
International Programs Division

Cooperative Development Program

Annual Workplan
October 1, 2000 – September 30, 2001

USAID/BHR/PVC
Cooperative Agreement
No. FAO-A-00-97-000012-00



National Rural Electric
Cooperative Association

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List of Acronyms and Terms

- AES** – AES Inc. of Arlington, Va.
- CFC** - National Rural Utilities Cooperative Finance Corporation
- CDP** - Cooperative Development Program
- CDE** – Compania Dominicana de Electricidad (Dominican Republic)
- CER** - Cooperativa Electrica de Riberalta (Bolivia)
- CRE** - Cooperativa Rural de Electrificacion (Bolivia)
- EC** – Electric Cooperative (Philippines)
- ECFC** – Electric Cooperative Finance Corporation (Philippines)
- EFPP** – Electricity for Progress Fund (Central America)
- FEB** – Fundacion de Electrificacion Boliviano (Bolivian Electrification Foundation)
- IDFC** – Infrastructure Development Finance Corporation (India)
- IDB** - Inter-American Development Bank
- IFC** - International Finance Corporation (World Bank Group)
- IIC** - Inter-American Investment Corporation (IDB Group)
- MIF** - Multilateral Investment Fund (IDB Group)
- NRECA** - National Rural Electric Cooperative Association
- REA** - Rural Electrification Administration (U.S.)
- REB** - Rural Electrification Board (Bangladesh)
- SARI** – South Asia Regional Initiative
- USDA** - U.S. Department of Agriculture
- WBREDC** – West Bengal Rural Electrification Development Corporation (India)

Rural Electric Cooperative Development Program (NRECA)

Fourth-Year Work Plan (October 1, 2000 – September 30, 2001)

I. Executive Summary

NRECA continues to make progress in accomplishing the main objective of NRECA's CDP, which is to create a more self-sustaining financial/operational basis for expanding and supporting the electric cooperative model overseas. As defined in NRECA's CDP proposal, the privatization of electric utilities in each of the NRECA's CDP focus countries and power sector reforms have created new opportunities to change NRECA's role from advisor of governmental agencies to initiator and champion of the electric cooperative model. NRECA's main strategy is to mobilize communities to act as private, democratically organized players in the new private electric sector. Where cooperatives already exist, NRECA is assisting existing electric cooperatives to develop new resources and growth strategies to compete and grow.

During the fourth year, NRECA anticipates making an important step in its CDP program by moving into an operational mode in the Philippines, including focusing a significant portion of CDP support to a new field position as part of the implementation of the new "Electric Cooperative Finance Corporation" (ECFC) initiative. Other CDP planned activities include the following:

- In Guatemala/Central America, NRECA will continue to expand on the "Electricity for Progress" revolving fund initiative. This is intended to build long-term financial independence for NRECA's program in Central America.
- In the Dominican Republic, NRECA plans to develop a national electrification strategy for the Dominican government. NRECA will also continue to develop its growing relationship with AES, one of the private distribution owner-operators.
- In India, NRECA expects to be involved in several new activities, including the South Asia Regional Initiative (SARI) rural energy program which will provide training and technical assistance to several of the countries, including India. A model cooperative development program is also planned in West Bengal.

- In Bolivia and Bangladesh, NRECA will continue to explore opportunities to develop independent private financing resources for electric cooperative development.

II. Overview

As discussed in previous CDP work plan presentations, NRECA's priority for its Cooperative Development Program grant has been to establish one or more partnering arrangements with electric cooperatives worldwide under permanent programs that will lend sustaining financial support to NRECA's work overseas. In Philippines and Guatemala, the needed mechanisms have been established. In Bolivia and India, there has been successful progress toward creating similar schemes. The coming CDP year will determine how these two country programs will fare. In the Dominican Republic, there are possibilities for developing a long-term relationship with a new private utility owner however the capital financing for this opportunity has yet to be established. In Bangladesh, NRECA expects to continue to provide broad support for the electric program there with the help of the local USAID mission; at some point, NRECA and its local partner should be able to collaborate on a common scheme to provide a similar, lasting self-sufficient financing program.

NRECA's top priorities for the coming year will continue to be in Central America and the Philippines.

In Guatemala, two tranches of USDA-provided surplus commodities have been granted to NRECA to establish a revolving fund that not only provides capital for rural electric development, but a built-in means for funding NRECA's management and technical assistance support. This program must expand, however, in order to be self-sustaining, and toward that end NRECA will attempt to establish a similar fund in at least one other Central American country. Proposals are pending with USDA for this purpose.

In Philippines, NRECA and CFC will attempt to negotiate a permanent management and technical assistance role in a newly-established electric finance corporation, the ECFC. As discussed with PVC, we intend to utilize future sub-grant resources as part of the means for establishing this partnership. If successful, this would serve as a model for CFC-type relationships with cooperatives in other countries.

The overall success of NRECA's CDP strategy will also depend on its ability to form collaborative partnerships with local and international capital finance agencies. Hence the coming year will be a critical year for leveraging resources, and prospects appear good, especially in Central America, Philippines, and India.

III. Country Programs

1. Guatemala/Central America

A. Progress Toward Achieving CDP Results

A self-sustaining rural electrification revolving fund was formally launched by NRECA in January 2000 based on a donation of 10,000 tons of US wheat from the USDA. Another grant of 10,000 tons of wheat is being negotiated, which will bring the total capital in the fund to about \$2 million. The "Electricity for Progress" (EFP) Fund is the centerpiece for NRECA's Central American strategy to have an independent means of promoting and developing rural electric cooperatives on the model established in the REA in the US as part of FDR's New Deal. During the third year of the CDP, the EFP fund financed a series of small projects in Guatemala in a initial stage to allow experience with the fund, establish local banking arrangements, and start building a loan portfolio.

NRECA transferred a senior project manager to Guatemala as part of this start-up phase, and also made a successful proposal to USAID/G-CAP to assist with the implementation of the Hurricane Mitch relief program, focusing mainly in Guatemala.

B. Fourth-year Workplan

NRECA will focus on expanding EFP project flow in Guatemala and will also look to expand the revolving fund concept into other countries in the region, particularly in Nicaragua. Toward this end, several proposals have recently been submitted to USDA for similar commodity monetization programs in Honduras and Nicaragua. It is not clear yet whether electric cooperatives will be politically and legally acceptable in Guatemala, although NRECA plans to finance electrification projects through other types of cooperatives, including coffee co-ops. The prospects for electric cooperative development in Nicaragua, however, is very strong, based on NRECA's growing relationship with government agencies.

As part of NRECA's planned effort to grow the EFP fund, discussions will continue with the Multilateral Investment Fund (MIF) and the Inter-American Investment Corporation (IIC) of the IDB Group and other potential partners, with the strategy of leveraging NRECA's resources with other capital.

2. Philippines

A. Progress toward Achieving CDP Results

Work continued on the development of the ECFC with the help of the CFC under the CDP sub-grant. The feasibility study was completed, and the new CFC-like entity is expected to be launched sometime in later in the Fall of 2000. The study recommended an initial capitalization level of about \$25 million, including \$5 million in equity from the ECs. A group of some 15 ECs have formally signed on to the ECFC and are committed to provide capital on the order of \$1 million as part of the ECFC incorporation. As many as 40 ECs are expected to participate, with about 25 of them to be immediately eligible for ECFC financing.

B. Fourth-year Workplan

NRECA will focus CDP work on the ECFC start-up during the fourth year. This will involve negotiating an arrangement for NRECA, with CFC's assistance, to take a formal role in the post-incorporation activities with ECFC, including providing management assistance to ECFC and to the ECs that participate. The substance of this agreement will be defined in discussions with ECFC management and board, and with other agencies such as the IFC that participate in ECFC's capitalization and ownership.

NRECA anticipates making a proposal to ECFC upon its incorporation to provide support and assistance in two aspects:

- Management advisory support to ECFC, including assigning CFC staff time to a "mentoring and monitoring" function involving several tasks; and
- Technical services to ECFC and ECs in loan application preparation, and post-disbursement project implementation assistance.

NRECA and CFC plan to commit a significant portion of CDP sub-grant resources as part of this arrangement, along with other financial and in-kind resources that may be agreed to. NRECA has made a proposal to USDA for \$5 million in commodities to be monetized and used as part of NRECA/CFC's participation in the ECFC. NRECA will consult with PVC on the specific elements of this arrangement, as needed, to assure that the resources are used appropriately to secure a long-term, self-supporting working basis for NRECA and CFC with the Filipino electric cooperatives.

3. Dominican Republic

A. Progress Toward Achieving CDP Results

NRECA continued work on a USAID/DR cooperative agreement to help rebuild the damage caused by Hurricane Georges. Several distribution systems in coastal areas were damaged. NRECA transferred a senior project manager to DR to implement this project, with the idea of incorporating rural electric cooperatives as part of the rebuilding process. NRECA worked collaboratively with the Government to identify a strategy and role for cooperative development as part of a national effort to overhaul the electric power sector, dominated by CDE, the national power company.

Simultaneously, CDE's privatization brought the arrival of two private investment groups to DR, including AES of the U.S. and Union Fenosa of Spain. NRECA successfully negotiated with AES to co-fund the restoration of damaged systems in its service territory. While this collaboration involves mainly rebuilding the physical infrastructure, NRECA and AES also discussed the concept of incorporating a post-reconstruction role for NRECA if it is determined to be feasible to form and support electric cooperatives at these sites. A general feasibility analysis was performed on a test site which showed that artificially low tariffs will make it difficult for a cooperative to succeed at a financial level, however all parties, including the community, are interested to developing this concept further.

NRECA made two significant proposals as part of this effort, including a proposal to USDA modeled on the EFC initiative in Central America, and a separate proposal to USAID for a grant of \$300,000 to assist the GODR with the development of a national rural electrification plan.

NRECA also continued to pursue plans to extend this program into Haiti. Political instability, however, continues to pose an obstacle. NRECA made a proposal to USDA for Haiti, as well.

B. Fourth-year Workplan

This will be a crucial year for determining whether an on-going program to develop cooperatives in Hispaniola (DR and/or Haiti) will be possible, and will depend largely on NRECA's success in securing additional funding resources, including the proposed USDA local currency support. The NRECA/USAID Hurricane reconstruction cooperative agreement is scheduled to be completed by the end of 2001.

Assuming USAID approves funding for the national rural electrification planning effort, NRECA will implement that study with a view to formalizing a business plan, possibly including AES, to fund and carry out a pilot electric cooperative program.

In Haiti, NRECA will continue to explore the possibility of setting up a rural electric cooperative agency that will work with small outlying towns to establish sustainable electric service. This effort depends entirely on whether NRECA will be successful in obtaining capital financing. A proposal is pending with USDA.

4. India

A. Progress Toward Achieving CDP Results

NRECA established important working relationships with several Indian public and private agencies during the third year. These included the Infrastructure Development Finance Corporation (IDFC), and a new rural electrification agency in the State of West Bengal -- the WBREDC. All of these contacts are expected to lead to project development activities in future years.

In particular, NRECA signed a formal agreement with WBREDC to assist it in developing an overall organizational strategy along with one or more pilot projects focused primarily on the development of electric cooperatives. A high-ranking delegation from West Bengal visited the NRECA project in Bangladesh to see first-hand the success of the electric cooperative model under the Rural Electrification Board (REB). The REB experience will serve as the model for this initiative. A proposal has been submitted to USAID for funding support for this effort.

NRECA also began discussions with the IDFC on a strategy for improving the rural electric distribution systems in several Indian states. IDFC is a quasi-public company with the role of spearheading new private ventures in sectors traditionally held by the government. NRECA presented an overall review of the challenge in addressing major problems in India's rural electric sector, and developed a draft strategy document for IDFC's consideration.

NRECA also participated in discussions on the development of USAID's new SARI program, which among other things, will seek to use the REB system as a model for rural electric development in other countries in the region. NRECA hopes to participate in SARI's detailed planning and execution and is participating in a proposal for that purpose.

B. Fourth-year Workplan

NRECA will focus on the WBREDC project as an illustrative example to other States in India to promote the role of electric cooperatives in reforming and improving rural electricity supply. Other "targets" for establishing the cooperative model include:

- Development of an electric cooperative in Haryana as part of a small biomass power plant expansion project being implemented by a private fiberboard mill;
- Development of an independent power facility to serve an existing electric cooperative in the State of Maharashtra;
- Development of an energy service company venture in the State of Orissa that will include the development of "no-wires" electric cooperatives, possibly in association with IDFC.

5. Bolivia

A. Progress Toward Achieving CDP Results

NRECA provided technical assistance to two electric cooperatives, CRE in Santa Cruz, and CER in the Beni. The co-ops provided significant funding support as part of these efforts. In the case of CER, NRECA – through its local foundation affiliate, Fundacion de Electrificacion Boliviano (FEB) – NRECA has taken an operating role for the co-op's power supply system which includes a 1 MW biomass power plant that was installed under NRECA previous USAID-funded program. NRECA may expand this to include a more direct role in the overall management of the cooperative.

NRECA's strategy is to build a permanent working relationship with CRE, possibly to include CER and other small electric cooperatives around the country, based on a common financing program similar to the CFC.

Toward this end, NRECA also continued discussions with the Bolivian Ministry of Energy on ways to provide a permanent institutional solution for many small, scattered electric power systems like CER that were not directly affected by the reform of the Bolivian electric power sector several years ago. This has laid a favorable groundwork to incorporate a plan for aggregating many of these systems under a cooperative framework that will include centralized management, technical assistance, and financing.

B. Fourth-year Workplan

NRECA and CFC will follow up with a proposal to the GOB, potentially in cooperation with CRE, to establish the envisioned aggregation scheme. As part of this step, NRECA will also consult with MIF and other potential co-sponsors.

6. Bangladesh

A. Progress Toward Achieving CDP Results

NRECA continued major assistance to the REB and the electric cooperatives in Bangladesh under its cooperative agreement with USAID/Dhaka. There was no significant CDP activity during the year, although NRECA continues to explore the concept of setting up CFC-type financing support for the co-ops. REB has experienced relatively frequent changes in its top management, and also continues to be preoccupied with other tasks including improving power supply to the co-ops, and as a result these discussions have not yet yielded any concrete results.

B. Fourth-year Workplan

In the near future, NRECA will determine whether there is sufficient value in continuing to schedule CDP assistance to Bangladesh. Per the CDP design, this depends on whether REB is prepared to undertake a CFC initiative similar to what NRECA and CFC are implementing in the Philippines. NRECA will review progress with this concept during the year, with a view to possibly re-directing CDP to other NRECA priorities.