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A Task Force Report

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TOWARDS A CAMPESINO COOPERATIVES STRATEGY:

A Task Force Report

INTRODUCTION

In early 1971 the Latin America Bureau decided to undertake an evaluation of the effectiveness of its cooperative programs conducted by contractors including CLUSA, CUNA, ACDI, OCA, NRECA, and FCH,* in a number of Latin American countries. The American Technical Assistance Corporation (ATAC) was engaged to conduct the evaluation in six Latin American countries: Peru, Honduras, Ecuador, Bolivia, Colombia, and Costa Rica.

The draft evaluation report received during the summer contained a number of provocative and important recommendations and conclusions. Implicit in these findings was a suggestion that the Bureau lacked a real cooperative strategy, and that Latin American cooperative programs suffered as a result. As an outgrowth of the ATAC report, and subsequent meetings and discussions on it, the Bureau decided to convene a small, multidisciplinary Task Force, chiefly from within the Bureau but with representation from interested offices outside it, to consider the key recommendations made by ATAC and to come up with a strategy framework within which AID's assistance to Latin American cooperative programs could be carried out more effectively. This Task Force report constitutes our effort to discharge that responsibility.

The analysis and recommendations in this paper are the result of some ten weeks of intensive deliberation based on the ATAC report; Mission and contractor feedback; published and unpublished research on the subject; the assistance of a number of resource people, from within and without the Agency, with expertise in various areas; the professional perspective of Task Force members, most of whom had both field and AID/W experience; and a considerable amount of often very lively debate. While the paper reflects a

*CLUSA - Cooperative League of the USA
CUNA - Credit Union National Association, Inc.
ACDI - Agricultural Cooperative Development International
OCA - Organization of the Cooperatives of America
NRECA - National Rural Electric Cooperative Association
FCH - Foundation for Cooperative Housing

general consensus of Task Force views, unanimity was impossible to achieve on a few issues. Dissenting views are so indicated in the text.

The strategy considerations addressed in this report are organized around the following issues: (1) agricultural concentration; (2) reaching the small farmer; (3) the sector analysis approach; (4) key criteria for effective cooperative development; (5) multipurpose and single purpose cooperatives; (6) the role of local, national, and multinational organizations of cooperatives; (7) Latinization; (8) rural electric cooperatives; (9) cooperative housing; and (10) implementation recommendations growing out of the report.

The Task Force does not claim to have come up with a strategy that provides all the answers to the problem of cooperative development in Latin America. Indeed, we concluded early in our analysis that it would be a mistake to look toward the articulation of a cooperative development strategy per se. We do not view cooperative development as an end in itself or as a separate "sector" in the sense in which industry, agriculture or health may be termed a "sector." Rather, we see the cooperative as an organizational mechanism which, if properly supported with other mechanisms and inputs, can be a useful technique or tool to advance development objectives. We believe that our analysis and recommendations constitute an analytical framework or perspective that can enable AID to allocate more efficiently its resources to help realize the very considerable potential of the cooperative mechanism.

I. AGRICULTURAL CONCENTRATION

ATAC's first two recommendations were that:

Recommendation 1 - AID should base its future program on an active policy of developing projects that serve the purposes of Title IX (encouraging popular participation in development) but with increased emphasis in project selection, planning and execution to assure that projects are economically viable and soundly contribute to the economic development process;

and

Recommendation 2 - AID should emphasize strongly the development of agricultural cooperatives... for small farmers.

The Task Force agrees with these two recommendations. Certainly other types of cooperatives can also serve Title IX objectives and we do not recommend discontinuing all support to them. However, we believe there is a compelling argument for concentration of effort on the low-income, small farmer. There is a growing awareness on the part of both foreign aid donors and the developing countries of Latin America that effective development must involve the large numbers of subsistence or near-subsistence farmers in the development process. Efforts toward this end already are commanding an increasing share of our development assistance resources, but the Task Force believes that the cooperative mechanism should be utilized more fully to help (1) in accomplishing low-income, small farmer development, and (2) in ensuring most productive utilization of our technical and capital assistance resources by providing a mechanism through which these resources can be channeled into the low-income farmer's hands.

We do not believe that the cooperative should be considered an end in itself. The cooperative technique should be viewed as a means to achieve development of the small farm sub-sector. Despite the many obstacles which exist, we have been impressed by reports of the successful examples of Taiwan, Korea and Japan, where small farmer cooperatives have played a major role in the dynamic development of the agricultural sectors of these economies. We recognize that it took many years for these countries to develop their

agricultural sectors and we do not wish to minimize the difficulties or the complicated nature of the task. Nevertheless, we believe these are encouraging examples from which we may learn some useful lessons.

In urging that the objective of AID's assistance to cooperatives in Latin America be the development of low-income farmers, the Task Force is not necessarily calling for a narrowly focused program which involves only low-income farmers in a very direct fashion. Certain cooperative structures such as credit union systems by their very nature demand broad participation of groups other than small farmers. Cooperative federations at the national level are constituted by many kinds of cooperatives. However, we believe that the chief criterion upon which AID's allocation decisions are based should be the impact of such programs on low-income farmers.

II. REACHING THE SMALL FARMER

It has been amply demonstrated that introducing the traditional U.S. model of the farm extension organization has not worked well in Latin America. There are simply too many farmers to reach effectively through the infrequent travel of a single extension agent. Even where the extension agent has reached the small farmer the impact has usually not been sustained. The cooperative mechanism, however, offers a way by which the extension agent can multiply his effectiveness many times over.

The success of the Taiwanese, Korean and Japanese small farmer is in large part traceable to the ability of the cooperative or village association to reach large numbers of farmers continuously with training and technical inputs for improving their agricultural production and marketing. This same process was employed at Comilla in East Pakistan and it has been successfully utilized in a program to increase corn production of primarily subsistence Indian farmers in the Mexican State of Puebla, though not in a cooperative mechanism as we tend to conceive it. In Ecuador and several other Latin American countries, there exist sound individual examples of agricultural cooperatives which reach the small farmer. Thus, the cooperative organization should be looked at as a development process -- as a way to organize and mobilize large numbers of low-income, small farmers for change.

There was a basic difference of view within the Task Force as to who the target group of the cooperative strategy should be. This difference is in turn related to the broader question of what our basic development assistance strategy within the agriculture sector should be.

Several members of the Task Force feel that both the basic agricultural development strategy and, if possible, the cooperative strategy as an element within it, should be targeted on the subsistence segment of the farm population. This point of view derives from the fact that the bulk of the population is still rural in 14 of the 22 countries of Latin America and most of this rural population is concentrated on subsistence holdings of 5 hectares or less. (See Tables 1 and 3 in the OAS paper entitled "The Cooperative Movement and Rural Development" presented at the second meeting of the Inter-American Committee for the Coordination and Development of Cooperatives, September 1971, Panama.)

Historically, the percentage of population employed in agriculture has declined and the percentage employed in urban based industry has increased as the national development process proceeds. However, the timing of this transfer in relation to the level of national development at the time it occurs greatly influences the nature and pace of development. The rate of unemployment in urban areas within the above countries is already at extremely high levels and the rate of rural-urban migration from within the subsistence farm sector is increasing. There is no likelihood at present levels of development that the industrial sector can absorb these migrants nor is the current agricultural production capacity of those remaining in agriculture adequate to feed a majority non-farm population. Thus, some members of the Task Force feel that the development interests of the above countries can be most effectively advanced by finding some means (which will likely require an organizational mechanism, cooperative or otherwise) to increase the agricultural production of this subsistence farm element of the population holding it to an agricultural livelihood. Proponents of this approach recognize that reaching a significant segment of this group is an extremely difficult undertaking, with high risk of failure but they feel that the potential returns and the lack of viable alternatives make this a prime priority for our basic agricultural assistance strategy.

However, other members of the Task Force feel that it would be unwise to target the cooperative effort on this segment of the farm population and would prefer that the target group be the more developed elements of the small farm sector and the middle farm sector. Spokesmen for U.S. cooperative contractors with whom the Task Force consulted also prefer to have the latter as the target group. The basis for this point of view is that cooperatives are essentially a business enterprise and cannot be operated effectively by elements of the population who lack the managerial skills and economic resources to participate efficiently in a market economy. Furthermore, these Task Force members feel that effectively reaching the mass of the subsistence farmers could require foreign assistance resources far in excess of those available to AID. For these reasons, this element of the Task Force feels it would be unwise to target resources exclusively on the small farm/low-income element of the agricultural population where the odds for effective use of the cooperative instrument as a development tool are poorest.

This divergence of view within the Task Force lends emphasis to the need identified by ATAC in its evaluation report, for AID to give "particular attention to further examination of past experience -- in order to devise and perfect models of agricultural co-ops for small farmers that lead to most active results in terms of development costs and which are susceptible to replication." If subsistence farmers are the target, the traditional U.S. concepts of agricultural cooperativism linked as they are to our own experience, may be unsuitable to the need. The ATAC report states that the impact of agricultural cooperatives in Latin America "seems to be weakest at the point of greatest need -- the lower income small farmer." This suggests that identification of variants from the U.S. cooperative model and complementary mechanisms for reaching this target group are urgently needed.

Two interrelated considerations were identified as being particularly important in identifying target groups and developing programs to reach them in specific instances: (1) size and quality of land-holding; and (2) the existing outlooks and practices.

(1) Size and quality of holdings:

If the cooperative concept followed is predicated on producing for markets, then these two factors cannot be separated or ignored. The small farmer who is to be included in the target group must have a sufficient combination of size and quality of holdings to permit him to produce a marketable surplus. If he is not already producing for the market, then assistance must be provided to enable him to do so, either through the cooperative or via other channels, before he can become an effective member of the cooperative.

(2) Existing outlooks and practices:

The small farmer's outlook is conditioned by his environment and his identification with others. Traditional farmers are likely to be affiliated by family, clan, or tribe.

Small farmers who are feudal in outlook either still are or have recently been tied to large holders through a web of reciprocal relationships which clearly establish the latter as superior and them as subordinate. In such circumstances only superiors are allowed to make significant decisions about production and disposal of surpluses, and competition

for the superiors' favors makes cooperation among small farmers difficult. Even where the original feudal relationships have eroded feudal outlooks often persist.

Small farmers with a progressive outlook (i.e., a receptivity to innovation and a sense of competence to exercise individual control over their own lives) have usually been independent owner-operators for some time. They have been the most successful participants in cooperatives of small farmers which have been created in Latin America to date. The low-income small farmer with a progressive outlook can become the leadership element of a cooperative which includes the traditional or feudal small farmers identified above, provided he perceives his interest and opportunities as being linked with theirs.

The Task Force agreed that it is imperative the low-income, small farmer target group be specifically and carefully delineated in each country program in order to prevent diversion of resources to other groups. However, as a reflection of the definitional problem noted earlier, there was considerable disagreement on whether membership in a particular cooperative should be homogeneous or heterogeneous in terms of such factors as size of holdings and share of the market. Some members of the Task Force felt that homogeneous groupings of farmers are essential to prevent excessive benefit by richer and more powerful members that might occur if these large farmers are included in the same cooperative as low-income small farmers. This is in line with U.N. Research Institute for Social Development (UNRISD) case studies on cooperative development in Latin America. These studies indicate that if size or quality of holdings are highly differentiated and membership in the cooperative is mixed, those members with larger holdings will usually benefit at the expense of those with smaller holdings, particularly if primary emphasis in the cooperative development effort is placed on economic rather than equity objectives.

Other members of the Task Force expressed a substantially different view. They stressed that it would not be desirable to organize cooperatives consisting only of low-income small farmers. It was pointed out that small farmers can benefit by cooperative association with their wealthier neighbors and that farmers of all sizes have important common interests in prices, technical assistance, credit availability, market infrastructure, etc. While the advocates of this position recognize the danger that the large farmer may take advantage

of the small farmer, they do not believe that arbitrarily dividing farmers into two camps will avoid this danger. Rather, it was felt that such division might (1) undermine the objectives expressed elsewhere in this paper that local level cooperatives be tied to strong national organizations and (2) increase the scarcity of trained leadership available to small farmers.

Those supporting a heterogeneous approach to agricultural cooperatives suggested that AID and local governments can structure assistance programs so as to prevent large farmers from taking advantage of their small farm colleagues. This group believes that there are large numbers of "not-so-big" farmers who have a large stake in the economies of scale and the strong representative voice afforded by the cooperative.

III. SECTOR ANALYSIS

The Task Force agrees with the ATAC recommendation that the cooperative mechanism should be employed as a tool to reach the small farmer. We believe this can best be done (in fact, should be done) as a part of an integrated development strategy, i.e., as part of an agricultural sector analysis on an individual country basis.

The Agency is currently urging Missions to develop sector analyses as a prerequisite to loan and grant assistance in a given field. In keeping with the current emphasis on the sectoral approach, the Task Force concerned itself with incorporating the consideration of the cooperative mechanism into sectoral analysis. It asked itself how due consideration to the cooperative mechanism can be systematically and routinely built into the sectoral analysis procedure. Since the sectoral analysis is obviously an exercise that should be undertaken by the developing country itself with the assistance of AID, it is at that level that consideration ought to be given of whether the cooperative mechanism is (or is not appropriate to a given agricultural sector loan program.

We believe that teams preparing agricultural sector analyses should analyze whether cooperatives can play a useful role in furthering developmental objectives in the sector. If the objective of a rural sector loan is to provide credit for production inputs for the small farmer, to develop his productive capacity, or assist him in obtaining markets for his output, it may well be that the cooperative movement can play a significant part in realizing these objectives.

In most Latin countries a rural cooperative movement already exists. Therefore, as the sectoral analysis proceeds, it would be most appropriate to describe in detail the status of the cooperative movement in the agricultural sector and in other sectors of the economy. Such an analysis should include not only a description of the existing cooperative movement, but also describe its prospects for growth. Frequently the local cooperative movement is found to be weak and dominated by a government department. It may bear little resemblance to what we in the U.S. think of as a true cooperative. Furthermore, it may be overlooked by government officials as a way to bring about change -- to reach target groups. Nevertheless, it is the Task Force's belief that no agricultural sector analysis should be considered complete without careful and thoughtful analysis of the capability of the local cooperative movement to provide an added vehicle for change.

If small farmer cooperatives are to play this role in Latin America, their development must be systematically integrated into the regular program process of our Latin American Missions. As host countries undertake agricultural and other sector analyses in collaboration with AID, they may not always be factoring in the cooperative movement. In part, this may be due to a failure to devise a satisfactory procedure for integrating the consideration of the cooperative vehicle into the planning process, including providing cooperative leaders with a voice in the planning process. Specifically, the Task Force would urge that each sector analysis include systematic consideration of the potential of the cooperative mechanism.

Our own failure to consult adequately with local cooperative leaders where they exist and with our own U.S. cooperative contractors in developing sector analyses and programs may mean that one or more of the following occurs: (1) opportunities to utilize them in program implementation are missed; (2) unrealistic assessments of local capabilities may lead to unrealistic program targets; (3) our cooperative contractors may be left in the position of having to sell their services to Missions or local representatives and in doing so wind up establishing projects which bear little relationship to the mainstream of the overall agricultural development effort.

AID's programming in agriculture and other sectors is divided between development loans and development grants. Frequently the grant program is not connected integrally with the lending program. Usually cooperative programs fall into the grant or technical assistant area. More and more, however, technical assistance is being programmed to support a Mission's lending in a given sector. The growing, although frequently weak, cooperative movement in developing countries may provide a technical assistance and credit vehicle that will help to realize the objectives of a given loan.

The Task Force believes that the key criteria discussed in Section IV of this paper should be utilized by the agricultural sector analysis team in (1) assessing the actual or potential suitability of existing cooperatives for involving subsistence level farmers in the development process, or (2) creating new cooperative mechanisms to serve this purpose. It recommends that the criteria outlined below be included as part of a sector analysis methodology which would ensure the consideration of all factors having significant effects on economic and social development in the agricultural sector.

IV. KEY CRITERIA BEARING ON

SMALL FARMER COOPERATIVE DEVELOPMENT

A recent study issued under the auspices of the Advisory Committee on Overseas Cooperative Development argues compellingly that cooperatives can reach small farmers effectively. It suggests that we have learned important lessons from successful experiences elsewhere. The Task Force agreed that accumulated experiences can be summarized in such a way as to assist countries undertaking sector analysis efforts. We believe the following criteria are among the most important determinants of successful small farmer cooperative programs.

(1) Broad coverage at the local level:

The experience of Japan, Taiwan, and Korea emphasizes that it is possible in relatively egalitarian local societies to enlist the participation of virtually all farmers in a rural village or community in the activities of the cooperative. These village level cooperatives are generally affiliated with a small farmer's association. The success of a cooperative can be directly related to this linkage and to the coverage that the cooperative exercises in a given community. In those countries mentioned above, approximately 80% of the members of a village are also members of their cooperatives or village associations. In countries where the percentage of coverage in a given village is considerably lower, the cooperative mechanism frequently has not been successful.

(2) Group participation in decision-making:

Since the purpose of small farmer cooperatives is to promote economically successful small farmer participation in the development process, government domination or domination by the professional management of the cooperative enterprise should not displace broadbased involvement and control by the members themselves. While the Task Force would agree on the importance of group participation and decision-making, it also agrees with the ATAC observation that to be successful a cooperative must be economically viable. The emphasis in our strategy is on the degree and scope of small farmer involvement in the total cooperative effort. We should not permit a legitimate concern for the quality of democratic practices within individual cooperatives to divert our attention from a concern for the quality and quantity of participation by

the target element as a whole. Obviously, sound business practice and economic efficiency are as important to the cooperative system as to any other enterprise; but one which is a commercial success and a participatory failure (in the broad sense) is not necessarily a successful cooperative.

(3) Need for strong government support:

Another and absolutely critical factor is that the national government's attitude toward the cooperative movement is a critical factor. Government support, manifested by an actively facilitative policy of resource allocation, is essential if organizations of small farmers are to succeed on a broad scale. Thus, one of the reasons that the reportedly highly successful pilot project undertaken in Comilla Thana (county) of East Pakistan by the Thana government and the East Pakistan Academy for Rural Development has not been significantly extended into the rest of the province is the lack of strong central government support for replication outside the showcase. On the other hand, too strong domination by governmental agencies -- i.e., bureaucratic cooperative departments -- can impede the growth of effective cooperative organizations. Thus, cooperatives should be given support and encouragement by governments without being controlled or dominated by them. There should be national legislation which permits the establishment of cooperatives and sets up the requirements for registration, auditing and tax benefits.

In Latin America strong government support to, or even the philosophical belief that, the cooperative mechanism is a useful and effective technique for improving the economic and social status of the small farmer is frequently absent. Nor does there exist in all countries a commitment or even a desire to better the economic well-being of the mass of small farmers. Until such attitudes are embraced by Latin themselves, the Task Force doubts that great progress can be made. Some Latin countries are changing their attitudes. In view of the critical nature of effective government support to cooperatives, U.S. Missions should endeavor, as actively as possible, to encourage host governments to adopt and enforce necessary policy changes. A factor that has possibly affected the attitude of Latin American government officials has been the ever-present scarcity of resources accompanied by lack of analysis to assist in the wise allocation of these resources.

U.S. Government officials should not overlook the role that cooperatives can and do play in free societies out of a concern that the policies of some governments espousing the development of cooperatives forbode some form of undemocratic collectivism. This is not necessarily the case. These policies may represent an honest desire to use cooperative methods to improve the economic development and social condition of small farmers.

(4) Equitable land tenure patterns:

Similarly, cooperatives are likely to be most successful in those countries where an agrarian reform has been successfully instituted or land tenure patterns exist that permit small holdings to flourish. Where the land tenure pattern includes feudal type concentrations of land holdings, the small farmers (particularly those not producing export crops) will find it extremely difficult to organize and to have influence in the marketplace. Studies indicate that in Taiwan, Korea and Japan, a land reform movement preceded the broad development of the cooperative movement and its extension to subsistence level farmers. In East Pakistan, the founder of the cooperative movement in Comilla, Mr. Ahktar Hameed Khan, considers the post-independence land reform to have been an essential prerequisite. This is not to say that an effective small farms cooperative movement cannot be established without an agrarian reform. Indeed, there may be cases where an effective cooperative movement could include farmers who do not own their land. However, agrarian reform will greatly enhance the chances for successful growth of cooperatives on a national scale. The Task Force is unable to identify any LDC countries without relatively equitable land tenure patterns in which low-income, small farmer cooperative movements have achieved national significance.

(5) National Organizations:

It is most desirable that in addition to strong government support for the cooperative movement, a national federation or organization exist to tie together the smaller local cooperatives in a given functional specialty, for example, credit, marketing or production. Such a national cooperative organization or federation, should be able to provide the necessary moral, organizational, financial and managerial support to local cooperatives. Usually, such a national organization will have grown out of a felt need on the part of the local cooperatives themselves to federate into some

sort of national organization. However, in the early stages of cooperative development, it may be necessary for such a body to be organized or at least supported with external assistance. This is discussed more fully elsewhere.

(6) Size:

Frequently small farmer cooperatives have failed because they have been too small to provide adequate services to their members. A local cooperative should be of sufficient size to operate as a viable economic unit. This point was amply emphasized by the ATAC evaluation. Too frequently local cooperatives have been established that are not sufficiently large to become effective economic units. Usually, to be effective a cooperative should amalgamate a number of villages (as was amply demonstrated by programs in Korea, Taiwan, Japan and Comilla) and should tie into a strong national federation.

The Task Force believes that each of these six factors -- and possibly others that may have been missed -- should be considered in assessing, in a sectoral analysis, whether the cooperative mechanism can strengthen agricultural programs designed to reach the small farmer.

V. SINGLE AND MULTIPURPOSE COOPERATIVES
--THE DAPC EXPERIENCE

While at the national level there is room for functional specialization -- for example, one national organization for credit, another for purchasing and supplying production inputs, another for marketing a particular crop, etc. -- at the local level there may be pragmatic reasons for not adhering to a purist theory of single-purpose cooperatives, especially in view of the limited managerial and leadership resources available. It is not uncommon to find multipurpose cooperatives established at the local level or for a single-purpose cooperative to become multipurpose. Thus, a small cooperative which starts out as a simple credit union may well grow into a multipurpose cooperative providing supplies and marketing services as well as credit because the need is recognized and mechanisms to fulfill it do not exist.

The argument for the single-purpose cooperative is based largely on the management aspect. It follows the line of logic that it is difficult enough to secure adequate management of cooperatives where only one purpose is to be served and that this difficulty is compounded the moment management is made responsible for multipurposes. It is difficult to find a manager with the knowledge and skills which must be acquired to manage a multipurpose cooperative. In addition he may not have the combination of talents, personality traits and time required to fulfill these responsibilities. However, in spite of this logic, multipurpose cooperatives often evolve because the local cooperative members require these added services which are not available from other sources.

This situation is exemplified by the pattern which emerged in Ecuador, where the DAPC instrument was initiated by the credit union movement to fill a void recognized in the existing cooperative scene for small farmers. The credit union movement is one of the strongest proponents of the single-purpose concept but when faced with the obvious "felt needs" of the members of the local cooperative that they had established, they pragmatically yielded to the situation and ended up playing a leadership role in developing multipurpose cooperatives.

The Task Force does not feel it appropriate to attempt to settle whether the DAPC instrument is the most effective way to reach the small farmer. This should be the subject of a more specific and separate analysis. However, the Task Force was impressed with accounts of how the DAPC has been able to

succeed at the "grass roots" (small farmer) level as this is particularly noteworthy when one considers the many failures experienced in attempting to reach this most vital target group.

Frequently, there is a misconception that DAPC cooperatives were successful because they mobilized savings, by organizing small local credit unions. Perhaps the DAPC program has actually been successful primarily because it was able to obtain most of its credit from a national credit institution and was sponsored by a strong national federation.

The Task Force agrees with the ATAC evaluation report that the DAPC program is too young to permit hard and fast conclusions to be drawn regarding its effectiveness in reaching the small farmer. Consequently, further in-depth study and analysis should be carried out by the USAID Missions in countries where DAPC programs already exist and by the Latin American cooperatives themselves. Since the DAPC program is today an important and growing part of the agriculture scene in Latin America, the urgency of this additional analysis is that much greater. We understand that USAID/Quito has initiated such an evaluation. Possibly the Latin American Bureau's evaluation division may wish to consider sponsoring such a comparative in-depth study.

However, the decision as to whether a single or multi-purpose cooperative is most suited must be determined, in the final analysis, by the local farmers themselves.

VI. LOCAL, NATIONAL AND MULTINATIONAL ORGANIZATIONS
OF COOPERATIVES

The ATAC evaluation report specifically recommended that:

Recommendation 3 - AID should emphasize cooperative institution building at national levels both in terms of developing agricultural cooperative movements and in fostering cooperative development generally.

As is discussed in earlier sections of this report and in the ATAC evaluation, small local cooperatives often by themselves do not have either the resources of management or finances sufficient to provide the necessary services to their members. As a result, most local cooperatives tend to affiliate themselves with other cooperatives in some form of federation. These federations tend to be organized either on a functional basis (potato-growing cooperatives, wheat-marketing cooperatives, or credit cooperatives), or on a geographical basis. They bring economies of scale to purchasing, marketing and other business operations of their members. They provide a political focus for negotiating with governments. In addition to national federations, in recent years a number of multinational confederations of cooperatives have been organized to serve the Latin American cooperative movement. These include OCA, COLAC, SIFEFCOOP, among others.

The Task Force spent considerable time discussing the relative roles to be performed by local, national and multinational cooperative federations. While clearly no hard and fast line divides the functions of one or another, the Task Force concluded -- as the ATAC report also articulated -- that national federations of cooperatives should be given particularly strong support.

Among the functions that such national organizations can perform are: (1) purchase inputs at lower cost to supply their member cooperatives; (2) provide credit to local cooperatives; (3) provide managerial and technical assistance to local cooperatives -- both in the organizational and operational stages; (4) operate as market outlets for the production of local cooperatives; (5) provide a focal point for expression of views before governmental bodies (i.e., they can act as a lobby for their member cooperatives); (6) press

for favorable legislation and taxation policies by governments; (7) provide a forum for exchange of information and ideas; and (8) provide training for members of local cooperatives.

Ideally, the national cooperative organizations should be the result of the "felt needs" of local cooperatives. However, in many cases the establishment of viable national cooperative organizations, well equipped to render basic services to local cooperatives, may be the logical place to begin a successful cooperative movement. Where U.S. AID Missions plan to use the cooperative movement as a vehicle for agricultural sector development that reaches the small farmer, they should seriously consider assistance to establish and strengthen key national cooperative organizations. However, such assistance should be provided only in those cases where the local cooperative groups have not developed to the extent that they can adequately support the organization and operation of their national institutions. Obviously, this assistance should be conditioned and channeled in such a way as to foster this support, if lacking, at the earliest time feasible.

The ATAC evaluation report further recommended that:

Recommendation 4 - AID should defer the development of a general program of supporting cooperative institution building at Latin American regional level at least for the next few years.

The Task Force does not believe that there necessarily exists a chronological imperative which would defer support of multinational organizations until strong national organizations are first "supported." We believe that the national level development process itself can be assisted through the development of multinational organizations. The ability of the national organization to resolve national problems is enhanced to the extent it can count on the support and services of multinational entities. The timetable for the development of multinational institutions should be for the Latin Americans to determine.

However, multinational cooperative organizations, like all others, deserve AID's support only to the extent that they serve well-defined development objectives. The Task Force felt that multinational federations of cooperatives could perform a useful function. They can: (1) provide a forum for

focusing attention of governments on the role that cooperatives can usefully play in each country's development; (2) provide a means for exchanging experiences and information among national cooperative movements; (3) provide training for representatives from cooperatives of various countries; (4) mobilize financial resources from such external sources as the IBRD, IDB, ISDI and OAS; and (5) provide technical assistance to both national federations of cooperatives and to large individual cooperatives.

The Task Force did agree that AID should not support such multinational associations at the expense of strong national associations. It felt that there ought to be a clear definition of functions in each case so that there is no duplication or only minimal duplication of activity as between multinational confederations and national cooperative federations. With scarce resources available, it is important that national associations are not forced to compete with multinational associations for support from their local cooperative movements. Principally for this reason, it was the Task Force's conclusion that multinational organizations of cooperatives should arise as a result of the "felt needs" of national cooperative federations and should have their functions defined by the membership. If an organization is imposed on the cooperative movement of Latin America, it may be resented and may duplicate the functions of national organizations, competing for scarce financial resources, including AID funds. Thus, while multinational organizations may warrant financial support from external sources, they nevertheless should eventually derive principal support directly from constituent national federations.

In a recent presentation to AID, the Organization of Cooperatives of America (OCA) stressed its awareness that its future development must be on the basis of increased financial support from national level affiliates. The new leadership of OCA (which consists of leaders of national organizations) evidenced concern that the organization move more rapidly toward development of a Latin American capability to assist cooperative programs. There is similar evidence that national level credit union leaders are prepared to support a more active role for COLAC.

VII. LATINIZATION

To a certain extent, our assistance to Latin American cooperatives has historically suffered from the same ethnocentricity as has the rest of our aid program. There may have been attempts to superimpose North American and Western European-based institutional models on Latin society without sufficient awareness of those critical local cultural and social differences which can make a program if capitalized upon, or break one if ignored. As a result, some assisted cooperatives may have failed, and some training may not have been as effective as was hoped.

Recently, there has been somewhat greater awareness among students and practitioners of economic development that change is a painfully slow process because of social resistance. We have learned that cooperatives and other social institutions will evolve or develop according to the needs and aspirations and attitudes of the local population.

By now a sufficient number of Latins have been trained in cooperative techniques to provide increasing technical assistance to their associates. Latin Americans can draw on over 100 years of cooperative experience, including both traditional and some of the most promising new forms of cooperative endeavor. The policy of the United States should be to employ more Latin Americans when responding to technical assistance requests; it is presumptuous to assume that U.S. technicians are the best equipped technicians capable of helping. It is quite evident that local leadership already exists within the cooperative movement of Latin America. This leadership has been growing over the last few years. Our being more attentive to this leadership might well provide the basis for more rapid growth of cooperatives with far more popular participation than now exists. It is a recommendation of the Task Force that the cooperative contractors do more to hire Latin American technicians than they are already doing, and be more responsive to Latin attitudes than they may now be. AID's own contracting regulations should be brought into line with this objective.

The important point, it seems to us, is that the cooperative movement in Latin America is going to develop as it believes is best and not according to our own preconceived notions of what is best for them. This is a sign of success in itself. Our U.S. cooperative contractors may need to rethink and, to some extent, reorient their own staffs on this

point. Indeed, the possibility of increasing Latin abilities to develop the Latin cooperative movement is not the least attractive argument for continued support to that movement's national and multinational organizations as discussed in Section VI above.

The ATAC report specifically recommends that:

Recommendation 5 - AID should consider concentrating a significant part of its cooperative activities in selected countries. Programs in such selected countries should be instituted only after thorough study and development with cooperative leadership and local Governments of an agreed plan designed to establish a well-organized and viable cooperative movement with emphasis on agriculture.

The Task Force does not entirely agree with this recommendation. It seems to the Task Force that whether the cooperative mechanism is appropriate as a vehicle to reach the small farmer is a decision that the Latin countries themselves must make. If the Latin American countries are going to develop as they themselves believe is in their best interests, the question of concentration in selected countries is of little real significance. AID should stand ready to respond to Latin initiatives, not the other way around.

The logic of the sectoral analysis approach described in Section III above and the key criteria for cooperative development suggested in Section IV, will determine whether the cooperative mechanism is appropriate as a vehicle to reach the small farmer in a given country.

VIII. RURAL ELECTRIC COOPERATIVES

The Task Force believes that AID should support the development of rural electric cooperative projects in countries or areas where (a) they would be an important component of a small farmer strategy elaborated for that country or area and (b) the environment is sufficiently conducive to them. AID support to the rural electric cooperative program should be considered in the context of the contribution which it can make to assisting the small farmer. Where there appears to be no linkage between the small farmer and a proposed rural electric project loan but where a strong and compelling economic or "infrastructure" rationale exists, AID should encourage the IDB or the IBRD to consider the proposal. This would be in line with the current division of labor whereby the IDB and IBRD finance most infrastructure-type projects in Latin America.

The Task Force further concluded that rural electric cooperatives should be considered within and as a part of the whole sector analysis approach, and not as isolated projects. In those cases where the analysis reveals that rural electric cooperatives would play a critical part in the coordinated small farmer assistance program, greater attention than in the past should be given to demand analysis and market promotion. Demand analysis should be broken down by purpose -- production versus consumption -- as well as by user profile. Such an integrated approach should also consider whether a cooperative, or other system, is most appropriate to benefit the small farmer. Sector analysis should focus on whether there is sufficient benefit to the small farmer target group to justify the potential high per capita cost.

In this connection, the Task Force feels that future AID policy on rural electric cooperatives should take into account the findings of two studies currently underway which are intended to measure chiefly the economic impact of rural electrification. One of these is being carried out by the IBRD and the central AID Engineering Office proposes to carry out the other. Every effort should be made to ensure that these studies, or at least the latter one, do not focus on economic questions to the exclusion of the social ones to which the Agency needs answers. Specifically addressed should be the issue of who benefits -- in numbers, broken down by socio-economic groupings -- by rural electrification, cooperative and otherwise. With sufficient attention to this sort of

problem, these studies should help to provide a clearer picture of the effect on social and economic development of rural electrification in general and the rural electric cooperative in particular.

The problem, as seen by several members of the Task Force, is the strong possibility that rural electrification -- and to an only slightly lesser degree cooperative electrification -- may often be inappropriate to a small farmer strategy; that rural electrification cooperatives benefit chiefly the wealthier (and often town-dwelling) members of the community because few if any people on or near the economic margin -- the target group -- can afford even the reduced electricity rates, let alone the ancillary equipment. This results in an extremely high per capita beneficiary cost for such projects, and should be taken into consideration in the studies, in sector analyses, and in project approval, monitoring, and evaluation.

IX. COOPERATIVE HOUSING

The ATAC report suggest that:

- (c) FCH. That the program be phased out in orderly fashion at least with respect to regional activities and countries surveyed (Colombia, Panama, and Honduras).

The Task Force does not endorse this recommendation which apparently is based on the finding that the FCH program has not and will not address the priority problem of housing for low-income groups. (The ATAC report and our comments below deal with the cooperative housing program of FCH rather than its housing guaranty activities). We agree that AID has not given sufficient priority to low-income housing and we share ATAC's discouragement over the fact that AID's housing programs have been aimed almost exclusively at the middle class sector, neglecting low-cost housing programs essential for even the most tentative resolution of the urban crisis in Latin America. However, the Task Force notes the vigorous and positive stance assumed by FCH that cooperative housing or some organizational variants do represent a viable approach to low-cost home construction and, rather than phasing out the FCH program, we believe it should be re-oriented to focus wholly upon this objective.

The Task Force therefore concludes that future cooperative housing programs should focus rigorously on the lowest income groups for which home ownership is feasible. Furthermore, cooperative housing should not be considered in isolation, but as an integral part of a broader, coherent, urban development sector analysis (or rural, in the case of agrarian resettlement or agrarian reform where housing is grouped). Sector analyses should take into consideration a range of income groups to be reached, and identify those institutions, resources and techniques which can reach them. Local savings and loan, commercial credit, and the AID housing investment guarantee program (with the technical support of the FCH) should be used to meet the financial and technical assistance needs of the middle and upper income groups. AID loan funds, which are becoming rather a scarce resource, should not be used to reach these middle or upper income groups.

What does the Task Force mean by "the lowest income groups for which home ownership is feasible?" It means: the lowest income group with the earning capacity sufficient to make some form of mortgage payments to purchase shelter. A precise

definition of this low-income group is not possible because of the variations in national and sub-national economies. However, in order to reach what the Task Force considers must be the target group, it strongly recommends that for future cooperative-type housing programs the capital cost of shelter to the home buyer should range from \$600 to not more than \$1500, exclusive of such direct and indirect subsidies as may be provided. These are illustrative (not arbitrary) figures to ensure the point that coop housing should reach the lowest income groups possible.

The cooperative technique may be particularly applicable for urban development programs designed to upgrade squatter communities, develop site and service projects, and build self-help housing and community facilities. Self-help housing projects provide a means for converting an unskilled labor supply into a capital asset, by using cooperative techniques. The self-help component can range widely in scope and complexity. One typical model might have labor provided by the intended owner-occupants organized cooperatively; land provided perhaps by the government on a grant or lease basis; materials financed by a loan and reflected in the mortgage cost of the housing; and technical assistance provided through a housing agency either as a grant or possibly added to the loan cost of the materials.

The technical service organizations (T.S.O.'s) developed with the assistance of FCH are, according to the FCH, ready, willing and able to address themselves to low-cost housing programs. The Task Force suggests that FCH be requested to develop a more detailed analysis of the feasibility of working through these T.S.O.'s to reach low-income families.

Since the ATAC report cites AIFLD housing projects as being successful in providing low-cost housing, the Task Force believes this experience should be assessed, and if promising, not overlooked in considering new programs. In addition, other U.S., Latin American, and international organizations should be investigated as possible technical assistance and implementing agents.

To summarize, cooperative housing funded by AID should be reserved as a vehicle for housing the lowest income groups. Any such projects should result only from a careful sector analysis. Middle and upper income housing financial aid and technical assistance needs should be met through the AID housing investment guarantee program and other programs

operated by local institutions and international agencies. The Task Force sees no need to continue loan or grant support to cooperative housing for other than low-income groups and urges that the FCH program be re-oriented quickly and completely toward this objective.

X. IMPLEMENTATION

The following presentation of an implementation plan is organized around a number of recommendations which are themselves arranged in a more or less logical sequence. Some of the recommendations necessarily are of a general, exhortative nature, summarizing points discussed in previous chapters. Others are more precise and require specific follow-up actions. In each such instance, an attempt has been made to suggest a timetable for action and to indicate which offices of AID should assume action responsibility.

Recommendation #1: AID's cooperative assistance activities should be closely tied to agricultural development programs aimed at low-income, small farmers.

The ATAC report recommends that AID cooperative assistance programs concentrate at the national level on the strengthening of economically viable agricultural cooperatives as an instrument for the development of low-income, small farmers. The Task Force strongly endorses this focus. We are convinced that a concentration of resources is essential, from the point of view of cooperative development as well as from the point of view of small farmer development. Cooperative housing is acknowledged to be a distinct issue and is treated separately below. However, the Task Force urges that all other cooperative programs be directed at small farmer development and be evaluated against this priority.

Recommendation #2: Cooperative development efforts should be undertaken by AID only as part of an integrated agricultural program.

The Task Force urges that cooperative activities be viewed and operated as part of an over-all agricultural sector development program. Considerable analysis will be required at the country level to determine the extent to which on-going programs which are not now integrated into a sector approach should be terminated or reoriented. In cases where a comprehensive sector analysis has been completed, some reassessment may be necessary to determine to what extent the cooperative programs are in fact reaching low-income, small farmers. In those countries where a sector analysis is underway or planned, we urge that the USAID and cooperating institutions utilize the criteria discussed in Section IV for a systematic appraisal of the potential of the cooperative mechanism.

Recommendation #3: All cooperative development projects should be reviewed by the USAID's to ensure that the above recommendations are in fact implemented.

The Task Force suggests that over the next few months each USAID with active cooperative projects undertake a careful evaluation to ensure that the projects are consistent with the recommended emphasis on small farmer development within a sector framework. LA/PCD and LA/OPNS would coordinate and monitor this review. (O/PRI already has requested that all coop PAR's be transmitted to AID/W by April 15, 1972 for use in evaluating the central task orders. These PAR's should include consideration of the points mentioned above).

Recommendation #4: Technical assistance financed on a regional basis should be reduced and limited to supplementing USAID-financed country-level programs.

The Task Force is convinced that the kind of cooperative assistance projects envisioned by this strategy framework cannot be financed and monitored out of AID/W. We believe that the reassessment discussed above should result in an increased allocation of resources to revised projects at the USAID level and to new projects in some USAID's. Tying cooperative assistance activities to a sector approach at the country level requires that the bulk of AID resources be allocated through USAID contracts rather than through AID/W contracts.

There is, however, much more involved here than a simple reallocation of funds from regional contracts to USAID contracts. The Task Force believes that the cooperative, if closely coordinated with resource inputs, offers a unique mechanism for the development of low-income, small farmers. We are concerned that AID has not made maximum use of this mechanism in its agricultural development assistance programs. If analysis at the country level shows that this is true, AID/W should make the necessary additional resources available.

In any case, however, the Task Force agreed that the existing regional task orders with CLUSA and CUNA should be revised and reduced. The Task Force feels that to maintain large regional staffs of contract personnel whose activities are programmed independently of USAID programs is to encourage continued proliferation of assistance efforts.

The Task Force therefore suggests that the regionally funded task order staffs be sharply reduced over the next 12 month period. By December 31, 1972 these regional funded staffs (there are now some 20 positions) should collectively total no more than 5-7 specialists who would direct their activities through the USAID's to supplement USAID project personnel. At this time (December 31, 1972) these specialists could be shifted from regional funds to central funding and form a part of the supplementary resource staff which the central task order is designed to maintain.

LA/PCD, in coordination with LA/DP, should take the lead in negotiating, by December 31, 1971, work plans with CLUSA and CUNA to effect such revisions in their existing regional task orders as may be necessary to bring about the realignment suggested above. LA/PCD and LA/DP should also consult those USAID's which do not now have mission-funded task orders (but which do receive considerable assistance from the regional task orders) to investigate the feasibility of instituting mission-funded task orders in FY 1973.

Recommendation #5: AID should continue to encourage the strengthening of multi-national cooperative organizations.

This recommendation is based on the Task Force's belief that multinational cooperative organizations can complement and assist the development of national organizations. We believe that AID should be prepared to assist multinational institutions to the extent that they (1) arise at the initiative and from the felt needs of national institutions, (2) receive substantial and increasing financial support from their constituency, (3) complement rather than duplicate the activities of their membership, and (4) are concerned with the development of small farmers.

OCA has requested financial assistance from AID over the next few years as it aims toward self-sufficiency. The Task Force believes that OCA should be encouraged to reformulate its request within specific funding and time limits and the criteria mentioned above. The Task Force does not believe that COLAC will require financial assistance from AID for its operational activities (a \$25 million loan request already has been rejected as premature). We agree with ATAC's observation that financial assistance to COLAC would be unjustified before its functions are well-defined and it begins to receive considerably increased financial support from its membership.

Recommendation #6: LA/OPNS should examine the feasibility of working with USAID/Quito and other USAID's on an evaluation of the DAPC program.

USAID/Quito has indicated that it has begun an evaluation of the DAPC program in Ecuador. The Latin American Bureau's evaluation staff should consult with USAID/Quito and CUNA to determine the feasibility of an in-depth, inter-country comparative analysis of the DAPC model.

Recommendation #7: LA/MGT should undertake a review of conditions of employment policies to ensure that Latin nationals are accorded equitable treatment under the various cooperative contracts.

The Task Force places a high priority on maximizing the use of Latin Americans under AID contracts. It has been suggested that while the various contractors are making a considerable effort in this direction, AID's own contracting regulations may be hampering further progress.

Recommendation #8: AID should not allocate new resources for rural electrification programs unless they are an integral part of a sector program and are specifically tailored to the needs of small farmers.

The Task Force believes that the IDB would be a more appropriate agency than AID to finance rural electrification programs which are of a basic infrastructure nature. AID support to such programs can be justified only as part of a broad sector approach to small farmer development. LA/PCD and LA/DR should consult with AID's central engineering staff to accelerate the schedule of the evaluation mentioned in Chapter VIII and to ensure careful consideration of the social issues raised in that chapter.

Recommendation #9: The FCH program should be revised to focus more explicitly on housing for low-income groups.

The Task Force believes that there is no justification for continued AID assistance (other than HIG) to middle-income housing programs in Latin America, given the real crisis in low-cost housing. However, we are not prepared to make sweeping recommendations about AID's over-all housing programs. Rather, our recommendations are confined to the FCH technical assistance effort. Here, we are encouraged by the interest of FCH in working on low-income housing. The existing regional task order should be revised to reflect this focus and FCH should be requested to undertake an analysis of feasible

housing programs which could be sponsored and developed by private cooperative (or cooperative-like) groups. LA/DR should discuss with FCH appropriate revisions of the task order to provide for completion of such a study by June 30, 1972.

Recommendation #10: The U.S. cooperative organization should be encouraged to integrate their resources and talents.

The logic of sectoral integration prescribes that cooperative programs carried out by the different contractors be fully and closely linked at all levels and all stages of implementation. The multiplicity of separate U.S. cooperative organizations offering services may present increasing programming difficulties as USAID's move toward integrated programs involving closely related credit, production and marketing aspects. We recommend that O/PRI work with the cooperatives to explore the possibilities of developing a "cooperative" or consortium of U.S. cooperative contractors which could evolve into a single contracting organization.

Recommendation #11: The Latin American Bureau should undertake, as soon as possible, an in-depth analysis of the development of low-income, small farmers.

The Task Force has viewed the cooperative as an organizational mechanism for mobilizing and distributing resources to its membership. While the technique may well be suitable across a broad spectrum of economic and social activity, we have urged that AID resources be concentrated on agricultural cooperatives aimed at small farmers. However, the cooperative is not a "magic formula" for small farmer development. It constitutes only a part of the body of resources and institutions required for small farmer development. Moreover, even the cooperative might prove to be relatively ineffective to the needs of the very low-income farmer whose independent ability to make economic decisions may be severely limited.

The Task Force recommends that a working group be constituted to view the problem of small farmer development in a less restricted framework than has been ours. The urgency of the small farmer situation (particularly in relation to the urban employment situation) is fairly obvious and generally acknowledged. Not so discernible is the effort of AID to identify alternate mechanisms for reaching this target group.