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**COOPERATIVE DEVELOPMENT
AND THE
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
AN EVALUATION**

Prepared for the
Office of Private and Voluntary Cooperation,
Bureau of Food for Peace and Voluntary Assistance,
U.S. Agency for International Development

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EXECUTIVE SUMMARY

I. MAJOR FINDINGS AND CONCLUSIONS

A. General Conclusions

A.I.D. support for the four cooperative development organizations (CDOs) covered in this study has accomplished its major objectives. It has served to develop and sustain a capability within the organizations to provide high-quality, specialized services in support of cooperative development.

A.I.D. assistance to the CDOs has not been translated effectively into increased support for cooperative development at USAID Mission and Regional Bureau levels, with the result that A.I.D.'s overall support for cooperative development appears to be declining. There are structural constraints in A.I.D. that mitigate against adopting cooperative approaches to development programs even when these might be appropriate.

Although A.I.D. support for the CDOs has succeeded in developing a specialized capability to provide cooperative development services, the CDOs are facing increasing problems in marketing that expertise. This is due in part to the decline in cooperative-specific projects within A.I.D. and in part to an increase in competition from consulting firms.

B. Strengths and Weaknesses of the A.I.D.-CDO Relationship

In general, the objectives of the core grants have been achieved. The evaluation did not encounter any instance in which the level of effort and focus of CDO activities were not consistent with the intent of the core grant agreements or the level of resources provided.

The core grants have provided financial and program stability for the four CDOs studied. They have enabled the CDOs to hire and retain qualified staff and technicians, to coordinate and provide advanced training support, to maintain contact with existing cooperative movements in developing countries, and to maintain a presence with host country officials, USAID Mission personnel, and other donor agencies.

The core grants have been instrumental in keeping the CDOs involved in and focused on cooperative development. At least two of the four CDOs studied would not be involved in international cooperative development in the absence of the core grant mechanism. The grants have also had the effect of increasing the potential level of A.I.D. support to cooperative development, as the CDOs have used the grants to develop project proposals and market their services.

The CDOs are generally regarded by USAID Mission and Regional Bureau personnel as effective, high quality sources of cooperative development expertise and closely related services.

1. A.I.D. Level of Support for Cooperative Development

Although support for and use of cooperatives in development varies by region, country and sector, the general trend appears to be that A.I.D.'s support for cooperative development is declining in both absolute and relative terms. This is accompanied by a general reduction in the number of field projects, an increased emphasis on policy reform and structural adjustment, and a tendency to include "institution building" as a component of a more broadly defined project rather than as a discrete project.

Four major factors appear to account for A.I.D.'s reduced level of support to country-level cooperative development: (a) USAID Mission staff's past negative experience with and perceptions of cooperatives, (b) the inability of the CDOs to become involved at a sufficiently early stage with USAID Mission programming and project planning to build in an appropriate orientation toward cooperatives, (c) the tendency for the CDOs to push for projects that do not fit into USAID Mission strategies and priorities, and (d) external factors that make cooperatives inappropriate instruments in a given country or context.

2. A.I.D.'s Utilization of the CDOs as Specialized Institutions

The underlying rationale for core grants is that they are needed to ensure the availability of specialized technical assistance that is likely to be required for the implementation of A.I.D.'s foreign assistance program.

A.I.D.'s planning and project design process and contracting mechanisms effectively exclude the CDOs from participating in the stages of the design process that are critical to determining the orientation (cooperative or non-cooperative) of projects. Most project design work is carried out by consulting firms that are

contracted through existing indefinite quantity contracts (IQCs). The CDOs do not have access to a similar funding mechanism that encourages USAID Missions to utilize them, and non-CDOs seldom design a cooperatively oriented project.

Finally, at least some of the CDOs are not perceived as offering unique and separate skills; cooperative development is not viewed as a discrete discipline requiring specialized institutional support. When "cooperative development" comprises only a limited component of an integrated project, USAID Missions are more likely to accept an independent consultant, a personal services contractor (PSC), or member of a consulting team as an adequate cooperative resource for the project.

There are, however, factors that tend to increase A.I.D.'s use of the CDOs. These include:

- * past favorable USAID Mission experience with a particular CDO in a particular country
- * compatibility of a proposed project with USAID Mission priorities and strategies
- * the degree to which a project focuses on the development of cooperatives as opposed to other objectives
- * in-country presence of a CDO
- * perceived unique capabilities of the CDO in a given situation

It is important to note that the CDOs are, in fact, perceived to have valuable, unique capabilities that distinguish them from other providers of consulting services. Most frequently mentioned was the ability of the CDOs to provide member-supported backstopping for participant training.

II. RECOMMENDATIONS

If A.I.D. is to significantly increase its support of cooperative development, it must either (a) develop mechanisms to ensure that cooperative development alternatives are considered at key stages of the programming and project design cycle or (b) consider specialized funding for cooperative development independent of the normal A.I.D. programming and project design process. The evaluation team considers the first of these to be the preferred alternative.

To increase A.I.D.'s support of cooperative development, the CDOs need to improve the effectiveness of their marketing of the cooperative development concept. This includes developing a greater awareness of the nature and rationale of A.I.D.'s programming strategy and more effective approaches to demonstrate the relevance and benefits of a cooperative approach to accomplishing that strategy.

A. Recommendations for A.I.D.

1. Change in Grant Period

Recognizing the fact that the Congressional appropriation process and internal allocation procedures regularly result in funding gaps for the CDOs, FVA/PVC should attempt to either establish a new grant period or seek ways to maintain a basic level of interim funding under A.I.D.'s "continuing resolutions."

2. Matching Funds

Although the CDOs are specifically exempted from the 20 percent non-U.S. government funding requirement, there should be incentives for increasing the mobilization of U.S. cooperative and other resources by CDOs. The policy guidelines indicate that matching grants are available to support CDO activities, especially those intended to enhance direct links between individual U.S. and developing country cooperatives, but these have not been utilized by either A.I.D. or the CDOs in a cohesive strategy to increase the range and impact of cooperative development activities.

3. New Grant Guidelines

Some of the sections of the new core grant guidelines -- particularly the section dealing with country selection and country-specific action plans -- do not seem to apply to the CDOs. These guidelines should be reviewed further by FVA/PVC to ensure the relevancy of all sections to the intended objectives of the grants.

4. New Proposal Objectives

CDO objectives in the new proposals should be tied to the core grants rather than country-level funding programs. In other words, because core grant funds may not be used to carry out country-level projects beyond a very short duration, country-level statistics and projections are not relevant indicators of core grant performance.

5. Regular Reporting Requirements

The semi-annual report form should be substantially simplified (streamlined) and made more effective.

6. Promotion of Cooperative Approaches

FVA/PVC needs to become more effective in promoting cooperatives with USAID Missions and Regional Bureaus. In particular, FVA/PVC needs an increased travel and communications budget, and needs to develop more effective means of communicating cooperative development objectives and strategies to the field.

7. Orientation of A.I.D. Officers

A.I.D. needs to ensure that project, program and technical officers are knowledgeable of the role and relevance of cooperative development and the CDOs, and are aware of the appropriate opportunities and situations for supporting cooperatives in ongoing USAID Mission programs. In particular, attention should be placed on briefing new officers and on including a session on cooperatives in A.I.D.'s Development Studies Program. Materials on cooperative development -- particularly on the types of situations that should be relevant to the use of a cooperative approach -- should be provided to relevant technical and project development officers, and should be highlighted at A.I.D. regional conferences, USAID Mission Directors' and Program Officers' meetings.

8. Cooperative Development Policy

A.I.D.'s policies and guidelines on cooperatives need to be revised and strengthened to make them more operational and effective. The current policy statement is not effective in promoting Mission use of cooperatives as a development strategy.

9. Cooperative Development Alternatives in the Project Design Process

The question of whether or not to use a cooperative approach should be addressed directly at several stages of the A.I.D. planning and project design process. It would certainly be appropriate to require that the CDSS discuss the relevance and role of cooperatives as an approach to development in each country. It would also be appropriate for FVA/PVC to review PIDs submitted by USAID Missions to see if a cooperative approach were adequately considered in Mission planning.

10. Buy-in or Contracting Mechanisms

A.I.D. needs to develop new or streamlined mechanisms for contracting the CDOs for project design, feasibility studies and evaluation activities. This could include reinstating IQCs for the CDOs, revising the current buy-in mechanisms to permit project design activities, and simplifying the contracting steps and procedures. Because project designs are likely to require more than just a cooperative input, A.I.D. should attempt to develop a specialized contracting mechanism that would permit (and encourage) the CDOs to act as sub-contractors on IQC-funded design contracts led by other firms. Such a mechanism should include incentives for outside firms to work with the CDOs.

11. Cooperatives and Privatization

Cooperatives should be made an integral part of A.I.D.'s privatization and policy reform efforts.

12. Monitoring Cooperative Development Objectives

The absence of a Cooperative Development Officer at the Regional Bureau and USAID Mission levels has a negative impact on the contracting of the cooperative development organizations by Missions for project design. If A.I.D. is to promote cooperative development seriously, it should consider assigning responsibility for cooperative development activities to an officer in each USAID mission.

B. Recommendations for CDOs

1. Early Participation in Design Activities

The CDOs need to become involved in the project cycle at an earlier stage. At the present time they are relegated to bidding on projects that have been published in The Commerce Business Daily or submitting unsolicited proposals. Both of these have severe limitations: in the first case the CDOs have little or no control over the design of the projects, and in the second case the amount of funds available is likely to decline during the next few years.

The CDOs need to have an "early warning" system for identifying possible cooperative interventions so that they can provide an input into the programming and design phase of projects.

2. The "Selling" of CDOs

The CDOs need to improve the targeting, planning and marketing of their approach to A.I.D.. They need to more systematically analyze Mission strategy documents, identify areas in which cooperative development can make a positive contribution, and develop proposals for design work and projects that are consistent with A.I.D. strategies and priorities. Concurrently, the CDOs need to jointly develop a system to identify, track and pursue opportunities for cooperative development activities in the Regional Bureaus and USAID Missions.

3. Local Currency Use

The CDOs, perhaps with A.I.D.'s assistance, need to develop ways to make effective use of local currency generations to fund in-country cooperative projects. Even though a portion of these funds have been earmarked for PVO and cooperative use, the CDOs have not been particularly effective in accessing these resources. There should be a study of these resources to determine the amount of resources that might be available, the problems of accessing these funds, and the development of specific strategies for the CDOs that will enable them to access these funds effectively.

4. Greater CDO Capabilities

The CDOs need to broaden their capabilities -- either through collaborative efforts with other CDOs or as partners with non-CDO consulting firms -- to be able to provide the range of expertise required by USAID Missions. They should continue efforts to develop joint programs involving two or more CDOs.

III. Recommended Follow-Up Actions

Based on the conclusions of the evaluation, there are a number of specific follow-up activities that FVA/PVC should undertake to improve the impact and effectiveness of its support for the CDOs. These include:

- * Provide assistance to the CDOs in planning, designing and sharing an early warning system that would identify and track potential cooperative-oriented activities. Such a system would help FVA/PVC and the CDOs identify activities that could involve cooperatives early enough to permit FVA/PVC and the CDOs to provide information and input to the Missions at an early stage in the design process. It would also track the progress of projects through the approval process so that the CDOs can plan proposal strategies well in advance.
- * Prepare and conduct a workshop on "positioning" for the CDOs. This workshop would review and refine this evaluation's analysis of the environment for cooperative development within A.I.D., discuss and evaluate alternative objectives and strategies for the CDOs within this environment and determine future actions to improve the role and impact of the CDOs.
- * Prepare and conduct a workshop to provide assistance to the CDOs in techniques for analyzing A.I.D. policy, strategy and programming statements, recognizing opportunities for cooperative participation, and improving the targeting of unsolicited proposals toward meeting A.I.D. priorities and objectives.
- * Prepare and conduct a workshop for the CDOs to discuss and develop appropriate mechanisms for increasing project collaboration, recommendations for CDO and non-CDO joint ventures, shared and separate fund raising activities, and alternative mechanisms for funding cooperative development activities.
- * Analyze alternatives for improving FVA/PVC communications and marketing of cooperative development within A.I.D.
- * Review and implement improvements in the FVA/PVC semi-annual progress report form.

PREFACE

In July 1988, FVA/PVC contracted Automation Research Systems, Ltd. (ARS) to conduct an evaluation of its support to four of six officially registered U.S. cooperative development organizations (CDOs). These are Agricultural Cooperative Development International (ACDI), Cooperative Housing Foundation (CHF), National Rural Electric Cooperative Association (NRECA) and World Council of Credit Unions (WOCCU). The other two CDOs -- National Cooperative Business Association (NCBA)¹ and Volunteers in Overseas Cooperative Assistance (VOCA) -- were not included in the study because they had been the subjects of recent special evaluations.

A. Purpose and Objectives

The long-range objective of the present evaluation is to suggest ways to improve A.I.D.'s use of and support for cooperative development in its worldwide programs. Its immediate purpose is to provide useful information to the U.S. Agency for International Development (specifically FVA/PVC) on the effectiveness of its current support in developing credible and useful technical, organizational and managerial cooperative development capabilities among U.S. CDOs.

It is not the proposal of this evaluation to debate the value of cooperatives in development or as an approach to development. Neither is it within the scope of the evaluation to pass judgement on the success or failure of specific cooperative projects visited or to provide recommendations on the situations in which cooperatives may or may not represent an efficacious development strategy. A valid examination of any of these topics would require a much more extensive and in-depth appraisal than was possible within the time-frame and financial limitations of this study.

¹NCBA was formerly named the Cooperative League of the USA (CLUSA).

This study takes as a starting point the fact that Congress has mandated that A.I.D. focus special attention on supporting cooperative development and accepts as a premise that this is indeed A.I.D.'s intention. Furthermore, it accepts as a premise that A.I.D. has determined that A.I.D./W support of the CDOs (including "core grants") is an essential element in developing and maintaining a specialized cooperative development capability. The focus of the evaluation is not to question these premises, but to examine the strengths and weaknesses of the present system as they relate to A.I.D.'s effectiveness in stimulating sustained cooperative development in the countries served.

B. Key Areas of Concern

The present evaluation is designed to focus on four specific areas of concern to A.I.D.:

- * Have the core grants achieved their general and specific objectives of establishing an effective capability in the CDOs to support international cooperative development? In addition, have the CDOs been able to achieve the specific objectives of the current core grants?
- * Has the core grant mechanism assisted the CDOs in becoming effective and efficient project implementors?
- * To what extent is A.I.D. supporting cooperative development and using a cooperative approach in its development strategy? What are the major impediments to a more effective use of (and support for) cooperatives in its development program?
- * To what extent does A.I.D. utilize the resources of the CDOs in the design and implementation of cooperative-oriented projects? What are the major impediments to the use of the CDOs as specialized cooperative development resources?

C. Specific Improvements

In studying these areas, the evaluation effort was intended to recommend a number of specific improvements in A.I.D.'s support of cooperative development, including:

1. A specific set of criteria for FVA/PVC to use in reviewing and approving new CDO grant proposals

and a list of concrete objectives and conditions to include in future grant agreements;

2. An improved focus of strategies, in both the CDOs and FVA/PVC, that results in:
 - a. improvements in the CDOs themselves as effective international development institutions;
 - b. increased use of cooperatives as a development tool in field-level projects; and
 - c. improved effectiveness of cooperative development programs and projects.
3. Improvements in FVA/PVC-CDO-USAID Mission relationships and funding that will both increase the use of the cooperative approach in development programs and increase the effectiveness and use of the CDOs as specialized cooperative development institutions.

The evaluation will have been successful if it provides useful insights into the problems and issues that A.I.D. faces in attempting to implement the congressional mandate in support of cooperative development, and if it provides useful and practical recommendations on ways to resolve those issues and problems.

D. Structure of the Report

The report is divided into two parts. The first part, consisting of four chapters, contains the general findings and conclusions of the evaluation. The second part contains individual chapters on the four CDOs covered in the study. The Executive Summary provides a concise listing of the major findings, conclusions and recommendations.

E. The Evaluation Team

The evaluation team fielded by ARS, Ltd. consisted of John H. Magill, Robert G. Blayney, John M. Porges and Gary E. Neill.² John Magill served as overall team leader for the evaluation; Robert Blayney acted as team leader for the field team in Central America. Messrs. Blayney and Magill were also responsible for final report preparation. Claudia Liebler acted as project coordinator and was responsible for team selection and preparation.

F. Methodology

The evaluation team participated initially in a one-week team building session designed to produce a clarification of study objectives and develop a systematic methodology for conducting the evaluation. During this period the team interviewed key officials from FVA/PVC and the CDOs, reviewed basic documentation, and developed (in cooperation with FVA/PVC) a revised statement of work and objectives. A basic research design and set of questions were developed and approved.

Following this initial session, the evaluation team divided into two groups to conduct interviews with selected officials of each of the participating CDOs. Approximately three days were spent with each CDO, discussing home office activities, reviewing cost and budget information, and collecting selected reading materials for subsequent review. After the home office interviews the team reconvened in Washington to discuss preliminary findings, modify the research design and data collection methodology, and refine the proposed report outline.

Fieldwork was carried out during the four-week period from August 4 to August 26, 1988. During that time one field team (consisting of two evaluators) visited USAID Missions and cooperative programs in Honduras and Costa Rica, while the other field team visited similar activities in Kenya, Uganda and Malawi. Members of the evaluation team were divided so that each field team comprised individuals who had visited different CDOs during the home office interviews; in this way each team had at least one person who was familiar with each of the CDOs. The teams interviewed USAID personnel, host government officials, local cooperative leaders, CDO field staff, and other knowledgeable individuals.

²The team originally included Joseph McMann, who withdrew for personal reasons during the second week of the study.

Following the field work, the team reconvened in Washington to discuss findings and conclusions, and to reach consensus on major issues and recommendations. During this period of time debriefings were held with FVA/PVC and representatives of the CDOs.

Individual team members submitted their written observations and conclusions to a writing team, comprised of the field team leaders, for preparation of the draft report. The draft was submitted to FVA/PVC and the four CDOs for internal review and comments, which have been incorporated into the final document.

G. Disclaimer

The evaluation team wishes to express its appreciation to the staffs of FVA/PVC and the CDOs for their thoughtful and helpful comments on the initial draft. To the extent possible, these were incorporated into the final report. The conclusions and recommendations presented in this report, however, are those of the authors, and do not necessarily represent the opinions or positions of the cooperative development organizations, the U.S. Agency for International Development or Automation Research Systems, Ltd.

PART ONE

**COOPERATIVE DEVELOPMENT AND THE U.S. AGENCY
FOR INTERNATIONAL DEVELOPMENT: A REVIEW**

I. GENERAL INTRODUCTION AND BACKGROUND

The U.S. Agency for International Development (A.I.D.) has supported the development of cooperatives as an integral part of its foreign assistance program since the early 1960s. Congressional language in the original Foreign Assistance Act of 1961 instructed the Agency to encourage the development of cooperatives as a means of strengthening the participation and involvement of the rural and urban poor in development through self-help activities, and as a way to mobilize private U.S. financial and human resources to benefit poor people in developing countries.

This support has taken two principal forms. At the field level, regional and bilateral projects have supported the establishment of local cooperatives and other forms of support institutions. In A.I.D./W, extended support has been given to a limited number of cooperative development organizations (CDOs) through a series of centrally-funded grant programs³ administered by the Bureau for Food for Peace and Voluntary Assistance, Office of Private and Voluntary Cooperation (FVA/PVC).

Most of the CDOs were formed and became involved in international development work in response to the Alliance for Progress and the "Humphrey Amendment" to the Foreign Assistance Act of 1961. Of the four CDOs covered in this study, only WOCCU (through its predecessor organization, CUNA International) had been engaged in international cooperative development efforts prior to 1961.

A.I.D./W support for the CDOs involves a number of activities, of which the key component is the series of centrally administered grant programs A.I.D. has provided to the CDOs since

³ Throughout this report the term "core grant" is used to refer to this centrally administered grant program. The actual funding mechanism employed by AID/W has evolved through the years from centrally funded task orders and basic ordering agreements to specific support grants. The term "core grant" is somewhat misleading, for it implies an operating subsidy for the CDOs. In fact, these grants were used by at least two of the CDOs to fund specific, project-oriented activities rather than to cover general administrative costs.

the early 1960s. The purpose of these grants has been to help the CDOs develop and maintain a capability of providing high-quality cooperative development assistance to USAID Missions and local cooperative institutions. The general objectives of this core grant support can be summarized as follows:

- a. permit the CDOs to develop and maintain viable international programs, including:
 - * hiring and retaining qualified staff;
 - * maintaining financial stability independent of the vagaries of contracts and specific work orders; and
 - * maintaining an active international presence and contacts.
- b. mobilize the resources and expertise of the U.S. cooperative movement in support of international cooperative development; and
- c. stimulate the support of cooperative development in A.I.D.'s international programs.

II. ACCOMPLISHMENTS, STRENGTHS AND WEAKNESSES OF THE AID-CDO RELATIONSHIP

One aspect of the evaluation is to focus on the impact of the A.I.D.-CDO relationship on the CDOs themselves -- how successful the individual CDOs have been in achieving the objectives specified in the core grant agreements, and what impact the core grants have had on their capabilities and performance. Reports on the individual CDOs are contained in Part Two of this evaluation. This chapter summarizes the general findings from the individual assessments. Conclusions and recommendations focus on ways to improve the core grant system.

A. Accomplishment of General and Specific Objectives

As can be seen in the individual CDO chapters in Part Two, the general objectives of the core grants appear to have been achieved. All of the CDOs have been able to maintain a degree of financial stability, have hired and retained qualified staff and have performed well in the field. With the exception of CHF, the CDOs have mobilized significant U.S. cooperative movement resources -- financial and/or in-kind -- in support of overseas cooperative development.

Most important, the A.I.D.-CDO relationship has been instrumental in developing and maintaining a specialized capability to provide cooperative development services and expertise to USAID Missions and developing country agencies and cooperative organizations. The core grants have permitted the CDOs to develop effective, professional organizations and to maintain themselves through periods of financial weakness. Without A.I.D./W support it is unlikely that most of the CDOs would have been able to sustain an exclusive or specialized focus on cooperative development and remain viable as institutions.

The CDOs have also met the specific objectives of the individual core grants, although the degree of specificity in the objectives varied widely among the CDOs. For WOCCU and NRECA the core grants tended to be very specific documents, with the objectives stated as program activities. For CHF and ACDI the core grants had few specific objectives, and were used primarily to support home office functions and project development activities. Although most of the specific objectives were worded in such a way that any level of activity would qualify as "success", the level of effort expended by all of the CDOs in carrying out the

objectives has certainly been consistent with the level of resources available under the core grants.

It is important to note that, with the exception of some project development activities, the core grants do not represent an overhead subsidy. Instead, the grants fund activities that would not normally be expected of a consulting firm, such as publications and dissemination of information, mobilization of domestic support and resources, and development of systems and methodologies for use by A.I.D. and other donors. These services would not be provided by profit-oriented firms unless they were specifically contracted to do so.

B. Major Benefits and Strengths of the Core Relationship

A.I.D./W support has provided funding for CDO home office support principally to maintain the stability and continuity of experienced personnel needed to initiate, supervise and continue to offer quality technical assistance to cooperative movements throughout the world. Since the largest proportion of these funds (60 to 80 percent) supports salary and travel costs, they have had a significant positive impact on both the quality and quantity of CDO activities.

The core grants have enabled the CDOs to hire and retain qualified, experienced personnel for not only their home offices, but for regional offices and other overseas locations as well. They have also enabled some of the CDOs to contract short-term experts to provide temporary assistance to cooperatives in anticipation of (or the absence of) longer-term contracts and projects.

The grants have helped the CDOs coordinate and provide advanced training support -- seminars, workshops, conference and first-hand exposure to U.S. cooperative management and membership -- in the U.S. for cooperative managers and staff of all levels. Although most of the actual training costs are covered from project funds or fees; the grants have covered home office time and effort in arranging and coordinating the training.

The core grants have been instrumental in helping the CDOs maintain a presence and contact with overseas cooperative movements, and have permitted an on-going contact with national governments, host-country agencies and private institutions, USAID Missions and other international donors. They have been used to continue to develop and support new management systems to be used by cooperatives abroad, provide advice and assistance on computerization, and maintain contact with cooperatives and cooperative movements assisted under previous direct A.I.D. projects. This is particularly true for WOCCU, as its core grant is crucial to its ability to provide continued services and support to its

international members. The other CDOs have maintained similar, though less intense, relationships with previously assisted movements.

The core grants have also served to keep the CDOs focused on cooperative development. In the absence of the core grants, it is likely that some of the CDOs would either not be involved in international cooperative development work or would be performing general consultant services.

While all of the CDOs recognize that the core grants have been important in maintaining a degree of financial stability and supporting overseas cooperative development activities, the relative importance of the grants to their efforts varies considerably. WOCCU would be involved in international credit union development even in the absence of core grant funding because of its strong membership base and financial contributions. ACDI and CHF do not have these alternative resources, and would probably find it difficult (if not impossible) to maintain an international development program without the grants. NRECA has been successful in mobilizing external resources through fee-generated services, but recognizes that the nature and focus of its international operations would have to change significantly without A.I.D./W grant support.

A.I.D./W support has enabled the CDOs to obtain some alternate sources of funding. By permitting the CDOs to travel and establish contacts with other international development organizations, foreign foundations and USAID Missions, the grants have been instrumental in developing new sources of project funding.

The core grants have also had the effect of increasing the level of support given by A.I.D. to cooperative development. The CDOs have been generally effective in increasing the level of awareness of cooperative development opportunities in USAID Missions, and in developing and promoting unsolicited proposals for Mission funding. Without the core grants, and the promotional activities they have permitted, A.I.D.'s support for cooperatives would be far less than it is.

The A.I.D.-CDO relationship has also had the effect of leveraging the amount of resources supporting international cooperative development. Members of the CDOs provide substantial resources in the form of donations, on-site training, materials (in the case of NRECA) and manpower. The core grant has allowed member cooperatives to become involved in international development by contributing resources and expertise through short-term assignments of personnel, hosting visiting trainees, and donations of materials and funds. These organizations would otherwise not have become involved in international work.

The A.I.D.-CDO relationship provides a mechanism for integrating the CDOs with the broader PVO community, and offers a number of key services (such as training) that the CDOs can draw on.

Finally, the A.I.D.-CDO relationship provides a stable and continuous point of access to the A.I.D. system for the CDOs. Through this relationship the CDOs have: (a) access to the A.I.D. planning and programming process, (b) a means for identifying opportunities and interest at the field level, (c) a means for communicating capabilities and interests to USAID Missions, (d) a means by which the CDOs can be contacted (and contracted) by the USAID Missions for short- and long-term services, and (e) a visible presence and source of promotion with the Agency. These aspects of the relationship have been as important as the grant funding for sustaining the activity and success of the CDOs.

C. Major Weaknesses and Shortcomings of the Core Relationship

1. Lack of Effective Field Support

A.I.D. does not have a consistent or effective policy in support of cooperative development. Although A.I.D./W provides core support to the CDOs, this has not resulted in a systematic utilization of CDO resources in support of cooperative development objectives in either the Bureaus (regional programs) or USAID Missions. These issues are discussed in greater detail in Chapters III and IV of this part of the report.

2. Declining Real Levels of Support

The value of the core grants has declined in both nominal and real terms during the past few years. From 1985 to 1988 there was a mandated across-the-board reduction in the amount of funds made available to the CDOs. In nominal terms the core grants were reduced by 12 percent during this period. At the same time, inflation has further reduced the real purchasing power of the core grants. With cut-backs in the total amount of grant funding and the effects of inflation, the level of services supported by the core grant has declined considerably in the past few years.

Congressional Committee report language for 1988 and 1989 A.I.D. appropriations contains a set-aside of between \$4.5 and \$6.0 million for core grant support of the CDOs.⁴ Actual funding levels in 1988 were approximately \$5.1 million, well below what the CDOs consider the minimum funding level established by Congress, but significantly above the \$4.5 million level provided in 1987.

3. Six-Month Funding Gap

Although the core grants are reviewed and approved by A.I.D./W for multi-year funding, actual allocations are made annually. Because of the scheduling of the grant years (two of the CDOs have grant years corresponding to the calendar year), annual delays in the A.I.D. appropriation bill and the process of allocating funds within FVA/PVC, several of the CDOs are experiencing a funding gap of several months each year. This funding gap must be covered by the CDOs from alternative sources of funding - reserves and membership contributions for NRECA and WOCCU, borrowing for ACDI and CHF.⁵

The funding gap has a decidedly negative impact on the financial stability and effective level of income for the affected CDOs. Interest charges on borrowed funds are not eligible expenses, and must be funded internally by the CDOs. This has the effect of reducing the amount of their disposable income.

Since the funding gaps are regular and predictable -- at least for two of the CDOs -- there should be a mechanism for continuing some level of funding under the "continuing resolution", for staggering the grant periods to allow for delays in the funding process, or for lengthening the initial funding periods.

D. Other Issues

1. Financial Stability versus Financial Self-Sufficiency

One of the major objectives of the core grant mechanism has been to provide a degree of financial stability and continuity to the CDOs. This objective has generally been met; the core grants have been instrumental in maintaining the CDOs and their international programs.

⁴Senate Appropriations Committee language recommended a set-aside of \$4.5 million, while House Appropriations Committee language recommended \$6.0 million.

⁵Normally only WOCCU and ACDI are regularly impacted by this funding gap. During 1988, however, all four reported problems in this area.

The question of self-sufficiency is a different issue, but one that is frequently raised within A.I.D. It has not been the intent of A.I.D./W, or FVA/PVC, to phase out core grant support, or for the CDOs to achieve complete financial self-sufficiency. In fact, the CDOs are specifically exempted from the 20 percent "privateness" required of other PVOs. The grants are seen as the on-going cost to A.I.D. of maintaining a specialized capability in cooperative development. Nevertheless, the availability of the core grants has led to a degree of complacency, if not dependence, on the part of the CDOs. This can be seen in several different ways.

First, with the exception of WOCCU the CDOs have not made significant efforts to increase its membership's financial contributions or support. CHF raises virtually no domestic funds in support of cooperative development. NRECA has had little success in mobilizing domestic financial resources to support its programs. Membership contributions to ACDI range from only \$50,000 to \$100,000 per year.⁶

Second, none of the CDOs have been particularly aggressive in pursuing non-traditional sources of funding within A.I.D. CHF and NRECA were the only CDOs to submit a proposal in response to the Kissinger Commission recommendations in Central America. The CDOs have not developed effective ways to utilize local currency reflows specifically earmarked for utilization by PVOs and cooperatives. WOCCU has developed a pilot program to use these funds in Costa Rica; CHF has received a local-currency add-on in Honduras; and NRECA is implementing two local-currency programs in Central America. For the most part, however, the CDOs have not made significant attempts to access these local currency set-asides.⁷

Third, relatively little use has been made of the matching grant provisions contained in policy guidelines issued by FVA/PVC, which could ostensibly be used

⁶These figures refer only to financial support. The evaluation team realizes that members of several of the CDOs contribute substantial non-financial assistance to program activities. In this section, however, we are concerned with the financial stability and resources of the CDOs, which are not affected by in-kind support of specific projects or activities.

⁷One of the constraints to using these funds is that dollar funds to cover overhead are not available.

to supplement the core grants and fund direct project interventions by the CDOs.

Fourth, past efforts to explore alternative sources of financing have yielded few positive results. A financial resources committee formed in 1983 or 1984 to develop recommendations for generating independent sources of funding for both the CDOs and cooperative development programs produced no concrete recommendations or approaches to increasing or diversifying income.

While the CDOs are not expected to achieve self-sufficiency independent from A.I.D., the degree of dissatisfaction with A.I.D.'s level of support for cooperative development and level of funding for the CDOs suggests that the CDOs should be actively seeking to increase the level of funding -- both for supporting the operational costs of the institutions themselves and for funding cooperative development activities -- to a much greater extent than they have in the past.

2. Mobilization of U.S. Cooperative Movement Resources

The CDOs have an uneven record of mobilizing U.S. cooperative movement resources in support of international cooperative development. Since this support could take a variety of forms, it is important to distinguish the type of contribution or support mobilized by each of the CDOs.

Of the four CDOs studied in this evaluation, only WOCCU mobilizes significant financial resources from its U.S. membership base -- approximately \$1.0 million annually. CHF has no membership base, and hence does not mobilize any financial contributions. NRECA as an institution provides no U.S. movement financial resources to the international program. ACIDI's members contribute only \$70,000 to ACIDI's support and programs.

Few of the senior officers and staffs of the CDOs' international programs have direct management or staff experience in U.S. cooperatives; most are international development specialists who have worked with cooperatives or similar organizations abroad, while a few have government regulatory experience. Also, relatively few of the project chiefs-of-party and long-term advisors on CDO projects are drawn from the U.S. cooperative movement. Most of these also tend to be international development specialists rather than U.S. cooperative experts. It should be pointed out that this is consistent with USAID Mission preferences; i.e., given the choice between U.S. cooperative experience and overseas

experience,⁸ the Missions tend to select technicians with overseas experience.

U.S. cooperative movement contributions are significant, and considered valuable by USAID Missions, in two important areas. First, most short-term consultants and technicians fielded by the CDOs are drawn from the U.S. cooperative movement; U.S. experience and expertise is considered appropriate and valuable in the selection of short-term advisors. Second, the in-kind contribution of member cooperatives in support of participant and other training efforts is considered a major advantage of the CDOs by USAID Missions and host government officials. In both of these areas the CDOs offer a unique and competitive advantage over consulting firms, PVOs and other non-cooperative organizations.

3. New Core Grant Guidelines

In general the guidelines are thorough and self-explanatory. The amount of detail required is exceptional and, in areas, will require imagination on the part of the CDOs to complete.

The guidelines clearly allow the CDOs to explore alternative sources of financing and, in fact, give priority for funding to those proposals which include outside financing. The negative side of this is that the CDOs may have to develop alternative (perhaps non-cooperative) strategies to satisfy the requirements of other bilateral or private donors -- which the guidelines prohibit.

In-kind contributions are a significant resource for three of the CDOs -- ACDI, NRECA and WOCCU -- whose affiliated cooperatives provide substantial support for participant training. While it is generally possible to describe past levels of in-kind contributions, projecting an accurate value for future in-kind contributions will be difficult.

Section 4 of the guidelines -- "Country Selection and Country-Specific Plans of Action", does not appear to be applicable to the CDOs. The wording of this section might apply to other PVOs who are seeking matching funds to support specific planned country interventions, but not for the CDO core grants which support home office operations and marketing. In particular, the question of beneficiaries seems inappropriate; activities funded by the core grants do not directly affect beneficiaries, while in-country projects do. The in-country projects that the CDOs might generate are neither a direct function of the core grants nor predictable. This section should be eliminated or

⁸ USAID officers asked this question unanimously indicated that overseas experience was a more important consideration than U.S. cooperative experience in the selection of long-term advisors.

substantially revised to more accurately reflect the intended use of and direct impact of activities funded under the core grants.⁹

Providing five-year plan data in the detail required by the proposal format does not appear to be realistic or practical, especially since the grants are typically for a three-year period. Perhaps a more practical alternative would be to require two years of detailed plans and one to three years (depending on the grant period) of general plans. The annual progress report should then be modified to include revised detailed plans for each subsequent two-year period.

Past core grant proposals have generally specified objectives in terms of activities and processes rather than targets. To the extent possible, the core grant guidelines should encourage the articulation of objectives.

4. CDO Reporting Requirements

The current semi-annual reporting form used by the CDOs to report activities and progress is cumbersome, time-consuming and not particularly useful, either to the CDOs or to FVA/PVC. Although a general review and revision of the reporting format should be carried out, the following revisions or modifications would greatly improve its usefulness in the short run:

- * The six-month reporting period should be maintained. Shifting to a more-frequent report would greatly increase the overhead involved in producing and reviewing the reports and would not result in significantly improved information. On the other hand, reducing the reporting frequency would result in more generalized and less useful information.

⁹The issue is that stated objectives and activity descriptions in the core grant guidelines should be directly relevant to what is being funded. References to country-level projects and other activities of the CDOs might provide some insight into their success in generating business, but are not directly related to the activities financed by the core grants, and should not be treated as such. Only if the core grant funds are being used to finance country-level activities are these projections meaningful or valuable in the context of the core grant proposals.

- * The report formats should be substantially shortened and simplified, focusing on decision-oriented indicators and status information.¹⁰
- * Redundant sections of the reporting format should be eliminated. There is no need, for example, for the CDOs to rewrite the purpose and objectives of the core grant for each report. These sections merely add to the length of the report and decrease the likelihood that a project manager will pay sufficient attention to them.
- * The report should be more closely tied to the annual grant renewal process.
- * Each annual report should include a listing of activities (by objective) for the past period, a detailed statement of core grant use, and funding from outside the core grant. It should also provide a detailed scope of work for the following two years, including budgets, and a less detailed plan for the remaining period of the grant.
- * Requirements to report on countries where the CDO intends to work should be dropped. The CDOs use the core grants to react to requests or demands, not to target in-country interventions.
- * Curriculum Vitae should only be required of staff that have changed since the last reporting. Including CVs in every report is redundant.

E. Summary

A.I.D./W support of the CDOs has been instrumental in developing and maintaining a specialized capability to support cooperative development activities. Both the general objectives of central support to the CDOs and the specific objectives expected of each CDO have been accomplished within reasonable limits. Most problems and weaknesses of this relationship tend to be minor and mechanical, and can be easily resolved. The major issue that is not of this nature is the observation that A.I.D./W support of the CDOs has not been translated into effective support at the USAID

¹⁰FVA/PVC should make a determination on the types of decisions and actions it should be able to take based on information contained in the reports, and focus the reports on gathering information necessary for those decisions and actions.

Mission and Bureau level. This will be discussed in greater detail in subsequent chapters.

F. Specific Recommendations

- * Change in the Grant Period. Recognizing the fact that the Congressional appropriation process and internal allocation procedures regularly result in funding gaps for the CDOs, FVA/PVC should attempt to either establish a new grant period (consistent with A.I.D. funding realities) or seek ways to maintain a basic level of funding under A.I.D.'s "continuing resolutions."
- * Matching Funds. Although the CDOs are specifically exempted from the 20 percent non-U.S. government funding requirement of other PVOs, there should be incentives for increasing the mobilization of U.S. cooperative and other resources by the CDOs. The policy guidelines indicate that matching grants are available to support CDO activities, but these have seldom been utilized. Consideration should be given to increasing the matching grant provision, especially for supporting direct country-level cooperative activities by the CDOs.¹¹
- * New Guidelines. Some of the sections of the new core grant guidelines -- particularly the section dealing with country selection and country-specific action plans -- do not seem to apply to the CDOs. These guidelines should be reviewed further by FVA/PVC to ensure the relevancy of all sections to the intended objectives of the grants.
- * Regular Reporting Requirements. The semi-annual report form should be substantially simplified (streamlined) and made more effective. It should be tailored to provide information that FVA/PVC is likely to use in monitoring the grants.

¹¹The purpose of matching grants should be to increase funds available for direct cooperative development activities rather than as a substitute for core grant support.

III. COOPERATIVE DEVELOPMENT AS A COMPONENT OF A.I.D.'S DEVELOPMENT PROGRAM

Since the Foreign Assistance Act of 1961, A.I.D. has had a congressional mandate to support the development of cooperatives. The purpose of this chapter is to assess current and future trends in A.I.D.'s support for cooperative development, to identify the major constraints to a broader use of a cooperative approach in A.I.D.'s developmental strategy, and to suggest practical actions to increase the role of cooperative development in A.I.D.'s development programs.

The chapter focuses primarily on the constraints to increased A.I.D. support for cooperative development; if these can be identified and understood, it should be possible to design positive actions to increase A.I.D.'s support for cooperative development. In presenting these it is important to point out that A.I.D. is a diverse and complex organization. As a result, the spectrum of attitudes and opinions about cooperatives is equally diverse and complex. In identifying a given constraint, therefore, we do not mean to imply that it exists in all countries or in all situations -- only that it appears to be sufficiently widespread to merit further attention by FVA/PVC and the CDOS.

A. The Current Environment for Cooperative Development in A.I.D.

Although support for cooperatives and cooperative development varies by region, country and sector, the general trend appears to be that A.I.D.'s support for cooperative development is declining in both absolute and relative terms. Although statistics that would corroborate this impression were not readily available to the evaluation, persons interviewed during the course of the study generally concurred that: (a) the number of projects devoted specifically to developing cooperatives has declined, (b) the amount and proportion of A.I.D. funds supporting cooperatives has declined, and (c) the importance of institutional development (including cooperatives) as a component of development projects has declined.

There are specific trends within the A.I.D. environment that have directly contributed to A.I.D.'s decreased level of support for cooperative development and the use of cooperatives as a development tool and strategy. These include:

- * Reduced Emphasis on Projects. There is a strong current tendency in A.I.D. to stress policy reform and structural adjustment instead of projects. Development planners have concluded that policy and structural constraints to development in LDCs may be such that investments in projects are largely unproductive; i.e.,

regardless of the merits of a given project, the policy and structural constraints are likely to render it ineffective. As a result, an increasing portion of A.I.D.'s development budget is being directed toward identifying and resolving these policy and structural constraints, and the amount available for projects has declined. This has a negative impact on activities and approaches -- including cooperative development -- that are tied to project funding.

- * Reduction in the Number of Projects. USAID Missions and Regional Bureaus are under orders to reduce the number of "management units" with which they are involved. As a result, older activities are being phased out or consolidated into "umbrella" projects, and new projects are broader in scope. Where projects used to be discretely funded, they now represent an integrated approach to a defined problem. The role for cooperatives in such a situation is generally limited to a component or sub-component of the larger project.
- * Decline in the Number of "Cooperative" Projects. As a consequence of the above, the number of projects specifically designed to support cooperatives has declined in recent years, and is likely to decline even further in the future. The opportunities for cooperative development in this environment will be found primarily as the institutional component of multi-faceted projects.

The changing structure of A.I.D. during the past twenty years has contributed to the reduced focus on cooperatives and cooperative development. Among the changes that have had a specific impact on reducing A.I.D.'s use of cooperatives as an approach to development are:

- * Reduction in Regional Projects. In the 1960s and 1970s cooperative-oriented projects were often funded by the Regional Bureaus. A.I.D./W-funded regional activities have been (or are gradually being) phased out by A.I.D. While this situation has had the greatest impact on WOCCU's support for its regional confederations, there have been cutbacks in funding for other types of cooperative activities as well.
- * New Role of the Project Development Office. In recent years the Project Development Office (formerly the Capital Development Office) has become the primary Mission-level office responsible for project design. This office has never been a strong supporter of "soft" institution-building projects and, with this shift,

there has been a noticeable decline in this type of program.

- * Reduction in A.I.D./W-Funded Task Orders. Under early versions of the core grants, centrally-funded task orders could be used to finance regional and even country-level program activities. The CDOs -- especially CUNA International, which carried out country-level projects in approximately 11 Latin American countries under these task orders -- were reasonably successful in obtaining funding through that mechanism. This funding source for cooperative development is no longer available, and project selection is determined by individual USAID Mission development strategies and programming.
- * Elimination of the Office of Social and Civic Development. During the first ten years of the Alliance for Progress, institution building was seen as an important, if not critical, requirement for long-term, sustained social and economic development. At least one of the Bureaus had a special office responsible for promoting those activities, and this office provided regional sponsorship for cooperative development activities. Today none of the Bureaus have an office with a similar mission or responsibility, and institution building commands a much lower priority in A.I.D.'s development program.
- * Growth of the Private Sector Office. During the past eight years A.I.D. has placed a high priority on support for the private sector; public sector programs have declined proportionately. For the most part cooperatives are not viewed by A.I.D./W or USAID Mission staff as private sector institutions, and very few Private Sector Office projects support cooperatives.

Finally, A.I.D. is either not involved in, does not support, or is not structured to effectively support activities in the areas in which some of the CDOs are involved. As examples:

- * A.I.D. is not currently involved in large-scale infrastructure development, which is an essential component to rural electrification; recent A.I.D. emphasis in the energy field has focused primarily on low-cost bio-mass energy sources, energy policy

and planning, for-profit private investment schemes, and energy conservation programs.¹²

- * The A.I.D. Office of Housing, which has responsibility for the Agency's housing and urban development program, works primarily through large-scale government housing programs that offer little opportunity to support a private-sector cooperative housing strategy.
- * A.I.D. has no office or department with specific responsibilities for financial sector development, so that programs that could involve credit unions are implemented through a variety of initiatives.

Only in the area of agriculture and rural development are there technical offices at all levels -- USAID Missions, Regional Bureaus and A.I.D./W -- that are concerned with and responsible for comprehensive development strategies and projects for its sector.

While these various changes in A.I.D. have resulted in a reduction of emphasis and funding for a wide variety of institution-building approaches to development, there appears to be ample opportunity for achieving the intent of the congressional mandate to support cooperative development. This evaluation encountered numerous circumstances in which cooperative development was being effectively supported by USAID Missions in spite of the above trends. It also identified a number of situations in which cooperatives would seem to have offered a rational (or even preferable) approach to implementing a program, but where they were not considered at all. Prospects for increasing A.I.D.'s support for cooperative development are dependent on (a) understanding the reasons that cooperatives are not utilized in certain circumstances and, (b) developing effective strategies to deal with those constraints.

B. Factors Influencing A.I.D.'s Level of Support for Cooperative Development

In addition to the general trends and changes in A.I.D.'s structure and operations, the evaluation identified a number of factors that appear to influence the level of support A.I.D. provides to cooperative development at the field level.

¹² AID has, however, been involved in multi-donor consortium projects for rural electrification.

1. Mission Personnel Experience with and Perceptions of Cooperatives

Perhaps the most important single factor influencing whether or not a USAID Mission will design a program to include cooperative development is the personnel in the Mission and their past experience with cooperative development and cooperative development organizations. Where the personnel has had previous positive experiences with cooperative development there is a greater probability that cooperatives will be at least considered as a developmental approach in the Mission's strategy.

a. Personnel Characteristics

Several characteristics of USAID Mission staffing tend to discourage the selection of cooperatives as a development approach. First, Mission Project Development Officers, Program Officers and Economists have had little or no experience with cooperatives. Most project design officers have had no exposure to cooperatives or how they work. Likewise, technical officers have seldom had direct cooperative experience: the evaluation team did not meet any USAID Mission or regional office personnel who have had U.S. cooperative movement experience other than membership in a credit union.

Second, there is a rapid turnover in personnel at the USAID Mission level. With many of the posts in Africa designated as single-tour posts, there is little opportunity for Mission staff to become familiar with the local cooperative sector. Even in Latin America there is a high rotation rate for Mission officers. In this situation there is little opportunity for the CDOs to develop continuity in their relationships with Mission staffs.

Third, the CDOs have not developed effective contacts among USAID Mission and regional office staffs. Where they have occurred, contacts tend to be with one or two technical officers, not with the Project Development or Program Officers. Few of the officers contacted during this evaluation had been visited by representatives of the CDOs.

Because of the low level of knowledge and awareness of cooperatives on the part of USAID Mission staffs, the potential involvement of cooperatives in project or program strategies tends to be overlooked, even in situations that might logically benefit from a cooperative approach.

b. Perception of Cooperative Failure Rates

Key to A.I.D.'s tendency to not support cooperative development programs is the general perception among USAID Mission personnel that cooperatives, especially rural cooperatives, have not been very successful. As one Rural Development Officer stated:

"The situation with cooperatives in Africa is pretty grim. There haven't been very many that have been successful. Most people [USAID officers] would rather do something else than get bogged down in cooperatives."

Another observed:

"In the review process we decided that the cooperatives were in such a state of disarray that they could not be considered as a viable alternative."

Still another concluded:

"Although you find things labeled cooperatives all over the place, actual functioning cooperatives are few and far between, and they don't work very well."

Even credit unions have not escaped this perception. One officer argued that we should go to the records of the Commissioner of Cooperatives and look at the list of credit unions that had been closed during the past few years due to fraud, mismanagement and non-viability. There were large delinquency rates in credit unions in Malawi and those in Honduras are in serious financial difficulties.

With this widely held perception, cooperative development approaches are often rejected, even in situations favorable to such an approach. Any strategy to increase A.I.D.'s support of cooperative development must address these negative perceptions. There is no evidence that cooperatives in the developing countries fail more often than other organizational forms.¹³ In many cases cooperatives have failed because they were not, in the true sense of the word, cooperatives. Inappropriate government involvement is strongly related to the failures of cooperatives in the developing world. In other cases poor design and inadequate resources account for the failures of cooperatives. Still, it is perceptions rather than reality that influence decision-making within USAID Missions.

¹³In fact, at least one recent study by the National Cooperative Business Association found that a significantly higher percentage of new cooperatives succeed than other forms of new businesses. NCBA Co-op Journal, October 1988, p. 6.

c. Failure to Identify Cooperatives with the Private Sector

With A.I.D.'s current focus on private sector activities, the failure to consider cooperatives as private sector institutions is yet another factor that tends to decrease support for cooperative development. This is due to a number of factors, including:

- * Heavy government intervention in and control of cooperative movements -- especially in Africa, but in some Latin American countries (such as Honduras) as well -- so that their status as private sector organizations is indeed questionable;
- * Confusion over the tendency among third-world cooperativists to label cooperatives a "third sector" under the mistaken impression that "private sector" implies for-profit operations; and
- * The perception that cooperatives developed through international assistance programs are generally not viable business entities, and require continuous subsidization.

Cooperatives are systematically excluded from USAID Mission private sector strategies and programs. In some countries it appears that cooperatives should be included in A.I.D.'s privatization efforts.

d. Ineffective Communications

A.I.D./W support for cooperative development has not succeeded in generating broad-based support for cooperatives at the Mission level. There is no clear-cut Agency position on cooperatives and the guidelines and policy statements are not particularly action oriented or helpful. There has been no systematic effort to educate A.I.D. officers on the Congressional mandate and the potential role of cooperatives in specific types of development projects. Few officers have read the policy guidelines and few see a strong commitment on the part of the Agency to stress cooperatives.

USAID Mission staffs are burdened by a barrage of paper -- circular notices, informational studies, guidelines, etc. Such methods of communications are seldom effective in developing sustained approaches. FVA/PVC needs to develop more effective mechanisms for communicating A.I.D./W's support for cooperative development to field personnel. This could include increased travel by FVA/PVC staff to USAID Missions, new and more effective

brochures, video presentations and other forms of education through A.I.D. training courses for new or mid-career officers.

2. USAID Mission and CDO Priorities

A second major factor that tends to decrease A.I.D.'s support of cooperative development, or use of cooperatives as a development strategy, is the way A.I.D. defines its development strategies and a perceived incompatibility between cooperative goals and A.I.D. goals.

The way the development "problem" is defined has evolved over time in A.I.D. In the 1960s and 1970s social and civic development was a major concern and institution building was viewed as an essential component to sustained development. It was possible to define "cooperative projects" because the institutional value of building cooperatives was considered a sufficient justification for the project. Cooperatives were seen as organic entities that, once established, would evolve to take on new roles and functions.

Development problems are now being defined in terms of their technical characteristics: micro-enterprise, capital formation, privatization, rural-urban markets. As A.I.D. has become more concerned with focusing on the problems, institution building has been relegated to secondary importance. Because the institutional mechanism is secondary to other considerations in the project design, project design work is increasingly performed by outside firms with expertise in the particular subject matter, to the exclusion of the CDOs, with the result that institution-building considerations (especially cooperative approaches) tend to be slighted or ignored in the definition of the problem that is to be addressed by A.I.D.'s intervention.

To USAID Missions, therefore, cooperatives must be viewed as a means to an end rather than as the goal itself. This has two implications for cooperative development. First, the position of the CDOs is often perceived as inconsistent with USAID Mission strategies in that the CDO focus is on developing cooperatives rather than solving a development problem through the use of cooperatives. There is a general perception among Mission technical personnel that a "cooperative approach" focuses excessively on the mechanism to the exclusion of the development problem. As one Mission officer expressed it, "cooperatives are a solution looking for a problem." The CDOs are faulted for wanting to focus on developing cooperatives when the issue is one of expanding production, of wanting to develop credit unions when the issue is how to get a \$10 million credit portfolio to small farmers in the shortest time possible, of being primarily concerned with by-laws and group meetings when the issue is one of building houses, etc. By continuing to define their market as "cooperative" projects --i.e., projects whose purpose is to develop cooperative institutions -- the CDOs are presenting an approach that does not

fit into the current definition of A.I.D.'s strategy and priorities.

Second, USAID Missions must be convinced that a cooperative approach is both appropriate to the local situation and the best alternative for achieving the desired developmental goals. There are alternative approaches available to Missions in most circumstances, and unless the CDOs can demonstrate conclusively that cooperatives represent the most effective and efficient approach, Missions are less likely to design a project using cooperatives.

3. The A.I.D. Project Development Process

The way in which A.I.D. designs projects systematically excludes the cooperative movement from the design process, and limits A.I.D.'s use of cooperatives as a development approach. This design process consists of a number of discrete steps, each of which (as currently practiced) limits access to the cooperative sector.

The Country Development Strategy Statement (CDSS) process is the earliest step in project development. This is an in-house exercise that lays out the USAID Mission's long-term strategies and proposed project mix. Unless a cooperative approach to the problem is specified in this document, the chances of introducing a cooperative component in the project at later stages is significantly reduced. The CDSS is prepared internally by Mission staff, but specific studies and analyses are frequently carried out by private consultants, usually selected from firms with design or evaluation indefinite quantity contracts (IQCs). Unless a CDO is present in a country these analyses seldom cover the role of cooperatives or the potential for cooperative development.

The Congressional Presentation (CP) lays out the USAID Mission's total funding package (usually containing requests for more funding than actual congressional allocations will allow) for the next three-year period. All projects must be reported to Congress before funding. This document is prepared internally by the Missions and Regional Bureaus. It contains a specific table detailing levels of Mission funding for PVOs, but cooperative development projects are not highlighted.

The Annual Budget Submission (ABS) provides specific funding information on each program and project. It is also another mechanism for notifying Congress of new projects. Cooperative development projects are not specifically reported in the ABS.

The Project Identification Document (PID) process is the first step in designing the actual components of a project. This process usually consists of: (a) a pre-feasibility study that

reviews alternative ways of implementing the project, (b) an in-house USAID Mission review of the alternatives and selection of a desired approach, and (c) an A.I.D./W review and approval of the proposed strategy. If a cooperative approach to the project is not suggested in the PID document, it is unlikely to be added at a later stage.

These studies are either carried out by USAID Mission personnel or, increasingly, by contracted firms or individuals. Because these are short-term, time-critical assignments, access to an existing, flexible funding mechanism is essential to participation in this critical design stage. At the present time, most PID feasibility study work is carried out under IQCs by firms that have competed for and won these in a general category called "project design and evaluation." None of the CDOs currently have IQCs, and none have access to a flexible funding mechanism that would allow them to be easily selected for this activity. In fact, the Mission "buy-in" program arranged for the CDOs appears to exclude funding for this type of activity.¹⁴

Few of the firms that provide such services are oriented toward a cooperative approach to development; hence, many projects that could adopt a cooperative development strategy do not.

The preparation of the Project Paper (PP) is the next step in the project development cycle. This involves a more intensive analysis of the technical, financial and social aspects of the proposed project. The firm that has carried out the PID research is often selected for the more intensive PP review because of its familiarity with the issues. Even if a different firm is selected, the primary determinant of selection is the availability of an efficient funding mechanism: almost all such designs are carried out under IQCs. If a cooperative approach to implementing the project was not identified and approved during the PID stage, such an approach is unlikely to be included in the Project Paper.

As can be seen from the above description, the CDOs are effectively excluded from key steps in the USAID Missions programming and project design process. This tends to systematically reduce A.I.D.'s support for cooperative development activities.

Where a CDO has strong presence in a country, the corresponding USAID Mission is more likely to develop project "add-ons" or design cooperative-oriented projects.

¹⁴ FVA/PVC indicates that project development activities are eligible for funding through the "buy-in" mechanism, but instructions for utilizing the buy-ins are worded in such a way that both the CDOs and USAID Missions have concluded that these activities are excluded from buy-in funding.

4. Other A.I.D. and CDO Constraints

a. Absence of an Oversight Function

The cooperative sector does not have a strong A.I.D./W office with a clear mandate to oversee A.I.D. compliance with the congressional mandate. FVA/PVC does not see its role in this way, nor does it have the staff or resources to fulfill this role. As a result, many programs that might logically be expected to utilize a cooperative approach do not.

Special purpose offices, such as that of Women in Development, have been somewhat successful in interjecting at least consideration of their agendas into A.I.D. programming. If A.I.D. is to give serious credence to its support of the use of cooperatives as a significant part of A.I.D.'s development strategy, such a watchdog role may be necessary, either in the form of explicit requirements in the above programming and project documents, or in the review process for the CDSS, Regional Bureau strategy documents and PIDs.

b. Unsolicited Proposals

Since the CDOs are not well integrated into the design process, they have tended to depend on unsolicited proposals¹⁵ to generate cooperative-focused projects at the USAID Mission level in the absence of strong Mission programs utilizing a cooperative development approach or cooperative-specific projects. This has tended to create a perception among Mission personnel of cooperative development as a specialized focus that is inconsistent with, or at least not strongly contributory toward, its main country-level objectives. Mission personnel indicated that such proposals have a greater probability of being funded when they clearly address Mission priorities.

It also means that the pool of funds from which cooperative projects can be funded is relatively small. Under A.I.D.'s planning and budgeting system all planned allocations must be submitted to Congress and incorporated into the Agency's budget several years in advance. When cooperative projects are not included in these budgets, the CDOs find themselves searching for unobligated money in the Missions. Since there is relatively little of this "free" money -- it derives from delays or cancellations in approved projects -- and there is usually an

¹⁵These are proposals for projects that are not identified in the USAID Mission's CDSS, Congressional Presentation or ABS, and that are not responses to Mission-initiated requests for proposals.

existing list of unfunded projects, the CDOs generally find themselves competing for a very limited amount of funds.

c. Time Horizon of A.I.D. Projects

Because of the rapid rotation of personnel in USAID Missions, especially in Africa, the focus of A.I.D. personnel tends to be on short-term projects with immediate tangible results. Institution building is a long-term process, requiring a prolonged commitment, with few tangible short-term results. The very nature of cooperative development is inconsistent with A.I.D.'s developmental time frame.

d. Lack of Perceived Uniqueness

Many USAID Mission officers do not consider cooperatives to be unique institutions or to offer compelling advantages over non-cooperative alternatives. There are a large number of alternative approaches that A.I.D. considers to be just as valid as cooperatives. The CDOs have not been effective in convincing A.I.D. officers that cooperatives do, in fact, represent a superior alternative.

e. Increasing Competition Among Firms

The number of firms competing for limited A.I.D. project design, implementation and evaluation funds is increasing rapidly. The entry of successful new firms means that fewer resources are available for each. These new firms bring new approaches and new alternatives into the market. They seldom advocate cooperatives because that niche is already occupied by the CDOs. As a result, projects planned and designed by these groups will stress other forms of organization, filling the market with similar, but distinct, approaches to development.

This tendency is certainly greatest in the rural development area, as a large number of private firms compete in this area, offering a wide variety of quasi cooperative alternatives. Credit unions are similarly affected: most programs include credit activities, but rather than work through existing local institutions, independent, self-contained credit programs are designed and administered by the project itself. For example, competitors to CHF in the housing field offer solutions based on working with government housing authorities, private contracting firms, self-help efforts and neighborhood home-improvement schemes. Only in the rural electrification area does there appear to be little competition over the style of local distribution management systems within the A.I.D. environment.

f. Appropriateness

Cooperatives are not appropriate for every development project: large-scale industrial loans cannot be handled by credit unions; NRECA does not implement primary electrical generation projects on a large scale; and CHF cannot finance housing projects itself. At the same time, this evaluation has found that many projects that could have included cooperative components did not, even though it would have seemed that the use of cooperatives would have been appropriate and that the realm of project activities would have been within the expertise of one or more of the CDOs.

g. Strength of the Local Cooperative Movement

USAID Missions are more likely to design cooperative-oriented projects in countries where there is a strong cooperative movement or sector. In Uganda, for example, which has a long history of private sector cooperative organizations, the Mission enthusiastically supports cooperative development, while in Malawi the Mission is reluctant to design cooperative-oriented projects. While the cooperative movement in Kenya may be considered a strong movement, the Mission tends not to support cooperative programs because of heavy and often corrupt government involvement in the cooperatives. Where credit unions have a strong presence the Missions have a tendency to channel small-scale credit programs (agricultural or enterprise) through the credit union system.

C. Conclusions and Recommendations

Four major factors appear to account for A.I.D.'s level of support to country-level cooperative development: (a) Mission personnel and their past experience with and perceptions of cooperatives, (b) the tendency for the CDOs to push for projects that do not fit into Mission strategies and priorities, and (d) external factors that affect whether or not cooperatives are appropriate instruments in a given country or context, (c) the inability of the CDOs to become involved at a sufficiently early stage with A.I.D. programming and project planning to build in an appropriate orientation toward cooperatives.

In order to increase A.I.D. support to cooperative development, the following recommendations are made.

1. Recommendations to FVA/PVC

FVA/PVC needs to become more effective in promoting cooperatives to the USAID Missions and the Regional Bureaus. In particular, FVA/PVC needs an increased travel and communications budget, and needs to develop more effective means of communicating cooperative development objectives and strategies to USAID Missions.

A.I.D./W needs to ensure that project, program and technical officers are knowledgeable of the role and relevance of cooperative development and the CDOs, and are aware of the appropriate opportunities and situations for supporting cooperatives in on-going USAID Mission programs. In particular, attention should be placed on briefing new officers and on including a session on cooperatives in the Development Studies program. Materials on cooperative development -- particularly on the types of situations where the use of a cooperative approach might be considered -- should be provided to relevant technical and project development officers, and should be highlighted at regional scheduling conferences, Mission Directors' conferences and Program Officers' meetings.

A.I.D.'s policies and guidelines on cooperatives need to be revised and strengthened to make them more operational and effective. The current policy statement is not effective in promoting USAID Mission use of cooperatives as a development strategy.

The question of whether or not to use a cooperative approach should be addressed directly at several stages of the A.I.D. planning and project design process. It would certainly be appropriate to require that the CDSS discuss the relevance and role of cooperatives as an approach to development in each country. It would also be appropriate for an office in A.I.D. to review PIDs submitted by the field to see if a cooperative approach were adequately considered in the Mission's planning.

A.I.D. needs to develop new or streamlined mechanisms for contracting the CDOs for design activities. This could include reinstating IQCs for the CDOs, revising the current buy-in mechanisms to permit project design activities, and simplifying the contracting steps and procedures. Because project designs are likely to require more than just a cooperative input, A.I.D. should attempt to develop a specialized contracting mechanism that would permit (and encourage) the CDOs to act as sub-contractors on IQC-funded design contracts led by other firms. Such a mechanism should include incentives for outside firms to work with the CDOs.

Cooperatives should be made an integral part of A.I.D.'s privatization and policy reform efforts.

2. Recommendations to the CDOs

The CDOs need to become involved in the project design and development cycle at an earlier stage in order to ensure the consideration of cooperative approaches. At the present time the CDOs are relegated to bidding on projects that have been published in The Commerce Business Daily or submitting unsolicited proposals.

Both of these have severe limitations -- in the first case the CDOs have little or no control over the design of the projects, and in the second case the amount of funds available is likely to decline during the next few years.

The CDOs need to have an "early-warning" system for identifying possible cooperative interventions so that they can provide an input into the programming and design phase of projects. The purpose of this would be to improve the targeting, planning and marketing of the cooperative approach to A.I.D. The CDOs need to more systematically analyze USAID Mission strategy documents, identify areas in which cooperative development can make a positive contribution and develop proposals for design work and projects that are consistent with A.I.D. strategies and priorities.

The CDOs, perhaps with A.I.D.'s assistance, need to develop ways to make effective use of local currency generations to fund in-country cooperative projects. Even though a portion of these funds have been earmarked for PVO and cooperative use, the CDOs have not been particularly effective in accessing these resources. There should be a study of these resources to determine the amount of resources that might be available and the opportunities for accessing these funds.

Summary of Recommended Actions

Problem	Possible Actions
Lack of knowledge and understanding on part of USAID Mission officers	<p><u>FVA/PVC</u></p> <ol style="list-style-type: none">1. Revise cooperative policies and guidelines.2. Prepare training sessions for new officers and the Development Studies program.3. Visit key USAID Missions to discuss potential cooperative development interventions.4. Develop requirement for CDSS to discuss cooperative prospects and plans.5. Prepare and disseminate new cooperative development brochure.6. Develop and distribute materials at key regional conferences or meetings. <p><u>CDOS</u></p> <ol style="list-style-type: none">1. Increase visitations to USAID Missions in key countries.2. Strengthen contacts with project development, program office and technical staff in USAID Missions.3. Develop instructional/promotional brochure.

Lack of consideration of potential cooperative orientation of projects at a sufficiently early stage in the programming and project design process

FVA/PVC

1. Develop improved contracting mechanisms to facilitate CDO participation.
2. Strengthen A.I.D./W role in reviewing CDSS and Congressional Presentations for cooperative activities and orientation.

CDOs

1. Develop "early warning" or project tracking system to identify opportunities at an earlier stage.
2. Develop improved communications with USAID Mission staffs

Non-Responsiveness of CDO proposals to USAID Mission priorities and strategies

FVA/PVC

1. Assist the CDO's in understanding A.I.D. strategies and identify cooperative opportunities within those strategies.
2. Improve review of CDSS and other USAID Mission documentation to identify opportunities for cooperative development.

CDOs

1. Systematically review USAID Mission and Regional Bureau strategy statements and Congressional Presentations to identify prospects for cooperative intervention.
2. Develop strongly articulated positions (papers or proposals) on the role of cooperatives in high-priority areas.

IV. A.I.D.'S USE OF THE COOPERATIVE DEVELOPMENT ORGANIZATIONS

The underlying rationale for core grants to the CDOs is to ensure the availability of specialized technical assistance that is likely to be required for the implementation of A.I.D.'s foreign assistance program. That should be reflected in the way A.I.D. makes use of the CDOs; that is, in the number of cooperative-oriented projects undertaken by A.I.D., in the use of CDOs as unique providers of cooperative development expertise, in a strong competitive advantage for the CDOs (in competition with private consulting firms on cooperative-oriented projects), and in a positive working relationship between the CDOs and A.I.D. itself.

The previous chapter examined A.I.D.'s support for (and use of) cooperatives as an approach to development. It found a pattern of declining support caused by a number of factors, some of which could be addressed by FVA/PVC or the CDOs. This chapter looks at A.I.D.'s relationship with the CDOs themselves and the degree to which A.I.D. accesses CDO resources as a unique source of expertise and capabilities.

A. Current Trends

In general, A.I.D.'s use of the CDOs to implement long-term cooperative development projects parallels the decline in support of cooperative development. There are obvious exceptions to this pattern in that some of the CDOs have been successful in tapping specialized funding sources for specific projects (e.g., CHF's successful proposal to the LAC Bureau for special funding in Central America), and others have successfully developed large projects in a few countries (e.g., the Mission-funded joint cooperative development projects of ACIDI, NCBA and WOCCU in Honduras and Guatemala).

As noted in the preceding chapter, in part this decline is due to a decline in project activity in Missions (in favor of

policy reform and structural adjustment activities) and to a decline in the number and dollar value of cooperative-specific projects. It has been closely paralleled by four other trends:

- * an increasing tendency to design larger, more complex projects focusing on an integrated approach to a broadly defined development problem, which means that potential cooperative work for the CDOs is increasingly limited to relatively small components of complex programs requiring multiple skills, capabilities and resources;
- * an increasing number of firms competing for A.I.D.'s business, some of which (notably Technoserve and Chemonics) have been successful in competing for cooperative-oriented projects;
- * an increasing tendency in USAID Missions to use personal service contractors (PSCs) to do work that would normally be carried out by institutional contracts, including CDOs; and
- * a declining amount of discretionary funds available in the Missions to fund unsolicited proposals. As the CDOs have tended to depend on unsolicited proposals to generate cooperative-specific projects, this could signal a future decline in the level of project funds that the CDOs can reasonably be expected to secure.

Another trend noted by the evaluation team is that the CDOs are increasingly carrying out activities that are not directly associated with cooperative development. In some cases this is because the CDOs are bidding on non-cooperative projects in the absence of sufficient cooperative-specific projects. In other cases the CDOs are being asked by A.I.D. (either Regional Bureaus or Missions) to implement non-cooperative projects.

B. Factors Influencing A.I.D.'s Use of the Cooperative Development Organizations

As in the case of A.I.D.'s overall level of support to cooperative development, it is necessary to understand the nature of the environment the CDOs operate in and the factors that tend to encourage or constrain A.I.D.'s use of the CDOs in order to develop effective approaches to increase the CDOs' role in A.I.D.'s development program. These approaches can either build on positive factors or be designed to counteract negative ones.

1. Factors that Tend to Increase A.I.D.'s Use of the CDOs

The following factors appear to favorably impact A.I.D.'s selection of the CDOs to implement projects.

a. Past Mission Experience with a CDO

The single most important factor in determining whether or not a CDO will be selected to implement a project is the past experience of key USAID Mission personnel with the CDO: Mission officers that have had a favorable experience with a CDO are more likely to request or accept proposals from that CDO for new projects or to design projects with a specific cooperative focus that can utilize that CDO.

b. Degree to Which a Project Focuses on Cooperative Development

The more a particular project focuses on cooperative development itself, the more likely the CDOs are to be selected to implement the project. In contrast, the CDOs are less likely to be selected as the primary implementor of a project that treats cooperative development as a secondary or intermediate objective (an output instead of a purpose or goal). As noted in the previous chapter, the tendency in A.I.D. toward designing fewer, integrated projects has the effect of relegating the institutional development aspects of projects to secondary or intermediate objectives.

c. Composition of the Project Design Team

The degree to which a given project focuses on the development of cooperatives is largely a function of the composition of the project team that carried out the analysis and design process. Projects are more likely to have a cooperative focus when the CDOs have carried out this work, or where the project design teams have included either representatives of the CDOs or cooperative-oriented individuals. Since incorporating a cooperative focus in the project design itself is critical to providing an opportunity for later CDO involvement, participation in the design process is an important factor in the later selection of a CDO to implement all, or a portion, of the project.

d. In-Country Presence

Just as the in-country presence of a CDO increases the likelihood that the USAID Mission will develop cooperative-oriented projects, the presence of a CDO in a country can have a great deal of influence on the use of that particular CDO. Once a CDO is established in the country, the project personnel make contacts with the USAID Mission, the U.S. Embassy, and host country personnel. In-country CDO personnel have input into the

development and revision of the Mission CDSS. They can influence host country policy and the direction of new projects. And, if their work is valued by the Mission and the host country, they have a very good chance of winning follow-up or new contracts from the Mission.

It is interesting to note that the presence of one CDO in a country does not usually result in new project opportunities for other CDOs. In fact, the presence of one CDO in a country appears to reduce access for other CDOs.¹⁶

e. Availability of Funding

Where USAID Missions have large amounts of funding (because of strategic or other considerations), the CDOs have tended to be successful (along with other firms) in developing projects. Thus, in countries like Egypt, Honduras, Guatemala and Costa Rica, the CDOs have generally been successful in proposing projects and securing contracts or operational program grants (OPGs).

f. Special Capabilities and Characteristics

USAID Mission officers interviewed for the evaluation uniformly rated the CDOs positively as project implementors. The CDOs have special advantages in the quality of personnel fielded for projects and the availability of membership support for on-site training and education of participants. This latter characteristic distinguishes the CDOs from non-CDO consulting firms and is recognized by the Missions as a valuable and unique capability. While it is seldom sufficient, in and of itself, to influence selection of a contractor, it is clearly one factor that the CDOs should highlight in proposals.

2. Factors that Tend to Decrease A.I.D.'s Use of the CDOs

At the same time, there are a number of factors that tend to mitigate against A.I.D.'s use of and support for the CDOs. Developing an appropriate strategy for dealing with these factors will be key to the long-term success of the CDOs and their role in the development process.

¹⁶The exception occurs in countries with very large A.I.D. programs where several CDOs, as well as other contractors, are likely to have projects. The evaluation team noted that in-country CDO personnel did not tend to support marketing efforts of the other CDOs.

a. Complexity of New Project Designs

Most A.I.D. projects involve a number of components. A micro-enterprise project, for example, will typically include technical assistance to the micro-enterprises, development of a business technical assistance capability in a public or private entity, credit, and technical assistance to the credit institutions. A rural development project may include feeder road construction, infrastructure development, technical assistance in specific crops or animals, development or strengthening of local institutions, credit, commodity importation and management and marketing.

The CDOs, with their uniqueness and specialization in cooperatives, are perceived as capable of providing only a portion of the needed range of skills and capabilities -- primarily those related to local organization and management techniques. The needed complementary skills, for the most part, are not found in the other CDO organizations, but the CDOs have not shown themselves particularly aggressive in accepting sub-contracting or joint-venture arrangements with non-CDO firms, who are often seen by USAID Missions as having better capabilities in what the Missions define as the critical elements of the project.¹⁷

b. Minimization of the Importance of Institutional Development

While institution building may form a part of many A.I.D. projects, it is seldom considered to be a primary issue or project focus. USAID Mission personnel, both technical and contracting officers, tend to view institution building as a necessary evil, an output rather than a purpose, and a mechanical issue. It is seldom considered to be the major focus or concern in a project. As a result, the specialized focus of the CDOs on institution building is not seen as addressing priority Mission concerns. The CDOs are much more likely to be viewed as potential sub-contractors than prime contractors.

¹⁷The CDOs have participated in various consortiums and joint ventures, with varying degrees of success. Notable successes of joint CDO projects are the cooperative development projects in Jamaica, Honduras and Guatemala. ACDI has joined Agricultural Development Services (ADS), a consortium of consulting firms and U.S. organizations interested in international development. This consortium has bid on numerous projects. Still, in the evaluation team's opinion, the CDOs have not developed sufficient relationships with private consulting firms and other groups to be able to provide the complementary range of skills required by current A.I.D. projects.

c. Increased Competition

During the early years of the Alliance for Progress, the CDOs were among a relatively small number of firms providing development services. Two significant changes have occurred during the past few years: (1) the number of consulting firms competing for A.I.D. business has dramatically increased, especially with the set-asides for minority-owned businesses, and (2) the use of private voluntary organizations (PVOs)¹⁸ has dramatically increased (for example, nearly 40 PVOs were being supported by USAID/Honduras in 1988).

Consulting firms offer alternatives for local participatory management that are often viewed as at least equally valid. Small-farmer producer organizations, self-help housing, for-profit electric distribution companies, and private (integrated) credit and savings programs are competitors' offerings that compete directly with a cooperative approach. The CDOs have not been effective in demonstrating the advantages of cooperatives over these alternative approaches.

PVOs have proven their ability to reach relatively poorer segments of the population, obtain their confidence, and effectively implement viable income enhancement and social service projects. Many of the PVOs are engaged in cooperative-type developmental activities, and have co-opted the "quasi welfare" spectrum of A.I.D.-funded activities.

d. Availability of Cooperative Expertise From Alternative Sources

USAID Mission personnel do not necessarily perceive the CDOs to be unique sources of cooperative expertise. Individuals with cooperative experience, universities with faculties that teach cooperatives, and private consulting firms with either cooperative or quasi cooperative experience are some of the competitors that are perceived to have equally credible expertise in the field. European cooperative movements and universities are also recognized sources of cooperative expertise, especially in Africa.

When the project is primarily focused on the development of cooperatives, the CDOs do have a perceived advantage and are likely to be selected, or at least be seriously considered. When cooperative development represents only a portion of a project's activities, however, the value of the CDOs as specialized cooperative institutions are of secondary importance, and the USAID

¹⁸ These are referred to as "private development organizations" (PDOs) in Honduras.

Mission is more likely to accept an individual technician (either as a PSC or as a team member on a consulting team) to implement the cooperative aspects of the project.

Equally important, the CDOs do not command a monopoly over these resources. Because a large proportion of international development technicians are drawn from a floating pool of persons interested in working in international development, a technician who worked for a CDO in one project may very well be proposed by a private consulting firm in competition with the CDOs on a subsequent one.

A.I.D. and other donors interviewed universally expressed their preference for persons with overseas experience as more important to fulfilling job requirements than persons with U.S. cooperative organization experience. Former Peace Corps Volunteers and consultants with overseas and language experience are generally more attractive as long-term technicians to the donor organizations than persons with U.S.-based experience.

e. Confusion of CDOs with Other PVOs

In some instances A.I.D. professionals fail to distinguish between the CDOs and other forms of PVOs. In general, PVOs are not held in high esteem by A.I.D. professionals. As one senior project development officer put it:

"PVOs don't pay very high salaries and, as a result, the people working in them are not very skilled. When we want a high quality product we'd rather hire a professional consulting firm than rely on PVOs."

When the evaluation team discussed CDOs, this same officer constantly referred to organizations like Pathfinder, Bread for the World, and others and was unable to draw a distinction between the CDOs and PVOs.

f. Cost of Using CDOs

The CDOs are perceived as a relatively high-cost technical assistance source. In an attempt to reduce costs, USAID Missions and RHUDOs are increasingly making use of PSCs and individual purchase orders to staff study and project teams. While it can be argued that the use of PSCs does not normally result in reduced costs when indirect costs are taken into account, many USAID

Mission officers perceive them to represent a lower-cost alternative.¹⁹

g. Difficulty in Funding Short-term Work

Most project design and feasibility study work performed for USAID Missions is contracted through IQCs and other simplified contracting procedures (including buy-ins and set-asides). The CDOs do not have IQCs, and the buy-ins have not proven to be a sufficiently flexible contracting mechanism.

According to STATE 295774, dated September 22, 1987, Mission use of the buy-in mechanism must:

". . . be in support of the CDO's program of assisting host country government or non-governmental organizations in cooperative development."

"These instruments will not be used for development of A.I.D. project papers or scopes of work. . . . Since the core grants are assistance instruments, the Mission-funded access mechanism cannot be used to procure property or services for the direct benefit or use of A.I.D."

Since the core grants are grants, the buy-ins must also be grants. This mechanism:

". . . cannot be used . . . when the Mission wants to retain the right to exercise greater administrative, contractual or legal remedies for breach of the terms and conditions than is appropriate under the grant agreement. Such cases require contracts. Thus, the buy-in mechanism does not directly replace the previous IQC arrangement."

Although FVA/PVC indicates that this does not mean that the buy-in mechanism cannot be used for feasibility studies and project design work, the Missions have reported contracting difficulties in attempting to use buy-ins and have been reluctant to try this mechanism. Thus, there is no easy mechanism for contracting the CDOs for the stages of project development that are crucial to the eventual selection of the technical assistance contractor or

¹⁹This is a difficult issue to deal with. Rates charged by the CDOs are certainly competitive with those charged by private consulting firms, yet cost competition is with non-institutional competitors.

grantee.²⁰ FVA/PVC should explore the possibilities of expanding the range of activities permitted under the buy-in arrangement or reinstate the IQC mechanism (or a basic ordering agreement with simplified work orders) for funding short-term activities such as limited technical assistance to host country institutions, feasibility studies, evaluations and project designs.

Regional and USAID Mission technical and contract officers are reluctant to argue for sole-source selection or set-asides on projects that are not clearly unique. Especially in the area of rural and agricultural development, where the majority of private consulting firms are to be found, the presence of a large number of competing firms makes sole-source justifications difficult.

h. Ineffectiveness in Gaining Access to Key Decision Points

In September of every year the East and Southern Africa region (and one week earlier, REDSO/West Africa) attend REDSO scheduling conferences to determine the kinds and levels of regional help that will be provided by REDSO in-house consultants in project design, contracting, legal and other areas. If a project is planned in a country which includes an area where a cooperative approach is indeed justified and a project design officer without cooperative training or experience (or with a personal negative bias toward cooperatives) is sent to help a Mission with a project design, the project is not likely to have a cooperative focus. Luck of the draw can determine which projects use a cooperative approach. There is no mechanism for assuring that the feasibility of using a cooperative approach is considered in the design phase.

Project design work, especially at the PID stage, requires an objective approach. Unless a Mission has definitely decided to focus on cooperative development in a project, it will tend to select a project design team that does not represent a specific approach. The CDOs are not perceived to be unbiased or objective sources of services. Numerous USAID Mission officers referred to special, vested interests and other signs of bias among the CDOs. As one senior Project Development Officer stated:

"When we want an unbiased, professional study of a problem, we will probably select a consulting firm."

Another A.I.D. project officer put it more bluntly:

"Regardless of the situation, we know in advance what their recommendations are going to be: establish a

²⁰Recent experiences with the buy-in mechanism appear to indicate that it may be a viable approach with minor modifications.

[certain kind of] second-tier institution, dedicate at least 50 percent of the funds to providing TA to developing new cooperatives, and hire several person-years of TA from us."

USAID Mission field personnel mistrust "advocates", especially in sector strategy preparation, project analysis and design efforts. USAID Missions see the CDOs as unlikely to provide the needed objectivity for a careful analysis of the options.

d. Communication

An apparent lack of communication between A.I.D./W and USAID Missions weakens the position of the CDOs. USAID Mission staff often do not have adequate information on how to access centrally-funded programs for project related development or activities. Mission staffs were generally unfamiliar with the buy-in procedure; those that were aware of it expressed reservations about contracting difficulties and competitive bidding procedures. Although A.I.D./W believes that the CDOs should be eligible for special set-asides and non-competitive contracts on the basis of predominant capabilities, USAID Missions (both technical and contracting personnel) are very reluctant to utilize these mechanisms.

The lack of effective communication exists not only between A.I.D./W and the USAID Missions; few of the Mission staff interviewed for the evaluation had had recent contacts with the CDOs. This was especially true of USAID. Project Development Officers, since CDO contacts there had been were confined almost exclusively to technical officers. The absence of a cooperative orientation in many projects, and the absence of CDO involvement in project design and implementation are, to a large extent, the result of a failure on the part of the CDOs to effectively communicate their capabilities and relevance to Mission strategies.

c. Conclusions and Recommendations

Although this chapter has focused on the problems the CDOs must deal with in order to increase their market penetration, it is important to note that the CDOs are, in fact, perceived to have valuable, unique capabilities that distinguish them from other providers of consulting services. Most frequently mentioned was the ability of the CDOs to provide member-supported backstopping for participant training.

1. Recommendations for A.I.D.

- * The mechanism for obtaining CDO services (whether grant or contract) needs to be improved. Either the buy-in mechanism needs to be modified to permit USAID Missions to contract CDO services for project

design and feasibility study work, or a different, more flexible mechanism needs to be developed.

- * The absence of a Cooperative Development Officer at the regional office and USAID Mission level has a negative impact on employment of the CDOs by A.I.D. for project design. If A.I.D. is to promote cooperative development seriously, it should consider assigning responsibility for cooperative development activities to an officer in each USAID Mission.
- * FVA/PVC needs to become more effective in promoting the CDOs to USAID Missions and Regional Bureaus.

2. Recommendations for CDOs

- * The CDOs need to become more proficient in developing approaches and projects that support USAID Mission objectives and priorities. They need to become more familiar with Agency policies, objectives and strategies, and need to become more effective in identifying opportunities for developing cooperative-oriented projects in support of those objectives.
- * The CDOs need to jointly develop a system to identify, track and pursue opportunities for cooperative development activities in Regional Bureaus and Missions.
- * The CDOs need to become involved in Mission-level project design activities, as projects designed by non-CDOs seldom contain a cooperative development orientation and consequently reduce the potential market for CDO involvement.
- * The CDOs need to broaden their capabilities -- either as partners with non-CDO consulting firms or through collaborative efforts with other CDOs -- to be able to provide the range of expertise required by USAID Missions.
- * The CDOs should continue efforts to develop joint programs -- collaborative efforts involving two or more of the CDOs.
- * The CDOs need to develop more effective contacts with USAID Mission personnel, especially Project Development and Program Officers.

PART TWO

**IMPACT AND EFFECTIVENESS OF FVA/FVC SUPPORT TO THE
COOPERATIVE DEVELOPMENT ORGANIZATIONS**

I. AGRICULTURAL COOPERATIVE DEVELOPMENT
INTERNATIONAL (ACDI)

A. Background and Description

Agricultural Cooperative Development International (ACDI) was created in 1968 with the merger of the International Cooperative Development Association (ICDA) and the Farmers Union International Agricultural Cooperative (FUIAC). These organizations had been formed (in 1963 and 1962, respectively) in response to provisions in the Foreign Assistance Act of 1961 for involving cooperatives in dispensing U.S. farm aid and in providing agricultural production and marketing technology to developing countries. FUIAC organized farmer exchange programs for A.I.D. beginning in 1962, while ICDA first received A.I.D. funds in 1965.

ACDI is currently sponsored by 40 U.S. agricultural production, marketing and credit cooperatives. As an affiliate of the National Council of Farmer Cooperatives (NCFC), ACDI is the international development arm for 90 percent of the nearly 5,300 farmer cooperatives in the U.S. ACDI assists agricultural cooperatives and farm credit systems in developing countries with their management, training, operations and planning needs. Since 1962, ACDI and its predecessor organizations have been the recipients of numerous A.I.D. grants, USAID Mission grants, A.I.D. contracts, and other donor contracts.

B. Impact of the Core Grant Mechanism on ACDI

1. Accomplishment of General Core Grant Objectives

The principal objective of ACDI's core grant is to develop and maintain active international programs. The general objectives for ACDI in the core grant guidelines are as follows:

a. Hire and Retain Qualified Staff

ACDI has used its core grant to establish a well qualified and professional staff of international cooperative development

personnel. The core grants are used by ACDI to maintain headquarters staff, international and domestic travel for project and headquarters support, and for project design. ACDI has used the core grant to effectively support its international projects and is generally recognized as providing excellent support to its field personnel.

The majority of senior management of ACDI have had extensive experience in overseas cooperative development, and are considered leaders in their specific fields of rural cooperative development, cooperative finance and management, rural credit systems, and training. Approximately 60% of ACDI's annual core grant income for the 1985-1987 period was applied to salaries and benefits.

Headquarters staff has increased to 32 in 1987, up from 23 in 1984. Over the same time period overseas staff has decreased from 77 to 68 while revenue from contracts and grants increased only 12%. Travel and allowances charged to the core grant have remained very low, around six percent between 1984 and 1987. While some core funds are utilized for training of headquarters and field staff and workshops (training of client organizations and promoting cooperative development), more than 95% of the funds utilized for these purposes come from project revenues.

Currently, ACDI is experiencing some turnover of seasoned management and reorganization of their training department. It is too soon to determine the effects of the reorganization and personnel turnover on ACDI's effectiveness.

Although the evaluation team was able to observe field staff in only three countries, the team found them to be well informed professionals, highly regarded by both host government officials and USAID Mission personnel, and to be well acquainted with cooperatives and the cooperative movement in their country of assignment.

b. Maintain Financial Stability

Consistent with A.I.D.'s general reduction in funding, core grant disbursements to ACDI decreased by about five percent between 1985 and 1987, to a level of \$718,000. Over the same period leverage of non-core revenues to core grant income increased from 6.6 to 8.3. Non-core revenues from A.I.D. contracts and grants (Cooperative Agreements, OPGs, Mission buy-ins, subcontracts) have increased, with 1987 revenues \$1.3 million above 1985 and 1986 levels. Non-A.I.D. funding (World Bank, host government contracts) declined from approximately \$475,000 in 1985 and 1986 to \$174,000 in 1987.

As a result of its internal strategic planning efforts (supported by core grant funds), ACDI has developed and installed a new management organization system during the past few years.

Now organized under "cost centers", individual department heads prepare annual marketing, management, and public relations cost estimates. Upon senior management review and approval, each department is allocated a specific budget for implementing its approved program.

Along with the new management organization, ACDI has embarked on a significantly expanded marketing effort, especially in Latin America. Taking 1986 as a sample year, ACDI submitted 34 proposals to A.I.D. for projects (10 in conjunction with other organizations), two proposals to the World Bank, and several more to USIA, USDA and others. As a result of the more aggressive marketing activities, the number of new projects has nearly doubled from a low of 12 in 1984 to 22 for each of 1985 and 1986, and a high of 26 in 1987.²¹ In 1986 ACDI supported 30 long- and short-term projects in 22 countries. These projects were staffed by 38 resident advisors and assisted by 51 consultants. During the same year ACDI obtained extensions of A.I.D.-funded projects in Kenya, Costa Rica, Tonga, Uganda, and Guatemala and of a USDA-financed project in international trade.

One of the areas in which ACDI has been successful in developing new projects is that of providing participant and non-participant training to cooperative organizations overseas. As a result, ACDI has developed a capability to mobilize resources outside of A.I.D. grant support; this has increased their total training activities (number of participants) over the past three years by 32%.

At the same time, ACDI remains in a financially weak position with a low level of reserves.²² Increases in office space costs due to its recent relocation have adversely affected cash flow. It has

²¹Of the 26 projects, 14 were directly supportive of cooperative development activities, 7 were rural credit programs that did not include a cooperative component and 5 were involved with rural institutions. All projects fell within the stated purpose of ACDI's current core grant; the absence of a cooperative orientation in 12 of the projects, however, is indicative of AID's tendency to employ non-cooperative approaches in rural development.

²²ACDI's cash and liquid reserves -- which can be used to cover emergencies, contingencies and temporary cash-flow shortages -- had declined to as low as \$50,000 during 1988.

lost projected income from the cancelation of major contracts in Burma and Panama.²³

c. Mobilize Resources and Expertise of the U.S. Cooperative Movement

ACDI headquarters and field staff represent a mixture of U.S. and international cooperative movement experience. Most short-term technical assistance used by ACDI has been drawn from the U.S. cooperative movement. Collaboration with other CDOs to provide short-term technical assistance was evidenced (e.g., VOCA had recently sent two poultry experts to work with an ACDI project).

ACDI is not a national trade association of U.S. cooperatives, and its status as a tax-exempt charitable organization prevents it from providing services to its members. Instead, it is an international agricultural cooperative organization sponsored by a number of U.S. agricultural cooperatives. Financial resources provided by these members are relatively modest voluntary contributions as opposed to dues or assessments, amounting to 11.5% of core grant financing in 1985 and less than 8% in 1987. ACDI's members contributed approximately \$290,000 in in-kind contributions during 1987.

ACDI has made very good progress in its training programs. ACDI has been known for its project participant and non-participant training and for mobilizing member support for training purposes. Training is one of ACDI's strongest areas. As noted, ACDI has been able to increase its total training program by 32% through a combination of aggressive marketing and non-participant tailored programs. These programs are very cost effective and provide additional sources of revenues to ACDI. Individual cooperatives provide substantial levels of on-site training for ACDI-assisted cooperative development programs.

Through its on-going relationship with A.I.D., ACDI encourages its members to become involved in international cooperative development and has involved a number of its members in training programs for overseas cooperative members. ACDI helped one member cooperative (Land O'Lakes) to develop an international development branch that is now active in a number of countries. The ability to channel the international efforts of individual cooperatives through a coordinated mechanism is one of the primary benefits of the relationship between A.I.D. and ACDI.

²³The reduction of ACDI's effort in Burma (which will be completed in early 1989) was due to the violent political unrest in the country, while the cancelation of the Panama project was due to the closing of the USAID Mission in that country.

d. Maintain an International Presence and Contacts

A.I.D. support of ACDI has helped it maintain regional offices in the Philippines for more than 20 years and in Central America for more than 15 years. Field staff and headquarters personnel have maintained an important psychological support through in-country contact and farmer-to-farmer visits during times of non-funded activity or when cooperatives, as a development approach, were not supported by the host government in control.

ACDI works closely in developing cooperatives and maintaining them through project-funded activities. Once a project ends and donor agency funding is terminated, ACDI does not have the fund or the network to maintain close contact with cooperatives overseas in the absence of such funding.

e. Stimulate the Support of Cooperative Development in A.I.D.'s Program

Where ACDI has a presence it appears more likely that cooperatives will be considered by the USAID Mission as a potential development approach, included in its strategy documents, and later supported through specific projects. Also, ACDI actively communicates with USAID Mission staff through regular mailings, newsletters and copies of its annual report. Although this is direct marketing for ACDI, it has a broader impact of maintaining a visibility for cooperatives in general.

At the same time, ACDI relies on A.I.D. project contracts and grants for the majority of its income. During the current grant period the number of projects ACDI is implementing or has implemented in the field has increased from 12 to 26. Many of the new projects, however, do not have a specific cooperative focus; in undertaking rural development work that does not promote cooperatives, ACDI's involvement does not have the effect of increasing A.I.D.'s support for cooperative development.

2. Accomplishment of Specific Core Grant Objectives

The purpose of the current grant is to support ACDI in maintaining its in-place technical capability to develop agricultural cooperatives, farm credit systems, and complimentary rural institutions which serve developing country small farmers with needed supply, marketing, credit and information services. Specific objectives for ACDI under the core grant are stated in general terms, with no specific indicators or targets: (a) to maintain relations with ACDI's members, A.I.D., and other funding and cooperative organizations, (b) identify project opportunities, (c) prepare project proposals, (d) recruit project staff, (e)

oversee project activity and edit project reports, and (f) plan and arrange participant training, procure equipment and commodities, arrange travel and transportation, and handle all administrative support needs of field staff in countries where ACDI has long-term projects.

ACDI's activities during the grant period have been supportive of these objectives. It is an active participant in the coordinating committee for U.S. cooperative development organizations (OCDC), has entered into a number of consortium projects with other CDOs (principally in Honduras and Guatemala), and maintains relations and contacts with its own membership, A.I.D., the USDA and other international funding agencies.

ACDI has developed a project tracking system that identifies and monitors potential cooperative development opportunities. During 1987, for example, ACDI tracked some 57 different projects, and had 25 projects that it was actively tracking at the end of the year. As reported earlier, ACDI is aggressively marketing its services, submitting as many as 34 separate proposals per year.

ACDI's grant supports an active project recruiting and staffing effort. Taking 1987 as an example, for the 26 new projects ACDI recruited 14 long-term technicians (of which 6 were drawn from member cooperatives) and 51 short-term technicians. The core grant also supports extensive involvement in participant training. Again taking 1987 as an example, ACDI mobilized 181 training days support from its member cooperatives and 105 training days from non-members in support of its participant training program. At the same time, it participated in four international training efforts (workshops and conferences), conducted a course on cooperatives (agricultural policy and credit) for the USDA agricultural school, and carried out one development education course.

3. Effectiveness and Performance in the Field

When ACDI has been able to obtain long-term field contracts, their support for project activities has been more than adequate.

Mission personnel in countries where ACDI has been involved in A.I.D. projects rate ACDI's work as excellent; they would employ ACDI again. ACDI has been especially effective in one country, mobilizing local ex-patriot and headquarters staff to respond to a special request by the USAID Mission for assistance which led to an additional piece of work for ACDI because they were the quickest to respond to the Mission request. This was largely due to the responsiveness of the home office staff and the flexibility of ACDI's field contract personnel.

Host governments were equally impressed with their experiences with ACDI. In at least one of the countries visited, high-level government personnel praised the efforts of ACDI field staff, home office support and personnel with whom they have worked. ACDI personnel had easy access to top-level government ministry personnel and the heads of the local cooperative apex organizations and unions. Relations between ACDI field staff and their hosts were good. These relationships have been built through the long-term commitment to cooperative development and support in the field by ACDI.

At the same time, ACDI is relatively unknown to USAID Mission staffs in countries in which they do not have a continuous presence. Mission Agricultural and Rural Development Officers in these countries indicated that, for the most part, they had little contact with ACDI, and had been rarely contacted by ACDI personnel on promotional or marketing visits.

C. Principal Benefits of Core Grant Support

The central relationship between ACDI and A.I.D. has allowed ACDI to build an effective, professional agricultural cooperative development organization and to maintain the organization through periods of financial weakness.

It is doubtful that ACDI would be involved in international development without core grant or other central A.I.D. support. The organizations that formed ACDI did so in response to an interest in helping reach developing country farmers with organization and management techniques that had proved successful in the U.S. They are not charitable organizations, and could not afford to sustain a significant level of international activity in the absence of support from A.I.D..

Although the realities of financing in A.I.D. have forced ACDI to engage in non-cooperative activities, central A.I.D. support of ACDI has permitted it to retain a focus on promoting cooperative development. Without this relationship ACDI would either have to become a general purpose contractor or significantly scale back activities.

The core relationship between ACDI and A.I.D. has facilitated the involvement of ACDI's member cooperatives in international development by contributing their expertise through ACDI's international training programs. These organizations would otherwise not have become involved in international work nor seen the importance of development for American agricultural trade.

D. Major Issues and Problems

The trend in rural development projects financed by A.I.D. and other international donors is toward large-scale, multi-faceted programs. ACDI is increasingly faced with the dilemma of a diminishing focus on the institutional development aspects of a project and the need to be able to provide a wide range of services in order to successfully compete for these projects. One response has been to form consortiums with other institutions, cooperative and non-cooperative alike.

Since NCBA also provides rural cooperative development assistance, ACDI and NCBA are often perceived as competing for projects and funds. Both organizations write proposals and frequently recruit the same potential staff for the same projects. In these situations, core funds are expended by both organizations for the same purpose. The respective Boards of the organizations are aware of this redundancy, have met on several occasions to discuss it, and are searching for appropriate solutions.

ACDI's need to generate income in the face of a generally restricted market for cooperative development projects has necessarily led it to undertake projects that do not involve cooperative development. In doing so, it takes on the appearance of a general purpose rural development organization rather than a limited purpose institution specializing in cooperatives.

ACDI is a financially weak institution, with few reserves to cover emergencies or to fund independent activities. Any funding gaps resulting from delayed core grant allocations will have particularly adverse effects on ACDI's financial position.

E. Specific Recommendations

- * ACDI needs to develop alternative sources of financing independent of core grant funding, especially to provide stability for its headquarters operations. One option for doing this would be to mobilize increased financial support from its member cooperatives. Another might be to develop and broker services that benefit the marketing and other efforts of its members.
- * ACDI needs to search for ways to lower headquarters costs until such time as its financial condition improves.
- * ACDI should continue to explore ways to decrease redundancy between itself and NCBA. Although there is a joint committee of the Boards of ACDI and NCBA which is charged with exploring this problem, the Boards might

consider inviting independent mediators to participate in these discussions and to develop financial and managerial incentives to promote actual project collaboration.

II. COOPERATIVE HOUSING FOUNDATION (CHF)

A. Background and Description

The Cooperative Housing Foundation (CHF) was founded in 1952 as a non-profit association to support the development of U.S. housing cooperatives. It was instrumental in the formation of some 400 cooperative housing projects in this country. At the request of A.I.D., CHF became involved in international work in 1962, and for more than 25 years has worked with the problems of providing community services and shelter for low-income people throughout the world.

Until 1981, CHF provided technical assistance and other services to A.I.D. and USAID Missions through basic ordering agreements and other grants and contracts, which reflected a mutual interest in providing technical assistance to emerging housing programs in developing countries. These activities included technical, legal and financial management services, community and cooperative training, project identification and design work, and shelter sector assessments. Most of this work was focused in Latin America.

Beginning in 1981 CHF's central operations have been supported by a series of institutional support grants. The current grant was awarded in 1984 for the purpose of developing a new, private sector cooperative development system to help low- and moderate-income residents upgrade their communities and improve their shelter and related community services.

B. Impact of the Core Grant Mechanism on CHF

1. Accomplishment of General Core Grant Objectives

The principal objective of central A.I.D. support has been to enable the U.S. CDOS to develop and maintain active international programs. The general objectives for CHF are those indicated in the core grant guidelines as follows.

a. Hire and Retain Qualified Staff

The core grant has been instrumental in allowing CHF to hire and maintain a professional staff, especially during a prolonged period when A.I.D.'s Office of Housing²⁴ has reduced its utilization of CHF as a source for long-term technical assistance. CHF has a full-time staff of 25 (18 professionals and 7 administrative staff). Reflecting the fact that community development issues are multidisciplinary, CHF's professional staff has advanced degrees in a variety of disciplines, including business administration, economics, anthropology, urban planning, architecture, and engineering. Three have previous experience in the U.S. housing cooperative movement, and all have extensive international development experience.

b. Maintain Financial Stability

Central A.I.D. grant support of CHF during the past five years has averaged between \$450,000 to \$600,000 per year, as follows:

1984	\$487,000
1985	\$600,000
1986	\$450,000
1987	\$450,000
1988	\$484,000 ²⁵

These grant funds cover a significant portion of CHF's headquarters operations. Prior to 1981 CHF earned its income through grants and contracts with A.I.D.'s Office of Housing and through its domestic operations in providing technical assistance to tenants' organizations engaged in converting rental apartments to cooperatives. But Office of Housing use of CHF as a source for technical assistance declined significantly during the 1980s, and core grant funds have been critical to sustaining CHF's home office operations.

CHF has been successful in leveraging these grant funds with other sources of revenues to finance field operations and programs. In 1985 CHF managed a total program portfolio amounting to 15 times the amount of the core grant. In 1987 the total program portfolio was nearly 16 times the amount of the core grant. Core grant funds

²⁴Since the early 1970s most of A.I.D.'s housing and urban development activities have been coordinated by a single office within A.I.D., the Office of Housing. This office operates through a series of regional offices (RHUDOs) located throughout the developing world.

²⁵This figure includes reimbursements from a "buy-in."

have, therefore, accounted for slightly more than six percent of all program funds (A.I.D. and non-A.I.D.) during the period.

The major source of project funding for CHF during this core grant period resulted from CHF's successful bid for regional funds resulting from the recommendations of the National Bipartisan Commission on Central America (NBCCA or, as it is commonly referred to, the Kissinger Commission) for an injection of new funds for Central America. Under this program CHF obtained about \$11 million in restricted development funds (A.I.D./LAC) for use and reapplication only in Central America.

The Office of Housing's reduced support for CHF activities in housing-related programs has stimulated two significant changes in CHF operations and financing. First, it has induced CHF to seek funding from other international donors. Five years ago almost 100% of CHF business was A.I.D.-related; this has now been reduced to about 70%. CHF has used its core grant effectively in seeking program funding from other donors. Second, an increasing proportion of CHF's programs and activities are in areas other than cooperative housing (such as self-help housing, community upgrading programs, and other projects for low-income housing), as international donor funding for cooperative housing projects is very limited.

CHF is a financially weak institution, with its financial problems resulting primarily from losses in former domestic programs. CHF has recently undergone a revision in headquarters staff in order to cut costs and maintain its operations.

c. Mobilize Resources and Expertise of the U.S. Cooperative Movement

CHF does not have a U.S. membership base²⁶ and, as a result, has had only limited success in tapping U.S. cooperative resources for development work. All of CHF's field staff have had extensive international experience (most starting their overseas careers in the Peace Corps), but few have had professional experience in the U.S. cooperative housing movement. Long-term projects are usually staffed by housing professionals with overseas experience rather than individuals with U.S. cooperative housing experience.²⁷

CHF brings members of housing organizations to the U.S. for training activities. They are usually familiarized with CHF's headquarters, given orientation to CHF's cooperative development system, and visit one or more cooperative housing projects and public or private institutions involved in cooperative or low-cost housing alternatives.

CHF has nominal ties to a U.S. cooperative housing membership organization -- the National Association of Housing Cooperatives (NAHC). CHF formed NAHC and subsidized its operations for a number of years. The two organizations have co-published booklets and pamphlets, and the NAHC cooperates with CHF by providing personnel to help with domestic-based training programs. NAHC is not involved in providing resources, staff or services to the international programs of CHF.

d. Maintain an International Presence and Contacts

The core grant has been successful in allowing CHF to maintain contact with a number of organizations who work in cooperative housing overseas.

CHF worked in the very early stages helping the National Cooperative Housing Union (NACHU) become a reality in Kenya. After years of negotiating with the government, NACHU received official recognition. CHF is now working closely with NACHU (through a RHUDO buy-in to the core grant) in preparing training manuals and materials for its national cooperative housing program. The current activity is the result of a long-term effort by CHF to maintain contacts with NACHU while it was in a formative stage.

²⁶CHF was instrumental, however, in the formation and development of some 400 housing cooperatives in the U.S.

²⁷It should be noted, however, that overseas development experience is perceived as more important than U.S. cooperative experience by both USAID Mission and United Nations Habitat personnel.

This long-term access to NACHU would not have been possible without central A.I.D. support of CHF.

CHF has maintained an office in Honduras periodically during the past twenty-five years.²⁸ In 1985, as part of CHF's Central American Regional Project (A.I.D./LAC), the Honduras Office reopened with U.S.\$1.4 million equivalent in local currency. The funds were divided into capital investment funds for project development -- just under U.S.\$1.0 million equivalent and U.S.\$483,000 equivalent for technical assistance and operational costs (office, equipment, etc.). All capital funds have been disbursed, as well as the technical assistance and operational support funds.

Central A.I.D. support of CHF has enabled it to market services outside of A.I.D.'s Office of Housing and its regional offices, as these have not made extensive use of CHF in the recent past and do not appear to be ready to use CHF extensively in the near future. Using core grant funds, CHF is marketing itself more aggressively in order to obtain revenues needed to survive as an organization. It has made repeated contact with host government officials at all levels and with national organizations such as NACHU in Kenya. CHF has made repeated contact with Shelter Afrique²⁹, and plans to involve CHF in Shelter Afrique's low-cost housing programs are in progress. CHF has engaged in pilot programs with UN Habitat and other international development organizations.

CHF has also begun to provide assistance to housing programs sponsored by credit union movements in the developing countries. For example, CHF has signed a memorandum of understanding with ACCOSCA to collaborate in providing expertise on low-cost housing to various credit union movements in Africa.³⁰ Also, CHF's program in Central America involves relationships with COLAC (the Latin American Confederation of Credit Unions) and its national affiliates.

²⁸CHF's current office opened in 1985; between 1983 and 1985 CHF had no office staff in Honduras.

²⁹Shelter Afrique is a regional, low-cost housing organization financed through a company established by share holders, which include individual African governments and the African Development Bank.

³⁰Funding for proposed long-term technicians to assist in this effort was requested in CHF's most recent support grant proposal.

CHF is the only U.S. - based organization promoting cooperative housing in A.I.D.'s international program. The core grant, however, has not succeeded in significantly increasing A.I.D. support and involvement in cooperative housing. A.I.D.'s housing and urban development program is managed by the Office of Housing, primarily through a private-sector financed housing guarantee program that makes funds available to host governments at market interest rates. Projects funded by this mechanism tend to be large-scale, public-sector housing programs that offer little opportunity to support a private-sector cooperative housing strategy.

2. Accomplishment of Specific Core Grant Objectives

The purpose of the current grant is to support CHF in maintaining its in-place technical capability to develop low-cost housing cooperatives. Specific purposes include:

- a. enhance and broaden CHF's capability to provide technical assistance and training to indigenous cooperative organizations that provide community services, shelter and infrastructure;
- b. assist local private sector institutions to build and implement community-based cooperative programs to improve community services, shelter and employment opportunities in lower income neighborhoods;
- c. further test these cooperative organizational forms as part of an international development plan at the local, regional, national and international levels;
- d. demonstrate that smaller-scale, private sector organizations can effectively supplement and complement on-going national and local government efforts in community upgrading, home improvement and employment generation, and thereby add to the "absorptive capacity" within developing countries; and
- e. encourage policy shifts by local and national governments and by international donor agencies towards increased use of private sector cooperative institutions.

CHF's activities during the grant period have been supportive of these objectives. It has developed a mailing list of

approximately 1,500 cooperativists and other individuals interested in low-cost, cooperative housing and regularly provides them with information on indigenous building techniques. It publishes news briefs on topics related to low-cost housing, fact sheets on its overseas projects and a "Concepts and Methods" series of publications on current technologies. CHF also hosts approximately 40 international visitors per year to inform them of its programs and capabilities.

Through its grant and other projects, CHF provides direct support to private development organizations in LDCs, such as FECOVIL, Centro San Juan Bosco and the Association of Human Promotion in Honduras and a private organization in the Philippines. CHF has begun to expand its organizational support through association with the credit union systems of Latin America and Africa.

CHF's projects in Central America (particularly Honduras and Costa Rica) and Belize have demonstrated a capability of producing more affordable housing than government-sponsored programs. Finally, CHF has had some impact on housing policy in at least two instances: Tanzania and Lesotho. In Tanzania CHF's success in a pilot program convinced the government to expand the effort into a national cooperative housing program; in Lesotho cooperative housing was incorporated into the national housing policy as a viable private-sector approach.

3. Effectiveness and Performance in the Field

CHF was the recipient of an A.I.D./LAC grant of approximately \$11.0 million. This program, known as the "Cooperative Neighborhood Improvement and Job Program for Central America," has provided significant support for CHF's work in Central America, and has provided the funding for CHF to implement their "Cooperative Development System," developed with core grant funds. In the eyes of USAID Missions in Honduras and Costa Rica, the grant has placed CHF at the forefront of innovative community development and housing work with the low-income, informal sector.

Field staff working on long-term CHF projects were consistently praised as professional, competent and capable of working overseas with few problems by persons interviewed during the evaluation. CHF as an organization was praised for being able to locate such competent technicians; one of the unique features attributed to CHF was its ability to provide experts in developing effective low-cost housing solutions (new cooperative housing and upgrading of existing inventories) among the poorest households. CHF programs in Honduras and Costa Rica reach more lower income populations than the traditional Office of Housing projects, operate independently of the government structure, and build horizontal linkages with other cooperative sectors -- particularly

credit unions and credit union federations -- as conduits for CHF's financing of community and housing improvement and core unit new construction housing.

In the African countries visited, CHF's short-term staff was praised for its technical capabilities by RHUDO officers, U.N. Habitat officials, local government officials and representatives of local housing agencies. One A.I.D. employee reported that CHF's work in Botswana was the best he had ever seen in the housing field, and the U.N. Habitat representative was equally complimentary of CHF's work in Tanzania. In Central America, one of the recognized strong points of CHF is ". . . the fact that they have adapted to local community needs and shown the way to reach and provide low-cost shelter solutions and community services among the truly low-income (informal sector) households."

At the same time, CHF has not been able to influence two critical aspects of the housing environment. First, it has not been able to convince policy officials and program designers that its approach to housing results in lower cost and more cost-effective solutions. Second, CHF is perceived by many A.I.D., host government and other international donor officials or local housing-related groups as advocating a "single mortgage" form of cooperative housing ownership. To the extent that CHF is identified solely with this approach, its potential selection as a project implementor appears limited.³¹

C. Principal Benefits of Core Grant Support

Central A.I.D. support of CHF has allowed it to build an effective, professional cooperative housing development organization and to underpin the organization through periods of financial weakness. It is doubtful that CHF would be able to

³¹Although it is dangerous to generalize from the limited number of contacts the evaluation team had with host government officials, international donors and local housing authorities (even cooperative housing organizations), it is important to point out that all of the institutions and individuals interviewed (including representatives from NACHU) were skeptical of or rejected a development model involving cooperative ownership of housing through a "single mortgage". They wanted to develop housing through cooperatives, develop housing for cooperative members, use cooperative methods of developing housing, etc., but they did not want to pursue a strategy involving "single mortgage" cooperative ownership structures. The close identification of CHF with such a model (which it promoted heavily during its early international work) appears to reduce CHF's attractiveness as a potential provider of services.

sustain itself in international development without the financial support provided through the core grant mechanism.

The existence of A.I.D. central support for CHF has succeeded in preserving a visible alternative to the large-scale, public sector housing programs financed through the housing guaranty program. Particularly in Central America, CHF's success in promoting innovative housing schemes has attracted considerable interest. In Africa, both U.N. Habitat and Shelter Afrique have been impressed by CHF's alternative to providing a low-cost housing strategy. The ability to develop and demonstrate these techniques would not have been possible without the core support provided by A.I.D.

Core grant support has allowed CHF to maintain relationships and provide continuing support and assistance to developing country cooperative housing movements that had either been assisted by previous A.I.D. programs or had only limited direct assistance.

D. Major Issues and Problems

Two principal issues face CHF and need to be addressed in future considerations of central A.I.D. support to the organization.

The first is that the concentration of A.I.D.'s housing activities in the Office of Housing, the reduction in USAID Mission housing activities independent of the Office of Housing, and the nature of the Office of Housing's program, appear to diminish, if not preclude, a role for CHF. These large-scale, government-to-government, loan-financed programs are negotiated primarily with government housing authorities which want to maintain strict control over projects. Technical assistance funds are limited, for the most part, to management support and supervision for these projects. The general absence of grant-funded housing programs, Mission-funded housing programs independent of the housing guarantee mechanism, or technical assistance to non-traditional housing sectors, severely limit the potential for CHF involvement in the A.I.D.-financed housing sector.³²

The second is that CHF's lack of a U.S. cooperative membership base appears inconsistent with the rationale for its treatment as a CDO. CHF does not resemble a cooperative, has no voting members, is not responsible to a cooperative membership base, and derives no financial or human resource support from a U.S.-based cooperative organization. At the same time, there are

³²Recently, however, the Office of Housing has begun to explore ways to utilize CHF in informal sector housing activities.

historical antecedents for CHF's role as a CDO that are often overlooked; it was originally established as a membership organization and worked to help establish and support housing cooperatives. With the formation of NAHC, however, the Board decided to separate the two institutions, maintaining CHF as a technical organization and NAHC as the membership organization.

E. Specific Recommendations

- * CHF should strive to develop a relationship with a U.S. membership base.
- * CHF needs to develop outside sources of funding to complement A.I.D.'s core grant support.
- * CHF should continue to explore joint venture and other working arrangements with the credit union system to improve success in financing new cooperative housing projects independent of direct international donor financing.
- * CHF needs to develop a more effective working relationship with the Office of Housing.

III. NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION (NRECA)

A. Background and Description

Large-scale rural electrification began in the United States in 1935 with the establishment of the Rural Electrification Administration (REA). Recognizing that providing electric services to low-density rural areas would not be profitable for private investor-owned power companies, the REA provided low-interest loans, insurance and other basic services to facilitate the establishment and operations of locally-owned electric cooperatives.

The National Rural Electric Cooperative Association (NRECA) was established in 1942 as a national trade association to represent the interests of the distribution cooperatives in legislative and regulatory matters. At the present time NRECA provides four central services to its members:

- * Retirement, safety and other insurance services;
- * Legislative and regulatory representation;
- * Management services in the areas of training, conferences and technical assistance; and
- * Energy and environmental policy analysis to keep track of current technologies and regulations and provide that information to member cooperatives.

The International Programs Division (IPD) of NRECA was established in the early 1960s to provide rural electric cooperative services in Latin America under the Alliance for Progress. It operates as an internal division of NRECA's Management Services Department; thus, it does not function as an independent organization. IPD is a self-sustaining cost center within NRECA; no dues funds paid by member cooperatives to NRECA are used to support the programs or activities of IPD.

IPD operates through two separate corporate identities. For most A.I.D. work it operates as a part of the non-profit activities of the NRECA. For other work -- specifically work in which it incurs a substantial risk exposure or liability -- it operates through a tax-exempt subsidiary, NRECA International, Ltd. This latter entity is used in any joint ventures, host country contracting situations, and most World Bank projects.

In addition, NRECA has established the NRECA International Foundation to generate internal contributions to support international development activities.

B. Impact of the Core Grant Mechanism on NRECA

1. Accomplishment of General Core Grant Objectives

The primary objective of the core grant to NRECA has been to enable NRECA to maintain a viable international program that encourages and assists " . . . developing country governments and other institutions in the establishment and maintenance of self-sustaining, financially viable, efficiently and effectively managed rural electric cooperatives/systems." Although not specifically articulated, wording of the various grant documents suggests that this is to be accomplished through the following efforts.

a. Hire and Retain Qualified Staff

Through the core grant mechanism NRECA has been able to hire and retain a core staff of highly qualified professionals. During the early years of NRECA's international activities, the core grants (central task orders or basic ordering agreements) directly supported headquarters staff and operations. In recent years core grant support has focused increasingly on specific services and activities and less on general staff or budget support.

Still, the core grant was especially helpful in maintaining core staff during the period in which the U.S. dollar was significantly overvalued and NRECA could not compete effectively with international firms for non-A.I.D. contracts. The core grant also facilitated the retention and incorporation of project staff funded by the A.I.D. Office of Energy's renewable energy project when that project expired.

b. Maintain Financial Stability

The core grants provided by FVA/PVC to NRECA have provided a measure of financial stability during the past two decades. IPD is 100 per cent self-sustaining on the basis of core grant support and contract income; NRECA provides no dues or other income support to international programs. During recent periods when the U.S. dollar was over-valued vis-a-vis other currencies, the NRECA lost

competitiveness with foreign firms in this field. The core grant enabled NRECA to maintain staff and operations during this period of time.

One of the major limitations of the core grant mechanism in this area is that there are serious funding gaps at the end of each grant year. Even though the core grants are approved for a three- to five-year period, funding is on an annual basis. Unlike A.I.D. itself, which receives continuing resolutions to permit the continuous funding of ongoing activities, when the grant year ends for NRECA, even within an approved grant, no further funds are available until a new funding authorization is received. NRECA's annual grant expires on March 31 each year, well after the beginning of the fiscal year. As of July 31, NRECA had received no current fiscal year funds, and it appears unlikely that any new grant monies will be available until October or November -- a period of a least six months of no funding even though the grant itself is currently valid.

During these "funding gaps" NRECA must fund its international operations from other sources of funding. This is usually done by using reserves³³ as collateral for funding advances provided the International Programs Division of NRECA itself.

c. Mobilize Resources and Expertise of the U.S. Cooperative Movement

NRECA mobilizes resources and expertise from the U.S. rural electric cooperatives' experience in four major ways:

(1) Staffing

Human resources mobilized by NRECA consist of home office staff and technicians provided for short- and long-term assignments. At the present time NRECA has a staff of eight professionals in its Washington office. Of these, four have had direct prior experience in the U.S. rural electric system: two had worked for the REA, one had been a manager of three different U.S. electric cooperatives, and one had worked in a U.S. cooperative. The Washington office staff has had considerable overseas experience: four of the staff members were Peace Corps Volunteers and one had worked with the Ford Foundation in India. The mix of U.S. rural electric and overseas experience in the headquarters staff is consistent with the experience of the other CDOs.

NRECA estimates that 90 per cent of the technicians provided to overseas projects are drawn directly from the U.S. rural

³³ These reserves are earned through fees charged on projects administered by NRECA International, Ltd.

electric cooperative system. This estimate was verified in the field by USAID Mission personnel who had had direct previous experience with NRECA programs.

(2) Training

Contribution to training is probably the most significant form of mobilizing U.S. cooperative expertise in support of NRECA's international development programs. U.S. cooperatives accept international participants for on-site visitations and training in support of all of NRECA's international training activities. In particular, for the annual management and operations training program, participants spend an average of two weeks in an NRECA member cooperative, learning first-hand cooperative management skills.

Unfortunately, NRECA has made no attempt to estimate the value of this in-kind contribution, even though it represents a significant contribution by the U.S. movement to the international development activities of NRECA.

(3) Cooperative-to-Cooperative Programs

Through the promotion activities of NRECA, some 20 U.S. cooperatives have developed on going support relationships with overseas cooperatives. Under these programs U.S. cooperatives provide ongoing support (consisting of exchange programs, procurement of surplus commodities and technical exchanges) to their cooperative partners overseas.

(4) NRECA International Foundation

The Foundation was established with a \$250,000 grant from NRECA's reserves. Contributions from member cooperatives have been modest to date due to economic difficulties in the cooperatives ("it is difficult to justify donations to an international foundation when you are raising rates to your customers") and the fact that, at the time of the evaluation, NRECA did not have a full-time staff member devoted to fund-raising and promotion activities.³⁴

The Foundation has provided modest support to a number of small projects, notably a low-cost demonstration effort in the Ivory Coast and a village-level micro-hydro effort in Laos.

³⁴In September 1988 the Foundation employed the services of a full-time director.

(5) Other

The core grant has permitted the mobilization of surplus U.S. equipment for donation to overseas movements. In particular, core grant funds were used to develop a strategy for identifying equipment needs, locating surplus equipment, collecting and storing it, and planning shipment to recipient cooperatives. The U.S. movement has donated meters for use in Guatemala and other equipment for cooperatives in Costa Rica, Bolivia, Belize and the Philippines. A major problem in this program has been the high cost of shipment, which cannot (because of the cost) be financed by core grant resources.

d. Maintain and International Presence and Contacts

Perhaps the most significant contribution of the core grants to the development of the rural electric cooperative movement in LCDs is that they have permitted an ongoing dialogue between NRECA, host governments and rural electric enterprises and cooperatives.

The existence of the core grants has permitted NRECA to continue to provide at least a minimum level of consultation and support to previously assisted cooperative movements in the absence of continuing direct funding. Long-term contacts have been maintained with cooperatives that had been established under bilateral projects in the 1960s in countries like Costa Rica, Bolivia, India and the Philippines.

The core grant has also permitted NRECA to maintain long-standing contacts with governments and national power companies, which has been crucial to the eventual selection by these entities of the U.S. rural electrification model and cooperative approach. Particularly in Yemen, Bangladesh and the Philippines, the contacts developed and maintained by NRECA have resulted in the eventual selection of NRECA as a technical assistance source for new programs. NRECA points out that the natural tendency in most countries is to favor government-controlled power distribution systems. The ability to maintain contact with these governments over time is essential for the eventual development of "second generation" interventions -- the recognition by the government that improvements are needed in the rural electric distribution mechanism and the gradual acceptance of recommendations for a cooperative approach. The core grants have enabled NRECA to maintain the long-term presence necessary for this process.

In addition, this portion of the core grant has been used to maintain ongoing relationships with international funding agencies. As one example, when an earlier A.I.D. S&T Bureau grant for renewable energy systems expired, the core grant allowed NRECA to continue a minimum level of activity in this area through publications and presentations at key conferences. This activity is expected to result in a new grant for renewable energy systems

development. The core grant has also permitted NRECA to maintain contacts with various international development agencies involved in the energy field, and may result in a new, long-term relationship with the World Bank.

e. Stimulate Support of Cooperative Development in A.I.D.'s Program

A.I.D. has become less involved in large-scale rural electrification efforts, concentrating on providing technical assistance funds in jointly-funded projects with the World Bank, Asian Development Bank and other international donors. Since NRECA is one of A.I.D.'s primary sources of technical assistance expertise in the field of rural electrification, a cooperative approach is at least recommended in most A.I.D.-financed activities in this field. Without core grant assistance it is unlikely that NRECA would have been able to maintain a presence in international rural electrification activities and, as a result, the use of a cooperative approach to rural electrification in the developing countries would be virtually unknown.

2. Accomplishment of Specific Core Grant Objectives

Under the terms of the grant supporting NRECA for the period 1986-1988, IPD is to sustain a headquarters staff that will maintain relations with NRECA members and provide assistance to host country institutions, procure equipment and commodities, and provide necessary backstop support for NRECA field staff.

This is not, however, a general support grant or subsidy; it provides operating funds to support eight specific activities. All general overhead costs of the IPD are covered through audited overhead rates. The eight activities supported by the core grant are as follows:

a. Project Development

NRECA has been selective in using the core grant for project development activities (especially in developing proposals in response to competitively bid RFPs) because of perceptions by private engineering firms that U.S. government funds are being used to compete with them. As a result, NRECA uses the core grant for project development activities only in areas where competition is not an issue -- primarily in the areas of unsolicited proposals and specialized studies that are not subject to competitive bidding.

With Florida Power and Light Company, NRECA used the core grant to develop a concept paper and unsolicited proposal for broad-based rural electrification in eight Eastern Caribbean

countries. This resulted in a contract to implement the project. The core grant was also used to develop an unsolicited proposal for Central America, which has resulted in a long-term regional project under ROCAP. Core grant funds were also used to plan a decentralized power system in Bolivia, write a concept paper for Yemen, design a cooperative-oriented rural electrification project for Zaire (which was not funded), prepare a prefeasibility study in India (which appears likely to lead to a long-term contract), develop plans to conduct a problem analysis of Philippine electric cooperatives³⁵, and design a proposed follow-up program of support to rural electric cooperatives in the Philippines. The Government of Zaire has requested NRECA assistance in the design of micro-hydro systems, part of which would be funded under the core grant.

In project design work the core grant is typically used for initial contacts and pre-feasibility studies or concept designs. Contracts, purchase orders and Mission buy-ins have been used for larger-scale feasibility studies and project designs.

b. Productive Uses of Electricity

Under this activity NRECA was to conduct conferences on productive uses of electricity in Africa. Core grant funds were to have been used to organize and publicize the conferences, with actual conference costs to be covered by USAID Mission buy-ins, fees and other income sources. Mobilizing sufficient outside resources has proved to be a major constraint, and sufficient funds have not been available in Africa to permit holding the conference.

c. Training

NRECA has used the core grant to develop and refine training materials and to support specific training activities. When the USDA discontinued training in rural electrification, NRECA was able to absorb program costs through the core grant and continue to provide training. As a result of this experience, training activities in NRECA are now approaching self-sufficiency, with funding coming from training fees paid by USAID Mission buy-ins, developing country governments and other donor agencies.

d. Decentralized Power Systems

NRECA assisted the cooperatives in Bolivia in the planning of renewable energy power systems. The core grant has supported responses to requests for information and technical advice in the area of decentralized power systems, the distribution of publications on renewable and decentralized power systems, and NRECA's ability to provide support to visiting officials. NRECA

³⁵ This was carried out in collaboration with Price Waterhouse.

recently participated in an international conference on small hydro and diesel powered systems, and is conducting ongoing studies on small renewable energy systems for the energy sector.

e. Management and Technical Services

NRECA has used core grant funds to provide continued support to existing cooperatives. This has taken the form of communications, responses to particular inquiries, provision of technical advise to government agencies and cooperatives, participation in a management audit of the cooperatives in Costa Rica, and support through a USAID Mission buy-in to the rural electric system in Guatemala. NRECA has also provided continued support to rural electric cooperatives in India, Indonesia and Bolivia under the core grant.

f. Mobilization of U.S. Cooperative Resources

This has been discussed in great detail earlier in this section. The core grant has helped NRECA mobilize the support of its member cooperatives for short-term technical assistance, on-site training of participants, cooperative-to-cooperative relationships and donations.

g. Development Studies

The core grant has permitted NRECA to undertake, at A.I.D. and other donor request, a number of studies related to the feasibility and impact of rural electrification efforts. NRECA has used the core grant to undertake prefeasibility studies for calculating the internal rates of return, social returns and other benefits of rural electrification programs. It has also participated in studies on the impact of rural electrification on fertility, population and demographics. NRECA has developed a methodology for studying the feasibility of and planning for renewable energy, isolated rural electrification alternatives. Prefeasibility studies funded through the core grant have usually led to follow-up involvement in feasibility studies funded by contracts.

h. Development Education

The core grant has permitted NRECA to develop and present to its U.S. members a wide range of materials that explain and support NRECA's involvement in overseas cooperative development activities. These consist of publications, newsletters and multi-media presentations at annual NRECA meetings. This member education has had a direct impact in generating ongoing support for NRECA's international involvement, and has been instrumental in developing: (1) a willingness to provide on-site training for officials from

developing country governments, electric power companies and cooperatives, (2) contributions of surplus equipment and supplies for specific projects, and (3) cooperative-to-cooperative participation on the part of NRECA member cooperatives.

3. Effectiveness and Performance in the Field

Although the evaluation teams were unable to visit current NRECA projects, discussions with A.I.D. and other donor agency personnel indicated that NRECA is held in high regard as a consulting resource in the rural electrification area.

C. Principal Benefits of Core Grant Support

The core grant has been instrumental in enabling NRECA to be involved in international development activities. Without the core grant it is unlikely that NRECA would be involved in this field.

The core grant has permitted an ongoing contact with host governments, host-country agencies and private institutions involved in rural electrification, USAID Missions and other international donors. This ongoing contact has been directly responsible for increasing both the acceptance of the U.S. rural electrification model by international donor and host government agencies, and the use of cooperatives as an end-distribution system for rural electric power systems. In the absence of a core grant, both of these would have been significantly reduced.

The core grant was extremely important in maintaining NRECA's core staff and operations during the period in which the U.S. dollar was overvalued and NRECA lost competitiveness with European firms.

The core grant does succeed in leveraging resources in that NRECA member cooperatives provide substantial assistance in training, materials and manpower. Unfortunately, NRECA has not attempted to estimate the value of these contributed resources. Modest financial resources have been contributed through the NRECA International Foundation.

D. Major Issues and Problems

The major issue facing NRECA is that A.I.D.'s role in the energy sector does not provide a consistent environment for NRECA activities, either in the general field of rural electrification or in the specific area of rural electric cooperatives. During the 1980s A.I.D. has reduced its level of funding for large-scale infrastructure development projects, which are often a prerequisite to potential rural electric cooperative activities. Instead, A.I.D. is placing most of its energy resources on policy and planning efforts, for-profit private investment schemes and energy

conservation programs. This has tended to reduce the amount of direct work available to NRECA through A.I.D.

During 1988 NRECA experienced a significant funding gap because of the annual core grant funding procedure.³⁶ NRECA's prior year allocation ended on March 31, 1988. Although the grant had been approved for a three-year period, FY 1988 funding was not made available until September or October, resulting in an unfunded period of some six months. Since interest expenses incurred to cover interim funding costs are not allowable expenses, this delay resulted in costs to NRECA that could not be recovered through the grant.

E. Specific Recommendations

Although the objectives of NRECA's core grant are stated in terms of processes and activities rather than targets, it appears that these objectives are being met. NRECA has carried out activities in each of the specific objective areas, and while the level of activities needed to constitute "success" is open to debate, the evaluators are of the opinion that the level of activities is consistent with both the objectives of the core grants and the level of funding provided.

NRECA appears to be well positioned to capitalize on growing trends for rural electrification in the developing world, especially in Africa and Asia. As these countries continue to develop, the demand for electricity in rural areas is becoming greater, and more politically difficult to ignore. Experiments with bio-mass energy sources, which have consumed the attention of international donors in Africa during the 1970s and 1980s, have had limited impact on the continent's broader energy problem, with the result that rural electrification is becoming a higher priority for many of the African governments.

Developing an awareness of the potential benefits of cooperatives as an end-delivery mechanism for rural electrification systems is, as NRECA's experience has shown, a long-term effort. National governments initially view electric generation and distribution as a necessary governmental monopoly, and it is only through long-term relationships and contacts that this perception can be changed. The core grant mechanism has been significant in permitting this long-term contact between NRECA and national governments/power companies throughout the developing world, with the result that a number of countries that had formerly followed highly centralized models have now asked NRECA to develop rural

³⁶To some extent, the delay in funding was due to prolonged negotiations regarding NRECA's overhead rate.

electric cooperatives as part of their distribution networks. Without the contacts permitted by the core grants, this would not have been possible.

The United States has a long-term commercial interest in NRECA's activities in the developing world quite independent from the aspect of establishing cooperatives. There are two basic rural electrification models -- the European triple-phase model and the U.S. single-phase model. U.S. manufacturers cannot or do not manufacture equipment to fit the European model. To the extent that NRECA is involved in project planning and design, there is a greater chance that the U.S. model will be adopted, providing an opportunity for increased U.S. exports. The absence of an NRECA participation in that process greatly increases the prospects that the European model will be chosen, effectively excluding U.S. sales to the project.

It is important to note that, with the exception of some project development activities, the core grant does not represent an overhead subsidy. Instead, the grant funds activities that would not normally be expected of a consulting firm, such as publications and dissemination of information, mobilization of domestic support and resources, development of systems and methodologies for use by A.I.D. and other donors. These services would not be provided by a for-profit firm, or would be the subject of specific contracts. Unfortunately, NRECA's accounting system does not maintain records in a manner that permits a clear separation costs by activity.

Specific recommendations made by the evaluation team include:

- * NRECA should modify its financial reports to clearly indicate the level of resources expended on each objective area.
- * NRECA should make an effort to place a value on member contributions. An important benefit and justification of the core grant mechanism is unidentified by the lack of this information.

IV. WORLD COUNCIL OF CREDIT UNIONS (WOCCU)

A. Background and Description

The World Council of Credit Unions (WOCCU) was established in 1970 as the international apex organization of the worldwide credit union movement. Its membership is comprised of the affiliated movements of Africa, Asia, Australia, Canada, the Caribbean, Fiji, Ireland, Latin America, New Zealand and the United States. At the present time there are more than 40,170 credit unions in 79 countries that are affiliated to WOCCU. Affiliated movements have been established in 72 of the 119 countries of Africa, Asia, the Caribbean and Latin America, and are found in most (if not all) of the A.I.D.-eligible countries in these regions. These developing country credit unions have nearly 9 million members, have accumulated just under \$4 billion in member-owned savings, have loans outstanding of \$3.2 billion, and annually lend \$3.8 billion to their members.³⁷

As the international apex organization of the worldwide credit union movement, WOCCU has a dual function: (a) serve as an international forum and representational body for the movements and (b) mobilize and provide technical and financial assistance to its member organizations and their members, particularly those in the developing countries. Prior to the formation of WOCCU, international development assistance to international credit union movements was provided by the World Extension Division of the Credit Union National Association International (CUNA International). This was later transferred to the Global Projects

³⁷ Data from WOCCU's 1988 Statistical Yearbook. Estimates of annual loan volume are based on an average loan turn-over rate of 1.2 times the balance of loans outstanding. For this statistic, year-end 1986 data was taken as the base year.

Office of CUNA Inc.³⁸ The World Council assumed responsibility for managing all international credit union development programs in 1982.

WOCCU is governed by two policy-making boards (the Membership Council and the Administrative Committee), which are supported by two advisory bodies (the International Credit Union Forum and the Chief Executive Officers' Advisory Committee). Through these committees WOCCU's membership participates in policy and decision making for the institution.

B. Impact of the Core Grant Mechanism on WOCCU

1. Accomplishment of General Core Grant Objectives

The principal objective of the core grant mechanism has been to enable the U.S. CDOs to develop and maintain active international programs. The general objectives for WOCCU are those indicated in the core grant guidelines as follows.

a. Hire and Retain Qualified Staff

At the present time the core grant directly funds 11 technical positions within WOCCU. Only the portion of the individual's time actually spent on core grant activities is charged to the core grant, however.

Availability of central support was perhaps more significant prior to the merger of WOCCU and CUNA's Global Projects Office, when all staff members of the Global Projects Office were directly financed by the core grant. At that time the grant permitted the Global Projects Office to recruit, train and maintain a core staff of qualified credit union development experts, most of whom continue to work in WOCCU today. Without the grant support, the Global Projects Office would have been unable to develop and maintain this staff capability.

In recent years, with the actual reduction in core grant amounts and the effects of inflation, the percentage of staff time financed by the core grant has declined.

b. Maintain Financial Stability

WOCCU is the most financially sound of the four CDOs evaluated. The core grant accounts for approximately 12 percent of its annual budget, the rest coming from field projects (65

³⁸ CUNA International became CUNA, Inc. with the establishment of WOCCU in 1970.

percent), dues (18 percent), other internally generated income (2 percent) and other sources (3 percent).

In the absence of significant external resources, however, the core grant would tend to introduce financial instability because of extended funding gaps at the end of each grant year.³⁹ WOCCU funds this gap from internally generated income (primarily dues).

Because of the three-year cutback in the amount of the core grant, the reduction in purchasing power of the core grant funds due to inflation, and increased dues support by WOCCU's member associations, the core grant has declined as a percentage of WOCCU's annual operating budget.

WOCCU has distinguished between activities that are critical to its survival and the minimal level of services it must provide to its member confederations and leagues and those that are important to the development of the international credit union movement but that are not critical to survival. Critical activities are funded from internally generated income; other services (if they meet eligibility criteria) are funded by the core grant. In this way WOCCU's survival would not be threatened by the reduction or elimination of core funding, even though such actions would significantly reduce the amount of assistance it would be capable of providing to its members.

c. Mobilize Resources and Expertise of the U.S. Cooperative Movement

The U.S. credit union movement provides a significant level of economic and other support to the international credit union system. CUNA, the U.S. national credit union association, contributes two cents per affiliated member in dues to WOCCU each year: this amounted to \$944,000 in 1987 and \$975,000 in 1988. CUNA Mutual, the U.S. credit union movement's insurance company, also provides financial resources to WOCCU and the international credit union movement. Although CUNA is the actual grantee under the core grant, no funds from either the grant or project-related overhead accrue to CUNA; all overheads accrue to WOCCU.

WOCCU also draws on resources from outside the U.S., primarily from its member movements in other developed countries (Canada, Australia, New Zealand, Great Britain and Ireland), but also from associated organizations in developed countries

³⁹Even though the grant had been approved for a three-year period, there is a delay of between four and six months between the conclusion of one grant year and the availability of funds from the subsequent year.

(Raiffeisen in Germany, Societe de Developpement International Desjardins in Canada, Austrian Raiffeisen Association, and CUNA Mutual and CUMIS Group in the U.S.) and from the developing country movements themselves. In all, WOCCU's members (affiliated and associate) contribute \$1.23 million annually in dues and other financial support to WOCCU and its international activities.

Non-financial resources from the U.S. movement are provided by both CUNA and CUNA Mutual in terms of research services, effort devoted to publications and articles, maintenance of statistics, staff resources for visitor consultations, special presentations and other activities. Through CUNA's credit union foundation and WOCCU's Worldwide Foundation, the credit union movement donates another \$217,743 annually to international credit union development.

WOCCU uses current and former U.S. credit union professionals for a large portion of its short-term consultants and long-term advisors. Seven of twelve short-term consultants fielded in 1986 had direct U.S. credit union backgrounds, as did seven of fourteen in 1987.⁴⁰ Current and former U.S. credit union professionals have also served as VOCA technicians for short-term assistance to international credit union organizations.

d. Development of Effective Internal Management Systems

WOCCU has developed a series of sophisticated management systems for managing and tracking its project activities. Its accounting system is very good, and could provide information requested in a useful format very easily. WOCCU's statistical data base, although focused on a limited number of indicators on credit unions, provides a good basis for researching the growth and performance of credit unions throughout the world. WOCCU maintains detailed information on its project activities, and can use that information to easily provide contact lists, summary listings and other reports. WOCCU's systems to manage recruiting, orientation and preparation of personnel are well-refined and effective.

e. Maintain an International Presence and Contacts

The core grant has clearly enabled WOCCU to maintain a presence, especially in terms of continuing support to credit union movements and organizations in A.I.D.-eligible countries that do not provide bilateral support to the local movements, in supporting

⁴⁰ In addition, one consultant in 1987 was from the Canadian credit union movement and four were from other WOCCU affiliates.

WOCCU's regional confederations, and in developing new program and project contacts.

(1) Support to Unassisted Movements.

A.I.D.-financed project support to the credit union system currently exists in only six countries in Africa and Latin America (Lesotho, Malawi, Cameroon, Togo, Honduras, and Guatemala) and a regional project in Africa with the African Confederation of Cooperative Savings and Credit Associations (ACCOSCA). Yet there are active credit union movements in more than 42 countries in these regions. The core grant permits at least a minimum level of contact with and support for these movements, primarily through WOCCU's regional confederations.

(2) On Going Support to Regional Credit Union Organizations.

Through the core grant WOCCU is able to maintain continued contacts and provide ongoing support to its regional affiliates in Africa (ACCOSCA), Asia (ACCU), the Caribbean (CCCU) and Latin America (COLAC). With the exception of the Asian credit union confederation (ACCU), each of these organizations are or have been supported by A.I.D.-financed development. The core grant has facilitated resource mobilization for continued support to these movements through WOCCU's contacts with the Canadian cooperative movement, European donor agencies and other sources of services and funding.

(3) New Program and Project Contacts.

Through the core grant WOCCU has been able to establish contacts, identify opportunities for project interventions, and develop project proposals in a number of countries, including Uganda, Cape Verde, Sri Lanka, Bangladesh, Ecuador, Philippines, Niger and the Caribbean.

The core grants' most tangible contributions to increase A.I.D.'s support of cooperative development have been through the successful development and marketing of unsolicited credit union development projects. Major projects have been initiated in Lesotho, Malawi, Cameroon, Togo, Honduras and Guatemala, and smaller interventions in Sri Lanka, Jamaica, Bangladesh, India, Philippines, Papua-New Guinea and Botswana. The major regional support projects in Africa (for ACCOSCA) and the Caribbean (for CCCU) have resulted from core grant project development activities.

A somewhat less tangible indicator of success in promoting A.I.D.'s support of cooperatives is that the existence of credit unions in almost all A.I.D.-eligible countries has provided an institutional network that is often utilized to channel or manage

A.I.D. resources. Examples of this can be seen in a micro- and small-scale enterprise project that operates through credit unions in Bolivia; disaster relief programs that were administered through credit unions in Guatemala, Dominica, and the Dominican Republic; and small-farmer credit programs in countries such as Ecuador, Bolivia, Costa Rica, Honduras and Guatemala.

2. Accomplishment of Specific Core Grant Objectives

WOCCU's core grant is not used to support general overhead activities, but to finance specific services and support activities to developing world credit union movements. As stated in the "Purpose of Grant" for the 1985-1988 grant, the funds are to be used to ". . . support the development of a number of institutional development projects, projects for specialized credit programs, participant training programs, study tours, technical consultancies, and other mechanisms to assist its [WOCCU's] member organizations."

As further specified in Attachment 2 to the grant agreement, the grant was to be used to finance activities designed to ". . . 1) expand the market served by credit unions, and 2) improve the long-term viability of the system's support organizations." Funds were to support activities in five specific areas: (a) member growth, (b) capital growth, (c) skills development, (d) systems, structures and policies development, and (e) services and product development. Specific actions to implement activities in each of these areas were meticulously spelled out in the grant proposal and Attachment 2 to the grant agreement.

a. Member Growth

Membership growth in the international credit union system, especially in the developing countries, has been impressive during the last few years. In the Caribbean, for example, credit union membership grew from 571,000 in 1985 to 657,000 in 1987, a 15 percent increase. During the same period in Africa, credit union membership grew from 2,263,000 to 2,774,000, a 23 percent increase.

The core grant is, of course, only marginally related to these increases, as local conditions and programs, bilateral projects and the regional projects with the confederations have had the greatest direct impact on local membership growth. What the core grants have facilitated is an ongoing commitment and set of activities designed to help member associations implement effective local growth programs. For example, WOCCU conducted planning seminars with the Jamaican credit union league, the African Confederation of Cooperative Savings and Credit Associations, the Malawi Union of Savings and Credit Cooperatives,

and produced a special issue of its newsletter on planning and evaluation for credit unions.

b. Capital Growth

As in the case of membership, the credit union systems in the developing countries have experienced a significant growth in savings during the past few years. In the Caribbean savings grew 9 percent between 1985 and 1987 (from \$277 to \$302 million), in spite of the fact that, in dollar terms, the largest credit union movement in the region (Jamaica) suffered a major decline due to a depreciating currency and high internal inflation. In Africa savings increased 69 percent during the same period, from \$307 million in 1985 to \$519 million by the end of 1987.

Equally important, the financial stability of the movements have also been increasing through increases in reserves -- for example, an 80 percent increase in the Caribbean and a 39 percent increase in Africa during the past two years. In Latin America the reserves to total assets ratio increased from 3.4 percent in 1985 to 5.7 percent in 1987.

As in the case of membership growth, the core grants have had little direct impact on savings mobilization and growth in reserves. What the core grants have facilitated is an ongoing commitment and set of activities designed to help member associations implement effective savings mobilization programs. For example, through the core grant WOCCU was able to develop a special issue of its newsletter devoted to savings mobilization, generate a specific project proposal for savings mobilization in Honduras, and assist the Latin American credit union confederation (COLAC) develop a savings mobilization and protection project proposal for submission to A.I.D./W.

c. Skills Development

WOCCU was forced to postpone the major new initiative in this area -- development of an international credit union institute -- due to cutbacks in the amount of funding through the core grant. At the same time, it did successfully provide technical consultancies under the core grant, and the core grant is used for teaching, writing and publishing technical articles, holding seminars and developing papers for distribution to its affiliated members.

During 1986 WOCCU coordinated the visits of 88 overseas cooperative personnel to its headquarters office, on study tours and in extended training programs.

d. Systems, Structures and Policy Development

WOCCU's principal focus in this area during the current grant period has been on developing a useful information data base on its members and projects. It has compiled historical credit union data for more than 60 nations, and is in the process of verifying that data. It has also created a human resource data bank to identify potential short- and long-term consultants and advisors, and has developed detailed project profiles and country-specific economic time series.

e. Services and Product Development

WOCCU has been active in developing unsolicited projects in the areas of small enterprise development, rural production credit and housing, and has responded to USAID Mission requests for specific consultancies in Costa Rica, Ecuador, Honduras, Guatemala and Nepal.

One of the major problems WOCCU has encountered in this area is that there is not an adequate contracting mechanism to permit WOCCU to provide the level of services requested by the Missions. Core grant funds are used to support staff salaries, travel and support in these activities; the amount of work that can be carried out under core grant funding is very limited. The core grant can be used to support initial Mission contacts and the development of program/project concepts, but WOCCU and USAID Missions need a contracting mechanism that allows the Missions to easily fund project feasibility studies and design activities.

f. Summary

WOCCU's core grant is used primarily to support technical services and support for WOCCU's member confederations in the developing regions (Africa, Asia, the Caribbean and Latin America). These services complement Mission- or Bureau-funded credit union development projects. The core grant has been instrumental in helping WOCCU maintain an ongoing relationship with its member organizations.

The specific objectives of the WOCCU core grant are very detailed -- far more detailed than any other CDO. This detail is somewhat misleading, because most of the objectives are stated as activities, and virtually any level of activity can be construed as having met the objectives of the grant. In addition, credit union growth statistics are not direct measures of core grant impact, as the core grant itself has little, if any, direct impact on country-level credit union performance.

Nonetheless, the level of effort carried out by WOCCU under the grant is consistent with the level of grant funding.

3. Effectiveness and Performance in the Field

WOCCU is respected as an effective implementor of field projects. For example, in the case of its Malawi project, WOCCU's home office support was rated especially high in areas of recruiting, orientation and training of technicians, support to participant trainees, logistics support and communications. Project officers in Malawi also cited home office technical backstopping as being extremely valuable to the success of the bilateral project, and noted that this backstopping would probably not be available in the absence of the core grant. ACCOSCA support, especially in the areas of training and legislation, were also cited as important to the successful implementation of the project. Publications such as the Technical Reporter were judged to be somewhat too sophisticated for the needs of the Malawi movement.

When it has been involved in a long-term project, the local movements assisted have shown strong, positive growth and development. This can be seen in that countries with active credit union development projects grow at a much more rapid pace than other credit union movements in the region.

C. Strengths and Weaknesses of the Core Grant Mechanism

1. Strengths

The core grant mechanism has clearly provided WOCCU with resources necessary to carry out its program of credit union development. In particular, the core grants have, over the past few years, supported:

- * Stability in hiring and retention of highly qualified technical support staff;
- * Maintenance of long-term relationships with previously assisted movements; and
- * An ability to respond to problems and issues related to developing country credit union movements.

Without the core grant it is unlikely that WOCCU would have been able to generate the project support for its member confederations and affiliated country-level movements that it has.

2. Weaknesses

The major weaknesses of the current core grant mechanism are:

- * There are regular funding gaps at the initiation of each grant year. Even though the grant is approved for a three-year period, each year's funding does not become available until well into the grant year. The costs of funding this gap are not allowable expenses under the grant; thus, financial costs associated with funding the gap reduce the effective value of the grant.
- * With cut-backs in the total amount of grant funding and the effects of inflation, the level of services supported by the core grant has declined considerably in the past few years.

D. Major Issues and Problems

Perhaps more than any of the other CDOs, WOCCU has a set of corporate strategies and priorities independent of its involvement with A.I.D. This independent strategy leads to occasional incompatibilities between WOCCU and A.I.D.

Unlike the other cooperative sectors, credit unions do not fit into an established A.I.D. niche. WOCCU is regionally oriented, but A.I.D. has scaled down or eliminated its regional programs. Credit unions are financial institutions, but A.I.D. has no office or bureau (apart from S&T) charged with financial markets and institutions. Credit unions are involved in a variety of lending activities -- small enterprise, small-farmer production credit, health, education, housing and consumption -- and require this diversification to minimize risk and provide a balanced platform for growth. Yet A.I.D. is rigidly compartmentalized into offices that view these as discrete, mutually exclusive activities. This dichotomy is presented as follows:

WOCCU	A.I.D.
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Credit unions should be developed as balanced financial institutions, incorporating both savings and loan activities.	Missions frequently view credit unions as mechanisms for channeling credit only.

Credit unions need to be involved in a wide variety of savings and loan activities to reduce risk and meet member needs.

Missions are often willing to support only one aspect of a credit union's activities, such as rural credit, micro-enterprise credit, etc.

Support to second-level credit union institutions in a country is essential to the long-term growth and viability of the credit union system in that country.

Missions are frequently uninterested in supporting the overhead cost of maintaining and building the national federations.

The regional confederations are an essential component of a strong international credit union system.

Missions have little interest in the international system, as they are focused on achieving local objectives. The Regional Bureaus in A.I.D. have significantly reduced funding for regional projects and institutions.

WOCCU's objectives and anticipated outputs, as listed in its concept paper ("Initiatives for Growth") and as included in Attachment 2 to the core grant agreement, were quite detailed and specific. The six-month reports submitted by WOCCU detail activities that were undertaken in each of the areas, but do not provide any information on the impact or significance of accomplishing the planned outputs. For example, in housing, WOCCU reports that it submitted one proposal to USAID/Ecuador; it does not report on technical assistance undertaken, results of pilot projects, dissemination of printed materials or the completion and impact of regional workshops. Modifications in both core grant guidelines and reporting requirements for the CDOs should focus more on the significance of objectives.

E. Conclusions and Recommendations

1. Conclusions

The core grants appear to have been effectively used in helping WOCCU develop an ongoing capacity to support credit union development activities. It would not be accurate to say that the core grants caused this development, or that the core grants caused U.S. credit unions to support international credit union activities. The U.S. credit union movement's commitment to and support of international credit union development antedates the

core grants, and the credit union system would have had a capacity to provide assistance to its international members independent of the availability of core grants.

This should not understate the value of the core grants to the international credit union system. These have greatly increased the level and quality of services that WOCCU and its predecessor institution (the Global Projects Office of CUNA, Inc.) have been able to offer to USAID Missions, member credit union systems and emergent credit union movements. The grants have clearly facilitated the hiring and retention of quality staff, development of effective management systems within WOCCU, the maintenance of high-quality contacts between WOCCU and its member confederations in the developing world, and the generation of USAID Mission and Regional Bureau support for credit union development.

Although success against core grant objectives can only be measured in terms of activities carried out, it appears that the grants have, in fact, been used effectively for the purposes for which they were intended.

WOCCU and the international credit union system is unique among the CDOs⁴¹ in that it is a true worldwide system of cooperatives. WOCCU has a strong membership commitment from its affiliate and associate members. It mobilizes significant amounts of resources from its membership, not only in the U.S. but in the other developed and developing areas as well. The beneficiaries of A.I.D.-supported projects are not just beneficiaries, but voting members of WOCCU itself, with rights to assist in the development of plans, strategies and priorities. WOCCU has a clear-cut set of objectives in terms of this worldwide system.

No other CDO has such a structure or organizational objective. No other CDO has developing country cooperatives as dues-paying members. No other CDO has an ongoing commitment to the beneficiaries of past A.I.D.-funded projects that it is willing to support, to the extent possible, from its own resources when project funds are no longer available. No other CDO engages in extensive resource mobilization for developing country cooperative movements independent of direct technical assistance interventions.

The uniqueness of the structure and function of the credit union system is certainly the major factor accounting for the widespread occurrence and relative stability of credit unions in the developing world. WOCCU's long-term relationship with A.I.D. has been a significant factor in the growth and development of that system, and the core grant mechanism has been a major component of that relationship.

⁴¹ This comment applies equally to VOCA and NCBA even though they were not included in this evaluation.

2. Recommendations

A.I.D. should consider central funding to support the regional confederations (ACCOSCA, CCCU, COLAC and, perhaps, ACCU), either on a matching fund or declining grant basis. The funding program should be committed for a specific number of years on the basis of an acceptable (realistic) schedule for achieving service objectives and financial self-sufficiency at pre-determined minimum levels.

APPENDICES

APPENDIX A

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APPENDIX B

GLOSSARY OF TERMS AND ACRONYMS

Acronym or Term	Definition
ACCOSCA	African Confederation of Cooperative Savings and Credit Associations
ACDI	Agricultural Cooperative Development International. A U.S. CDO specializing in agricultural cooperatives, rural development and rural credit systems.
A.I.D.	The U.S. Agency for International Development.
A.I.D./W	The Washington offices and staff of the U.S. Agency for International Development.
CDO	Cooperative Development Organization. One of the six registered U.S. PVOs specializing in cooperative development that receive central core grant support through FVA/PVC.
CHF	Cooperative Housing Federation. A U.S. CDO specializing in low-cost cooperative housing programs and building materials cooperatives.
CLUSA	Cooperative League of the USA. An earlier name for the National Cooperative Business Association (NCBA).
COLAC	Confederacion Latinoamericano de Cooperativas de Ahorro y Credito. The Latin American credit union confederation, which is affiliated with the World Council of Credit Unions (WOCCU).
CORE GRANT	Central A.I.D. grant funding provided to the six cooperative development organizations for the purpose of developing and maintaining an ability to provide specialized cooperative development assistance to USAID Missions and national cooperative movements and institutions.

CUNA Credit Union National Association. The U.S. national association of credit unions. It is affiliated with WOCCU.

FVA Bureau for Food for Peace and Voluntary Assistance of the U.S. Agency for International Development.

IPD International Programs Division. The division of NRECA that is responsible for international contracts and projects.

IQC Indefinite Quantity Contract. An A.I.D. funding mechanism.

LAC Latin America and Caribbean Regional Bureau of A.I.D.

NRECA National Rural Electric Cooperative Association. The U.S. national association of rural electric cooperatives.

OPG Operational Program Grant. An A.I.D. funding mechanism.

PVC Office of Private and Voluntary Cooperation of the Bureau of Food for Peace and Voluntary Assistance. The office in A.I.D./W that administers the core grants.

PVO Private Voluntary Organization.

RHUDO Regional Housing and Urban Development Office. Regional offices of A.I.D.'s Office of Housing.

USAID The overseas office of the U.S. Agency for International Development in a country.

WOCCU World Council of Credit Unions. WOCCU was established in 1971 to serve as the international apex organization of the worldwide credit union movement. Prior to that date the international development activities of the credit union movement had been carried out by CUNA International.

APPENDIX C

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