

Cooperative Development Program Report

June 1 – November 30, 1997

Introduction

ACDI/VOCA has a long history with USAID's Cooperative Development Program (CDP). ACDI/VOCA was created through the recent merger of Agricultural Cooperative Development International and Volunteers in Overseas Cooperative Assistance. As separate entities, both ACDI and VOCA can trace their participation in this important program to their origins. As a combined organization, ACDI/VOCA represents the international branch of the National Council of Farmers Cooperatives. We are well qualified to support CDP's objective of promoting the growth of cooperative systems overseas. ACDI/VOCA's membership comprises 44 leading U.S. agribusinesses and all of the U.S. Farm Credit Banks. Today ACDI/VOCA is one of the largest U.S. cooperative development organizations, with 35 years experience providing technical assistance, training, and managerial support to businesses, associations, cooperatives, and governments in developing and emerging market countries.

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

ACDI/VOCA's official CDP work plan was approved in August. For our first CDP report, we note that much of our efforts have gone into planning and organization during this start-up phase. Worldwide seventeen volunteer assignments were completed and more scopes of work were written for future assignments. (See Brazil and Mozambique sections for details.)

A salient finding in this report is the low expenditure rates in most of the budget items. In the Mozambique component, we of course had to start an office from scratch in Beira; there we are not concerned about the burn rate for the first six months. Further, since the office registration process has not been completed (we filed for registration in June) we have not been able to import a vehicle duty-free. This is a large expenditure, but we don't want to make the purchase until we are registered and thereby enjoy duty-free status.

The Brazil activity is running virtually on schedule on the expenditure side (43.4% of budget after the first half-year), and we will have absolutely no problem achieving volunteer targets and expenditure projections.

The rural finance division here came out of our restructuring exercise last fall, so very little would have been achieved in this program component during the June – November period. This late start also affected the capacity strengthening component, which will receive significant inputs from the rural finance group.

Predictably, recruitment activity was low during the start-up phase, and we did not focus on proposal development while launching this new cooperative agreement.

Another component that we have little to report on is the Southern States sub-grant. This issue is addressed in the sub-grant section.

We close this introduction by noting again that the first six months of this cooperative development grant was the start-up phase; our annual CDP work plan was only presented and approved in August. Thus much of our early efforts were devoted to organization and planning. However, we are also pleased to point out that our initial efforts with volunteer assignments were successfully carried out in a dynamic fashion.

Brazil Component

The goal of the Brazil activity under CDP is to strengthen the institutional capacity of rural cooperatives in the Brazilian Amazon.

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

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

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

ACDI/VOCA opened an office in 1995 in OCB's headquarters in Brasília. In addition to providing ACDI/VOCA with office space, the Organization of Brazilian Cooperatives provides for the in-country costs of volunteers (transportation, lodging and per diem) and covers part of the office costs. The Organization of Brazilian Cooperatives also helps ACDI/VOCA access individual cooperatives through the state cooperative organizations that make up its membership.

Program Preparation:

The Organization of Brazilian Cooperatives (OCB) and ACDI/VOCA-Brazil held a meeting with the presidents of the state cooperative organizations from the nine states of the Legal Amazon in July 1997. Initially OCB decided to try to conduct three volunteer assignments in each state. The needs assessments, client selection and cooperative development priorities were to be determined at the state level by the president of the state cooperative organization. Wherever sensible, volunteer assignments were to build on the efforts of previous ACDI/VOCA volunteer activities.

Dr. Celso Claro de Oliveira, ACDI/VOCA's country representative and program coordinator José Renato Ruy Ferreira followed up by visiting the majority of state cooperative organizations and reviewing the process for soliciting ACDI/VOCA volunteer consultants. Potential collaborating agencies such as SEBRAE (Small and Medium Enterprise Support Agency) and EMBRAPA (Brazilian Agricultural Research Agency) were also contacted.

HQ and Field Office Administration:

Dr. Celso Luiz Claro de Oliveira, ACDI/VOCA-Brazil's country representative, is the former director of the Department of Cooperatives and Rural Associations (DENACOOOP, Federal Ministry of Agriculture and Supply) and has worked in the Brazilian cooperative movement his entire career. The office administrator, Zuleide Pereira de Lucena, is a trained accountant formerly employed by the National Bank of Cooperative Credit (Banco Nacional de Credito Cooperativo).

After months of difficulties, ACDI/VOCA-Brazil finally was able to apply in November to the Ministry of Justice for NGO registration as ACDI/VOCA. We have turned in all our required paperwork; however the official translation process by government translators is delaying the process considerably. Registration should be processed and approved by the end of 2nd quarter, 1998.

HQ produced employment contracts for all of its personnel in Brazil and has instructed the Brazil office to ensure that they are in compliance with Brazilian labor regulations. The program coordinator for the Amazon announced his resignation effective January 31st, 1998. ACDI/VOCA-Brazil began its search to fill the coordinator position in November.

After reviewing volunteer assignment logistics, scopes of work and the institutional capability of the state cooperative organizations in November, HQ petitioned the Organization of Brazilian Cooperatives to include the following items in its 1998 budget for volunteer program:

1. travel money for state cooperative organizations to conduct pre-assignment and follow-up visits;
2. external evaluation funding;
3. more interpreter funding to cover travel and report translation costs;
4. funding for technicians in order to strengthen the institutional capability of state cooperative organizations.

The Organization of Brazilian Cooperatives agreed and included these items in its proposed budget to the Department of Cooperatives and Rural Associations (DENACOOOP, Ministry of Agriculture and Supply).

The Organization of Brazilian Cooperatives' fiscal year is on the calendar year. Its budget depends on the amount of money that the Brazilian Congress allocates to the Ministry of Agriculture and Supply. ACDI/VOCA will know what items were successfully funded when the government announces the new budget. The Organization of Brazilian Cooperatives expects that the funds will be released at the latest by March 1st. Until these funds are released to the Organization of Brazilian Cooperatives, all volunteer assignments will be put on hold. In the meantime, the office is receiving requests for assistance from cooperatives.

Volunteer Activities:

Between June 1st and November 30th ACDI/VOCA carried out 16 volunteer assignments in eight states using eleven volunteers. (See Brazil attachments) Three out of eleven volunteers conducted back-to-back assignments ('piggybacks'.) Sixty-nine percent of the volunteer assignments (16) focused on business operations; nineteen percent (3) focused on organizational development and the remaining two projects focused on sustainable resource management. Four volunteers were hosted by state cooperative organizations; the rest were hosted by individual cooperatives.

The majority of the assignments focused on cooperative management. The majority of the assignments also serve as a basic needs assessment that will help direct future assistance. Cooperatives working with tropical fruit, rice, Brazil nuts, mixed agriculture (manioc, rice and fruit), aquaculture, farm supplies and dairy products were assisted. Over half of the assignments were carried out in November; late completion dates prevent ACDI/VOCA from filing impact data for this report. Follow-up activities will be carried out in the next six months and will be included in our next report to USAID.

Headquarters Strengthening

Creation of rural finance department

As stated in our proposal and annual work plan, an important objective of the Rural Finance component of the CDP is to develop ACDI/VOCA's programmatic capacity in the area of rural finance, ensuring that ACDI/VOCA:

- learns and applies lessons in this area, and
- launches a concerted marketing effort to position ACDI/VOCA with non-USAID donors.

To this end, in October, ACDI/VOCA established a Rural Finance department comprised of Robert Fries, who heads the unit, and Microfinance Director Gail Carter. The department is charged with compiling lessons from, and disseminating best practices and products to, ACDI/VOCA's finance projects. Fries was project manager of the Agrocapital project in Bolivia since its inception, serving as interim manager on three occasions and assisting with the strategic planning and business plan development required for the application to the Bank Superintendency. Carter has supported ACDI/VOCA's microenterprise projects in Egypt and Kazakhstan, has been our SEEP representative for 5 years, and manages our participation in the UNDP-funded Microstart.

The department's first task was a **planning exercise** for 1998, which emphasized completion of the following products:

- Rural finance marketing piece
- Inventory of best practices
- Monitoring system
- Survey of ACDI/VOCA's regional operating divisions, in order to elaborate core services and to define our role in concrete terms

Robert Fries developed a **marketing presentation**, highlighting key experience, innovative products and lessons from ACDI/VOCA's rural finance efforts. In January it was used to introduce ACDI/VOCA to the UNDP's Special Unit for Microfinance. The department also represented ACDI/VOCA at the SEEP annual meeting, where Fries presented a **rural finance case study**, drawing lessons from the Agrocapital experience. Finally, as part of a concerted effort to tap into **non-USAID donors** the department prepared proposals for a Microstart project in Mongolia, and an Asian Development Bank rural finance project in Nepal. ACDI/VOCA is in final rounds of negotiation on the Mongolia project.

Mozambique Component

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

Program Preparation:

During the first five months in country, ACDI/VOCA staff met with over forty national and international NGOs, eleven Mozambican government departments, nineteen agribusinesses and over 50 associations, cooperatives and unions. By the end of November, the office had compiled a library of several hundred newspaper and magazine articles covering more than twenty different agricultural products and areas of interest relating to association development. There were also lists of library contents of various other NGOs and government offices.

HQ and Field Office Administration:

On June 6, 1997, ACDI/VOCA applied to the Ministry of Cooperation and Foreign Affairs for registration as an NGO legally permitted to operate in Mozambique. Although the process has been unexpectedly slow, we were informed by the Director for NGOs in November that all the necessary papers were in order and awaiting final approval. The ACDI/VOCA office made every effort to be ready for compliance with local labor and business laws as soon as registration was finalized: meetings were held with representatives of the Ministry of Labor and Immigration; a contract for insurance coverage for accidents at work and workers' compensation was drafted; an application was made for a license to erect a sign outside the office; and pro-forma invoices for vehicles were collected.

The CDP Director for Mozambique was hired on June 12. The Program-Administrative Assistant signed an ACDI/VOCA contract on July 15 and began work on August 1. An office cleaner was employed starting August 5. Orientation for the Project Director was held from July 18 to 25 in Uganda.

A rental contract was signed on August 1 for an office. The costs of necessary repairs was deducted from the rent. Permission to open a bank account, prior to registration, was granted on August 5. A 24-hour security service was engaged, including full insurance coverage against theft, and procurement of office equipment and furniture began. The office has been transformed into a pleasant working environment for staff and volunteers, though many tasks have been hampered by frequent power cuts.

In August, a Policies and Procedures Manual was written to conform to both ACDI/VOCA general practices and Mozambican Labor Law, and a 49 page Welcome Packet was put together the following month. All ACDI/VOCA Mozambique documents were produced in both English and Portuguese. A single-sheet information brochure was produced answering the questions: "What is ACDI/VOCA?," "What kind of assistance is

available,” and “How do I apply (for technical assistance)?,” together with examples of ACDI/VOCA volunteer assignments in eight countries. Fourteen Profile and Impact sheets were translated and these, together with brochures, were widely disseminated to NGOs and associations in four provinces.

ACDI/VOCA was represented at September’s WFP-convened meeting of NGOs to discuss the effects of El Niño; and at the National Union of Rural Associations’ conference in October for representatives of all farmer/rural associations in Manica, Sofala and Zambezia provinces.

At the request of SO1 partner NGOs, ACDI/VOCA attended the Oils Sector Conference in Maputo as a potential provider of technical assistance in the area of sunflower seed multiplication. CARE/Nampula asked for ACDI/VOCA assistance with forming oil press owners’ associations, and Africare expressed interest in a volunteer assignment for sesame oil production, as well as help with animal husbandry which was being encouraged because of the advantages of oil seed as high-grade animal feed.

Food for the Hungry International’s Natural Resources Management program approached ACDI/VOCA for apicultural training of its extension agents, and the Gorongosa District Bee Keepers association requested help with the production and marketing of honey. Various associations asked for help with drying fruit and tomatoes, and the associations of Mituchira Pita and Nhamatanda requested help with tomato paste production – a project to be executed with the FHI Rural Enterprise and Association Development (READ) program.

Women’s associations in Dondo, Nhangá and Chazuca requested assistance with fruit jam, rice and ginger production respectively. Research was done in the cashew sector, in response to inquiries made by Save the Children and A Pai A Pa Mudzi, a men’s agricultural association. USAID/Mozambique encouraged ACDI/VOCA to examine the possibility of association development amongst Maputo’s wholesale traders, and the government Forestry Department suggested association development amongst the many small-scale loggers. Another request for association strengthening came from ASAM, the commercial farmers’ association of Manica, who also welcomed the opportunity to receive financial management training. Maize and vegetable seed multiplication was also investigated at the request of a number of different farmers.

From these many and varied sectors, four were chosen as currently having the most potential to benefit from volunteer assignments. The four areas: dried tomato and tomato paste production, dried fruit and fruit jam production, value-added ginger products, and the production and marketing of honey, were to be studied by volunteers for economic viability. They were selected based on an assessment that they had the most potential to benefit from volunteer assignments. A Scope of Work (SOW) was written for association development among the Maputo wholesale traders, in addition to a tracking of the commercial chain from center-north producers to final vendors in the south of the country. SOWs for ASAM association development and business training, honey

production and marketing, and commercial seed multiplication also existed in draft form by the end of November. Other areas remained under investigation.

Volunteer and consultant activities:

The ACDI/VOCA Vice President for Africa, together with the CDP Director for Mozambique, met with UNDP representatives on 23 September. As a result of this meeting, ACDI/VOCA was asked to submit an expression of interest for a 1998 consultancy on rural credit.

On November 11 and 12, ACDI/VOCA's first two volunteers arrived: one from the US and one from Brazil to conduct a month-long investigation into the economic viability of four post-harvest processed products. The results of this first assignment were essential in order for the ACDI/VOCA office in Mozambique to know which projects to further target with technical assistance. Although Dr. Garth Thorburn and Dr. Wellington Oliveira had not completed their final report by the end of November, they had already visited the associations requesting technical assistance and had made a number of recommendations.

The volunteers worked with the Women's Association in Dondo to estimate their production and processing capacity of mango, banana, papaya, guava and pumpkin preserves. After visiting the site and conducting marketing surveys, they expressed doubts about the group's ability to produce economically viable jams.

After discussions with the Association of Bee Keepers in Gorongosa District, and with shop managers and market stall holders, Dr. Thorburn and Dr. Wellington made a series of detailed recommendations to the group, proposing a series of ACDI/VOCA volunteer assignments to address a range of production and marketing issues.

The two experts then spoke with the NGOs, associations and other tomato producers who were interested in producing tomato paste. They examined packaging options and considered the substantial problem of transportation. It was finally recommended that traditional methods of paste production, unknown in the area but common in other parts of the country be used rather than trying to assemble a small scale industrial plant which would be too expensive and too complicated for the farmer associations. Dried tomato production remained a possibility, and investigations were being made into the existence of an export market, and into cheap methods of solar drier construction.

Finally, the volunteers visited the remote village of Chazuca, in the mountains bordering Zimbabwe, to investigate ginger production in the area and, in light of the low cost of ginger root, the potential for post-harvest processing. Dr. Thorburn and Dr. Wellington met with officers of the Women's Association, in addition to the major growers of ginger. The volunteers recommended follow-up assignments by ACDI/VOCA in association with development and marketing of ginger, noting, however, that the inaccessibility of the area and the low levels of education would continue to hamper the success of any micro-enterprise.

Rural Finance Component

The goal of the Rural Finance activity under CDP is to more effectively contribute to the development of cooperative rural finance institutions, in a manner that will lead to contracts with new clients.

Overseas Work with Cooperative Institutions

As detailed below, in each of the countries ACDI/VOCA has established a working relationship with a cooperative institution involved in rural finance. Agreements have been signed and initial volunteer and consulting assignments are being programmed.

Kyrgyzstan

ACDI/VOCA has signed an agreement with the Osh Farm Credit Association which states that CDP resources will be used to “create a more competitive and market-driven, user-owned credit association, and to strengthen its capacity to provide reliable financial services to farmers.

Toward this end, the first ACDI/VOCA volunteer will depart for Osh in January. During a six-week assignment, he will:

- Work with the Credit Manager in designing a loan application form that allows the officer to quickly assess a borrower’s cash flow; the reliability of projected costs, yields, and income; and the value of collateral and quality of its documentation;
- Train staff in the analytical steps used to complete and evaluate the form, with follow-up, on-the-job training in the field;
- Document important steps in a guide for loan officers on use of this form;
- Recommend changes in the information system to effectively track and report on repayment dates, repayments, delinquency, and profitability of different loan categories;
- Design loan portfolio reports, indicating key indicators to track, frequency and distribution of reports, and recommended changes or follow-up steps required by the MIS;
- Work with staff from GTZ and Peace Corps in completing a table with key cost, yield and income data; and
- Explain changes to the board and train members in key steps of analysis that they must take in assessing and approving policy, and in approving loan decisions.

Subsequent technical assistance assignments are being developed in the areas of automated accounting and business plan development.

Philippines

Program Preparation:

In October, ACDI/VOCA's Assistant Vice President for Rural Finance traveled to the Philippines and met with representatives from the Mindanao Federation of Cooperative Banks and some of its leading member banks. The cooperative banks are facing increased competition and are undergoing a transition that requires increased market responsiveness, a greater customer service orientation, and a wider array of products. Small rural banks and larger commercial banks are beginning to compete for some of their traditional customers.

In the past, Philippine cooperative banks tended to decide on new products and finance their growth primarily with government-directed and concessional loans. This led to poor loan decisions, low repayment rates and financial losses. Many of the banks faced a liquidity crisis when the Central Bank terminated a concessional loan program in 1989. The banks that have performed well since that time have relied more heavily on deposits and an increased equity base. Many others remain dependent on directed and concessional funds administered by public agencies.

This assessment made clear the importance of using CDP resources to identify new *services* and *funding sources* for the CDPs, such as:

- *Deposits from the public.* Given the low reserve requirements that the rural banks face, borrowing from the public in the form of deposits is less costly than taking out additional loans. Besides lower financial costs, a campaign to capture savings from small depositors will allow the bank to provide a wider range of financial services to the poor and other small-scale customers.
- *Shifting assets.* By redirecting some of its loanable funds from poor-performing assets to new products, including microloans, banks can improve performance. Developing sound strategies for accomplishing this under the cooperative structure will be an important challenge for CDP.
- *Retained earnings.* Equity can also be expanded through profits. Technical assistance under the project should help the banks increase their profits by improving pricing policies, lowering operating costs, managing risk, and identifying new fee based products and services.

Agreement with Counterpart on Technical Assistance. The Cooperative Bank of Davao (CBD)—by improving the quality of its loans, introducing new services, and growing—has become a leader and model among cooperative banks. However, in order to continue growing, it needs to increase its capital base. Discussions with the manager have led to a request for assistance in this area. The final version of a scope of work is

currently being developed with the CBD. Assistance in this area will be delivered in early 1998.

Peru

Program Preparation:

In December, the ACDI/VOCA's Assistant Vice President for Rural Finance met with the Board President of the Association of *Cajas Rurales*, and participated with representatives of AID, the government of Peru and individual *cajas* in a session outlining key opportunities, strengths and weaknesses of the association. Challenges include the need to identify and promote new financial services and technologies to the members; the channeling of relevant technical expertise to the *cajas*; and the tapping of funding resources—at both market and concessional rates—for the *caja* system.

Drawing on the conclusions of this session, ACDI/VOCA and the Association agreed to focus CDP resources on two areas of assistance:

- Development of a technical services division charged with delivering training and consulting services to increase the capacity of the member *cajas*; and
- Design of a division to tap sources of funding for the *Cajas Rurales*.

Specific technical assignments are being defined in the first quarter of 1998, as ACDI/VOCA assists the Association with its strategic plan. In this exercise, extensive interviews are being conducted with the Associations' members to identify services for which there exists significant demand.

Southern States Sub-grant Component

The goal of the Southern States activity under CDP is to enable emergent input supply cooperatives in the Ukraine, Russia and the Republic of Georgia to become self-financing by efficiently serving their member needs.

Since June, Southern States, with ACDI/VOCA assistance, has undertaken a careful assessment of the steps that will be necessary in order to establish and/or strengthen input supply cooperatives in the countries most likely to be an early focus of Southern States activities. These countries have included Georgia, Russia and Ukraine.

These assessments were carried out with existing program funds for those countries, not CDP funds.

This assessment has resulted in the recognition that considerable work will be necessary before input supply cooperatives in the ENI region will be ready to incorporate a Retail Support System (RSS). Cooperatives in the ENI region are presently in the very early stages of development. The focus of Southern States and ACDI/VOCA assistance during the first phase of work with individual cooperatives must be on building and strengthening the organizational and managerial capacity of the cooperatives. Once these are sufficiently developed (hopefully, within two years of initial assistance), the RSS can be introduced.

Southern States has concluded as a result of its country assessments, that it wishes to concentrate its initial attention on the development of an input supply cooperative in Western Ukraine. Western Ukraine was determined to be at a more advanced stage in cooperative development in regards to:

- resources available to support cooperative formation;
- a supportive local government;
- well-organized local farmers;
- good local farm leadership.

As a result of the change of country focus and the need to carry out a different range of initial activities, the Southern States Workplan has been modified to reflect the new priorities and is being provided with this report.

Using other grant funds, Southern States, with ACDI/VOCA assistance, is now in the process of developing a business plan for the cooperative development in Ukraine. Once the revised workplan is approved, Southern States will begin to draw of CDP resources to begin implementation of the business plan.