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Consultancy Report

"Debt-for-Cooperative Development" Final Report and Lessons Learned

Debt for Development Program

Contract Number: OTR-0192-A-00-9052-00

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July 1993

Consultant's Report

1989 USAID Innovative Grant Program

"Debt-for-Cooperative Development"
Final Report and Lessons Learned

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I. Summary

The following is a report of the activities carried out by Agricultural Cooperative Development International (ACDI) and Volunteers in Overseas Cooperative Assistance (VOCA) under their 1989 Innovative Grant from the United States Agency for International Development (USAID).

The agreement (Cooperative Agreement # OTR-0192-A-00-9052-00), in the amount of $288,000, was awarded by USAID's Office of Private and Voluntary Cooperation (FVA/PVC) on June 27, 1989. Activities were conducted during the period July 1, 1989 - June 30, 1992.

The purpose of the grant entitled "Debt-for-Cooperative Development" was to support "the development and implementation of swapped debt for agricultural projects". In their proposal, ACDI and VOCA outline a program of education and technical assistance with respect to debt conversions which will allow US cooperatives to utilize debt conversions in order to expand their programs overseas. Small farmers in developing countries were to be the end beneficiaries.

Significant results were achieved under the grant with respect to educational activities. Concrete products included the production of a video on debt-for-development which is still widely used as a primer on debt conversions for the professional staff of development organizations and debtor governments. While significant effort was expended on the structuring of debt conversion transactions for cooperatives, extenuating circumstances limited the ability of the grantees to facilitate the completion of any debt-for-development transactions.

II. Grant Objectives

Debt Conversions for Development

A debt-for-development conversion is a somewhat complex financial transaction under which a development organization is able to leverage their investment in a developing country. Under a debt conversion, a development organization purchases the debt of a developing country at a discount (or receives it through a donation) from a commercial bank. In exchange for retiring the debt, the developing country provides the development organization with local currency or other assets with a value less than or equal to the face value of the debt but greater than the amount the development organization paid for the debt. As a result, the development organization is able to "leverage" its investment in the developing country. The debtor government benefits by being able to retire a portion of its external debt at a discount and in local currency. As a result, scarce foreign exchange resources are not paid out of the country but instead are invested in a development project.

Debt-for-development conversions, when structured correctly, are advantageous to all participants: the development organization or investor, the debtor government, and the bank which sells the loan. Several countries currently have official programs and guidelines which govern the manner in which conversions can be conducted. These countries include Jamaica, Mexico, Nigeria, South Africa, Tanzania, the Philippines, and others. Other countries, while lacking official guidelines, have allowed conversions to take place on an *ad hoc* basis. These countries include Brazil, the Dominican Republic, Venezuela, and others. Countries frequently change their position with respect to the permissibility of debt conversions.

The Project

At the time the Innovative Grant proposal was developed by ACDI and VOCA, the application of the debt conversion concept to development projects was in its infancy. Several major environmental groups had completed conversions for natural resource projects and there was a considerable amount of enthusiasm for the potential the concept held for other types of development organizations.

Based on the promise held by debt conversions, ACDI and VOCA teamed up to develop a program which they felt would enable cooperatives to take advantage of the debt conversion mechanism. In broad terms, the program proposed two major components:

1. The education of the cooperative community (and those linked to their activities including USAID and its missions) on the mechanics, benefits, costs, and risks associated with debt conversions;

2. To coordinate debt conversion deals on behalf of cooperatives. The deals were

to be funded by cooperatives investing overseas, through donations of debt, or by a donor agency (such as USAID) providing funds to allow a cooperative to purchase and convert debt.

It was understood that if these activities led to the successful completion of debt conversions by cooperatives, the end result would be an increase in the incomes of small farmers in countries where the conversions take place.

In the logical framework prepared at the outset of the grant, ACDI/VOCA outlined the following purposes:

"1. Strengthen developing country cooperatives, farmer associations, farmer owned agribusiness, and farming practices by helping to finance value added agricultural and food processing and marketing ventures and through the provisions of ST/LT T/TA to the same rural enterprises.

2. Mobilize private non-governmental funds for agricultural development in developing countries.

3. Help USAID missions institutionalize debt-for-development policies and procedures."

Project Outputs

The project's expected outputs can be broken into two broad categories: education and technical assistance. Each is described below:

Educational Outputs

A significant portion of the educational activities under the project were to be carried out by VOCA under subcontract to ACDI. The cornerstone of the educational activities would be the production and distribution of a technical video on debt for development swaps. In addition to the video, the project team would disseminate the "how-to" manual regarding debt conversion mechanisms ("A Guide to Debt-for-Development") which was produced under an earlier USAID agreement with the Overseas Cooperative Development Committee (OCDC).

Technical Assistance Outputs

Under the grant, ACDI/VOCA proposed utilizing funding to finance the development, preparation, and implementation of agricultural investment projects, primarily in Latin American debt-burdened countries, which would leverage debt into cooperative business and trade development.

Some of their initial targets included the following:

- preparation of ten concept papers - one for each potential deal that surfaces in the course of project activities;
- preparation of five bankable investment projects;
- completion of four deals, with the projects under implementation;
- receipt of four mission buy-ins; and
- location and participation of three investor/partners to finance debt conversion deals.

The project relied on some significant assumptions (some of which were included in the logical framework) that did not prove correct. These assumptions included:

- Locating eligible projects <u>with bona fide investors</u> would be relatively easy;
- Most developing country governments would be willing to approve debt-for-development deals; and
- USAID missions would be willing to buy into the centrally funded project and that they would be willing to allocate resources to fund the US dollar costs of specific deals.

The implications of these assumptions are discussed in more detail in the following sections.

III. Accomplishment of Grant Objectives

The educational activities under the project were quite successful. The work carried out by ACDI/VOCA, in combination with that of The Debt-for-Development Coalition and others has resulted in a significant increase in awareness of debt conversions within the cooperative community, USAID, and the development community in general. While ACDI/VOCA expended significant effort trying to structure debt conversion deals on behalf of cooperatives, factors outside their control precluded the successful completion of any major deals before the project end date.

The accomplishments of ACDI/VOCA in these two areas are described in more detail below.

Educational Activities

The project met all its objectives with respect to educational activities. The most significant achievement of the project was the completion of a 22 minute video which is an excellent primer on debt for development. The video was developed with a wide target audience in mind -- USAID missions, staff of development organizations, government and central banking officials, and other interested party. The quality of the video is high and this is confirmed by the fact that it is still being disseminated and used as a primer on debt-for-development by The Debt-for Development Coalition, one of the premier organization in the field of debt-for-development.

In addition to the video, ACDI was active in contacting cooperative agencies on an individual basis to promote the debt conversion concept. Written materials on debt conversions were also broadly distributed under the project. Under a previous agreement with USAID, OCDC prepared a document on debt conversions entitled "A guide to Debt for Development". During the ACDI/VOCA Innovative grant, the guide was subsequently translated into Spanish and French and distributed widely throughout Latin America and other developing countries.

The project had a particular focus on improving the knowledge base regarding debt-for-development within USAID. The guide and the video were distributed to all USAID missions which also received brochures describing the ACDI/VOCA joint initiative. Correspondence produced by ACDI, in part, gave USAID the impetus to clarify and disseminate more broadly its policies with respect to debt conversions. ACDI/VOCA was active in ensuring that this guidance was disseminated to the mission level.

Technical Assistance / Transaction Activity

The ACDI/VOCA proposal provides insight into the strategy pursued by ACDI (the party with principal responsibility) with respect to identifying and structuring viable debt conversion transactions under the grant:

> "...Activities will concentrate on identifying and putting together deals or projects in debt ridden Third World countries. Each potential deal or project will be developed from the initial concept stage through pre-feasibility and feasibility stage into a concrete project involving a foreign investor (possibly a U.S. agricultural cooperative), a local farmer group, and a debt swap and/or donation. USAID missions or other development agencies will be encouraged to participate through buy-ins to the grant or separate funding instruments..."

The project team identified and worked with over a dozen potential projects in trying to structure some sort of debt conversion / investment deal. While considerable effort was expended in trying to identify and structure viable debt conversion projects, various and differing factors prevented these transactions from being completed during the grant period. Receiving donations of debt which could be converted into local resources and the receipt of USAID mission buy-ins also both proved fruitless. In fact, because of these factors, most of the projects proved impractical during the initial stage of identifying the investors or resources. Most projects, therefore, never reached the stage of applying for and negotiating a debt conversion with the debtor government.

ACDI was able to complete feasibility studies for a number of countries. Some of the projects which were pursued are discussed below along with the reasons the projects were suspended.

Costa Rica - Coffee/Waste Caffeine Project. During 1989-90, the government of Costa Rica managed a successful debt conversion program. ACDI identified a potential investment project with the coffee cooperative federation in Costa Rica. The federation was interested in identifying an investor (an American company) for a joint venture to use coffee waste materials to produce caffeine and activated carbon (marketable products). The project originally envisioned an investment from a major US soft drink manufacturing company which would finance the local currency needs with a debt conversion. The local currency under the conversion would provide about 70 percent of the funds required to build the plant and the first six months working capital requirements.

The Bank for cooperatives in Costa Rica would serve as the intermediary and would buy the debt on behalf of the investor. Initial indications from the government were that the project would be approved. The project, however, never reached the application process.

After extensive effort, the project coordinators were unable to find an investor interested in the project.

Honduras - Fertilizer Bulk-blending Project. Honduran agricultural cooperatives distribute approximately 60 percent of the fertilizers in the country. Under this project, these cooperatives and their federations would form a joint venture with a US fertilizer manufacturer and distributor to construct a bulk blending facility. The portion of the local currency needed to construct the facility would be financed through a debt swap.

Again, in this case many of the pieces were in place. The government indicated preliminary interest and the financial analysis indicated a conversion would be favorable. The cooperatives were also in support of the project. It was not possible, however, to identify an interested investor.

Argentina - The APTLINK Project. Under this project, ACDI attempted to identify a citrus cooperative interested in investing in production in Argentina. The differences in seasons between the US and Argentina held potential for complementary growing seasons. Initially, several large cooperatives including Sunkist and Tri Valley Growers were interested. In addition, a bank had signed on for a minority investment of up to $ 5 million. When the final decisions were made, however, the US cooperatives voted against making an overseas investment.

Ecuador - Cooperative Banking. In Ecuador, USAID was asked to fund a conversion which would capitalize a small agricultural loan fund at a private, farmer-owned bank. The bank indicated a willingness to invest $ 1 million of its own funds. In the end, however, USAID Ecuador declined participation.

Peru - Debt-for-Goods Financing. In Peru, ACDI developed a concept paper for a debt-for-goods financing program on behalf of local agricultural cooperative. The swap would set up a revolving line of credit to be invested in the Peruvian production and export industry. USAID was not interested.

Paraguay - Debt Conversion Program Development. ACDI placed a part-time consultant in Paraguay to educate the government with respect to debt conversion. It was hoped that this would then lead to the development of a debt conversion program in Paraguay. After several months, it because apparent that the government was not interested in implementing such a program.

Dominican Republic - Agricultural Investment Fund. ACDI developed the concept of an agricultural investment fund financed by Dominicans living abroad. Dominicans in US who send funds to family members int he DR would send the funds via a debt conversion investment in tree farms. The investors would receive their funds in local currency as well as an equity position in the country. The USAID mission failed to express interest in the concept.

Uganda - Edible Oil Mill. ACDI worked with the Ministry of Cooperatives and Commerce on a project which envisioned the privatization and rehabilitation of edible oil mills in Uganda. The investors would purchase the oil mills from government and run them privately. The purchase of the mills would be through a debt conversion. The project was willing to consider the project as a debt conversion since it would not result in monetization - the assets to be provided were the mills. In this case, potential investors had been identified. USAID indicated it had resource available.

After considerable effort, a fact soon surfaced which essentially killed the deal. The government indicated that litigation was in process regarding the ownership of the mills which had been expropriated by the government from Indians several years ago. The project was suspended.

Bulgaria - Debt Conversion Program Development. Towards the end of the project, ACDI began working with the government of Bulgaria to set up a debt conversion program. One of the projects envisioned was the privatization of the poultry industry. The project also had the support of USAID. Activities could not continue, however, because project funding ended before activities could get underway.

Representatives of ACDI/VOCA travelled extensively in attempting to structure projects under the grant. Countries visited included Bolivia, Chile, Costa Rica, the Dominican Republic, Ecuador, Guyana, Paraguay, Peru, Venezuela, and Uganda.

ACDI also looked within its own portfolio to see if it could conduct a conversion in a debtor country with its own resources. Unfortunately, there were no countries which allowed debt conversions where ACDI's level of investment was large enough to warrant a debt conversion. A pooling operation (where ACDI and other organizations would pool resources and conduct a conversion) was considered in Costa Rica, but the government of Costa Rica suspended the debt conversion program before the deal could be assembled. In Honduras and Guatemala, most of ACDI's funds came through other prime contractors to USAID which made initiating a conversion cumbersome. ACDI was exploring a possible conversion in Bolivia when USAID began providing ACDI with local currency directly instead of US dollars. A conversion, therefore, would not be possible.

ACDI also made efforts to locate banks willing to donate debt to be used in debt conversions. Several banks were contacted and discussions initially looked promising. ACDI soon discovered, however, that the incentive for banks to donate debt was not as great as was initially expected. In fact, there may actually be a dis-incentive for banks to make donations. The accountants within the banks which were approached were concerned that debt donations would have an adverse impact on the valuation of the banks remaining portfolio of LDC debt, thus adversely affecting the banks financial position.

Summary of Major Difficulties

The project proposal states:

> "... no time will be lost in this project in identifying potential debt conversion partners among the agricultural cooperatives, agribusinesses, cooperative credit institutions and appropriate government officials. These contact networks are already in place..."

In fact, this proved to be the single most difficult aspect of the ACDI/VOCA project. While many of the pieces of the debt conversion puzzle were together for many of the projects, the missing piece was often the investor or source of funds. A list of the project's major difficulties would include:

- Locating <u>bona fide investors</u> proved difficult;

- Since relatively few developing countries actually have debt conversion programs, the project was limited in where projects could be proposed;

- USAID missions were not as enthusiastic about investing in debt conversions for cooperatives as expected;

- Banks were unwilling to donate debt; and

- The project had a period of approximately six months where the Project Director's slot was, in effect, vacant.

IV. Impact / Lessons Learned

Project Impact

The project has had a considerable impact in disseminating the debt conversion concept. The video which was produced under the project is still regarded as the best primer on debt-for-development. Many cooperatives, USAID missions, and government officials have a better understanding of the mechanics, benefits, and costs of debt conversions as a result of this project. As indicated earlier, USAID has clarified its position with respect to debt conversions, in part, as a response to ACDI's prodding.

In addition, ACDI has increased its institutional capabilities to include debt conversions. ACDI's debt conversion capabilities include being able to evaluate a potential debt conversion's impact on money supply, the benefit of a debt conversions for an investor and the debtor country, the mechanics of the secondary market for debt, and an understanding of which countries have viable debt conversion programs. These skills prove particularly useful in discussions of project design and evaluating privitizations. It would not be surprising to see these skills pay dividends at some point in the future.

Aside from the debt conversion strategy, this project also influenced the development of a new strategy for ACDI. In the past, ACDI was primarily a training and technical assistance organization. It now, however, is implementing several projects for cooperatives which have large components of investment analysis, investor identification, and deal structuring.

Lessons Learned

Surprisingly, this project did not fully test the debt conversion mechanism. Had the project been able to locate viable investors in more cases, it is possible that the individual deals still might have faltered because of the difficulties associated with conducting debt conversions. The lack of countries with bona fide debt conversions programs did, however, have an impact.

The major lessons learned under this project could be summarized as follows:

- ACDI was trying to put together deals that were attractive to multiple parties. The most difficult party to place in a deal was the investor. ACDI might have had more success had they found the investor first, and then let the transactions follow.
- Commercial banks are not as willing to donate debt as expected.
- Very few countries have effective debt conversion programs in place. Many of the countries which had attractive programs at the outset of the grant have since

changed the terms of their programs to increase the benefits of the program to the country, but decrease them from the perspective of the investor.

- The project time frame may not have been long enough to produce results. The deals considered had much longer incubation periods than anticipated.

- The project manager did not have banking experience, but experience with cooperatives and agriculture. This lack of banking experience may have been a weakness in locating financially attractive investment possibilities.

V. Budget Analysis

Project Period: July 1, 1989 - June 30, 1992

Budget Line Items	Budget Amount	Actual Expenses	Variance
Salaries	91,500	48,182	43,318
Fringes	22,875	11,891	10,984
Travel	24,858	51,291	(26,433)
Consultants	40,482	25,577	14,905
Other Direct Costs	2,479	6,211	(3,732)
Overhead	71,056	55,689	15,367
VOCA	34,750	37,580	(2,830)
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Total	288,000	236,421	51,579
	====	====	====

Discussion of Significant Variances:

On June 5, 1992, ACDI requested permission from USAID for a no-cost extension and a revision to the line item budget under the agreement. While USAID choose not to extend the agreement, no response was forthcoming regarding the budget revision.

Significant variations under the grant were as follows:

Salaries/Fringes - Since the project director position was open for a significant period of time and project activities did not materialize as quickly as anticipated, the line items Salaries and Fringe Benefits were not fully expended.

Travel - Analyzing the feasibility of investment/debt conversion projects required more on-site visits than originally anticipated. Travel expenses, therefore, exceeded original expectations.

Consultants - As indicated above, since potential investment/debt conversion deals did not materialize as quickly as anticipated, the need for personnel resources was diminished.

Overhead - Since the project was under-expended with respect to direct cost line items, there was a proportional decrease in expenditures for overhead.

VI. Appendices

Appendix 1 - Project Logical Framework Matrix

Appendix 2 - Project Brochures

LOGICAL FRAMEWORK MATRIX

PROJECT NAME: DEBT FOR DEVELOPMENT COOPERATIVE - ACDI/VOCA

PROJECT PERIOD: July 1, 1989 - December 31, 1990

GOALS	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
1. Improve the incomes of small farmers in countries where ACDI/VOCA are able to implement debt for development investment programs.	1. Incomes of those farmers participating in the project increase by 10 % per year or more over the first three years of operations.	1. Qualitative opinions collected by short-term volunteers, consultants or the PM/DDC in visits to participating enterprises.	1. A positive macroeconomic environment continues in countries where project is implemented. 2. Stable governments.
PURPOSES	**END OF PROJECT STATUS CONDITIONS**	**MEANS OF VERIFICATION**	**ASSUMPTIONS**
1. Strengthen developing country cooperatives, farmer associations, farmer owned agribusiness, and farming practices by helping to finance value added agricultural and food processing and marketing ventures and through the provision of ST/LT T/TA to these same rural enterprises. 2. Mobilize private non-governmental funds for agricultural development in developing countries. 3. Help AID missions institutionalize debt for development policies and procedures.	1. Improved business operations, increased capital assets, member equity, membership, business turnover, and general strength of cooperatives and other agribusinesses participating in the program. 2. A viable ACDI/VOCA debt for development program, adequately staffed, mobilizing significant debt paper for agricultural and agricultural cooperative development projects in LDC's. 3. AID missions involved in supporting TA and other efforts fortifying LDC debt swap partners so they can meet their management and technological responsibilities in the new business ventures launched under the project.	1. Financial statements, annual reports to stockholders/members, ST/LT consultant and advisor reports, supervisory visit reports, etc. 2. ACDI and VOCA annual reports and accompanying financial statements, debt swap documents, etc. 3. AID mission funding support and the corresponding financial documentation.	1. That a large pool of private debt exists, is capable of being swapped and commercial banks are interested in participating in deals. 2. That the new U.S. administration is favorably disposed toward the concept of debt for development. 3. That legislation in both the U.S. and developing countries continues to be favorable. 4. That North-South trade policies do not interfere with nontraditional exports from Third World developing countries.

LOGICAL FRAMEWORK MATRIX

PROJECT NAME: DEBT FOR COOPERATIVE DEVELOPMENT - ACDI/VOCA

PROJECT PERIOD: July 1, 1989 - December 31, 1990

OUTPUTS	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
1. Technical debt for development video.	1. One video.	1. Project reports, annual reports of VOCA/ACDI, financial statements of organizations, etc.	
2. Manuals disseminated.	2. One manual disseminated.		
3. Concept papers developed.	3. 10 papers.		
4. Bankable investment proposals.	4. 5 investment proposals.		
5. Deals finalized.	5. Four deals finalized.		
6. Mission buy-ins.	6. Four buy-ins.		
7. VOCA FTF and coop volunteers complete assignments in debt for development deals.	7. 30 FTF & 10 coop volunteers financed by projects/deals.		
8. LT advisors sent overseas.	8. Six LT advisors in field.		
9. ST consultants sent overseas.	9. 12 ST consultants sent.		
10. Debt department created and staffed.	10. One department with a coordinator.		
11. Improved business performance of cooperatives, associations or farmer owned enterprises. a. Assets increase. b. Key financial ratios.	11. 50 % increase in member business w/cooperative. a. 100 % increase in assets. b. Significant improvement.		
12. Partners/investors located.	12. Three investor/partners located and signed up.		

LOGICAL FRAMEWORK MATRIX

PROJECT NAME: DEBT FOR COOPERATIVE DEVELOPMENT - ACDI/VOCA

PROJECT PERIOD: July 1, 1989 - December 31, 1990

INPUTS

1. Debt for dev. coordinator hired as project manager.
2. Travel 110 days.
3. ST consultants to help arrange "deals" and prepare concept papers and studies.
4. Video.
5. Mission buy-ins.
6. VOCA farmer-to-farmer and cooperative assistance volunteers.
7. Institutional capabilities, good will, director time and involvement from ACDI and VOCA.

OBJECTIVELY VERIFIABLE INDICATORS

1-5. Budget outlays by ACDI, VOCA and AID missions.

6. Field placement of volunteers
7. Annual reports, boards of directors minutes, core grant reports, project reports documenting involvement. Not quantifiable.

MEANS OF VERIFICATION

1. ACDI records & reports.
2. ACDI travel expense reports.
3. ACDI consultancy log, ACDI records & reports.
4. VOCA/ACDI accounting records.
5. Buy-in PIO/T's, grant amendments.
6. VOCA progress reports to AID/W and its annual reports.
7. Annual reports and periodic project reports of ACDI/VOCA.

ASSUMPTIONS

1. Project is approved as requested.
2. Developing country governments are willing to approve debt for development deals.
3. USAID missions willing to buy into the centrally funded project and that they have sufficient resources to participate, covering U.S. dollar costs of specific deals.

Agricultural Cooperative Development International

Debt for Development Project

Goal: To directly increase the income of small farmers by financing the development, preparation and implementation of agricultural investment projects in select debt-burdened countries, primarily in Latin America.

Purpose: Production, processing, and export of non-traditional agricultural products and increased local sale of fresh and processed products not meeting export standards but available and plentiful at affordable prices.

Concept: Sovereign debt is the sum of loans made by private banks to sovereign nations. Documents evidencing an obligation of a country, are bought, sold, and swapped by investors and financial institutions. The price, set by market forces, varies depending on repayment history, investor confidence, a nation's economic condition, and many other factors. ACDI works in many countries which are heavily indebted and where prospects for repayment are dim. These conditions usually lead to a deeply discounted price on that country's debt. This scenario sets the stage for a possible debt for development swap.

A debt for development swap is a debt conversion that increases the resources available for a project by redeeming a country's debt for more than it costs to obtain it. The debt is usually purchased in foreign exchange and redeemed in local currency. Projects involve investments from U.S. sources, preferably in joint ventures with cooperatives and farmer enterprises in other countries. The process is extremely complex and can take considerable time to complete. The many and varied parties involved — host country policymakers and central bankers, international bankers who hold the debt, donor or funding organizations, local communities where the project will be carried out, and ACDI and its member cooperatives — must all be satisfied before a swap can be completed.

Results: In 1989 ACDI and Volunteers in Overseas Cooperative Assistance, (VOCA) designed and began the project involving cooperatives, banking institutions, and farmer organizations. ACDI staff have contacted a number of member processing and marketing cooperatives interested in global sourcing to meet growing domestic and international demands. These organizations analyze joint venture

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and investment possibilities in several Latin American and Asian countries and some are also interested in establishing long-term purchasing arrangements with ACDI-supported producer groups overseas.

Feasibility studies have been conducted in countries with debt for development regulations in place and where prime possibilities for processing and marketing operations and cooperative organization and strengthening work have been identified. One proposal has been presented for funding and debt conversion consideration and negotiations continue in other countries. It should be noted that in all the cases under review, the proposed activities complement services and products U.S. cooperatives provide for their members ensuring that these international linkages enhance their domestic services and profitability.

A video providing a clear understanding of the possibilities the debt for development mechanism offers NGOs involved in overseas development work and U.S. cooperatives interested in international investment and business opportunities has been produced by subcontractor VOCA.

Funding: United States Agency for International Development (AID/FVA)
$288,000
1989-1992

Robert Flick. The presidents of ACDI and VOCA are the other members of the PMC. COBANK will assist by providing advice and counsel through their membership on the PMC and professionals from COBANK will be available as consultants to interested investors and the project in general.

Q. Won't all this assistance to Third World farmers and their cooperatives harm U.S. agriculture?

A. No. To quote the U.S. Department of Agriculture "Developing countries are the most likely growth markets for U.S. agricultural exports. The best U.S. strategy for increasing the potential of agricultural exports to developing countries is to encourage economic growth in these markets, which will lead to higher incomes and increased food demand. Developing countries will then import more U.S. farm products to meet part of their increased demand" (Agricultural Information Bulletin No. 509, March 1987).

Q. What's my next step?

A. If you are interested in learning more or have a specific country or investment project you are interested in, contact Robert Flick at ACDI or Jack Carter at COBANK.

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For more information and details of how this innovative program may assist your offshore investment interests, contact:

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DEBT FOR DEVELOPMENT

An Innovative Service of

Agricultural Cooperative Development International

and

Volunteers in Overseas Cooperative Development

ACDI & VOCA

Assists Farmers and U.S. Agribusiness Interested in Investing in the Developing Countries

ACDI is affiliated with the National Council of Farmer Cooperatives

COBANK - a member of ACDI

A program partially financed by the Agency for International Development (A.I.D.)

DEBT FOR DEVELOPMENT

Q. What is it?

A. Debt for Development is an innovative concept of using Third World debt as a financial tool to assist U.S. farmers, farming corporations, agricultural cooperatives and others to invest in agricultural projects in selected developing countries. This investment benefits both the U.S. investor and the developing country partners.

Q. How does it work?

A. A U.S. investor contacts ACDI, which will locate potential partners in the targeted developing country. A concept paper leading to a feasibility study is prepared with assistance from ACDI international consultants and local specialists. ACDI will identify appropriate contacts in the target country - both with their government and ours and help facilitate the "deal."

Q. Where does the debt come in?

A. Third World debt paper is selling on the secondary market for a fraction of its face value. ACDI, with help from COBANK, will assist the investor purchase this debt at a discount and swap it for local currency in the targeted country. This local currency is used to finance part of the investment. There may also be a possibility that commercial banks will be willing to donate some of their nonperforming Third World debt instruments to ACDI. These would be "swapped" for local currency to help defray the costs of technical assistance and training to make the projects a success.

Q. ACDI and VOCA — What do they do?

A. It may be possible for ACDI and/or VOCA to provide short-term consultants or long-term resident technicians in the target country to assist with start-up and implementation of the project; principally to provide technical assistance and training to the local partners in production agriculture, management, planning, organizational development and related areas. This will depend upon whether or not the project is able to attract donor financing for these services.

Q. ACDI and VOCA — What are they?

A. ACDI is a non-profit technical and management assistance organization created in 1968 by the leading U.S. agricultural cooperatives and farmer organizations. It's mission is "To foster economic development and trade relationships by improving the income and well-being of farmers worldwide, particularly in developing nations, through a sisting in the organization and use of membe owned agricultural and credit institutions." ACDI is affiliated with the National Council of Farmer Cooperatives, the Farm Credit Council, the American Institute of Cooperation and has over 40 members, including the leading U.S. farmer cooperatives, Farm Credit Banks and other national farmer organizations.

VOCA is a non-profit technical assistance organization which sends U.S. volunteers overseas to assist developing country cooperatives and related organizations. Another popular VOCA program sends U.S. farmer volunteers abroad to assist farmers and their organizations in Third World countries.

Q. COBANK -- What is it and how is it involved in this program?

A. COBANK is the major U.S. Farm Credit System's cooperative bank. It evolved from the former Central Bank for Cooperatives and the merger of 10 cooperative banks into one national cooperative banking institution. It provides international banking services to U.S. cooperatives. COBANK is a member of the ACDI DFD Project Management Committee (PMC), which serves as the "board of directors" for the DFD project headed by