangements	Yes	–	–
Flexibility in lending norms (loan size/ repayment schedule)	Yes	–	–
Diversification in lending to farm and nonfarm activities	–	Yes	–
Improved the capacity building	–	–	Yes
Improved monitoring and evaluation	–	Yes	–

Source: Evaluation team interviews

The team observed that the IFPRI study findings were known by the MFIs who participated in the study. Since nonparticipating MFIs were unaware of the study, we could thus not directly attribute any of their recent changes in policy directly to IFPRI findings. Bangladesh is awash in research messages. One of the lessons from the country is that in the presence of competing messages, institution-specific results are given more weight.

The partner MFIs—BRAC, RDRS, and ASA—implemented many of the IFPRI recommendations. The evaluation team's perceptions of the effect of IFPRI research on MFIs and their programs are presented in Table 13**.** Some specific changes observed by the evaluation team that could be identified as effects of the IFPRI research findings are discussed below.

Targeting. The IFPRI study noted that the group-based institutions examined during the research program were targeting the virtually landless, thereby restricting access to microfinance services from small farmers with more than 0.5 acre. The study noted that such targeting might exclude potentially needy clients and recommended expanded targeting criteria. This finding was recognized and accepted by the three partner MFIs, and they have initiated measures to enlarge their client bases. For example, BRAC has been implementing a Micro Enterprise Lending and Assistance (MELA) program since 1997; through this program, loans are provided to people not served by commercial banks and MFIs. As of December 2000, about 8,000 borrowers and a total of 720 million taka have been distributed under MELA. This program allows participation of small landholders (those with more than 0.5 acre, but still relatively small holdings). In the case of RDRS, the minimum acreage cutoff has been increased from 0.5 acre to 1.0 acre and 3.0 acres during 1996 and 1999, respectively. ASA, per its mandate, focuses only on women and landless people and hence this issue is not applicable to them.

The impact of such changes is, however, impossible to measure given available data. There are three basic ways by which a change in targeting criteria can have an impact on aggregate well-being (recognizing that distributional changes will obviously occur as people who were formerly ineligible for loans can now participate). First, if the expanded client base allows more credit to be delivered, lowers the cost of delivering it, or raises repayment rates, then the total net benefit of microcredit will grow as coverage expands. It is doubtful that this expansion occurred since there is no shortage of very poor clients (< 0.5 acre) in Bangladesh (in fact, only a small percentage of these people currently participate in microfinance programs). Further, MFIs report very high repayment rates even when lending to the poorest clients. Delivery to an expanded client pool (that is, >0.5 acre) in a local area may, however, lower the cost per unit of lending; such cost reductions were not documented in the study.

A second impact would arise if net benefits of credit access to the marginal poor (>0.5 acre) were greater than those benefits to the poorest. Such a case might exist, for example, if the efficiency of credit use is hampered by extremely small holdings. The IFPRI study did not examine such a possibility and the authors of this review are unaware of convincing evidence of higher loan-use efficiency by better-off borrowers in the literature.

A third pathway by which expanded targeting criteria might lead to a net social benefit would be if the larger landholding group received a higher weight in the implied social welfare function. There is no evidence for such an assumption; in fact, the poorest of the poor are often the biggest concern of policymakers. Thus, although an *expanded client pool* was one of the main recommendations and was adopted by the MFIs, it is unlikely that this outcome had a major *impact on aggregate* welfare in Bangladesh.

Outreach of credit. As documented in the IFPRI study, MFIs in Bangladesh have achieved success in reaching the poor. In fact, outreach by these institutions has recorded significant growth (Table 14). All three MFIs have almost or more than doubled their credit flow during the past five years (1996–2000). The IFPRI research findings may have prompted the MFIs to develop strategies for enhancing their credit flow using approaches such as flexibility in lending norms, improved savings and lending products, and so on. Interviews with MFI management were, however, not able to elicit the extent to which IFPRI findings contributed to institutional changes and ultimate outreach, so the impacts of the research in this area are unknown. These increased flows certainly followed (in a temporal sense) the IFPRI report; timing, however, is not sufficient to establish causality.

Table 14—Distribution of credit by partner MFIs (in millions of taka)

Year	BRAC	MFI ASA	RDRS
1996	5,190	1,823	298
1997	6,888	2,972	347
1998	8,451	4,315	332
1999	10,843	6,619	341
2000	13,546	7,780	406

Source: Documents published by BRAC, ASA, and RDRS.

Savings and credit products. Savings is one of the major components of microfinance "trinity." The IRFPP research was one of the first projects to specifically examine the role of savings in improving household welfare and how the ability to mobilize savings affects MFI viability. Savings products can assist in asset and wealth accumulation and can also help clients manage risk. The IFPRI study focused on savings and its impacts on participation in microfinance programs. It showed that large accumulations of savings often led to more program dropouts. The problem identified by the research was that forced savings were often a disincentive to participation as households were frequently prohibited from withdrawing these savings, even in an emergency. All three partner MFIs agreed with this observation and responded by introducing a series of changes in their saving products. Some of the specific changes are shown in Table 15.

Table 15—Changes effected by MFIs related to savings products following IFPRI study

Previous system	Present system
Savings compulsory	A portion of savings compulsory and the balance optional
Fixed savings amount	Flexible savings amount
Cannot withdraw until the member leaves the group	Borrowing permitted against fixed savings; voluntary savings can be withdrawn

Source: Documents published by BRAC, ASA, and RDRS.

Partly as a result of these changes, the MFIs reported that dropout numbers had significantly fallen. Although the study team could not get the exact reduction in dropouts, MFI respondents estimated a 20 to30 percent reduction following revision of their forced savings policies. The growth in savings accumulated by the MFIs over the past five years is significant (Table 16). RDRS recently shifted its approach from forming groups and linking with the commercial banks for credit to organizing its own federal structures and becoming an MFI. According to them, having their own financial network helped to effect more flexible saving terms. This outcome, in turn, has stabilized participation in the program.

Similarly, in accordance with the IFPRI study findings, flexibility in credit delivery norms such as more frequent loans, increased loan amounts in subsequent loans, weekly repayment, and so on, were introduced by all the three MFIs during the late 1990s. Again, these changes may have partly contributed to the substantial growth demonstrated in Table 14.

Table 16—Savings by clients in MFIs (in millions of taka)

Years	BRAC	ASA	RDRS
1995	–	245	–
1996	1,181	442	–
1997	1,755	722	22
1998	2,238	1,081	61
1999	2,903	1,269	94
2000	3,550	1,607	121

Source: Documents published by BRAC, ASA, and RDRS.

Location of branches. One of the main findings of the IFPRI study was that NGOs in Bangladesh tend to place their branches within better-developed areas and shy away from high-risk and poorly developed areas. The MFIs interviewed by the evaluation team indicated that this observation was applicable during the early stages of the MFI programs in the 1990s; now many NGOs are extending their operations toward poorly developed areas. In the case of RDRS, about 30 percent of their federal structures are now found in remote areas. ASA and BRAC also extended their operations to more remote areas, but exact details were not available. The degree to which IFPRI findings stimulated such movement is open to debate. The MFIs themselves noted that movement toward more remote areas could be expected as a natural part of the maturing practices. They also noted, however, that the IFPRI findings helped them build a case for such expansions.

Capacity building for research. To examine the IRFPP impact on the research community in Bangladesh, the evaluation team interviewed representatives of PKSF, BIDS, and CDF. All respondents expressed ignorance of the IRFPP research. None had received or was aware of the research report (Zeller et al. 2001). They recognized IFPRI as a provider of high-quality research, but were unaware of the microfinance research. Respondents noted that having to access research documents through the Internet and the time required for downloading the voluminous report inhibited access to the report. They unanimously agreed that exclusive reliance on the Internet for access to such studies inhibited dissemination of research findings. The impact of the IRFPP on Bangladesh's research community is minimal.

However, IRFPP research indirectly facilitated the establishment of DATA, a private research-facilitating institution. During the past five years, DATA developed expertise in conduct of research requiring household-level data. Participation in the IRFPP study improved DATA's professional skills in survey design, data collection, data handling, and analysis. DATA management recognized this contribution and was grateful for the technical and financial support provided through the IRFPP. DATA has further supported researchers and students from different countries in undertaking research in Bangladesh. About ten students benefited from participation with DATA. The details of studies conducted by DATA are given in Appendix E.

Effect of IRFPP on donors. Based on study team discussions with USAID and the World Bank, it is observed that awareness on the part of donors in Bangladesh of the IFPRI study and its findings is limited. One reason for this limited awareness is that the study report was not widely circulated. Donors were vaguely aware of the cross-country comparisons IFPRI made, but were not aware of results specific to Bangladesh. However, when the evaluation team referred to an IFPRI policy brief, donors did indicate awareness of the brief, but were unfamiliar with its content. None of the donors identified specific information on microfinance policies provided by IFPRI that had an effect on their in-country operations. They stated that guidelines tend to follow recommendations from international field staff and consultants or are developed in consultations with stakeholder institutions. The latter attain their information either through experience, interactions in microfinance networks, or by examining industry best practices.

Summary

The IFPRI research in Bangladesh had a major impact on participating MFIs and, given the size of these participants, the impact on poor Bangladeshis had to be significant. All partner MFIs changed their operating procedures subsequent to the IFPRI study. These MFIs noted that the IFPRI study is one of a number of sources of information, but it certainly contributed to their decisionmaking. The changes were associated with expanded coverage of these programs, possibly lower participant dropout rates, and more efficient program delivery.

Outside the targeted/participating MFIs, the IRFPP was observed to have only a minimal impact in Bangladesh. Several plausible explanations exist for this finding. First, the IFPRI results were not well disseminated in Bangladesh. Reliance on web-based dissemination at the expense of distribution of hard copies may have inhibited widespread recognition of the study. No in-country workshops were conducted and no country-specific policy briefs were made available. Second, the long lag between the field research and publication of the formal research report may have reduced interest, particularly by nonparticipating MFIs, who operate in a rapidly evolving environment. Third, IFPRI's lack of a long track record in the microfinance area limits the degree to which consumers of microfinance information look to the institution as a source of information. Combined with the fourth reason, the huge volume of competing research messages from Bangladesh, this lack of a track record may have hurt. While many recognize IFPRI as a source of high-quality research, it is not thought of as a major contributor to rural and microfinance research.

5. SUMMARY AND CONCLUSIONS

The IFPRI research project on rural finance policies for food security of the poor represented a massive challenge and produced a number of impressive outputs. The project was global in scope, providing information from a variety of institutional environments, but the focus was on micro-level outcomes associated with diverse rural financial structures. It addressed issues of critical importance. (1) Does access to financial services impact the rural poor and is this impact achieved through better risk management as well as increased income generation? (2) Does the structure of MFIs matter in supporting this impact? And (3) How can the microfinance industry be made more sustainable? The research provided answers to these questions and thus represents a huge contribution to knowledge about the industry.

The IFPRI research used solid and consistent empirical methods. The research design, data collection, and econometric techniques were all first class. Several respondents noted that IFPRI is unique in that is has the reputation and intellectual resources to rise to such a daunting challenge. The study of impacts of microcredit on welfare enhancement and food security through pathways such as risk management and income enhancement exploited strong capacity within the FCND in Washington. The academic research community, in particular, recognized that IFPRI filled a major research gap by engaging in these impact studies. IFPRI's contribution was also substantially methodological in nature. It helped define means of measuring the impacts of program participation, when participation and credit uptake are endogenous to a number of household decisions. At the same time, the IRFPP represented a departure from "typical" IFPRI products.

The institutional focus of the IRFPP work—how and under what circumstances MFIs worked best—diverged from typical IFPRI products that examine how micro-level actors respond to policy change. The IRFPP focus is more in line with FCND work, examining risk management institutions and their performance in varied environments. However, most of the IFPRI risk-management research has a well-identified institutional audience: government and donors seeking means of enabling delivery of enhanced risk-management products. This audience usually has a strong institutional footprint in agriculture ministries. In the case of IRFPP, the demanders of the information are a much more diffuse group, including MFIs themselves, rural finance policymakers, and donors. One conclusion of this review is that a better understanding of the process by which MFIs and policymakers accumulate information could have enhanced the research's impact. Before engaging in a "new" research direction, it is important to understand how information is obtained by stakeholder groups.

Output

IRFPP has an outstanding record in terms of quantity and quality of published output. The publications contain answers to the key research questions and these answers are summarized in a number of easily accessible publications. The synthesis work provides concise summaries of cross-country findings related to the impacts and appropriate institutional structures of MFIs. Training and capacity building were not overly impressive, but the research was, from the start, more focused on producing global public goods and was not designed to produce large numbers of training beneficiaries. In the case of Malawi, where IRFPP was tied to an IFPRI capacity-building project, the training output was quite impressive.

The IRFPP researchers made a number of presentations to global audiences. The Ghana workshop, in particular, was well attended and received favorable reviews from participants. These global messages helped build IFPRI's reputation as an up-and-coming source of microfinance research. The academic research audience clearly responded in a positive fashion. This pattern of output—messages delivered to a global audience—has, however, limited the impact of the research program in individual countries, where delivery of output was limited. In most cases, country-specific messages were delivered only to institutions that funded the research or those that participated directly in it. A continuing refrain from decisionmakers in the case study countries was that they were unaware of the IFPRI research. Most of the IFPRI global recommendations have, however, been adopted in the case-study countries. While policymakers were unable to attribute such changes to the IFPRI research, policy changes did occur.

Outreach efforts associated with IRFPP were not strong, especially within individual countries. This weakness is a direct function of one of the project's strengths: minimal use of core funds relative to special project funds. The project was designed to produce global public goods. In many cases, a substantial time lag occurred between the study and its dissemination. Copies of published reports were not circulated among practitioners and other stakeholders at the country level. As the microfinance industry is relatively dynamic, delay in dissemination of findings may have diminished the relevance of the findings. The evaluation team is especially critical of reliance on web-based dissemination without hard-copy distribution of research results. Such dissemination may be a modern and effective mode of reaching some audiences, but many of the stakeholders are from developing countries where access to the Internet is questionable and costly. In cases where IFPRI attempts to reach decentralized audiences in developing countries, distribution of hard copies and more frequent use of country seminars are clearly more effective.

Impacts of IRFPP Research

The evaluation team identified and attempted to measure the strength of two distinct pathways of IRFPP impact. The first is a global one: through the creation of knowledge useful to the academic research audience and global policymakers. Academics and academic representatives of the industry and donors were universally flattering about the conduct and findings of the IFPRI studies. Prior to the IFPRI work, doubt existed in the academic research community about the effectiveness of microfinancial services in generating incomes, smoothing consumption, and empowering clients. Industry representatives often took these findings as a given, but donors and many in the academic community were skeptical. Most agree that the IFPRI studies provide strong evidence of benefits from program participation. IFPRI made important methodological contributions to accurate measurement of such benefits when program participation and access to credit were endogenous. IFPRI findings of positive social net benefits from improved credit access have bolstered donor support of such institutions, resulting in increased credit access in rural areas in many parts of the world.

Some of the IFPRI findings related to institutional structure and its impact on sustainability are slowly being accepted by practitioners. For instance, several MFIs are abandoning strict reliance on group liability and experimenting with individual lending models. A decade ago, the group model was firmly ensconced in the industry's psyche; evidence is slowly encouraging departures from conventional wisdom. Some of this evidence comes from individual MFI experiences; some is garnered through studies such as IRFPP. However, when information evolves toward becoming "conventional wisdom," the ability to attribute it to specific research efforts is diminished, and it becomes impossible to attribute specific changes to IFPRI and other research. Note also that this impact of the IRFPP will grow in the short term as recent publications with wide readership receive more attention.

The second major pathway of impact is a local one: through information provided to partner MFIs. As shown in the case studies, when research was conducted with the approval and interest of local MFIs, the resulting message was most likely to be heard and adopted. In many cases, the IFPRI research provided hard information on something the MFIs already suspected; evidence from the study helped support change. The ultimate impacts (on clients and institutions) of such changes are impossible to measure, given available data, but improved financial viability of partner MFIs was documented. The degree of attribution of such change to the IRFPP research is also difficult to measure. In the case, however, of nonparticipating MFIs, the in-country impacts are minimal. This point is discussed further below

Impacts on MFIs

MFIs and the loose organizations they form tend to be heterogeneous in terms of organization structures, skill mixes, and capacity. In general, they receive information in several ways: from donors and through reports provided by donor-supported projects, through workshops and learning opportunities, through acceptance by industry-supporting consultants, and through ad-hoc best practices messages. On a day-to-day basis, best practices messages are the most commonly cited sources, and they filter down through industry groups (such as the international microfinance network), newsletters, and similar sources. Best practices result from field trial and error, country experiences, and so on, and are thus not a direct research output. For the IFPRI research recommendations to become widely adopted by MFIs and even their industry groups, they would have to undergo substantial testing and validation at the project level. Thus, for example, the finding in Malawi that group lending is not universally the best means of increasing access to financial services would need to be tested before MFIs in Ghana would be seriously interested in experimenting with widespread individual lending programs. In fact, the statistical significance of such a finding is viewed as irrelevant by MFIs outside Malawi: it would have to be adapted and tested in another country before being adopted there.

IFPRI microfinance research findings have been absorbed into global public information. This information has impacted the industry in numerous ways, through the creation of research-consistent best practices and by creating consensus among policymakers and donors about the effectiveness of microfinance. Attributing these changes, especially in a quantitative sense, to IFPRI research is impossible, but the influence exists. Those interested in documenting an impact of IFPRI need to be content with knowing that substantial impacts exist and that many of the beneficiaries of the research do not recognize the IFPRI name or its contribution. However, the impact still exists.

In practice, MFIs tend to "look over the fence" and learn from their neighbors' experiences, but the industry is also characterized by a lot of competition for ideas. This competition has in some cases hindered the ability of IFPRI to have a measured impact at the global level. IFPRI was not, historically, viewed by the "industry support system" as a central part of the microfinance information-generation network. Through IRFPP, IFPRI has developed an image as a reliable source of microfinance information, yet this image is likely to be lost as the institution has no formal plans to continue and build upon its successes in the microfinance arena.

Recommendations for Enhanced Research Impacts

The microfinance research fell outside many of the traditional IFPRI research thrusts, and the project struggled to gain recognition by many industry practitioners outside of partner MFIs. This report concludes with recommendations on how impact might be enhanced under such circumstances.

Understanding the audience

The impact of the research would be enhanced if researchers better understood the needs of the stakeholders and the means by which stakeholders acquire information. If IRFPP was viewed as an attempt to deliver a message to an academic research audience, then the research was right on target. Similarly, global policymakers had access to the message. However, many practitioners and policymakers expressed the viewpoint that the research objectives did not meet their needs. This is partly a result of the global public-good objectives of the IFPRI research. Few MFIs or policymakers within individual countries were interested in a comparison of impacts across countries. The former group might have used this information to bolster support for its programs within countries, but this tends to be based on evidence of good performance of individual MFIs.

The latter group (country-specific policymakers) is also more interested in country- and MFI-specific findings. The effect of IRFPP research was observed to be stronger among participating MFI clients. When the researchers involve stakeholders in the research project, ownership grows, as do the resulting impacts.

In addition, if the research was designed to impact MFI operations within countries, then the researchers should have spent more time understanding how the intended audience receives its information. As noted, MFIs receive most of their information through established paths such as best practices messages, consultant advice, and so on. Researchers who wish to impact MFIs must ensure that their message becomes mainstreamed into this path.

Information on decisionmaker perceptions about key policy parameters such as the impact of microfinance on the poor, income responses to credit access, and so on will also assist impact assessment in the future. By knowing prior perceptions of policy parameters before a specific research program is undertaken, the researchers themselves build the foundation for ex-post assessment.

Delivering the message

Dissemination efforts for this project were inadequate, partly as a result of the IRFPP funding mechanisms. Several improvements are suggested. First, since MFIs themselves tend to form regional groupings, a series of regional workshops would facilitate effective dissemination of research findings. Such workshops and the interactions they facilitate might help identify region-specific research programs to sharpen the focus to meet regional needs. An example of a region-specific need is the issue of optimal regulatory frameworks in Sub-Saharan Africa. Second, the time lag between the study and publication of reports needs to be reduced. Effective follow-up for early dissemination of the research findings must be given top priority.

Third, cost-effective dissemination tools other than the Internet should be explored. Distribution of hard copies of study reports might be increased, especially in developing countries where Internet access is costly and time-consuming. Developing-country audiences also perceive electronic copies to be poor substitutes for professionally produced hard copies. IFPRI might explore obtaining a web domain within the IFPRI domain that is specifically microfinance-oriented. Linking such a domain to other microfinance sites would enhance spread of the research message. Fourth, impacts within a country would be enhanced if research reports and presentation of results were better focused on the needs of specific groups, such as different reports for practitioners and policymakers. Practitioners in particular need specific messages that are tied to their own institutional needs. Policymakers have different information needs. Country-specific needs and impacts need to be separated from global public-good needs. This project was intended to produce the latter.

Achieving sustainability of policy impact

The IFPRI studies provide strong evidence that access to financial services improves the standard of living of poor people in rural areas and helps ensure food security. Since these two outcomes form a core of the IFPRI mandate, addressing them as part of a multicountry research program made eminent sense. IFPRI must decide whether continued work in this area is needed. If the major questions of concern to the institution have been answered, then movement into a new area of research is appropriate. However, if IFPRI were to abandon this line of research, its credibility in the rural finance area would be reduced, and the future impact of past research would suffer. As noted above, a key to successful influence among industry participants is earned credibility. If IFPRI abandons this area of research, in two to three years policymaker memories of IRFPP findings will be dim and the research impact will die.

Lessons Learned

The evaluation team was surprised by the lack of response and interest in this evaluation by IRFPP participants. The team sent out a short survey via the Internet to all program participants, but only four responses were received. Information on publications, training, and workshops was hard to come by. The lack of enthusiasm and low response rate to the survey may be explained by the fact that several of the participants were no longer associated with IFPRI. However, in fact, three out of four of the respondents had already left IFPRI; only one IRFPP respondent was still an IFPRI employee at the time of the survey. The amount of time spent pursuing basic information from the IRFPP team reduced the time available for other work on this project.

Specific recommendations to improve impact analysis in the future include:

- The groundwork for impact assessment should be laid at project inception. Key prior perceptions of policymakers should be documented, along with "conventional wisdom" existing before project start. As the project produces outputs, key changes in perceptions (either published or manifested through changes in policies) should be documented, along with their timing.
- IFPRI should devote core funds to the impact assessment process. These funds should be used to buy time of investigators to respond to assessor needs. These funds should be built into the projects from the start. IFPRI management should place high priority on assisting assessment team; staff should be strongly encouraged to assist team.

One reviewer of this assessment noted that, especially in the case of Bangladesh, better information on the magnitude of changes in lending volumes and lending terms would enhance the team's ability to make inferences about the impact of IRFPP on the poor. In addition, it was suggested that more comprehensive interviewing techniques might enable the assessors to better establish how the MFIs made decisions about policy changes. The team was constrained by time and budgetary concerns: impact assessment for a project such as IRFPP can be improved through increased resources for the assessment.

Appendix A
IRFPP CHRONOLOGY

Year	Research activities	Outreach activities
1993	IRFPP proposal was finalized.	
1995	• Research in Bangladesh, China, and Malawi was initiated. • Interim report on Bangladesh and China was produced.	• A workshop on methodology was held at IFPRI from April 10–13. • A seminar on methodology was conducted on October 5 with Chris Udry. • In Ghana and Mali, results from the completed field research and recommendations were discussed with government officials and project leaders. • Country reports for Bangladesh and China were submitted to German Ministry for Economic Cooperation and Development during May 1995.
1996	• Egypt and Madagascar research study commenced. • Final report for Malawi was completed in October 1996.	• IRFPP research findings were discussed at national workshops in China and Malawi. .
1997	• Food Policy Review on rural finance for food security was prepared and published • Madagascar field study was completed.	• Two in-country briefings were held at Malawi to discuss the IRFPP research findings with policymakers, donors, and representatives from MFIs. • IRFPP findings were presented to FAO and IFAD representatives. • A special IFPRI news release was published at the time of the IFPRI microcredit summit. • IRFPP members participated in electronic discussion group organized by the Ohio State University and microcredit summit secretariat.
1998		• International workshop was organized at Ghana and about 75 delegates participated in the conference. A declaration by the workshop participants was widely circulated across the world. • In June 1998, IRFPP research findings of IRFPP were discussed in a workshop held at Malawi. • In November, a presentation on rural finance was made in a workshop organized by the government of Mexico.

Source: IFPRI documents

Appendix B
COMPLETE PUBLICATIONS LIST

1. BOOKS, MONOGRAPHS, and BOOK CHAPTERS

Diagne, A., and M. Zeller. 2001. *Access to credit and its impact on welfare in Malawi*. Research Report No. 116. Washington, D.C.: International Food Policy Research Institute.

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In addition, papers were presented at the following workshops/conferences:

- October 1996 in Chonginq, China (organizer: Zhu Ling)
- Bunda College, several papers were presented in 1995 and 1996 (see the internal program review report of IFPRI's Outreach Division)
- Ghana, November 1997

Papers on results from the poverty assessment tool were presented in: Kenya (March 2000) (together with Carla Henry), Nicaragua (April 2000), and Edinburgh (Annual CGAP conference, May 2000).

The poverty assessment tool was also presented by M. Zeller at:

- FAO (contact: S. Broca, FAO), July 2001
- IFAD (contact: T. Elhaut), July 2001
- ZEF, December 2000
- University of Talca, Chile, July 2001

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Appendix C
PEOPLE CONTACTED DURING EVALUATION

IFPRI

Manfred Zeller
Manohar Sharma
Aliou Diagne
Cecile Lapenu
Akter Ahmed
Suresh Babu

Germany

de Haas, BMZ
Jurgen Richter, DSE (German Foundation for International Development)
Dirk Steinwand, GTZ
Svenja Jungbluth, GTZ
Hans-Joachim Pruess, Deutsche Welthungerhilfe/German Agro Action/Agro Action Allemande

World Bank

Saadat Sidiqqi, former CEO, Malawi Rural Finance Corporation
Hassan Zaman, Malawi Country Economist
Jacob Yaron
Carlos Cuevas
William Steel
Brigett Helms, CGAP
Syed Hashemi, CGAP

USAID

Monique Cohen, Office of Microenterprise Development, USAID
Fenton B. Sands, Director, Office of Trade, Agriculture & Private Sector, USAID/Accra
Lawrence Rubey, Chief, Agricultural and Natural Resources, USAID/Lilongwe

Others

J. D. von Pischke
Mark Pitt, Brown University
Richard Myer, Ohio State University

Ghana

Gladys Gharty, Project Coordinator, Non-Bank Financial Institution Project, Ministry of Finance
Felicia Quartey-Acquaye, Chief, Rural Financial Services Department, Bank of Ghana
Patrick Attoh, Officer 1, Rural Financial Services Department, Bank of Ghana
JoJo Baidu-Forson, Research Fellow, United Nations University
Christie Ahenkora Banya, Programme Analyst, United Nations Development Programme
Stephen Mirero, Kenya Rural Enterprise Programme Consultants, Micro-Start Project, UNDP
Kofi Atta-Bronyah, Executive Secretary, GHAMFIN
Francis Q. A. Badasu, Barrister-At-Law & Solicitor, Non-Bank Financial Institutions Department, Bank of Ghana
Sarah Ampah-Nunoo, Manager, Non-Bank Financial Institutions Department, Bank of Ghana
Boahemaa Dankyi, Director, Customer Services, City Savings and Loan Company
Derek Nurumah, General Manager, City Savings and Loan Company
Fenton B. Sands, Director, Office of Trade, Agriculture and Private Sector, USAID
A. M. Addo, Assistant Director, Association of Rural Banks
Charles Asimenu, Manager, Ga Rural Bank

Malawi

Esther Chioko, Chairperson, Malawi Rural Finance Corporation
Silas Murotho, CEO, Malawi Rural Finance Corporation
Geoffrey Kumwenda, Malawi Rural Finance Corporation
Robert Mbeza, Acting General Manager, Malawi Union of Savings and Credit Co-operatives Ltd.
Sylvester Kadzola, Chief Executive, Malawi Union of Savings and Credit Co-operatives Ltd.
Frank Viyuyi Mayinga Mkandawire, General Manager, Development of Malawian Enterprises Trust
Boniface Mbundugu, Regional Manager, Development of Malawian Enterprises Trust
Sylvester Kadzola, Chief Executive, Malawi Union of Savings and Credit Co-operatives Ltd.
Charles Mataya, Bunda College of Agriculture
Stanley Khaila, Bunda College of Agriculture
Hardwick Tchale, Bunda College of Agriculture
Lawrence Rubey, Chief Agricultural and Natural Resources, USAID
Joke Van Dee Ven, Associate Expert on Microfinance, UNCDF/ Ministry of Commerce

Sam Kakhobe, Executive Director, Malawi Social Action Fund (MASAF)
Zenengeya, Monitoring and Evaluation Officer, MASAF
Milton Kutengule, National Economic Council

Nepal

Krishna Pradhan, Executive Director, Nepal Rastra Bank
Tulasi P. Uprety, Executive Director, Nepal Rastra Bank
Keshar B. Shrestha, Executive Director, Swabalamban Bikas Bank Ltd.
Harihar Dev Pant, Chairman Nirthan Utthan Bank Limited
Namratha Sharma, Managing Director, Centre for Micro-Finance
Govinda Dahal, Program Officer, Centre for Micro-Finance
Purushottam Shrestha, Divisional Chief, Agricultural Development Bank
Nabina Shrestha, MicroEnterprise Officer, UNDP
Ulrich Wehnert, Team Leader, Rural Finance Nepal, GTZ
Radha P. Achrya, Consultant, Rural Finance Nepal, GTZ
Dwarika Nath Dhungel, Executive Director, Institute for Integrated Development Studies

Bangladesh

Shafiqul Haque Chowdhury, Managing Director, ASA
Mostaq Ahmmed, Deputy General Manager, ASA
A. M. Muzzam Hussain, Research Specialist, BRAC
Shantana R. Halder, Senior Research Economist, BRAC
Tapan Kumar Karmaker, Microfinance Coordinator, RDRS
Nurul Alam Director, Microfinance, RDRS
Nurjahan Begum, General Manager, Grameen Bank
Md. Fazley Rabbi, Principal Officer, Grameen Bank
Wahiduddin Mahmud , Chairman, PKSF
Faruque Ahmed, Chief, Research and Advocacy Service, CDF
Md. Abdur Rab Bhuyian, Executive Director, CDF
Hossain Zillur Rahman, Executive Chairman, Power and Participation Research Centre
Md. Zobair, Managing Director, DATA
Zahidul Hassan Zihad, Director, DATA
Md. Aminul Islam Khandaker, Consultant, IFPRI/DATA
Benzeer Hassan Biplob, Data Manager, DATA
Md. Akhtaruzzaman, Data Analyst, DATA
Dewan A. H. Alamgir, Development Program Specialist, USAID
Samsudin Ahmed, World Bank

Appendix D
DETAILS ON MALAWI OUTPUT

Table D.1—Summary of Malawi-related output

Item	Number
Number of students using Bunda/IFPRI microfinance data	13
Number of workshops convened	4
Short courses	2
Training related to microfinance	1

Source: Bunda College records

Workshops

1. *Impact of Rural Finance Programs on Food Security and Nutrition*, held at Bunda College in October 1996. Attendance was 40, including policymakers from government, financial institutions, and donors.
2. Presentation of research results of the RDD/IFPRI Rural Finance study at the Malawi Rural Finance Company (MRFC) in Lilongwe in November 1996.
3. Attendance was 20 and most of these were members of staff from MRFC. Training in using SPSS to generate policy-relevant information for faculty and students of Bunda College. This was held at Bunda College in July 1996. Attendance was 20.
4. *Workshop on Innovations in Rural Finance for the Poor*. This took place in Ghana in November 1998 and was attended by two participants from Malawi; one from the National Economic Council (NEC) and another from Malawi Rural Finance Company.

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Table D.2—Growth performance of MRFC

Particulars	1995–96	1996–97	1997–98	1998–99	1999–2000
Deposits					
Number of accounts	19,709	28,899	51,843	70,292	10,3697
Amount (million MK)	44.1	37.0	73.3	108.5	138.1
Loan portfolio					
Seasonal loans					
Number of accounts	131,174	102,362	101,009	134,222	114,986
Amount (million MK)	249.6	174.1	204.2	547.3	386.0
Average loan per account (MK)	1,891	1,700	2,022	4,077	3,357
Business loans					
Number of accounts	1,495	3,364	20,338	11,858	10,374
Amount (million MK)	14.4	24.6	121.6	87.3	169.7
Average loan per account	9,632	7,313	5,979	7,362	1,635
Diversification of loans					
Group-based loans (million MK)	1.0	3.5	11.5	23.3	83.5
Personal loans (million MK)	0	1.2	73.3	34.5	43.7
Recovery performance (percent)					
Seasonal loan	75	89	90	77	81
Business loan	64	70	82	84	87

Source: MRFC annual reports

Appendix E
DETAILS ON BANGLADESH STUDY

Table E.1—List of studies conducted by DATA

Name of study	Conducted for
Food Insecurity Measurement and Validation Study	Tufts University School of Nutrition Science and Policy, USA
IGVGD Program Participation Study	World Food Program/B and Tufts University School of Nutrition Science and Policy, USA
Longitudinal Micronutrient and Gender Study	IFPRI/Washington, DC, USA
Microfinance and Women's Empowerment Study	MISEREOR, Germany
Analysis of Projects of Improving Food Security	The World Bank
Food for Education Study	FMRSP/IFPRI
Monetization of Food Aid on the Open Market:An Analysis for Edible Oil	CARE–Bangladesh
Study of Post-Flood Coping Strategies in Bangladesh	FMRSP/IFPRI
An Assessment of the Effectiveness of the Emergency Awareness Program on Arsenic Problem in Bangladesh	Tetrahedron, USA
Large-Scale Sample Survey of Women's Empowerment	Save the Children, USA

Source: DATA records

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