PD-ABN-703

# ANNUAL REPORT

## COOPERATIVE PROGRAM SUPPORT GRANT
## COOPERATIVE AGREEMENT NO. FAO -0192-A-00-5002-00

Covering December 1, 1994 - March 31, 1996

NATIONAL COOPERATIVE BUSINESS ASSOCIATION

April 30, 1996

Completed for the Agency for International Development
(AID) BHR/PVC/CD

## I. EXECUTIVE SUMMARY

*Note: This report covers both year one of the grant, Dec. 1, 1994 - March 31, 1996 and progress of the last quarter January 1 - March 31, 1996.*

ANNUAL SUMMARY OF PROGRESS
DECEMBER 1, 1994 - MARCH 31, 1996

**PROGRESS IN ACHIEVING GOALS AND OBJECTIVES OF THE GRANT:** Section II contains a chart measuring the accomplishments of year one of the grant, December 1, 1994 - March 31, 1996, against the objectives for that year. Of the twelve objectives, all were achieved except one. Many were surpassed. Most importantly, 10 new and extended projects were signed and implemented compared to the objective of 8. Projects were begun in four new countries compared to an objective of three. Twenty three long term projects were managed compared to the stated objective of 14. But numbers do not tell the whole story. We wish to draw attention to the larger significance of this work, comment on the sustainability of the businesses and other organizations assisted by the projects and remark on the future.

**SIGNIFICANCE:** The larger significance of this work lies in the major economic, political and social change taking place at the grassroots level in hundreds of villages and towns in developing countries. For instance, in Africa, the unique methodology NCBA has used for some 15 years continues to attract new countries as privatization of economies continues. The methodology relies heavily on village level decision making; intensive, experiential training in business skills and the linkage of all training directly to business development. In Mali and Niger alone a total of 766 rural group businesses and village associations have been trained to run profitable business operations. In Mali, half of the small group businesses assisted are owned and managed by women. A critical component of the NCBA methodology is helping these rural group businesses achieve the status of ordinary creditworthy customers in the eyes of local financial institutions rather then extending subsidized or project credit. In Mali over the past six years, 5 commercial banks have lent $5.3 million at commercial rates to some 200 village associations with no loan defaults. In Niger an intermediary credit service has used a guarantee fund to facilitate lending by three banks of about $1.5 million in two years to some 300 rural organizations. Over 25% of the loan volume goes to women's cooperatives. These are the first loans ever made by banks in Niger to rural women. The processes involved in these developments reflect changing mentalities on both the parts of financial institutions and rural villagers about opportunity and responsibility.

The methodology however, is applicable to areas beyond strict business development. Where governments lack financial and personnel resources but are open to community empowerment the methodology can be used to managed health and natural resource programs. In September NCBA concluded a two year health cost recovery program in Burkina Faso in which 60,000 people from 703 villages participated in the establishment of health committee which manage the programs and budgets of 67 government health clinics in two provinces. The committees also have set up and manage, on a sustainable business basis, 65 village pharmacies.

The profits from operation of the pharmacies serve to finance other health activities in the community, including up to 50% of the village clinic budgets Health fairs held on market days bring in an average of $100 in profits each market day.

In Benin, NCBA worked with 27 villages around two national forests which the government has decided to open up to limited harvesting of forest products on a controlled basis. After intensive training, villagers elected representatives to participate on commissions charged with preparing the forest management plan. The commissions, 62% of whose members were villagers, covered all aspects of forest management, and the plan they developed includes the rules and regulations for access and utilization of forest resources and establishment of utilization fees. Just as has been done in NCBA assisted work in Niger the next step will be to assist participating villagers to develop natural resources based, profitable enterprises.

In El Salvador, Nicaragua and Indonesia, NCBA works with cooperatives and farmer associations in the production of non-traditional agricultural export crops (NTAEs), many grown organically and marketed in the US, Europe and Japan. Organic production methods protect the environment and these high value crops provide significantly higher returns to producers. The Salvadoran cooperatives have exported approximately $35 million of commodities over the past 6 years with about $11 million returned to the farmer producers. The Nicaragua project NCBA assists is based on the Salvador model. The significance of these projects is that the sole beneficiaries are very small scale producers unlike many other NTAE operations.

**SUSTAINABLE DEVELOPMENT:** In addition to the hundreds of rural group businesses and organizations NCBA has helped along the road to sustainability over the past 15 years, we have fostered the development of self sustaining NGOs that provide services to rural and urban communities. IWACU, the Cooperative Training and Research Center in Kigali, Rwanda which NCBA helped establish in 1980, has survived the war and is operating again largely from revenues derived from its services. APOR, the NGO created in Niger by former NCBA staff, is in its third year of existence and has executed 28 contracts. It now has over $120,000 in reserves. In September, 1994, after only two years of NCBA technical assistance to establish the Community Development Organization (CDO) of the Mangaung Educational and Development Trust (MEDET) in Bloemfontein, South Africa, the CDO was already turning a profit and had established an operating reserve of $110,000, which in 1995 was increased to over $178,000. NCBA/Mali staff members have now formed three staff-owned local organizations, 2 NGOs and 1 cooperative, in order to continue training and consulting work in rural communities after the NCBA program ends. Two of these have already negotiated contractual work with international and national NGOs to provide training and technical assistance services. In El Salvador, ten cooperatives have founded PROEXSAL, a marketing firm which will continue the functions provided by the NCBA project. All of these efforts were developed using core grant funds.

**THE FUTURE:** In the immediate future the NCBA projects in El Salvador, Mali and Egypt are to undergo extension and expansion. The Egypt project will grow from 4 to 7 foundations providing loans to small and microenterprises (SMEs), with additional assistance to NGOs and community organizations which were not part of the original project design. Currently, 22,000 entrepreneurs have received loans totalling $15 million with a 98% repayment rate.

In Africa, our experiences with communities applying business techniques in the management of their health facilities and employing an entrepreneurial approach to forest management has led us to believe that the NCBA methodology can be adapted to other development areas. We will look for new possibilities to start community participation programs in such areas as education, natural resource management, democracy and governance (decentralization) and drought relief. And in all the locations where we operate we will continue to foster the development of genuinely private sector, democratically governed, profitable group businesses. The core grant staff is the repository of the knowledge concerning NCBA's experience in international development. Much has been learned about what works and what does not work in rural group business development. Thus the continuity of the core grant is critical to the design and management of projects which show measurable results.

## II. PROJECT OUTPUTS

### COOPERATIVE PROGRAM SUPPORT GRANT PROGRESS CHART AS OF MARCH 31, 1996

| ONE YEAR OBJECTIVES DEC. 1, '94 - MAR. 31, '96 | STATUS TO DATE DEC. 1, '94 - MARCH 31, '96 | QUARTERLY ACCOMPLISHMENTS JANUARY 1, '96 - MARCH 31, '96 |
|---|---|---|
| I. Objective: To develop viable, member owned and managed group businesses in developing countries. | I. Objective: Remains unchanged | I. Objective: Remains unchanged. |
| II. Goals and Indicators<br><br>A. 8 new and extended projects | II. Goals, etc., Accomplishments as follows:<br><br>A. 10 new or extended projects signed and implementation begun (Nicaragua, Indonesia (East Timor), Russia, Benin, Guinea, Mozambique, El Salvador, (2 projects), and 2 projects in Sao Tome). Cooperative agreement not yet signed for Zambia; approved already. | II. Goals, etc., Accomplishments as follows:<br><br>A. The Zambia project is expected to be signed in early May. |
| B. 3 new project countries | B. 4 new project countries: Nicaragua, Guinea, Mozambique, Zambia. | B. Nothing new to report. |
| C. 14 long term projects managed. | C. 23 long term projects managed. | C. 18 long term projects managed. |
| D. 1 new non-AID project. | D. 2 such projects signed (Sao Tome for IFAD funding and Benin, World Bank). | D. Benin Natural Resources Management project was extended, World Bank Funding. |
| E. 3 sector analyses/feasibility studies completed. | E. 1 sector analysis completed (Kenya). | E. Nothing new to report. |
| F. 1 assistance assignment to USAIDs and AID. | F. 4 such assignments (Kenya, Burkina Faso, Nicaragua, REDSO/East Africa). | F. 1 such assignment (REDSO/East Africa). |
| G. 1 assistance assignment to governments and international agencies. | G. 5 such assignments (Kenya, El Salvador, Burkina Faso, Benin, West Africa region). | G. Nothing new to report. |
| H. 2 assistance assignments to national/international co-op organizations. | H. 2 such assignments (Trinidad/Tobago and Colombia). | H. Nothing new to report. |
| I. 2 sets of training materials developed. | I. 2 sets completed (Community based health care; micro credit financial management) | I. Nothing new to report. |
| J. 1 food aid consultancy. | J. 1 project design and proposal developed for Indonesia. | J. Nothing new to report. |
| K. 4 internal project evaluations. | K. 5 such evaluations. | K. 1 internal assessment (Sao Tome) |
| L. 2 post project follow-up activities. | L. 4 such activities (Rwanda and South Africa). | L. 1 such activity (Rwanda) |

**QUARTERLY REPORT - NCBA**
**January 1, 1996 - March 31, 1996**

**III. PROGRESS IN ACHIEVING GOAL AND OBJECTIVES OF THE GRANT** (Note that Section II contains a chart measuring the accomplishments of this quarter and of year one of the grant, December 1, 1994 - March 31, 1996 against the objectives for year one. (Section VII contains data on selected field projects.)

**A. Program Development**

New and Extended Programs

* **Exploration** - 4 core grant staff members conducted exploration for 8 countries. The countries were: Egypt, El Salvador, Kenya, Mali, Niger, Sao Tome, Senegal, and Zimbabwe.

* **Proposals Submitted** - The following proposals were submitted; all were prepared by 4 core grant staff members.

  - Niger - Proposal to extend work with an intermediate credit service and the local NGO, APOR, which NCBA helped to create. Both provide services to rural group businesses. Proposal is for 2 years for $1.7 million.

  - Indonesia - Proposal to Government of Indonesia for financing assistance of NCBA and Specialty Coffee Association of America to coffee growers in Sumatra.

  - Egypt - Small and Microenterprise Project and El Salvador Non-Traditional Agricultural Exports project. Work on major extension proposals was carried out. The proposals will be submitted next quarter.

  - Morocco - Proposal to USAID/Morocco to provide technical assistance in establishing a microenterprise lending institution. Joint proposal with Catholic Relief Services and First Advisory Services International, Inc., both based in Baltimore. This response to an RFP was prepared using non-core grant funds.

* **Proposals Approved:**

  - El Salvador - Proposal for bridge funding of $440,000 through December, 1996 for expansion of the PROESA Non-Traditional Agricultural Exports

Project which operates primarily in the ex-conflictive areas. Proposal to USAID. The Mission has invited NCBA to submit a full proposal to extend its work in the first Non-Traditional Agricultural Exports Project through June, 1998.

- Benin - Proposal to Government of Benin to extend NCBA's assistance to encompass management of a larger forest, the Queme Supieur Forest, using World Bank funds. (Prepared at the request of the government) - $163,000.

- Russia - NCBA is a subcontractor to Chemonics on the Market Oriented Farm Support Project. USAID-funded, $173,000 for 20 months.

* **Pending:**

- Zambia - We expect to sign the Zambia Rural Business Development Project, already approved by the Mission, in May, 1996.

* **Proposals Not Approved:**

- Indonesia - The proposal for $8.5 million to USDA Food for Progress Program for the Indonesia Enterprise and Trade Development II Project was initially turned down. NCBA will resubmit the proposal.

**B. Program Management**

1. Ongoing Long Term Projects

- Managed 18 long term projects in 13 countries with 2 being worldwide projects.

2. Monitoring/Reporting

- Completed 1 quarterly report. Monitoring visits were made to Mozambique, Sao Tome (2), Benin, Guinea, Nicaragua, El Salvador and Egypt. Most of the visits were financed from project monies but one visit to Sao Tome and that to Guinea were financed from the core grant.

## C. Program Services

Assistance to USAIDs and AID

- Africa USAIDs - The Community Health and Village Empowerment videos from NCBA work in Burkina Faso were distributed to nearly all USAIDs in Africa. The Africa Director showed the videos to staffs of the Kenya Mission and the REDSO East Africa office. The REDSO Health Office plans to use the videos at a major conference it is planning.

- Senegal - The NCBA Deputy Director for Africa participated in the Mission's workshop "Liberalization of markets for both Agricultural products and other Natural Resource products".

## D. Assessment and Evaluation

Two NCBA staff completed an internal assessment of the Sao Tome project. Core grant staff participated in the mid-term evaluation of the core grant.

## E. Post Project Follow-Up

**Rwanda** - The Africa Director attended the General Assembly Meeting of the national level Center for Cooperative Training and Research (IWACU) headquartered in Kigali where he advocated that IWACU be maintained as an autonomous non-governmental organization. The Center, which had been given most of the government's prior responsibilities in cooperative development and which is a legally registered PVO with USAID and the Rwandan government, was assisted in its early years by both NCBA, with AID funding, and the Swiss government. The center is operating after a hiatus caused by the war. At the General Assembly Meeting, a new Board of Directors was elected which is dominated by people who wish to maintain IWACU as an independent, non-governmental organization.

## F. Non-AID Sources of Funding

World Bank provided additional funds to expand the NCBA work in Benin. As noted above staff is attempting to access Government of Indonesia funds for work in Sumatra, Indonesia. Through the Cooperative Development Foundation and monies from two of its funds, NCBA is attempting to leverage funds to attract Inter-American Development Bank funds for work in Trinidad.

### G. Improved Communications to Better Manage Projects

Improvements continue to be made in our e-mail system which now encompasses almost all overseas projects.

### H. Board Visit to Field Project

- El Salvador - Six members of the NCBA Board and the Board of the Hamilton Farm Bureau Cooperative, Hamilton, Michigan, visited the Non-Traditional Agricultural Exports Project in El Salvador. They visited seven cooperatives and one cooperative union and exchanged experiences with Salvadoran co-op boards and members on cooperative business development. In addition, they met with the USAID Director, Deputy Director and Program Officer. They paid their own expenses.

### I. Cooperative to Cooperative Visit

El Salvador

- Baxter and Colleen Ankerstjerne of the Farmers Cooperative Alliance, Peterson, Iowa, returned to the Cara Sucia Co-op and conducted training sessions on four topics covering health, nutrition, the role of women in cooperatives and co-op unions and alliances.

## OBJECTIVES FOR NEXT QUARTER, APRIL 1 - JUNE 30, 1996

### A. Program Development

- 3 new project start ups or extensions: Zambia, Russia and Benin
- Project exploration and proposal preparation continue including proposals for extension of projects in Mali, El Salvador and Egypt.

### B. Program Management

- 19 long term projects managed
- 6 field visits for monitoring
- Continue development of co-op to co-op activity
- 1 quarterly report prepared

### C. Program Services

- 1 assignment assisting a national cooperative organization

### D. Post Project Follow-Up

- 1 mission

### E. Non-AID Funding Sources

- The Africa Director and Deputy Director will hold meetings with World Bank in Washington and other potential sources, including IFAD.

### F. Institutionalization

- Continue planning for Africa continental organization

- Washington meeting of all core grant staff for Africa program review, including review of status of development NGOs NCBA is developing in African countries.

## IV. SUMMARY HIGHLIGHTS

Please refer to the chart in Section II for summary highlights of the year (Dec. 1, 1994 - March 31, 1996) and the quarter (January 1, 1996 - March 31, 1996).

# V. SUMMARY OF LONG-TERM PROJECTS

## NCBA/CLUSA INTERNATIONAL PROGRAMS
## PROJECT STATUS PROFILE

08-May-96

| CPSG Yrs ---> | I | | | | II | | | | III | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994 | | | | 1995 | | | | 1996 | | | | 1997 | | | | 1998 | | | |
| | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 |
| **AFRICA** | | | | | | | | | | | | | | | | | | | | |
| BENIN | | | 8/94 | | | | | | | | 8/96 | | *Planned Extension* | | | | | | | |
| BURUNDI | | | | 12/94 | | | | | | | | | | | | | | | | |
| BURKINA FASO Health | | | | | | | 10/95 | | | | | | | | | | | | | |
| GUINEA | | | | | | | | 9/95 | | | | | | | | | | | | |
| MOZAMBIQUE | | | | | | | 9/95 | | | | | | | 9/97 | | | | | | |
| MALI | | | | | | | | | | | | | | | 10/97 | | | | | |
| NIGER II | | | | | | | | | | | 10/96 | | | | | | | | | |
| SAO TOME USAID | | | | | | | | | | | | 10/96 | | | | | | | | |
| SAO TOME PANPAF | | | | | | | 7/95 | | | | | | | | | | | | | |
| SOUTH AFRICA | | | | | 1/95 | | | | | | | | | | | | | | | |
| ZAMBIA | | | | | | | | | | 5/96 | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | |
| **NORTH AFRICA/MID-EAST** | | | | | | | | | | | | | | | | | | | | |
| EGYPT SME II | | | | | | | | | | 6/96 | 7/96 | *Planned Extension* | | | | | | 6/98 | | |
| WEST BANK/GAZA (ACDI) | | | | | | 4/95 | | | | | | | | | | | | | | |
| MOROCCO (Chemonics) | | | | | | | | | | | | | 9/96 | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | |
| **ASIA** | | | | | | | | | | | | | | | | | | | | |
| INDONESIA IETDP II | IETDP I | | | 12/94 | | | | | | | | | | 7/97 | | | | | | |
| | | | | | | | | | | | | | | | | | | | | |
| **EASTERN EUROPE AND NIS** | | | | | | | | | | | | | | | | | | | | |
| RUSSIA ESOPS | | | 11/94 | | | | | | | | | | | | | | | | | |
| RUSSIA GROUP BUSINESS | | | | | | | 8/95 | | | | | | | | | | | | | |
| RUSSIA MOFSA (Chemonics) | | | | | | | | | | 3/96 | | | | | | 11/97 | | | | |
| | | | | | | | | | | | | | | | | | | | | |
| **LATIN AMERICA** | | | | | | | | | | | | | | | | | | | | |
| EL SALVADOR NTAE II | | | | | | | | | | 6/96 | *Planned Extension* | | | | | | | 6/98 | | |
| EL SALVADOR PROESA | | 5/94 | | | | | | | | 7/96 | *Extension* 4/97 | | | | | | | | | |
| EL SALVADOR CRECER (Chemonics) | | | | | | | | 9/95 | | | | | | | | | | | | |
| HONDURAS/ACDI | | | | | | | | | | | | | | | 9/97 | | | | | |
| NICARAGUA NTAE | | | | 9/94 | | | | | | | | | | | 10/97 | | | | | |
| | | | | | | | | | | | | | | | | | | | | |
| **WORLD-WIDE** | | | | | | | | | | | | | | | | | | | | |
| Non-Ag IQC | | | | 10/94 | | | | | | | | | | | 9/97 | | | | | |
| CPSG CORE GRANT | | | | 12/94 | | | | | | | | | 4/97 | | | | | | | |

## VI. PIPELINE ANALYSIS BY LINE ITEM[1]

### A. CENTRAL BUDGET

The line items in this Pipeline Analysis reflect the line items in the Cooperative Agreement document.

| Line Item | Budgeted Amount 12/1/94-3/31/97 | Amount Spent This Period 01/01/96-03/31/96 | Cumulative Amount Spent To Date 03/31/96 | Amount Remaining |
|---|---|---|---|---|
| 1. Personnel | 491,107 | 46,142 | 264,088 | 227,019 |
| 2. Fringe Benefits | 93,878 | 7,776 | 82,664 | 11,214 |
| 3. Consultants | 86,801 | 201 | 13,701 | 73,100 |
| 4. Travel/Per Diem | 185,868 | 7,055 | 49,072 | 136,796 |
| 5. Evaluation | 5,000 | -0- | -0- | 5,000 |
| 6. Other Direct Costs | 109,570 | 8,722 | 48,434 | 61,136 |
| 7. Equipment | | 10,688 | 13,297 | (13,297) |
| 8. Indirect Costs | 427,776 | 25,590 | 164,370 | 263,406 |
| TOTAL | 1,400,000 | 106,174 | 635,626 | 764,374 |

[1] This information reflects expenses which were booked through March 31, 1996. Final figures will be reflected in the 269 which NCBA prepares and submits to AID on a quarterly basis.

b) Mission/Bureau Support Budget:

| Country | Source of Funds | Start Date | Completion Date | Project Budget | Expensed To Date (1) | Current Balance |
|---|---|---|---|---|---|---|
| AFRICA | | | | | | |
| 1 BENIN | Gov Benin | Jun 1994 | Aug 1996 | $250,000 | $129,300 | $120,700 |
| 2 GUINEA | USAID | Sep 1995 | Sep 2000 | $3,933,000 | $218,900 | $3,714,100 |
| 3 MOZAMBIQUE | USAID | Sep 1995 | Sep 1997 | $1,413,700 | $372,000 | $1,041,700 |
| 4 MALI | USAID | Nov 1994 | Oct 1997 | $2,017,400 | $649,700 | $1,367,700 |
| 5 NIGER II | USAID | Oct 1989 | Oct 1996 | $7,265,000 | $7,042,200 | $222,800 |
| 6 SAO TOME II | USAID | Jun 1995 | Sep 1996 | $300,000 | $235,100 | $64,900 |
| 7 SAO TOME PANPAF | UN/IFAD | Jun 1995 | Jun 2001 | $980,000 | $60,800 | $919,200 |
| 8 ZAMBIA | USAID | May 1996 | Apr 2001 | $4,997,500 | $0 | $4,997,500 |
| NORTH AFRICA/MID-EAST | | | | | | |
| 9 EGYPT SME II | USAID | Jun 1993 | Jun 1996 | $2,145,800 | $1,765,900 | $379,900 |
| 10 MOROCCO (Chemonics) | USAID | Dec 1993 | Sep 1996 | $137,000 | $0 | $137,000 |
| ASIA | | | | | | |
| 11 INDONESIA IETDP II | USAID | Jul 1994 | Jul 1997 | $6,809,000 | $1,634,700 | $5,174,300 |
| EASTERN EUROPE AND NIS | | | | | | |
| 12 RUSSIA MOFSA (Chemonics) | USAID | Mar 1996 | Nov 1997 | $173,300 | $0 | $173,300 |
| LATIN AMERICA | | | | | | |
| 13 EL SALVADOR NTA II | USAID | Jun 1991 | Jun 1996 | $9,000,000 | $7,917,400 | $1,082,600 |
| 14 EL SALVADOR PROESA | USAID | May 1994 | Jul 1996 | $900,000 | $720,000 | $180,000 |
| 15 EL SALVADOR CRECER | USAID | Sep 1995 | Sep 2000 | $2,486,800 | $69,700 | $2,417,100 |
| 16 HONDURAS/ACDI | USAID | Mar 1993 | Sep 1997 | $1,347,400 | $968,200 | $379,200 |
| 17 NICARAGUA NTAE | USAID | Sep 1994 | Oct 1997 | $2,919,400 | $850,300 | $2,069,100 |
| WORLD-WIDE | | | | | | |
| 18 Non-Ag IQC | USAID | Sep 1994 | Sep 1997 | (2) | | |

(1) Expense figures as of March 31, 1996
(2) IQC budget depends on the USAID Mission generated requests

## VII. EXAMPLES OF FIELD PROJECTS

### INDONESIA ENTERPRISE AND TRADE DEVELOPMENT

NCBA began implementing Phase II of the Indonesia Enterprise and Trade Development Project (IETDP-Phase II) in 1994. Whereas the rural development efforts of the first phase of the IETDP (1988-1994) had a broad national scope, Phase II places its primary focus on the Province of East Timor, a more remote area of Indonesia that, largely because of ethnic strife, has not yet benefitted from the economic growth experienced in other parts of the country.

To initiate the project, the staff of NCBA office in Indonesia (based in Central Java), conducted extensive field research in East Timor to identify the types of economic activity offering the most potential for employment and income growth. The resulting decision was to focus on three products: specialty coffees, vanilla, and livestock.

Specialty Coffee Production and Processing - Although coffee had historically been an important product in East Timor, over a period of several decades, coffee exports declined drastically and coffee plantings were largely neglected. The strategy of the IETDP is to bring about beneficial change in the way targeted products are produced, processed and marketed. For coffee, this has meant increasing small farmer production through the transfer of appropriate technologies, improving post harvest handling; developing cooperative-owned and operated wet processing facilities close to the growing areas; and improving coffee quality to the point that it can meet the requirements of new specialty market niches.

Project staff organized more than 7,000 farm families into 182 organic coffee producer groups, trained them in organic farming techniques and arranged for representatives of the U.S.-based Organic Crop Improvement Association (OCIA) to visit East Timor. As a result of the visit, the OCIA certified the coffee produced by IETDP farmers as organically grown. Coffee processing facilities were also certified, enabling East Timor coffee to be marketed as organically produced and processed, a status that demands a higher price on the world market and brings a greater return to the small-scale producers. The NCBA coffee program in East Timor is the first OCIA-certified operation in Asia.

Vanilla Production and Processing - Vanilla evolved into a major product during the first phase of the IETDP and the Indonesian agricultural cooperatives became major world suppliers. This success made vanilla a prime candidate for introduction as a new crop for the farmers of East Timor. Project staff explored the potential for vanilla production, found climatic conditions favorable and found the farmers eager to try this new crop. To get the vanilla program started, several hundred farmers on the island of North Sulawesi were organized to harvest seedlings and project staff arranged their transport to East Timor and their distribution to approximately 200 farmers within a timeframe of only six days. As a three-year period is required for vanilla (a variety of orchid) to come into production, the first harvest of this crop will take place in 1997. Additional seedling transfers will be made over the next several years.

Livestock Production - Because cattle raising is a longstanding tradition among East Timorese farmers, livestock production and marketing offered a third area for the IETDP to assist economic growth. The traditional system of cattle raising is simply to allow the cattle to roam untended, a practice that causes substantial environmental and crop damage. The approach of the IETDP is to combine credit, forage production, semi-captive feeding technologies and marketing. Cattle producer groups were organized and improved forage grasses introduced from other areas of the country. These grasses and the leaves from leguminous trees make up part of a feeding regime that includes limited grazing and the use of feed concentrates. The farmers were trained to build and utilize basic cattle pens in a combination of grazing and captive husbandry, IETDP staff also researched and identified the most beneficial markets for the area's beef cattle.

Responding to the Challenge - Implementing development activities in a remote location such as East Timor, given the area's particular historical and cultural complexities, involves a much greater degree of difficulty than the IETDP had experienced in its work in other areas of Indonesia. At all stages of project activity, from the initial preparatory steps to the actual implementation of economic activities, the situation has proven to be more difficult, more complex and more time consuming than any of the IETDP's previous enterprise development programs. Despite the difficulties, however, project staff and the participating farmers are able to see the program's immediate benefits, as well as its long-term potential for the region's economic development. Enormous progress has been made in just eighteen months of operation and a strong foundation has been established for continued economic growth.

## NICARAGUA

### SALE OF CERTIFIED ORGANIC COFFEE BY SMALL GROWERS IN NICARAGUA

Business traditions in any country are tough to change. Typically small coffee growers sell their product to a series of intermediaries receiving only a fraction of the real value of their coffee. In Nicaragua, small coffee growers in the hills of one of the best coffee growing regions have broken some of the traditional constraints in growing and marketing their coffee.

With the assistance of NCBA with AID funding, over 150 small growers were organized to obtain organic certification of their coffee. Then NCBA staff linked them to Thanksgiving Coffee Company, a medium sized roaster and retail distributor of coffee in the United States who purchased their entire production.

In January, 1996, Paul Kazteff, President of Thanksgiving Coffee, came personally to meet with the growers in Nicaragua and negotiate the purchase of their coffee. He brought with him a roasted sample of the farmers' coffee, and prepared a pot right on the farm for the growers to taste. One farmer was so pleased, he wanted to save his cup of coffee for later so the rest of his family could try it too.

This building of workable business relationships between poor rural farmers and the importers of their products in foreign countries is one of the principal goals of NCBA in its overseas development work. One of the most important results of the "Organic Coffee Project" in Nicaragua is the reality that farmers are receiving at least 50% more income for their coffee, while at the same time preserving their soil and environment through the use of organic production practices.