

**COOPERATIVE DEVELOPMENT PROGRAM
REPORT
JULY 1ST – DECEMBER 31ST, 2002**

Cooperative Agreement FAO-A-00-97-00017-00

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I. INTRODUCTION

During this reporting period ACDI/VOCA received a two-year extension which has enabled us to continue activities in the Ukraine, restart programs in Mozambique and Brazil, initiate a new program in Paraguay and establish the Center of Excellence. The extension outlined a new approach towards cooperative development in which the Center of Excellence is its touchstone; the Center of Excellence is dedicated to documenting and disseminating lessons learned and good practices in cooperative development.

The Ukraine activity during the reporting period continued to assist three nascent agricultural feed cooperatives in their efforts to develop salient and competitive Western-style member-owned businesses. The project in Mozambique has restarted with its revised focus on developing comprehensive cooperative and business development materials, tools and methodologies. The Brazil project has been going through the rebirthing process after a significant hiatus; reestablishing an office, rehiring of employees, coordinating with local partners, identifying technical assistance needs and the corresponding Scopes of Work(SOW), and negotiating the Government of Brazil (GOB) program matching funds.

Activities for our new program in Paraguay have principally consisted of establishing an office and support staff, coordinating with the USAID mission and identifying potential host organizations and their technical assistance needs, several SOW's have been developed and are in the process of being fielded. Finally the Center of Excellence is in the process of developing a web site for dissemination purposes and has begun identifying and cataloguing lessons learned and good practices.

In addition to these core CDP activities there were two new programs established utilizing the CDP cooperative agreement mechanism, Angola and SCOPE. In the appendix you will find the reports for these two new programs along with the South Africa CEBI component.

Zero volunteer assignments were completed during the July 1st - December 31st period. To date 104 volunteer assignments and eleven paid consultancies have been completed under the core program, excluding the CEBI, Angola, and SCOPE projects, which run separate tracks. This reporting period brings us to month 66 of the 84-month life of the current core activity, or 78% of project duration.

II. CORE CDP

A. UKRAINE AND THE SOUTHERN STATES COMPONENT

Focus Objectives

The following ACDI/VOCA Targets and Objectives were addressed during the period July 1, 2002 – December 31, 2002.

Target 1: Good governance/Member needs

Objective 2: To improve cooperative and association knowledge management/communication

Problem: Poor local management and inadequate access to information

Solution 2: Facilitate efficient and effective office management techniques

CDP Quarterly Activities:

- ACDI/VOCA hired Ms. Nadia Potabenko as the full-time CDP coordinator based in L'viv to ensure that there was consistency in program implementation and daily coordination and communication with the three cooperatives in Rivne, Sambir, and Zhydachiv. The hiring of Ms. Potabenko has contributed to a significant improvement in CDP operations as Ms. Potabenko is able to reinforce on a daily basis to the cooperatives the proper approach to cooperative business practices and the need to focus greater attention to cooperative financial performance. She has been instrumental in ensuring that each of the cooperatives' managers comply with their own internal by-laws and charter.
- A manager of Zhydachiv was identified and ACDI/VOCA CDP staff are training him in feed issues, dealing with customers and sales. His salary is incentive based and will be determined on the volume of sales generated. Most Zhydachiv members do not have livestock and are more interested in marketing their grain, which is stored at the cooperative.

Objective 3: To increase cooperative membership and membership loyalty

Problem: Low/poor membership loyalty reduces overall economic health of the cooperatives

Solution 4: Establish mechanisms in the cooperative to address member grievances

CDP Quarterly Activities:

- There are plans currently to change the current chairmen of the Sambir and Zhydachiv cooperatives. This is a desire of the cooperative membership and supported by ACDI/VOCA. This issue will be raised at each of the Annual Meetings of the cooperatives scheduled for the first quarter of 2003. It is anticipated that the Rivne chairman will remain for another term. He has performed admirably and is supported by the membership.

Target 2: Cooperative Salience/Competitiveness

Objective 2: To improve marketing capacity and effectiveness

Problem: Ineffective marketing reduces the ability to sell product and earn revenue

Solution 2: Facilitate the cooperative in identifying where their product(s) fits into the industry as a whole

CDP Quarterly Activities:

- In follow-on to work that began in early 2002 with assignments completed by Mr. Roy Chapin, a feed quality specialist, ACIDI/VOCA assisted the three CDP cooperatives in Rivne, Sambir and Zhydachiv determine that there is a strong market in western Ukraine for mineral and liquid pre-mixes. ACIDI/VOCA assisted the cooperatives conduct a market analysis and determined there was a market particularly for eight pre-mix products including:
 - Beef vitamin – mineral pre-mix
 - Dairy vitamin – mineral pre-mix
 - Breeding swine vitamin – mineral pre-mix
 - Marketing swine vitamin – mineral pre-mix
 - Poultry vitamin – mineral pre-mix for layers
 - Poultry vitamin – mineral pre-mix for broilers
 - Dairy and Beef liquid feed

- Ms. Nadia Potabenko, ACIDI/VOCA's CDP Coordinator, investigated the process required to have each of these pre-mixes legally registered in Ukraine. Ms. Potabenko and Mr. Vasyl Maxim, ACIDI/VOCA CDP pre-mix specialist, have coordinated the registration and certification process. The first stage involved pre-mix ingredient certification and analysis; and laboratory analysis of the pre-mixes, base mixes and feeds. The second stage involved technical inspection of the equipment; a state technical inspection; and safety, hygienic, environmental, and fire inspections. The first two stages of this process have been completed and the feeds are currently being field tested and the final documents are being prepared for certification.

Objective 3: To improve product quality

Problem: Poor product quality leads to lower prices and reduced customer base

Solution 1: Facilitate cooperatives in establishing product quality standards

CDP Quarterly Activities:

- The registration and certification of the pre-mixes will ensure that high quality standards are maintained and will improve the overall quality of the feeds produced by the cooperatives. It will also improve the cooperatives ability to market the feed to non-cooperative members increasing their sales and revenue.

Objective 4: *To increase access to credit and finance*

Problem: Limited access to capital reduces the ability of cooperatives to grow and innovate

Solution 2: Increase cooperatives access to credit and finance information

CDP Quarterly Activities:

- The Ukraine Agricultural Finance Development Foundation (UAFDF), founded by ACDI/VOCA, through discussions with the three cooperatives and CDP staff has decided not to issue loans directly to the cooperatives, but to review individual loan applications from cooperative members and customers (as referred by the cooperatives).
- There have been preliminary discussions between the Rivne cooperative and UAFDF regarding possible financing to upgrade the Rivne feed manufacturing facilities. Rivne cooperative is currently in negotiations with the local administration to purchase these facilities.
- The UAFDF will attend the dairy feed trial seminar in Sambir and poultry feed trial seminar in Redekhiv. UAFDF will promote their lending activities and provide information on the loan approval process.

Strategies Implemented

ACDI/VOCA and the three cooperatives made the decision to produce, test (in official independent laboratories) and register the pre-mixes for several important reasons:

- Ensure that the products are in compliance with local and state legal regulations.
- Demonstrate to ACDI/VOCA, current and future cooperative members, and customers that adequate levels of the active ingredients have no negative impact on the animal and actually enhance performance.
- Improve the cooperatives ability to compete on the market by providing customers with confidence in the product and the ability to officially file complaints if they are dissatisfied with the product(s).
- Enable the cooperatives to expand the options available for marketing their products including mass media, sales agents, open feed trials, and extension officers.
- Improve overall product quality by requiring the cooperatives to maintain minimum quality standards in order to ensure product certification.

The Rivne cooperative continues to negotiate the purchase of the cooperative facility from the local administration. The cooperative, if successful in purchasing the property, plans to combine the dry and liquid feed manufacturing in the same facility. It is anticipated the facility will require certain investments in order to properly equip the facility to produce the liquid feed.

Products Developed

- We have completed the first two stages in the certification and registration of eight mineral and liquid feed pre-mixes. The pre-mixes are currently being field tested, the final stage in the registration process.
- Poultry feeds have been introduced in Rivne and Zhydachiv (layer and broiler chicken and quail). The initial results have been positive, but most of the poultry farmers are large operations that work only work with certified feed producers or small house holders who cannot purchase from us. This is another compelling reason to certify the feed products.

Impacts Achieved

- The Sambir dairy feed trial is almost completed and the customers are pleased with the initial results. Milk yields have increased by 3 – 5 liters. ACIDI/VOCA will conduct a seminar at the close of the trial together with the dairy plant (who paid for the feeds) in February 2003. The seminar will train the milk collecting point managers who will work at the village level.
- The swine feed trial in Sambir is completed and as a result there are two additional swine concentrate customers.
- The UAFDF has issued loans to three cooperative members and one cooperative customer of the Rivne cooperative. There are two additional loan applications pending. One loan has already been successfully paid back and the other three are current on their payments.

B. MOZAMBIQUE COMPONENT

CDP began its operations in Mozambique in June 1997, working towards USAID/Mozambique's Strategic Objective 1: Increase Rural Income in Target Areas. CDP worked in the five center-north provinces of Sofala, Manica, Nampula, Tete and Zambezia, concentrating most of its efforts along and around the Beira Corridor. The volunteer component provided short-term technical assistance to increase the profitability of rural enterprises and improve market access for small holder producers. The project closed at the end of December 2001 having fielded 30 American, 2 Brazilian, and 1 British volunteer who collectively provided well over 1,000 days of consulting services. In October 2002, the CDP Mozambique was extended.

Focus Objectives

The following ACIDI/VOCA Targets and Objective was addressed during the period July 1, 2002 – December 31, 2002.

Target 1: Good governance/Member needs

Objective 3: To increase cooperative membership and membership loyalty

Country-Specific Context: Cooperative development activities within Mozambique and elsewhere typically target literate adult males despite the fact that women provide approximately 70% of all agricultural labor, and youth are heavily involved in family farm enterprises. Almost a quarter of all rural households in Mozambique are headed by women, and of these women, almost three quarters are officially illiterate. As HIV/AIDS continues to spread throughout the country, these percentages can be expected to rise. In addition, an increasing number of households will be headed by children. Traditional literacy programs are in high demand, but for household heads with little or no free time, a more immediately applicable tool is needed, incorporating numeracy and everyday business skills.

Solution 1: Draw on ACDI/VOCA's "functional business literacy" programs elsewhere to design products for use with semi- and non-literates in Mozambique.

CDP Quarterly Activities:

Approximately one year of RENDER Project Field experience has permitted the identification of key interventions for business-based literacy training that will specifically target women association members. Some of the literacy training topics will include:

1. Market chain analyses.
2. On-farm versus off-farm sales, and simple calculations of marketing costs.
3. Market price list interpretation.
4. Analysis of annual market price trends.
5. Weights and measures, using a scale.
6. Land area measurement.
7. Basic record keeping of sales of agro-livestock production.
8. Understanding technical skills for new marketable crops.
9. Understanding in-kind versus cash credit.
10. Production contracts for sale to formal business partners.

Lesson plans for the above themes are presently being designed. CDP will further develop these and other business literacy materials in conjunction with RENDER, other PVOs, and a wide range of stakeholders involved with business development in rural Mozambique.

Solution 2: Develop materials, tools and methodologies that effectively target women and youth.

CDP Quarterly Activities:

USAID/Mozambique-funded RENDER¹ staff conducted focus group interviews with youth interested in mobilizing themselves into business-based associations. The results of the focus groups will be very useful for CDP's work in preparing business materials targeting youth. The interview and field visit process arrived at the following conclusions:

1. Some youth are already engaged in limited business ventures (e.g. horticultural production and banana marketing).
2. The level of formal schooling is considerably higher among youth than among their parents.
3. Youth for the most part have little or no business and/or marketing skills, and they tend to follow the traditional norms of petty trading.
4. Youth interviewed were highly motivated to engage in business activities.
5. As high as ninety percent of the youth sector (arbitrarily defined as 17 to 28 years old) is economically inactive or engaged in the informal economy.
6. Male youths tend to be better educated and more accessible to mobilize than their female counterparts.
7. Youth access to any type of formal credit programs is negligible.

Strategies Implemented

1. Provision of a long-term cooperative development training specialist

The ACDI/VOCA Mozambique office began recruiting a new CDP Director with expertise in cooperative material development. The production of high quality cooperative development training materials requires a thorough understanding of cooperative development issues, well developed adult education and communication capabilities, creativity, and solid computer skills. It has proved extremely difficult to find this mix of skills among Mozambican nationals willing to work in the center-north of the country. However, at the close of the reporting period, an American training specialist had been recruited, and a Mozambican counterpart identified.

2. Identification of specific business-based literacy training topic for women.

Our staff through their extensive field experience have identified key training needs/topics which have repeatedly been requested or observed as necessary to increase women's success. Some of these topics were described under the focus objectives section.

3. Examination of the constraints to youth participation in association development. Our staff through focus group interviews identified some constraints to youth association development. Those conclusions were described under the focus objectives section.

¹ *Reinforce Business for Rural Development (RENDER)* is a three-year program based in Manica Province, the goal of which is to increase rural incomes in target areas by bringing together active and motivated associations to build economies of scale, increase marketing power, and facilitate business contracting.

Products Developed

We have yet to develop any specific products, though we have identified specific areas of need and begun the process of collecting information and existing materials for adaptation and development.

Conclusion

The CDP Mozambique objectives under the extension were revised to focus on the design and field testing of cooperative and business development materials, tools and methodologies, which target, women, youth and illiterate rural residents. As a result of this change it became necessary to hire a new CDP director with the expertise in cooperative material development, this process proved difficult. Local staff advertised, recruited, identified, and interviewed several candidates. In early October, the Country Director offered the position to a Mozambican national, and received a verbal commitment that the selected candidate would start as soon as possible. Unfortunately, for reasons still unexplained, the selected applicant elected not to leave his present job. Therefore, it was necessary to start the recruitment process all over again, and the search was widened to include expatriate candidates.

As previously mentioned, at the close of the reporting period, an American training specialist had been recruited, and a Mozambican counterpart identified. The considerable paperwork required for an expatriate work permit had been completed, and the program had been re-registered with the necessary government officials.

C. BRAZIL COMPONENT

The CDP Brazil component is a partnership between USAID/OCB/ACDI/VOCA and the Cooperative Learning Service (SESCOOP), a sister entity controlled by OCB and dedicated to cooperative training nationwide through OCB's state-level organizations. SESCOOP's sole mission, is the education and training of cooperative members, management and boards in all aspects of cooperative development and management. SESCOOP's participation and coordination assistance in this program gives ACDI/VOCA a direct partner to design and deliver formal programs in governance, member participation and control, and all aspects central to achieving salience in the community and competitiveness in the market.

ACDI/VOCA's work in the Amazon region since 1994-95 has achieved measurable successes predominately through its 100 previous volunteer assignments. Many excellent client cooperatives have been identified and are eager to receive further assistance. The program intends to consolidate and build upon gains achieved by these cooperatives. In addition any new cooperatives will be selected carefully so that the volunteer assignments will be targeted on viable client organizations with good management, leadership and business prospects. A recent meeting between OCB/SESCOOP and ACDI/VOCA developed the selection criteria for those cooperatives wanting to participate in the program.

The program's focus is on cooperatives with a marketable product or products that will be available immediately or over the short term. In each locale, the program will engage all appropriate sources of support and assistance built around the core product or products in a project consortium and where appropriate establish business alliances.

Focus Objectives

Under the Brazil Component ACDI/VOCA intends to address the following targets and objectives. The most appropriate solutions to these objectives have yet to be identified and so there has been little specific activity related to them during the reporting period.

Target 1: Good governance/Member needs

Objective 1: To improve cooperative and association leadership and management.

Objective 2: To improve cooperative and association knowledge management/communication

Objective 3: To increase cooperative membership and membership loyalty

Target 2: Cooperative Salience/Competitiveness

Objective 1: To improve cooperative financial planning and management.

Objective 2: To improve marketing capacity and effectiveness

Objective 3: To improve product quality

Objective 4: To increase access to credit and finance

Objective 5: To create formal and stable business alliances between cooperatives.

Strategies Implemented

In an effort to ensure success OCB/SESCOOP and ACDI/VOCA identified the selection criteria for cooperatives interested in participating in the program. The criterion enables the program, once all the logistic and political elements are solidified, to have quick and effective results with proven cooperatives. The selection criteria is as follows:

1. Focused Activities = 25 points
2. Need Explained = 17 points
3. Economic Viability = 14 points
4. Transparency = 13 points
5. Accounting Systems = 6 points

Conclusion

The process of restarting the program in Brazil has had to contend with coordinating and negotiating with local partners and government entities which were consumed with the election of Lula and then the subsequent government restructuring. In addition to these limitations ACDI/VOCA had to establish an office in a new location and rehire staff. As

a result of these conditions, activities and results have been slow, however at the writing of this report, we have established a new office, and have a full staff and begun identifying participating cooperatives and their technical assistance needs. We anticipate from this point forward to be very productive, which will be reflected in our next semi-annual report.

D. PARAGUAY COMPONENT

This Cooperative Development Program (CDP) semi-annual report comprises the period from July 1, through December 31, 2002. The ACDI/VOCA CDP includes Paraguay as a new target country during the two-year expansion and extension from July 2002 through June 2004, and is designed to enhance cooperative and producer association development in the departments of Caaguazu, San Pedro and Concepción.. The Paraguay CDP effectively commenced in October of 2002, immediately following USAID obligation of funds for the proposed activities. During the extension period, 19 volunteer assignments are expected to be completed. Our methodology for institutional strengthening and sustainability will enable beneficiary organizations to achieve the long-term goals established through a strategic alliance with the ACDI/VOCA CDP at the onset of the extension period.

CDP-Paraguay activities support the USAID/Paraguay strategic objective 526-007: "Increased Incomes for the Poor in Selected Economic Regions". ACDI/VOCA considers the CDP an integral part of the Mission's economic opportunities initiative and manages the program within that context. The CDP worldwide Work Plan and FY2003 CDP project implementation plan have been shared with USAID Mission personnel (see annex A) and ACDI/VOCA has received firm Mission support for the program. ACDI/VOCA-Paraguay will keep the appropriate Mission personnel abreast of program implementation and encourage participation in volunteer interventions, final presentations and debriefings. A copy of all CDP progress reports and individual volunteer final reports are submitted to USAID/Paraguay.

According to a recent World Bank Report, Paraguay has one of the worst land and income distributions in Latin America. The number of poor people has increased by more than half a million since the economic recession started in 1995; nearly 34% of the total population now lives in poverty. Rural areas currently represent 75% of the population living in extreme poverty and 60% of those in high poverty. Agriculture therefore is the crucial sector of the economy to impel growth and reduce poverty in Paraguay, as it contributes 25% of the GNP, 40% of employment and more than half of registered exports. Renewed growth in the agricultural sector, with orientation toward exports, will be essential, especially for the poor people. The prolonged recession in Paraguay is attributed in part to the unfavorable business conditions which affect the agricultural sector, the negative effect of successive banking crises and weak neighboring economies. Further, high judicial insecurity, political uncertainty and corruption are dissuasive to private investment.

The current government not only faces the challenge of impelling greater economic growth, but also to create the mechanisms for the most reasonable way to distribute the benefits of this growth and wealth increase. Agricultural and agro-industrial sectors can be the indicators of a development pattern to evenly allocate resources raised by greater economic growth. The CDP can make a significant contribution to the urgent task of creating competitive economic initiatives. This contribution will be greater if technical assistance projects are addressed to improve productive processes and market access while strengthening producer organizations.

Focus Objectives

Preliminary assessments with prospective counterpart cooperatives and associations in the three target departments in Paraguay have permitted CDP program staff to identify the initial focus objectives for program development:

Target I: Good Governance and Member Needs

Objective 1: Improving cooperative and association leadership and management, with emphasis on strategic planning and management training

Solution 1: Develop and distribute effective strategic planning materials. Foster a concerted strategic planning process within cooperatives

CDP Semi-annual activities:

Our Asunción office developed a SOW for cooperative development specialist and has begun to identify existing strategic planning materials which may be applicable to our target groups.

Solution 2: Develop and apply leadership training methodologies.

CDP Semi-annual activities: Our Asunción and HQ offices have begun to identify existing leadership training materials for modification and has begun the process of recruiting the before mentioned cooperative development specialist.

Target II: Cooperative Salience and Competitiveness

Objective 2: Improving marketing capacity and effectiveness

Solution 1: Evaluate and make recommendations regarding co-op communication infrastructure and market research ability to gain access to up to date market information.

CDP Semi-annual activities:

Activities are in the planning phase.

Solution 2: Facilitate the cooperative in identifying where their product(s) fits into the industry as a whole.

CDP Semi-annual activities:

Paraguay CDP staff is conducting, with selected counterpart organizations, analyses of productive chains with competitive and comparative advantage. A vegetable marketing SOW is under development.

Objective 3: Improve product quality.

Solution 1: Facilitate cooperatives in establishing product quality standards.

CDP Semi-annual activities:

Market limitations and challenges related to product quality have been identified, allowing the program to address approaches to market access by cooperatives and associations.

Solution 2: Facilitate cooperatives in establishing an internal mechanism for evaluating product quality.

CDP Semi-annual activities:

Activities are in the planning phase.

Strategies Implemented

The CDP-Paraguay program draws on the extensive experience of ACDI/VOCA CDP worldwide programs as well as models the very successful CDP and Farmer to Farmer Programs which have been a premier source of technical assistance in Bolivia for 30 years. Our experience demonstrates that a close relationship with partner organizations and an effective monitoring and evaluation process enable the program to build on a successful past and to apply lessons learned from this experience with our partners.

Effective volunteer-based technical assistance requires a significant level of effort by both ACDI/VOCA field staff and the partner organization prior to, during and following the volunteer assignment to maximize impact. Field staff work closely with counterpart organizations through the entire process to adequately identify and assess technical assistance needs vis a vis the long-term strategy, elaborate well-defined Scopes of Work, ensure the recruitment of the appropriate expert and provide programmatic and administrative support to the volunteer during the assignment. Continued post-assignment technical guidance by field staff and contact with the volunteer coupled with results-oriented monitoring and evaluation process further enhance achievement of program objectives. It has been proven that well-prepared volunteers and host organizations enhance the overall impact and efficiency of the technical assistance program.

Although the CDP in Paraguay is recently underway, significant progress has been made during the reporting period in program development and toward implementing the first volunteer interventions. With the participation of USAID/P EO personnel, a preliminary rapid rural appraisal was conducted in the target area, involving producers, cooperative leaders and Ministry of Agriculture officials. The product of this effort was broad commodity and institutional information which enables ACDI/VOCA and prospective

counterpart organizations to focus resources on opportunities with greatest potential for economic growth. This appraisal was followed up by further visits with selected cooperatives and associations in the target area to obtain further depth and breadth of knowledge on these opportunities, gather preliminary baseline data, and identify and prioritize opportunities for program intervention. As these strategic alliances develop, ACDI/VOCA formulates a results-oriented framework of technical assistance with each organization, establishes baseline data and commences to develop Scopes of Work for specific interventions. A preliminary and illustrative framework demonstrating this approach and prospective counterpart organizations is included in this report as Annex B.

ACDI/VOCA expects further development of our institutional partnerships, as well as requests for assistance to emerge from workshops and field visits which will be conducted in each of the target departments in February 2003. Prospective beneficiary organizations, GOP and USAID/P EO personnel are expected to participate in the workshops, which will include an overview of the ACDI/VOCA CDP approach and methodology, further assessment and validation of areas of intervention and presentation of the technical assistance strategy. Each workshop will be followed by visits to individual cooperatives and associations in order to validate institutional assessments and further assemble baseline data and the program strategy is consolidated. Greater program clarity and direction for the CDP will emerge from the aforementioned process, permitting effort and resources to be effectively focused.

The workshops and subsequent field visits will involve the participation of a CDP volunteer specialist in cooperative development, for which a Scope of Work (SOW) has been submitted to the ACDI/VOCA recruitment office. In addition, SOWs for two additional interventions in oilseed processing and marketing and vegetable production and marketing are under development. These assignments will require the assistance of specialists who will help participating cooperatives and associations focus on market opportunities in the respective areas. Technical assistance will expand opportunities for income generation for farmers and entrepreneurs along the entire food chain, emphasizing commodity specific, market-driven initiatives.

During the reporting period, the ACDI/VOCA-Asuncion office has been established and legally registered and is now fully operational. Ms. Elisa Echagüe is the Program Director for CDP-Paraguay. Ms. Echagüe holds a BS in Agricultural Sciences and an MS in Horticulture and has over 10 years experience in agricultural extension and technical assistance activities with producer organizations in Paraguay (see Annex C). Ms. Amelia Moro and Ms. Viviana Isfran are employed as ACDI/VOCA-Paraguay secretary and accountant, respectively. Intensive administrative and programmatic training with these team members has been conducted during the reporting period. ACDI/VOCA Regional Representative and CDP Team Leader, Glenn Blumhorst, supervises the CDP-Paraguay activity with additional administrative and programmatic backstopping provided by the ACDI/VOCA-Bolivia office in Santa Cruz.

Products Developed

Although no tangible products for development have been specifically established at this point in the program, the preliminary assessments and process of defining institutional strategies have identified potential products to include strategic plans, institutional policies and procedures, marketing studies/plans and structured marketing systems.

Impacts Achieved

The CDP Paraguay program has no impacts to report during this period.

Dissemination of Impacts Achieved and Lessons Learned

The Center of Excellence team will, in coordination with field projects, disseminate impacts achieved and lessons learned. In addition, ACIDI/VOCA-Paraguay will facilitate field-level information dissemination through occasional cooperative and association workshops, volunteer specialists' final presentations and the periodic publication of program accomplishments and highlights in bulletins to be circulated among the cooperative community.

Conclusions

The CDP-Paraguay activity is restricted in its scope and reach by the limited funding through the current Cooperative Agreement, particularly in terms of the number of planned volunteer interventions and level of effort in long-term field training and technical support. In order to achieve greater effectiveness in the target area, additional resources are required. Toward this end, ACIDI/VOCA has established dialogue with USAID/P regarding the prospectus of incremental funding for the program through a Mission buy-in to the agreement.

E. CENTER OF EXCELLENCE

The Center of Excellence has begun the process of identifying appropriate and useful materials and developing the *Resources for Cooperative Excellence* website (working title). The web site will serve as a tool for the packaging, management and dissemination of deliverables of the CDP field projects, as well as additional ACIDI/VOCA materials on excellence in cooperative development. An existing sub-page of ACIDI/VOCA's main website is being transformed to an electronic "learning library." Documentation will be in a user-friendly format that will help tell the cooperative story to policy makers, cooperative development professionals and beneficiaries.

APPENDICES

A. CEBI SOUTH AFRICA

The CEBI Program is a three-year local economic development project, which is jointly implemented by ACDI/VOCA, CHF (Cooperative Housing Foundation) and NCBA/CLUSA (National Cooperative Business Association/ Cooperative League of the USA). Through the unique application of cooperative development principles, including a combination of community empowerment through democratically structured group-based organizations, cooperative business development, and locally owned and controlled financial services, the three partner organizations are enhancing local economic development, increasing access to financial markets for historically disadvantaged township residents and their businesses, and creating employment.

The main goal of the Program is to develop the business and financial capacity of entrepreneurs and small business owners in the peri-urban black townships in Nelson Mandela Metropole (Port Elizabeth, Uitenhage and Despatch), and promote links between these historically disadvantaged businesses and mainstream businesses in the Eastern Cape region. Program objectives include the following:

- Enhance local economic development and create employment in the disadvantaged communities
- Establish local business support centers in the disadvantaged communities
- Provide essential business training and financial services and develop strong community business leadership

The vision of the Program, as established by the CEBI management in coordination with local entrepreneurs, reads as follows: “CEBI is a center of excellence dedicated to providing a customer responsive menu of consistently high quality financial services, business training and linkages. Together with the community, we shall promote economic growth and development so as to increase the standards of living and access to employment and business opportunities.”

The creation, development and promotion of small businesses in the peri-urban townships is done through the establishment of a CEBI center in Motherwell Township. The CEBI center comprises the following three units:

1. Administration and Planning Unit (APU), led by CHF
2. Business Creation and Training Unit (BCTU), led by NCBA/CLUSA
3. Financial Services Unit (FSU), led by ACDI/VOCA

The role of the FSU includes:

- Developing and promoting financial services for businesses and entrepreneurs
- Increasing access to financial markets for peri-urban entrepreneurs

- Creating an economic development fund
- Establishing a Financial Services Cooperative linked to the Finasol Network
- Integrating ancillary financial services such as filing systems and funds transfer

B. Program Overview

Last year, the program expanded its area of operations to include all historically disadvantaged townships falling within the Nelson Mandela Metropolitan Municipality. The target market remains the historically disadvantaged who may not otherwise have access to business development and financial services.

The steady increase in inquiries made to the Financial Services Unit demonstrates that it is gaining the recognition required to be effective among key players in the local business community. The FSU loan fund has been operational for two reporting periods and had reached a fairly stable level of lending, challenging the team to explore creative new avenues for expanding the FSU's lending operations while reducing its risk. During this reporting period the FSU's loan portfolio has expanded thanks to the introduction of new loan products and a revitalized sense of mission among the team.

In an effort to reduce overall risk, the staff of the FSU continues to seek ways of diversifying its portfolio. In this reporting period, this goal has been achieved by moving away from mainstream retail businesses and spazas (small home shops) and instead focusing on promoting business loans among service and manufacturing enterprises. In the previous reporting period, a policy was also developed to finance tender contracts, in order to provide the bridging finance/working capital necessary for successful completion of contracts when contract revenues are not available. In this reporting period we have expanded upon this strategy by developing a new loan product designed specifically for people responding to business opportunities which require immediate action and which would be lost if tied up in a lengthy loan application process. The FSU is continuing to assess and respond to market demand by developing new loan products targeted at high potential new customers.

Along with the activities, the FSU team has expanded during this reporting period. Charity Mbelekane has served since April 2002 as FSU Manager. Ms. Mbelekane holds a diploma in accounting from the Lesotho Institute of Accountants, a certificate in business studies from the University of Lesotho and a diploma in education from Vista University in South Africa. She has worked in banking for nine years and is originally from Motherwell Township, where the CEBI field office is located. In addition, three new staff members have joined the CEBI-FSU team in December, 2002. Mr. Temba Mzazi and Mr. Sakhumzi Shadra Mbenge have joined Pamella Mahuwa and Fikelwa Peter as loan officers, responding to the demands of the growing loan portfolio. Additionally, Mr. Abraham Ndlovu has been hired as senior portfolio coordinator, providing management support for the lending activities.

C. Program Direction

ACDI/VOCA is working to increase the number of loans and reduce arrears within the FSU loan portfolio. Elena Nelson, a member of ACDI/VOCA's technical services team with extensive banking experience, worked with the new FSU manager in May 2002 to outline an action plan through the end of the project, and has provided follow-up support during this reporting period. Peter Parr, a financial services professional, conducted two consecutive consultancies in October and December to address FSU customer service and marketing strategy. He focused particularly on developing an FSU marketing plan and providing training for CEBI loan officers in loan management and product development. Mr. Parr also worked with the FSU manager to establish FSU targets and link them to CEBI business systems and approaches, and worked with the team to develop a "cost-recovery approach" to FSU lending, by increasing loan officer productivity, reducing delinquencies and default, and increasing numbers of borrowers.

CEBI's focus continues to target increasing the loan portfolio while keeping the at-risk loans to a minimum (well below 10%). During this reporting period, the FSU has contributed to efforts to coordinate the partner organizations within the CEBI family – working to assess the quality of the business plans of potential clients, provide loans, and identify appropriate trainings for clients. A draft of the CEBI business plan was completed in December, and the entire project team is now engaged in finalizing the plan and mobilizing to ensure that CEBI develops into a strong local institution.

D. Business Development

As the FSU has to generate enough revenue in order to be financially sustainable, a portfolio of sufficient size must exist to generate sufficient revenue to cover all operational costs at the FSU level initially, and of CEBI in general. This necessitates a constant flow of business into the system. Therefore, in addition to the applicants who visit the FSU for loans, staff members have made a decision to personally approach individuals with good business acumen and offer them finance. CEBI's success in these business development endeavors lies in the unique competitive advantage of CEBI's approach:

- For-profit orientation
- Township focus
- Combination of non-financial business support with financial services
- Focus on financial management training for customers
- Emphasis on client impact
- Pro-active facilitation between township businesses and medium/large firms in PE
- Strong performance-based and efficiency culture
- Effective and pro-active service delivery
- Professional team with broad business skills and technical support capability as well as field orientation

This competitive advantage has opened the door for CEBI to negotiate contracts with local government and other stakeholders to take on key roles in delivering business and financial services in the townships. A large number of private sector firms are aware of CEBI's reputation and have a positive response to discussions of developing functional links with CEBI. This has been the case with the municipality, as well as COMSEC, a Port-Elizabeth based advisory center, USEC, local schools, and other stakeholders. CEBI has also made significant inroads to working with local associations and cooperatives such as ACHIB and Ministry of Education schools. The result of these linkages has been dramatic in a short time. As of the end of November nearly 100 new borrowers have come forward through these two groups alone, indicating the high potential of well-structured association linkages. More importantly, these associations have collaborated to recommend only their best business people as first time loan recipient, as a means to help reduce loan delinquencies and minimize risk.

The FSU has also been active in assessing the market demand for new loan products and developing new varieties of loans to target this demand. The new "Speedy Loans," for example, offer small loan amounts for very short repayment periods to people attempting to respond to an immediate business opportunity. These loans require a solid business idea as well as strong experience in the area they are trying to finance. Speedy loans are structured carefully and accessed through associations and cooperative groups to reduce risk, and have been met with overwhelming success, attracting 115 borrowers in two months. Repayment rates on new loans have increased dramatically, rising to 100% since October.

E. Program Achievements

- Of the 493 applications processed since initiation in April 2001, 312 relate to the period under review. In monetary terms, R2,355,188.63-worth of applications have been approved, of which R1,271,758.72 relates to the period under scrutiny.
- Of the total of 493 loans approved since inception, 63% relate to the past six months. The additional loan officer and bookkeeper will help increase the overall capacity of the FSU to roll-out more high-quality loans.
- Reduced the arrears in the last 6 months to 5%.

	Accumulative Total	Past Six Months	% of Total
Total applicants	550	350	64%
Rand value	2,400,000.00	1,316,570.00	55%
Approved loans	493	312	63%
Rand value	2,355,188.63	1,271,758.63	54%

B. SCOPE

Program Overview:

The Specialty Coffee Promotion in Eastern Africa (SCOPE) program, one facet of ACDI/VOCA's larger CDP portfolio, began its operations in East Africa on July 1, 2002. SCOPE's goal is to work with the Eastern African Fine Coffees Association (EAFCA) to establish their secretariat and to facilitate policy dialogue and coordination among EAFCA's members in the East African countries of Uganda, Kenya, Tanzania, Ethiopia, Rwanda and Burundi.

Coffee plays an important role in the economies of Eastern Africa. Eastern African coffees are widely recognized as having special characteristics that are in high demand within world specialty coffee markets, although the lack of proper market signals to producers has limited the success well short of its potential. Eastern Africa coffees are sold primarily through auctions but price trends are not on a sustainable system that guarantees producers a fair return in relation to the final prices paid by the consumers. Furthermore, Eastern African coffee farmers have a traditionally weak position within the coffee marketing chain, and they have been overwhelmed by an avalanche of coffee traders at the village level.

Through partnerships with local, regional and international organizations, and targeted short-chain marketing to consumers, the high-grade specialty coffee production by smallholder organizations in the participating countries can be appreciably enhanced. ACDI/VOCA has been working with EAFCA, located in Kampala, Uganda, to create this vision and build an economic hub connecting organized producers with the specialty and gourmet coffee markets in Africa, North America and Europe. Through market linkages, regional coordination, information provision and a variety of other services, EAFCA is striving to provide a consistently higher level of return to participating members.

This integrated SCOPE approach combines ACDI/VOCA's experience and regional relationships within the Eastern Africa agribusiness sector with the regional coffee expertise of the EAFCA board, staff and regional partners. In partnership with a wide array of regional coffee organizations and international NGOs, support will be given for the accelerated development of an Eastern Africa fine coffee sector. Targeted assistance will be given to EAFCA's efforts towards: (1) building the capacity of the secretariat, and (2) assuring regional policy dialogue and coordination. In this way, trade with the US and other international fine coffee sectors will greatly increase and a more efficient and equitable coffee sector will emerge in East Africa.

Program Accomplishments by Goal/Component:

Component 1: Establishment of the EAFCA Secretariat

During the July–December reporting period, EAFCA made great strides toward strengthening the capacity of its secretariat. By September, EAFCA had completed its

5-year Strategic Plan, a draft of which was completed in August and was presented to the EAFCA board of directors for approval. In addition, a draft of a proposed EAFCA Chapter Constitution was prepared and presented to the board of directors for review at the August 2002 board meeting. It was subsequently approved by the board and tabled at the 2nd Annual EAFCA general meeting, and also approved by the members. EAFCA's Memorandum and Articles of Association were also revised and presented to the board of directors for review at the August 2002 board meeting. They were subsequently approved by the board and later approved by EAFCA's members. Finally, a new finance & accounting manual for EAFCA was developed, and a draft was discussed by EAFCA's board at its August sitting. With some comments, it was adopted as a working document that will be finalized in February, 2003.

EAFCA increased promotion of its members' coffee through the Internet and other multimedia means. EAFCA's Executive Director was interviewed on BBC's World Service on August 30th, at which time he discussed appellation development and the promise to increase smallholder incomes through branding, improved market access and improved quality of coffee. The Executive Director also held interviews with local journalists in Uganda during November and December, at which time he discussed EAFCA's activities including quality improvement and appellation development. Local radio broadcasts subsequently covered this in newscasts and discussions.

EAFCA has continued to recruit new members. During the reporting period, EAFCA's Chairman and Executive Director traveled to Ethiopia (through private funding, not project funds) to hold discussions with the management of the Ethiopian Coffee and Tea Authority (CTA) as well as with the Chairman of CTA, regarding the membership of CTA in EAFCA. While previous contacts and efforts had not yet yielded positive results, this visit was received positively and a pledge was made by the CTA Chairman to pursue the matter with the board of directors of CTA.

In spite of numerous contacts and invitations to various entities to join, in the course of the reporting period, there have been only three additional members added to EAFCA. This situation is expected to improve in the next period after exposure to EAFCA and its members' coffee at the Specialty Coffee Association of America (SCAA) conference in Boston in April, 2003.

Before his departure in October, Dann Griffiths was instrumental in reinforcing EAFCA's relationship with the Shoprite supermarket chain in Uganda. EAFCA has promoted a special brand of its coffee through the Shoprite chain in Kampala. This was also part of the wider promotion of a regional brand of specialty coffees from the EAFCA member-countries, which are to be introduced to the greater chain of the Shoprite stores across Africa. Rwanda was the only other coffee that was sold in Shoprite through the EAFCA arrangement. The secretariat aims to promote its brands beyond Shoprite and contacts were made with the South African high Commission for information on other opportunities in South Africa.

Component 2: Regional Policy Dialogue and Coordination

Many aspects of this component were non-starters during this reporting period due to delays in the release of the initial obligation of funding. EAFCA's credibility in the eyes of its members suffered as funding for this program was inevitably delayed until mid-year. In the upcoming reporting period, however, Chapter countries are expected to create lists of policy-makers in their respective countries, as well as develop an e-mail based policy list-serve.

The process of forming a regional policy task force, however, has already commenced with the participation of the EAFCA board members in the discussions and arrangements for the first regional coffee policy forum, which is to be held in Ethiopia on/around March 27-29, 2003.

HQ & Field Administration:

At the end of October, 2002, Dann Griffiths resigned from ACDI/VOCA, and vacated the position of the SCOPE Regional Project Advisor. Stanley Marengé, a Kenyan national, subsequently filled the open position of the Chief Technical Advisor to EAFCA. Mr. Marengé's main assignment is to assist EAFCA in brand promotion and establishment of regional markets for value-added Eastern African coffee. SCOPE has continued to be closely supervised by ACDI/VOCA's HQ in Washington, DC.

ACDI/VOCA approved the purchase of a powerpoint projector for use in this project, as EAFCA had purchased a laptop computer on their own while awaiting funding for the SCOPE program. In addition, a desk and chair were purchased for Stanley Marengé's office space within the EAFCA office. No other equipment was purchased during the reporting period.

Program Direction:

2003 will be an exciting year for the SCOPE program, and a year in which many of its programmatic activities are to take place. ACDI/VOCA and EAFCA are coordinating the logistics behind EAFCA's participation in the 2003 SCAA conference in Boston in April. The SCOPE program will facilitate the presentation of EAFCA's six Chapter-countries in six, respective booths at the 2003 conference, giving each Chapter-country the opportunity to promote its coffee under the EAFCA label. This will also give EAFCA an excellent opportunity to recruit new members, as well as to market its products at large. Two EAFCA staff and one ACDI/VOCA HQ member will attend the conference using SCOPE funding, and it is hoped that representatives of each of the six Chapter-countries will also attend, at their own expense, in order to promote their respective brands. Stanley Marengé, the Chief Technical Advisor to EAFCA, will be very involved in the marketing of the EAFCA brand through this conference.

As mentioned earlier, the process of forming a regional policy task force has commenced, and EAFCA board members are discussing and arranging for the first regional coffee policy forum, which is to be held in Ethiopia on/around March 27-29, 2003.

Discussions will continue with Shoprite, and other national and international supermarket chains, to introduce EAFCA brands into the larger markets. Useful contacts have already been established with the large Uchumi Supermarket at a popular new shopping mall in Kampala. Uchumi is one of the leading supermarket chains in Kenya, and EAFCA hopes to seek support from the Kenyan Consulate in Kampala to promote Eastern African coffees through the Uchumi chain.

C. ANGOLA

Program Overview:

The CDP Angola program is designed to be part of a three-way public-private alliance between ACDI/VOCA, USAID and the private sector oil company ChevronTexaco, through the Cabinda Gulf Oil Company (CABGOC), a consortium of oil companies registered in Angola. The purpose of the alliance is to increase household wealth for a large number of families in Cabinda Province through farmer-owned agribusiness associations, agricultural input and produce marketing centers, business and market linkages, and access to financial services, with a focus on improved produce marketing systems.

CABGOC has agreed to fund the design and launch of a five-year phased program to supply fresh produce to the Malongo Terminal and the local market. Over time, local smallholder farmers will be able to deliver pre-arranged consignments of consistently high quality fruit and vegetables in a timely manner, greatly reducing the need for food imports to the complex. Activities will include association development with the Cabinda Farmer's Association (AAC); outgrower vegetable production schemes with smallholder farmers in parts of Cabinda and Cacongo municipalities; the facilitation of access to inputs for these producers; the establishment of a modest collection, cool storage and distribution facility; and a rotating marketing credit fund. Training will be provided to the AAC in production scheduling, post-harvest handling, quality control, and business contracting.

CDP funds are for complementary activities over a three-year period that will greatly broaden the impact of this intervention. USAID-funded components will enable the AAC and other producer groups throughout Cabinda, Cacongo and Buco Zau to produce a range of crops for sale within the province, to Luanda and other cities in Angola, and to the neighboring countries of Congo-Brazzaville (ROC) and Congo-Kinshasa (DRC). Farmers within Cabinda will stimulate the local economy and reduce the cost of food for Angolan consumers. Target sub-sectors will include vegetables and fruit, poultry and eggs, oilseeds, groundnuts, cassava and beans, and coffee. Activities under this proposal are the strengthening of farmer organizations around a range of products; the establishment of agribusiness service centers (ASCs) to provide decentralized technical assistance and inputs; the promotion of cross-border trade; the development of a market information system; and the design of sustainable financial service mechanisms.

By the end of the three-year project, it is anticipated that farmer groups will have fulfilled multiple contracts to sell fruit and vegetables to Luanda; cross-border trade by participating farmers will have risen by at least 30%; at least 1,000 farmers will be purchasing inputs through agricultural service centers or directly through producer organizations; and the average income for participating farmers will have risen by at least 10% per year. In addition, at least 50% of participating farmers will receive and understand market information on a regular basis; at least 300 farmers will have been trained in functional business literacy; and organized farmers in Cabinda will have access to appropriate and sustainable financial services.

Activities this Reporting Period:

ACDI/VOCA has been recruiting for expatriate staff since it was first notified of its award by ChevronTexaco in May 2001. No staff could be hired, however, because the contract has yet to be received. Once the USAID funds were granted through a CDP amendment in October 2002, ACDI/VOCA expanded this search to include an expatriate Agribusiness Manager. The Agribusiness Manager will be a Portuguese speaking expatriate experienced in association development, as well as in the production, processing, financing and marketing of a range of agricultural products. At the close of the reporting period, a strong candidate had been found for this position, and further discussions and reference checks were in process.

Since the CDP component was designed to build upon the ChevronTexaco funded Cabinda Agribusiness Development Project (CADP) – and as such, support staff and many operating costs were budgeted under the CADP – we have been reticent to press ahead too much in advance of receiving the ChevronTexaco contract. However, we are preparing to field the Agribusiness Manager in the next few months in order to begin operations on the ground.

ACDI/VOCA also provided input to the three-way Memorandum of Understanding during this period. At the close of the reporting period this had yet to be signed, pending input from ChevronTexaco.