

April 11, 2000

Dr. Gary Lewis
Cooperative Program Coordinator
BHR/PVC
U.S. Agency for International Development
1300 Pennsylvania Avenue, N.W., Suite 7.06
Washington, D.C. 21502

RE: Cooperative Agreement No. FAO-A-00-97-00017-00

Dear Gary:

Please find attached five copies of our semi-annual report covering worldwide Cooperative Development Program activities for the period July 1 - December 31, 1998.

13 volunteer technical assistance assignments were completed during the July – December reporting period. You will recall that in our report covering the January – June 1998 period we noted that the upcoming six months would be much more active than the previous ones in terms of volunteer placements. This indeed occurred, as the 13 assignment completions in the last semester represented 86% of the 15 completions during the calendar year. To date 37 volunteer assignments and five paid assignments have been completed under the Cooperative Development Program.

When you review the country-by-country completion figures you will note that one location (Brazil) has experienced diminished activity due to funding delays, while another (Mozambique) saw the increase of CDP volunteer placements. You will see that we have made it a point to delineate clearly the respective roles in terms of the focus of volunteer assignments between the Cooperative Program and the mission-funded placements.

We want to report that we expect program activities to increase during the next six months. In Ukraine we identified the best private farmers to work with, and have set a target date of May to have the feed mill in place for feeding trials with dairy and swine producers. Test plots for fertilizer trials with corn and vegetable producers are programmed for this planting season, as well as other cooperative training activities. In Brazil, several alternative partner organizations have been identified for financing in-country costs of volunteer assignments. The state government of Tocantins will be sponsoring four volunteer assignments in March, with several likely follow-up assignments later on. Other partner organizations have also been contacted, and we look forward to the resuming cooperation with our original partner, the Organization of Brazilian Cooperatives (OCB), who has a new source of funding now. We have received a letter promising that OCB will cover all in-country costs for volunteer assignments during the rest of year two and for all of year three for our CDP activities. In all, we now have 13 volunteer assignments in process for Brazil, and more scopes of work are on their way from the field.

As previously discussed, this report includes a pipeline detailing the status of each of the individual budget elements. This will be included in all our future reports. We hope you find this report informative and on-target, and await your response with interest.

Sincerely,

Charles Cox
Senior Vice President and CDP Program Manager

Cooperative Development Program Report

July 1st – December 31st, 1998

Introduction

ACDI/VOCA has a long history with USAID's Cooperative Development Program (CDP). ACDI/VOCA was created through the 1996 merger of Agricultural Cooperative Development International and Volunteers in Overseas Cooperative Assistance. As separate entities, both ACDI and VOCA can trace their participation in this important program to their origins. ACDI/VOCA's roots with this program go back to the Humphrey Amendment of the Foreign Assistance Act of 1961, in which Congress called on USAID to include cooperative development in its assistance programs and to draw upon the resources of U.S. cooperatives to do so. Since 1963, ACDI/VOCA has been one of USAID's principal means of carrying out this important directive.

As a combined organization, ACDI/VOCA represents the international branch of the National Council of Farmers Cooperatives. We are well qualified to support CDP's objective of promoting the growth of cooperative systems overseas. ACDI/VOCA's membership comprises 44 leading U.S. agribusinesses and all of the U.S. Farm Credit System. Today ACDI/VOCA is one of the largest U.S. cooperative development organizations, with 35 years of experience providing technical assistance, training, and managerial support to businesses, associations, cooperatives, and governments in developing countries and emerging democracies.

Our current cooperative development grant reflects much of ACDI/VOCA's expansion and diversification strategies. Brazil provides most of our matching contributions for the CDP; it also increases our potential for expanding our activities to the Amazon Basin and lusophone Africa countries. The emphasis being placed on rural finance demonstrates our conviction that ACDI/VOCA is uniquely positioned to become the leading rural finance technical assistance provider by drawing on the talent of our U.S. Farm Credit System membership. For this reason a substantial portion of our headquarters strengthening activities and resources will be devoted to the recently created rural finance division.

For our third CDP report, we note that substantial efforts have gone into lobbying for the release of our in-country Brazil funding; this delay has meant that our volunteer assignments in Brazil have been low, and Brazilian volunteer assignments to Mozambique remain frozen. During the last six months, we have sought out alternative Brazilian partners for in-country funding, thus enabling us to move forward with assignments involving the state government of Tocantins and the Bank of the Northeast. Our original partner in Brazil is the Organization of Brazilian Cooperatives (OCB), which has been given a new source of funding by the federal government. ACDI/VOCA

expects OCB in-country financial support to become available after all of the new funding mechanisms have been defined within the next several months. Meanwhile, last month were pleased to receive a letter from OCB committing their system to fully cover their counterpart share of program costs through the rest of year two and all of year three of CDP (until May 31, 2000).

Southern States Cooperative activities in Ukraine are beginning to pick up steam as the project prepares to acquire a feedmill. Activities tied to the planting season will take place during the next six months.

Worldwide, thirteen volunteer assignments were completed this period and more scopes of work were written for future assignments. To date thirty-seven volunteer assignments and five paid assignments have been completed under the Cooperative Development Program.

Brazil Component

The original goal of the Brazil activity under CDP is to strengthen the institutional capacity of rural cooperatives in the Brazilian Amazon. USAID/BHR/PVC and USAID/Brazil have expanded our mandate to include the impoverished Northeast.

ACDI/VOCA has long history in Brazil; between 1973 and 1985 thirty volunteer assignments were conducted using our traditional cooperative development funding. This period introduced ACDI/VOCA to cooperative organizations in Brazil and positioned it for future activity.

The current Cooperative Development Program in Brazil is built on previous Farmer-to-Farmer activity conducted between 1994 and 1996, a period in which thirty-three assignments were carried out. Fifteen of these assignments were carried out in 1996, cementing the partnership with the Organization of Brazilian Cooperatives established in 1995.

The 1994 - 1996 activities include the 1995 launching of PRODESAM: the Program for the Development of the Amazon. PRODESAM was a collaborative effort supported by the Department of Cooperatives and Rural Associations (DENACOOOP, Federal Ministry of Agriculture and Supply), the Organization of Brazilian Cooperatives (OCB), the International Cooperative Alliance (ICA) and ACDI/VOCA.

ACDI/VOCA opened an office in 1995 in OCB's headquarters in Brasília. Since 1998, we have been officially registered with the Brazilian government.

Program Overview:

Currently ACDI/VOCA is waiting for the Brazilian government to establish the new mechanism by which the Organization of Brazilian Cooperatives (OCB) will access federal funding for its activities. In the past OCB had received its funding from the Department of Cooperatives and Rural Associations (DENACOOOP, Federal Ministry of Agriculture and Supply). This was changed by an executive order on September 3rd and published in the September 4th, 1998 edition of *Diário Oficial*. This order established the federal fund for restructuring cooperative debts (RECOOP- Program for Revitalizing Agricultural Cooperatives) as well as creating a fund for cooperative training and technology transfer (SESCOOP- the National Service for Cooperative Training) that would provide OCB's operating budget.

SESCOOP is funded by the reprogramming of the 2.5% payroll tax that cooperatives (like all private enterprises in Brazil) pay to fund various training institutions in Brazil. At the time of SESCOOP's creation, the annual value of the cooperatives' portion of this payroll tax was estimated to be around \$20 million dollars; after the devaluation of the real, SESCOOP's annual budget is estimated to be around \$11.1 million. Since most of OCB's costs occur in-country, the devaluation's impact will be limited. SESCOOP is

governed by a board consisting of one representative each from the Ministry of Labor, the Ministry of Welfare, the Ministry of the Treasury, the Ministry of Budget and Planning, and the Ministry of Agriculture and Supply. In addition to these representatives, the OCB president and four representatives sit on the board, as well as one representative from workers cooperatives. During the first half of this year it is expected that the board will define the mechanisms for distributing SESCOOP funds in order to finance OCB's various activities, including OCB's financing of in-country costs of CDP volunteer assignments. ACDI/VOCA has five assignments that are pending; as soon as OCB financing is available, we will be able to quickly field these volunteers.

ACDI/VOCA's other recently-established cooperative partners in Brazil include the state government of Tocantins and the Bank of the Northeast. In Tocantins, the Secretariat of Industry and Commerce and the Secretariat of Agriculture are interested in promoting cooperatives as a means of generating employment. As partner organizations for ACDI/VOCA, they are covering the in-state costs of the volunteer assignments they sponsor. Charles Cox, the Senior Vice President for Latin America and the Caribbean, will travel to Tocantins in March to meet with state officials and finalize details on a memorandum of understanding. During the second quarter of FY 1999 the state government will be hosting three volunteers who will work on cooperative fish processing, handicrafts and fruit exporting assignments. ACDI/VOCA anticipates other follow-up assignments for these efforts this year.

In November of 1998 ACDI/VOCA conducted a pilot project with a potential cooperative partner, the Bank of the Northeast. The Bank is the largest regional development bank in Latin America and is the leading financial institution in the Northeast. It was established in 1952 and has 174 branches that cover 1,800 cities in the Northeast. The Bank has \$10.6 billion in assets, and accounts for over half of all loans made in the Northeast. It also has the largest cooperative loan program in the region, which makes it a very attractive potential CDP partner. ACDI/VOCA sent five volunteers to work with five cooperatives that had received or were about to receive financing from the Bank of the Northeast. Four out of five assignments were cooperative management evaluations; the remaining assignment was a meat processing plant design and review of proposed operations.

ACDI/VOCA is eager to expand activities with the Bank, but is committed to fulfilling its project goals in the Amazon first. The Bank is currently evaluating the results of the pilot project, and will consider the establishment of a loan fund that cooperatives could access in order to pay for ACDI/VOCA technical assistance.

Finally, ACDI/VOCA anticipates doing several cooperative fishing assignments in the state of Pará with in-country costs being covered by the Ministry of Agriculture and Supply's Department of Fish and Aquaculture. José Ubirajara Timm is the technician in charge who recently approached ACDI/VOCA for technical assistance.

Volunteer Activities:

Between July 1st and December 31st 1998, ACDI/VOCA carried out six volunteer assignments in six states using six volunteers. (See attachments) Two-thirds of the volunteer assignments (four) focused on cooperative management; the remaining projects focused on meat processing plant design and market development. Five volunteers were hosted by the Bank of the Northeast; the other by the state government of Tocantins (Secretariat of Industry and Commerce).

Five of these assignments were carried out in the Northeast region in coordination with the Bank of the Northeast. Cooperatives working with dairy products, fruit juice, rice and goat meat were assisted. Four volunteers conducted cooperative management evaluations with cooperatives in Ceará, Piauí, Pernambuco, and Alagoas that had received financing from the Bank (respectively Vern Nelson- CD300043, Gerry Kelley- CD300044, Larry Grell- CD300045, and Chuck Steen- CD300046.) The other volunteer assignment in the Northeast was carried out by Ed Purtz in the state of Bahia, (CD300047) and focused on designing a meat processing plant and operations plan for a goat meat cooperative located in the dry sertão region of the interior.

The volunteer assignment done in coordination with the Secretariat of Industry and Commerce in the state of Tocantins focused on market development for cooperative farmers within a statewide plan to develop a large wholesale produce market.

In addition to our USAID/BHR/PVC funded assignments, ACDI/VOCA sent one volunteer to complete an ecotourism feasibility study for the municipality of Juara in the state of Mato Grosso; this assignment was funded by the International Foundation in New Jersey. (BI300001 - Dr. Alan Robinson) The state cooperative organization of Mato Grosso (OCEMAT) briefed Dr. Robinson on the current status and capability of cooperatives. OCEMAT was supportive of this assignment because of its conviction that future cooperatives could be organized around tourism. (e.g. handicraft cooperatives). ACDI/VOCA plans on soliciting the International Foundation for funding for follow-up ecotourism assignments.

Assignment Number, Volunteer, and Host	1998 Brazil Volunteer Assignment Summary	Duration	Begin & End Dates	State & Municipality
BI300001 - Dr. Alan Robinson Secretaria Municipal de Turismo – PMJ Prefeitura Municipal de Juara - MT Sra. Tânia Mara Arantes Figueira Coordenadora de Turismo-PMJ- Tel: (065) 556-1443 / 556-2232/ 991-3231/556-1830	Funded by the International Foundation. This ecotourism feasibility study identified potential ecotourism attractions around which tours could be based, but found that these require official planning and protection. Recommended that the municipality tie its efforts to regional projects, as well as conduct a rapid ecological assessment to determine exactly where to create municipal or state parks. Designed a park plan for the Reserva Florestal do IBAMA of Juara.	25 days	08/19/98 to 09/14/98	Mato Grosso - MT Municipality of Juara
CD300031 Vance Corum - Secretaria De Indústria e Comércio Governo do Estado do Tocantins (SIC) Coordenador: Sr. João Cruz (Assessor) Tel: (063) 218-2004 / 978-2275/218-2090	Surveyed vendors in five municipal retail markets and product movement there and recommended the development of model farmers' markets in three towns, as well as community kitchens and a "Buy Tocantins" campaign. Studied the population and production levels within the state and determined that wholesale markets were not yet feasible in Palmas and Gurupí.	28 days	10/13/98 to 11/11/98	TOCANTINS - TO Statewide
CD300043 Laverne Nelson Cooperativa Central dos Produtoresde Algodão (COCENTRAL)/Banco do Nordeste. Sr. Apolônio Castro Figueira (Presidente) Tel: (085) 245-2100 / 292-1889	Conducted a cooperative management evaluation of COCENTRAL's dairy operations. Recommended the establishment of a refrigerated distribution system as well as a marketing department. Other recommendations included gable top packaging and decentralized milk collection stations for small producers.	14 days	11/09/98 to 11/23/98	Fortaleza - CE Municipality of Mondubim
CD300044 Gerald Kelley Cooperativa Agropecuária do Baixo Parnaíba Ltda. (DELTA)/Banco do Nordeste Sr. Jorge Pires de Rezende (Presidente) Tel:(086)321-3000 / 321-3005	Conducted a cooperative management evaluation of DELTA's dairy operations. Recommended the restructuring of DELTA's debt under the national RECOOP program and the replacement of obsolete equipment. Wrote strategy for expanding DELTA's member services and market share.	14 days	11/09/98 to 11/23/98	PIAUÍ - PI Municipality of Sabiazal

Assignment Number, Volunteer, and Host	1998 Brazil Volunteer Assignment Summary	Duration	Begin & End Dates	State & Municipality
CD300045 Larry Grell Cooperativa Agrícola Mista de Cachoeira dos Índios - (CAMICIL)/Banco do Nordeste. Sr. Francisco Vieira (Presidente) Tel: (083)558-1050 /531-4396/967-2760	Conducted a cooperative management evaluation of CAMICIL's rice operations. Recommended the establishment of a complete accounting system, budget development process, and strategic planning process. Advised postponement of diversifying into fruit until after the cooperative had gotten its rice business in order.	14 days	11/09/98 to 11/23/98	PARAÍBA - PB Municipality of Cajazeiras
CD300046 Charles Steen Cooperativa de Colonização Agropecuária e Industrial Pindorama/Banco do Nordeste. Sr. Francisco Guerra (Diretor) Tel:(082)274-5151 / 274-5127	Conducted a cooperative management evaluation of Pindorama's business operations. Recommended major downsizing of staff and restructuring of board membership. Emphasized the need to hire a professional manager and removing the board from day-to-day operations.	14 days	11/09/98 to 11/23/98	Alagoas - AL Municipality of Coruripe
CD300047 Edward Purtz Cooperative Agroindustrial do Semi Arido S/A (COGRISA)/Banco do Nordeste Sra. Maria do Remédio Leite Santana Tel:(074)832-1008 / 832-1184	Designed the layout for a goat meat processing plant. Reviewed the feasibility plan for the plant's operations and recommended the reduction of personnel to improve the project's viability. Designed a process for marketing goat meat, and demonstrated modern slaughtering methods, alternative meat cuts, ham curing, and sausage making.	14 days	11/09/98 to 11/23/98	Bahia - BA Municipality of Jaguari

Mozambique Component

The goal of the Mozambique activity under CDP is to increase the capacity of indigenous cooperatives and associations of small producers in Mozambique.

Baseline data reporting:

In the last six months, ACDI/VOCA Mozambique has met with nineteen national and international NGOs, ten government directorates and approximately 50 agribusinesses, unions and associations. Companies were contacted in six countries with regard to the export of a range of spice products. Two training manuals and two illustrated business leaflets were written, translated into Portuguese and widely disseminated, and a further six manuals are either nearing completion or ready for distribution. Two volunteer scopes of work were written (of which, one is currently in progress), one was revised (and completed) and a further three were drafted.

HQ and field office administration:

On October 1, 1998, ACDI/VOCA was granted permission from the Ministry of Industry, Commerce and Tourism to import a program vehicle with tax exemption, and the pick-up arrived in Beira approximately seven weeks later. The availability of a vehicle will greatly improve our ease of movement throughout the center-north of the country, allowing increased access to more remote rural associations, and reducing travel times and expenditure.

The “Business Skills for Farmers” series of leaflets continued to be developed with the widespread dissemination of the first two titles: “Calculating Costs” and “Profit-and-Loss Statements” and the drafting of a third, “Cost-Benefit Analysis”. A 69-page marketing training manual was written, using material prepared during a volunteer assignment, and was translated into Portuguese and distributed. An 18-page course book in bookkeeping, written by an ACDI/VOCA volunteer, was also translated and disseminated. In addition, four manuals written by an ACDI/VOCA volunteer in Honduras were translated and ready for distribution at the close of this reporting period, and an association development manual was nearing completion.

ACDI/VOCA continued to be active in locating domestic and export markets, particularly in the area of spices. At the request of communities in Penhalonga and Chadzuca, samples of dried ginger, paprika and turmeric were sent to spice companies in Europe and southern Africa, as well as within Mozambique. At the end of the reporting period, four companies had expressed an interest in buying the commodities in bulk. As a result of a market contact provided by ACDI/VOCA to Food for the Hungry International, chilies produced throughout Sofala – previously grown for consumption and land

demarcation – were sold to a company in Maputo for export to Portugal, as part of an ongoing trading partnership.

During October, ACDI/VOCA received a visit from the USAID Program Officer for Cooperative Development Programs in Washington, DC. ACDI/VOCA was represented at the USAID half-day retreat in Maputo at the end of September, and at the ACDI/VOCA Africa regional conference in Malawi for the last week of October. The country representative also visited ACDI/VOCA offices in Washington, D.C. and California during the month of November.

A scope of work, scheduled to begin in March, was written for value-added processing and marketing of horticultural produce in collaboration with FHI/Nhamatanda. The volunteer will give a week's workshop in processing technologies, packaging and storage to government extension workers, union and association leaders and NGO staff. The workshop will include two or three half-day field demonstrations, and will result in the production of a technical handbook to accompany the training.

The first of the three drafted scopes of work concerns the creation of a series of training manuals for offices within the Provincial and District Unions of Rural Associations (UPAC and UDAC). The second is for the training of Government Social Action workers and association leaders in methodologies for credit associations of rural illiterate and semi-literate women. The third requires a volunteer to work with communities considered by the Manica Provincial Directorate for Agriculture to be economically at risk due to environmental degradation, to formulate land-use plans and explore marketing opportunities.

Volunteer and consultant activities:

At the beginning of this reporting period, volunteer Dr. Harlan Bentzinger (CD100003) was writing his final report after a three-week placement in Chimoio with the Farmers' Association of Manica, where he delivered a course in bookkeeping and financial management. Dr. Bentzinger formatted the contents of his course into a training manual, which was translated and sent to each of the course participants.

On July 11, Dr. Charles Moore returned from a three-week assignment in Mecuburi District, Nampula (CD100006). Dr. Moore was working with the nascent Oil Press Owners' Association, in collaboration with CARE International. The assignment entailed studying the operations of the press owners to assess the viability of various business strategies, and to make recommendations concerning production, storage, marketing, and association development. CARE International will use the results of Dr. Moore's study to redefine their program with the press owners.

At the end of June 1998, Ms. Nadine Bauthamy arrived to conduct a six-week training assignment in the area of agricultural marketing (CD100005). After one week's preparation, Ms. Bauthamy held a five-day seminar in Beira for 30 participants

representing 19 different government departments, producer associations and NGOs. This was followed by a second five-day seminar for the “training of trainers”, at which 13 organizations were present. During weeks four and five, the attendees of this second seminar put what they had learned into practice – designing and presenting half-day marketing workshops for farmers and rural associations in the two districts of Marromeu and Nhamatanda, Sofala. These were then assessed by the volunteer, and recommendations for improvements made. During the final week of the assignment, Ms. Bauthamy began to compile a training manual, which was completed by the Beira office staff after her departure, translated and sent to each of the course participants.

On August 4, Dr. Timothy Haarmann began a month-long assignment with beekeepers in Gorongosa District, Sofala (CD100004). The apiculture expert showed over 100 beekeepers in six different communities how to construct and manage environmentally sound, improved top bar hives. These hives have the potential to dramatically increase the quantity of high grade honey produced in the region. Dr. Haarmann also delivered workshops in honey processing and marketing, and made marketing contacts on behalf of the beekeepers. In addition, he assisted the presidency of the Gorongosa District Association of Beekeepers in the preparation of a proposal for financing, later submitted to GTZ.

On August 11, volunteer Dr. Richard Maxon arrived in Beira for a four-week association development training assignment in cooperation with Food for the Hungry International (CD100007). After one week of field site visits and workshop preparation, Dr. Maxon presented a five-day training course – covering the foundations of associations, planning, organization, registration, followed by a three-day “training of trainers” and one-to-one discussion with attendees regarding their specific areas of concern. 28 people attended the first workshop, representing 19 associations, government departments and NGOs; half of these were invited to continue for the second week’s training. In the final week of the assignment, Dr. Maxon prepared materials to be incorporated into an association development training manual, to be produced by the ACDI/VOCA Beira office.

At the beginning of October, volunteer Mrs. Margaret Palen traveled to Manica Province to teach solar drying techniques to communities in Manica Town, Chimoio and surrounding villages (CD100008). For the first part of the assignment, Mrs. Palen was partnered by local NGO Kwaedza Simukai Manica, and the second part of the placement was in collaboration with Africare’s Community Nutrition Education component. The volunteer supervised the construction of a number of types of solar drying units, of varying cost and complexity, and demonstrated techniques for the preparation, drying and storage of many different, locally available fruits and vegetables. Prior to her departure, Mrs. Palen completed an outstanding 51-page illustrated solar drying manual, which was still being translated at the close of this reporting period.

On November 2, a VSO (Voluntary Service Overseas) volunteer, Ms. Nicola Benn, was assigned to ACDI/VOCA to work for 12 weeks with seven producer associations in Dondo District, Sofala. Ms. Benn is meeting weekly with each of the associations to help them plan future activities, learn basic financial and business skills, and form marketing

contacts. Ms. Benn is also working closely with ORAM (Rural Association for Mutual Assistance) to ensure that the associations become legally registered with the Government of Mozambique.

With the exception of the VSO volunteer placement discussed above, volunteer assignments were suspended from November 1998, and are scheduled to recommence in March 1999, due to problems of access caused by the heavy seasonal rains.

Rural Finance Component

Kyrgyzstan: Building the Viability of the Osh Farm Credit Association

The Osh Farm Credit Association has completed its first year of operations. With the help of technical assistance funded under the Cooperative Development Program, it has succeeded in developing a viable loan product for small and medium-scale farmers. Improvements have been made to its lending procedures. An improved legal structure has been identified. The association is expected to convert itself into a cooperative.

CDP Input. Since July 1, CDP provided approximately 16 person weeks of technical assistance. Over the first three weeks of July, Alan Pieper, a credit consultant, concluded his four-week assignment that included intensive training of the OFCA credit officers, as well as the first credit officer to be hired by a new credit association that is beginning its operations in northern Kyrgyzstan. Officers received more sophisticated training in evaluating the risk of a loan and appraising the value of collateral was established. Standard forms were adjusted to capture some of the new analytical tools. Mr. Pieper also assessed the financial reporting procedures and systems, making specific recommendations for improvements.

Also in July, Robert Fries, ACDI/VOCA Assistant Vice President for Rural Finance, assessed progress made under the project and developed scopes of work to address critical issues he identified. These included: developing a more sustainable legal structure for the association, procedures for improved accounting, and routine financial analysis of OFCA.

From the first week of September through mid-October, Robert Coots, a banking and credit volunteer, worked with OFCA in a strategic planning effort (CD300037). He recommended that, in 1999, OFCA focus on the development of a human resources program, a marketing and advertising program, an improved information system for tracking loan, accounting and financial management information.

Bob Coots also designed a farmer training program to be implemented by GTZ/AFC (one of OFCA's founders). Recommendations were made on responsibilities and functions of the OFCA board of directors, founders and management, and the procedure for replacing current board members (GTZ/AFC and ACDI/VOCA staff) with member-borrowers. Training was provided to OFCA staff in areas of financial management, credit documentation, proper loan file management, documenting farm visits and properly securing assets.

For five weeks in October and November, Richard Magnuson, legal advisor, assessed the legal environment in Kyrgyzstan and drafted new bylaws for the OFCA. These bylaws, if enacted, will convert the association into a cooperative. Under Kyrgyz law, this would allow members to take an ownership position in the entity. Associations, like foundations in the United States, can only be capitalized through donations rather than

investments. Magnuson also recommended changes in tax law and the cooperative code that would enhance the association's chances for sustainability. His comments were passed to Howard Ockman, Chief of Party of the Commercial Law Development Project, and Fred Huston, USAID's Resident Advisor on Commercial Law.

Impact

- *A viable loan product.* OFCA loans are evaluated based on the character of the applicant, the applicant's capacity to pay (based on cash flow analysis), and the soundness of the proposed business activity. This procedure itself is a distinguishing characteristic of the product, as loan analysis by commercial banks emphasizes collateral, while most NGOs offer negative interest rates and emphasize poverty alleviation over sustainability.
- *Growing portfolio.* 331 loans have been made to date to 305 borrowers—44 during the fall season of 1977, 105 in the spring 1998 planting season, and 182 in the fall of 1988. More than 95% of the loans that came due in the fall have been repaid. The problem loan the walnut marketing firm is being worked out. Partial payment has been received. OFCA's loan portfolio stands at \$523,000. Cumulative loans disbursed exceed \$750,000.
- *Replication.* Lessons learned in effective design and servicing of loan products to Kyrgyz farmers are being shared with two fledgling associations launching operations in two other oblasts: Jalal Abad and Chui. These associations were registered in the fall of 1998, with ACDI/VOCA providing start-up financing to each with resources from its food monetization program.
- *Sustainability.* The legal analysis of the Magnuson consultancy will help the three credit associations to improve their governance structure in a way that will increase their chances for sustainability. Financial analysis introduced in September allows the Osh Farm Credit Association to track its progress toward sustainability. At that point in time, Operational Self-sufficiency (revenue/operating and administrative expenses) stood at 42%. As of December, it was 51%. This improvement reflected the increased efficiency that comes with a growing loan portfolio. In September, operating expenses represented nearly 60% of the loan portfolio. By December, the percentage had dropped below 37%. These indicators will be tracked over time and reported on in subsequent CDP reports.

Counterpart Contributions

In addition to the six weeks of volunteer time in this six-month period, interest payments to date total more than \$75,000.

In order to begin assistance in the area of financial administration as outlined by Robert Fries and Alan Pieper, ACDI/VOCA tapped resources from GTZ to allow for three weeks of technical assistance from Sylvia Wisniwski. Ms. Wisniwski worked with OFCA staff

to implement improved accounting reports and establish basic financial indicators that will be tracked over time. She is programmed to return in the spring of 1999 under the CDP to follow up on her initial, GTZ-funded work.

Peru: National Association of Cajas Rurales

During the last semester, no CDP advisors worked with the National Association. However, Robert Fries met with the general manager when he visited Washington in September to plan out a series of interventions for 1999. Scopes of work have been developed and recruiting was done for assistance in the areas of financial administration, and marketing. A volunteer to work with the association on improving risk analysis and loan administration has been programmed for February 1999.

Headquarters Strengthening

ACDI/VOCA committed to use CDP resources to help establish a rural finance resource center at headquarters, one that could communicate best practices in the field, identify and share across our regional divisions the lessons learned and products developed by our projects, and help to diversify the sources of funding that ACDI/VOCA has to implement rural finance activities.

In the last six months, our Rural Finance unit has made progress in these areas by:

- making presentations on lessons from our experience with AGROCAPITAL in Bolivia for the OCDC fall retreat, and our experience with rural finance in Eastern Europe for the annual SEAP retreat in October;
- continuing the creation and organization of a rural and microfinance library of ACDI/VOCA's best products;
- organizing a one-day training program for headquarters staff, using the financial analysis software developed for our microfinance program in Cape Verde;
- representing ACDI/VOCA at the Inter-American Seminar on Rural Finance in October, at which AGROCAPITAL made a presentation;
- assisting the InterAmerican Development Bank in obtaining feedback to its rural finance strategy paper from relevant NGOs in the hemisphere;
- strengthening the quality of our data base of financial professionals; and
- collaborating with the consulting team hired by USAID to document the role of CDOs in microenterprise development.

While time dedicated to proposal development is not charged to the CDP, Rural Finance staff members have also made a significant effort in working with regional staff to improve the quality of our proposals and project oversight.

ACDI/VOCA & Southern States Cooperative Development in Ukraine

Overview

Efforts to identify an optimal partner cooperative concluded in our selection of the Rivne Cooperative. After meetings with approximately 10 groups, some of which several times, it became clear that the members of Rivne have the highest motivation and understanding of all available candidates. We may continue to support another group or two with volunteer technical assistance, but with limited resources we think it best to focus on Rivne.

Rivne farmers produce a variety of products, including swine, dairy, beets and row crops. They have a high level of willingness to participate in crop and feed trials. Contrary to warnings from other implementers, farmer members will not require rent for the land used in trials. We have explained the very strict protocols that will need to be followed for participation in the trials. Through this process, discipline will be developed and cooperative unity built.

Rivne farmers have hired a manager and have been planning the purchase of a feedmill. After lengthy meetings, Southern States Cooperative (SSC) and ACDI/VOCA conclude that this activity would be an excellent basis for serving current members and attracting new members. SSC will source a feed mill in the U.S. and send it to Ukraine.

Pioneer Hi-Bred (PHB) has agreed to provide 10 sacks of seed corn for test plots with the Rivne farmers. At least one co-op member will participate in a training seminar put on by Pioneer. This effort will build relationships with Ivan Tomych and the Private Farmers Association, as they are the main PHB partner in seed corn trials and production.

SSC and ACDI/VOCA have also made arrangements with Kyiv-Atlantic for the provision of feed and feed supplements for feed trials to be conducted with Rivne. Project funds will be used for the purchase of these products. If the trials are successful, and if Rivne members succeed in attracting interest from other farmers in the region, we expect the supply and mixing of feed to become the primary line of business for the cooperative. This business could be significantly expanded through our proposed Farm Input Supply Center project, if approved by the mission.

While our primary deliverable for this project is to help one cooperative become profitable, we are making every effort to leverage this focused effort in a way that identifies and provides assistance to other local cooperatives. Ultimately, no single small cooperative with limited membership will achieve the economies of scale required to provide meaningful savings to its members. Therefore, our outreach activities beyond Rivne are essential to longer-term viability.

HQ/Field Administration

No significant staffing moves were made. We continue to rely upon Vitaly Zinovchuk, President of the Union of Cooperatives, as our main contact. Unfortunately, due to the nature of his job, Vitaly travels often and is sometimes difficult to get a hold of to carry out required tasks. Nevertheless, we have been pleased with his ability to identify new cooperatives and arrange appropriate meetings.

In addition to Mr. Zinovchuk's services, we have also brought Ms. Natalia Potabenko on as our interpreter and administrative assistant. While not a salaried employee, Natalia will perform administrative tasks as needed and has excellent familiarity with our project and clients. She also resides in Lwiw, which will help us during those times that Vitaly is not able to travel to the region.

SSC and A/V have also relied upon the services of our colleagues in the ACDI/VOCA and Land o' Lakes offices in Lwiw and Kyiv. Our Representative in Kyiv, Alberta Ashbrook has made some of her staff time available to us for administrative and program support. Specifically, her staff helped us complete the arduous registration process. Also, staff members from her southern satellite office have made contact with our Rivne clients and will monitor trials taking place there.

While no equipment has been obtained to date, we recently received approval from USAID/Washington to purchase a small feedmill for use in our project. We plan to purchase the mill in February and ship it as soon as possible.

Volunteer/Consultant Activities & Impacts-

No volunteers have been used yet in this project, because we have been able to use USDA staff in Ukraine to complete the initially required tasks. A/V is presently recruiting a swine expert to work in Rivne in February. We will also send a feed specialist to assure proper setup and use of the mill to be delivered. We hope to use one or both of these volunteers to do additional cooperative development and work with Rivne on structural and credit issues.

CDP Pipeline

Budget Elements	Total Authorized	Amount Expended 7/1 – 12/31/98	Amount Expended 6/1/97 – 12/31/98	Balance Remaining
Overseas Cooperative Development	1,791,043	232,970	614,916	1,176,127
HQ Capacity Strengthening	296,721	31,595	61,223	235,498
Proposal Development	127,930	18,773	21,765	106,165
Subgrant (Southern States)	581,314	62,945	108,303	473,011
Indirect Costs	952,598	94,618	227,098	725,500
TOTAL	3,749,606	440,901	1,033,305	2,716,301

Notes:

1. This pipeline includes the current reporting period (7/1 – 12/31/98) and life of project (19 months).
2. In relation to expenditure rates, we consider ourselves on target in the budget elements “Overseas Cooperative Development” and “Proposal Development”. This assumes proposal development activity this winter/spring, utilizing our year-two budget under this element by 5/31/99, which we know will occur.

Slower start-ups have been experienced in “HQ Capacity Strengthening” and in the subgrant. We have discussed these issues in the narrative here and in various meetings. Both activities have accelerated in recent months, and we anticipate being able to reflect this in our next six-month report.

3. Also as discussed with USAID/BHR/PVC recently, we will want to move resources from headquarters utilization to the cooperative development budget element if the HQ element lags in resource utilization. We will watch this over the next year.