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Final Evaluation:

Togo Rural Institutions and Private Sector Project

Prepared for the Office of the AID Representative-Lomé under contract number PDC-5451-I-15-1027-00.

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LIST OF ACRONYMS

ASPROMO	Association de Propriétaires de Motoculteurs
ATI	Appropriate Technology International
BCEAO	Banque Centrale des Etats de l'Afrique de l'Ouest
CCCE	Caisse Centrale de Coopération Economique
CARE	Cooperative for American Relief Everywhere
CFD	Caisse Française de Développement
CUNA	Credit Union National Association (U.S.)
CNCA	Caisse Nationale du Crédit Agricole
COOPEC	Coopérative d'Epargne et du Crédit
DESA	Direction des Enquêtes et Statistiques Agricole
DGDR	Direction Générale de Développement
DRDR	Direction Régionale de Développement
FAC	Fonds d'Aide et de Coopération (France)
FED	Fonds Européen de Développement
FUCEC	Fédération des Unions Coopératives d'Epargne et du Crédit
GOT	Gouvernement du Togo
GPA	Groupements de Producteurs Agricoles
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
MDR	Ministère du Développement Rural
NGO/ONG	Nongovernmental Organization
OAR-Lomé	Office of the AID Representative-Lomé
ORA	Operational Research Activities
PACD	Project Assistance Completion Date
PAE	Promotion de Petites Activités Economiques
PVO	Private Voluntary Organization
SEAD	Small Economic Activity Development (CARE)
SPP	Service for Planning and Programs (MDR)
SOTOPRODER	Société Togolaise Pour la Promotion de Développement Rural
TRIPS	Togo Rural Institutions and Private Sector Project
UGAZA	Union de Groupements Agricoles du Zio et de l'Avé
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
USAID	U.S. Agency for International Development
WOCCU	World Council of Credit Unions
WID	Women in Development
ZREDP	Zio River Economic Development Project

EXECUTIVE SUMMARY

INTRODUCTION

Development Alternatives, Inc. (DAI) was contracted by the U.S. Agency for International Development in Togo to conduct the final evaluation of the Togo Rural Institutions and Private Sector (TRIPS) Project. This report is the product of that final evaluation, performed in Togo from March 17 to April 8, 1993. The evaluation team was made up of Jesse McCorry, team leader and management specialist; James MacDade, finance specialist; and Jean-Michel Jolly, program specialist. The methods of investigation, examination, and evaluation employed included field interviews with ministry and credit union staff and management, financial analysis, and the incorporation of recent events and progress into baseline data tables created at the beginning of the TRIPS project.

TRIPS was designed to increase rural incomes by increasing and diversifying agricultural sector output. This was to be accomplished by enabling and encouraging private credit institutions to increase their participation in agricultural and rural financial markets on a sustainable basis. The project would also strengthen rural producer groups and private agricultural enterprises. Initiated in 1988, TRIPS sought to improve the legal and policy framework for credit union development, strengthen the credit union movement, strengthen private rural producer groups and rural private enterprises, and engage the Government of Togo (GOT) in a policy dialogue to improve the environment for private sector development.

TRIPS was implemented through Cooperative Agreements with CARE and with the Credit Union National Association of North America (CUNA) in partnership with the Credit Union Federation of Togo (FUCEC). In addition to the Agreements, a direct grant of assistance was made to the Government of Togo's Ministry of Rural Development (MDR) to strengthen MDR's capacity to monitor and coordinate project activities.

The purpose of the final evaluation was to assess:

- The institutional performance of TRIPS in reaching established goals and to draw lessons from that experience that might be of value to USAID/Lomé in the design and implementation of additional activities; and

- The amount of assistance and oversight that would be required of USAID should the USAID Mission decide to extend its assistance to FUCEC.

This report contains five chapters: the first is an evaluation of the project's design and implementation strategy, and of the effectiveness of management; the second an evaluation of CARE's private sector support activities; the third a financial analysis of FUCEC; and the fourth chapter a sustainability analysis of FUCEC. The final chapter of the report presents conclusions and specific recommendations on possible donor contributions to ongoing activities that are sustainable for the operation of credit unions in Togo.

The evaluation mission was somewhat unusual in that TRIPS assistance to the Ministry of Rural Development had been phased out prior to the beginning of the evaluation team's mission, and the CARE component was in the process of closing out its activities when the team arrived in-country.

TRIPS PROJECT DESIGN AND IMPLEMENTATION

The TRIPS coordination and management structure did not meet the expectations of project design and early implementation because of a variety of factors including the late arrival of the USAID-funded Technical Adviser and confusion about the responsibilities and priorities of this advisor; and the lack of accountability and responsiveness of GOT, which permeated nearly all aspects of project implementation.

The result was that each of the three components of the TRIPS project (the management component in MDR and the CARE and FUCEC components) often acted in isolation according to its own programmatic priorities. A key lesson derived from the TRIPS project management experience is the need for an effective project implementation mechanism within a framework of clearly articulated policy objectives that are clearly understood at project start-up. The need for project revision and flexibility also became apparent, as evidenced by the project improvements that resulted from the Project Supplement at the midterm evaluation.

CARE PRIVATE SECTOR SUPPORT ACTIVITIES

CARE's private sector support activities under the TRIPS project were ambitious, and were designed to increase rural incomes and promote private sector initiative. The component introduced technical assistance to small-scale agricultural producers in the form of training in production techniques, diversification into nontraditional products, and access to credit.

Serious deficiencies were noted in the CARE component during the midterm evaluation. The evaluators believed that project objectives for strengthening rural producer groups were not attained, in part because of difficulties arising from the administration of the credit program for groups of producers who were unable or unwilling to use these funds effectively. It was also noted that CARE and FUCEC were unable to find a viable method of collaboration in credit services. CARE's credit activities suffered from substantial rates of delinquency and defaults. The midterm evaluation questioned the viability of this portion of the project, ultimately convincing the Office of the AID Representative-Lomé (OAR/Lomé) to withdraw its support for this activity.

As a result, a midterm Project Supplement was devised, which narrowed the focus of USAID assistance to activities aimed more directly at fostering private sector growth and entrepreneurial initiatives. To its credit, CARE attempted to reorient its activities according to the terms of the Project Supplement following the midterm evaluation. These changes, coupled with changes to the structure of CARE's intervention process, resulted in better performance.

The small enterprise assistance element of the reoriented project component succeeded in establishing commercial ventures in agriculture, an agribusiness product, and limited industrial production for a consumer appliance. CARE's training services were able to assist several organized village groups and nongovernmental organizations (NGOs) in the use of feasibility studies, and in improved management techniques for small- and micro-scale enterprises.

FUCEC PERFORMANCE

FUCEC, the third component of TRIPS, achieved a relatively high level of success in meeting not only stated project objectives but also in achieving dramatic growth in membership, and in the amount of savings mobilized and the number of loans granted, the majority of which were used for investment in productive activities. Other important development objectives were also attained during the life of the project, notably an increase in household incomes from interest received on savings deposits and from proceeds from credit extension for productive uses.

An increase in the participation of women in all phases of FUCEC activities was achieved. FUCEC brought women into responsible administrative and management positions in local credit unions (COOPECs) and at FUCEC. In addition, because of their importance in the informal sector, market women are significant depositors in COOPEC accounts.

FUCEC's growth during the project period also permitted it to provide loan assistance to a growing network of small commercial groups and informal financial savings mechanisms. These noted successes do not suggest, however, that no problems or areas of concern were noted during the FUCEC evaluation.

Management and planning functions within FUCEC require more careful attention. For the Central Liquidity Fund, asset management skills and techniques need to be strengthened commensurate with the volume of assets under its control (nearly $3 million). The entire field service, inspection, and training components require rationalization. A perceived deterioration in loan asset quality is also worrisome as credit union members are unable to meet repayment obligations because of the current political and economic situation. Thus, despite the successes achieved to date, the options available to FUCEC for dealing with the implications of these larger questions are limited without continued external assistance.

Because of its achievements, FUCEC has received many inquiries and propositions concerning collaboration with other bilateral and multilateral assistance agencies. None of these, unfortunately, has resulted in specific, funded programs. FUCEC has been reluctant to pursue actively certain donors that do not share FUCEC's operational philosophy — for example, that deposited savings are a prerequisite for access to credit. In addition, the credit union movement, as represented by the World Council of Credit Unions (WOCCU), is a sociopolitical organization that places a high value on the credit unions' ability to act as a vehicle for social solidarity and rudimentary efforts toward democratization. These latter goals are reflected in the structure and process of the individual COOPECs. FUCEC is unwilling to undertake any activity that, in its judgement, would pose a threat to the maintenance of those values.

RECOMMENDATIONS TO USAID FOR CONTINUED SUPPORT TO FUCEC

To meet the challenges posed by the credit union movement's dramatic growth and to help the organization to increase its prospects for achieving self-sufficiency, USAID should consider providing FUCEC with the following types of capacity-building assistance within the context of a continuation of its Cooperative Agreement with CUNA and the World Council of Credit Unions (WOCCU):

- Undertake a management diagnosis to identify more clearly the areas that require organizational and management strengthening. In particular, this exercise should examine the adequacy of FUCEC's personnel to handle growing demands for member services and the analytical demands of managing a growing loan portfolio.

- Establish an offshore U.S. dollar endowment under the joint control of USAID and FUCEC/WOCCU as a hedge against possible FCFA devaluation;

- Use proceeds from local sales of U.S.-supplied commodities to provide the liquidity necessary for FUCEC to manage aggressively any past-due loan asset issues;

- Strengthen FUCEC's financial management capabilities in such areas as the Central Liquidity Fund, portfolio management, the insurance program, and management information systems development;

- Examine the possibility of using the training expertise of former CARE staff for in-service training programs and training-of-trainers for FUCEC staff and the Board of Directors. WOCCU should also give careful consideration to the interest of the Peace Corps in providing assistance to FUCEC in situational and feasibility analyses, which could be used to help assess loan applications; and

- Examine donor roles, particularly that of USAID, in the discussions involving the statutes governing FUCEC.

USAID support of the kinds of actions suggested here will allow FUCEC to continue its important mission of serving the savings and credit needs of rural inhabitants, women, and urban small savers.

CHAPTER ONE

TRIPS PROJECT ANALYSIS

The Togo Rural Institutions and Private Sector Project (TRIPS) was designed to "increase rural incomes by increasing and diversifying agricultural sector output."[1] To increase incomes, the project was expected to enable and encourage private credit institutions to increase their participation in agricultural and rural financial markets on a sustainable basis. The project was also designed to strengthen rural producer groups and private agricultural enterprises.

The project provided support to two operating components and a structure for coordination:

- The Federation of Savings and Credit Unions (FUCEC), assisted through a Cooperative Agreement with the Credit Union National Association of North America ($5.31 million);
- The Cooperative for American Relief Everywhere (CARE), also using a Cooperative Agreement mechanism ($5.25 million);
- The Service for Planning and Programs (later renamed the Department of Planning and Programs, here referred to as SPP) in the Government of Togo's Ministry of Rural Development (MDR), through a grant for project monitoring and coordination ($1.44 million).

At its conclusion, TRIPS was expected to have achieved the following results:

- An improved legal and policy environment for credit union development;
- A stronger credit union movement;
- Strengthened rural producer groups;
- Stronger rural private enterprises; and
- An ongoing policy dialogue to improve the environment for private sector development.

The Project Paper was quite clear in specifying the end-of-project indicators:

- Increased savings and credit flowing through private institutions in the rural sector:
  - Number of self-sustaining credit unions increasing from 120 to 200;
  - Credit union savings rising from 630 million FCFA to 2.7 billion FCFA; and
  - Outstanding credit union loans increasing from approximately 491 million FCFA to 1.6 billion FCFA.

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[1] "Togo Rural Institutions and Private Sector Project Paper," OAR Lome, Togo, June 24, 1988.

- A larger role for private groups in agricultural production — number of self-sustaining rural producer groups increasing by 30; creation of 10 financially viable small enterprises, 250 microenterprises, and 10 rural trade associations; increased supply of agricultural inputs from private sector suppliers; and increase of agricultural production from TRIPS-promoted producer groups growing in value from less than $300 thousand per year to approximately $800 thousand per year.

PROJECT DESIGN

The design of the TRIPS project brought two ongoing activities under a single program umbrella. The CARE component had been concerned with the provision of technical assistance and some credit resources to farmers in an effort to stimulate increased yields and the growth of a more diversified rural economy. The Credit Union National Association (CUNA) and FUCEC had been working to expand FUCEC's network of credit unions among rural communities. The consolidation of these two activities was viewed as an innovative means of promoting increased incomes for Togo's rural communities. The consolidation was also expected to stimulate the emergence of private entrepreneurial initiatives that would benefit from the increased financial resources expected to result from growth in savings in the rural credit unions in the FUCEC network. Through the MDR Plans and Programs Service, the Government of Togo (GOT) was assigned the principal responsibility for project monitoring and coordination. TRIPS did not impose substantial new program or operational requirements on the operating components.

The previous CARE and FUCEC projects dealt with problems of credit availability in rural communities and, at least indirectly in the case of FUCEC, with raising rural income levels. TRIPS sought to maintain this objective while transforming the two activities into a consolidated approach. TRIPS was to create a supportive environment and the resources for private sector initiatives in rural communities. The principal operating components of TRIPS, CARE and CUNA/FUCEC, were to continue activities that were already under way and from which they had acquired an appreciable amount of experience, and a supporting clientele.

In terms of general objectives, CARE was expected to:

- Promote and strengthen rural producer groups;
- Enhance training methods and increase the effectiveness of public and private sector extension service providers; and
- Provide assistance to private initiatives that would create and expand business ventures that support agricultural production.

The support of the Office of the Aid Representative-Lomé (OAR/Lomé) for CUNA/FUCEC was directed toward helping these organizations to:

- Improve the legal and policy framework covering credit unions to create a more hospitable environment for credit union growth and development; and
- Strengthen FUCEC by increasing the number of affiliated credit unions, building its membership, and training the staffs of the individual affiliates and volunteers who provide services to credit union members.

SPP, through its chairmanship of the Project Management Team (PMT), was assigned specific responsibilities for establishing baseline data requirements, developing project performance indicators, organizing and coordinating 2 baseline studies and executing or issuing contracts for 5 studies on topics to be selected after project implementation, and organizing formal reviews of results by GOT policy makers. In addition, SPP was to work with other units of the ministry in helping to secure an improved policy and legal framework for credit unions and other groups such as rural producer groups. SPP was also to promote coordination of efforts among other organizations and groups relevant to TRIPS or to general rural development. Finally, SPP was to review and comment upon the annual work plans and any expatriate personnel to be hired by CARE and CUNA/FUCEC. To assist GOT in carrying out the several tasks, A.I.D. was to provide a Project Management Adviser to SPP for the five-year life of the project. In addition, A.I.D. was to fund the purchase of office equipment and computers and a limited amount of long-term and short-term participant training to strengthen the capacity of SPP to carry out the responsibilities imposed by TRIPS.

PROJECT IMPLEMENTATION STRATEGY

The principal element in the TRIPS implementation strategy was the Project Management Team composed of members of GOT/SPP (Chair), CARE, FUCEC, and OAR/Lomé. Other relevant ministries, such as Plan, were not represented on the Team, but their representatives could attend meetings on an as-required basis. Meetings of the Project Management Team were to be held on a quarterly basis. The Project Management Team had no dedicated staff; it drew upon the services of regular SPP staff members in carrying out its responsibilities.

The Project Management Adviser was the principal implementation tool for the Project Management Team. The Adviser was charged with the task of helping SPP and the Team carry out their respective roles. The was viewed as a key staff resource to the Chair of the Team in the following activities:

- Organization and coordination of two proposed baseline studies.
- Developing quarterly review routines for work plans of Project Management Team members;
- Preparing the terms of reference for at least five studies in areas relevant to the concerns of the project, such as private sector initiatives and rural development;
- Organizing workshops and seminars for discussion and dissemination of the results of these studies;
- Devising a monitoring program that would oversee the implementation of the Care and FUCEC components; and
- Creating a mechanism for public-private sector dialogue that would result in an action plan to address constraints on private sector investment in the rural economy.

Prior to the initiation of TRIPS' activities, the staff of SPP had had limited coordination and project management responsibilities, although they had acquired some experience in data collection and program analysis by virtue of prior assistance from the World Bank. SPP had also had little programmatic contact with the activities carried out by the two operating components. For the most part, coordination of project activities was expected to result from discussion of progress reports, work plans and other items during regularly scheduled meetings of the Project Management Team. It was further assumed that the meetings of the Team would produce specific opportunities for collaboration between FUCEC and CARE.

Managing the implementation of TRIPS — that is to say, guiding the project toward achieving its diverse goals — was not specifically addressed in the design of the project. The project design proceeded from an emphasis on coordination. To the extent that the management requirements of implementation were addressed, they were left to the individual components. This approach was apparently based on the assumption that the actors involved shared a common understanding of, and appreciation for, the need for coordination. The project design did not give an operational definition or set the terms for translating the principle of coordination into specific actions or organizational accountability. Moreover, the reliance on coordination obscured the complementary need to employ other techniques of project management.

PROBLEM AREAS IN PROJECT IMPLEMENTATION

Miscalculation of Organization Capacity

Project implementation did not proceed smoothly. Although the composition of the Project Management Team was a simple matter to define, establishing its routines was difficult. Securing the services of an Adviser was a lengthy process. By the time a suitable candidate was found and approved by the government and OAR, almost 18 months of the project's life had elapsed. Thus, the expert assistance that had been identified as necessary to help the government with its coordination and monitoring responsibilities was unavailable.

Once the Adviser was in place it became apparent that SPP and MDR lacked the organizational discipline and resources needed to establish and maintain the schedule of quarterly meetings and managerial routines that the Project Management Team would require. The scheduled four meetings per year of the Team became three. Information requested by SPP to be used in briefings of MDR officials was slow to arrive, or it did not arrive at all, further weakening an already weak analytical base for coordination of the project's activities with other rural development activities of the ministry.[2]

Project Management Adviser

The Project Management Adviser devoted a good part of his efforts to staff development activities. A continual emphasis was placed on organizing workflows and scheduling. In addition, he provided some training in the use of computers and several software applications relevant to the responsibilities of the office. Although his efforts relating to computer skills met with some success, the

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[2] The evaluation team was unable to carry out a thorough review of the grant-financed monitoring and coordination effort that was assigned to SPP. Political protests that had begun in early 1990 became a series of increasingly forceful actions against government policies, leading to work stoppages in government and, finally, a general strike in the latter part of 1992. This caused a shutdown of day-to-day operations. This strike, which was still in force at the time of the evaluation mission, made it impossible to conduct interviews with government officials and personnel who had participated in the project's implementation.

same cannot be said for the attempted introduction of appropriate administrative and management routines. In large part, these attempts were easily undermined because they were isolated from the rest of the ministry. The activities within SPP were not treated as having particular relevance to the ways in which the larger organization conducted its business. Nor was this particular problem entirely external to SPP. A detailed memorandum from the Adviser suggested that the office's leadership accorded insufficient importance to the capacity-building effort that he was attempting.

Further evidence of the limited support given to the capacity-building initiative can be found in the ministry's slow response in naming an appropriate candidate for a long-term educational award. It took the ministry almost three years to accept the person originally identified to study for an advanced degree in the United States. (This individual was actively pursuing his U.S. study program at the time of the evaluation mission.)

Short-term training appears to have presented fewer problems for the project. Seven persons attended courses at the University of Michigan, Clark-Atlanta University, and the University of Pittsburgh. The Adviser indicated that the training received by SPP staff was relevant to their responsibilities. Unfortunately, he was unable to assess the value of the training received by individuals in other parts of the ministry or other agencies of the government.

Lack of Specific Agreement on Project Objectives and Goals

Those responsible for implementing TRIPS assumed that coordination of CARE and FUCEC activities could be achieved through voluntary means because of a presumed complementarity in their work with rural communities and because each organization was concerned with the mobilization and use of financial resources. There was also a belief that these organizations had the same understanding of and appreciation for increasing the availability of credit and technical resources for agricultural investment and production. In other words, the project's interest in developing an environment favorable to private sector development in rural Togo was assumed to have been fully understood as the goal of TRIPS by all the parties to the project.

However, FUCEC, in developing a grassroots savings movement, and CARE, in transferring agricultural technology and rural development, had already acquired substantial operational experience in their respective areas of intervention prior to being brought into the TRIPS project structure. With this experience came differences in perception and orientation. The TRIPS project did not seek to make substantial changes in these goal orientations: it assumed (falsely) a coherence between the new private sector and increased rural incomes emphases and the activities that these components had already put into operation. Moreover, as was often the case during the early years of USAID use of the NGO community, these private organizations sought to maintain a certain distance between themselves and the governments of the countries in which they worked. This mode of operation had certain benefits with regard to building good working relationships with local communities to facilitate project implementation, but it sometimes led to awkward relationships with government organizations and officials. The project's effort to coordinate the efforts of CARE and FUCEC through the SPP/PMT mechanism created potential credibility problems for the two operational components of TRIPS.

A fully functional Project Management Team during the early stages of TRIPS might have been able to identify and resolve these differences in perception and orientation. For example, the credit union activities of CARE, with its undertones of a grant/subsidy program, were inconsistent with the more stringent savings mobilization emphasis of FUCEC. Yet, the project expected these components to collaborate in making rural credit more readily available for productive purposes.

Conflicting Perceptions of Roles

Project implementation was also hampered by differing perceptions of the respective roles of the Adviser and his government counterparts. The project confused the need to develop the capacity of SPP and the separate need to assure the effective implementation of TRIPS. Thus, early on in his tenure, the Adviser saw his principal function as upgrading the capabilities and understanding of the professional staff of SPP. The long-term goal was to develop a more professional development planning and program management organization.

With this orientation to his task, it is not surprising that few of his resources were devoted directly to the implementation of TRIPS. However, it soon became clear that expanding the repertory of managerial and analytical skills of SPP, which would have also benefitted the project, was hampered by poor management practices and the organizational culture that had evolved over the years within the Ministry of Rural Development. These problems included a limited ability to organize work, and a pronounced tendency to treat SPP as a kind of secretariat for ministerial tasks, rather than using it as a policy and program management instrument. The clear inference to be drawn is that TRIPS and the Project Management Team were assigned a lower order of priority when senior ministry officials needed something done.

TRIPS was an added and new responsibility for a unit that, from the outset, lacked the number and level of staff required to carry out its ordinary duties effectively.

CONCLUSIONS AND LESSONS LEARNED

The TRIPS project was less successful than it might have been for several reasons. The fundamental goal of raising rural incomes by improving agricultural productivity and helping to increase the size of the rural savings base as a source of private sector investment capital was innovative and appeared to have considerable potential. The project, however, had several serious weaknesses that were not recognized and corrected in a timely manner.

Management Burden on OAR/Lomé Staff

Because of its relatively small size, USAID-Lomé should give particularly careful attention to assessing the management burden that proposed projects are likely to impose upon its limited staff resources, should implementation encounter significant problems. Perhaps recourse to the peer review mechanism would be useful to smaller offices of USAID in helping them to give more thorough consideration to the principal assumptions underlying a proposed project or program. We draw this conclusion after reviewing some early indications of problems needing consistent attention from USAID personnel with the requisite skills and knowledge:

- The Project Paper did not identify clearly the potential difficulties of relying upon coordination as the means of implementing the project;
- The existing management and analytical capacities of SPP were seriously overestimated;
- The two operating components did not internalize project objectives, and

- Meaningful project oversight was absent, especially during the initial project year

SPP Roles and Responsibilities not Clearly Articulated

The project assigned the major implementation responsibility to an entity that was unfamiliar with USAID rules and procedures. The organization was also not viewed favorably by others with whom it would work in close collaboration. Moreover, the SPP was unfamiliar with the nature and requirements of the specific tasks involved in carrying out its responsibilities. This weakness might have been seen at an early stage had the design team given more consideration to the types of problems normally encountered in project implementation. The Adviser's assistance in developing administrative routines and his attempts to introduce other management practices appropriate to his view of the organization's responsibilities appear to have been undermined by the traditional administrative practices of other parts of the government with whom SPP was required to interact on a regular basis.

However, the role as teacher of SPP staff that he envisioned for himself seems inappropriate to the kinds of responsibilities assigned to this position by USAID. Teaching the staff was indeed part of the expectation, however, and this appears to have remained unclear throughout his tenure. USAID wanted TRIPS to be managed and SPP was expected to play a critical part in that effort.

Project Objectives versus Component Objectives

Although TRIPS was initiated on the basis of fairly clear goals and objectives, it is not clear that a systematic attempt was made to harmonize these with the goals of CARE and FUCEC. In the absence of consistent project direction, these organizations continued to do, in the main, what they had done prior to the creation of the project. This dual focus gave rise to problems in creating a means for the collection of baseline data, in the case of CARE, and problems in responding to OAR's demands for information on the making of productive credit loans, in the case of FUCEC. From the available evidence, these problems did not result from ill will or bad faith. Rather, failures in communication and understanding, as well as problems of a technical nature regarding baseline data collection and costs were involved.

Specifically, OAR/Lomé might have given more time to consulting with the operational components on these issues and explaining what was required and for what purposes. Conceivably, the Project Management Team could have been a forum for these discussions, but it functioned poorly and this reduced its ability to help the project achieve its purposes. Nevertheless, in view of the limited technical competence of SPP in survey design and administration, it is difficult to see how it might have contributed to resolving the problems associated with the baseline data questions of CARE. In particular, it seemed that the project's purposes failed to become the principals guiding the evolution of TRIPS.

This failure to share and internalize goals now seems to have been an inevitable result of ignoring the reasons underlying the creation of TRIPS. Because responsibility and accountability for achieving distinctly identifiable project objectives were not clearly assigned, the objectives of the individual components came to be regarded as the functional equivalent of project objectives. Moreover, despite the changes specified in its responsibilities under TRIPS, the CARE component continued its preproject activities in the Zio Region for a full seven months after the initiation of TRIPS. Thus, for the staff involved and the beneficiaries of those activities, TRIPS did not represent anything new and different in functions or expectations.

CHAPTER TWO

THE CARE COMPONENT OF TRIPS

In some respects, the CARE component of TRIPS resembles two different projects. The first project could almost be characterized as a continuation of CARE's Zio River Economic Development Project, because much of what CARE did under TRIPS (until the midterm evaluation in 1991) bore a striking similarity to what it had previously done in this region. The second project, which lasted barely two years after the midterm evaluation, more closely conformed to the intentions of OAR/Lomé. In large part, the changes can be attributed to reorientation of the component's activities that was called for in a 1992 Project Supplement. Although the organizational and programmatic changes put in place by CARE following the midterm evaluation produced measurable progress toward project objectives, USAID support for this component was terminated in March 1993 pursuant to a decision by the U. S. government to suspend nonhumanitarian assistance to Togo.

COMPONENT REORIENTATION

A principal consequence of the Project Supplement was that CARE phased out its OAR-supported actions in the Zio River Valley. The Project Supplement retained the general objectives as originally conceived. These general objectives, more clearly reflecting a strong OAR interest in private enterprise development in the rural areas, were to:

- Strengthen the training methods and increase the effectiveness of public and private sector extension organizations that work with rural producer groups and small entrepreneurs;

- Promote and strengthen rural producer groups to give their members increased access to inputs and productive credit; and

- Assist private entrepreneurs to establish and expand businesses that support agricultural production.

These objectives were used to identify new activities outside the Zio River Valley; that is, in the rest of the country. However, less attention was given to the kinds of activities that would be needed to meet the new objectives. CARE and the OAR also appear to have underestimated the resource requirements of the shift to a **national** dimension from what had been originally a regional orientation.

Although CARE was able to devise new activities that promoted private sector initiatives, these did not derive from an overall private sector development strategy. Indeed, a concept paper describing CARE's private sector promotion strategy was not available until January 1993, by which time OAR had already decided to terminate its financial support for the CARE component of TRIPS. Nonetheless, CARE did recast its activities to focus its resources on the substantive areas required by the Project Supplement. This reorientation meant that additional emphasis was to be given to small enterprise development and training services in an effort to meet the post midterm project objectives.

CARE undertook substantial organizational changes by replacing several key personnel, especially among those who had previously worked in the Zio Region, and by making effective use of a technical

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adviser on small economic activities. These organizational changes led directly to changes in CARE's approach to its Small Economic Activities Development (SEAD) responsibilities under TRIPS. The activities of the Training Unit are discussed at the end of this chapter.

SMALL ENTERPRISE DEVELOPMENT

The end of project interventions in the Zio River valley led to the formulation of a new approach. It was decided to concentrate assistance to entrepreneurs engaged in agriculturally related activities that had a sufficient likelihood of profitability. These activities were identified through analyses of subsectors with a strong potential for growth. CARE's interventions deemphasized geographical and needs-based criteria and gave priority to perceived economic opportunities as called for in the Project Supplement:

> CARE will continue to assist private entrepreneurs but only in specific agriculturally related subsectors where analyses have determined the potential for growth and have identified critical interventions that can overcome key areas of economic constraints. The selected subsectors are: irrigated vegetable production, poultry farming and energy (stove manufacture). This subsector approach will provide the rationale for CARE's specific activities in each of the subsectors.

The CARE SEAD adviser devised a series of subsector analyses that would help the component to more clearly identify areas of significant economic growth potential.

Between August 1991 and April 1992, four subsector analyses were conducted:

- Irrigated vegetable production in the Maritime and Plateau Regions, which resulted in the identification of three ways to improve this subsector:
  - The promotion of a high performance, but inexpensive, pump technology;
  - The search for an export market for vegetables; and
  - Technical training for producers.
- The production and sale of potatoes on a national scale, which highlighted the need for potato seed;
- The making of weaning flour, which in the end was not considered to be a viable opportunity because of the risk of fraudulent imitations; and
- The profitability of the rototillers used on the Zio irrigated perimeter, which identified the need for better tillage technology from both a technical and economic standpoint.

On the basis of these results, the SEAD unit was to carry out the following interventions through the end of the project:

- Assist a private company exporting green beans to Europe by providing technical training to producers and by introducing an appropriate and affordable treadle pump. The output indicators were as follows: 320 producers apply improved agricultural techniques, an average yield of two tons of green beans per hectare, and 200 tons of green beans sold to PROMAD;

- Promote the manufacture of hydraulic treadle pumps by two small enterprises with the objective of selling 100 units by the end of the project (PACD);

- Test a new mechanized tiller for rice production, the hydrotiller, and after a modest promotion program, sell at cost 10 machines that will provide their owners with the capacity to cultivate together approximately 200 hectares per year; and

- Continue to provide technical assistance to two local manufacturers of the ASUTO stove by preparing a credit application for the expansion of the production capacity and by advising the two firms on market strategies. It was expected that with CARE's assistance ASUTO stove sales would reach a level of 300 stoves per month by PACD.

The Caisse Française de Développement (CFD) highlighted the need to assist small entrepreneurs in the preparation and evaluation of loan applications. Thus, CARE was to play a broker role in which it was expected to analyze at least 25 loan applications submitted to financial institutions and to obtain the approval of loans to 10 small enterprises.

Green Bean Production for the Export Market

Overview of the Operation

The subsector analysis on irrigated vegetable production led to the initial contact between CARE and PROMAD, a newly created firm for the marketing of green beans in France. CARE intervened to assist PROMAD in agricultural extension, beginning in December 1991, despite the fact that the growing season had already begun.

The results of the first season were disappointing. Only 24 hectares were planted and only 45 tons of green beans were produced. Of that, 20 tons were sold for export instead of the anticipated 200 tons. The system of purchase (a single price for both "extra-thin" and "thin" beans of 150 CFA francs per kilo), the loss of produce rejected by PROMAD, the widely scattered fields, and widely varying bean dimensions caused numerous practical problems. A large amount of the fertilizer distributed by PROMAD, in accordance with its contractual obligations, was used by the producers on other crops, while beans were sold at a higher price on the Lomé market for a brief period. Repayment of PROMAD's loan has been deferred by CFD.

Nonetheless, the quality of the beans exported enabled PROMAD to keep its clients. In addition, a field trip to Burkina Faso enabled CARE's technical support team to come up with a solid program of technical training and to bring back suggestions concerning marketing improvements.

Achievements

Planting for the 1992-93 growing season began in October 1992. At present, 35 hectares, spread over three planting periods, are under cultivation. Participants are 441 producers (a third of whom are women) from 15 villages. About 65 tons have already been harvested from 14 hectares, which gives a yield of approximately 4 tons per hectare. Of this production, almost 30 tons have been sold for export for a price of 180 CFA francs per kilo for the "thin" beans and 200 FCFA for the "extra-thin" variety.

Since April 1992, CARE's technical support team, composed of four agents (one of whom works half-time on the PEDALO pump dissemination program), has carried out a program of technical training that involves demonstrations for the producers.

Another objective was the production of green bean seeds so that for the next growing season this need could be met locally, thereby reducing production costs. This program will exceed expectations but, unfortunately, because of political realities rather than productive gains: the political situation does not allow the export of the produce currently in the fields, so current production can be used for seeds.

CARE tried to assure the sustainability of the operation. UNIGAD (Union des Groupements d'Agriculteurs de Danyi) was formed in September 1992 so that it could organize for its own members the supply of agricultural inputs (pesticides, fertilizer) which PROMAD is no longer able to provide. The request for GOT recognition was submitted last October. A simple management system was provided by the Training Unit (bookkeeping and inventory forms, for example) and farmer leaders have received on-the-job training from the agents.

Although the political situation poses new risks, such as reduction of air service and payment problems, the operation has an excellent chance of continuing and of obtaining improved results next year, which will enable it to make a net profit. The marketing procedures are well established, the technical training of the farmers is sufficient, and, if credit is available and if the entrepreneur provides a bit of support for the union of producers, the supply of agricultural inputs should be adequate.

Lessons Learned

The PROMAD experience is indicative of the types of problems and of successes for individuals wishing to develop small enterprises, to wit:

A Risky Business. The green bean production operation was risky for many reasons: the entrepreneur had no experience in this field, the production sites were not close to the airport, the farmers had not received adequate technical training for the production of a specialized vegetable, and the production sites were widely scattered. The exceptional tenacity of the entrepreneurs; the flexibility of the funding institution, which deferred loan repayments; and the intervention of CARE (at no additional expense) for technical and practical assistance in the field were the deciding factors in the mixed to positive results achieved and in the survival of the operation.

Support for Entrepreneurs for New Productive Activity. The private commercial banks and, to a lesser extent, the COOPECs (Coopératives d'Epargne et du Crédit) are not ready and not appropriate to finance this type of initiative. Why?

- The risk is high;
- An extra investment is needed in the acquisition of the necessary basic know-how and marketing network (travel costs for visits of similar operations, for meetings with clients, technical training, and so forth); and

- Due to these extra start-up costs and to the lack of entrepreneurial skill, a profit may not be expected for the first years, consequently debt amortization must be delayed.

To mitigate these risks, local banks seek very strong financial guarantees which are often beyond the capacity of the small entrepreneur to provide. Even with these guarantees, it is probable that the first-year financial difficulties of PROMAD would have induced any bank to withdraw its financial support.

Appropriate technical and financial tools should be designed to support new entrepreneurs or new businesses, including:

- A credit fund, or a guarantee fund for facilitating access to private bank loans;

- Flexible loan repayment schedules to compensate for any delays encountered in a slow start-up period; and

- A supporting structure which can help the enterprise to identify any needed skills or services. With a little more assistance, training, and experience, CARE's SEAD unit could have played this role.

Prospects for the Export of Green Beans. The commercial niche for the exportation of winter green beans is narrow and competitive. Recently, several African countries have lost a significant part of their export market. The main determinant for keeping or losing the export market appears to be meeting European quality standards. The PROMAD client was looking for a new supplier because of a decline in the quality of the green beans from Kenya. However, the search for lower prices could drive European importers from one supplier to another.

Economic Impact. On the plus side, the potential economic effects of this operation are considerable. In times of normal activity, PROMAD should achieve a turnover of about 200,000,000 FCFA per year even without the development of new commercial relationships. (By contrast, the ASUTO stove, on which considerable amounts of project funds have been spent, will under the best of circumstances manage a turnover of only 6,000,000 FCFA per year.)

In addition, this operation seems to have opened new markets for the entrepreneur. PROMAD's main client is proposing to buy other produce (especially avocados) and new clients have heard about PROMAD through the airlines (a new market for beans in Holland has started to be exploited).

A document summarizing all of the investments (loan, entrepreneur's assets, clients' contributions) and the costs of this operation, including the cost of CARE's intervention, should be prepared so that it could serve as a reference for other undertakings.

The Treadle Pump (PEDALO)

Results of CARE's Intervention

The improvement of water supply techniques was one of the recommendations in the vegetable production subsector analysis. The reasons for introducing improved technology are twofold:

- In the coastal Maritime Region, which orients much of its production for the Lomé market, irrigation by means of motorized pumps is little used because of the cost of the equipment and the small size of the areas under individual cultivation. Moreover, high maintenance and operating costs associated with these pumps have led to the conclusion that a less costly technology might increase productivity and farmers' incomes; and

- In the Plateaux Region, water is drawn manually from streams located below the level of the plots, which causes loss of time and, in turn, limits the area cultivated. The introduction of an efficient and reasonably priced pumping system was expected to increase the area available for the production of green beans for export.

A treadle pump model in widespread use in Bangladesh was chosen by CARE's Regional Technical Adviser on the basis of the proven positive relationship between technical performance and its price. A prototype was imported at the beginning of 1992 for a technical study of the product. This study enabled CARE to make several technical improvements on the original model based on the specific conditions in the areas of use, to calculate the costs of manufacturing the pump, and to establish a purchase price (40,000 FCFA). Two small enterprises with the technical capabilities needed to manufacture the pump were identified in Tsévié and in Kpalimé. The production material, valued at 275,000 FCFA, was supplied by CARE in exchange for a promise of full repayment by the enterprise at the rate of 5,000 FCFA per pump sold.

The personnel of each enterprise received practical training in the manufacturing process for 10 units. The members of CARE's SEAD unit handled the product promotion: between July and November two demonstrations a week were given in the Plateaux Region and in the Maritime Region. More than 1,000 people attended these demonstrations. A target of 100 units sold had originally been set during the marketing campaign that was launched in mid- July 1992. By November, when the general strike began, 67 pumps had been sold. At the time of the termination of the CARE component, 76 pumps had been sold, including at least 7 to NGOs or to development projects.

These modest results can be explained by the fact that the pump was put on the market at a time when the revenues from vegetable production were low and financial institutions to provide loans for the purchase of the pump were absent. In addition, the political situation greatly disrupted vegetable production. FAMEZIO, the manufacturer, was sufficiently optimistic about the prospects for this technology to request a loan for plant improvements, obtaining a loan from CFD under its AIPB (Aide aux Initiatives Productrices de Base) program.

Conclusions and Lessons Learned

The objective of selling 100 pumps by the PACD will not be reached, primarily because of the political situation, which limits commercial activities and has caused a major reduction in the income of potential buyers.

The technology transfer to the local manufacturer was well conducted, as was the establishment of production costs. These achievements attest to the skills of CARE's SEAD unit in these areas. The promotion, transport, and direct sale of the pump to the buyer were handled by CARE. The assistance provided by CARE appears to have been a response to the distance of the manufacturer from the areas of purchase (Danyi Plateau and the surroundings of Lomé). Finding a commercial partner at this stage of the promotion of the product was unlikely, but should have been envisioned earlier. Perhaps it would have been preferable to have more modest production and sales objectives and to seek a manufacturer capable of building the pump in the heart of the main purchase areas to ensure a slow, steady promotion, but at a reduced cost. In any event, this experience highlights the importance of well-designed private sector feasibility analyses.

These observations should be applied to the promotion of any kind of small artisanal business, because they go to the heart of questions about the sustainability of such operations. It is unfortunate, for example, that the calculation of the profit margin or of the sales price does not include the costs of the transport and distribution of the pump, which eventually must be factored in. Even if the theoretical profitability is not in doubt, it was nonetheless indispensable to measure the increase in cultivated area obtained through the use of the treadle pump, in comparison with the earlier method, especially in the Plateaux Region. In this way, the increase in revenues could have been calculated on the basis of yields and price of green beans to verify that the cost-benefit ratio is favorable.

Clear statements of the amounts spent on the promotion activities were lacking. The manufacturing process was begun despite the fact that there was insufficient information about the potential demand and the constraints to the adoption of this technology.

The Hydrotiller

Background of the Operation

The midterm evaluation wondered about the profitability of rice tillage on the Zio perimeter. The evaluation suggested that other alternatives to the existing technology, more profitable for both the owner of the equipment and the farmer, be explored.

Shortly thereafter, a study on this subject was conducted by CARE's Regional Technical Adviser.[1] It showed clearly that the equipment in use, the Japanese-made Yanmar, could not be profitable at the price of 38,000 FCFA per hectare. In addition, it emphasized that an increase in the price of tillage threatened rice farming since the profit margins would be greatly reduced.

The study recommended that the hydrotiller, developed in the Philippines by the International Rice Research Institute, be imported as a replacement for the Yanmar because of its low cost and its capacity to work in submerged fields. The introduction of the hydrotiller became one of the new objectives assigned to CARE for the remainder of the TRIPS project.

[1] Hugh Allen, August 1991; "Analysis of TRIPS-Supported Rototiller Operations on the Irrigated Perimeter at Mission Tové.

Objectives

The hydrotiller was perceived as a means of assisting private entrepreneurs.

CARE established the following interventions through the PACD:

- To test the hydrotiller to determine its technical and economic suitability for local conditions; and

- To make available, at cost, 10 hydrotillers that would provide their owners with the combined capacity to cultivate approximately 200 hectares.

The objective beyond the completion of TRIPS was to have the equipment manufactured by small local enterprises.

Accomplishments

A prototype hydrotiller was imported from the Philippines by CARE in early 1992 and the tests on its technical and economic performance were carried out in March and April 1992 by a CARE consultant.

The technical and economic superiority of the hydrotiller, vis-à-vis the Yanmar, were proved. The time needed to till a hectare was on average 6 hours and 30 minutes for the hydrotiller, as opposed to 18 hours and 15 minutes for the Yanmar. The pontoons of the hydrotiller enabled it to get through in places where the Yanmar got stuck in the mud. This greater rapidity was also reflected in the consumption of fuel per hectare: 6 liters for the hydrotiller and 15.5 liters for the Yanmar.

With these positive results, the 10 hydrotillers foreseen in the work plan were ordered from the Philippines. They are currently at the port in Abidjan where they have been since December 1992 because of the ongoing political disorders in Togo.

After the tests, hydrotiller demonstrations were held in five other irrigated perimeters in Togo to identify potential buyers. The vast majority of these buyers, if not all of them, conditioned their purchase on the terms of payment. These requests were not acted upon.

Lessons Learned

- The utility of such an operation, to improve on a one-time and artificial basis the lot of the rice producers on the Zio perimeter, is questionable.

- There is no importer for this equipment and as soon as the spare parts no longer meet the repair needs it risks becoming unusable.

- Togo has approximately 1,500 hectares of irrigated areas, so the potential market is limited, especially since the hydrotiller is specifically adapted to permanently inundated land, atypical for Togo. The demand will never be an incentive for an importer, especially if the importer must finance and manage a stock of spare parts.

- The local manufacture of the equipment faces the same constraint. The manufacture of the equipment should only be envisioned in countries where the demand is sufficient.

- A summary performance test has been carried out with a Chinese rototiller, the only machine more or less regularly imported machine by a local enterprise. This test also proved that the best technical performance was by the hydrotiller, but no comparative study from an economic standpoint was conducted.

ASUTO Charcoal Stove

Development of the Activity

This operation was supported by CARE from the inception of TRIPS. This improved charcoal stove with a ceramic liner had been promoted by CARE in other countries where it was active. The stove was marketed in Togo by METALLO, a local metalworking firm. The firm had a monopoly for the stove's production.

This technology had been identified as attractive for consumers because of its ability to reduce charcoal consumption significantly and, hence, ongoing expenses for urban families. Technical and economic tests were conducted and a rapid survey on charcoal consumption confirmed the economic interest for families to buy the stove. Technical training and equipment were provided to manufacturers in 1990, and a network of small retailers was developed (based mainly on small general store retailers). However, after more than a year of activity, monthly sales did not reach the 300-stoves-per-month budgeted target. CARE assisted METALLO in devising a new marketing strategy and providing funds for an advertising campaign. Sales increased from 150 to 320 during the campaign in June 1992, but quickly declined after the advertising campaign ended.

At the same time, a CARE technical consultant for the stove discovered poor quality control by the subcontractor for the ceramic liners. Another supplier, NOCAT, specializing in pottery, was selected by CARE. Subsequently, CARE withdrew its support for the stove's production from METALLO because of the latter's apparent declining interest in the product and problems with the firm's management. Active assistance was then transferred to NOCAT, which was better managed and genuinely interested in the ASUTO. In the process, CARE assisted another firm in becoming the subcontractor (FAMEZIO) for the metal work involved in the stove's construction. Following the purchase of a transport vehicle and the construction of a new kiln with the assistance of a loan from the Caisse Française de Développement, NOCAT and CARE began an exploration of the potential market for the product in Bénin. Interestingly, despite the withdrawal of CARE support, METALLO is also looking at this same market. These developments indicate that the ASUTO appears to have found a promising market.

Achievements

The political situation has stopped production and sales and the METALLO entrepreneur has left Lomé for Cotonou in Bénin. However, the data suggest that the objective of selling 300 stoves per month was not fully reached. From April 1992 to September 1992 an average of 149 stoves were sold per month. In fact, the minimum monthly production of stoves to ensure profit (on which the objective has been defined) was found smaller than previously estimated: between 100 and 125 stoves per month instead of the 300 as originally determined.

Lessons Learned

- The human and financial investment in promoting stove manufacture and sales is not precisely known but the efforts of CARE seem out of proportion for an activity of 10 million FCFA turnover per year. If the objective is to strengthen the economy and the private sector, the financial and human resources must be carefully managed and focused on the profitable activities with the greatest economic impact. This strategy and the related indicators would have had to have be defined after the midterm evaluation, with the assistance of a specialist in business development.

- CARE objectives were affected not only by economics but also by social and environmental concerns. This stove is viewed as a means to slow deforestation and to help urban families reduce their expenses. This explains, in part, why CARE had little concern about the cost of its intervention. Although the social and environmental objectives were significant, they were not project priorities.

- Market analyses have tended to be technically weak and handicapped by the absence of reliable demographic information.

- Two mistakes have been made in building partnerships with entrepreneurs:

  - Creation of a monopolistic situation in proposing collaboration to only one manufacturer at the beginning. This mistake was noted by CARE and a new entrepreneur became involved in 1992; and

  - Failure to encourage leadership of the operation by the entrepreneur himself instead of the current arrangement, in which the entrepreneur exhibits a passive attitude and CARE maintains an inappropriate level of involvement.

Financial Intermediation (Collaboration with CFD in Feasibility Studies of Small Business Loans)

A total of 12 projects have been evaluated, mainly in the agricultural sector. A complete financial analysis was completed for 4 of them. Two are already on the way to being financed by the AIPB fund of CFD for 7.5 million CFA francs.

For these activities, SEAD developed a sound financial analysis framework. Unfortunately, the political situation reduced the demand for loans and helps to explain why the component was unable to meet the CFD target of 25 acceptable applications which would result in approvals for 10 loans. However, this collaboration between CARE and CFD demonstrates the need for this type of service and the capacity of the people from the SEAD unit.

nclusions and Lessons Learned

- The Small Economic Activities Development Unit met its objectives relatively well (see Table 1).

- The unit was able to develop solid skills in financial analysis of small artisanal, agricultural, industrial, and commercial projects, but major gaps remain in the fields of marketing and commercial partnership.

- The main problem of this component remains CARE's tendency to be the leader of projects or opportunities that it has identified. This attitude has the effect of creating artificial and unsustainable conditions in the management of these projects:

  - The private partner is identified by CARE and is not usually the initiator of the project; he tends to follow CARE's lead;

  - The marketing problems are systematically neglected. The manufacturer of a product that CARE has deemed worthy for promotion should also carry out the distribution, which is not necessarily within his or her competence or intentions. Thus, CARE takes on most of the promotion and marketing activities; and

  - CARE was not the right organization to promote the development of the private sector. CARE's priorities are socially related or related to technical support for agricultural and to artisanal production. This legacy can be seen in the project's technically driven approach, as opposed to a market-driven approach.

- CARE was thus handicapped by the lack of a well-articulated and defined private sector development strategy, particularly in rural areas, which would have mapped out a specific framework and the conditions for intervention, such as appropriate promotional activities. Because of the absence of such a well-defined strategy and framework for intervention, CARE identified economic opportunities too hastily and without sufficient precautions to achieve project objectives by the PACD. The wish to attain these objectives within the desired period induced CARE to become overextended.

- It would have been useful to maintain systematic records of the exact amounts spent on promotional activities, as well as on the other aspects of assistance to enterprises so that this data could serve as a reference for similar operations.

- Design of a private sector assistance project must define economic and macroeconomic indicators to assess the impact of the project on the economy and to analyze the cost-benefit ratio.

- The integration of the personnel in CARE's SEAD unit into the Chamber of Commerce's Small Enterprise Support Project should be examined further.

TABLE 1

OBJECTIVES AND ACHIEVEMENTS OF THE SMALL ECONOMIC ACTIVITY DEVELOPMENT UNIT

Activities	Indicators	Achievements
Green Bean Exportation	320 farmers apply improved cultural techniques for green beans production	For the growing season 1992-19[illegible], 441 farmers have used improved cultural techniques
	The green bean yield average is 2 tons per hectares	For this season, the average yield is 4 tons per hectare
	200 tons of green beans sold for the export market	In March 1993, 30 tons of green beans have been exported to Europe. Twenty-one hectares have still to be harvested which represent about 60 tons
Treadle Pump	100 pumps sold by PACD	Only 76 pumps have been sold because of the political situation which has limited marketing activities and reduced the incomes of potential buyers
	One or more manufacturers able to handle the costs of producing the pump	A manufacturer is able to produce without any assistance more than 10 pumps per month
	Technical and economic tests are available	Technical and economic tests have proved the suitability and the profitability of this equipment
Hydrotiller	10 hydrotillers sold at cost by PACD	The 10 hydrotillers ordered to be sold, have been blocked outside Togo by the strike
Charcoal Stove	300 units sold monthly	Only 150 stoves have been sold monthly between April 1992 and September 1992. However, the sales exceed the break-even point of 100 stoves per month and the economical sustainability of the operation can be considered as achieved
Financial Intermediation	25 credit applications analyzed and 10 loans approved	12 projects have been evaluated and 2 have already been approved for a loan. The political situation has almost stopped the applications for five months

TRAINING UNIT

Objectives and Reorientation

The overall objective for training remained the same after the midterm evaluation: to strengthen training methods and increase the effectiveness of public and private sector extension organizations that work with rural producer groups and small entrepreneurs.

However, some clarifications of the Training Unit's (TU) activities were added. The CARE Training Unit was expected to concentrate its activities on a limited number of client organizations: 5 intermediate organizations and 6 associations of producer groups. The objective was, more than before, for the beneficiaries to use the training effectively. Selection criteria had to be defined to help determine organizations that would benefit from the curricula proposed by CARE. A fee structure was to be established to help ensure client organizations' motivation and commitment.

The TU was supposed to offer modules in the following areas:

- Situational analysis and feasibility studies. The module would enable field agents to better identify economic opportunities in their environment, understand the context of a project, and determine its marketing and technical feasibility as well as its financial profitability;

- Specific management techniques and monitoring of microenterprise activities. The module would enable field agents to pass the knowledge they gain from this training on to the micro-entrepreneurs being assisted by their institution;

- Organizational development. CARE was supposed to continue to strengthen the internal management systems and procedures of many PVOs/NGOs;

- Training of trainers. This module had already been developed before the midterm evaluation. It responds to a strongly felt need and was to continue; and

- Management and technical training. This module was designed to help the representatives of producer groups gain a better understanding of the use of management tools adapted to their businesses (simple accounting and bookkeeping systems, determining selling prices to ensure profitability, and so on).

Activities Accomplished by the Training Unit

To respond to the requirements of the TRIPS' reorientation, 6 additional modules were developed by the TU team:

- Identification and feasibility studies for microprojects;

- Financial management for vegetable producers (microenterprise management);

- Financial management of a small carpentry enterprise;

- Financial and technical management for small ruminant breeders;

- Financial and technical management of a storage warehouse; and

- Gardening and agriculture training.

Five local NGOs and 4 public institutions benefitted from the training given by the TU, whereas only 5 of this type of organization had been targeted. However, only 2 of 7 associations of producer groups were assisted by the TU:

- UGAZA (Union des Groupements Agricoles de Zio et de l'Avé), created by CARE before its withdrawal from the Zio river valley area; and

- UNIGAD (Union des Groupements Agricoles de Danyi), assisted by CARE in the context of the green beans operation.

Given the high demand from local NGOs and low demand from associations of producer groups, the Training Unit chose to work with organizations that expressed the need for training rather than trying to look for additional associations.

From November 1991 to March 1993, 372 agents and representatives of producer groups were trained by the TU. The module on "situational analysis and feasibility studies" was taught to 60 agents from 3 public and 2 private organizations (FED/Bassar, DRDR Centrale, IRCOD/Social Affairs, FONGTO, UCJG). Basic management systems taught by CARE are effectively used presently by 16 producer groups in the Kpalimé region and by the Don Bosco Center and its apprentices in the Kara region.

The TU has adopted the fee structure used by INADES amounting to 25,000 FCFA per day for its training sessions. Many organizations have paid the fees; however, the rate was not used uniformly for all clients. The fee structure was established on an ability-to-pay basis to avoid excluding any promising organization from receiving CARE assistance. Every client organization is responsible at least for transportation, lodging, and food for its participants as well as training room rental. This fee structure is a major shift from previous practice where CARE paid everything including per diem for the participants. So far, CARE has been paid 475,000 FCFA for its training activities; an additional 800,000 FCFA is due from FED/BASSAR.

It appears that CARE has correctly reoriented the training program according to the recommendations made in the midterm evaluation.

Assessment of the Training Modules

The quality of the training modules is unquestioned, with probably one exception — the module on gardening and agriculture training. Teaching methods include role playing, case studies, and small group techniques. Participants are actively involved in acquiring knowledge. Final and behavioral objectives are clearly defined, as are accompanying activities and learning steps. Each module is in a self-contained format easy to use for the trainer.

These modules constitute a success for CARE and are comparable to the best among those existing in this field in West Africa (INADES and CESAG, for example). However, more attention could be given to participants' experiences by simulating certain activities among the participants, such as preparing accounting documents.

The evaluation team was able to rapidly observe only the training on vegetable gardening and on basic financial management during field visits to four producer groups in the Kpalimé region.

Microenterprise Management Training Programs

CARE was assisted by a consultant from ACA/Dakar (an NGO specializing in the financial management of microenterprises) in conceiving this training module. Training is scheduled in two phases:

- Learning how to use accounting documents for each type of income-generating activity, and
- Learning how to determine production costs and to establish and read a balance sheet.

Only the first phase was taught to participants for two training programs: financial management for vegetable producers and financial management of a small carpentry enterprise.

Some of the training documents are printed and available at CARE and can be purchased by producer groups. Others are produced by the users themselves in ordinary pupils' exercise books.

With some variations according to the type of activity, existing documents include:

- A cash account book (and a bank account book) that allows classification of receipts and expenses in various categories;
- Several other books in which receipts and expenses by product (onions, mangoes, and so on) are recorded; and
- Justification documents for expenses and receipts. (Registre des Opérations sans Reçu, Registre/Brouillard)

The documents examined during field visits were well kept and used (in French) by the groups since October 1992. Though somewhat cumbersome, the documents fit the varied needs of the producer groups.

Observations and Possible Areas of Improvement

- The Training Unit team had already demonstrated its capacity to adapt accounting documents to the users' needs by modifying the original documents to the carpentry business. Such skills should be reinforced so that the team could develop a simple accounting system according to the activity of the user. Additional training for the trainers should be envisaged.
- The skills to develop simple accounting systems that fit the needs of the users will be particularly important when the training will be geared to less literate adults in local languages. It will also be necessary to use specific paraphrases to translate accounting words that have no direct equivalents.
- The function of all of the documents is not always clearly understood, especially with regard to the Registre/Brouillard. The function of each document should appear very clearly: verification documents (receipts, invoices); documents used to establish an accounting system (cash-book, *stock kardex*), or financial analysis documents (Suivi des Recettes et des Dépenses, *compte d'exploitation*).
- It would have been preferable to design the two phases of this training (bookkeeping and analytical accounting) simultaneously. In so doing it would have been possible to identify problems in the bookkeeping system.

Identification and Feasibility Studies for Microprojects

This module conceived for field agents from public extension organizations and NGOs provides the general basic steps to determine the feasibility of a microproject.

- The method developed is more appropriate for identifying community projects than for small private entrepreneurs.

- To achieve full benefits, it would be necessary to identify more precise indicators for each microproject. For example, concerning a sorghum mill, the estimation of the potential number of users and the availability of spare parts are critical factors for the success of the business. Basic ratio and key questions for different types of microprojects could be included in small guides.

- Except for the section on needs identification, the main beneficiaries intervene little in the process of determining the feasibility of a microproject. (The extension agent is the main actor in conducting the microproject.) To a certain extent, the extension agent is in the same position as CARE when the latter attempted to promote small enterprises. The beneficiaries must be the main actors of the microproject. Rather than doing the feasibility study themselves, the field agents must be trained to assist villagers in assessing the feasibility of a project.

Market Gardening and Agriculture Training Program

This program is a complete, practical course on vegetable gardening: gardening tools, organic and chemical fertilizers, pest control, and crop rotation, for example. The content is good.

Rather than proposing a preconceived technical package that may not necessarily correspond to local conditions (fewer than half of the vegetable gardening tools presented are accessible to the farmers; moreover, no traditional tool is presented), it would have been better to begin by analyzing existing materials and then conceive a technical program focused on local conditions. The objective should be to improve whatever exists through the introduction of new techniques appropriate to the needs and constraints of the farming system at hand.

The identification of local needs for technical advice could have been done by:

- Observing and analyzing current practices: What appears to be acceptable, or could be improved in the existing system? Why is it or is not used? What are the key components to ensure the improvement of the system?

- Working with the farmers to help them classify the perceived constraints, encouraging them to state their needs on the required technical improvement.

Lessons Learned

- The training programs have had a positive impact on beneficiaries. Field agents trained from public organizations and NGOs have become knowledgeable in identifying microprojects and have acquired the ability to collect data to assess their feasibility. This observation can also be made for the other training programs: organization development, microenterprise management, training of trainers.

- There is increasing demand for assistance from NGOs, most of which have been created recently and need to acquire better skills to assist local communities in their development efforts. The Training Unit was an essential tool for improving the practices of these organizations.

- However, the impact of the activities of the local NGOs at the community level is weak, because of the lack of a national policy seeking to integrate the NGOs as partners in development. The NGOs also suffer from a lack of financial support. Until the establishment of a fund by the European Economic Community, it was impossible for an NGO to secure funds of more than 3 million FCFA, except for loans. Most of the NGOs registered with FONGTO (Fédération des ONG du Togo) have a budget of less than 10 million FCFA.

Without a clear policy from the government and the donors that would give greater support to local NGOs in promoting development efforts, the objective of strengthening NGOs falters and the efforts of the Training Unit do not have the anticipated impact. The objective of NGO strengthening should have been examined during the TRIPS reorientation process by the USAID Mission in Togo, so that a study of the NGO sector could have been undertaken, a strategy defined, and appropriate responses determined.

An evaluation system of the cost of the Training Unit and a system to follow up the activities of the trainers (number of trainees/days devoted to conceiving training programs, implementation, follow-up visits, and so forth) should have been instituted. Likewise, revenue gained from training should have been better accounted for to assess the level of financial sustainability of the Training Unit and the real cost of a day of training.

Though this evaluation did not address the competence of the Training Unit, it should be noted that the team, especially the head of the unit, possesses remarkable pedagogical skills. It would be particularly useful to take advantage of this competence to satisfy the needs of FUCEC's training division in terms of personnel.

CHAPTER THREE

FUCEC — SAVINGS TO STRENGTHEN RURAL COMMUNITIES

FUCEC in Togo is first and foremost a community-based financial institution. And like the majority of its counterpart credit unions worldwide, its principal interest is mobilizing savings. Although, as a result of the efforts it expends in organizing potential savers, FUCEC also builds rather strong social groupings, the organizations does not see itself as a rural development entity. Nonetheless, at least in the case of Togo, FUCEC's strength in rural areas has made it attractive as a potential partner for donor groups whose interests are motivated by more traditional concerns for rural development.

Similarly, the credit union movement in Togo embodies some of the principals that are important to democratization. Local control though the election of credit union officers is a requisite and this is buttressed by a strong commitment to active community (saver) participation in the affairs of the individual credit union as well as in the affairs of the federation.

Part of what one sees when looking at FUCEC is an evolving social movement with an ideology that has attracted a significant number of adherents. It has also managed to meet individual and community financial needs through the recycling of member savings in the form of loans to members. In this manner FUCEC, whether it specifically set out to do so or not, is engaged in strengthening Togo's rural communities.

THE ORGANIZATION OF THE FUCEC SYSTEM

The credit union structure in Togo consists of two principal components, consistent with such organizations worldwide. First the umbrella organization, which is the headquarters operation known as FUCEC. The second organizational component is made up of the several individual COOPECs, the free-standing local credit unions that make loans and receive funds from the membership. The system is managed on a routine basis by a full-time Director, who is responsible to an elected Board of Directors. From all indications this arrangement is working effectively. The current incumbents of the Board and the Director appear to have a genuine respect for and confidence in each other.

FUCEC is an organization that reflects the several functions for which FUCEC is responsible. The management responsibilities of FUCEC are numerous, as we shall see later in this chapter, and the organization is responsible for a significant body of funds. The members of FUCEC vary in size from the very small cooperatives, based upon the population of small isolated rural villages, to the large COOPECs represented, for example, by the parastatal firm responsible for the phosphate industry in Togo.

FUCEC STAFFING PATTERN

At the time of this evaluation mission, FUCEC had a professional staff of 14 persons, including two long-term technical advisors. The primary emphases of the organization are reflected in the allocation of staff. Inspection Services (4 members) and Training/Education (3 members) are the largest

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divisions. Each of the other divisions, Accounting and Computer Services, Research and Analysis, and Productive Credit is staffed by 1 full-time professional. The constraints inherent in a small staff with limited organizational resources have led FUCEC's management to encourage the acquisition of skills across functional lines, a practice which gives the organization a degree of flexibility in meeting its responsibilities.

The majority of the staff are young. FUCEC is often the first full-time professional employment for many staff members. However, the relative inexperience of the staff does not constitute a major hindrance to efficient operations. Morale and commitment seem strong. There is some discomfort with the workload, but some of that is due to the prolonged political and economic difficulties of the country and their impact upon the staff's ability to function efficiently. More generally, however, the limited size of the staff is seen as a problem that will have to be addressed soon if FUCEC is to continue providing services of sufficient quality to the individual COOPECs. It is, for example, unfortunate that routine financial inspections of the COOPECs are programmed on an 18-month schedule. Under present circumstances, the timetable is a function of limited staff resources, but FUCEC expressed the desire to make these visits annually.

THE COOPEC

A glance at the accompanying organization charts suggests that these largely rural entities that constitute the base of the system have a rather sophisticated structure. In fact, the structure is relatively simple, but it reflects a sophisticated appreciation of the credit union movement's philosophy worldwide. That is, popular participation and solidarity based upon the credit union as a social organization are of primary importance to the movement. In turn, these same elements give a decidedly democratic character to the structure of the individual COOPECs. As a result, it is not at all surprising to find that the Federation puts a priority on services to member COOPECs in an effort to assure their social and economic growth and development.

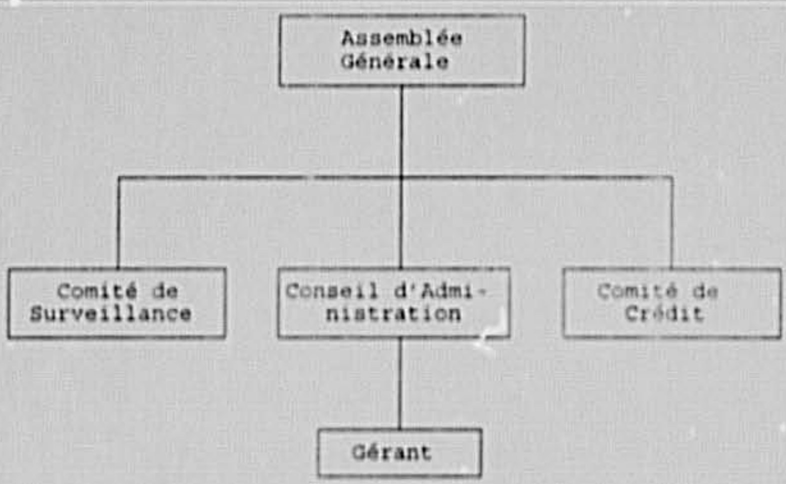
It is, however, easy to see that the responsibilities inherent in the committee structure used by the credit unions could prove to be somewhat burdensome for smaller organizations. One of the ways in which this burden becomes apparent resides in the problem of illiteracy in French. Training, for example, is an essential element of FUCEC-provided services, but literacy training is not provided. The need to address this issue is acknowledged by everyone concerned.

WOCCU TECHNICAL ASSISTANCE TO FUCEC

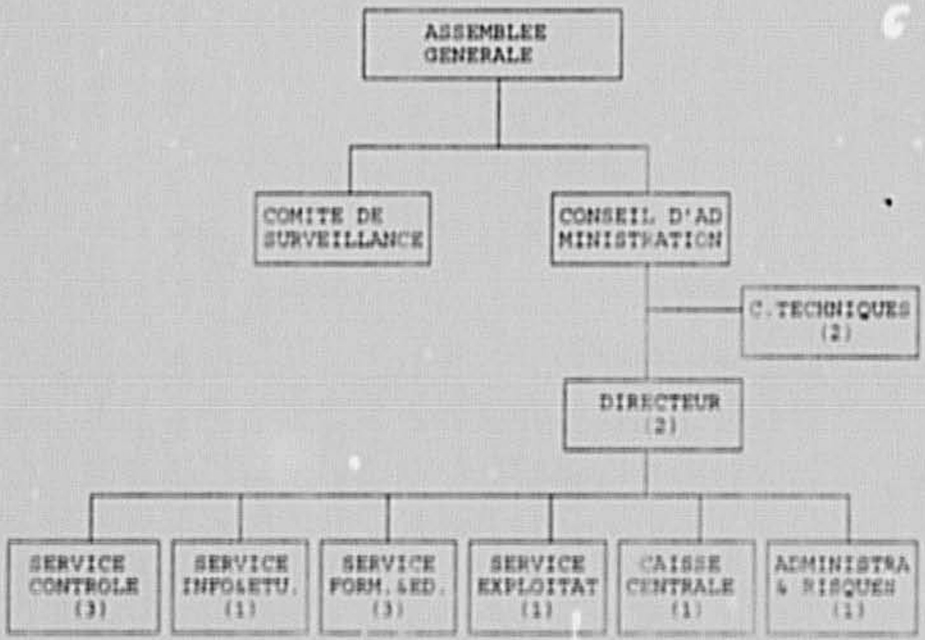
In addition to the advisors on productive credit and financial management, the World Council of Credit Unions (WOCCU) has used the Cooperative Agreement with OAR/Lomé for short-term assistance in strengthening its inspection services, and in the development and installation of a computerized accounting system. Other technical assistance services have included the preparation of training manuals for testing the skill levels of COOPEC managers. The kinds of services provided to date reflect the WOCCU orientation of strengthening field activities at the expense of assuring that central office management and service delivery capacities are commensurate with these responsibilities. It is encouraging to note that these matters are under active discussion by the parties concerned.

FIGURE 1

ORGANIGRAMME-TYPE DE LA COOPEC PRIMAIRE



ORGANIGRAMME DE LA FUCEC-TOGO



PLANNING FUNCTIONS AT FUCEC

Planning requirements at FUCEC are addressed primarily through Annual and Five-Year planning exercises. The latest Annual Plan was developed in February 1992 and sets forth organizational priorities and delegation of responsibilities through 1997. Individual departments within FUCEC then develop their own work plans in accordance with overall guidelines. Interdepartmental coordination, such as exists between the Inspection Services and the Training/Education component, seems to be pursued primarily on an unsystematic basis. The input of the Regional Delegates in this process was unclear. Ongoing, systematic planning efforts at FUCEC need considerable improvement.

FUCEC has also developed a new Five-Year Plan, resulting from meetings held in 1992. This plan sets forth a number of priority areas, including:

- Consolidating the growth of existing COOPECs with the objective of strengthening management capabilities at the local level;
- Improving inspection services;
- Promoting of the loan insurance program;
- Increased attention to training, both for FUCEC staff and at the local level;
- Clarification of legal status issues;
- Further development and implementation of the INFOCOOPEC computer system; and
- Increased financial self-sufficiency.

Further elaboration of this Five-Year Plan, including incorporation of priorities into the 1993 Annual Plan, has not been done in large part because of the current political situation.

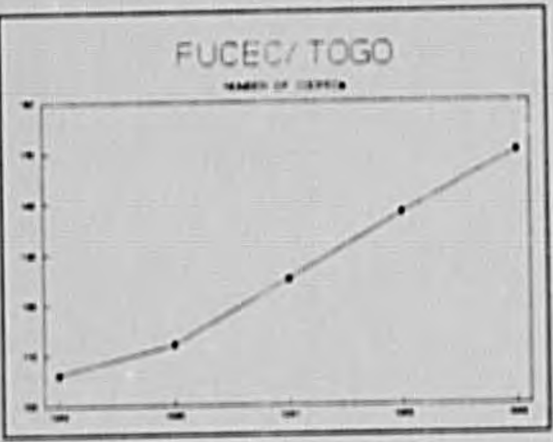
THE GROWTH OF THE CREDIT UNION MOVEMENT IN TOGO

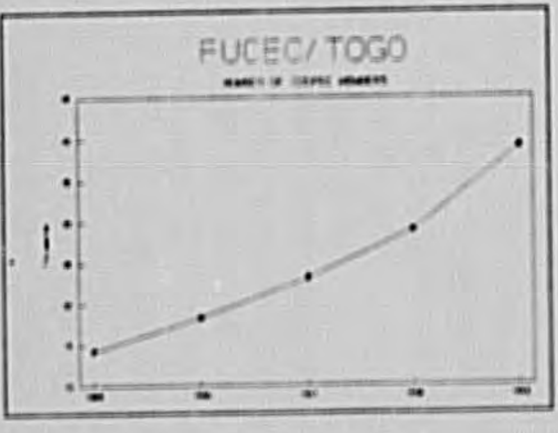
The consolidated credit union movement has experienced dramatic growth during the last several years, as shown by a variety of indicators: number of COOPECs, number of members, savings shares and deposits, and member loans outstanding. The following graphs and the accompanying summary table illustrate recent growth patterns:

TABLE 2

FUCEC GROWTH

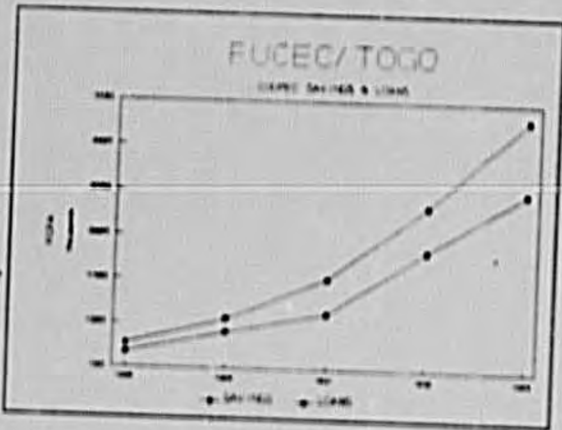
	12/88	12/92 Est
Number of COOPECs	106	150
Number of Members	14,179	39,000
Member Savings (CFA 000s)	797,232	3,395,809
Member Loans	673,370	2,506,326





As is evident in these graphs, by all measures the credit union movement has undergone a significant expansion in recent years. The reasons for this are many: the effectiveness of FUCEC promotional campaigns to establish additional COOPECs, the ability of COOPECs to mobilize additional savings, and a lack of suitable alternatives for small savers. Although the first two reasons are in part a testimony to FUCEC and technical assistance provided by WOCCU, the latter reason, a perceived lack of suitable alternatives for rural peasants and urban workers, warrants additional discussion.

In Togo, as in other developing countries, the attractiveness of the credit union movement is due in large part to the perceived safety of the savings mechanisms afforded by local COOPECs. These institutions are locally controlled with minimal government involvement or interference. In an environment where personal security is of great concern, the government is widely perceived as an adversary. Goods and other tangible forms of wealth are at risk of seizure or destruction by security forces; placing liquid assets in credit union savings is a rational and prudent choice. The experience of credit unions in Cameroon is a relevant



example. There, credit union deposits increased dramatically during the recent year-long general strike and other unrest. The population withdrew funds from banks and other formal financial sector institutions seen as controlled by a corrupt and repressive government, and placed them in credit union savings deposits instead. Available evidence suggests that these forces are at work in Togo as well during the current period of unrest and uncertainty.

END OF PROJECT OBJECTIVES

The End of Project Status (EOPS) for the FUCEC component of TRIPS have been largely met. The relevant data are presented in the following table:

TABLE 3

END OF PROJECT STATUS

	EOPS Objective	Status at 3/93	% EOPS
CU Savings (millions)	US$ 2.73	US$ 12.6	4.615 %
CU Loans (millions)	US$ 1.64	US$ 9.3	5.671 %
CU membership	38,000	39,000	103 %
Avg. Loan Delinquent	15 %	14 %	107 %
CU in Risk Mgmt Prog.	50 %	5 %	10 %
FUCEC self-sufficiency	72 %	131 %	1.819 %
Annual Dues collection	80 %	--	--

In this context, it is important to note that FUCEC has also come very close to meeting the critical objective of self-sufficiency in its activities and operations.

FINANCIAL ANALYSIS

In this financial review, the figures for the consolidated credit union movement were analyzed, including both FUCEC itself and all member credit unions. Standard measures for analysis of financial institutions were employed, including:

- Asset and capital structure;
- Liquidity;
- Profitability;
- Capital adequacy; and
- Asset quality.

Figures for year-end 1992 are estimates only; exact figures were unavailable. The figures were judged to be reasonable, due in large part to the competence of the FUCEC staff in compiling and maintaining financial information.

ASSET AND CAPITAL STRUCTURE

Examining the consolidated credit union movement's entire asset and liability structure, one is impressed with the consistency of balance sheet structure, especially in light of the significant expansion of the entire balance sheet during the project period. This is shown in the following table:

TABLE 4

ASSET AND CAPITAL STRUCTURE

	12/89	12/90	12/91	6/92	12/92 E
-- Asset Structure --					
Cash	4%	3%	3%	3%	3%
Bank Deposits	11%	10%	10%	7%	6%
Central Liquidity Fund	12%	14%	16%	17%	15%
Other ST Assets	5%	5%	4%	10%	12%
Loans	67%	67%	65%	62%	60%
Shares	0%	1%	1%	1%	1%
Fixed Assets	1%	1%	1%	1%	1%
-- Capital Structure --					
Member Savings	78%	80%	83%	81%	80%
Other ST Liabilities	12%	12%	9%	10%	11%
Long Term Liabilities	1%	1%	1%	1%	2%
Reserves	3%	2%	3%	3%	3%
Share Capital	3%	3%	2%	2%	2%

In many respects FUCEC's asset structure, funded through the liability and equity accounts, is almost a textbook example of how a credit union movement should look. On the asset side, adequate liquidity is afforded by the amount of assets in cash and bank deposits. The Central Liquidity Fund has remained constant at around 15 percent of total assets during the project period. This seems adequate because the FUCEC system as a whole does not suffer from illiquidity (the issue is excess liquidity, given the relative dearth of attractive investment opportunities. This will be discussed in greater detail in a following section). Loans to members comprise two-thirds of all assets, a prudent level that should not normally be exceeded.

An area of concern on the asset side of the balance sheet is the size of the receivables in accounts of the credit union's largest institutional members, such as EDITOGO, OPAT, and OTP. The volume of receivables derives from the automatic payroll deduction scheme in use by these employers. Normally, as with any other payroll deduction scheme, cash is transferred directly from the employer to the members' savings accounts. For FUCEC, these salary deductions have become receivables because the state phosphate parastatal, one of the largest enterprises in Togo, has ceased paying workers' salaries. Although funds are no longer deposited to the workers' savings accounts, the COOPEC credits the workers' accounts nonetheless. That is to say, the largest institutional members of the credit union system are themselves paying the workers that portion of their salaries that would normally go into their savings accounts. In effect, the COOPECs at OPAT, OTP, and EDITOGO are making an interest-free, unsecured loan to the employers. These arrears currently amount to 397 million FCFA.

It is essential that FUCEC and the management of these firms find a way to resolve this worrisome question before the amounts involved reach a level where they become uncollectible and would have to be written off. FUCEC management should also consider creating a reserve against any potential degradation of this asset.

FUCEC LIQUIDITY

The liquidity of the credit union movement is shown in the following table:

TABLE 5

LIQUIDITY

	12/89	12/90	12/91	6/92	12/92 E
Cash/Member Savings	5%	4%	4%	4%	3%
Bank Deposits/Savings	14%	13%	12%	8%	8%

The amount of cash available is adequate to meet the liquidity needs of the membership. However, it appears that the prolonged economic difficulties of Togo have led to a decline in FUCEC's bank deposit balances relative to the growth of other assets to member savings.

PROFITABILITY

On the whole, the movement enjoys relative profitability.

TABLE 6

PROFITABILITY

	12/89	12/90	12/91	6/92	12/92 E
Net Interest Income (NII) CFA m	48,625	70,911	81,974	93,844	54,376
NII/Earning Assets	4%	4%	3%	3%	2%
Operating Expenses	26,018	36,259	48,364	30,516	29,015
NII/Operating Expenses	187%	196%	169%	308%	187%
Return on Share Capital	81%	63%	67%	105%	42%
Subsidies/Operating Expenses	8%	9%	12%	9%	4%

The most important indicator of a financial institution's profitability is its Net Interest Income (NII), interest received from loans and bank deposits minus interest paid to members for deposits and other liabilities. Profitability for FUCEC and its member COOPECs, including the NII spread as a percentage of income-generating assets, has been acceptable during the project period. It is anticipated that profitability will decline somewhat for the full year 1992 as a consequence of the ongoing political and economic uncertainty. This probable decline in profitability is presently not a major concern, although FUCEC should continue to monitor the situation and adjust expenses as necessary.

It is worth noting the decline in the percentage of internal subsidies, usually in the form of a salary supplement for bookkeepers or reduced charges for training, that FUCEC provides to member COOPECs. This decline, if it continues beyond the present period of economic uncertainty, would be a good indicator of growing sustainability within the system because it would relieve pressures on the central operating budget of FUCEC.

CAPITAL ADEQUACY

Assessments of capital adequacy serve to measure the ability of a financial institution to absorb losses, most commonly as a result of bad loans. For FUCEC and its member credit unions capital adequacy is shown in Table 7.

TABLE 7

CAPITAL ADEQUACY

	12/89	12/90	12/91	6/92	12/92 E
Risk Reserves/Loans	0.41%	0.10%	0.03%	1.01%	0.83%
Member Shares/Loans	4.58%	4.17%	3.52%	3.43%	3.34%
Bad Debt Charges/Loans	0.36%	1.43%	0.67%	0.01%	0.00%

At the present time, FUCEC's overall capital structure provides only a limited ability to absorb losses due to bad loan charge-offs. Capital adequacy is an issue that should be given high priority on the organization's agenda for action. It is of particular importance, supported by the available evidence, given that loan asset quality has deteriorated because of the current political and economic crisis. That is, members with loans outstanding are finding it increasingly difficult to meet regular interest and principal payments on their loans. Thus, both the number and amount of loans 60 or more days past due have increased substantially. This is not yet reflected in FUCEC figures, primarily because of difficulties in transmitting required information from the field to the FUCEC head office, as well as difficulties in assuring the accuracy and completeness of the information that is collected.

ASSET QUALITY

FUCEC and the WOCCU advisors have long stressed the need for conservative credit lending policies and procedures to maintain the integrity of loan assets. This is especially important given that loans to credit union members comprise 60 percent of all assets.

TABLE 8

ASSET QUALITY

	12/90	12/91	6/92	12/92 E
% Loan Repayments Current	80%	80%	86%	86%
% Loans < 12 Months Past Due	9%	15%	8%	8%
% Loans 12 + Months Past Due	5%	6%	6%	6%

Currently, delinquent loans are 14 percent of total loans outstanding. This is slightly better than the loan delinquency rate of 15 percent specified as an EOP objective.

Any analysis of loan asset quality would have to consider the balance sheet effect if past due loans were reduced or written-off. In performing a shrinkage or write-off analysis of FUCEC's situation, assume the following reductions or write-off margins:

- loans less than 2 months past due - 5 percent;
- 2 - 6 months past due - 15 percent;
- 6 - 12 months past due - 25 percent;
- 12 - 24 months past due - 40 percent; and
- more than 24 months past due - 90 percent.

These write-off margins correspond to actual loan write-off experiences for credit unions in developing countries. If these shrinkage or write-off margins are applied to the existing loan portfolio, the following trends appear:

TABLE 9

SHRINKAGE (WRITE-OFF MARGINS)

	12/90	12/91	6/92	12/92 E
Shrinkage/Total Loans	4%	5%	5%	5%
Shrinkage/Member Shares	108%	149%	149%	154%
Shrinkage/Loan Loss Reserves	4,540%	15,034%	502%	622%

If write-off margins were applied to current past due amounts, write-offs would total 5 percent of total loans outstanding. This is not a major source of concern at present, especially when one considers that many of the loans are collateralized by savings accounts. COOPECs are loath to offset bad loans by seizing deposits, however. Such a practice, if applied on a wide basis, runs counter to two of the major principles of the entire credit union movement — mobilization and sanctity of savings.

When shrinkage amounts are compared to the reserves specifically set aside for bad debt write-offs, a cause for concern does emerge. As noted in the immediately preceding table, potential write-offs would be over six times the loss reserve. Thus a priority for FUCEC management should be to increase substantially the reserve for potential bad debt write-offs after a thorough analysis of the entire Federation's loan asset quality situation.

PRODUCTIVE CREDIT PROGRAM

FUCEC, with the assistance of a technical advisor from WOCCU, has undertaken a Productive Credit Program to encourage credit extension by member Credit Unions for income-generating activities. Training has been provided to the COOPECs to develop technical skills in evaluating and managing these lending activities and to increase awareness of the importance of this form of lending. In addition, outreach activities have been undertaken to assist members in organizing and managing business and commercial activities as well.

Overall, the results of the Productive Credit Program have been satisfactory. Both the number and amount of loans for direct income generating activities have increased substantially. (The category "productive agricultural credit" is not specifically shown. The individual COOPECs do not systematically apply such a criterion in approving a loan application. Agriculturally productive uses are treated as one component of all loans directed to income generating purposes.)

Lending for productive credit purposes has increased steadily throughout the life of the TRIPS project. Total loans outstanding for productive credit as of December 1991 (the last date for which reliable figures were obtained) was FCFA 497 million. If we assume that the percentage of loans for productive activities (agriculture, commerce, small and medium-sized enterprises) is held constant, then productive credit loans could be estimated at FCFA 700 million for year-end 1992.

This figure, however, understates the loans used for income-generating purposes. It has been widely suggested that fully half of the loans granted for construction are used to buy, construct or improve dwellings which are then rented or sold. Because these loans provide a means to generate substantial sources of cash, such loans could be included in the productive credit definition. Even taking a more conservative approach, the evidence suggests that the consolidated credit union movement in Togo has largely achieved one of the important outputs of the TRIPS project: significant expansion of lending for productive activities.

TABLE 10

NUMBER OF LOANS GRANTED

	12/89	12/90	12/91
Productive Credit	18 %	21 %	22 %
Construction	15 %	25 %	34 %
Education & Health	9 %	24 %	17 %
Other Uses	58 %	30 %	27 %

TABLE 11

AMOUNT OF LOANS GRANTED

	12/89	12/90	12/91
Productive Credit	26 %	27 %	28 %
Construction	23 %	44 %	50 %
Education & Health	3 %	8 %	6 %
Other Uses	48 %	21 %	16 %

CENTRAL LIQUIDITY FUND

The Central Liquidity Fund (CLF) is a mechanism that FUCEC maintains on behalf of member credit unions. The COOPECs place deposits with the CLF when they are experiencing over-liquidity, and FUCEC then invests these monies for them, normally with formal banking institutions in Togo. COOPECs can draw on these funds when they need liquidity to meet member demands for cash. The CLF has grown dramatically during the project period; funds in the CLF were FCFA 161 million as of December 1989 and estimated at FCFA 732 million as of December 1992. This dramatic growth is, of course, a consequence of the success enjoyed by the movement in enrolling new members and COOPECs and in mobilizing savings deposits. It is also a function of excess liquidity within the system. Because COOPECs are relatively less skilled in funds management, they pass the responsibility on to FUCEC.

A key concern regarding this approach to CLF management is the liquidity and stability of the banking sector itself. Again, the experience of the Cameroon Credit Union League is illustrative: substantial deposits in major financial institutions were blocked when the banks collapsed and were declared insolvent. FUCEC had a similar experience after the demise of BCCI. Although the principal was recovered, the interest due to FUCEC (estimated at FCFA 15 million) was not, and hence a substantial income payment was lost, illustrating the perils of investing CLF funds solely as deposits in the banking system.

INSURANCE FUND

FUCEC offers a loan insurance fund to its membership, whereby balances of loans outstanding are repaid in the event of a member's death or incapacity. This has proved to be an extremely popular program in other countries with a strong credit union network. Currently, there are five COOPECs enrolled in this program, with a value of loans insured of FCFA 400 million and insured savings deposits of FCFA 650 million. This program could be an important source of revenues for FUCEC and its member COOPECs. It also poses a significant challenge to the management capabilities of FUCEC's limited staff resources. FUCEC management should study the possibility of establishing a separate legal subsidiary to manage this program and assume all liabilities.

FINANCIAL PROJECTIONS

Three sets of complete financial projections are provided, in all cases using assumptions consistent with the current financial structure and recent trends. All models assume the current annual population increase of 3.9 percent.

In the first projection, the credit union membership as a percentage of the total population (the penetration rate) was increased from the current level of 1 percent to 4.5 percent, in keeping with FUCEC's growth objectives.

TABLE 12

FINANCIAL PROJECTION: ASSUMPTION 1

	12/92 Est	12/94 Proj	12/97 Proj
CU Membership	39,000	86,362	217,947
Penetration Rate	1.0 %	2.0 %	4.5%
Total Savings (FCFA 000's)	3,396,854	8,293,023	24,227,571
Total Loans	2,506,326	6,120,251	17,879,947

Increasing the presence of credit unions in the financial institution market results in dramatic growth in terms of membership and the amount of savings and loans over the next five year period.

In the second projection a flat market share throughout the next five-year period would result in the following:

TABLE 13

FINANCIAL PROJECTION: ASSUMPTION 2

	12/92 Est	12/94 Proj	12/97 Proj
CU Membership	39,000	42,101	47,222
Penetration Rate	1.0 %	1.0 %	1.0%
Total Savings (FCFA 000's)	3,396,854	4,042,849	5,249,307
Total Loans	2,506,326	2,983,622	3,873,989

This no-growth scenario is not likely, given the recent experience of growth in credit union membership. It is probably not desirable either. The relatively low growth of savings could also imply that credit mobilization would be retarded as well. Expansion of benefits for additional Togolese, such as access to savings mechanisms and provision of credit, would decrease.

The third projection assumes penetration rates increasing gradually to 3 percent of the total population.

TABLE 14

FINANCIAL PROJECTION: ASSUMPTION 3

	12/92 Est	12/94 Proj	12/97 Proj
CU Membership	39,000	64,771	145,298
Penetration Rate	1.0 %	1.5 %	3.0%
Total Savings (FCFA 000's)	3,396,854	6,219,767	16,151,714
Total Loans	2,506,326	4,590,188	11,919,965

This scenario is perhaps the most likely. It is perhaps also the most desirable as well, because it would expand the membership base of the credit union movement and extend the benefits of access to this form of financial intermediation while giving FUCEC and member credit unions the opportunity to develop their management capabilities to meet the challenge posed by another period of growth in membership and in savings and loans.

THE SOCIETAL EFFECTS OF THE CREDIT UNION MOVEMENT

The overriding objective of the credit union movement worldwide is to encourage rural inhabitants and others to save a portion of their incomes and, through the mechanism of individual credit unions, to make a part of the resultant pool of funds available for lending. This population would normally lack access to formal financial institutions. By encouraging savings, the credit unions assist individuals, families, and communities in building wealth. This wealth is in turn transformed through investment for productive uses, including agriculture, commerce, and service activities.

The importance and benefits of providing otherwise underserved populations access to a safe and reliable mechanism for savings cannot be overemphasized. During fieldwork with the COOPECs in Togo, numerous instances were recounted where dubious and dishonest characters would collect monies from, for example, market women ostensibly for safekeeping or investment — only to abscond with the hard-earned savings of others. Credit unions provide a well-regulated and safe way for rural peasants, small commercial agents, and urban workers to save and protect their earnings. In Togo, as elsewhere in the developing world, banks and other formal financial sector institutions have little or no interest in serving these populations; COOPECs not only provide a means for saving safely but also offer other forms of financial intermediation including access to credit, insurance, and other services. The income derived from these services for the small saver serves to increase the population's wealth in a meaningful way.

Another important aspect of the credit union movement in Togo to consider when evaluating its people-level impact is its strong tradition and practice of democratic governance. Each COOPEC freely elects its own management team including the Board of Directors and important officers such as President and Treasurer. Typically, these are respected community members in whom the COOPEC members have the utmost confidence. The important criteria of transparency and accountability are maintained through regular COOPEC management reports to its membership.

The prominent role that women play in the credit union movement in Togo must be emphasized. Women comprise nearly 10,000 members or 25 percent of total membership in Togo's credit union movement. This percentage is probably understated, since there are also a significant number of groups enrolled as members such as groups of market women, artisan cooperatives, and the like. Women benefit to a great extent from credit granted by individual COOPECs, which allows them to continue and expand their agricultural and commercial activities. Available evidence gathered during our field visits suggests that women are often perceived as better credit risks than men. Finally, women often are Directors, Officers, Managers, and Bookkeepers of individual COOPECs, although precise statistical evidence is unavailable. The training and support that these women receive from FUCEC contributes to the development of their skills and increases their participation in the community.

There is also a strong relationship between the informal private sector in Togo and the credit union movement. Groups of market women, for example, often maintain a joint savings account at COOPECs, both for safekeeping of funds and as a means of access to credit. Interestingly, examples were mentioned during our visits to several credit unions that informal financial sector *tontines* use credit unions as safekeeping mechanisms for their accumulated funds. FUCEC is aware of these relationships between the informal sector and member COOPECs and would like to undertake some research to better serve this increasingly important segment of the Togolese economy.

The social benefits that result from the access to safe savings mechanisms are numerous and include the ability to save for children's school fees, money that can be mobilized in times of health emergencies, and cash for participation in important family and community social events. Household incomes are increased by interest earned on savings deposits and income-generating activities supported by credit extension. All these considerations indicate the significant, positive social impact of credit union activities.

The benefits that continue to accrue, both in financial terms and in terms of positive societal impact, from FUCEC have been amply demonstrated. FUCEC is well positioned to become a self-sustaining entity, capable of providing individual benefits and systemic financial sector improvements.

CHAPTER FOUR

FUCEC SUSTAINABILITY ANALYSIS

Sustainability of an organization involves more than the possession of physical and financial resources. An organization, if it is to sustain itself over time, requires systems and processes that contribute to its growth and development as a provider of valued goods and services. FUCEC has won recognition in Togo as a provider of valued goods and services. It has also made progress in developing increased financial sustainability. However, organizational systems and processes to support that growth have not evolved at a comparable pace. This chapter looks at several areas, such as institutional development, absorption capacity, and technical assistance, in assessing the outlook for FUCEC's long-term sustainability.

HUMAN RESOURCES

A key consideration in any examination of FUCEC's potential for sustainability must start with the development of its human resources. FUCEC is a service institution -- its ability to provide assistance to member COOPECs is dependent largely on the quality of its staff members and their ability to provide the required level and range of services. This in turn is a function of their experience, training, and development.

Overall, the level of FUCEC staff experience is low. For many, this may be their first professional experience in a financial institution. Consequently, staff may lack an appreciation of the subtle implications of their tasks, particularly important given the rapid growth of recent years. The staff members are technically capable of performing their assigned tasks, but may have a somewhat lower appreciation of the tasks of others, and how all their efforts fit into the overall mission of FUCEC.

A more detailed examination of existing capabilities and training and development needs should be a key component of the proposed FUCEC management diagnostic exercise. For example, a critical aspect of COOPEC management rests with the presidents of the individual credit unions.* FUCEC provides them with cashier and bookkeeping training, at four skill levels. Each level reflects the attainment of a particular set of bookkeeping/accounting skills used in handling the accounts and financial affairs of the individual COOPECs. The material used in tests of skill acquisition is adapted from manuals prepared by WOCCU, but needs further revision to meet the needs of FUCEC. The Director of FUCEC also wants to improve the training skills of the staff involved in this training activity.

A serious problem is that too many people fail the tests on their first attempt, leading to significant demand from individuals needing to repeat the tests. This problem is linked to illiteracy in French and has provoked active discussion within the Togolese credit union movement.

* Some of the *gérants* who do well on the tests and in handling their financial responsibilities are made into trainers. The organization attempts to ensure that a replacement is available to fill the needs of the COOPEC affected in this manner.

TECHNICAL ASSISTANCE REQUIREMENTS

WOCCU has provided substantial assistance to FUCEC during the past decade. This technical assistance has been provided through resident advisors as well as short-term consultants in several areas of expertise. During the current TRIPS project phase, for example, WOCCU furnished a Management Advisor (40 months), a Productive Credit Advisor (57 months), and a Data Processing Advisor (30 months), in addition to other short-term consultancies and material support. From January 1, 1989 to September 30, 1993, the level of assistance will have reached $5,308,386. Activities undertaken include the development of FUCEC services rendered to credit union members through affiliated credit unions such as computerization at the Federation and at selected credit unions.

It should be noted, however, that FUCEC and WOCCU have put greater emphasis and more resources and energy into developing and supporting the FUCEC network than in strengthening FUCEC's internal capacity. Discussions with representatives of WOCCU and FUCEC indicated that the field service emphasis of FUCEC is a normal practice within the WOCCU network. Nevertheless, WOCCU seems to be inadequately used as a resource for the rational development of FUCEC's central office capabilities. For example, in areas of general management, the Director would benefit from additional assistance in developing management skills appropriate to directing a financial organization. The techniques of modern organizational management are not systematically used, at present, in the conduct of FUCEC's affairs.

Additionally, the tendency to centralize control is strong and runs counter to the stated goal of creating a staff with complementary and interchangeable skills, which would permit staff to assume greater responsibilities (this tendency has received little, if any, support from WOCCU). The current approach to staffing and training the central office hinders the provision of services to the regions and the COOPEC network. This has the effect of retarding the credit union's evolution toward self-sufficiency.

Another important aspect of FUCEC human resource development is training for the Board of Directors. This could take the form of seminars or workshops on financial analysis and other topics relevant to the management of credit institutions and their relationship to general development issues.

From the outset one of USAID's principal objectives regarding FUCEC has been to assist the organization to become self-sufficient. This objective is also shared by FUCEC and WOCCU. The Project Paper estimated that sustainability would be achieved by the end of the TRIPS project. At the time that the project document was prepared, an estimation of the degree of self-sufficiency (75 percent) was a sound basis for such an estimate. The sociopolitical developments within the country, as well as external events such as the failure of the Bank of Commerce and Credit International, have cost FUCEC a large part of the funds that the organization had counted on for promoting its financial self-sufficiency.

THE DILEMMA OF SUBSIDIES AND SUSTAINABILITY

Direct financial assistance received from WOCCU permits the provision of services to the COOPECs, but can hinder the organization's progress toward self-sufficiency. In FUCEC's current financial circumstances, largely conditioned by the difficulties of the Togolese economy, there are few viable options for FUCEC to deal with the financial implications of the growth in its membership. Increasing fees for services is a possibility, but the general economic picture would suggest that the

COOPECs would have problems in supporting even small increments in fees for the services that they currently receive.

Another option might be to reduce the range and level of services provided to the COOPECs. This implies a reduction in training and other types of capacity-building assistance that the Federation uses to ensure prudent financial management practices. Ultimately, this would have the effect of reducing the security of small savers' deposits.

A reduction in FUCEC operating expenses is also not a feasible option because the organization's workload already exceeds the capacities of its small staff. The budget for consumable supplies and equipment is modest and would be unlikely, if reallocated, to produce sufficient financial savings to maintain the current level of services to the COOPECs. Dependence on subsidies is likely to continue for the foreseeable future.

FINANCIAL STABILITY

One can gauge the financial stability and degree of self-sustainability achieved through analysis of the so-called self-sufficiency index as set forth in the TRIPS Project Paper. Simply put, this index is Net Interest Income divided by total operating expenses. For the consolidated credit union movement in Togo, and FUCEC alone, these indices are as follows:

TABLE 15

SELF-SUFFICIENCY

	12/89	12/92 Est
S-S Index = Consolidated	187 %	131 %
S-S Index = FUCEC (alone)	60 %	=
Subsidies/Operating Expenses	8 %	9 %

It is important to note the degree of financial self-sufficiency in the entire consolidated credit union movement. The net spread on financial instruments would cover all operating expenses and bad debt charges at year-end 1992 with some 30 percent to spare. Although this cushion has declined somewhat from earlier periods, the margin of net interest and fee spread over operating expenses is still good, suggesting that the Togo credit union movement as a whole has already achieved a degree of financial self-sufficiency.

Another indicator of financial sustainability is the level of subsidies within the system. (Please note that this does not reflect amounts provided under WOCCU technical assistance efforts.) These subsidies reflect costs absorbed by the system on behalf of COOPECs unable to fully cover these expenses. The level of subsidies throughout the system, roughly 10 percent of all expenses, is quite reasonable, especially when considered in light of the recent expansion of the number of COOPECs and the fact that a majority of them are located in rural areas. Typically, a credit union movement expends a relatively greater portion of manpower and expense in the initial stages of developing a rural network of credit unions, when skill levels of the management and directors may be low, overall membership is not as great as in urban or agribusiness credit unions, and savings per member are lower.

Consideration of financial stability and sustainability is not simply a matter of attaining a certain level of assets, deposits, or loans, nor any particularly rate of return on investments, nor profitability. Rather, it is a fairly complex interaction of institutional capabilities and organization, and perhaps most importantly, the level and quality of human resources. Taken together, organizational efficiency and appropriately skilled manpower will go quite a way to ensure the future financial viability of FUCEC regardless of the level of either donor support or technical assistance.

There are several technical areas of financial management identified as concerns in the previous financial analysis section that would benefit from the attention of both FUCEC management and additional USAID technical assistance.

Central Liquidity Fund Management (CLF)

The growth of the credit union movement in Togo has outstripped FUCEC's management capacity, yet CLF management consists almost entirely of maintaining term deposits with banks in Togo. Little or no risk analysis is done prior to placing these deposits to establish risk/return requirements. There is also little or no investigation of investment alternatives. When properly structured and managed, even somewhat riskier investments could be entertained. One aspect to bolster FUCEC's financial management capabilities would be training in modern portfolio management techniques including risk/return analysis and asset-liability management. The development of a portfolio tracking system to monitor CLF performance would also be appropriate.

Loan Asset Quality and Capital Adequacy

The problem of past-due member loans is an issue facing FUCEC and must be addressed by the Board of Directors and management in a forthright manner. Although the most recent data still place the total amount of past-due loans at a relatively low 15 percent, field interviews and other anecdotal evidence suggest strongly that this level has actually been exceeded. FUCEC should undertake several steps to meet this challenge:

- Increase priority for Field Inspectors to monitor and report on the situation in their region on a more regular basis;

- Review current Federation policies and practices with regard to past-due loan collection and write-off policies; and

- Review current levels of reserves.

Thought should also be given to the establishment of an Asset Quality Unit to manage past dues, including assistance to individual COOPECs to review their loan portfolio and recommend write-offs where appropriate. USAID technical assistance should focus on assisting in these efforts, and should monitor the situation closely to detect any further deterioration.

Insurance Fund Management

Although the levels of loans and savings covered by this insurance program are still low relative to total amounts within the Federation (16 percent of total loans outstanding and 20 percent of savings, respectively), the actual level of direct liability of the Federation will become significant as this program expands. USAID technical assistance could take the form of an actuarial study to assess the potential liability to FUCEC, training in insurance program management, and the possibility of establishing a wholly owned subsidiary to manage this program.

Institutional Development

The long-term viability of FUCEC and its ability to meet member COOPEC needs will also be strengthened through organizational and institutional development. Areas that should be examined include:

- **Organizational Structure**. The present articulation of FUCEC's organization appears to be cumbersome and impedes its mission. In particular, the apparent lack of strong field service management and coordination undermines the central role of FUCEC in providing assistance and guidance to member COOPECs. Another area that could be improved is the integration of INFOCOOPEC and other data gathering and management information systems. These areas should be investigated in much greater detail during the proposed USAID-funded management diagnostic exercise.

- **Planning, Budgeting, and Management**. As in many not-for-profit organizations, tasks are often accomplished because of the commitment and goodwill of the staff members rather than as a result of a well- established planning and budgeting process. Assistance should be undertaken to impart the theory and practice of these skills and, more importantly, their use as an ongoing management tool. However much one admires the intent of WOCCU to promote the virtues of economy for the central operations of FUCEC, effective management does require appropriate numbers and appropriately trained staff.

Absorptive Capacity

A better understanding is needed of FUCEC's ability and capacity to respond to member COOPEC needs over the next several years. This exercise combines elements of many other areas, and should be viewed as an internal planning and management tool, and as a means of attracting and effectively utilizing any additional donor technical assistance.

FUCEC AND THE DONOR COMMUNITY

For some time USAID has been aware that other bilateral and multilateral donors have discussed various initiatives with FUCEC. To date, none of these discussions has resulted in concrete activities. FUCEC is strongly opposed to any actions which, to its way of thinking, would turn the organization into a flawed organization and subvert its goals of providing credit facilities to rural communities, and encouraging savings and democratization. Moreover, it is precisely because most current proposals have lacked the elements that encourage the savings and financial management discipline that the credit union movement seeks to instill in its member COOPECs that FUCEC has refused to participate. The Federation's commitment to the principles of the credit union movement is viewed as more valuable to its long-term development strategy than the strengthening of its resource base that the new ventures might provide. FUCEC is concerned that acceptance of the donors' suggested programs could be construed as inconsistent with the social solidarity principal that they use in promoting the creation of credit unions.

Some common ground can possibly be found for more meaningful discussions of additional donor involvement with FUCEC. The organization has expressed its willingness to discuss donor ideas. It is, however, firm in its insistence that any eventual collaboration must respect the growth and development objectives that FUCEC has set for itself.

USAID has collaborated with FUCEC for several years. Since 1989 it has been the principal bilateral partner. Other bilateral and multilateral donors have expressed an interest in working with FUCEC in developing joint undertakings to expand credit availability to more rural communities. At the time of this evaluation the several expressions of interest, coming from organizations such as FAC, The World Bank, IFAD and others, have not produced concrete projects for implementation. The reason for this situation, as FUCEC freely acknowledges, stems from its insistence on devoting more energy and other resources to mobilizing savings. For the credit union movement, this is the priority, and extending credit as a member service is of lesser importance in the operational philosophy of the movement.

A second issue that affects FUCEC relations with foreign assistance agencies and institutions stems from the Federation's refusal to be seen as a community development organization. As a consequence, its concern for savings as a tool in enhancing economic security is at odds with the concerns of some potential collaborators who see credit as a means to stimulate economic development. Indeed, it appears that the real attractiveness of FUCEC is its substantial presence in rural areas and the financial strength of the individual COOPECs. Thus, even though FUCEC does not characterize itself as a community development agency, the COOPECs do reflect a growth of solidarity and institutional development in the areas where they are located.

It is important that USAID pay close attention to the evolution of donor discussions because the COOPECs are also embryonic democratic institutions. With their elected officers and the regular turnover of these leaders, complemented by a measure of voluntary participation, the credit union movement seems to be a relatively inexpensive way to make progress in several areas that might otherwise require an entirely separate democratization project.

CHAPTER FIVE

OPTIONS AND RECOMMENDATIONS FOR FURTHER USAID ASSISTANCE

KEY RECOMMENDATION

This final evaluation has found that WOCCU has had a profound, positive impact on the Togo credit union movement. WOCCU technical assistance has strengthened the movement at all levels, and its efforts to date should be commended. It is unlikely that FUCEC would have been able to manage its affairs so well during the recent period of substantial growth without the able assistance of WOCCU.

The primary source of technical assistance for FUCEC should continue to be WOCCU. WOCCU has demonstrated not only the technical capacity to assist FUCEC in a timely and appropriate manner, but also a solid understanding of the dynamics of credit union movements in general and of Togo's in particular. Although several of the following recommendations, such as sponsorship of the management diagnostic, assistance with the planning process, strengthening the treasury management functions of the Central Liquidity Fund, and establishment of a Loan Recovery Unit require individuals or groups outside of WOCCU's core staff, it would nevertheless be desirable for WOCCU to maintain its ongoing role as primary technical assistance provider. In this role, WOCCU can assist in the implementation of ideas or suggestions put forward by the outside consultants. WOCCU's sensitivity to and appreciation of FUCEC's concerns and capabilities should not be overlooked as an effective means to bring about desirable and needed organizational changes.

OTHER SPECIFIC RECOMMENDATIONS

FUCEC Management Diagnostic Exercise

Prior to any further technical assistance programming, USAID/Togo should sponsor a management diagnostic exercise that would consist of an in-depth review and analysis of FUCEC's management structure, policies, and procedures. Important deliverables of this exercise would be specific recommendations for organizational restructuring and improvements of management procedures and practices. This diagnostic should also assist FUCEC in defining a Human Resource Development Plan with training needs clearly detailed. Specific recommendztions would also be made to strengthen the planning and evaluation functions and capabilities of FUCEC management.

It is recommended that this diagnostic be undertaken by an outside consultant rather than WOCCU staff. This arms-length approach would yield a fresh perspective on FUCEC's organization and management.

Establish an Offshore U.S. Dollar Endowment

USAID should consider placing a significant portion of obligated but undisbursed funds in a joint account with FUCEC in a U.S. financial institution. This would provide FUCEC a measure of protection in the event of any devaluation of the CFA franc. It would also be a reliable source of hard currency income for FUCEC. Interest received could be used to support technical assistance activities such as external training or reinvested as additional principal.

Use Proceeds from Local Commodity Sales

A portion of the proceeds from local sales of U.S.-supplied commodities should be used to bolster efforts to maintain and enhance loan asset quality, perhaps by increasing loan loss reserves. FUCEC's capacity to actively manage these problem assets through the creation of a separate Asset Quality Unit could also benefit from this funding mechanism. An increase in dedicated financial resources would ultimately protect the deposits of small savers from the effects of any possible bad debt write-offs.

Assist in Development of FUCEC Technical Financial Management Capabilities

Several areas of FUCEC's financial management require more specialized technical assistance. These include CLF portfolio management, asset-liability management, problem loan management, loan pricing, and development of further insurance products.

CLF Portfolio Management

As noted previously, the amount of funds in FUCEC's Central Liquidity Fund now totals more than 700 million FCFA. Effective and innovative management of this substantial asset (nearly $3 million) require a more advanced level and range of analytical and technical skills. Therefore, it is strongly recommended that the FUCEC staff charged with management of the Central Liquidity Fund should receive addition training in risk/return analysis; asset-liability management; and portfolio management techniques, including hedging. A computer-based portfolio management system should also be developed, and thought given to the creation of an investment subsidiary to engage in more aggressive investment activities.

Loan Asset Quality Management

Evidence suggests that loan asset quality is declining throughout the Federation. Because of the current economic slowdown, members with loans are unable to meet repayment obligations. FUCEC should carefully evaluate this situation, and consider establishing a unit or department to assist member COOPECs in evaluating their loan portfolios, assist in loan collection efforts, and recommend loan write-off amounts to the Board of Directors of individual COOPECs. An important role for this unit would be to monitor consistently the past-due loan situation for both individual COOPECs and the Federation as a whole.

Insurance Fund Management

USAID may want to assist FUCEC in the development of its insurance fund through the following sorts of activities: marketing and program promotion, insurance fund management, and actuarial and risk evaluation techniques. FUCEC may also want to study the possibility of establishing a separate legal entity to manage this program and assume all potential liability without jeopardizing the entire Federation.

INFOCOOPEC

Technical assistance efforts and other support should be given for the further development and implementation of the automated bookkeeping system, INFOCOOPEC. Assistance could take the form of preparing required systems documentation and training materials. FUCEC management should undertake a study to determine the existing interest of COOPECs in future computerization within the system. FUCEC should also take steps to protect its substantial investment in INFOCOOPEC, such as licensing agreements with interested COOPECs, to ensure that hardware and software will not be transferred to other parties. FUCEC should investigate the possibility of establishing a wholly owned subsidiary to better manage this important and innovative activity, including its possible extension into other countries on a for-fee basis.

Board of Directors

A series of seminars and other forms of training should be provided to members of FUCEC's Board of Directors, reflecting the role of the Board as the ultimate decision-making body with respect to organizational structure, management practices, and policy decisions. Topics could include such things as fundamentals of financial analysis, balance sheet and income statement review, planning and budgeting, and risk analysis and management. The role and responsibilities of the Director of a financial institution should also be explored. This training would serve to increase the Board members' appreciation of the issues facing FUCEC and enhance their contribution and management role.

Interaction with FUCEC and BCEAO to Establish Guidelines and Regulations

USAID and FUCEC should develop a collaborative effort to monitor BCEAO's development of regional policy guidelines and legislation for credit unions. The focal point of this collaboration would be to ensure the equity and appropriateness of any proposed regulations. This is consistent with current policy dialogue efforts to aid private sector initiatives. In this regard, USAID should insist that FUCEC benefit from any inclusion in the formal financial regulatory structures, such as access to BCEAO services and rediscount facilities.

USAID ROLE AS ADVOCATE AND INTERMEDIARY FOR FUCEC

USAID should assume an additional role in relation to FUCEC, apart from providing funds or technical assistance. USAID should develop a protector role, interceding when appropriate on behalf of FUCEC and guarding against undue government interference or rent-seeking pressures from others. This protective role is especially important because the credit union movement has maintained its democratic and transparent nature up to now, but is facing an increasingly difficult political environment. USAID's role as intermediary/advocate should be both reactive and proactive. In a reactive role, USAID would respond in a forthright manner and intercede on FUCEC's behalf when real or perceived issues confronting the credit union movement arise.[1] A proactive role could also be appropriate at times — to mention the credit union movement in discussions with the government and other donors, for example, when rural credit extension or other related activities come up.

[1] Pressure on the government to resolve the receivables due the large worker COOPECs from the phosphate producer OTP is one example of this.

In all cases, this is a role or activity that will not entail monetary costs on USAID's part aside from management time; rather these efforts require the expenditure of political capital and goodwill. One should not underestimate the positive benefits that would accrue from any intervention on behalf of FUCEC; for a relatively modest effort, USAID can seek to ensure that FUCEC continues to function and benefit its constituency: rural peasants, urban small savers, and women.

ANNEX A

LIST OF PERSONS INTERVIEWED

LIST OF PERSONS INTERVIEWED

CARE TOGO

William Stingfellow	TRIPS Project Manager
Tinkoa Foli	Chief of Cellule Suivi/Evaluation
Bouama Biogo	Producer Groups Promotion Adviser
Jennifer Isern	Assistant Program Coordinator

Small Economic Activity Development Unit

Yawo Nayo	Senior Assistant, Cellule de Promotion des Petites Entreprises
Tete Nathey	Assistant Chief, Cellule de Promotion des Petites Entreprises

Training Unit

Aben Ngay	Chief of the Training Unit
Koffi Davi	Trainer
Povi Agbodjan	Trainer
Hanu Vossah	Trainer
Afi Agbenya	Trainer

TRIPS Technical and Agricultural Extension Staff

Azobli Kodjovi	Responsible for Green Bean Operation in the DANYI Plateau region
Nassirou Ramanou	Agricultural Adviser
Kangni Teko	Agricultural Adviser
Dekpo	Agricultural Adviser

NONGOVERNMENTAL ORGANIZATIONS AND OTHERS

Cofi Coevi	Direction Board of SYNERGY Nord/Sud
Leon Akueson	Responsable Service Etudes CEPUMAC
Jean-Paul Siavi	Responsable Service Formation et Programme Jeune-Emploi UCJG
Luc Brousse	Responsable Programme Environnement UCJG
Greg Anstreng	Togo Peace Corps Deputy Director
Patrick Sullivan	Peace Corps, Associate Director, Small Enterprise Development
Amadou Mamadou	Senior Economist, UNDP
Messr. Aho	National Director, BCEAO
Jacque Daniel	Resident Representative, World Bank

RURAL PRODUCER GROUPS AND ASSOCIATIONS

Board of JADASYP (Jeunesse en Action por le Développement Agro-Sylvo-Pastoral) trained by CARE Training Unit

Board of PYDENAM, women group at Kpalime trained by CARE

Board of SAEK (Section des Agriculteurs et Eleveurs du Koto)

Board of GAZ, farmer group at Kpalime trained by CARE Training Unit

Board of UNIGAD (Union des Groupements Agricoles de Day), green bean producer group association

FUCEC AND WOCCU

Abraham Ndofor	Chief of Party/Management Advisor (WOCCU subcontractor to CUNA)
Kodzo Akemakou	Director, FUCEC/Togo
Gary Slocombe	Productive Credit Advisor, FUCEC
Kelly J. Morris	Program Manager, WOCCU

USAID

Sara Clark	
Dennis Panther	RDO
John Grant	PDO
Dawn Thomas	PDO, REDSO

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ANNEX B

DOCUMENTS CONSULTED

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DOCUMENTS CONSULTED

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- Formation de Formateurs;
- Gestion financiere pour des producteurs maraichers
- gestion financiere pour une petite entreprise de menuiserie
- gestion technique et financiere pour des eleveurs de petits ruminants;
- gestion technique et financiere d'un magasin fumigable;
- formation maraichere et agricole.

CARE Togo, Accounting documents:
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- Grand Livre;
- Registre des operations sans recu;
- livre de caisse;
- Suivi des Recettes et des Depenses;

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CARE Togo 1992, Strategie de Marketing du Foyer ASUTO.

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