

## EXECUTIVE SUMMARY

ISN - 48216

This evaluation of the National Cooperative Business Association's (NCBA) Cooperative Program Support Grant (CPSG) was carried out during the period of February 18 through March 4, 1992. The evaluation was requested by NCBA and AID, Bureau for Food and Humanitarian Assistance, Office of Private and Voluntary Cooperation (AID/FHA/PVC). The purpose of this evaluation was to determine progress made in achieving the stated program objectives, assess the impact of the core grant on the NCBA's institutional capability and assist the staff to identify recommended mid-course corrections to more effectively achieve grant objectives.

In March of 1989 NCBA and AID agreed to a five year Cooperative Agreement in the amount of \$4,250,000, in core funding, under AID's Cooperative Program Support Project. Its purpose was to support NCBA's ability to strengthen and expand the role of private cooperative businesses in developing countries through (1) developing and designing projects that promote sound, economically viable cooperative business activities, (2) enhancing NCBA's institutional capability to systematically monitor and evaluate and support cooperative development projects, and (3) providing a set of in-house technical assistance skills.

During the course of this evaluation we found:

- ▶ NCBA is using grant funds correctly and judiciously. International Development Division staff regard grant funds as tax-payer's money and are committed to make the most effective use of those funds entrusted to them.
- ▶ Successful accomplishment of NCBA's project outputs should result in meeting core grant objectives. The information reviewed indicates that NCBA has met nearly all its mid-grant indicators.
- ▶ NCBA has developed and articulated a standard approach and methodology for its programs which it is applying in all its Africa programs and will be the standard for all NCBA international cooperative development activity.
- ▶ NCBA took a major step in developing better understandings throughout the organization of the role of the International Development Division and brought an understanding of the Domestic side to International. There remains within NCBA, however, some different institutional cultural values which influence how the organization carries out its business and how various units communicate and relate with one another.
- ▶ NCBA finished its 1991 fiscal year with a positive fund balance.

## **RECOMMENDATIONS**

- We believe that NCBA would be well served by examining some of the issues that have arisen out of different institutional visions and operating cultures.
- We recommend that NCBA develop a phased financial plan and a strategy that gradually replaces core grant funding with funds from other sources to ensure that critical International Development Division staff and activities, now supported by the core grant, can be continued in the face of diminishing core grant funding.
- We recommend that NCBA develop the institutional capability to build budgets and monitor expenses on a programmatic basis.
- We recommend that NCBA move ahead to fill the management position in the International Development Division and, in the process, analyze the skills and experience requirements of the Division for this position.
- We recommend that NCBA and AID explore the possibility of an amendment, at no additional cost, which would allow reallocation of a small amount of grant funds to support project follow up and learning activities.

## **I BACKGROUND AND INTRODUCTION**

Founded in 1916, as the Cooperative League of the USA (CLUSA), the National Cooperative Business Association (NCBA) represents a broad spectrum of America's cooperative business community. Among the NCBA members are found farm-supply, agricultural marketing, insurance, banking, housing, credit unions, goods and services, electric and telephone, state associations and other types of cooperatives a membership of approximately 60 million across the United States. NCBA seeks to serve its membership through:

- representation and a strategic presence in Washington, D.C. before Congress and federal agencies;
- assistance to develop and expand cooperative businesses in the US by providing training, materials, publications, and technical information to cooperatives and the general public;
- promotion of international commerce, banking, insurance and trade and joint venture opportunities by and within the worldwide cooperative movement;
- development and strengthening of cooperatives in the developing world through training and technical assistance;
- its role as a key member of the U.S. cooperative business community in the international arena as one of the U.S. members in the International Cooperative Alliance.

NCBA is comprised of three organizational components and has approximately 38 employees in the Washington office and 15 expatriate staff. The organization has an Executive Office and two operational arms. The Division for Public Policy, Membership and Communication (Domestic Division) is responsible for (1) representation of its broad spectrum of members with legislative and regulatory bodies and with the public, (2) building the membership base, (3) communications and publications, and (4) services to US cooperatives.

The Division for International Development and Finance is responsible for (1) financial management of the organization, (2) the promotion of trade and commercial opportunities for cooperatives around the world through Cooperative Business International (CBI), a for-profit arm of NCBA, and (3) the design and management of international cooperative development programs and projects through International Operations. It is the

International Development Division that has the responsibility for carrying out and managing the activities supported by this Cooperative Agreement.

One other related entity of particular importance to NCBA's international work is the Cooperative Development Foundation (CDF), a not-for-profit foundation that receives tax-deductible contributions to support cooperative development in the US and overseas.

In March of 1989 the Agency for International Development, Bureau for Food and Human Assistance, Office of Private and Voluntary Cooperation (AID/FHA/PVC) approved a five year Cooperative Agreement with NCBA. The Agreement provided core grant support in the amount of \$4,250,000 under AID's Cooperative Program Support Project.

The goal of the Agreement is to strengthen and expand the role of private cooperative businesses in lesser developed countries. The purpose is to enhance NCBA's capability to design, develop and manage cooperative business projects and to create innovative program approaches.

Principal activities under the Agreement include:

**Program Development:** the development and design of projects and programs that promote sound, economically viable, private sector cooperative businesses through training and technical assistance;

**Organizational Enhancement:** including (1) the establishment of a systematic research and evaluation capacity and (2) diversification of project funding and promotion of cooperatives as an important rural development strategy; and

**Limited Program Services:** a set of in-house technical assistance capabilities that include gender-specific studies, feasibility studies of international trade possibilities involving at least one cooperative partner, exploring new types of cooperative development, i.e., worker-owned businesses, and collaboration with the Cooperative Housing Foundation in selected housing and home improvement programs.

The Agreement called for a mid-term evaluation and in February, 1992 AID/FHA/PVC and NCBA agreed on a scope-of-work and NCBA hired a consultant to head the evaluation team. The evaluation was carried out during a seven day period during the last two weeks of February.

## II SCOPE OF WORK AND METHODOLOGY

### A. Scope-Of Work

The scope-of-work for this mid-term evaluation was jointly agreed upon by AID/FHA/PVC and NCBA (see Appendix A). This evaluation reviews the status of grant funded activities in order to:

- determine the progress towards achievement of stated program goal, purpose and activities;
- assist staff identify mid-course corrections to more effectively achieve grant objectives;
- identify particular strengths and weaknesses in the implementation of this agreement;
- determine International Development Division staff willingness and ability to learn from experiences under implementation of this grant;
- assess the clarity of NCBA overall institutional objectives and belief in the role for cooperatives in the development process; and
- evaluate NCBA grant management capability, including resource use.

### B. Methodology

This evaluation was entirely conducted at NCBA's Washington office over a seven day period and relied on two primary sources of information -- document review and interviews.

1. Document Review: This component focused on a comprehensive review of files and documents maintained by the International Development Division and other NCBA institutional records and promotional materials including (a) the institution's approach to development, (b) grant proposal, agreements and amendments, (c) management information system information and reports, (d) previous evaluations and other relevant materials. A list of the documents and materials reviewed can be found in Appendix B.

2. Interviews: Interviews were a primary source of information and included (a) NCBA management and Chair of the International Committee of the Board, (b) International Development Division management and staff, (c) two field staff, and (d) other NCBA staff. A list of the people interviewed can be found in Appendix C and a sample of the interview questions in Appendix D.

The evaluation team consisted of the AID Project Officer, NCBA Senior Vice President, International Development Division, NCBA Director of International Operations and an outside consultant.

### **III ORGANIZATIONAL CAPACITY**

#### **A. Vision and Mission**

The objective of NCBA's international work is "to strengthen and expand the role of private cooperative businesses in less developed countries." NCBA's programs and projects seek to empower people through the creation and strengthening of democratically controlled, economically viable, private cooperative businesses. The major emphasis for NCBA is that economic activity and associated benefits are focused on groups rather than individuals. NCBA sees its involvement with groups and cooperatives as long-term. NCBA seeks to work with primary societies, grass-roots organizations and small-scale farmer associations.

Under the current core grant the International Development Division undertook an exercise in September, 1990 to see if the underlying values of the organization and its operating culture were consistent. They examined the values and culture of the Division, with the understanding that if values, culture and behavior were not in sync then the Division would encounter difficulties functioning effectively. The Division decided it needed to apply the same principles in its own operation that it espoused for organizations in the developing world. It set for itself high values and standards based on open and transparent management, dedication to service and support of its field activities, a sense of frugality and stewardship of tax-payer's dollars, and an insistence that the focus of attention in the field be directed toward local organizations and local accomplishment.

Interviews with International Development Division staff demonstrated that these values are deeply held and, to a great extent, dictate how the Division carries out its work. It is not clear to what extent these values are as clearly understood or as deeply held within the organization as a whole. Unlike many of its sister Cooperative Development Organizations, which focus solely on international operations, NCBA has two different and distinct areas of interest and operations, Domestic and International. Concern was expressed that serving these two constituencies place very different demands on NCBA which makes for a complex operating environment and fosters different institutional cultural values.

Because there are different institutional cultural values NCBA should consider the clarity and unity of message and image it wants to communicate externally, especially within AID Washington and AID Missions. There are instances of internal communications getting crossed up which led to mixed messages being received externally. NCBA can minimize the potential for this kind of difficulty by ensuring clear and consistent internal communications, mutual knowledge and understanding of organizational goals, objectives, values and methodologies and informed, coordinated contact with the external environment.

## **B. Role of the Cooperative Agreement**

The core grant allows NCBA to maintain a qualified and motivated staff in the International Development Division. It permits NCBA to undertake a series of centralized activities that benefit each of their independently funded field activities but cannot be charged against them and for which there are no other sources of funds. It provides continuity and supports NCBA's ability to search out and develop projects within its own values. Through core grant funds NCBA has enhanced its ability to support projects and is currently working on a methodology and systems to better monitor and measure project progress and impact. The core grant permits NCBA to liaison with international community, including other CDOs and to collect and share information.

The core grant provides for buy-in and add-on mechanisms which allow AID Bureaus and Missions to fund activities which they are interested in having NCBA carry out and which are consistent with the activities funded by the core grant. Buy-ins and add-ons have provided NCBA access to additional financial resources (see list on page 26). NCBA's experience has been that AID's processing of these mechanisms has been timely.

There are, however, two concerns. (1) Add-ons only cover activities that are included in the original grant; and (2) the window of opportunity is time-limited to first half of the fiscal year, anything after that needs to await clarification for funding in the following fiscal year.

NCBA is interested in other possible mechanisms for quick response and turn-around for AID funding of activities that are mutually beneficial. NCBA is interested in exploring an IQC relationship with AID that would permit greater latitude and a wider window of opportunity.

The International Development Division is fully aware that any future core grant funding will most likely decrease. There are clear indications of reductions in AID/FHA/PVC's overall funding along with increasing demands on the funding that is available. Funds will continue to be available for the Cooperative Development Organizations but the level of funding for the next core grant will probably not be at the same level as the current grant.

We recommend that NCBA develop a phased financial plan and a strategy that gradually replaces core grant funding with funds from other sources to ensure that critical International Development Division staff and activities, now supported by the core grant, can be continued in the face of diminishing core grant funding.

## **C. Staffing**

### **1. International Development Division**

The International Development Division currently has 11 employees as follows:

#### **Headquarters**

- Senior Vice President, International Development Division, Finance Division and CBI - responsible for management of the Division
- Director, International Operations - manages the day-to-day program operations and supervises headquarters and field staff
- Deputy Controller - manages contract activity and grant finances
- Director Program Development - manages recruitment
- Management Operations Assistant - provides specific support to the Senior Vice President and general support to the Division
- Administrative Manager - provides project support and backstopping to Africa and others
- Administrative Manager - provides project support and backstopping to Latin America and others
- Training Specialist - provides training technical assistance to projects

#### **Africa Office**

- Director, Africa Regional Office - manages and supports NCBA projects in Africa and develops new project initiatives
- Training Advisor - provides training assistance to projects and assists the Director/Africa with project support

The International Development Division is not structured in a very hierarchical way. The organization and personalities of the Division encourage maximum participation of all staff, in fact, the small size of support staff and their work loads require it. It is this aspect, plus a high degree of motivation, that allows a small staff to successfully manage a heavy work load. Everyone is aware of on-going issues and field needs, all have a broad understanding of the programs and projects and all contribute in ways far beyond what job descriptions or supervisors require. The ethos of the International Development Division places a high value on high quality and timely field support which is both professional and personal in nature.

The current level of staffing is meeting needs of NCBA's field projects. Conversations with two field based people confirm this, however, both raised questions about

International Development Division's absorptive capacity. Observations and interviews with staff indicate that all are working to capacity and particularly note the heavy workload on the Director for International Operations.

Three major personnel changes over the past 18 months have greatly affected this situation. First, a decision was made to set up an office in Africa with the Director for Africa to be stationed in Ouagadougou. While most of the functions regarding support of the Africa program went with him to the field, a certain amount of field support fell to the DC staff. Further, by being in Africa and concentrating solely on the Africa program, he is no longer available to share the workload nor to contribute in a direct or on-going manner to organizational planning, strategy development and learning. He does, however, maintain close contact with headquarters through twice-yearly visits, frequent phone conversations and the sharing of documents back-and-forth.

Second, the Director for Latin America resigned. That left the International Development Division without Latin America program expertise and one less person to pick up on and share the workload. NCBA essentially left this position unfilled. An additional person was hired to manage its small-enterprise activities but has since resumed his consulting business.

Third, NCBA named the Senior Vice President for the Domestic Division to head the newly created International and Finance Division. This appointment has done several things for NCBA. It took a major step in developing better understandings throughout the organization of the role of the International Development Division and brought an understanding of the Domestic side to International. It merged the management of international projects and CBI under one person who brought a "bottom line" focus to international operations.

NCBA recognizes, and the evaluation team concurs, that there is a need for an additional management-level staff in the International Development Division. A review of core grant budget and expenses indicates there are sufficient funds left in the grant to support this position. With the Senior Vice President for International and Finance having responsibilities for oversight on CBI and the Finance Office there is still a need in the International Development Division for someone to assume responsibilities for day-to-day Division management.

We recommend that NCBA move ahead to fill this position. In the process NCBA should analyze several institutional issues which will help define the kinds of skills and experience the Division needs in this position. Among them are:

- a. Grant Management and Compliance: post-project audits have taken quite a bit of time (Equatorial Guinea as example) during the past year. Inspection, monitoring,

review, ensuring compliance and evaluation is growing function of the DC staff, especially as program volume grows. How much of this will be vested in the Deputy Controller and what will be the role of a new Division management person?

- b. Strategic Program Planning: much of the Division's work is, by nature, responsive. Responding to requests and needs from the field; responding to program opportunities that develop through AID/Washington Bureaus or in regions not specifically covered by designated staff. Does this response mode leave sufficient time to think strategically? Does International Development Division have the capacity to get ahead of the curve and think through project issues with project managers and staff, especially before they become problems or major issues? What skills would be required in a management person to respond to these needs?
- c. Latin America: currently NCBA does not have a strategy for program growth in Latin America, a seemingly natural market for growth potential. The extent to which a new management-level person should have Latin American experience depends on the real growth potential in Latin America, including the potential to get support through AID Mission funding.

## 2. Project staff

To meet the technical needs of field-based projects NCBA recruits short-term consultants, about 30-40 per year. NCBA uses short-term consultants to respond to specific requests from projects, as members of project design teams or to do evaluations. To manage its long-term field projects NCBA recruits and fields Project Advisors, up to 6 per year, depending on the number of new projects that are being initiated.

One of AID's on-going interest in cooperative development is the extent to which experienced people from the U.S. cooperative movement can be used to provide assistance and advice to cooperatives in the developing world. NCBA has found there are several constraints to recruiting staff from the ranks of U.S. cooperatives, which include:

- Many contracts and grants require prior overseas experience which few people available from within the US co-op community have. There is a groundswell, however, within the US cooperative movement for support to the emerging cooperatives in Central and Eastern Europe and NCBA feels there may be more opportunities to use people from US cooperative community, as it has with its American Cooperative Enterprise (ACE) Center in Central Europe.

- Language ability is often a constraint set up by in-country and/or donor expectations;
- The U.S. cooperatives often have difficulty releasing people for the required amount of time.

During the course of this grant NCBA has employed overseas staff out of the US cooperative movement. Seven out of 34 short-term consultants and one out of 17 Project Advisors have come from this sector.

From their experiences fielding and supporting long- and short-term field personnel, NCBA has adopted the following four personnel measures:

- ensuring that people have appropriate sensitivity to living and working in the developing world, in addition to the requisite technical skills ;
- ensuring that people are oriented to NCBA's approach and are capable of working within those parameters;
- getting people who can adapt their US experience to local needs, and local conditions;
- bring all people through the DC office for orientation prior to travel to the field.

## **D. Decision Making, Planning and Allocation of Resources**

### **1. Planning Process**

NCBA has a five year Business Plan which guides and directs the organization. The Plan states the organizations goals, objectives and strategies. This plan is, in turn, supported by the plans of the operating divisions. Each division develops its own action plan and from these budgets and revenue projections are developed. Each year the plan is reviewed and adjusted to reflect changing conditions and environment.

The up-dated strategic plan for the International Development Division lists its goals for the five year period 1992 - 1996 as follows:

- to have 16 new projects with a total value of \$48 million
- to be operating in 8 new countries
- to have secured project funds from 4 new sources other than AID
- to have completed 5 Coop-to-Coop linkages
- to have reached total annual revenue growth of 5% per year

The plan goes on to outline International Development Division's strategy and plan of action for 1992 as well as its budget and plans for monitoring results. Each field project and the Africa Field Office also prepare annual action plans which are submitted along with any revisions to their projected budgets.

Based on annual action plans for HQ and the field, including the objectives of the Cooperative Agreement, time, money, travel resources are allocated to accomplish those objectives. The International Development Division holds quarterly meetings to review project and program activities, including project performance, budget, expenses and funding, and personnel issues and needs. Included in these meetings are staff from the International Development Division, Finance and CBI.

## 2. Decision Making

The process of decision making in the International Development Division has matured significantly over the past several years, especially dealing with difficult personnel decisions. In the past, when faced with difficult personnel decisions, NCBA tended to base its decisions more out of compassion for the individual affected than the needs of the program, certainly a humanistic approach taken by many PVOs. Once the International Development Division had a clearer idea of its vision and operating culture it brought questions concerning cost/benefit of project field staff and accountability into clearer focus. It is expensive to maintain expatriate project staff overseas. The International Development Division, therefore, has developed high expectations of performance in return for that investment. Recently the International Development Division has made field personnel decisions based on bottom line performance with the understanding that being able to meet performance and accountability standards are part and parcel of the "well being" of the staff member as well as the project.

## E. Grant Management and Financial Issues

### 1. Financial Reporting Systems

Financial record keeping and reporting is accomplished at several different levels with all reports and backup documentation reviewed by headquarters staff. Field accounting is completed and financial reports are prepared by local staff, trained by NCBA/HQ staff in NCBA/CLUSA accounting and reporting procedures, and reviewed and approved by Project Directors prior to being submitted to Washington. Administrative Managers review the reports for completeness, accuracy and compliance. Any questions or issues which may arise are resolved within the International Development Division by the Deputy Controller and the Director for International Operations. Expenses are coded and financial reports are forwarded to the NCBA Finance Office for entry into the General Ledger. Expenditures under the Cooperative Agreement are monitored and managed by the Director for Operations and the Deputy Controller and approved by the Senior Vice-President. Staff time is monitored and tracked through timesheets and allocated to appropriate grants, including the core grant, by the average number of hours per week dedicated to activities supported by the grants.

Grant financial reporting is by consolidated line items corresponding with the "Budget Summary - By Line Item" prepared 6/6/89.

Table 1 - Summary of Budget and Expenses for Years One and Two of the Agreement

Category	Total Budget Years One & Two	Total Expenses Years One & Two	Per Cent Under(-)/Over(+)
Salaries	\$ 497,126	\$ 371,668	-25.2%
Fringe	91,430	65,430	-28.4%
Consultant	129,588	102,641	-20.8%
Travel/Per Diem	291,428	138,921	-52.3%
Other Direct	191,386	121,978	-36.3%
Overhead	444,345	324,060	-27.1%
Subcontracts	10,500	19,585	+ 86.5%
Equipment	7,400	9,108	+ 23.1%
G&A	36,788	30,598	-16.8%
Total	\$1,700,000	\$1,183,989	-30.4%

Expenses information was taken from NCBA's Annual report to AID

For the first two years of the Agreement NCBA is under budget by about 30 per cent. There are a number of reasons to explain the difference.

- The grant agreement evenly divided the budget among each of the five years.
- NCBA had planned for lower expenses in the first three years and higher expenses in years four and five.
- The project start date was delayed from June until September.
- A few planned activities have been postponed. One example is the gender-related studies which NCBA had originally planned for Equatorial Guinea.

Differences in planned and actual activities will be discussed in later chapters of this report which deal specifically with the activities supported by the core grant.

NCBA International Development Division conserves and husbands its use of core grant funds. International Development Division staff believe strongly that these funds represent tax-payer monies and are cautious and conservative in their expenditure. In the case of the gender-related studies, for example, the conditions were not appropriate to conduct the studies as originally envisioned. New plans have been made to complete this

activity, but in a different country. The groundwork is now being prepared with project participants and NCBA/CLUSA staff to complete these studies within the period of the grant.

In cases where the International Development Division is able to save money, it is viewed as an opportunity to enhance or augment other core grant activities, especially service delivery, market penetration, or increased program development.

## **2. Program Budgeting**

While NCBA maintains and reports grant financial information by consolidated line item, the original proposal contained functional program budgets which correspond to the main program elements supported by this grant:

- Program Development
- Organizational Enhancement
- Resource Enhancement
- Limited Program Services
- Evaluation
- Program Management

During the course of the evaluation, the team discussed the utility and accounting feasibility of monitoring and reporting expenses, by line item, within these functional program categories. It was agreed that a program approach to budgeting, monitoring and reporting expenses would be a more effective system by which to allocate resources to various program components, to track expenses and more clearly identify the magnitude of effort, to assess the completion of project components against their associated costs and to assess the cost effectiveness of various program components.

It was acknowledged that the current accounting system was not geared to capturing and allocating costs by program component and that it might be a time-consuming effort to change course at this time. It was further acknowledged, however, that any requests to AID for further funding would require functional program budgets as part of the proposal and the institutional capability to track and report expenses against those proposed program budgets.

We recommend that NCBA developing the institutional capability to build budgets and monitor expenses on a programmatic basis.

#### 4. Sources of Revenue

The financial statement for the twelve months ending December 31, 1991 shows a drop in the amount of project funding of about \$3,779,000 from 1990 levels. This is primarily due to a one time \$3,000,000 transfer of PL480 funds to the Indonesia program in 1990. The remaining \$779,000 primarily represents funding for projects which were on-going in 1990 but terminated in 1991. Replacement projects are in the proposal stage and have not yet come on line.

NCBA needs to consider closely monitoring the revenue implications of project completions and new project start-up. Approximately 74% of NCBA's administrative and management costs are supported by overhead generated by field-based projects. As the project base declines the overhead rate will increase unless the overhead pool is reduced or a compensation is made in the base through an increase in domestic expenses. In the absence of long-term planning and revenue analysis which focuses, in an integrated way, on (1) project completions and new project start-ups, (2) revenue from CBI and (3) Domestic expenses, NCBA could find itself in a deficit situation once again.

Table 2 - Source of NCBA Revenue (from NCBA Audited Financial Statement, December 31, 1991)

REVENUES	Total 1991	Total 1990
Dues	\$ 740,000	\$ 724,000
Projects	8,166,000	11,945,000
CDF Fee	90,000	80,000
Commissions	529,000	224,000
Adv and Pub Sales	31,000	41,000
Annual Meeting	30,000	29,000
Subtenant	78,000	71,000
Other	136,000	142,000
<b>Total Revenues</b>	<b>\$ 9,800,000</b>	<b>\$ 13,256,000</b>

## 5. Direct and Indirect Costs and Overhead

The original grant agreement sites NCBA's Negotiated Indirect Cost Rate - Provisional as follows:

<u>Type of Rate</u>	<u>Rate</u>	<u>Period</u>
Provisional		
Overhead	37%	1/1/88 until amended
Base: Total Direct Costs excluding equipment, non-expendable property, subcontracts and sub-grants, and in-country training costs.		
NB: Total Direct Costs means all the direct costs of the organization, including the Domestic Division.		
G&A	3%	1/1/88 until amended
Base: Total direct costs for contracts and grants.		
NB: The G&A base also includes equipment and in-country training.		

The negotiated indirect cost rate has been amended several times subsequently.

It is important to note that NCBA's indirect cost rate is comprised of two elements, overhead and G&A. They are calculated on different bases and go to cover different costs.

- a. Overhead: Overhead is charged on direct project costs (modified direct costs), i.e., staff salaries and benefits, travel, consultancies, project office expenses, etc. No overhead is charged on project equipment purchases, sub-grants and in-country training expenses.

Overhead generated by AID grants, including the Cooperative Agreement, goes to cover the expenses in NCBA's indirect cost pool which covers the administrative and management costs of the organization. Examples of expenses in the Indirect Cost Pool include:

- Governance
- Executive Office
- Finance & Accounting
- International Relations
- Administration Division
  - \* Office Services Center
  - \* Rent

- b. G&A: G&A is charged on all direct project costs plus equipment, sub-grants and in-country training. G&A is not charged on overhead.

The G&A from grants and contracts goes to cover the costs associated with direct support of projects funded by those grants and contracts and represents costs that other organizations often direct charge to grants.

NCBA's combined negotiated indirect cost rate at the start of the grant was 40%. One NCBA objective in 1991 was to lower the indirect costs rate. Although NCBA was able to reduce its costs by some \$200,000 the overhead rate increased to 42.43% and the G&A increased to 4.2%. This is due, in part, to:

- a. additional expenses assigned to the indirect cost pool;
- b. NCBA's anticipated revenue from dues fell short of its target; and
- c. indirect costs were spread out over a smaller base because:
  - projects have terminated and replacement projects have not yet come on line;
  - some project expenditure was slowed because of program decisions;

83% of NCBA's revenue is generated by grants and contracts, primarily from AID funded projects which have been developed and are managed by the International Development Division. Indirect expenses for 1991 totaled \$2,073,074 of which \$1,542,927, or 74.4%, was contributed from grants and contracts. The work performed by the International Development Division supports an inordinate burden of the indirect cost pool.

The evaluation team concluded that the International Development Division contributes a much more significant portion of the indirect cost pool than it draws from NCBA services. Several concerns were raised in this context.

- a. Rent: One hundred per cent of NCBA's rent is allocated to the indirect cost pool. Thus, overhead generated from field projects is paying for approximately 74% of

NCBA's rent while the International Development Division occupies approximately 20% of the office space.

- b. Equitable standards: A concern was raised regarding travel expenses covered by the indirect cost pool. Air travel directly paid for out of a US Government grant must be economy class, with few exceptions that are clearly defined. It appears as though air travel paid for by dues or the indirect cost pool is not subject to the same regulations, even though the Personnel Policy Manual (1985) directs it should be.
- c. Undesignated funds: All of the funds available to the International Development Division are restricted for specific designated activities by the conditions of the various grants, including the core grant. There are no undesignated funds available to undertake small, discrete activities which would be beneficial to the organization. While NCBA covers its match requirements under a Matching Grant for Project SUSTAIN, presumably out of member dues or other miscellaneous revenue, it makes no undesignated funds available to the International Development Division. Project SUSTAIN is managed by the Domestic Division.
- d. Competitive rate: NCBA's indirect cost rate at the start of the grant was generally competitive, in comparison with other CDOs. Other CDOs use all of their overhead to promote and support their international programs. A good portion of NCBA's overhead underwrites costs for both international and domestic operations.

NCBA has encountered difficulties attracting United Nations funding because of the level of indirect costs charged to grants and contracts.

## 6. Overall Financial Picture

NCBA's overall financial picture for the year ending December 31, 1991 looks much healthier than the previous year. During 1991 NCBA went from a fund balance deficit of (\$364,400) to a positive fund balance of \$237,800. This was primarily accomplished because of the reduction of long-term debt, an increase in commissions earned by CBI, and revenue from dues increased slightly.

## **F. Role and Involvement of Membership**

### **1. NCBA Membership and Board**

The cooperatives which form NCBA's membership are varied, from very large commercial operations like Land O'Lakes, Inc. and Nationwide Mutual Insurance Company to local neighborhood cooperatives like Cape Ann Food Cooperative and Open Harvest Food Co-op & Bakery. Among NCBA's members are found farm-supply, agricultural marketing, insurance, banking, housing, credit unions and state leagues of credit unions, goods and services, electric and telephone, state associations and other types of cooperatives servicing approximately 60 million members across the United States. It is a broad constituency with many different interests that NCBA represents. In 1991 member's contributed \$741,000 in dues to NCBA. This amounted to about 8.5% of NCBA's total revenue (see graph on page 42). NCBA's goal for 1992 is to increase the amount of dues contributed to \$810,000.

NCBA's Board of Directors is comprised up of 56 members who convene three times per year. The International Committee, a sub-committee of Board made up of 18-20 members, was formed in 1991 with the merger of the International Development Committee and the International ICA Committee. An interview with Mr. Molz, Committee Chair, indicates that the Committee, and indeed the Board as a whole, has a much better understanding of the financial contribution generated out of international programs and share staff's belief that NCBA members need to be more involved in NCBA's international activities.

Mr. Molz wants to expose as many member Directors as possible to international activities and to the potential for coop-to-coop activities. NCBA members have indicated they want more exposure to international activities and markets. They want to participate more. The challenge for NCBA is how to structure opportunities that meet both the needs of cooperatives in the developing world and the needs of US cooperatives while maintaining the standards established by the International Development Division for international programming.

Cooperatives are beginning to see the potential for international trade opportunities and reciprocal markets. Nowhere does this seem more evident than in the rapidly emerging and fairly deep interest of the US cooperative community in Central and Eastern Europe. Like many other US citizens, cooperative members are moved by humanitarian concerns. The US cooperative community is increasingly interested in strengthening the cooperative movement in developing countries. It seeks to do this by combining its humanitarianism with a hard look at the economic benefits resulting from building strong, economically viable cooperative businesses in the developing world.

## 2. Role for US Cooperatives

AID has traditionally seen cooperative development as involving and tapping into the resources of the US cooperative community. Likewise, NCBA sees its membership as one key to the future viability of its international programs. It is a vast resource waiting to be tapped. NCBA's Domestic side provides the International Development Division with access to members and feedback from members on their interest in international activities. Three areas for potential involvement of NCBA's membership are:

- individuals with skills and experience recruited from US cooperatives;
  - co-op to co-op ties developed between US cooperatives and cooperatives in the developing world; and
  - programs which link both US cooperative financial and human resource with the process of cooperative development in the developing world.
- a. Recruitment: NCBA has not developed the close ties and coordination required to recruit technical expertise from the US cooperative sector. Experience has shown that developing cooperatives respond very positively to technical assistance provided by someone with actual experience in and ties to a cooperative. International Committee Chair, Otis Molz has been to Central America several times. His advice and recommendations have been enthusiastically received, in spite of a language barrier, because they were practical, no nonsense approaches derived from his own experiences.

The International Development Division recognizes the need to improve its ties to NCBA members. The Division also recognizes that it has not planned sufficiently or has used its time well enough in this area. Along with recognizing the potential, the Division is aware of the costs associated with cultivating its members.

- b. Co-op to co-op: Two key elements in fostering a co-op to co-op relationship seem to be (1) some sort of personal contact and (2) that the relationship be developed around accomplishment of concrete objectives.

Most co-op to co-op relationships that are long-term begin through some type of personal contact. Otis Molz had a personal experience with Cooperativa Santa Clara in El Salvador and has since involved his own cooperative, Garden City, in a co-op to co-op relationship. NCBA has its US membership and international linkages through which those contacts can take place and be nurtured.

One strategy to build closer ties between NCBA members and cooperatives in the developing world is to strengthen the capacity of member cooperatives to work directly with AID in international development. NCBA could then be sub-contracted to provide technical assistance, as needed, to support the member cooperative's development program. A second strategy could be for NCBA to receive funds and then sub-contract members to carry out specific cooperative development activities. For example, Farmland Industries, Land O'Lakes, and other NCBA members currently have their own international business initiatives and receive support for these initiatives from international staff.

- c. Linking financial and human resource: With the support of AID, and nine members, NCBA established the American Cooperative Enterprise (ACE) Center in Prague, Czechoslovakia. This is a five year program to increase the efficiency and effectiveness of the production and agribusinesses sectors of the agricultural economies of East European countries, particularly through cooperatives. Technical assistance will be provided through the participating US cooperatives, each of which has committed \$25,000 each year for five years. This effort is a major linking of financial and human resource, mobilized through US cooperatives, to assist cooperative development. NCBA considers the ACE Center a program model which it hopes to build into other similar programs.

## **IV PROGRAM DEVELOPMENT**

### **A. NCBA/CLUSA Approach**

One activity undertaken by NCBA, as a part of the current core grant, was the development of a standard approach and methodology for its programs in Africa. A 1986 MetaMetrics evaluation reports cites " The NCBA approach on standards for design, monitoring, evaluation and revising field projects is based on the requirements of the specific project. Each project is seen as sufficiently different that a tailored program is required. ... No specific NCBA operations standards have been stated. ... MetaMetrics recommends that NCBA consider instituting guidelines ... " The Approach and Methodology for African Programs documents the standards that NCBA is applying in all its Africa programs and will be the standard for all NCBA international cooperative development activity.

#### **1. Goal**

NCBA's goal is to assist primary societies to become self-managed viable business entities. Its focus is on strengthening cooperatives and cooperative-like organizations to function effectively and undertake group economic activity rather than a series of individual activities.

#### **2. Approach**

To achieve this goal NCBA will provide technical assistance and training services to primary cooperative societies and other groups formed to carry out economic activities. These services are provided in the context of a process that involves:

- a. Creating an in-country cooperative business development capability, using NCBA employees to develop local personnel through training and example and to establish a value-based organization, which subsequently is transferred to local management and ownership.
- b. Developing in the members a sense of ownership, control, and responsibility for their cooperative by having them assume decision making authority, which is then discharged in a democratic, participatory manner.

c. **Initiating the process leading to viability and sustainability.** This includes:

- \* **self-management** - transferring literacy and numeracy, operational, organizational, financial and managerial skills to the cooperative leaders, employees and members;
- \* **economic strengthening** - developing a series of profitable business activities that address members economic and social needs;
- \* **financing** - securing a direct relationship between the cooperatives and reliable sources of credit for financing their business activities; and
- \* **networking** - accessing the technology and information needed to establish and operate competitive businesses.

### 3. Methodology

The methodology NCBA uses to implement this approach includes the following:

- a. **small technical assistance teams:** two to three people collectively having training, financial management, marketing and credit skills;
- b. **training national trainers:** prepared through a series of training sessions alternating with field work;
- c. **insisting on voluntary participation:** entirely local decision making whether or not to participate in an NCBA program; establishing the nature of the relationship in writing; defining mutual roles and responsibilities;
- d. **use village-based training:** initial intensive training takes place in the cooperative; follow up training by project personnel;
- e. **launch a variety of business activities:** operating several business is encouraged to build a broader economic base; to give experience to adapt and change according to economic conditions;
- f. **link training to business activities:** training is designed to prepare cooperatives to select, organize, implement, manage and evaluate economic activities;
- g. **deal with complex issues in discrete and simple incremental steps:** business activities are broken down into discrete steps; learning is built on successful accomplishment of each step;

- h. integrate literacy and numeracy into training: to prepare cooperative members to receive and understand information vital to making informed decisions;
- i. facilitate direct access to reliable credit: ready access to credit at commercial rates; savings encouraged;
- j. access appropriate technology and information: train cooperative leaders and members to assess their own technology and information needs and how to access groups that can meet those needs;
- k. institutionalize co-op development capability: ensuring that the services provided through the project will continue to be available locally once the project ends.

Table 3 - Classification of NCBA Programs

REGION	AFRICA	LATIN AMERICA	ASIA
DEVELOPMENT ISSUE	Low level of economic activity and relatively less developed cooperative organization. NCBA interventions are subsistence driven	Cooperatives are relatively better developed and level of economic activity is much higher. NCBA interventions are more oriented toward marketing and trade issues	High level of economic activity and sophisticated organizations. NCBA interventions are oriented intensive employment and towards export markets
COUNTRIES WHERE NCBA IS OPERATING	Niger Mali Rwanda Sao Tome	El Salvador Guatemala Honduras  Caribbean Region	Indonesia (2 projects) Egypt Nepal

#### 4. Collaboration

NCBA implements three of its long-term projects in collaboration with other Cooperative Development Organizations. In Honduras and Guatemala NCBA works under sub-contract to the World Council of Credit Unions (WOCCU) to provide development and training technical assistance. In the West Bank it has a sub-contract relationship with ACDI to provide a cooperative training advisor.

Among the projects under development are several other opportunities for collaboration, including the potential to collaborate in a Natural Resource Management project in Africa. NCBA's role would be to develop local organizations, to operate in a

cooperative-like democratic manner, to manage natural resources and to develop alternative economic activities.

Collaboration affords NCBA access to discrete parts of larger projects for which they are particularly suited, and makes available project funds for which NCBA, on its own, might not compete. The International Development Division staff realizes the importance of this approach and are seeking additional opportunities for collaboration.

Out of its various collaborative experiences NCBA has determined that where it is involved in a larger effort it should have management and operational integrity and control over the areas for which it is responsible. There are several other lessons NCBA has learned from its various collaborative efforts which it now seeks to apply in new collaborative bidding exercises.

- ▶ Complementarily - often collaborating organizations have the same strengths and weaknesses. NCBA seeks to collaborate in situations where the partners have different and complementary strengths.
- ▶ Focus - in a collaborative relationship one organization can subordinate its vision and goals to those of its partner. NCBA realizes the need to stay focused on own goals and objectives and to seek partnerships in which its approach and methodology are needed and valued.
- ▶ Parity - different organizations have different operational policies which often make it difficult to administer project personnel. NCBA seeks to work out administrative details during the initial stages of negotiations so that all personnel are working under similar and equitable policies.
- ▶ Costs and Impact - the investment required for a collaborative effort is often underestimated. Collaborative efforts require a large initial investment of staff time to get all of the design and administrative details right. During implementation communication and coordination require constant attention.

## 5. Changes in NCBA's Program Approach

Over the course of this evaluation it became evident to the team that a number of changes have taken place in NCBA's international programs over the past several years. They include:

- ▶ Projects that are more focused on viable business operations and rely on bottom line profits as a major indicator of success;

- ▶ more attention to private sector cooperatives (not going into countries where government is heavily involved in cooperatives;
- ▶ promoting private qualified managers (from the private sector) rather than civil servants, and paying competitive salaries ;
- ▶ more focus on primary societies - less concern with creating or working with second level organizations; and
- ▶ more direction and decision making at the local level coming from the members - more democratically run.

## **B. Program Development Activities**

One of the main purposes of this core grant is to enhance NCBA's capability to design, develop and manage cooperative business projects and programs. Project outputs call for NCBA to be managing 19 long-term projects by the end of year three (June 1992). As of December 31, 1991 NCBA had 14 active projects with four scheduled to be completed within the first six months of 1992 and two more scheduled for completion in the latter half of the year. As noted earlier, in 1991 NCBA revenue from long-term project grants was down over the previous year because completed projects were not replaced with new projects. This trend could continue into 1992, as noted in the chart on page 25.

The implications of this trend, for NCBA, are important. Approximately 74% of NCBA's administrative and management costs are supported by overhead generated by field-based projects. As the project base declines less overhead will be generated. In the absence of long-term planning and revenue analysis which factors project completions with new project start-ups NCBA could find itself in a deficit situation once again.

# 1. Long Term Projects Implemented by NCBA

## Table 4 - Long-Term Projects

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Equatorial Guinea/UN			1/89	\$1,177,000	12/91					
Equatorial Guinea/AID	9/85	\$5,225,000		9/90						
Rwanda	8/85	\$3,381,000				3/93				
Mali		8/88	\$3,492,000				9/93			
Niger			10/89	\$8,800,000				8/94		
Sao Tome			8/89	\$1,500,000				9/94		
El Salvador		8/88	\$1,900,000	6/91	6/91	\$9,000,000			6/96	
Guatemala Agriculture	9/85	\$2,413,000		8/90						
Guatemala WOCCU		5/87	\$508,000					8/94		
Honduras WOCCU	3/87	\$673,000			1/92					
Caribbean					9/90	\$300,000		9/93		
Egypt SME			4/89	\$1,442,000		10/92				
Nepal		12/87	\$815,000			11/92				
Indonesia Finance		11/88	\$4,598,000					12/93		
Indonesia Co-op	1/86	\$3,095,000			6/92					
West Bank ACDI	8/86	\$ 775,000			2/92					
Europe ACE Center					2/91	\$2,700,000				3/96

NB While this chart is useful to understand the flow of project completions and new project start-up, one must pay particular attention to the project amounts for revenue purposes. There is, for example, a major difference in the revenue provided by the 5-year El Salvador project (\$9,000,000 from '91 to '96) than the 7-year Guatemala/WOCCU project (\$805,000 from '87 to '94).

## 2. Buy-in or Add-on Projects to Core Grant

The core grant provides for mission "buy-in" or other AID "add-on" opportunities. NCBA has used these mechanisms to increase the program activity of the core grant by \$1,764,000.

- Algeria: fertilizer feasibility:	\$14,000	1/90-5/90
- Cameroon: Revise coop law:	\$57,000	6/90-6/91
- El Salvador: ag reform study:	\$166,000	3/90-12/90
- El Salvador: grain market study:	\$84,000	3/90-12/90
- Egypt: training for bankers:	\$450,000	6/89-6/90
- Egypt: training for bankers:	\$200,000	9/90-9/91
- Egypt: ag market study:	\$242,000	11/90-6/91
- Indonesia: furniture production:	\$300,000	6/89-12/91
- Nepal: small enterprise study:	\$27,000	6/89-12/90
- Poland: privatization (ESOP):	\$150,000	3/89-8/92
- South Africa: economic develop plans:	\$74,000	3/89-6/92

## 3. Other Grants and Contracts

In addition to long-term, AID-funded field projects and core grant buy-ins, NCBA has developed a number of other program opportunities, many of which were supported from non-AID sources.

- Africa Region: coop workshops: (PVT)	\$69,000	1/90-10/90
- Cameroon: coop reorganization feasibility (World Bank)	\$65,000	3/91-6/91
- Dominican Republic: small enterp. (AID)	\$76,000	8/89-4/90
- Ecuador: Small enterp. study (DAI)	\$28,000	7/90-12/90
- El Salvador: land use study: (AID)	\$141,000	4/89-11-89
- Indonesia: audit PL480 program (AID)	\$30,000	9/91-6/92
- Nicaragua: coop feasibility (ACDI)	\$21,000	9/90-12/90
- Niger: study of NCBA's project (PACT)	\$8,000	4/90-7/90
- Trinidad & Tobago: credit training (PVT)	\$15,000	3/90-8/90

#### **4. Project Development - Proposals Pending**

NCBA has a number of projects which are in various stages of development, from proposals which have been submitted to AID Missions and are awaiting a decision to project ideas which are being nurtured with AID Missions and/or other organizations. Among the projects NCBA is currently developing are:

- Ghana - revise co-op law
- Malawi - village associations
- Burkina Faso - (subcontract) community development component of natural resources management project
- Guinea - (subcontract) community development component of natural resource management project
- Egypt - fruit & vegetables
- South Africa - urban group development and small enterprise activities
- Uganda - non-traditional exports

## C. Accomplishments and Outputs

Table 5 - Cooperative Program Support Grant Progress Chart

FIVE YEAR TARGETS	STATUS AS OF DECEMBER 31, 1991
I. Objective: to strengthen and expand the role of private cooperative businesses in less developed countries.	I. Objective: remains unchanged
II. Goals and Indicators	A. 11 new projects with a value of \$23,600,000; 8 of these are amendments which modified or extended on-going projects
A. 18 new long-term projects with a total value of \$48,000,000	B. 14 such projects
B. 20 long-term active projects	C. 12 such countries
C. 17 countries with long-term development projects	D. 1 such country, Sao Tome; 4 additional countries had short term projects, Algeria, South Africa, Trinidad, Poland.
D. 9 new countries with long-term project presence	E. UNCDF funded the Equatorial Guinea project; 5 new sources for short-term projects
E. 5 new non-AID sources of funds for long-term projects	F. 3 linkages created
F. 5 Co-op to co-op linkages	
III. Strategy	
A. Pursue opportunities in Africa. Feasibility study for opening Africa office. Aim for volume mix in which Africa constitutes about 50% of the total volume and 35 to 40% of the total projects.	A. West Africa Office opened in November, 1990. Mix: <u>44%</u> of volume (3.5 of 8 million) <u>43%</u> of projects (6 of 14)
B. Two Asia offices assume program development functions, including new trade projects with CBI	B. Indonesia office continues development and trade projects linked to CBI. India office only performing trade functions linked to CBI
C. Seek new project opportunities by marketing NCBA services. Respond to requests in countries of special interest.	C. Prepared 37 proposals, including 3 in response to RFPs. 21 approved 3 under consideration 10 not approved
D. Concentrate on World Bank as potential donor	D. NCBA conducted studies or supplied consultants for the Bank in Malawi, Poland, Ghana, Cameroon and Romania.

E. Seek opportunities to become active in Central and Eastern Europe, especially in conjunction with NCBA members.	E. NCBA and CBI, with the participation of 9 member cooperatives, opened the ACE Center in Prague in February 1992
F. Collaborate with other cooperative development organizations	F. NCBA collaborates with WOCCU in Honduras and Guatemala; with ACDI in West Bank
<b>IV. Organization and Resource Enhancement</b>	
A. Establish a Research, Development and Evaluation unit. Set up system to track, monitor and evaluate projects. Undertake research on topics of importance to NCBA	A. Unit not established. Project tracking and monitoring system is designed and in place in 2 African projects and in El Salvador
B. Initiate African Intern Program	B. Program is expected to begin in 1992
C. Increase membership education	C. 25 issues of the <u>Cooperative Business Journal</u> carried articles about international development. NCBA sent 2 students to visit projects; students prepared materials for the Journal. 16 roundtables were held under the Development Education Grant
D. Create indigenous cooperative technical assistance organizations	D. Efforts are underway in both Niger and Mali
<b>V. Limited Program Services</b>	
A. Participate with 5 USAID Missions in CDSS planning	A. Assisted the Missions in Ghana and Cameroon
B. 4 policy analysis consultations	B. Consultancies as follows: Cameroon (2), Ghana, Equatorial Guinea, El Salvador, Algeria
C. 3 Food Aid consultancies	C. 1 completed in Romania
D. Studies of the impact of projects on women	D. 0 studies done. Original focus shifted from Equatorial Guinea to El Salvador. Study to be completed during last two years of grant.
E. Feasibility studies of international trade opportunities involving cooperatives	E. 1 study undertaken in Egypt
F. Explore potential for ESOPs in overseas projects	F. Two businesses in Poland are ready for privatization
G. Technical assistance in small- and micro-enterprises (SME)	G. Signed a contract with WOCCU to examine potential for credit union outreach to SMEs

## V ORGANIZATIONAL ENHANCEMENT

In addition to program development, another focus of this core grant is to enhance NCBA's institutional capabilities to better develop and support effective cooperative business development projects. This section examines those enhancement activities.

### A. Research and Evaluation

#### 1. Monitoring and Evaluation System

NCBA proposed to establish a systematic research and evaluation capacity by creating a new full-time position based in Washington. NCBA's goal for this grant period is to solidify its organizational learning capability in order to capture new insights and lessons from the diversity of field projects and to use those lessons to improve the performance of its field projects.

NCBA has developed a monitoring and evaluation system which is documented in its Monitoring and Evaluation (M&E) Manual. Although a full-time position in the Washington was not established, core grant funds were used to hire a consultant to work with headquarters and Africa field staff to put the system together. NCBA then hired an intern to field test the original system. Results demonstrated that the system was too theoretical and cumbersome to be used effectively with local organizations. Based on the test results and input from local staff it was revised with more of a focus on needs and uses at the base level.

NCBA's M&E System has three purposes:

- a. **Institution Strengthening**: to improve the ability of cooperatives themselves to track and monitor their own activities in order to assess their performance and develop information for informed decision making. NCBA sees this as a learning process for local organizations.
- b. **NCBA Learning**: to track what is happening with cooperatives during project implementation so that NCBA can make adjustments and corrections as projects proceed; NCBA can learn from project implementation and feedback information to project personnel; to assess performance against plans and expectations.
- c. **Impact Data**: to look for impact data that will assist NCBA assess the impact its programs and projects are having. The M&E System collects baseline data against which future change and improvements can be measured.

Project personnel are being trained in the application and use of the M&E System. In its Africa programs and in El Salvador about 50 field workers are currently using the system, about 50% are using it correctly. NCBA itself recognizes that it has not paid sufficient attention to develop this system further.

## 2. Some Lessons Learned

Although the M&E System has only recently been developed, tested, revised and implemented, NCBA has used other mechanisms to draw lessons from its activities and build those lessons into its programming.

- a. Project administration, using local staff progressed slowly in Niger. The Niger project had a number of administrative problems that NCBA had to solve on an ad hoc basis, as the project was being implemented. People were slow to pick up on accounting and information systems that were necessary for program and grant administrative purposes and did not see the necessity for their own purposes. It took NCBA a while, working with the staff, to understand some of the causes of the reluctance and to work with the staff to design systems that were both acceptable from their perspective and met program needs. Working through the systems mutually led to greater understanding on both sides and more efficient project administration. Out of this experience NCBA now:
  - has a basic package of administrative policies and procedures with which to start project implementation;
  - trains local staff in those policies and procedures;
  - uses trained local staff from one project to assist in the start-up of other new projects;
  - remains sensitive to the needs and input of local staff regarding the refinement or revisions of the administrative package;
  - views administrative procedures as an opportunity to work with local staff to strengthen local institutional capacity.

What was learned in Niger was applied and refined in Mali at the beginning of project implementation and project administration went fairly smoothly from the beginning. Experiences from Mali were applied when the San Tome project was initiated and then in El Salvador. The whole process continues to move much quicker. In addition to the application of previous experience two other conditions assisted the Mali and San Tome projects, (a) better educated project assistants made the training period shorter and (b) smaller more manageable projects reduced the administrative burden. NCBA is now going into all projects with that experience.

b. Implementing a market-transport project in Equatorial Guinea provided another learning experience for NCBA. NCBA assumed the responsibility for managing the repair and rehabilitation of market transport vehicles donated to the project prior to NCBA's involvement. NCBA saw this as an opportunity to strengthen those local organizations targeted to repair and maintain the vehicles and help them develop as pre-cooperatives. NCBA believed cooperatives offered one way to build sustainable institutions which would continue to service the market-transport infrastructure once the project was finished. While working in a difficult political environment vis-a-vis cooperatives, NCBA was able to successfully complete the original project objectives, however there were several institutional lessons that NCBA was able to draw, including:

- the experienced reinforced the importance of paying attention to NCBA's purpose, criteria, and rationale for involvement in project . What seemed like a good idea at the time proved difficult to implement;
- NCBA's reason for accepting the project, pre-coop development, was thwarted because there was not a supportive co-op environment in Equatorial Guinea. NCBA now only works in countries where private cooperative development is not inhibited by the political environment;
- NCBA did not make timely personnel decisions. This led International Development Division managers to adopt more institutionally mature policy on personnel decisions (See discussion on Decision Making, pg 10)

### 3. Next Steps

NCBA is committed to continue the use of its M&E System. This requires further refinement of the system, additional training for current field staff and the training of new staff as new projects come on line.

In its El Salvador project NCBA wants to introduce a savings component into the project. NCBA will seek to learn from an organization already proficient in community-based savings (i.e., FINCA) and is prepared to commit some financial resources to integrating savings into its project implementation.

#### 4. Post-Project Follow Up

A program component omitted from the original proposal was NCBA's organizational ability to do some limited project follow up. Field level projects are primarily funded by AID Mission funds and implemented through a local entity. Once the project has been completed there are no funds for the project follow. Many times a local entity only needs a short time of very specific, targeted technical assistance to re-enforce or augment techniques and technology that were transferred during the project. For NCBA, it provides an opportunity to do follow up assessment on its own effectiveness as a provider of technical assistance and training.

We recommend that NCBA and AID explore the possibility of an amendment, at no additional cost, which would allow reallocation of a small amount of grant funds to support project follow up and learning activities.

## B. Africa Office

Because of program growth, NCBA proposed, as a part of the core grant, to consider the feasibility of establishing a regional office in Africa. Initially such an office would provide short-term technical and training support to NCBA projects, with funding for part of the office support coming from project budgets. The office would also explore program possibilities with cooperatives and donors in new countries and respond to any special requests from AID.

### 1. Background

In 1987 NCBA was implementing 5 projects in Africa. In addition to travel for on-going projects time was required to develop new project ideas, maintain contact with appropriate Mission personnel and establish new contacts and relationships with African cooperatives. NCBA began to weigh the pros and cons of stationing the Director for Africa in Africa. The institution had determined that Africa was to be a priority region. In 1988, as part of the proposal for the current core grant, NCBA proposed to use some core grant funds to test the concept of an Africa office.

In 1990 NCBA made the decision to have the Africa Director move to Africa and open an office. There were two factors influencing this decision, at this time. First,

institutionally NCBA felt the Africa program would be better served by having a representative closer to the projects. Second, at this time, NCBA was able to establish an Africa office with minimal cost to the organization because the wife of the Africa Director had been reassigned to Burkina Faso. Most of the costs normally associated with posting a representative abroad did not have to be born by NCBA.

## 2. Current Status

A review of the Africa office operations over the past 18 months indicates that NCBA's decision to open the Africa office was basically sound. The benefits for NCBA include:

- a. NCBA has increased and improved its training capability in Africa. The Africa Director moved an effective African trainer/facilitator, who worked on two NCBA projects, onto the field office staff. NCBA/Africa focuses on the training of trainers which is primarily being done by senior project staff. A second component is team building and organizational development, both at the project level and with indigenous cooperatives.

The bulk of training being done is for NCBA projects, however, NCBA/Africa is now receiving an increasing number of requests from other African organizations to use the NCBA trainer and methodology. At this time, NCBA has sufficient work within its own projects to make this service available. The willingness of organizations to pay for this service may allow NCBA to plan for the provision of these services in the future.

- b. Developing and testing the M&E System was greatly enhanced by having the Africa Director on site as the field testing and revisions were taking place and as the system was being installed at the project level.
- c. Two-thirds of NCBA's new and pending projects are in Africa. NCBA designated Africa as a priority area and the Africa Director has responded by developing new programs and initiatives consistent with NCBA's development approach.
- d. NCBA's project back-stopping for its on-going projects has improved by having a representative closer to "the action". He has been able to handle issues immediately as they arise and to work with project personnel to identify and head off potential problems. He is more immediately available to negotiate with host government officials as the need arises.
- e. Major project funding decisions are made at the Mission level for the types of programs NCBA seeks to implement in Africa. Having an NCBA representative in closer contact has been well received by AID.

While this has been a mainly positive experience for NCBA, there is a downside having the Africa Director stationed in Africa, including:

- NCBA loses the Africa Director's direct involvement in identifying and resolving institutional issues. Before being posted to Africa he was a main contributor.
- NCBA's program methodology was largely articulated by the Africa Director before going to Africa. With his absence from the Washington office he not available, in an on-going manner, to participate in program brain-storming sessions. His contribution to program dialogue come through correspondence, phone conversations and twice yearly visits to the home office.
- While working in the Washington office the Africa Director assumed a portion of the management work load for the International Development Division and worked very closely with the Director for International Operations to keep the division working smoothly. With his departure an increased workload fell to the Director for International Operations.
- One of the issues NCBA grappled with before opening the Africa office was the issue of long distance communications. With phone and FAX facilities Washington is able to stay in fairly close touch with the Africa office, however, time differences and the vagaries of international communications with Burkina Faso interrupt the ease of communication.
- NCBA felt that by placing program support for the Africa program in Africa it would lessen the workload for the remaining DC staff. While this has in part worked out, there are still certain programmatic functions that the DC staff carries out.

## **C. Africa Intern Program**

### **1. Purpose**

NCBA proposed to initiate an intern program with the objective of enhancing the capabilities of Africans to design and manage development projects. NCBA's experiences demonstrated that Africans play a significant role in project design and implementation. As African organizations and institutions assume more and more of the primary responsibility for development in their own countries NCBA saw the opportunity to channel some of this initiative into the cooperative sector. The Intern Program will seek to get more mid-level African managers involved in cooperative development through transferring NCBA's methodology and involving interns in the design, implementation,

training, management, and monitoring of NCBA projects. NCBA is planning on a four-six month internship, for two people, during which time interns will spend time at the village level, project management level and regional office level. The program seeks to recruit and train Africans with some development background, particularly those with some training experience or management background.

## 2. Constraints

The major constraint faced by NCBA's Africa office has been the necessary time to devote to refining the internship program, recruiting and screening potential candidates. Further, NCBA wants to ensure there are job possibilities for graduating interns. Potential opportunities include plugging into an NCBA on-going project, serving as a consultant with organizations supporting cooperative development, or becoming directly involved with the management of a local cooperative.

## 3. Status

NCBA has not yet initiated its Africa Intern Program. The Africa staff are now developing a network of potential employment contacts and expect to begin the program in time to run two or three cycles prior to the completion of this grant.

## **E. Indigenous Co-op Technical Assistance Organizations**

### 1. Background

NCBA's experience has shown that a major impediment to continued support and technical assistance for cooperatives, once NCBA project assistance has ended, is the lack of local mechanisms to provide this type of support, especially in the private sector. As a part of its program under the core grant, NCBA proposed to create or strengthen indigenous organizations capable of providing technical assistance and training and of surviving without continued NCBA support. Through its project activities in Rwanda, NCBA was instrumental in developing a local training center, Cooperative Research and Training Center (IWACU), which is legally registered. IWACU is still supported by NCBA and AID Mission funding but is increasingly operating on a fee-for-service basis.

### 2. Status

Currently the process of establishing indigenous cooperative technical assistance organizations is in various stages in four of NCBA's long-term field projects:

- a. Mali - the local implementing arm of NCBA's project is FANSO. In December, 1990 all of the program extension agents held a general assembly to determine what steps needed to be taken in order to establish a Malian organization to promote cooperatives through training and technical assistance. FANSO is not yet legally registered. There are several issues that have been identified that require attention, including:
- a clear definition of the type of organization FANSO wants to be;
  - developing a clear strategy for financial self-sufficiency;
  - establishing the organizational infrastructure and obtaining legal registration.
- b. Niger - the establishment of an indigenous technical assistance organization is under study by project staff. The idea was presented and discussed at the Niger Cooperatives General Assembly in December, 1991. NCBA plans for this part of the program to move ahead in 1992, with the possibility that several organizations or groups might emerge. NCBA assisted the Niger group obtain a \$130,000 grant from UNDP for training.
- c. Sao Tome - project staff are assessing the possibilities of developing a local organization through NCBA project activities. Initial indications are that the number of farmers associations and the small membership size of each association will not support a sustainable organization.
- d. El Salvador - now that the project has entered Phase II NCBA is initiating discussions with project staff regarding a viable mechanism for continued provision of technical assistance and training once the project is completed in mid-1996.

## VI. RESOURCE ENHANCEMENT

NCBA proposed to enhance its institutional, human and financial resources during the period of this grant. NCBA seeks to develop a co-op to co-op program as an additional institutional resource to provide increased technical assistance and training, transfer management skills and technologies and foment trading opportunities. To augment its human resources NCBA proposed to increase membership education and understanding of the problems facing cooperatives in the developing world. To build its financial resources NCBA proposed to diversify funding sources by targeting other donors to support on-going projects and by designing new projects for their consideration.

### A. Co-op to co-op Program

#### 1. Background

To overcome some of the barriers which limit US cooperative involvement with those of the developing world NCBA envisioned a co-op to co-op program designed to link a cooperative in the US with a partner overseas. Exchange between the partners would take place through publications, correspondence and visits for Board training, management assistance and cooperative promotion.

#### 2. Status

During the first two years of this grant there were several co-op to co-op activities. The core grant provided a small amount of funding to facilitate these exchanges with much of the financing coming from the participating cooperatives.

- Jamaica - The Federation of Southern Cooperatives, headquartered in Atlanta, Georgia, hosted nine representatives of Jamaican cocoa cooperatives. During the 12 day visit the Jamaican delegation learned about revenue generation and business diversification possibilities.

Pairing of the Federation and the cocoa co-ops resulted from an earlier visit to Jamaica by Otis Molz (current Chair of the International Committee).

- El Salvador - Garden City Cooperative in Kansas has an on-going relationship with Santa Clara Agricultural Cooperative in El Salvador. Santa Clara is one of the cooperatives participating in NCBA's non-traditional export crop project.

This initiative also resulted from a visit by Otis Molz. During the Summer of 1992 Mr. Molz will lead a delegation to Santa Clara to provide training in farm equipment maintenance and proper use of pesticides.

- Hungary - Sevanada Natural Foods Cooperative in Atlanta, Georgia has established relationships with the AFESZ Consumer Cooperative of Szolnok, Hungary. AFESZ's Manager and VP for Operations spent 10 days at Sevanada and learned about marketing, inventory control and member relations.

### 3. Lessons

From these experiences NCBA sees certain essential ingredients to make a co-op to co-op experience valuable.

- ▶ maintaining an on-going relationship is easier when the co-op to co-op activity takes place within the context of a defined project focus. The Santa Clara experience seems to have more long-term potential; the Jamaica experience, with no project, was just an ad hoc visit with no follow up or longer-term relationship formed. Also, NCBA's physical presence in country facilitates the logistics and ensures follow-up;
- ▶ personal and face-to-face contact between committed individuals. Mr. Molz's visit to Santa Clara demonstrated the impact of personal contact;
- ▶ credibility of personal experience within a cooperative. Mr. Molz was effective in El Salvador because people recognized he had direct experience working in a cooperative.

## **B. Membership Education**

### 1. Background

To complement the co-op to co-op program, NCBA is undertaking a number of activities designed to increase the awareness and understanding of U.S. cooperative members regarding the needs and process of cooperative development and of the activities of the International Development Division. NCBA sees this investment not only in terms of increasing the knowledge of its members, but as a way of developing human resources that can be plugged into projects to provide short-term, specific and discrete technical assistance to projects.

## 2. Status

Some of the activities NCBA has undertaken to educate its membership include:

- articles on NCBA-assisted projects in NCBA's newspaper, Cooperative Business Journal;
- under a Development Education Grant NCBA and E. A. Jaenke and Associates worked with small- and mid-sized companies to better understand economic development issues and the potential for trade, investment and joint ventures in the developing world and presented 16 roundtable fora to explore interests with respect to US economic ties to the developing world.

## 3. Volunteer Assistance

The International Development Division would like to test a small pilot program that draws individuals from within NCBA's membership to provide volunteer assistance to projects. This may seem to duplicate the program operated by Volunteers in Overseas Technical Assistance (VOCA), however, NCBA would implement on a small-scale, from within its own membership and servicing its own projects. The value of such a program to NCBA is that it complements its co-op to co-op initiatives, increases member interest in its international programs, and provides an internal source of short-term technical assistance for its own long-term projects.

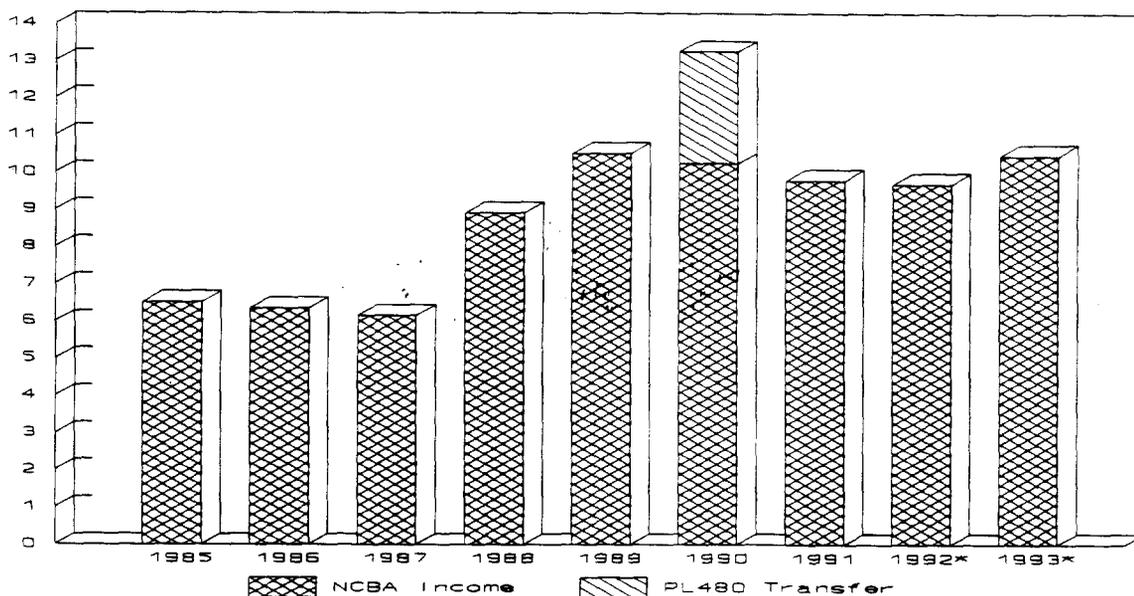
This is precisely the sort of activity that the International Development Division could undertake if it had access to a small amount of undesignated funds.

## C. Diversified Funding

### 1. Financial History

In the proposal, NCBA presented a summary of their financial history and projections of revenue for the grant period. Table 6 up-dates those projections through 1991 based on information from NCBA's audited Financial Statements.

Table 6 - NCBA Revenue 1985-1993 (in millions)



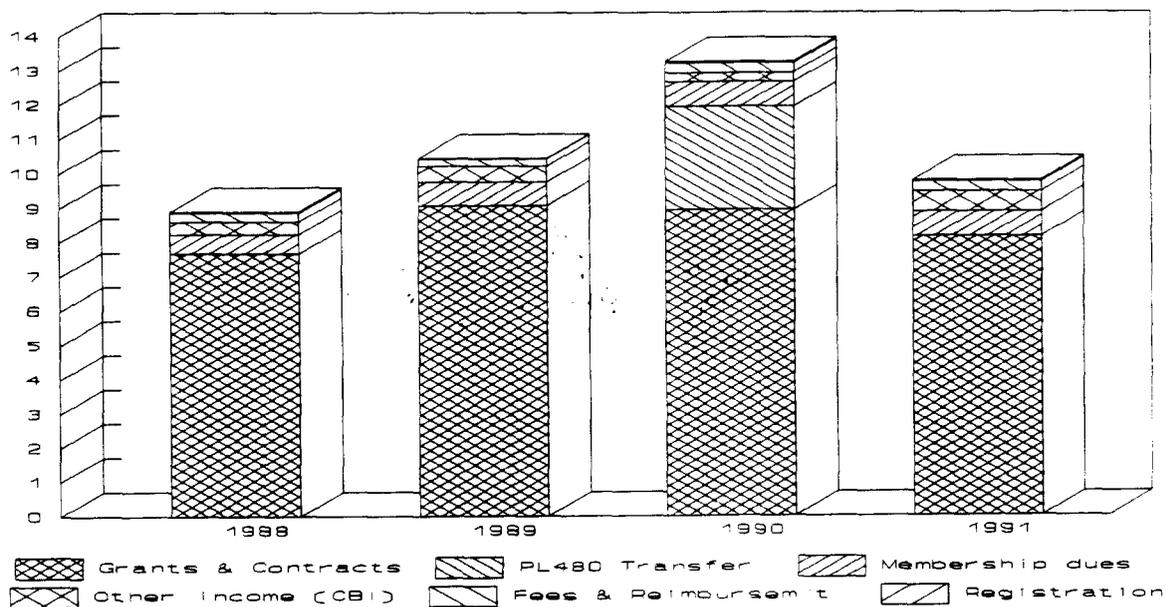
\* projected revenue

NCBA revenue has increased during the period of this grant, in fact, the increases have exceeded the targets projected in the proposal. For 1990 NCBA projected an revenue of \$8,300,000 and achieved \$13,256,000 (although approximately \$3,000,000 of that was a one-time transfer of PL480 funds to the Indonesia program). For 1991 NCBA projected revenue of \$9,561,000 and slightly exceeded that with \$9,800,000. Revenue for 1992 and 1993 is projected at roughly the 1991 level.

## 2. Sources of Revenue

It is important to examine the mix of revenue. Table 7 on page 42 demonstrates that more than 80% of NCBA's revenue is generated by grants and contract, most of which are managed by the International Development Division and represent the long-term field projects being implemented by the Division. All other sources of revenue, while increasing slightly, continue to represent less than 20% of NCBA's revenue.

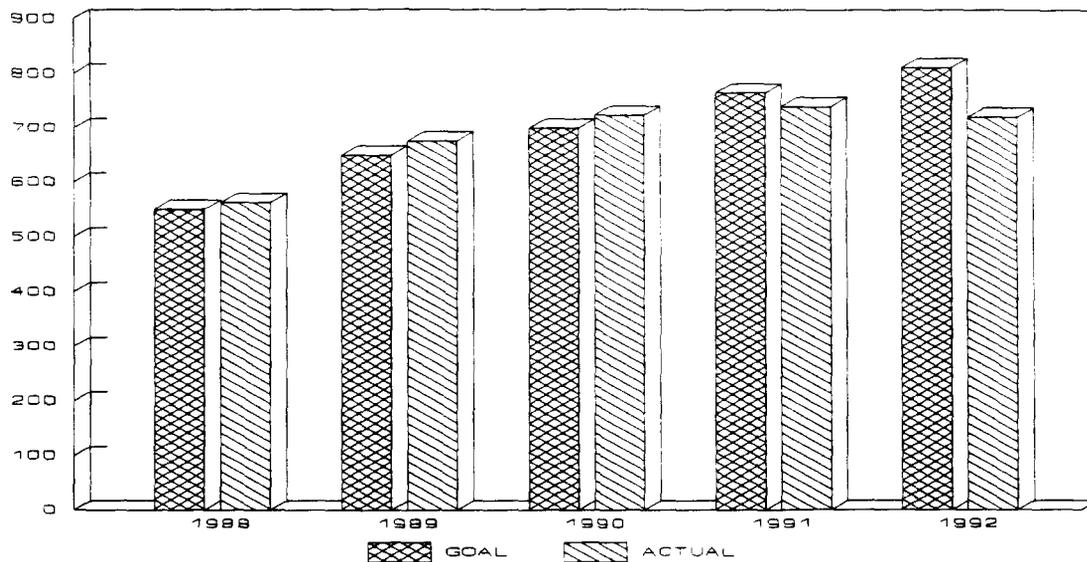
Table 7 - Sources of NCBA Revenue 1988-1991



The Chief Executive Officer discussed broadening the revenue base and suggested several sources. A long-range goal for NCBA would be to significantly lessen its dependency on AID funding within the next ten years. If NCBA is to realize this goal there are several factors to be taken into account.

- NCBA's continuing goal is to increase its membership and thereby increase the amount of revenue from dues. Each year, NCBA sets targets for the amount of revenue to be derived from membership dues. Table 8 shows the targets and actual revenue from dues for the period 1988-1992. NCBA needs to consider its potential for continued increases in revenue from membership dues and the ability of any increases to off-set reductions in AID core grant funding.

**Table 8 - Membership Dues (in \$ 000s)**



1992 GOAL represents NCBA's target for the entire year;  
 1992 ACTUAL represents revenue received only during the first five months.

- New trade opportunities and the profitability of CBI can contribute to NCBA's overall revenue. In 1991 CBI increased its revenue by some \$250,000, primarily because of lucrative trade opportunities in Indonesia. Whether or not NCBA can rely on CBI profits to help off-set reductions in core grant funding over the long-term is unclear. NCBA needs several profitable years with CBI to better assess its long-range ability to locate and broker commodities.
- The Cooperative Development Fund (CDF) is seen as a source of funding for NCBA's international activities. It is only recently that CDF has had funds that the International Development Division has been able to access in very modest amounts. The CDF has a sub-fund that is earmarked for NCBA, however, there needs to be more attention paid to fund raising for this fund. In its long-range strategy for replacing AID funds NCBA should clearly show what role the CDF will play and what indications demonstrate that the CDF is capable of meeting those targets.

We recommend that NCBA develop a phased financial plan and strategy that gradually replaces core grant funding with funds from other sources and that such a strategy consider, among other things, (1) overhead from grants and projects, (2) potential increases in membership dues, (3) potential revenue from CBI, (4) potential contribution from CDF and (5) other new sources that NCBA may develop and cultivate. Such a strategy should also contain contingency plans that take into account the possibility one or more sources do not develop as anticipated.

## **VII PROGRAM SERVICES**

### **A. Limited Program Services**

#### **1. Policy Analysis and Privatization Consultations**

NCBA has included this component in its program in order to build an awareness of cooperatives as a viable development approach and to bring cooperatives into the planning and project design process where feasible. Activities undertaken by NCBA include:

- Cameroon - consultations to revise cooperative law and restructure the department of Cooperatives;
- Equatorial Guinea - a legal consultant drafted new cooperative legislation to establish cooperatives as private sector entities;
- El Salvador - a three person team developed a plan for the privatization of government owned grain facilities;
- Algeria - a cooperative specialist completed a study on the privatization of the fertilizer distribution system.

#### **2. Food Aid Programs and Monetization**

NCBA develops projects using food aid commodities only in situations where local markets will not be adversely affected. Therefore, there has been limited activity in this area. A concept paper was developed on the use of PL480 generated currency to finance the development of cooperative banks in Romania.

#### **3. Women in Cooperative Development**

NCBA has incorporated sex-aggregated data as a part of its monitoring and evaluation system. In addition, NCBA proposed to undertake gender-specific studies to assess the impact cooperative development has on women. Equatorial Guinea was selected; however, the termination of NCBA's activities precluded a meaningful assessment. NCBA has shifted its focus to El Salvador where NCBA's activities offer a better opportunities to assess the obstacles that impede women's full participation in cooperative economic activities and strategies that have evolved to encourage greater participation. NCBA's strategy is to ensure that women are integrated into all aspects of the

cooperative, including management and economic activity rather than establish separate "women's projects".

#### **4. Trade Development**

One feasibility study was undertaken in Egypt to assess the potential for cooperatives in Egypt's "new lands" export to Europe.

#### **5. Worker Owned Businesses and Privatization**

Under a buy-in to the core grant, NCBA has identified two businesses in Poland to serve as potential pilots for conversion to worker-owned cooperatives.

There are no practical models for taking state enterprises or collectives and turning them into private sector businesses. NCBA sees several issues which are similar to issues encountered under structural adjustment and they want to learn more about them, including:

- there is a need to determine consequences and impact of privatization i.e., loss of jobs, etc;
- what are the safety net implications?

#### **6. Cooperative Housing**

In 1989 NCBA and the Cooperative Housing Foundation (CHF) worked with the IWACU training center in Rwanda to explore the possibilities of developing a cooperative housing program. While the idea was interesting to IWACU no further action has been taken.

## **B. New Services**

### **1. Small Business Development Through Credit Unions**

This component was presented in the proposal as a collaborative program effort between NCBA and the World Council of Credit Unions (WOCCU). The program, funded by AID/FHA/PVC New Initiatives, sought to identify target countries and design country-specific programs which were illustrative of ways credit unions could provide outreach to small- and micro-entrepreneurs. There are a number of issues for NCBA which have arisen out of this collaboration:

- This collaboration was initiated by two consultants who did not sufficiently understand the respective agencies they represented. NCBA became involved in the effort before it completely sorted out what its role in micro-enterprise might be.
- The project was on the ground for 1½ years before anything began to happen.
- WOCCU's role was to focus on the ability of the credit unions to deliver credit to small- and micro-entrepreneurs. NCBA's role was to focus on providing non-financial services to groups of entrepreneurs. In general, the credit unions didn't have the capacity to respond to the needs of entrepreneurs and few credit unions were able to deliver credit to this sector.
- NCBA realized that expectations were different. NCBA wanted to test the appropriateness of organizing groups of small- and micro-entrepreneurs and to provide non-financial services. What was required was the strengthening of credit unions to be able to reach entrepreneurs.

NCBA is in the process of re-evaluating the extent to which it will incorporate micro-enterprise programming into its approach. Now that NCBA has more clearly defined its methodology it is assessing the areas where there may be overlap between their approach to developing cooperatives and micro-enterprise. For example, what are the possibilities of organizing pre-cooperatives around group economic activity? NCBA does recognize the need to apply good business principles in order to help cooperatives become successful business operations.

NCBA has a long-term small- and micro-enterprise project in Egypt which is jointly administered with its Egyptian partner EQI. Together they work through two local foundations which were developed as part of the project, one in Alexandria and the other in Cairo. Credit to small- and micro-entrepreneurs is delivered through the local foundations. More than 7,000 loans, totalling \$2 million, have been made over the past

2½ years which have resulted in a repayment rate of 99%. Because of the success of this project, AID/Cairo is considering expansion into other cities.

## 2. Insurance Services

NCBA proposed to undertake a survey of the expanding insurance services and membership in cooperative insurance programs within the developing world. Based on the survey, conduct pre-feasibility studies in select countries and design projects to develop insurance delivery capability within cooperative systems.

NCBA has been involved in an insurance project in Jamaica through which a cooperative provides insurance services by acting as an agent for an insurance company. NCBA is studying this model to determine the extent to which the provision of insurance as an insurance agent can provide revenue to a cooperative and contribute to its economic sustainability.

## **VII CONCLUSIONS AND RECOMMENDATIONS**

### **A. Conclusions**

1. NCBA is using grant funds correctly and judiciously. International Development Division staff regard grant funds as tax-payers' money and are committed to making the most efficient use of those funds entrusted to them.
2. Successful accomplishment of NCBA's project outputs should result in meeting core grant objectives. The information reviewed indicates that NCBA has met nearly all its mid-grant indicators. For those that were not met, NCBA has plans to accomplish them prior to the end of the grant.
3. NCBA has developed a standard approach and methodology for its programs. The Approach and Methodology for African Programs documents the standards that NCBA is applying in all its African programs and will be the standard for all NCBA international cooperative development activity.
4. NCBA named the Senior Vice President for the Domestic Division to head the newly created International and Finance Division. This appointment has helped NCBA develop better understandings throughout the organization of the role of the International Development Division and brought an understanding of the Domestic side to International.
5. There remains within NCBA, however, some different institutional cultural values which influence how the organization carries out its business and how various units communicate and relate with each other.
6. NCBA wants to explore other possible mechanisms for quick response and turn-around for AID funding of activities that are mutually beneficial. NCBA would like to discuss with AID the potential for an IQC relationship that would permit greater latitude and a wider window of opportunity.
7. During the evaluation, the team discussed the utility and accounting feasibility of monitoring and reporting expenses by line item within functional program categories. It was agreed that a program approach to budgeting, monitoring and reporting expenses would be a more effective system by which to allocate resources to various program components, to track and more clearly identify the magnitude of effort, to assess completion of project components against their associated costs and to assess the cost effectiveness of various program components.

8. The evaluation team concluded that the International Development Division contributes a more significant portion to the indirect cost pool than it draws from NCBA services. This may exacerbate some of the institutional cultural differences referred to earlier.

9. There are clear indications of reductions in AID/FHA/PVC's overall funding along with increasing demands on the funding that is available. Funds will continue to be available for the Cooperative Development Organizations, but the level of funding for any subsequent core grants will most likely be at a lower level than the current grant.

10. There is a fragile balance between project completions, new project start-up, and other sources of NCBA revenue. Several long-term projects have recently completed and new projects have not yet come on line. The implications of this are important for NCBA. Approximately 74% of NCBA's administrative and management costs are supported by overhead generated by field-based projects. As this project base declines the overhead rate will increase unless the indirect cost pool is reduced or the base is broadened through compensatory increases in funded domestic expenditure. In the absence of long-term planning and revenue analysis which factors project completions and new project start-up in an integrated way with revenue from CBI, the level of membership dues and the level of funded domestic spending, NCBA could find itself in a deficit situation once again.

## **B. Recommendations**

1. The evaluation team believes that NCBA would be well served by examining some of the issues that have arisen out of different institutional visions and operating cultures. Over the past eighteen months NCBA has taken steps to lessen the differences between divisions and to reach a more common understanding of vision and mission. Any further efforts to study and resolve some of the issues raised in this paper will serve to strengthen NCBA's ability to more effectively carry out its international programs. These include:

- internal communications
- overhead
- strategy beyond the core grant
- balance of revenue from projects, CBI and dues

2. We recommend that NCBA should move ahead to fill a management position in the International Development Division and in the process assess the several institutional issues which will help to define the kinds of skills and experiences the Division required in this position.

3. We recommend that NCBA develop a phased financial plan and strategy that gradually replaces core grant funding with funds from other sources to ensure that critical

International Development Division staff and activities, now supported by the core grant, can be continued in the face of diminishing core grant funding.

4. We recommend that NCBA develop the institutional capability to build budgets and monitor expenses programmatically, that is based on functional program categories.

5. We recommend that NCBA and AID explore the possibility of an amendment, at no additional cost, which would allow reallocation of a small amount of grant funds to support project follow up and learning activities.

## **APPENDICES**

- A. Scope-of-Work**
- B. Documents Reviewed**
- C. List of People Interviewed**
- D. Sample Questions**

## Appendix A

### Scope-of-Work

1. Evaluate NCBA/CLUSA international division program supported by the CPSG through 1991 for achievements of stated program goal, purpose and activities as described in the Program Description, Enclosure 2 of the Grant Agreement.
2. Assist staff to identify mid-course corrections which would enable them to use resources, staff, AID Missions, AID Washington, NCBA cooperative membership and others more effectively, as well as innovative approaches/possibilities which may now be overlooked.
3. Identify areas of particular strengths and weaknesses in the CLUSA implementation of this cooperative agreement. Focus particularly on the effectiveness of the Africa office, CLUSA methodology, particularly in Africa, CLUSA approach to project development, the evaluation and monitoring system, staff resources, micro-enterprise development, and the ability to draw upon the wide range of business and technical expertise in NCBA member organizations and U.S. cooperatives.
4. Determine NCBA/CLUSA international division staff willingness/ability to learn from mistakes and diffuse bad publicity from these endeavors yet publicly promote success.
5. Assess the clarity of NCBA overall institutional objectives, of NCBA expectations for/belief in the role for cooperatives in the development process, and how specific programs/projects impact on the development process.
6. Evaluate NCBA/CLUSA grant management capability, including resource use.

February 1992

Appendix B

**Documents Reviewed**

Proposal For A Cooperative Program Support Grant, September 15, 1988

Cooperative Agreement No. OTR-0192-A-00-9137-00, August 8, 1988

**Project Profiles**

Mali

El Salvador

Guatemala

Honduras

Egypt

Nepal

Memo: International Committee Meeting Summary, December 18, 1991

NCBA Listing of Active Members, February 7, 1992

NCBA Five Year Business Plan, Volume II, 1991-1995

NCBA Strategic Plan Outline for International Development Division

NCBA Consolidated Revenue and Expenses, February 4, 1992 and March 2, 1992

NCBA Statement of Qualifications

NCBA Cooperative Program Support Grant Report, January 1, 1991 - December 31, 1991

NCBA Cooperative Program Support Grant Report, January 1, 1990 - December 31, 1990

NCBA 1990 Annual Report

NCBA/CLUSA Approach to Cooperative Development in Africa

Regional Office Plan/Africa - 1992

NCBA Audited Financial Statement as of December 31, 1990

**NCBA Audited Financial Statement as of December 31, 1991**

**Schedule of NCBA Contract Costs, December 31, 1991**

**Evaluation of the National Cooperative Business Association Institutional Support Grant,  
MetaMetrics, November 20, 1986**

**Position Descriptions, International Development Division**

**Monitoring & Evaluation Manual**

**American Cooperative Enterprise (ACE) Center, various memos and materials**

**NCBA Personnel Policies Manual (1985)**

Annex C

**List of People Interviewed**

Tuesday, February 18

Russell C. Notar, Senior Vice President, International Development and Finance  
Karen Schwartz, Director of Operations, International Development

Friday, February 21

Tracey Sullivan, Operations Assistant, International Development  
Connie Moser, Director, Executive Office  
Peggy Sheehan, Senior Vice President, Policy, Membership and Communication  
Laura Green, Administrative Manager, International Development

Monday, February 24

Otis Molz, Board Member, Chair, International Committee  
Susie Jones, Director, Program Development, International Development

Tuesday, February 25

Jim Alrutz, Regional Director, Africa, International Development  
Marsha Sheehan, Management Operations Assistant, International Development

Wednesday, February 26

Louis Miller, Project Advisor, Equatorial Guinea Transportation Project  
Jim Richert, Deputy Controller, International Development

Friday, February 28

Richard Wesling, Vice President and Controller

Wednesday, March 4

Robert Scherer, President and Chief Executive Officer, National Cooperative Business  
Association  
Paul Hazen, Vice President, Government Relations

## Annex D

### Sample Questions

What were problems and limitations on project design, development and management and what has NCBA done during grant to change? How has this worked - what impact has this change had on NCBA supported projects?

What approach to new and innovative approaches? What has been the results - what new approaches is NCBA using - with what results? How has this improved performance of NCBA supported projects?

What has been done to establish a research and evaluation capability? How has it helped NCBA? what impact on NCBA projects? How used in decision making?

How does the Africa office function? What roles and responsibilities? How held accountable? What is flow of information? What degree of supervision? What problems have arisen with decentralization? What has been the impact on NCBA supported projects - how is impact demonstrated - pre-office vs established office?

With respect to the components under "new services", what approaches have been developed and tried, with what results, what lessons learned, what follow-up?

How has NCBA approached diversifying its funding? How has the current grant helped NCBA leverage additional financial resources?

What is the process for learning?

What is NCBA's grant management capability including resource use? What is the capability of a small staff to handle/manage the current volume of program activity? to manage volume of grants/contracts? to recruit and support overseas personnel (staff, consultants)

How are direct management costs charged? what is still included in the indirect pool? how is "backstopping" charged? how are fund raising costs charged?