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AN EVALUATION OF THE
BUREAU FOR PRIVATE ENTERPRISE
COOPERATIVE AGREEMENT IN SUPPORT OF
COOPERATIVE BUSINESS INTERNATIONAL

Submitted to:

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C.

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EXECUTIVE SUMMARY

A. Background

In January 1985, the Bureau for Private Enterprise (PRE) entered into a Cooperative Agreement with what is now the National Cooperative Business Association (NCBA). The cooperative agreement provided funding of \$1,847,000 to support the establishment of Cooperative Business International (CBI), NCBA's International Trade Development Program. The cooperative agreement expired December 31, 1987.

In August 1988, PRE contracted with Development Associates, Inc. to:

- (a) assess CBI's performance during its nearly four years of operation;
- (b) identify lessons learned; and
- (c) provide recommendations to AID and CBI regarding future activities.

The evaluation was conducted from September through December 1988 by a three person team. The team reviewed project reports, evaluations, annual reports, CBI financial records, trade agreements, concept papers, and women in development assessments. In the U.S., team members conducted interviews with staff at CBI, NCBA, AID/Washington, and selected cooperatives. In addition, two members of the team visited CBI operations and trading partners in India and Indonesia, the countries accounting for over 90 percent of CBI's trade activities. In the field, interviews were conducted with staff from NCBA/CBI, USAID, local cooperatives and other businesses with which CBI works, and host government officials.

NCBA's major objectives for CBI are that it: (1) increase LDC exports, particularly from cooperatives; and (2) become a sustainable and profitable international trading company. AID's primary objectives for CBI are substantially different than, although not incompatible with, NCBA's. AID's primary interests are that CBI: (1) promote trade between the U.S. and LDCs; and (2) contribute to the economic well-being of LDC populations.

B. CBI Performance and Outcomes

1. CBI has successfully promoted U.S.-LDC trade. -- Since its inception, CBI's sales volume has been \$97.7 million, from which it has earned \$1.1 million in commissions. Although trade has involved the U.S. and 13 other countries, over 90 percent of the volume of sales has involved Indonesia and India.
2. Overall, CBI has had 48 trading partners. -- Eleven of CBI's partners have been cooperatives, 35 have been other private businesses, and two have been parastatal organizations.
3. CBI activities have led to the creation as well as the diversion of international trade. -- Of \$93.6 million in trade with Indonesia and India, \$76.4 million (82 percent) can be categorized as trade diversion while \$17.2 (18 percent) can be considered trade creation. Most of the trade diversion (81 percent or \$61.6 million) involved the substitution of U.S. exports to India and Indonesia for exports from other countries, thereby contributing to the improvement of the U.S. trade balance.
4. CBI has improved the economic viability of cooperatives and other businesses in Indonesia, but thus far has not had such an effect in India. -- In Indonesia, CBI has been particularly helpful to a cooperative processing shrimp, a cooperative mostly engaged in furniture production, a cooperative that harvests vanilla beans, and a straw mushroom processing factory. CBI has had less impact in India, achieving only limited exports.
5. CBI efforts in Indonesia have led to positive changes in the business sophistication and capability of private businesses to participate in international trade. There has been little such change in India. -- In India, both of CBI's major partners exported their products to the U.S. before involvement with CBI. At the most, each has learned through CBI that there is a price advantage in selling on the spot as opposed to the forward market. By contrast, the three Indonesian cooperatives involved in shrimp, furniture and vanilla beans have each become more capable and adept at international trade due to inputs provided by NCBA and CBI.

6. CBI's success in Indonesia and India is due in part to the long-standing positive image and established relationships of NCBA. -- NCBA programs and staff have been in both countries for many years. NCBA country staff had substantial relevant knowledge and established relationships prior to the arrival of CBI. CBI has effectively built on this pre-existing base.
7. As a result of CBI activities, a few U.S. cooperatives are more interested and willing to engage in international trade. -- Most U.S. cooperatives have little experience in international trade, and when they have ventured into the international arena, they have had negative experiences. CBI has provided positive experiences. On the basis of successful import of niger seed from NAFED in India, Universal Cooperatives has become involved with CBI in the import of other products. Similarly, Land O' Lakes has more positive views about overseas activities, partly as a result of its sale of thousands of head of cattle to Indonesia. CBI has not yet convinced many other U.S. cooperatives to engage in international trade.
8. CBI activities have had some positive effects on women in Indonesia but little or no such effects in India. -- In India, little trade involving CBI has taken place except for niger seed from NAFED, and no structural changes favoring women have occurred in niger seed cultivation, processing or marketing that could plausibly be attributed to CBI. In Indonesia, women have benefitted from newly created jobs as well as higher wages than could typically be obtained in alternative jobs. However, such jobs are likely to be entry level, unskilled, repetitive, and have little opportunity for promotion. Few women occupy management positions in cooperatives or industry in Indonesia.
9. CBI has contributed to the economic gain of workers in Indonesia. -- By early 1989, CBI activities will have created about 1,800 jobs in furniture making, dairying, shrimp processing and straw mushroom processing. An estimated 625 of these jobs will be done by women.

10. CBI did not implement activities specified in the cooperative agreement to improve the business sophistication of LDC cooperatives. -- Specifically, CBI did not conduct special workshops or seminars, create a trade information system, or put together and manage a trade show. CBI judged the development of workshops and an information system to be an ineffective use of scarce resources. CBI did try to develop a trade show for U.S. and overseas cooperatives, but because few U.S. cooperatives showed interest in the concept the effort was discontinued.

C. Sustainability and Prospects for the Future

CBI has almost become self-sustaining and has solid prospects for becoming profitable. An indicator of self-sufficiency is the ratio of revenues to expenses. In 1985, CBI generated only 19¢ for each dollar spent; in 1986, the rate rose to 34¢; in 1987, to 63¢, and in 1988, the rate should be about 94¢. In 1989, CBI is forecasting \$1.11 in revenue for each dollar of expense.

In addition to commission income generated, CBI has assets that are important for its sustainability. These include knowledgeable and skilled staff at the central office and in Indonesia; the continued pledge of NCBA support; and the establishment of sound trade relationships in Indonesia and India.

Furthermore, its strategy of focusing on a small number of countries and concentrating on "niche" products (products with a fair-sized international market lacking price stability due to a number of small traders) appears sound based on past performance.

D. Lessons Learned

Several lessons can be drawn from CBI activities to date. Each of these is identified briefly below.

1. Marketing is a critically important ingredient in the development of business enterprises in LDCs.
2. Patience and hard work are required to develop cooperative-to-cooperative trading relationships and the sustainability of such relationships has yet to be proved.

3. CBI is the preferred trading partner by cooperatives, but this is true only as long as CBI can deliver sales at the same level as available from other traders.
4. Ingredients of CBI's success include: a focus on a limited number of countries; a clear organization; identification and specification of objectives; specialization in niche commodities and products; and entrepreneurial spirit with a special interest in marketing.
5. Non-profit development organizations are capable of implementing innovative income generating activities.

E. Recommendations

Based on the analysis of CBI and its activities to date, recommendations have been developed for AID and CBI separately. These are presented below for each audience.

1. AID should conduct a study of projects involving marketing to investigate marketing strategies for different products and commodities and to identify elements that have and have not worked.
2. AID should consider partial funding of the expansion of CBI activities into a maximum of four countries in three years. CBI requires an in-country presence in each new country that CBI cannot fund alone.
3. CBI should expand its country-based operations in Indonesia and India, but it should go slowly and carefully.
4. CBI should maintain its focus on international trade and let NCBA do program and cooperative development.
5. CBI should put its Marketing Director or someone else with entrepreneurial drive and skills in India, at least on a part-time basis, to promote international trade, including exploration of known opportunities.
6. USAID/Indonesia should consider providing funds from additional monetization of PL 480 to the NCBA Country Director to continue development of cooperatives with a business focus. This would enable CBI to perform the marketing function for cooperatives which are at the point of producing commodities or products suitable for export. CBI has demonstrated that it can effectively do this.

F. Conclusion

Despite some initial floundering, CBI is well on its way to achieving its fundamental mission of generating trade between the U.S. and LDCs and becoming self-sufficient. Trade has been two-way, benefitting both the U.S. and LDCs,

and has involved other private businesses more frequently than cooperatives. Over time, the commission income of CBI has grown while expenses have been reduced. Established trade and prospects for additional trade put CBI in a strong position to be self-sustaining in 1989 and even earn a profit.

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CHAPTER I: STUDY BACKGROUND, PURPOSE AND QUESTIONS

A. Background

In January 1985, the Bureau for Private Enterprise (PRE) in the Agency for International Development (AID) entered into Cooperative Agreement No. DPE-0257-A-00-5005-00 with the Cooperative League of the U.S.A, later called the National Cooperative Business Association (NCBA). The cooperative agreement provided funding of \$1,847,000 to support the establishment of NCBA's International Trade Development Program. This program took form in the creation of Cooperative Business International (CBI), a for-profit subsidiary of NCBA designed to promote trade and investment among the world's private cooperatives and other businesses. The cooperative agreement expired December 31, 1987.

The objective of the cooperative agreement was to "bring the services and benefits of foreign trade to private enterprise cooperatives in the LDCs." As observed in the cooperative agreement, "The vast majority of LDC cooperatives are too small to be able to afford to develop the specialized expertise and market coverage necessary to become viable exporters." PRE's support was intended to aid CBI's efforts in stimulating foreign trade involving LDC cooperatives; directing those cooperatives toward trade relationships; and increasing the level of business sophistication within LDC cooperatives. It was envisioned that CBI's assistance would give even small LDC cooperatives access to much-needed international marketing services.

According to the cooperative agreement, CBI was "to establish a trade information system to facilitate access to trade data for the world's cooperatives"; conduct market research on geographic markets and export opportunities to identify appropriate areas of market demand; and sponsor workshops and other orientation programs for LDC cooperatives. To date, most of CBI's business activity has taken place in India and Indonesia, where NCBA, its parent organization, has long-established field offices.

B. Purpose

The purpose of this evaluation was to perform a post-project assessment of the effectiveness of Cooperative Business International (CBI) in fulfilling the objectives of the above-referenced cooperative agreement with PRE, and to assess the immediate impacts of CBI's activities.

C. Study Questions

To guide the evaluation toward addressing the issues of greatest concern to AID and NCBA, a set of study questions was developed and included in the study's scope of work. These may be summarized as:

- To what extent has CBI been effective in meeting its objectives and those of AID?
- To what extent has CBI been efficient in terms of its own operations and in terms of meeting the objectives of the cooperative agreement with AID?
- What have been the impacts of the cooperative agreement and of CBI in terms of LDC cooperatives, U.S. cooperatives, and trade between LDCs and the U.S.?
- What have been the effects of the cooperative agreement, and CBI in general, on the development of women and on the environment?
- To what extent are CBI and the relationships it has fostered sustainable?

The study's scope of work, provided in Appendix A, contains the full, detailed list of evaluation questions.

CHAPTER II: CONCEPTUAL FRAMEWORK AND STUDY METHODS

A. Alternative Conceptions and Perceptions of CBI

An intriguing area of inquiry throughout the evaluation has concerned a fundamental issue: what is CBI and what is its underlying purpose? Early in the study it became apparent that the answer to this question varied considerably depending upon the perspective of the person questioned. It also became clear that to some extent, at least, there were legitimate grounds for each point of view, and that the way one answered that question substantially determined the criteria to be used in assessing the effects and potential of CBI.

The CBI "Start-Up Plan" (November 21, 1984) states that the organization's purpose is "to promote and facilitate trade and investment among the world's private cooperatives and other businesses." The plan also states that both "LDC and developed country cooperatives are more aggressively searching for international business opportunities," and on the basis of that reasoning during its initial years, CBI sought to develop trade relationships on a worldwide basis, not simply between the U.S. and LDCs.

Interviews with NCBA and CBI officials also indicate that from NCBA's perspective CBI was to be a trading company that provided a service to U.S. cooperatives, particularly the NCBA membership, and made a profit which helped support the NCBA central operations. Although it was always assumed some trade would be with cooperatives in LDCs, Third World development objectives were not the paramount concern of NCBA.

The original stated purpose of AID's support of CBI was consistent with but not the same as that of NCBA. According to the 1985 Cooperative Agreement supporting CBI the purpose of AID support was "to facilitate private sector development in LDCs by providing a viable means for private enterprise cooperatives to expand, market and export goods and/or services thereby increasing the potential for growth and self-reliance of LDC cooperatives." More specifically, the four objectives of the Agreement were to: (a) to stimulate foreign trade involving LDC cooperatives; (b) increase the economic

viability of cooperatives in the LDCs by directing them toward beneficial trade relationships with international buyers and sellers; (c) increase the number of cooperative-to-cooperative relationships across national borders; and (d) increase the level of knowledge and business sophistication within LDC cooperatives.

In addition, interviews with officials within the PRE Bureau indicated that for some the value of CBI was as a private sector development program. From this perspective the involvement of cooperatives is irrelevant. What is important is the contribution of CBI to the growth and strengthening of private businesses (including cooperatives) in LDCs and the associated benefits of employment, income, and general well-being of owners and employees involved.

Finally, a related but distinguishable point of view by some in AID is that CBI is an innovative mechanism for the development of cooperatives in LDCs. From this perspective CBI should be focused on LDCs and strengthening the marketing capacity of their cooperatives by arranging international sales of their goods and providing the training and information their personnel need in order to carry-on and develop on their own. This perspective is reflected in several tasks in the AID/PRE Cooperative Agreement and in several of the questions included in this evaluation's scope of work.

Since the conceptions of CBI varied, some effort during the evaluation was devoted to clarifying the current perspectives and objectives of the AID-CBI Cooperative Agreement's major stakeholders with respect to this issue. As a result, it became clear that NCBA's major objectives for CBI are that it:

- Increase exports from LDCs, with a particular emphasis on cooperatives; and
- Become self-sustaining, and then earn a profit which could help offset NCBA expenses.

AID's primary objectives in its involvement with CBI are substantially different than, although not incompatible with, NCBA's. AID's primary interests are that CBI:

- Promote trade between the U.S. and LDCs; and
- Promote the economic well-being of LDC populations.

Slightly reordered, these four points become an appropriate framework for judging CBI's success: (1) increasing LDC exports, particularly from cooperatives; (2) promoting trade between the U.S. and LDCs; (3) contributing to the economic well-being of LDC populations; and (4) establishing CBI as a sustainable and profitable international trading company.

B. Study Method and Procedures

The evaluation began in August 1988, with a review of background documents and discussions with AID personnel and staff at NCBA and CBI. Additional documents were reviewed through the course of the study and a complete list is given in Appendix B. Based on information obtained in early project activities, detailed plans were made for conducting site visits with CBI's actual and potential trading partners in India and Indonesia, gathering information from U.S. cooperatives involved in international trade with CBI, and performing a financial analysis of CBI. These plans included preparation and review with AID and CBI of a data collection and analysis plan (see Appendix C).

Site visits were made by two members of the study team (Romashko and Morris) to India and Indonesia during October 1988. These countries were selected because they represent over 90 percent of CBI trade activities and they are the only countries with permanent CBI offices and staff.

The team visited India for seven days. During that time, interviews were conducted with staff at NCBA/CBI, USAID, and five Indian cooperatives, three of which were located in Delhi. Interviews with representatives of the other two cooperatives were conducted in Kerala State in southern India. Also, a site visit was made to observe business operations and discuss trade experiences and plans with the National Dairy Development Board in Gujarat State. In total, nine organizations were contacted and 29 individuals interviewed (see Appendix D for a listing).

The visit to Indonesia, where CBI's activities have been more extensive, was for nine days. Much of that time was spent observing the operations and facilities of CBI's trading partners during field visits to Jakarta, Klaten, Yogyakarta, Surabaya and Bali. Interviews were also conducted with staff of

NCBA/CBI, USAID, and the government of Indonesia in Jakarta. In total, ten organizations were contacted and sixteen individuals interviewed (see Appendix D).

In both India and Indonesia an effort was made to review financial information on the LDC exporters which pertained to the issues of sustainability and benefits derived by LDC populations. In many cases, financial data were considered confidential by the exporters and not made available to the evaluation team. However, in both countries it was possible to obtain limited financial data from selected businesses with which CBI had particularly close relations. Data on export sales were obtained in Indonesia from the NCBA/CBI representative.

Following the field visits, the evaluation team's economist conducted a financial analysis of CBI from its inception in 1984 through 1987, and reviewed its financial projections through 1990. Additional information on CBI's operations and plans were also obtained from NCBA and CBI files. In addition, interviews were conducted with U.S. cooperatives which imported and exported through CBI. One team member (Romashko) visited Minneapolis, Minnesota to interview officials of Universal Cooperatives and Land O' Lakes about their experiences with CBI and plans for future relations. A telephone interview was conducted with a key staff person at Frontier Herbs. Finally, considerable effort was devoted to finding data against which the performance of CBI could be compared. Contacts were made with various AID offices, the U.S. Department of Commerce, Dun and Bradstreet, the Chicago Board of Trade and other potential sources of information, all to very little avail.

Following the data gathering and analysis phase of the evaluation, discussions of findings were held with AID and NCBA/CBI. The final report was then prepared.

CHAPTER III: FINDINGS AND CONCLUSIONS REGARDING CBI PERFORMANCE: 1985-1988

Cooperative Business International is a unique organization. Other models have been developed in recent years to promote trade between the U.S. and other countries, but none is exactly like CBI nor has a heavy emphasis on cooperatives. Export trading companies (ETCs), for example, were authorized by Congress in 1982 by passage of the Export Trading Company Act which was seen by policymakers as a way to generate heightened U.S. exports. The ETC law created major exceptions to U.S. antitrust and banking laws which had heretofore prevented U.S. exporters from sharing information, and banks from investing in such companies. However, the changes brought about by the new law were not enough to counteract a combination of off-setting macroeconomic factors and long established U.S. business practices, and the hoped for expansion of trade through ETCs did not occur. One entity begun in response to the ETC legislation was the Farmer's Export Company. Begun by grain cooperatives in the mid-70's, the Farmer's Export Company sought to sell U.S. grain internationally, in direct competition with Continental Grains, Cargill and other large traders. The company failed in the early '80s, in part, due to staff inexperience in international marketing.

An AID-funded approach with a more limited scope is the "Market and Technology Access Project" (MTAP). This project, begun by the Bureau of Science and Technology/Office of Rural and Institutional Development in 1984, seeks to help business enterprises in selected LDCs to increase productivity and employment by improving their access to new technologies and markets. A primary purpose of the project is "to develop cost-effective viable intermediary organizations and operating methods." MTAP is operating in three countries: Thailand, Turkey, and Costa Rica. Defenders of MTAP claim that the project can show that the use of such intermediaries is very cost-effective. No data comparing the relative cost-effectiveness of MTAP to similar efforts has been assembled, but a study is currently in progress.

Another related AID effort is the Cooperative Business and Trade Initiatives Project sponsored by the Bureau for Food for Peace and Voluntary Assistance. Begun in 1988, this project is funding five separate cooperative development projects, each of which focuses on business development and promotion of international

trade. These projects range from the promotion of maize processing and marketing to an effort which seeks to help cooperatives to use computers to facilitate international trade. None of these efforts, however, is really very similar to CBI.

With this as a background, the remainder of this chapter presents the evaluation's major findings and conclusions with respect to the performance of CBI. The performance of any such organization may be assessed from several perspectives, and consequently the assessments presented here are made from several points of view. Section A provides an overview of CBI's structure and operations. Section B focuses on the organization's revenues and expenditures, especially their levels and patterns over time. Conclusions regarding the impacts of CBI's efforts in terms of trade, institutional change, and benefits to individuals in LDCs are presented in Section C. Section D provides an assessment of CBI in meeting the terms of its Cooperative Agreement with AID. The chapter concludes with Section E which provides a discussion of the sustainability of CBI and its prospects for the future.

A. CBI's Structure and Operations

Cooperative Business International (CBI) is a wholly-owned, for-profit subsidiary of the National Cooperative Business Association (NCBA), previously known as the Cooperative League of the U.S.A. (CLUSA). It was created by CLUSA to promote international trade and investment among cooperatives and other businesses throughout the world.

NCBA, the parent organization, is a national membership and trade association of U.S. cooperatives. Its membership includes farm supply, agricultural marketing, insurance, banking, housing, health care, consumer goods and services, student, credit union, worker, fishery, rural electric, and telephone cooperatives as well as state cooperative associations. Its mission is to represent, strengthen and expand the cooperative form of business, and to link its members with cooperatives in the U.S. and around the world for mutually beneficial activities.

Over the years, NCBA has developed a variety of related organizations that pursue specific objectives in close coordination with NCBA. These include the National Cooperative Business Foundation, the National Cooperative Business Political Action Committee, the Cooperative Hall of Fame and Historical Society, and Rochdale Institute. CBI is NCBA's newest creation. It began operations in January 1985.

As of December 1988, CBI/Washington, D.C. staff includes two professionals - one Vice President of NCBA and Chief Operating Officer of CBI, and one Director of Marketing. An office manager completes the CBI/Washington staff. All three are full-time.

The CEO of CBI supervises the two Washington, D.C. staff as well as provides direction and assistance to the CBI staff in Indonesia and India. He also facilitates trade activities with U.S. cooperatives and businesses by interacting with their top executives. Finally, he does some marketing of Indonesian products in the U.S. and promotes potential trade involving Indonesia and Indian organizations.

The Marketing Director conducts market research in the U.S. for products, particularly from India and Bangladesh. He also handles the logistics of trade, maintains relationships with overseas suppliers, and helps market Indonesian products in the U.S.

The office manager follows up on all trade transactions, including opening letters of credit, payment by customers, sending and receiving appropriate documentation, and tracking shipping. She also handles all recordkeeping, invoicing, and Washington financial logistics (e.g., writing checks, making deposits).

The CBI staff in Indonesia and India are led by the respective NCBA country representatives, each of whom directs and conducts CBI marketing activities. A full-time national of the host country whose salary is entirely paid by CBI also works in each country to generate and facilitate trade and investment opportunities. In addition, CBI has provided limited support of a few expatriates to market Indonesian products in the U.S. These expatriates all work on NCBA cooperative development projects in Indonesia.

The December 1988 staffing pattern for CBI in the U.S. is a streamlined version of the one established early in CBI's existence in 1985. At that time, there were two additional full-time professionals - one based in Washington, D.C., one based in California. Creating some initial confusion with regard to management direction, the current CEO and the professional in California each had the title of Vice President of CBI. The Vice President in California left the organization in May 1986. He had not been successful in generating income for CBI, and it was decided that he should not be replaced.

CBI/Washington has always been housed in NCBA headquarters. It has paid an annual administrative fee of \$50,000 to NCBA for its space, furniture and equipment and for office support services which include financial management and personnel services for the years 1985-1987. This fee also includes time spent by the President of NCBA or his office on CBI activities which is not directly billed to CBI. For example, the NCBA President accompanied the CBI Chief Operating Officer and representatives of U.S. cooperatives on their mission to India during the first week of December 1988 to promote CBI activities with Indian cooperatives and the State Trading Corporation of India. The NCBA comptroller estimates that CBI's administrative fee for 1988 will be \$89,000.

In addition, CBI pays a depreciation fee to NCBA for the space it occupies in Washington, D.C. This fee was first levied in 1987 to cover the estimated depreciation value beyond the overhead coverage provided in the AID cooperative agreement to launch CBI which expired at the end of 1987.

CBI/Washington provides vital support to its field operations in India, Indonesia, and elsewhere. Other than overall financial and corporate management, CBI headquarters has provided the following types of support:

- Identifying U.S. markets;
- Acting as liaison between the field operations and U.S. cooperatives and other businesses;
- Conducting market research;
- Arranging finance through letters of credit;
- Identifying and reviewing elements of quality control that would make potential products appropriate for U.S. markets; and
- Doing general follow-up work for the field representatives in India and Indonesia.

The philosophy of CBI/Washington staff is to seek out "niche" products, that is, products which have a fair-sized international market, yet no major international traders or brokers involved in the trade. Good examples are niger seed in India and straw mushrooms in Indonesia.

CBI also tries to take advantage of the spot market in various raw commodities, where prices can be 10-15% higher than forward markets. They can then engage in profitable arbitrage, i.e., the simultaneous purchase of a commodity in one market and its sale in another market at a higher price with income being generated on relatively large volume transactions. The practice of arbitrage itself minimizes price differences in the various world markets.

At the field level, CBI uses country-specific techniques for identifying business deals. In India, CBI efforts have focused on large apex cooperatives such as NAFED, TRIFED and NAFIC. These organizations indicate the potential products which they would be able to export. CBI then determines the viability of each. An important criterion for Indian policymakers, however, is the export of relatively high value-added products. Thus, an explicit strategy of the NCBA/CBI representative in India is to search for such commodities. This has proven difficult to date for a variety of reasons related to quality and product selection. As a result, profits accrued from Indian trade have generally been through raw commodities.

In contrast to the "top-down" approach emphasized in India, in Indonesia the approach has been much more "bottom-up." In the case of straw mushrooms, for example, the NCBA/CBI representative was requested by P.T. Mantrust, the parent company of a mushroom processing plant, to provide marketing assistance. CBI located an appropriate buyer in the U.S. and thereby encouraged another private U.S. business to buy directly from the factory. A bottom-up approach was also used to commence the marketing of shrimp from Indonesia to Japan. NCBA first assisted shrimp farmers to employ semi-intensive rather than traditional methods, establish a shrimp auction for domestic sales, and lease, equip and operate a shrimp processing factory. CBI expects such relationships to be long-term ones that may be expanded to include new products.

While CBI views the development of cooperative-to-cooperative trade relationships to be desirable, CBI recognizes that the development of such

trade is a slow process. To help underwrite the longer-term development of substantive trade between cooperatives, CBI in Indonesia has adopted a tactic to bring in revenues more quickly. This involves the negotiation of target-of-opportunity deals which often consist of single transactions which produce relatively quick returns. In India, on the other hand, the nearly exclusive emphasis has been on developing long-term commercial relationships between Indian apex cooperatives and U.S. cooperatives.

B. Organizational Revenues and Expenditures

As previously indicated, CBI was created through a three-year grant of \$1,847,000 to CLUSA, now NCBA. By the end of the first grant year of 1985, CBI had begun to generate substantial revenues. When grant funds were completely expended late in 1987, CBI became responsible for paying all of its own expenses. Exhibit 1 summarizes the income and expenditures of CBI from 1985 through 1988.

EXHIBIT 1

CBI REVENUES AND EXPENDITURES

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u> (est.)
<u>Revenues</u>				
AID Grant "Income"	\$613,001	\$ 856,738	\$377,261	\$ -0-
Commission Income	118,000	291,000	366,284	334,500
<u>TOTAL CASH INFLOW</u>	<u>\$731,001</u>	<u>\$1,147,738</u>	<u>\$743,545</u>	<u>\$334,500</u>
<u>Expenditures</u>				
Grant-related Expenditures	\$613,001	\$856,738	\$377,261	\$ -0-
CBI-funded Expenditures	129,653	125,329	205,820	356,600
<u>TOTAL EXPENDITURES</u>	<u>\$742,654</u>	<u>\$982,067</u>	<u>\$583,081</u>	<u>\$356,000</u>
ANNUAL NET FLOW	-\$11,653	\$165,671	\$160,464	-\$22,100
CUMULATIVE FLOW	-\$11,653	\$154,018	\$314,482	\$292,382

As the table suggests, CBI spent funds more freely during its initial two years of operations than in subsequent years. There was extensive worldwide travel without concomitant strategies; there was an aborted and costly attempt at a trade show; and there was a relatively large staff, given the organization's financial status. In short, it took CBI two years to clarify and focus on what it was and where it was going.

A major tightening of CBI fiscal management began in 1987. CBI expenses were reduced while at the same time commission revenues were substantial. As Exhibit 1 shows, CBI has generated revenues each year since its inception, largely through commissions from commodity sales. The cumulative revenue balance at the end of each year provides the operating funds necessary to begin the following year of operations.

An important aspect of CBI's revenue base is the lack of diversity of sources. The projected drop in commission revenue in 1988 is an example of volatility caused by the dependence on a few commodities. In both 1987 and 1988 a few large international deals generated a sizable portion of CBI's revenue. In 1987, revenue from niger seed sales in India plus a major sale of U.S. cattle to Indonesia accounted for 40 percent of commission revenue; in 1988 the revenue from these same two sources is estimated to account for an even larger share of income - about 57 percent. This dependency on two major sources of revenue is, of course, not healthy, as there would be severe financial trauma should both sources terminate simultaneously. CBI's projection for 1989, however, is that the proportion of revenues from these two sources will be reduced to about 29 percent, with a concurrent increase of the revenue base by about 35 percent.

CBI's revenue projections for 1989 appear to be well founded. Niger seed sales will likely remain stable, as CBI forecasts, because CBI and its trading partners have agreed to maintain their share of the market. CBI projects that cattle revenues will fall as the Land O'Lakes deal comes to an end. CBI is forecasting a 25 percent increase in revenues from mushrooms and a four-fold increase in revenue from furniture sales. Both of these estimates appear

achievable. Both operations -- mushroom processing and furniture production -- are well managed and product demand is strong. CBI's forecast of a 40 percent increase in vanilla revenues is reasonable as well. A major U.S. firm is pleased with the quality of vanilla beans they have received to date and the potential for substantial additional sales is good. Lastly, CBI is forecasting substantial revenue growth in jute from India. Jute sales should increase because CBI has been successful in executing a Memo of Understanding with the State Trading Corporation of India and has already negotiated jute shipments to the U.S.

As the data show, over the four years of its existence CBI has become reasonably successful in its promotion of trade. Its total of \$1.1 million in commission revenue has been generated by a total of \$97.7 million in international trade. Trade relationships have been of the following forms:

- U.S. exports to LDCs of about \$64.7 million;
- LDC exports to the U.S. of about \$18.3 million; and
- LDC exports to other countries of about \$14.7 million.

Despite its current financial reliance on two major trade relationships, CBI has developed and sustains business relationships with a variety of cooperatives and other businesses in the U.S and overseas. By December 1988, CBI had successfully consummated international trade deals involving 24 U.S. cooperatives/businesses and 22 cooperatives/businesses plus 2 state agencies in LDCs.

Most of CBI's international trade (96%) has involved U.S. concerns with India and Indonesia. In India, the vast majority of the trade activity to date has been through the National Agricultural Cooperative Marketing Federation (NAFED), a large apex cooperative, * and the National Dairy Development Board (NDDB), a non-profit institution which has established dairy cooperatives and dairy processing facilities and designed systems and procedures to make

*262 organizations were members of NAFED as of 6/30/87. This included 221 primary marketing/processing societies and 21 state-level marketing federations. (NAFED Annual Report, 1986-87).

dairying more efficient.* Limited trade has occurred with another apex cooperative, the National Federation of Industrial Cooperatives (NAFIC). It appears that future trade of new items and the expansion of tea exports from NAFIC will require some U.S. marketing efforts to become realities. Future trade looks promising with two other national apex cooperatives - the recently formed Tribal Marketing Development Federation (TRIFED) responsible for forest products, excluding lumber, on tribal lands, and the Fish Cooperative Federation (FISHCOPFED), responsible for fish. Trade also looks likely with Kerala State Cashew Workers Apex Industrial Co-operative Society Ltd (CAPEX). On the basis of a newly signed agreement, CBI, along with Universal Cooperatives in the U.S., has begun importing jute from the State Trading Corporation of India.

In Indonesia, CBI is working with a more diverse group of businesses and regional cooperatives. Examples include: Puskud Dwipi Bali, a regional cooperative in Bali which exports vanilla beans; P.T. Tuwuh Agung, a private mushroom processing plant in Central Java; and Puspeta Klaten, a pre-secondary cooperative which has a contract to manage the P.T. Alis Jaya Chippendale furniture factory in Java and has a minority equity position in the firm.

Exhibit 2 presents selected financial data for CBI. The expense figures presented in the exhibit do not, however, reflect all the subsidies that CBI has received. The two most significant of these are: (a) free CBI office space in Jakarta that was provided by the Indonesian government through October 1988; and (b) the difference between what the NCBA comptroller estimates to be what CBI paid in administrative fees over the years 1985-1987 and the estimated costs that should have been charged at market rates (about \$3,000 total). In 1988, CBI did not receive the latter subsidy. Its administrative fee jumped from \$50,000 in each of the previous three years to \$89,000 for 1988.

* In 1985-86, some 4.5 million farm households were members of 43,000 village dairy cooperatives. (NDDB, "From a Drop to a Flood," Anand, India, March 1987.)

EXHIBIT 2

CBI SELECTED FINANCIAL DATA

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
Revenue	\$118,000	\$291,000	\$366,284	\$334,500	\$450,000
Salaries	153,038	182,213	148,147	156,000	164,000
Total Expenses	613,001	856,738	583,081	356,600	406,000
Revenue/Salaries	.77	1.60	2.47	2.14	2.48
Revenue/Expenses	.19	.34	.63	.94	1.11

To gauge the degree of cost-effectiveness of CBI activities, as well as the degree of sustainability of their operations, two financial ratios have been used. One indicator of cost-effectiveness is the ratio of revenue to total salaries. This measure provides a gauge as to the effectiveness of professional staff in managing the international trade. As seen in Exhibit 2, the ratio was 0.77/1.00 in 1985, meaning that 77¢ in revenue was generated for each dollar spent on salaries. The ratio increased to 1.60/1.00 in 1986 and 2.47/1.00 in 1987. In 1988, however, the ratio slid back to about 2.14/1.00. According to CBI projections, the ratio will climb to 2.48 in 1989. This ratio is well worth monitoring on an annual basis.

An indicator of self-sufficiency is the ratio of revenues to expenses. This ratio clearly demonstrates the strides that CBI has made toward profitability. In 1985, CBI only generated 19¢ for each dollar that was spent; in 1986, the rate rose to 34¢; in 1987, to 63¢; and in 1988, the rate should be about 94¢. In 1989, CBI is forecasting \$1.11 in revenue for each dollar of expense. At that point actual self-sufficiency will be attained. Clearly, CBI appears to be heading in the right direction.

A further indication that CBI is heading in the right direction can be ascertained by comparing their performance against that of the trading companies set up under the MTAP Project. Although no financial data are yet available on the cost-effectiveness and financial sustainability of these efforts, interviews with three AID contractors associated with the project have indicated that, on average, at least four years is needed to develop such entities into financially sustainable organizations.

Recent AID-funded research on the use of intermediaries in international trade, such as CBI and those created by MTAP, indicates the following:

- Profit-oriented intermediaries can be self-sustaining through income generation in countries that have a large enough internal market. This allows them to attract large enough foreign investment and technology projects to justify appropriate fees. India and Indonesia clearly qualify. In smaller markets the intermediation process would have to be subsidized in some fashion.
- These intermediaries can often provide various complementary promotion techniques such as product design, market research, advertising, distribution, and pricing. Obtaining fees for such services increases the likelihood that they will become financially sustainable. CBI/Indonesia has proven especially adept at this.
- Intermediaries tend to succeed in those cases where they can bring to bear well-established networks and experience. NCBA's history in each country has provided this to CBI.

C. Organizational Impacts and Effectiveness

The effectiveness of CBI's initial three years should be assessed in terms of its impacts on LDCs, the United States and the relationships between the two. Also of interest are impacts CBI may have had on two of AID's particular areas of concern: women and the environment. The evaluation's major conclusions in these areas follow.

1. CBI has established and strengthened trade relationships between U.S. and LDC cooperatives and businesses.

Since its inception CBI's sales volume has been \$97.7 million in trade involving the U.S. and 13 countries overseas. As Exhibit 3 shows, the major volume of sales has involved Indonesia and India, with the other 12 countries contributing only 4 percent of the total amount.

EXHIBIT 3

IMPORT AND EXPORT SALES INVOLVING CBI

	<u>Exports</u>	<u>Imports</u>	<u>Total</u>
Indonesia	\$16,611,000	\$55,700,000	\$72,311,000
India	12,305,500	9,000,000	21,305,500
Other	2,620,000	1,500,000	4,120,000

To provide more detail, Exhibit 4 presents sales volume by commodity and product by year for Indonesia and India. Although most of the exports from these countries went to the U.S., some went to third countries. From Indonesia, for example, shrimp has been exported to Japan, urea has gone to the People's Republic of China, and some Chippendale reproductions (approximately 25 percent) have gone to the United Kingdom.

EXHIBIT 4

IMPORT AND EXPORT SALES INVOLVING CBI

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	Total
INDONESIA					
<u>Export Sales</u>					
Shrimp			\$ 600,000	\$ 9,200,000	\$ 9,800,000
Furniture	\$155,000	\$425,000	570,000	735,000	1,885,000
Vanilla		468,000	993,000	690,000	2,151,000
Mushroom			248,000	1,047,000	1,295,000
Urea				1,480,000	1,480,000
			Export Subtotal		16,611,000
<u>Import Sales</u>					
Dairy Cows			7,533,000	15,067,000	22,600,000
Tuna			2,750,000	350,000	3,100,000
Soybeans/Soymeal		24,475,000	5,525,000		30,000,000
			Import Subtotal		55,700,000
			Import/Export Total		72,311,000
INDIA					
<u>Export Sales</u>					
Niger Seed		3,000,000	3,750,000	5,000,000	11,750,000
Jute				500,000	500,000
Basmati Rice				52,000	52,000
Handicrafts				2,000	2,000
Tea				1,500	1,500
			Export Subtotal		12,305,500
<u>Import Sales</u>					
Soybean Oil			9,000,000		9,000,000
			Import/Export Total		21,305,500

While many of the goods listed in the exhibit are expected to represent long-term trades, some represent targets of opportunity unlikely to be repeated again with the same trading partners. A special order of handicrafts for the Smithsonian, for example, is unlikely to be repeated. Also in this category are major commodities purchased by government agencies which include urea and soybeans/soymeal. Another special case was an arrangement for U.S. tuna boats to fish Indonesian waters and then to sell their product to an Indonesian firm (a P.T. Mantrust subsidiary); this is unlikely to be repeated as the Indonesian firm has since made local arrangements to obtain the tuna. Somewhat more long-term, but also opportunistic and limited in scope, was the sale of dairy cows to Indonesia under the USDA Export Enhancement Program (EEP) which subsidizes over half the market value of the cows. This transaction will end April 30, 1989, the last date by which cows can be shipped under EEP. Some subsequent income to CBI may result, however, from their 4 percent equity in the dairy joint venture which is buying the cows.

On the other hand, CBI has hopes that long lasting relationships have been established with several of its current trading partners. As the exhibit shows, shrimp, furniture, vanilla, mushrooms, and niger seed have already been traded for at least two years. Those LDC organizations involved in trade relationships with CBI for over two years include Kaliarjo Shrimp Farmers Cooperative, P.T. Alis Jaya Chippendale, Puspeta Klaten, Puskud Dwipi Bali, and the P.T. Tuwuh Agung Factory in Indonesia, and NAFED in India. In the U.S., Universal Cooperatives, private furniture importers, several flavor and spice producers, and a Chinese food products company have each traded with CBI for two successive years and plan to continue to do so in the future. In addition, although trade in Indian jute, basmati rice and tea only began in 1988, the expectation is that they will continue over the long term. For these three items, LDC traders include the State Trading Corporation of India, a private Indian firm, and NAFIC; the U.S. traders include Universal Cooperatives, Frontier Herbs (a cooperative), and a private company.

2. CBI activities have led to the creation as well as diversion of international trade.

It is impossible to determine precisely how much of the CBI-related international trade that has occurred would have happened in the absence of CBI activities. It is clear, however, that CBI activities have been responsible for the creation of trade as well as trade diversion. As shown in Exhibit 5, of CBI's \$93,616,500 million in international trade with Indian and Indonesian entities, \$76,353,250 can reasonably be categorized as trade diversion while \$17,263,250 can be considered trade creation. As used here, "trade diversion" is defined as trade that substituted CBI and its partners for other traders; that is, the trade would have happened anyway. "Trade creation" means new trade that would have occurred only because of CBI.

Thus, most of CBI trade with Indonesia and India involved diversion and not creation (82 percent vs. 18 percent). However, most trade diversion involved the export of U.S. products to Indonesia and India. In 81 percent of the trade diversion cases, totalling \$61,600,000, CBI substituted U.S. exporters for exporters from other countries, thereby improving the U.S. trade balance.

With respect to the future, prospects appear solid for trade creation in India due to the entrance of TRIFED into the international trade arena. In Indonesia, trade creation is expected to increase in subsequent years. Substantial sales of rattan furniture are anticipated from a newly formed rattan and teak furniture company which is owned by five cooperatives. CBI also predicts major long-term exports of baby corn, a new item.

3. CBI trading partners have been primarily private companies other than cooperatives, secondarily cooperatives, and occasionally parastatal organizations.

Exhibit 6 shows the distribution of types of trading partners in the U.S., Indonesia, India, and elsewhere. Thirty-five of the 48 CBI trading partners have been companies other than cooperatives. Eleven have been cooperatives.

EXHIBIT 5

TRADE DIVERSION VS. TRADE CREATION

INDONESIA

<u>Product</u>	<u>Trade Diversion</u>	<u>Trade Creation</u>	<u>Total</u>
Shrimp	-	\$9,800,000	\$9,800,000
Furniture	-	1,885,000	1,885,000
Vanilla	-	2,151,000	2,151,000
Mushroom*	\$ 971,250	\$ 323,750	1,295,000
Urea	1,480,000	-	1,480,000
Dairy	22,600,000	-	22,600,000
Tuna	-	3,100,000	3,100,000
Soybeans/Soymeal	<u>30,000,000</u>	<u>-</u>	<u>30,000,000</u>
Total	\$55,051,250	\$17,259,750	\$72,311,000

INDIA

<u>Product</u>	<u>Trade Diversion</u>	<u>Trade Creation</u>	<u>Total</u>
Niger Seed	\$11,750,000	-	\$11,750,000
Jute	500,000	-	500,000
Basmati Rice	52,000	-	52,000
Handicrafts	-	2,000	2,000
Tea	-	1,500	1,500
Soybean Oil	<u>9,000,000</u>	<u>-</u>	<u>9,000,000</u>
Total	\$21,302,000	\$3,500	\$21,305,500

*Trade was largely diversionary, although CBI assistance probably increased the level.

EXHIBIT 6

TYPES OF ORGANIZATIONS INVOLVED IN CBI-RELATED TRADE

	<u>Total</u>	<u>U.S.</u>	<u>Indonesia</u>	<u>India</u>	<u>Other</u>
Cooperatives	11	3	5	3	-
Other private businesses	35	21	8	1	5
State Trading Corporation	2	-	-	1	1
	<u>48</u>	<u>24</u>	<u>13</u>	<u>5</u>	<u>6</u>

The large number of companies other than cooperatives involved in CBI activities in the U.S. (21 vs. 3) reflects the difficulty CBI has experienced in involving U.S. cooperatives in international trade. This situation is primarily due to two factors. For one, U.S. cooperatives traditionally limit their purchases and sales to U.S. boundaries and therefore have little or no experience with international trade. For the other, limited efforts by U.S. cooperatives to engage in international trade have been largely unsuccessful.

In Indonesia, it is also the case that more companies other than cooperatives have been involved in international trade with CBI. The situation is different in India where the initial focus of CBI activities was exclusively on a few apex cooperatives. Both the private business and the State Trading Corporation are new trading partners in India.

The different pattern of trading partners in Indonesia and India in part reflects the characteristics of each country and in part the qualifications and interest of the CBI staff in each country. In general, cooperatives in India are well developed, large, and reasonably viable financially. In order to promote international trade with cooperatives in India, CBI generally considers it necessary to work with apex cooperatives. They serve as the marketing arm for goods produced at regional and local levels and they are better able to assure sufficient quantities and the uniform quality needed for export.

CBI has been working primarily with four apex cooperatives. One has not yet exported through CBI, but a memo of understanding has been signed indicating their intent to do so. One of the other cooperatives with which CBI works

has had a long relationship with NCBA. An emphasis on cooperatives in India also reflects the key CBI India staff person's background and many years of involvement with the cooperative movement.

In Indonesia, cooperatives generally require substantial assistance to be able to engage in international trade. While the key CBI staff member is interested in and gives attention to developing such trade primarily with the cooperatives that have benefited from NCBA development activities, he feels that substantial trade involving cooperatives represents a long-term goal. In the interim, he engages in trading that involves other businesses to generate more immediate income for CBI. Also, in contrast to India, the CBI representative in Indonesia has an entrepreneurial orientation coupled with a long-term interest in trade development with cooperatives.

4. The economic viability of cooperatives with which CBI has worked has been substantially improved in Indonesia; there has been less impact in India.

Three cooperatives in Indonesia have been substantially aided by export sales. The Kaliarjo Shrimp Farmers Cooperative has sold shrimp to a Japanese cooperative (JCCU). Puskud Dwipi Bali has sold vanilla beans to several U.S. manufacturers. Puspeta Klaten, a regional cooperative, which is part owner of the P.T. Alis Jaya company, has sold reproduction Chippendale furniture to several U.S. companies and to one company in England. (The English company assembles the pieces, adds the finish to the wood, stamps "Made in England," and primarily exports to the U.S.)

For shrimp and furniture, there were no export sales prior to CBI-arranged deals. As shown in Exhibit 4, there have been annual increases in the export sales of shrimp and furniture during the time of CBI involvement.

For vanilla, quality whole beans were cultivated through joint NCBA/CBI efforts. CBI arranged the sales of the poorer grade "cut" vanilla beans as well as introduced and increased the sales of quality whole vanilla beans over the years 1986-1988. Prices for both whole and cut beans from Indonesia decreased over the three-year period. Prices were substantially lower for "cut" beans, dropping from \$40/kilo in 1986 to \$25/kilo in 1987 to \$10/kilo in 1988. Prices for whole beans were somewhat lower, dropping from \$50/kilo in 1986 to \$45/kilo in 1987 to \$42/kilo in 1988. Exhibit 4 shows

the value of CBI vanilla bean sales over the three years. The year 1988 shows a drop in sales primarily because of the very low price of "cut" beans despite greater sales of whole beans.

CBI has also provided significant financial benefits to a private company that is not a cooperative (P.T. Tumbuh Agung), by helping to establish mushrooms as a viable U.S. export. CBI also aided another Indonesian private business by arranging for the export of urea.

In the case of India, only limited exports through CBI have been made, and most of these have been with one large national apex cooperative that engages in substantial trade. NAFED, CBI's major trading partner during 1986-87, had sales of Rs. 1.58 billion of which Rs. 736 million were exports.* The major commodity exported by NAFED has been niger seed. Before CBI became involved, NAFED exported niger seed to U.S. private companies through Indian traders. The advantages to NAFED of exporting through CBI are twofold. First, NAFED leadership believes cooperative-to-cooperative trade with CBI and Universal Cooperatives is preferable to the previous cooperative to other private company trade. Second, the new trading relationship has resulted in higher returns for niger seed than previously obtained and higher returns at any one time compared to prices paid to others for niger seed. NAFED has obtained better prices through CBI from the beginning of the relationship through December 1988, the latest date by which information was collected for the evaluation.

All other exports from Indian cooperatives to the U.S. so far have been small quantities. It is premature to assess their potential of becoming major exports. What can be said is that in every instance, these represent new commodity exports for the Indian cooperatives to the U.S. Included in this category are psyllium husk, tea and handicrafts consisting of inlaid boxes.

* NAFED Annual Report, 1986-87.

5. CBI efforts in India have led to little change in the business sophistication and capability of cooperatives to participate in international trade. There has been substantial change in selected cooperatives in Indonesia.

The primary exporter in India involved with CBI thus far has been NAFED, and it exported to the U.S. prior to its involvement with CBI. However, according to interviews with NAFED officials, NAFED has learned about new aspects of international trade as a result of its involvement with CBI. For one, NAFED has learned there is a price advantage to selling in the spot market as opposed to the forward market. For another, NAFED has learned that capture of a substantial share of the market can help stabilize prices, and avoid major price swings. The State Trading Corporation, CBI's newest trading partner, has a long history of exporting commodities, but it too is learning about the advantages of the U.S. spot market according to CBI officials.

By contrast, the three Indonesian cooperatives involved in shrimp, Chippendale furniture and vanilla have each become more capable and adept at international trade due to inputs provided by NCBA and CBI. The shrimp cooperative benefited from the NCBA cooperative development effort that taught farmers how to use semi-intensive farming methods instead of traditional ones, and helped them establish a shrimp auction facility to get better domestic prices. With substantial shrimp harvests, the shrimp cooperative leased a facility to begin processing their own shrimp, particularly for export to a CBI-identified Japanese cooperative. CBI has played a major role in getting the factory operational and efficient, including its design, implementation, and management and quality control systems. The regional cooperative involved in the Chippendale furniture factory (Puspeta Klaten) owes its very existence to NCBA as it was created and strengthened under a cooperative development project. Under that project, expatriate assistance in management, planning, systems design and quality control is provided. CBI has arranged for the overseas sales of the furniture produced. Export sales of furniture have increased each year from 1985 to 1988 (see Exhibit 4). As a result of this growth, a new, considerably larger furniture factory is being built and two new lines of furniture are to be added. The vanilla cooperative benefitted from

cultivation of improved quality whole vanilla beans under NCBA activities. The impetus for the effort came from a request from the Indonesian Ministry of Cooperatives through AID to NCBA to help a failing industry. CBI has been able to obtain higher prices for the improved whole beans.

6. U.S. cooperatives are more interested in and willing to engage in international trade as a result of CBI's activities.

Cooperatives in the U.S. do not have a tradition of international trade. For the most part, U.S. cooperatives have left the export of commodities produced by their members to large international dealers (e.g., Cargill, Bunge, etc.) and have focused on the domestic market for both sales and purchases. A notable exception was the creation of the Farmer's Export Company, the export trading company created by a group of agricultural cooperatives. Established in the mid-70's, that venture failed by the early 80's. This reinforced the reluctance of many U.S. cooperatives to engage in international trade.

CBI has played an important role in providing some U.S. cooperatives with positive experiences in international markets. Universal Cooperatives, for example, initially felt that their involvement with CBI would be limited to the single commodity of niger seed. Today, Universal, through CBI, has become involved in psyllium husk, basmati rice, and jute, and there are good prospects for other items such as cashews. Similarly, Land O' Lakes now has more positive views about overseas activities, partly as a result of its sale of 11,000 head of cattle to Indonesia as of December 1988, constituting the largest export of U.S. cows ever.

7. CBI activities have the potential to increase competition and improve the prices paid for selected commodities.

CBI, working with Universal Cooperatives, substantially increased the U.S. price for niger seed from NAFED in India. As CBI and Universal each get a small percentage of the total price, most of the increased revenue went to NAFED. At the time trade began and until recently, NAFED was the only organization permitted to export niger seed by the Indian government. With the success obtained by NAFED in the U.S. niger seed market, the Indian government dropped the restriction, which permitted anyone to sell niger

seed. Because competition has increased among sellers, prices have fallen. As CBI-Universal handle over 50 percent of the U.S. market in niger seed, they should be able to withstand the recent depressed market conditions. Although this is the only example to date, CBI's plans with respect to jute could well have similar results.

8. CBI activities have had little or no effects on women in India but more substantial effects on women in Indonesia

In India, little trade involving CBI has taken place except for niger seed, and no structural changes favoring women have occurred in niger seed cultivation, processing or marketing which could plausibly be attributed to CBI. Not yet achieved, but under negotiation, is the export of cashews from the cashew cooperative, CAPEX, located in Kerala State. Cashews are processed manually in factories almost entirely by females, with mothers passing on the skill of cracking the shells without breaking the nuts to their daughters. As most cashews produced in India are already exported, any trade involving CBI would replace trade previously conducted with private Indian traders, and therefore, is unlikely to create new jobs or otherwise have a direct impact on women unless CBI's program is specifically directed toward this objective.

Interesting, but certainly not attributable in any way to CBI, is the fact that women in India are more likely to be in management or supervisory positions in the cooperative movement than they are in Indonesia. The Chairperson of the Board of NAFIC, for example, is a woman, and the top aide to the director of the National Dairy Development Board is a woman. In Indonesia, no woman was identified in a senior position in any of the cooperatives or businesses with which CBI has worked.

CBI has, however, provided economic benefits to many women in Indonesia. For example, more than 90 percent of the workers processing shrimp and straw mushrooms for export are women. Their employment largely reflects the traditional association of women with food processing in Indonesia and worldwide, but the volume of exports in these areas has increased due to CBI (i.e., trade creation) and thus the number of women employed has increased as well.

Even more clear are the benefits to women at the furniture factory. When Indonesian exports involve non-traditional industries, females typically comprise only a small portion of the workforce. The furniture factory which has produced Chippendale reproductions and is beginning to produce rattan and teak designer furniture is expected to employ about 140 women. This would constitute about 20 percent of the workforce. Their activities have and will focus largely on furniture finishing.

Benefits to women in Indonesia as a result of CBI-related trade not only include new job opportunities in export manufacturing, but also the likelihood of higher wages than could be earned in alternative occupations available to women (ICRW, 1987). Furthermore, the three factories in which women work (shrimp, straw mushrooms, and furniture) probably provide better working conditions than are generally available in Indonesian industry. In the new furniture factory, the air will be cleaner than in the old factory because exhaust fans have been installed to extract dust and wood particles from the air which are created in the manufacture of the furniture. In addition, workers in the new furniture factory will be provided with lunch.

According to ICRW (1987), women themselves tend to value jobs in export manufacturing. Because the jobs are higher paying, they enable women to have greater economic independence, contribute more to family support, and to delay marriage and childbearing.

In Indonesia, women typically are at a disadvantage relative to men in the formal job market and the workplace. While a variety of factors contribute to this outcome, education is particularly important. Low levels of education restrict the kinds of jobs available to women. In Indonesia, there are more males than females at every educational level, except the lowest, and the difference becomes greater the higher the educational level. Furthermore, education for females typically emphasizes homemaking skills. Even Department of Labor skills training largely involves traditional female activities like food processing (World Bank, 1985). Lack of appropriate education was cited by the World Bank report as the primary factor accounting for only a small number of women in management positions in Indonesian cooperatives. Limited education also hampers women in obtaining management positions in other private companies. In a different

context, but indicative of the limited management role of women in Indonesia, only 52 of 1,377 senior public service positions (not quite four percent) were occupied by women in 1980. In India, women are generally better educated and are more likely to work in professional positions such as doctors and engineers.

Women working in export manufacturing in Indonesia are likely to be young, new entrants to the work force who are in most cases single and childless. On the surface, it appears to be positive that such young women are provided with an early opportunity to obtain a better paying job than traditionally available. The extent of the apparent benefit to women is, however, constrained by two factors. For one, the emphasis on a youthful work force in export manufacturing may mean that the improvement in women's economic position is only short-term. For the other, most export-related jobs are unskilled or semi-skilled and involve repetitive and monotonous work (e.g., cleaning shrimp, sorting mushrooms, staining furniture). Such jobs can be learned quickly. Neither acceptable performance nor seniority is likely to lead to any increase in income. Thus, while there has been some improvement in the immediate economic condition of women working in export manufacturing due primarily to CBI-generated trade in Indonesia, much more could and should be done.

In this regard, it should be noted that CBI is primarily a for-profit trading company (rather than a development organization), and no mention was made in the AID-CBI Cooperative Agreement about improving the economic circumstances of women. WID issues have not been a primary concern of CBI to date. However, it is possible for CBI/NCBA to encourage a variety of actions that could improve the economic circumstances of women in the businesses with which they already working. Such actions include: improving working conditions, developing performance review systems that provide the basis for pay increases, arranging for skills and management training programs, and developing career ladders that include promotion into supervisory and management positions.

9. The environmental impact of CBI-related trade activities has been negligible thus far.

Given the nature of commodities and products traded with Indonesia and India so far, there has been virtually no negative environmental impact. One concern often voiced about the environment is the depletion of important natural resources without replacement. This concern might be important for two export products. One is the use of mahogany for Chippendale reproductions. Thus far, mahogany has been gathered when public works projects fell such trees along the roadways, most of which were planted there by the Dutch. No mahogany has been removed from forests. CBI's involvement with tuna only extended to the provision of U.S. boats and crews to fish Indonesian waters, and the subsequent sale of the catch to a private Indonesian company. Since early 1988, that company has made local arrangements, and CBI is no longer involved. The extent to which tuna is overfished is unknown.

A different type of environmental concern might be raised as a result of CBI's sale of Indonesian urea to the People's Republic of China. Urea is an ingredient in fertilizer. An argument could be made that while fertilizer increases yield, it may have negative impacts on the land where it is used or on the consumers of the crops grown on that land. Potential adverse impacts have not been clearly identified, however, and urea is commonly used in fertilizer.

By contrast, the arrangements to begin importing jute from India, and the early imports of jute from Bangladesh, can have a positive impact on the environment. As jute is a natural fiber used for burlap, it is biodegradable, unlike the plastic synthetic that is often used in its place. If CBI can stabilize the jute market and create a reliable, quality supply, they may contribute to greater use of jute and reduced use of the synthetic. This environmental consideration is one feature of CBI's marketing strategy for jute.

10. CBI has contributed to job creation and raised incomes in Indonesia.

CBI was not only successful in promoting trade with Indonesian businesses and cooperatives, but also in contributing to job creation and income increases for local workers. The Shrimp Farmers Cooperative leases processing facilities that employ 140 workers. With the construction of a new factory, furniture will be expanded from Chippendale reproductions to rattan and teak. With the factory virtually complete, furniture production is expected to employ 700 workers. When rattan and teak furniture production are on line, an estimated 300 additional workers will be involved in gathering, initial processing and shipping of the raw materials from outer islands to Java. The creation of the breeding station as part of the dairy joint venture has provided employment for 700 workers. Finally, the mushroom processing plant is now successfully exporting to the U.S. and employs 325 workers. Prior to targetting straw mushrooms, the factory tried a variety of other foodstuffs, but with little success. Total jobs available at all of these sites is equal to 1,865, not counting the secondary level of 300 jobs to be created by the demand for raw inputs for furniture production. Furthermore, incomes of 3,000-4,000 small vanilla growers in Bali have been directly helped by the creation and cultivation of quality vanilla beans. As a result of CBI success in overseas sales of quality whole beans, other growers in Bali have copied the cultivation techniques and other traders have arranged for overseas sales.

D. Compliance with the Cooperative Agreement

Four objectives were specified in the cooperative agreement that was instrumental in making the CBI concept a reality. These objectives were to: 1) stimulate foreign trade involving LDC cooperatives; 2) increase the economic viability of cooperatives in the LDCs by directing them toward beneficial trade relationships with international buyers and sellers; 3) increase the number of cooperative-to-cooperative relationships across national borders; and 4) increase the level of knowledge and business sophistication within LDC cooperatives. CBI has met the first two objectives, and to a lesser extent the third objective. CBI has only had minimal success, however, in meeting the fourth objective. In this regard, CBI did not conduct the special workshops or

seminars, create a trade information system or put together and manage a trade show which were specified in the cooperative agreement with AID. Details regarding CBI's performance relative to each of the four objectives are provided below.

1. Stimulate Foreign Trade with LDC Cooperatives

CBI has promoted trade involving eight LDC cooperatives. CBI's primary success in India has been with the apex agricultural cooperative, NAFED, and its export of niger seed to the U.S. CBI now serves as NAFED's exclusive partner for arranging niger seed exports. CBI trade activities with three cooperatives are of particular note in Indonesia. CBI has enabled the shrimp cooperative and the furniture factory, partly owned by a cooperative, to enter the international trade arena. Through NCBA's program to promote product improvement, CBI has negotiated sales of whole vanilla beans from a Bali cooperative to a variety of U.S. buyers.

2. Increase Economic Viability of LDC Cooperatives

International trade through CBI has been beneficial to the LDC cooperatives involved. While NAFED was previously exporting niger seed to the U.S. using Indian traders, through its relationship with CBI and the U.S. cooperative, Universal, NAFED has benefitted from higher U.S. prices paid for niger seed and a larger share of the U.S. market, now estimated at over 50 percent. As a function of international sales, a shrimp cooperative in Indonesia has generated substantial income for its members which have been largely used to continue to update and improve shrimp cultivation and processing.

Chippendale reproduction furniture sales overseas have increased each year since the Government of Indonesia and NCBA created a furniture company which began to make productive use of facilities of a defunct rice mill. According to the CBI/NCBA representative in Indonesia, the success of CBI-generated sales of high value-added period reproductions contributed in part to the Indonesian Government's recent decision to eliminate the export of rattan in 1989. Instead, a rattan and teak furniture factory is being established

in-country, to be housed in a new facility along with the Chippendale furniture operation.*

Before NCBA led a successful effort to improve the quality of vanilla beans in Indonesia, international sales were limited to cut beans which were used for blending with beans from other countries, notably Madagascar. The preeminent world supplier of quality whole vanilla beans was Madagascar. With a significantly improved product, Indonesia is in a better position to compete with Madagascar by offering high quality whole beans. CBI has successfully arranged for sales of Indonesian whole beans to U.S. buyers who previously purchased whole beans exclusively from Madagascar. These breaks with traditional sources help pave the way for future sales.

3. Increase the Number of Cooperative-to-Cooperative Relationships

While CBI has established trading relationships between LDC cooperatives and cooperatives in advanced nations, the number of such relationships has been limited thus far. In India, trade has been primarily between one Indian cooperative, NAFED, and one U.S. cooperative, Universal. In addition, CBI has arranged a one-time sale of a commodity from a U.S. company with U.S. cooperative ownership of 25 percent (Toepfer) to the National Dairy Development Board, created to promote dairy cooperatives throughout India. Minor trade has occurred between another Indian cooperative, NAFIC, and another U.S. cooperative, Frontier Herbs.

In Indonesia, the shrimp cooperative sells to a Japanese cooperative. To date international sales of furniture and vanilla from Indonesia have involved other private buyers, not cooperatives. One additional

* As Indonesia is a major world source of rattan, the Philippines, which used to be a major buyer of Indonesian rattan and a major producer of rattan furniture will be unable to acquire sufficient raw product to produce at the same level. Indonesia can build upon the furniture factory skills acquired with Chippendale, extend them to rattan and teak, and take advantage of reduced production of rattan furniture by other countries, notably the Philippines. The same cooperative that is both an owner and has a contract to manage the Chippendale operation will serve the same two roles for the newly created rattan and teak company. All other owners of the new company are cooperatives.

cooperative-to-cooperative relationship has been established in Indonesia. It began with the export of dairy cows from Land O' Lakes, a U.S. cooperative, to an Indonesian private business. This firm in turn has sold the cows to a joint venture which includes minority ownership by Land O' Lakes and a local cooperative group. The major owner of the joint venture, at 50 percent, is another Indonesian business.

In addition to trade that has involved LDC cooperatives in India and Indonesia and cooperatives in advanced countries, CBI promotes other cooperative involvement. In India, CBI is promoting a U.S. and Indian cooperative joint venture aimed at engaging in mutually beneficial trade. In Indonesia, CBI has been instrumental in helping to establish a foundation to promote local cooperative development leading to international trade along with the simultaneous creation of an exposition center to display actual and potential Indonesian cooperative exports.

4. Improve Business Sophistication of LDC Cooperatives

In Indonesia, CBI has worked with regional or local cooperatives which have been modest in size. By contrast, in India, CBI has worked primarily with national, apex cooperatives which are very large, and with the NDDB which is quite large as well.

In Indonesia, CBI has improved the business acumen and international trade expertise of the shrimp cooperative, the cooperative that manages the furniture company, and the vanilla cooperative through its marketing efforts. In addition, CBI helped the shrimp cooperative establish a shrimp processing factory which has involved the provision of substantial technical assistance regarding staffing, equipment, operational procedures and management systems.

In India, NDDB has benefited from the strong cooperative movement in the country and from 25 years of NCBA development assistance. Thus far CBI's involvement with NDDB has been limited to arranging the sale of U.S. soybean oil to them. This has had little impact on NDDB's ability to trade internationally. CBI has, however, provided insights to a cooperative that

has previously engaged in international trade as cited by executives of the cooperative. Most importantly, NAFED learned that they can increase their return by selling on the spot, not the forward, market.

According to the Cooperative Agreement, CBI was to engage in a variety of other activities which it was believed would improve business skills of LDC cooperatives. These activities included the provision of workshops and seminars, the development of a trade information service, and the conduct of a major trade show. CBI performance with respect to each of these is as follows:

Workshops and Seminars -- No workshops or seminars especially designed for LDC cooperatives have been held by CBI. However, presentations by CBI officials about CBI activities have been made at annual International Cooperative Alliance (ICA) meetings to promote cooperative-to-cooperative trade, and at NCBA meetings to encourage U.S. cooperatives to become involved in international trade.

Trade Information Service -- No generalized trade information service has been created. As originally conceived, the trade information system was to consist of the identification of commodities and products produced by LDC cooperatives which could be purchased by U.S. cooperatives. Substantial effort and allocation of resources would have been required to obtain the desired information. Since the interest in international trade by U.S. cooperatives was low, potential returns from such a research tool would have been distant at best, and as such, CBI decided to abandon the effort. Current plans call for a country level trade information system to complement the foundation and exposition center that has been newly established in Indonesia.

Trade Show -- CBI engaged in substantial preparation for a major trade show to be held in San Francisco in 1986. The trade show was intended to attract attention to CBI by cooperatives around the world and help CBI develop new cooperative linkages. While substantial interest in such a trade show was expressed by cooperatives abroad, particularly at ICA meetings, there was little interest expressed by U.S. cooperatives. CBI dropped the idea to avoid potential embarrassment by limited involvement of U.S. cooperatives and to maintain its good will with foreign cooperatives.

Instead of concentrating on these three types of activities, CBI focused on generating international, two-way trade with cooperatives and other businesses in order to generate income to support its operations and thereby sustain its existence.

E. Sustainability and Prospects for the Future

1. CBI has taken a variety of actions which have been instrumental in assuring its sustainability.

CBI has matured greatly over its four years of existence. Efforts have been made to focus its activities in the most appropriate countries (India and Indonesia), instead of worldwide; time has been spent ascertaining the most appropriate "niche" products for CBI to promote; and a large amount of business acumen has been developed within CBI management in the areas of international marketing and general business planning.

At the field level CBI is also attempting to broaden its base of support. In India efforts are being made to establish an India-U.S. Cooperative Business Organization. To be operated by CBI under a management contract, this organization will be designed to promote trade and investment among its cooperative membership. A major step in the establishment of this organization was the recent trade delegation of senior U.S. cooperative representatives to India headed by CBI.

In Indonesia, CBI has actively promoted the creation of a similar organization — the Indonesian Trade and Enterprise Development Foundation. This foundation, involving CBI, the Indonesian private sector, and Indonesian cooperatives, will promote trade, finance joint ventures, and take positions on commodities. Along with this foundation, an export promotion facility is being jointly developed by CBI, Inkud (the national apex organization of cooperatives), and the Indonesian Cooperative Business Board. With initial funding of about \$17,000 and government-donated office space, "Expo" will promote products donated by the Indonesian Cooperative Development Board.

Longer-term plans call for the development of a Cooperative Information Trade Center in Indonesia. This center would be started after Expo begins functioning, and would provide marketing information relevant to domestic exporters. It would be funded initially by the foundation.

Lastly, CBI/Washington has promoted the possibility of expansion of their activities into one or two of four other Asian countries -- Thailand, Pakistan, Bangladesh, and the Philippines. They were recently awarded a \$25,000 grant from the Asia/Near East (ANE) Bureau of AID to investigate the possibilities in each of these countries. As of December 1988, the Philippines looks most promising.

2. CBI has assets that are important for its sustainability.

The sustainability of CBI can be measured in terms of four criteria that concern central staff, income, support from NCBA, and substantive trade relationships. Overall, CBI gets good marks, and it is fair to conclude that CBI has nearly succeeded in establishing the institutional capacity necessary for its sustainability. How the organization fares in terms of each criterion is described below.

Criterion (1): Knowledgeable and skilled CBI staff

According to comments made by CBI field staff, actual and potential field trading partners, and U.S. cooperative trading partners, CBI central office staff are deemed both knowledgeable and skilled. The evaluation team is in general agreement with this view.

A desire expressed by some was for special product expertise and for more time by central office staff to be devoted to market research and follow-up on potential new commodities and products. The current two key Washington staff members already are performing a wide range of activities and do not have the time to conduct additional market research.

When CBI identifies special market research needs that cannot be performed by current staff, the firm expects to hire experts to do the work. This may involve the use of consultants or NCBA staff, particularly, the director of NCBA development in the LAC region, as he has a private sector background. The use of outside resources may become particularly important given the possibility of moving the Washington-based Marketing Director to India, at least on a part-time basis in order

to generate more international trade for CBI. It should be noted that according to several interviewees follow-up in the U.S. has been improved as the new office manager is more efficient and effective than her predecessor.

Field staff in Indonesia are well qualified and effective. Field staff in India are less effective.

Criterion (2): Income equal to or greater than expenses

From 1985, when CBI began incurring expenses and generating income, through 1988, CBI has increased its revenues relative to expenses. Monies earned in 1987 will offset the projected deficit of \$22,100 in 1988.

Prospects for CBI becoming profitable are strong. CBI projections for 1989 and 1990 show profits of \$44,000 and \$74,000, respectively. These projections seem realistic based on important new and expanded opportunities for trade in India and Indonesia. (See page 13 for an analysis of CBI projections.)

Criterion (3): Pledge of NCBA support

CBI was created as a wholly-owned subsidiary of NCBA, and plans are for NCBA to continue to support its operation. The relationship between CBI and NCBA is presently being defined by NCBA in collaboration with CBI. As NCBA receives income from CBI and CBI prospects for profits are positive, NCBA can be expected to continue its support of CBI activities. Were CBI to fall on hard times, it is unclear how long NCBA would underwrite CBI expenses. That decision would likely be based on circumstances at the time and prospects for the future.

Criterion (4): Sound trade relationships in Indonesia and India

CBI has created sound trade relationships between cooperatives and other businesses in Indonesia and India and cooperatives and other businesses in the U.S. and these relationships are expected to expand because of

CBI's continued involvement. The traditional development project has as its goal the creation or strengthening of an organization or program to the point where it can continue on its own when AID funding stops. The creation of trade relationships which would continue without CBI would be counterproductive for CBI. Instead, CBI's goal has been to create and nurture trade relationships that include CBI as a vital partner. CBI has succeeded in reaching this goal. Only one trade relationship is likely to be sustainable without CBI. That relationship would involve the export of niger seed from NAFED to Universal. Even in this relationship, CBI has made important contributions. CBI has been able to convince each partner to expand their trading relationship by adding new commodities. It can do so because it understands both U.S. and Indian cooperatives and can bridge the gap between them.

Memos of Understanding (MOUs) have been signed and form the basis for multi-commodity/product trade involving CBI's key trading partners (i.e., NAFED in India, P.T. Mantrust and its subsidiaries, including the mushroom processing plant, in Indonesia, and Universal Cooperatives in the U.S.). In addition, CBI has a four percent equity position in the dairy joint venture which includes P.T. Mantrust and the U.S. cooperative, Land O' Lakes (LOL). CBI receives a flat fee on the export of all cows to Indonesia by LOL. Furthermore, single product MOUs have been executed for mushrooms and Chippendale reproduction furniture and these have provided the context for multi-year international trade.

Additional MOUs have been signed involving CBI where little or no trade has occurred to date but where the future looks promising. Such MOUs include the State Trading Corporation of India, NAFIC, TRIFED, and CAPEX in India. An expanded letter of understanding has recently been signed with CAPEX which should provide an acceptable framework for cashew exports to the U.S.

One other U.S. buyer, a Chinese food wholesaler, is worthy of mention despite the lack of a formal agreement with CBI. The company buys the straw mushrooms from Indonesia and has bought small quantities of basmati rice from India. It is likely to buy fresh snow peas from Guatemala, and baby corn from Indonesia. All of these transactions have involved or will involve CBI.

3. CBI objectives and modes of operating are clearly understood in Indonesia, but not well understood in India.

CBI has been perceived quite differently in the two countries in which it has primarily worked. In Indonesia, USAID leadership and relevant staff are keenly aware of the individual functions that CBI performs. Representatives of the cooperatives and businesses interviewed throughout Indonesia likewise appear to have a firm grasp of the role of CBI in the marketing of their products. By contrast, in India, CBI does not have a distinct image. An awareness campaign is needed so as to inform the cooperative sector in India, as well as the USAID, of what CBI has to offer. The team encountered a complaint from a cooperative that the CBI commission is too high and that they were too concerned with turning a profit. The USAID was concerned that CBI was too intertwined with CLUSA* to be considered a profit-making entity. Both of these views need to be dealt with by CBI.

4. CBI has benefitted from the positive image and established relationships of NCBA in India and Indonesia. Field operations demonstrate both strengths and weaknesses.

The nature of CBI operations necessitate strong, highly motivated field personnel. Whatever confidence and respect CBI hopes to engender in India and Indonesia will come, in large part, by way of the respective efforts of the two field offices of NCBA/CBI.

In India, CBI has gained instant credibility due to CLUSA's long history in the country. CBI has benefitted from the presence of the CLUSA representative in India. He is held in high regard by top staff in Indian cooperatives, Indian government officials, and staff at the U.S. Embassy. This high regard is due to his profound understanding of Indian culture; his pleasant demeanor; his knowledge of commodities, and Indian political and economic concerns; and his understanding of some of the more arcane issues involved in trade with India, such as local port capacity. His relationship with USAID/India personnel has been strained over the years, however. From

* Indians are not familiar with the new name of the organization, NCBA, and continue to refer to it as CLUSA.

the USAID perspective, he has not been as responsive to USAID expressed interests, views, and requirements as they deemed appropriate.

A weakness of CBI's association with CLUSA in India is the fact that Indians tend to regard CBI as another non-profit organization, like CLUSA, which is oriented toward broad developmental goals. As such there is probably not enough appreciation of CBI's need to generate income to cover its costs. The result has been delays in the development and consummation of trade deals. The lack of distinction between CLUSA and CBI is perpetuated by the CLUSA representative, who tends to be much more oriented toward the developmental aspects of his work, than the commercial part. He has been further hampered by a weak assistant manager for CBI activities. To stimulate more international trade with Indian cooperatives and businesses, CBI is considering assigning the Marketing Director to India, on at least a part-time basis.

In Indonesia, CBI has also gained instant credibility due to CLUSA/NCBA's history in the country. In contrast to India, NCBA is generally recognized as CLUSA's new name in Indonesia.

CBI has also benefitted enormously from the vigorous, business-oriented development projects pursued by the NCBA representative in Indonesia. He has instilled an entrepreneurial thrust into his cooperative development efforts. This thrust has included all but one of the specific activities that an entrepreneur is typically engaged in -- from the perception of market opportunities, to development and quality control of product, to creation and implementation of management systems and procedures, and to interaction with the public bureaucracy to facilitate development. The final crucial activity of marketing of the product and the associated response to competition is provided by CBI.

A weakness of the field operations in Indonesia is the current dependency on expatriate management of general business operations. While the furniture factory depends directly on two expatriate technicians, all of the businesses and cooperatives with which CBI deals depend on the NCBA/CBI representative's assistance in general on a broad range of issues. The

notion of expatriate assistance for furniture production and marketing is less troublesome, given the nature of the business (the sale of high value-added products to a very discerning Western clientele), than the issue of overall direction of NCBA development efforts. The NCBA representative commands much respect and authority throughout the country. Long-term sustainability of the various business activities and the CBI relationship depend upon the transfer of management to capable Indonesians.

CBI was created at a good time to benefit from recent NCBA development activities in Indonesia. Those activities were aimed at making cooperatives effective businesses. CBI added the dimension of marketing their commodities and products overseas.

Telex and FAX communication between Indonesia and India with CBI/Washington are critical for arranging deals and carrying them through. An important adjunct in Indonesia is the telephone, because it allows easy give and take in the same hook-up. Interactive communication by telephone between CBI/Washington and India is very difficult and sometimes impossible, contributing to typically lengthy negotiations to strike a deal. Prospects for improved communication between India and the U.S. are good given that implementation of a telecommunications network between the Government of India and the State of Massachusetts is in process and expected to be operational in 1989.

CHAPTER IV: CBI PERFORMANCE, LESSONS LEARNED, AND RECOMMENDATIONS

As noted in Chapter II, key AID and NCBA objectives for CBI provide a useful framework for judging CBI's performance. Chapter III describes that performance in detail from several points of view. This chapter summarizes CBI's performance in terms of the AID and NCBA objectives, and then draws lessons learned from CBI activities. The chapter concludes with a set of recommendations for AID and CBI.

A. CBI Performance

Four objectives have been identified by AID and NCBA for CBI. How CBI has fared with regard to each is described below.

1. Increase LDC exports, especially from cooperatives.

CBI has been responsible for trade creation as well as trade diversion. It has been particularly successful in promoting new exports from Indonesian entities, including cooperatives. Prospects for future trade creation by CBI in Indonesia are promising. In India, CBI has had only limited success in creating trade. Because it has worked with large apex cooperatives and other large organizations in India, the opportunities for trade creation have been fewer. A promising exception is with the recently created apex cooperative, TRIFED, with which CBI has positioned itself well. An MOU has been signed that will involve CBI in all TRIFED exports to the U.S. on an exclusive basis.

2. Promote trade between the U.S. and LDCs.

CBI has successfully promoted not only LDC exports to the U.S., but U.S. exports to LDCs. Furthermore, CBI has not only focused on working with cooperatives in the U.S. and LDCs, but on other private businesses and entities as well. In fact, CBI has worked with more businesses other than cooperatives in the U.S. and overseas than with cooperatives.

3. Improve the economic well-being of LDC populations.

CBI has had important impacts on poor populations in Indonesia. By early 1989, CBI will have contributed over 1,800 jobs in furniture, dairying, shrimp processing and mushroom processing, many of them offering better opportunities for workers than typically available. In addition to the incomes that accrue to workers from the jobs created, CBI has helped increase the income and net worth of some segments of the Indonesian population who continued in their same general lines of work. Thus, CBI helped the shrimp farmers who were members of the shrimp cooperative move from being one of the poorest groups in the local community to one of the more affluent in terms of net worth. Based on the recommendation of NCBA/CBI, the shrimp cooperative has encouraged its members to retain ownership of their land which continues to increase in value. Many other shrimp farmers sold their land to others for a lump sum and now work on the land for wages. In addition, as a result of CBI-arranged sales, the shrimp cooperative has earned profits for its members. For the period 11/87 through 12/88, profits from shrimp sales were \$400,000. Each of the 264 farmer members received \$1,750. Most farmers will use the money to purchase improved inputs to further increase shrimp production. In addition, CBI has helped revitalize a failing vanilla bean industry. CBI was first to arrange the international sale of quality whole beans from Indonesia. These command much higher prices than cut beans which are mixed with quality whole beans from other countries, notably Madagascar. Thus, the 3,000-4,000 Balinese vanilla grower families who are members of the vanilla cooperative have begun to receive better returns on whole bean sales. A larger number of vanilla grower families have benefited through the demonstration effect of growing and selling quality whole beans. The process of producing quality whole beans has been copied by other vanilla grower families in Bali. Whole beans are now being exported through others in addition to CBI.

In India, CBI has not yet had an impact on the poorer segments of society. However, it is expected that when CBI begins helping TRIFED export to the U.S. in the first half of 1989, measurable benefits will go directly to one of India's poorest groups -- those who occupy tribal lands. They will receive income from the overseas sales of minor forest products arranged by CBI which generally will be proportional to their efforts to gather and

process the products. Also a potential, but a more distant one, is exporting products from the Indian apex fish cooperative which could benefit fishermen, another typically poor group.

4. Establish CBI as a sustainable and profitable international trading company.

CBI has increased its income in its first four years of operation and significantly decreased its expenses from a second year high. While CBI projects a moderate shortfall of income relative to expenses in 1988, its net income from 1987 will offset this deficit. Furthermore, CBI projects modest profits for 1989 and 1990. Based on present and estimated opportunities, such outcomes seem quite realistic.

B. Lessons Learned

Several lessons can be drawn from CBI activities to date. Each of these is identified and briefly discussed below.

1. Marketing is a critically important ingredient in the development of business enterprises in LDCs.

Private sector development is a comparatively new area of emphasis for AID. Within this domain, AID has concentrated on policy dialogue and institution strengthening. Only recently has the marketing of commodities and products, particularly overseas, received much attention. Marketing is now considered an important component of private business development, but until the creation of CBI, it had not been part of AID-supported activities designed to strengthen cooperatives. CBI added the marketing element to traditional AID cooperative development efforts and as a result has further strengthened cooperatives.

2. Patience and hard work are required to develop cooperative-to-cooperative trading relationships and the sustainability of such relationships has yet to be proved.

When CBI was initially formed, it was expected to provide a new service to NCBA members. While CBI has been promoted among the NCBA membership, U.S. cooperatives are reluctant to engage in international trade. Most have no experience in either export or import. Even when the goods sold by U.S.

cooperatives are imported, they tend to be bought from U.S. traders. Of those U.S. cooperatives that have ventured into the international trade arena, many have had poor experiences. Most notable in this regard was the Farmer's Export Company.

Thus far, CBI has engaged in trade with three U.S. cooperatives -- Universal, Land O'Lakes and Frontier Herbs. Universal is CBI's major U.S. trading partner and the only one of the three that has been involved in the trade of more than one product or commodity. Universal's first and most substantial import is niger seed. Other products imported by Universal on a modest scale so far include psyllium husk and jute. Land O'Lakes has been involved in the sale of heifers to Indonesia and in a dairy joint venture in which it holds a minority equity position. Frontier Herbs has imported only small quantities of Indian tea to be sold to retail cooperatives and privately owned natural food stores. Each of the three cooperatives is looking forward to expanded trade relationships with CBI. A proven track record of successful trades, plus specific new trading opportunities, seem necessary to entice other U.S. cooperatives to enter into international trade.

Cooperatives in LDCs have proven easier to work with than U.S. cooperatives. In Indonesia, the cooperatives involved in international trade have been ones with which NCBA has had a development relationship. In India, NDDB has had a long development relationship with NCBA. However, CBI was successful in obtaining agreements from NAFED, NAFIC and TRIFED to engage in international trade through CBI and such trade has occurred with NAFED and NAFIC.

3. CBI is the preferred trading partner by cooperatives, but this is true only as long as CBI can deliver sales at the same level as available from other traders.

For both U.S. cooperatives and LDC cooperatives, CBI is preferred to other trading companies because of its cooperative ties. However, the relationship is primarily a business one, and CBI must be able to arrange international trades of comparable magnitude and equivalent value to those of other traders.

To this end, CBI has sought to differentiate itself from major competitors by heavy reliance on the U.S. spot market and concentration on what it considers to be "niche" products. CBI has been able to obtain 10% to 15% higher prices for its partners from the spot market than they would receive in the forward market. CBI tries to specialize in "niche" commodities and products that: (1) are typically bought and sold without involvement of the largest U.S. private sector traders like Continental Grain or Bunge; (2) are produced in significant amounts by the focal CBI countries; and (3) have suffered from volatile prices and uneven availability because of speculation by a comparatively small number of traders. Niger seed, jute and psyllium husk are examples of niche commodities.

4. Ingredients of CBI's success include: a focus on a limited number of countries; a clear organization; identification and specification of objectives; specialization in niche commodities and products; and entrepreneurial spirit with a special interest in marketing.

When CBI began operations, it had a worldwide perspective and was willing and interested in trying to establish trade with any country. After substantial expenditures exploring a wide range of opportunities involving many different countries without the generation of much trade, CBI decided to focus its activities. It chose two countries in which NCBA has been working for many years where there was already NCBA staff in-country. Those two countries were India and Indonesia. The choice has already paid off in Indonesia and appears to be on the verge of paying off in India. Thus far, trade with Indonesia has sustained CBI but there is a strong possibility of dramatic growth in India. The success of a focus on specific countries has led the ANE Bureau in AID to award a grant to CBI to explore the possibility of expanding into two additional Asian countries.

CBI now operates with a streamlined organization. It includes two professionals and one office manager in Washington and one U.S. professional and one local professional each in Indonesia and India. CBI/Washington staff generally handle the U.S. marketing and support of imports from Indonesia and India and the U.S. arrangements for the sale of U.S. goods overseas. The key staff in Indonesia and India combine development

activities under NCBA with marketing activities for CBI to promote international trade involving LDC cooperatives and other businesses. The local professional in each country works exclusively on arranging international trade deals.

CBI has identified one major long-term objective and one major short-term objective, and CBI operations are geared towards accomplishing these objectives. CBI's long-term objective is to promote substantial two-way trade between LDC and U.S. cooperatives. CBI has been successful in promoting some trade of this type. However, CBI staff feel that additional efforts are needed: (1) to develop LDC cooperatives to the point where they can reliably provide products for sale overseas, and (2) to convince other U.S. cooperatives to enter the international trade arena with CBI. CBI's short-term objective is to generate income to sustain its operations. Expecially in Indonesia, CBI seizes upon targets-of-opportunity, to arrange one-time only sales that produce more immediate income.

CBI's strategy of focusing on niche products has contributed to CBI's success. Niger seed is a niche product that has produced substantial income for CBI since 1986. Jute and psyllium husk are niche products that CBI became involved with only in 1988. Prospects for substantial sales of jute in 1989 are good given the successful initial shipment and sale of jute from the India State Trading Corporation.

The fifth important ingredient leading to successful international trade for CBI is entrepreneurial expertise and marketing interest. Key CBI Washington staff and staff in Indonesia exhibit these characteristics. Business knowledge and interest in marketing are more limited in India. As a result of field staff efforts, there has been substantial trade with Indonesia and limited trade with India.

5. Non-profit development organizations are capable of implementing innovative income generating activities.

NCBA was creative in the design and launching of CBI, a for-profit, wholly owned subsidiary, that was intended to fill a perceived gap in cooperatives'

abilities to trade internationally and by so doing, provide income to NCBA. In the past, many non-profit associations and private voluntary organizations depended on outside funding to support their activities because those activities were considered important by various segments of society. Today, monies available to support "good works" are much more limited. Even NCBA's core support grant funded by AID's FVA Office has been reduced over the years. Accordingly, NCBA and some other non-profits have begun designing and implementing concepts to generate income for the parent organization. CBI is such a creation.

With greater competition among non-profits for dwindling grant and contract monies, it is in a non-profit's self-interest to seriously explore income generating options and to try one or more that seem to be promising. For NCBA, creation of CBI to promote international trade with a particular emphasis on cooperatives was a good choice. Its activities were consistent with the organization's mission and it has proven cost-effective. Other non-profits may rightfully turn to other options. The important point is that non-profits begin considering options for income generation that go beyond traditional fund raising. By generating at least some of their income directly by their activities, non-profits will have greater control over their own programs.

Based on our analysis of CBI and its activities to date, we have developed recommendations for AID and CBI separately. These are presented below for each audience.

C. Recommendations for AID

1. AID should conduct a study of projects involving marketing.

The purpose of such a study would be to investigate marketing strategies for different products and commodities and to identify elements that have worked and others that did not. The final product of the study would be the creation of marketing models that include successful components. These could serve as guides for future projects that include marketing. As a point of departure for the study, the elements of CBI success could be tested in other situations.

2. AID should consider partial funding of the expansion of CBI activities into a maximum of four countries in three years.

Based on the record of CBI's initial four years, it is likely that a limited expansion of its operations would further AID's development objectives and be advantageous to CBI. If CBI expands into new countries, an in-country presence will be required. However, CBI does not have sufficient funds available to support such expansion. While CBI's financial projections for the immediate future are bright, they assume that CBI will continue to operate primarily in Indonesia and India. If CBI expansion to additional countries is to occur within the next five years, outside financing will be needed.

To this end, CBI, in conjunction with the NCBA, should arrange for the remainder of funding needed for expansion. Initial consideration should be given to the possibility of CBI and NCBA sharing the expense of putting a staff person in a new country. The proportion paid by each organization could be based on the amount of time to be devoted to CBI vs. NCBA activities. Additional funds may be obtainable from U.S. cooperatives, particularly those that have been involved in international trade relationships with CBI and those that have considered international trade possibilities.

Any funding from AID could come from more than one source. Two logical candidates to provide support are the ANE Bureau and the USAID in any country where CBI is considering expansion.

The PRE Bureau represents a third AID alternative. However, the PRE Bureau rarely supports any activity beyond a one-time grant.

D. Recommendations for CBI

1. CBI should expand its country-based operations, but it should go slowly and carefully.

While CBI has generated sufficient income after the PRE grant to cover the official costs of its operations through 1988, CBI has benefitted from important characteristics associated with the two primary countries with which it has traded. In both Indonesia and India, CBI has been able to

build upon solid relationships and goodwill established by NCBA and to utilize the NCBA country directors to foster CBI trade. CBI has also received various forms of subsidies which have minimized CBI expenses.

None of the four countries CBI is now exploring for possible expansion has any NCBA presence. Thus, CBI, probably jointly with NCBA, has to establish that presence and develop key contacts for potential trade opportunities.

In the process CBI must establish credibility for its activities with new potential sellers and buyers. CBI will be assisted in developing important contacts as a result of its study of the four countries under the current ANE grant. CBI will be assisted in establishing credibility by its track record involving trade so far. Use of the same U.S. partners who have been involved in trade activities with Indonesia and India in a new country may instill additional confidence on the part of buyers and sellers. However, CBI should also try to foster new trading partners so that its fortunes are not tied only to one or two U.S. cooperatives or businesses and so that trading opportunities can become realities when the major U.S. trading partners cannot pursue or are not interested in pursuing such opportunities expeditiously.

2. CBI should maintain its focus on international trade and let NCBA do program and cooperative development.

CBI must continue to concentrate its attention on promotion of international trade. CBI should not become embroiled in major development activities or its limited resources will readily become overextended, even if AID helps to support CBI expansion. The CBI strategy employed in Indonesia seems appropriate for new countries in which CBI may work. Thus, CBI should take advantage of target-of-opportunity trades to be able to generate quick income while at the same time working on developing longer-term relationships with potential trading partners who need assistance before they are in a position to effectively engage in international trade. CBI should provide assistance that directly relates to marketing, but allow NCBA to do other types of institutional strengthening and cooperative development.

3. CBI should put its Marketing Director or someone else with entrepreneurial drive and skills in India, at least on a part-time basis, to promote international trade, including exploration of known opportunities.

While the NCBA Country Director in India has excellent contacts, is very knowledgeable about the country, and is good at cooperative development, he has neither the business/marketing background nor interest to generate trade for CBI. Potential trade involving Indian cooperatives and businesses is substantial, but someone with the right background and interest must aggressively pursue trade opportunities for the potential to be realized. This may involve creation of appropriate structures (e.g., a U.S.-Indian cooperative board that could be a forum for exploring international trade opportunities). Such a board could facilitate trade and provide coordination of potential trade involving the same commodities from two or more sources. An example of the need for the latter is niger seed. NAFED's major export to the U.S. through CBI has been niger seed. TRIFED, the recently formed apex cooperative concerned with improving the quality of life for those who live on tribal lands, has identified niger seed as a potential export.

4. USAID/Indonesia should consider providing funds from additional monetization of PL 480 to the NCBA Country Director to continue development of cooperatives with a business focus. This would enable CBI to perform the marketing function for cooperatives which are at the point of producing commodities or products suitable for export. CBI has demonstrated that it can effectively do this.

The Indonesia NCBA Country Director has been very successful at developing immediate and long-term trade relationships involving cooperatives and other businesses. He should be enabled to continue to combine cooperative development and marketing. However, he should be encouraged to delegate some authority to others. He appears to prefer to retain decision-making authority whenever possible, and should his base of operations be significantly expanded, appropriate delegation of authority will become more critical. He seems to have recruited competent and capable expatriates to serve in important roles in his development projects, and he has already involved some of these expatriates in CBI activities. These same

individuals or others could be used were the development projects to expand or were new ones to be added. At the same time, he should encourage such expatriates to involve host country nationals actively in international trade activities when appropriate.

APPENDIX A

CBI SCOPE OF WORK

ARTICLE I - TITLE

Evaluation of PRE's Cooperative Agreement No.
DPE-0257-A-00-5005-00 in support of Cooperative Business
International (CBI)

Project No. 940-0012, PD&S

ARTICLE II - OBJECTIVES.

The contractor shall perform a post-project assessment of the effectiveness of Cooperative Business International (CBI) in fulfilling the objectives of the above-referenced cooperative agreement with PRE, and to assess the immediate impacts of CBI's activities.

ARTICLE III - STATEMENT OF WORK

A. AREAS OF INQUIRY

The evaluation should provide empirical findings to address the questions outlined below. The evaluation should also develop conclusions based on these findings, as well as recommendations and lessons learned which may benefit PRE management and other A.I.D. decisionmakers in working with similar projects. Modifications in this statement of work may be determined with approval of the PRE project officer.

1. Effectiveness

- a. Did the project achieve its stated objective of promoting foreign trade involving LDC cooperatives?
- b. To what extent did the project succeed in directing LDC cooperatives toward beneficial international trade relationships?
- c. What are the strengths and weaknesses of CBI's field operations in India and Indonesia? Assess the progress of these operations in shifting to a commercial focus.
- d. What procedures does CBI use for identifying trade opportunities and constructing deals? Does CBI have criteria for selecting opportunities which offer greatest impact?

- e. Has CBI proven effective in marketing its services and activities to the LDC and U.S. cooperative communities? In what ways can CBI improve its marketing?
- f. What types of support does CBI headquarters provide to its operations in the field? Is this support adequate?
- g. In what ways can CBI increase its effectiveness in expanding LDC cooperatives' access to international markets?

2. Efficiency

- a. Has the project proven cost-effective?
- b. Do alternative methods exist for promoting trade activities involving LDC cooperatives? If so, how do their costs and benefits compare with CBI's?
- c. What actions has CBI taken to broaden its base of support?

3. Impact

- a. Did project activities increase the economic viability of the target LDC cooperatives?
- b. Has the project increased relationships between LDC and developing-country cooperatives, particularly relationships involving trade activities?
- c. Have the level of business sophistication and capability to participate in trade activities of target LDC cooperatives increased as a result of the project?
- d. What types of cooperatives and businesses, LDC and U.S., have been beneficiaries of the CBI program./
- e. What unplanned effects have occurred as a result of the project?

4. Sustainability

- a. Has CBI succeeded in establishing the institutional capacity necessary for its sustainability? If so, what has been the role of the PRE cooperative agreement in establishing that capacity? If not, why not?

- b. To the extent that the project has created linkages between businesses and cooperatives in LDCs and in the U.S., do these linkages appear to be self-sustaining? Does CBI maintain procedures for follow-up with its clients?
- c. Have CBI's activities in the field resulted in increased capacity of participating LDC cooperatives to generate and sustain trade activities on their own?
- d. Does CBI have the institutional and organizational capacity to support its planned expansion of activities?

5. Cross-cutting Issues

- a. What are levels of participation by women in the LDC cooperatives targeted by the project?
- b. What, if any, have been the effects of project activities on women members of these cooperatives?
- c. Do constraints exist regarding participation of women in these activities? If so, what are these constraints?
- d. Have CBI's activities had a significant impact on the environment? If so, describe.

B. METHODS AND PROCEDURES

The evaluation team's work plan will follow the framework provided below. Modifications within this framework may be determined with the approval of the PRE project officer.

At the start of the evaluation, the evaluation team will meet with representatives of AID/W in Washington DC. At this time, the team will formulate a work plan, elaborating plans for interviews, research and report preparation. The team will also develop interview instruments to be approved by PRE prior to the team's departure for field study. Within the general groups targeted below, PRE and CBI headquarters will assist in identifying individuals appropriate for interview.

1. Preparatory Work

Prior to commencement of field study, the team will perform preparatory work in the U.S., to include the following:

- a. Review of documentation of the CBI program, including (1) periodic reporting, and (2) past evaluations of NCBA.

- b. Review of CBI's business plan, financial statements and other documentation from CBI headquarters.
- c. Interview of PRE staff involved in management of the CBI project.
- d. Interviews with AID/W country desk officers and others familiar with CBI activities.
- e. Interviews with CBI headquarters staff and field staff as may be available in Washington.
- f. Interviews with U.S. cooperatives, suppliers and customers which have participated in activities brokered by CBI.

2. Field Work

The evaluation will include travel to India and Indonesia. Two team members will spend approximately one week in India and nine days in Indonesia. To the extent possible, the team will schedule its interviews for the in-country field study prior to departure, with the assistance of CBI headquarters and PRE. AID/W and/or Mission personnel may join the team in performing portions of the field work.

Upon arrival in-country, the evaluation team will provide a briefing for interested AID Mission officers regarding the objectives and schedule of the evaluation. Mission personnel may provide additional guidance regarding selection of interview subject and schedules. The team will also offer the Mission a debriefing of its findings in each country prior to departure.

In-country interviews will include representatives of the following groups:

- a. Mission personnel familiar with CBI activities
- b. CBI field representatives
- c. LDC cooperatives and other businesses which have participated in CBI activities.

APPENDIX B

DOCUMENTS REVIEWED

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2. Cooperative Business International, Inc., Income Statements, 1986, 1987, and for Nine Months ended September 30, 1988.
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4. Job Cost Report, National Cooperative Business Association Grant No. DPE-0257-A-00-5005-00. For the Period 1/1/84-12/13/88.
5. Evaluation of the National Cooperative Business Association (NCBA) Institutional Support Grant, AID Contract No. PDC-0219-G-SS-3038-00. Prepared for Bureau for Private Enterprise by MetaMetrics, Inc., November 20, 1986.
6. National Cooperative Business Association (NCBA), 1987 Annual Report.
7. Report on Mid-Term Evaluation of the CLUSA/India Program Development and Support Grant, OPG No. 386-3024. By Russell O. Olsen and Douglas Broome, December 1984.
8. Concept Paper, Indian/U.S. Cooperative Business Organization.
9. A Report on the Oilseed Growers Cooperative Project, by the CLUSA/USAID Project Assessment Team, April 17, 1981.
10. NAFED in the Service of the Nation, National Agricultural Cooperative Marketing Federation of India, Ltd., New Delhi.
11. NAFED Annual Report, 1986-87.
12. Executive Overview of CBI activity in India.
13. Memorandum of Understanding, NAFIC Tea, NAFIC, Universal, CBI.
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18. Restructuring Edible Oil and Oilseed Production and Marketing, A Project by the National Dairy Development Board, Anand, October 1977.

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22. India: Agricultural Situation and Outlook Report, March 17, 1988. U.S. Embassy/New Delhi, Foreign Agricultural Service.
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24. Mid-Term Evaluation, Cooperative Agrobusiness Enterprise Development Project, Java, Indonesia. National Cooperative Business Association, Department of Cooperatives - Government of Indonesia, and U.S. Agency for International Development, November 1987.
25. Strengthening Pillars of Self-Reliance of the Cooperatives, Cooperative in the Fourth Five-Year Development 1983/84-1987-88. Ministry of Cooperatives, Government of Indonesia.
26. Indonesian Cooperatives, Flourishing in the Midst of Thousand Challenges, Progress Report on Cooperatives during the Third Development Cabinet, 1978-1983. Ministry of Cooperatives, Government of Indonesia.
27. Project Document for the Indonesian Enterprise and Trade Development Foundation, National Cooperative Business Association, Cooperative Business International, in conjunction with the Department of Cooperatives - Government of Indonesia.
28. Examination on the Consolidation of Central Java Puskud and Puspeta Cooperative Furniture Production Operations, A Concept Proposal Prepared by the Cooperative League of the U.S.A. and PPK Puspeta Klaten.
29. Final Report on the Status of Indonesian Cooperatives in the Spice Trade and the Further Potential of Their Development, Sponsored jointly through Cooperative Business International, Volunteers in Overseas Cooperative Development, the Indonesian Department of Cooperatives, Induk Koperasi Unit Desa. February 1987.
30. P.O. Nandi Amerta Agung, Joint Venture Agreement by and among P.T. Mantrust, Land O' Lakes International Development Corporation, Gabungan Koperasi Susu Indonesia, and Cooperative Business International.
31. Investment Climate Survey for Indonesia, United States Embassy, Jakarta, Indonesia, January 1988.
32. Project Document for Cooperative Agrobusiness Enterprise Development Project Cooperative League of the U.S.A., Department of Cooperatives, Government of Indonesia.

33. Trade and Investments Programs: Lessons Learned, Report on the Market and Technology Access Project (MTAP) Workshop No. 4, November 10, 1987.
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38. Indonesian Women and Development, World Bank, April 30, 1985.
39. Review of NCBA Activity in India, 1988.

APPENDIX C

CBI DATA COLLECTION AND ANALYSIS PLAN

Study Question

Data Source*
(who/where/how)

A. Effectiveness

1. Did the project achieve its stated objective of promoting foreign trade involving LDC cooperatives?

a. Have there been imports/exports involving CBI?

2, 3, 12

b. Would they have happened anyway?

3, 5, 7, 8, 9

c. Would they have happened as well?

3, 5, 9

Criteria

Yes = (a) = Yes + (b) = No

or (a) = Yes + (b) = Yes + (c) = No

2. To what extent did the project succeed in directing LDC cooperatives toward beneficial international trade relationships?

a. Do LDC coops have new or expanded (since 1984) international trade relationships?

2,3,5,7,8,9

b. Would they have happened anyway (i.e., without CBI)?

2,3,5,9

c. Would they have happened as well?

2,3,5,9

Yes = (a) = Yes + (b) = No

or (a) = Yes + (b) = Yes + (c) = No

3a. What are the strengths and weaknesses of CBI's field operations in India and Indonesia?

* See key on final page

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<u>Study Question</u>	<u>Data Source</u> (who/where/how)
<u>Focal Characteristics:</u>	
1. Staff:	
a. country knowledge and ties	2,3,5,9
b. business knowledge and orientation	2,3,5
c. knowledge and skills in "doing business" in the country	2,3,5,9
2. Institutional relations and good will:	
a. time in country	1,2,3
b. extent and nature of past and current organizational relationships to government, coops, etc.	1,2,3,5,9,11
c. perception of host government, business associations and coops	5,9,11
3. Business planning and analysis:	2,3,5,9,11
a. information base	2,3,5,9
b. clarity and realism of objectives	2,3,5
c. discipline and adherence to plans	2,3,5
d. responsiveness to changing conditions	
3b. Assess the progress of these operations in shifting to a commercial focus.	
1. What do they do now that has a commercial focus?	3
2. What else do they do?	3
3. How has this changed since 1984?	1,3

<u>Study Question</u>	<u>Data Source</u> <u>(who/where/how)</u>
4a. What procedures does CBI use for identifying trade opportunities and constructing deals?	2,3
Ask as is and report	
4b. Does CBI have criteria for selecting opportunities which offer greatest impact?	
a. What are CBI's criteria?	2,3
b. Do the criteria include:	
1. maximizing dollar return	
2. minimizing risk	
3. benefits to the poor	
5a. Has CBI proven effective in marketing its services and activities to the LDC and U.S. cooperative communities?	
1. To what extent has CBI targeted its market in the U.S. and LDCs?	2,3
2. To what extent is this an appropriate delimitation of potential clients (i.e., on the basis of expert judgments by CBI, coop leaders, AID, etc.)?	
a. U.S.	2,4,10
b. LDCs	3,5,8,9,11

<u>Study Question</u>	<u>Data Source</u> <u>(who/where/how)</u>	
3. Of the appropriate potential universe, what proportion are:		
a. aware that CBI exists and know what it does,	(4,10)	(5,11)
b. perceive what does CBI as relevant of use,	(4,10)	(5,11)
c. perceive CBI costs as reasonable, and	(4,10)	(5,11)
d. have used CBI services?	(4,10)	(5,11)
5b. In what ways can CBI improve its marketing?		
In view of CBI, representatives of the appropriate potential universe in U.S. and LDCs, and DA, how can CBI improve with respect to a-d above?	1,2,3,4,5,10,11	
6a. What types of support does CBI headquarters provide to its operations in the field?		
Record and interview description of support provided.	1,2,3,12	
6b. Is this support adequate?		
Judgment of CBI, NCBA and DA	1,2,3	

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<u>Study Question</u>	<u>Data Source (who/where/how)</u>
7. In what ways can CBI increase its effectiveness in expanding LDC cooperatives' access to international markets?	
Judgment of CBI, NCBA field staff, State/AID, LDC and U.S. coops, and DA	1,2,3,5,6,7,8,10

B. Efficiency

1. Has the project proven cost-effective?

Cost Variables:

a. Total cost of CBI efforts	2,3,12,14
b. AID support to CBI	12,14
c. NCBA hidden subsidies	1,3,12,14

Effectiveness Variables:

d. Total revenues and volume of trade	12,13,14,15
e. CBI revenues without AID support	12,14
f. CBI revenues from trade (may be same as b.)	12,14
g. Payments to NCBA	14
h. Intangibles:	
1. agreements for future deals made or in process	3,5,12,13
2. interest within appropriate potential target universe (see A5a) in consummating deals within foreseeable future	4,5,9,10,11,12,13

Study Question

Data Source
(who/where/how)

Calculations will be made of most combinations of C/E variables.

2a. Do alternative methods exist for promoting trade activities involving LDC cooperatives?

- | | |
|--|-----------|
| 1. To the knowledge of CBI and other organizations of coops, is there trade between U.S. and LDC coops outside CBI, and if so, what trading arrangements apart from CBI exist? | 4,5,10,11 |
| 2. What is their dollar volume? | 4,5,10,11 |
| 3. To what extent do U.S. coops export to LDCs? | 4,5,10,11 |
| 4. What arrangements do they have and how long have they had them? | 4,5,10,11 |
| 5. To what extent do coops in India and Indonesia export to U.S.? | 4,5,10,11 |
| 6. What arrangements do they have and how long have they had them? | 4,5,10,11 |

<u>Study Question</u>	<u>Data Source (who/where/how)</u>
7. To what extent are they satisfied with these arrangements and why?	4,5,10,11
8. What alternatives to CBI for promoting trade involving LDC cooperatives are perceived by AID, State and other knowledgeable individuals in the U.S., India and Indonesia?	4,5,6,7,8,9,10,11
2b. If there are other methods of promoting trade, how do their costs and benefits compare with CBI's?	
1. What are actual dollar volumes, revenues and expenses?	12,13,14,15
2. What are intangible costs and benefits as assessed by knowledgeable persons?	4,5,6,7,8,9,10, 11,12,13
3. What actions has CBI taken to broaden its base of support?	
<p>Actions taken for income generation with LDC coops, U.S. coops, and others as reflected in concept papers, other documentation, and oral reports.</p> <p>(Factors that can indicate an expanded base include countries, products/commodities, business arrangements, other U.S./LDC coops, other U.S. businesses, and financial support from AID offices outside of PRE, and other public funds.)</p>	2,3,4,5,6,7,8,9,10,11,12,13

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Study Question

Data Source
(who/where/how)

C. Impact

1. Did project activities increase the viability of the target LDC cooperatives?
 - a. What was economic/financial status of the LDC coops prior to involvement with CBI? 5,15
 - b. What is it now? 5,15
 - c. Has it improved? 5,15

2. Has the project increased relationships between U.S and developing-country cooperatives, particularly relationships involving trade activities?
 - a. Of the LDC coops with CBI relationships, what was their prior trading relationship with U.S.? 3,5,13
 - b. How has it changed due to CBI? 3,5,13

3. Have the level of business sophistication and capability to participate in trade activities of target LDC cooperatives increased as a result of the project?

Indicators of business sophistication and capability are:

<u>Study Question</u>	<u>Data Source (who/where/how)</u>
1. financial management and accounting procedures;	
2. quality control;	
3. equipment maintenance;	
4. supply of raw materials;	
5. knowledge of trade processes and regulations;	
6. storage and transportation; and	
7. business planning.	
a. What changes have there been in 1-7?	3,5,9,13
b. Are changes consistent with accepted management practice?	
c. How has CBI been associated with the changes?	3,5
4. What types of cooperatives and businesses, LDC and U.S., have been beneficiaries of the CBI program?	
Typologize types that have interacted with CBI and benefitted on the basis of answers to previous questions.	2,3,4,5
5. What unplanned effects have occurred as a result of the project?	
a. Have there been outcomes that were unexpected?	1-15
b. What were they?	1-15

Data Source
(who/where/how)

Study Question

D. Sustainability

1a. Has CBI succeeded in establishing the institutional capacity necessary for its sustainability?

Criteria:

- | | |
|--|----------|
| 1. knowledgeable and skilled CBI central staff | 1,2,3,4 |
| 2. income is equal to or greater than expenses | 14 |
| 3. pledge of continuous support from NCBA | 1 |
| 4. plausible plans for maintaining/expanding operations | 2,3 |
| 5. sound contacts and good CBI image exists in key LDC countries | 3,5,9,11 |

1b. If the necessary capacity in CBI exists, what has been the role of the PRE cooperative agreement in establishing that capacity? If not, why not?

- | | |
|--|-------|
| 1. In the view of CBI, NCBA, and DA, would the answer to D1a have been "yes" anyway? | 1,2,3 |
| 2. How might answers to D1a been different without PRE? | 1,2,3 |

2a. To the extent that the project has created linkages between businesses and cooperatives in LDCs and in the U.S., do these linkages appear to be self-sustaining?

Data Source
(who/where/how)

Study Question

- | | |
|---|-----------------------|
| 1. Are there formal agreements between LDC coops and U.S. businesses and coops (with or without CBI) which will carry into the future? | 2,3,4,5,9,10,11,12,13 |
| 2. Are there informal agreements that seem solid and substantive? | 2,3,4,5,9,10,11 |
| 2b. Does CBI maintain procedures for follow-up with its clients? | |
| How does CBI follow-up after deals to get repeat business? | 2,3,4,5,10,11 |
| 3. Have CBI's activities in the field resulted in increased capacity of participating LDC cooperatives to generate and sustain trade activities on their own? | |
| Same indicators as C3 plus marketing (which is not in C3 because it is in CBI's interest to do it for them.) | 3,4,5 |
| 4. Does CBI have the institutional and organizational capacity to support its planned expansion of activities? | |
| a. On basis of D1a criteria, in DA's judgment can CBI handle expansion? | 2,3 |
| b. What are potential problems to be avoided or necessary conditions to be met? | 2,3,10,11 |

Data Source
(who/where/how)

Study Question

E. Cross-Cutting Issues

1. What are levels of participation by women in the LDC cooperatives targeted by the project?

Ask as is and report.

2,3,4

2. What, if any, have been the effects of project activities on women members of these cooperatives?

Ask as is and report.

2,3,4

3. Do constraints exist regarding participation of women in these activities? If so, what are these constraints?

Ask as is and report.

2,3,4

Study Question

Data Source
(who/where/how)

4. Have CBI's activities had a significant impact on the environment? If so, please describe.

Ask as is and report.

2,3,4,5,9,12

DATA SOURCES

Interviews with

1. NCBA Central Staff
2. CBI Central Staff
3. CBI/NCBA Field Staff
4. U.S. Coops Staff
5. LDC Coops Staff
6. AID/W
7. USAID
8. Embassy (commercial attache/trade representative)
9. Host government
10. U.S. coop associations/service organizations
11. LDC coop/business associations/federations

Documents

12. Reports, correspondence, agreements - CBI/NCBA
13. Reports, correspondence, agreements - LDC coops
14. Financial statements/records - CBI
15. Financial statements/records - LDC coops

APPENDIX D

PERSONNEL INTERVIEWED

India

1. Thomas Carter, Representative in India, NCBA/CBI.
2. R. Venkatesan, Financial Management Specialist, NCBA/CBI, New Delhi.
3. Patricia M. Haslach, Agricultural Attache, Foreign Agricultural Service, USDA, American Embassy, New Delhi.
4. Douglas A. Hartwick, Economist, U.S. Embassy, New Delhi.
5. S.S. Dawra, Managing Director, National Agricultural Cooperative Marketing Federation of India, Ltd., (NAFED), New Delhi.
6. S.K. Iyer, Additional Managing Director, NAFED, New Delhi.
7. S.C. Singhal, General Manager, Horticulture and Export Promotion, NAFED, New Delhi.
8. S.K. Chauhan, Managing Director, The Tribal Cooperative Marketing Development Federation of India, Ltd., (TRIFED), New Delhi.
9. N. Balakrishnan Nair, Managing Director, Kerala State Cashew Workers Apex Industrial Cooperative Society, Ltd. (CAPEX), Mundakkal West Quilon.
10. P.G.S. Nayar, Consultant, CAPEX, Soma Vilas, Trivandrum.
11. V. Rajaram, Finance Manager, CAPEX, Quilon.
12. K.P. Cheriyan, General Manager, Kerela State Cooperative Federation for Fisheries Development, Matsyafed, Trivandrum.
13. P.A. Sharafudheen, Managing Director, Kerela State Cashew Development Corporation, Kerela.
14. V. Kurien, Chairman, National Dairy Development Board, Anand.
15. Amrita Patel, DVM, National Dairy Development Board, Anand.
16. S.P. Mital, Manager, Manpower Development, National Dairy Development Board, Anand.
17. Ravindra J. Vaishnav, Sr. Public Relations Officer, Kaira District Cooperative Milk Producer's Union Limited, Anand.
18. Mr. Desai, Plant Manager, Anand Regional Cooperative Oilseeds Growers' Union, Ltd., Anand.
19. Shri S.K. Kalia, Executive, PM & E, Anand Regional Cooperative Oilseeds Growers' Union, Ltd., Anand.

20. S.P. Agarwal, General Manager, Project Finance and Management Services (PF & MS), National Dairy Development Board, Anand.
21. S.K. Bhatnagar, Deputy Manager, Marketing and Foreign Trade, The National Federation of Industrial Cooperative, Ltd., (NAFIC), New Delhi.
22. H.R. Verma, Managing Director, NAFIC, New Delhi.
23. Robert Bakely, Mission Director, USAID/New Delhi.
24. Chris Crowley, Program Officer, USAID/New Delhi.
25. John Grant, Evaluation Officer, USAID/New Delhi.
26. Michael Snyder, Contract Officer, USAID/New Delhi.
27. Ronald Ulrick, Food for Peace Officer, USAID/New Delhi.
28. Dale Pfliefer, Deputy Mission Director, USAID/New Delhi.
29. P.S. Aurora, Food for Peace Office, USAID/New Delhi.

Indonesia

30. Samuel Filiaci, Representative in Indonesia, NCBA/CBI.
31. Shidiq Moeslim, Representative in Jakarta, CBI.
32. Yahya Surianagara, Chairman V-P, INKUD, National Apex Organization of Cooperatives.
33. Muslimin Nasution, Director General, Agency for Cooperative Research and Development, Ministry of Cooperatives.
34. Hardi Gianto, PhD, Director, Cooperative Industry and Rural Electrification, Ministry of Cooperatives.
35. Mr. Toto, General Manager, P.T. Tuwuh Agung, (Mushroom Processing Plant).
36. Mr. Fitriadi, General Manager, P.T. Alis Jaya Chippendale, under management contract with Puspeta Klaten.
37. James Tenbrink, NCBA Advisor, International Marketing and Communication, P.T. Alis Jaya Chippendale.
38. Shawn Harrington, NCBA Advisor, Production and Personnel Relations, P.T. Alis Jaya Chippendale.
39. Leroy Koppendrayer, General Manager, NANDI Amerta Agung Dairy Farm (Joint venture of Land O'Lakes, P.T. Mantrust, CBI, and Indonesian cooperatives.)
40. Olan Sebastain, Assistant Manager, NANDI Amerta Agung Dairy Farm.

41. Djoko Setyono, General Manager, Indonesian Coop Shrimp, Koperasi Tani Tambak Kaliarjo.
42. Sindu Mertha, General Manager, Puskud Dwipi Bali, Denpasar.
43. David Merrill, Mission Director, USAID/Indonesia.
44. Gordan West, Private Enterprise Officer, USAID/Indonesia.
45. David Nelson, Voluntary and Humanitarian Programs, USAID/Indonesia.

AID/W

46. Clifton G. Barton, PhD, Industry Advisor and Project Director of Market Technology Access Project (MTAP), S&T/RID.
47. Ronald Bobel, Private Sector Office, ANE Bureau.
48. Christopher Russell, Deputy Assistant Administrator, PRE Bureau.
49. Paul Bisek, Coordinator for Cooperative Development, Office of Private and Voluntary Cooperation, FVA Bureau.
50. Russell Anderson, Director, Office of Project Development, PRE Bureau.
51. Karen Anderson, Consultant in Evaluation, Office of Development Planning, PRE Bureau. Under contract with Washington Consulting Group.
52. Michael Unger, Director, Office of Development Planning, PRE Bureau.
53. Tulin Akin Pulley, Women in Development Office, PPC Bureau.

CBI/NCBA, Washington

54. Leonard Yeager, Vice President and Chief Operating Officer, Cooperative Business International.
55. Sultan Reza, Director of Marketing, Cooperative Business International.
56. Richard M. Wesling, Controller, National Cooperative Business Association.
57. Weldon Blanton, Assistant to the President of International Programs, National Cooperative Business Association.
58. Peter Bittner, Regional Director for Latin America and Caribbean, National Cooperative Business Association.

U.S. Cooperatives

59. Richard Stewart, General Manager, Frontier Herbs.
60. Vern Freeh, Vice President, Public and International Affairs, Land O'Lakes.
61. H. Lee Schatz, Director, International Development Operations, Land O'Lakes.
62. Loyal Leitgen, Director, Import Office, Universal Cooperatives.
63. Deborah Howard, Import Sales Manager, Import Office, Universal Cooperatives.
64. Al Dukrup, Vice President, Farm and Home Division, Universal Cooperatives.
65. Pat Fineley, President, Universal Cooperatives.

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