

I. PROJECT IDENTIFICATION 135-1

1. PROJECT TITLE Regional Organizations Development:  
 Africa Cooperative Savings and Credit Association/Directed  
 Agricultural Production Credit (ACOSCA/DAPC)

APPENDIX ATTACHED  
 YES  NO 41P  
 2. PROJECT NO. (G.O. 1025-1)  
 698-11-995-154

3. RECIPIENT (specify)  
 COUNTRY \_\_\_\_\_  
 REGIONAL Africa  INTERREGIONAL \_\_\_\_\_

4. LIFE OF PROJECT  
 BEGINS FY 74  
 ENDS FY 78

5. SUBMISSION  
 ORIGINAL \_\_\_\_\_ DATE \_\_\_\_\_  
 REV. NO. \_\_\_\_\_ DATE \_\_\_\_\_  
 CONTR. (PASA NO.) \_\_\_\_\_

II. FUNDING (USD) AND MAN MONTHS (MM) REQUIREMENTS

A. FUNDING BY FISCAL YEAR	B. TOTAL \$	C. PERSONNEL		D. PARTICIPANTS		E. COMMODITIES \$	F. OTHER COSTS \$	G. PASA/CONTR.		H. LOCAL EXCHANGE CURRENCY RATE: \$ US (U.S. DOLLAR)		
		(1) \$	(2) MM	(1) \$	(2) MM			(1) \$	(2) MM	(1) U.S. GRANT LOAN	(2) COOP COUNTRY	
										(A) JOINT	(B) BUDGET	
1. PRIOR THRU ACTUAL FY												150
2. OPRN FY <u>74</u>	434					26	132	276	58			
3. BUDGET FY <u>75</u>	368						138	230	58			150
4. BUDGET +1 FY <u>76</u>	316						99	217	58			150
5. BUDGET +2 FY <u>77</u>	92						18	74	12			150
6. BUDGET +3 FY <u>78</u>	96						18	78	12			150
7. ALL SUBQ. FY												
8. GRAND TOTAL	1,306					26	405	875	188			750

9. OTHER DONOR CONTRIBUTIONS

(A) NAME OF DONOR	(B) KIND OF GOODS/SERVICES	(C) AMOUNT
CIDA, KAF, CRS, DLF, MISERIOR - WOCU	Personnel Training Center and Supplies	\$2.7 Million

III. ORIGINATING OFFICE CLEARANCE

1. DRAFTER Jack Walker/Murray Mould, AFR/NARA	TITLE Agricultural Officer/ Project Officer	DATE
2. CLEARANCE OFFICER E. Dennis Conroy	TITLE Director, AFR/NARA	DATE

IV. PROJECT AUTHORIZATION

1. CONDITIONS OF APPROVAL

2. CLEARANCES

BUR OFF.	SIGNATURE	DATE	BUR OFF.	SIGNATURE	DATE
AFR/NARA	J. Kraus/J. Beard	6/27/74	AFR/DP	R. Huesman	6/27/74
AFR/NARA	B. Allen	6/27/74	DAA/AFR	D. Brown	6/27/74
AFR/DS	G. Adams	6/27/74			

3. APPROVAL AAS OR OFFICE DIRECTORS SIGNATURE: <u>Samuel Adams</u> TITLE: Assistant Administrator, Bureau for Africa	DATE: <u>27 June 74</u>	4. APPROVAL AID (G.O. 1025-1) WITH SIGNATURE: _____ TITLE: _____	DATE: _____
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TABLE OF CONTENTS

	<u>Page</u>
I. <u>INTRODUCTION</u>	4
A. Purpose	
B. Funding - All Sources	
II. <u>PROJECT DESCRIPTION AND RATIONALE</u>	5
A. History and Status of Project	
1. Setting	
2. ACOSCA	
3. The Role of A.I.D.	
4. Accomplishments to Date	
B. Rationale and Description	8
1. Credit Union League Needs for Continuing Assistance	
2. The Role of ACOSCA	
a) ACOSCA Development Program	
(1) Promotional and Technical Assistance	
(2) Directed Agricultural Production Credit	
(3) Financial Inputs	
(4) Training	
3. Rationale for Continuing A.I.D. Regional Grant Assistance	11
a) General	
b) ACOSCA as a Vehicle for Regional Assistance	
c) Technical Personnel	
(1) Regional Technician	
(2) Country Technicians	
d) The Role of Major Donor Agencies	
e) Credit Union Relationships to National Government and Related Agencies	
III. <u>PROJECT GOAL</u>	15
A. Statement of Goal	
B. Measurement of Goal Achievement	
C. Basic Assumptions of Goal Achievement	
IV. <u>PROJECT PURPOSE</u>	16
A. Statement of Purpose	
B. Conditions Expected at End of Project	
C. Basic Assumptions for Success of Project	
V. <u>PROJECT OUTPUTS</u>	17
A. Statement of Project Outputs	
B. Outputs	
C. Outputs Indicators	

TABLE OF CONTENTS CONT'D

Page

VI. PROJECT INPUTS

21

- A. Personnel
- B. Training
- C. Commodities
- D. Donor Agencies
- E. Revolving Funds
- F. Agricultural Technical Assistance
- G. Host Country Inputs

VII. COURSE OF ACTION

27

ANNEXES

- Annex A, Logical Framework
- Annex B, Budget Summary
- Annex C, Summary of Contributions to ACOSCA from  
Donor Organizations
- Annex D, Production Benefits
- Annex E, Survey Report - Credit Unions with DAPC  
Potential
- Annex F, Status of League Development - Cameroon,  
Lesotho, and Zambia
- Annex G, Institutional Framework
- Annex H, Definitions
- Annex J, Evaluation Statement

ACOSCA: AFRICA COOPERATIVE SAVINGS AND CREDIT ASSOCIATION

I. INTRODUCTION

A. The proposed project activity is presented by the Credit Union National Association to the Africa Bureau of A.I.D., at the request of ACOSCA as one means of assisting credit union development in Africa and in particular of developing an integrated cooperative movement to serve the lower economic strata of Africa. The project activity proposes support of ACOSCA to carry out two essential program elements:

- Continue the expansion of credit unions in Africa consisting of activities in training, organization and promotion of the movement and the coordination of continuing financial support from other donor agencies for program expansion.
- Introduce and implement a Directed Agricultural Production Credit Program (DAPC) pilot program for small farmers\* in specific rural credit unions in the countries of Cameroon, Lesotho, and Zambia in order to: 1. increase rural savings and agricultural production, 2. assist in organizing a central finance facility in each league, and 3. assist in coordinating the delivery of supplemental agricultural services as required.

B. FUNDING CONTRIBUTIONS - FY-75 through FY-79  
(\$ 000)

USAID	\$ 1,306
Host Governments	750 <u>1/</u>
Other Donor Organizations	2,100 <u>2/</u>
National Leagues	39.5 <u>3/</u>
Credit Unions	300 <u>4/</u>
Other Loan Funds	200 <u>5/</u>

\* For purposes of this program, "small farmer" is defined as a landholder of average hectareage as follows: Cameroon, 2 - 2½ ha.; Lesotho 2 ha.; and Zambia, 10 - 12 ha.; and, holdings may range as high as 25 ha. for some credit union members in each pilot area.

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FOOTNOTES:

1/ In all three countries personnel from national offices of cooperatives are assigned to audit and assist credit union organization and development. In Lesotho, paid manager contracts are funded by the government. The Ministry of Agriculture in each country will make available agriculture agents to assist in production, supplies and marketing. \$750,000 is estimated and represents an average of \$50,000 per year per country over the life-of-project (5 years).

## II. PROJECT DESCRIPTION AND RATIONALE

### A. History and Status of the Project

#### 1. The Setting

Traditionally, Africa has suffered from:

- a. the unavailability to lower socio-economic groups, especially small farmers, of both credit and services necessary for increased agricultural production and personal income shares;
- b. an overcentralization of the development process and public services in national governments and a corresponding lack of local and regional organizational competence in virtually all areas (especially rural) of both the public and private sectors; and,
- c. the absence of practical mechanisms and channels to facilitate and motivate the productive economic and social involvement of lower groups in the national growth and development process.

Of all low income groups, the small and often-landless farmer has suffered most from the prevalence of the above factors. Restrictive patterns of land tenure, the absence of organized marketing and food distribution services, and the lack of access to technical assistance, credit, and other services, have perpetuated a static socio-economic condition for this group and have frustrated the majority of rural development efforts which have not treated the above impediments in an integrated fashion. In recognition of the nature of the problem and in accordance with the directives of Title IX, A.I.D., over the course of the past decade gradually has increased its support (both loan and grant) for multi-faceted program designed to: a) provide essential technical assistance and credit resources to local and regional entities of various types (cooperatives, credit unions, local units of government, community development associations, etc); and b) combat the lack of popular participation and local organizational infrastructure; and for programs designed to realize more concrete projects for real economic and social benefits to the individual, the community and especially the small-farm subsector.

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#### FOOTNOTES:

2/ See Annex C.

3/ Represents DAPC pilot costs to be financed by national credit union leagues.

4/ Represents the capital to be raised by local credit unions.

5/ Represents possible loan funds from UN and international cooperatives organizations.

## 2. African Cooperative Savings and Credit Association

Prompted by the success of the credit union movement in Latin America, the African Cooperative Savings and Credit Association (ACOSCA) was organized in 1968 by seven African national credit union associations. The Association was formed for the purpose of organizing and promoting credit unions through the continent. ACOSCA is governed by a board of directors elected by 16 national associations in sub-Saharan Africa. Daily management is the responsibility of a general manager who heads a staff and reports directly to the Board. ACOSCA is chartered under the Friendly Societies Act (non-profit organizations) of Kenya, and with the assistance of donor organizations and its national affiliates, ACOSCA has expanded the credit union movement throughout Africa. Its principal efforts have been devoted to training and motivating potential leaders and volunteers in the operation of credit unions. Specialized training programs are provided at five training centers throughout Africa, for credit union personnel and government officials.

A staff of five employees is retained primarily for work in the areas of administration and insurance. In the future, as expatriate personnel end their assignments and African personnel are trained, ACOSCA plans to draw on the accumulated expertise of member leagues, related cooperative organizations, government agencies, foundations, credit unions and private companies.

## 3. The Role of A.I.D.

The U.S. Agency for International Development has been supporting ACOSCA on a grant funding basis since 1970, and total grant funding of \$364,000 has been programmed through June 30, 1974. A.I.D. funds have helped support local staff and offices at the ACOSCA headquarters in Nairobi, Kenya, and the services of a CUNA senior credit union advisor until December 31, 1973. In addition, these funds have provided a CUNA regional training advisor and an African counterpart at ACOSCA's Southern Africa Regional Training Center for the past 2½ years. During this period, the Regional Center has trained 45 representatives from Malawi, Mauritius, Botswana, Swaziland, and Lesotho in credit union management and promotion techniques.

## 4. Accomplishments to Date

ACOSCA's training objectives and accomplishments may be summarized as follows:

### a. Develop Administrative Self-sufficiency of ACOSCA's Headquarters Staff

The ACOSCA Manager and CUNA Advisor have worked together and streamlined ACOSCA's accounting system, office management, credit union insurance procedures, and international credit union lending policies.

### b. Conduct Training Programs in Collaboration with ACOSCA Affiliates in the Southern Africa Region:

- Two, three-month regional training seminars were conducted for 45 credit union managers, committee members, government cooperative officers, field extension officers and credit union personnel, in credit union philosophy, operations, accounting, calculation of dividends and budgeting procedures.

- Four local courses on the same topics were held for credit union leaders and members in Lesotho. Two such courses also were provided to credit union leaders and members in Malawi. Approximately twenty people were trained in each of these local courses.
- Four new field extensionists were trained by the Southern Regional Training Advisor for work in the Lesotho credit union league.
- Consultation and training on various aspects of credit union legislation, organization and financing of national association services were provided to the national association leadership and promotion committees in Lesotho, Zambia, Botswana, Dahomey and Mauritius. Groups in these countries needed ACOSCA's assistance in training programs either to form national associations or to improve conditions in established national associations. This training was provided on a one-to-one or small group basis as the need arose.

c. Quantified Indicators of Accomplishments

The following statistics serve to illustrate the accomplishments of the African credit union movement as a whole over the past decade. While it is almost impossible to determine exactly how much of this progress can be directly attributed to ACOSCA's regional program, the relative merit of the ACOSCA contribution is confirmed by participation in and the confidence displayed by member leagues in ACOSCA activities, as well as the considerable sum which they have contributed to these ends. ACOSCA has a standing backlog of requests for technical assistance attesting to the acceptance and high esteem placed by member federations on the value of service rendered.

NATIONAL CREDIT UNION DEVELOPMENT TO DATE:

	<u>1970</u>	<u>1972</u>	<u>1974</u>
1. National Credit Union Organizations (Leagues)	8	11	11
2. Countries with Credit Unions	16	22	22
3. Credit Unions Affiliated to Leagues	3,432	4,848	5,076
4. Individual Members	202,001	316,834	424,625
5. Paid Share Capital	\$ 10.1M	\$ 13.8M	\$ 24.6M
6. Loans Outstanding	\$ 6.1M	\$ 7.7M	\$ 23.3M
7. Reserve Held by Credit Unions	\$ 1.1M	353,787 <u>1/</u>	729,224 <u>1/</u>
8. Assets of Credit Unions	\$ 12.2M	\$ 14.7M	\$ 29.6M

During the past three years, accomplishments directly related to CUNA/ACOSCA assistance include the following:

1/ 8 national leagues did not report reserve data for 1972 and 1974; data are for three national leagues.

- 45 field professionals trained
- publications and supply departments established in five national leagues that distribute the following:
  1. Model Credit Union By-laws
  2. Model Credit Rules and Regulations
  3. Duties and Responsibilities of: Board of Directors, Credit Committees, Supervisory Committees, and Education Committees.
  4. Booklets on Accounting Procedures of Credit Unions
  5. Forms for Administrative Procedures in Operating Credit Unions
- life insurance on member savings and loans will soon be available to all affiliates
- a paid management contract program is now functioning in Lesotho under which the government provides grants to credit unions for employment of trained managers to be repaid from increased loan volume proceeds accruing from improved credit administration
- two national leagues have been instrumental in obtaining legislation more favorable to the cooperative movement
- three national leagues have established audit departments

## B. Rationale and Description of the Project

### 1. Credit Union League Needs for Continuing Assistance

The leagues continue to demonstrate a need for assistance in three areas: obtaining international financing, general organizational and managerial improvement, and effective program redirection toward the small and medium-farm subsector.

Until recently, the leagues tended, though by no means exclusively, to concentrate their efforts on those groups which could be organized most rapidly and efficiently and on giving them the type of credit desired. To a considerable extent, the benefits of the program have accrued to the urban middle-class, and substantial amounts of credit have been used for consumption purposes (including imports). The national credit union federations gradually have come to be particularly concerned over the credit and technical assistance needs of the small farmer and have expressed their desire for assistance to reorient their programs accordingly.

### 2. The Role of ACOSCA

ACOSCA will require continued funding assistance from A.I.D. over the next five years in order to develop a basic capacity to provide a range of services to affiliated leagues and local credit unions. These services will in turn provide ACOSCA with sufficient income to meet its operating expenses. However, ACOSCA cannot achieve this objective until the member leagues are sufficiently developed in terms of economically viable institutions. The present stage of development of the three national leagues surveyed, considered the most advanced, is not complete. The leagues will continue to require technical assistance inputs to further their own development. This then is the rationale for ACOSCA's five-year development plan:

a. The ACOSCA Development Program

The ACOSCA credit union development program consists of the following principal elements:

(1) Promotional Activities and Technical Assistance:

- (a) Improve and expand the management and technical resources of the national leagues in order to provide appropriate needed programs to benefit small-farm members, e.g., agricultural production credit, insurance, and related services of supply and marketing can be provided to benefit farm members
- (b) Organize and develop a central finance service in the national leagues in order to provide member credit unions with a reliable source of financing for the expansion and improvement of credit services.
- (c) Introduce pilot projects of integrated production credit programs to rural credit unions which will assist small farmers in obtaining both more-timely inputs of farm supplies and agricultural technical assistance, and better markets for their increased production.
- (d) Improve the operating efficiency and effectiveness of existing credit unions by providing additional technical inputs to national counterparts through training sessions conducted by expatriate advisors in areas such as planning, loan portfolio management collection of loans, savings, and promotion techniques for increasing membership.

In addition, special emphasis will be directed to: promotion activities, visual aids, publications, statistics and evaluation. It should be noted that all technical assistance is channeled through the national leagues and is provided only indirectly to individual credit unions. ACOSCA will further elaborate comprehensive criteria for the measurement and evaluation of stages of development of credit unions and leagues in terms of the purposes and goals of the program. These criteria will be put before the next annual ACOSCA Board Meeting in September 1974 for approval.

2. Directed Agricultural Production Credit:

This new initiative by ACOSCA calls for a 5-year program for pilot production credit projects in Zambia, Lesotho and Cameroon. The provision of credit and supplementary grants, of capital loans to affiliated leagues to sub-lend to local credit unions for agricultural inputs, of complementary cooperative agricultural extension and marketing services - all are vital parts of ACOSCA's program for small farmers. The proposal projects an outstanding loan portfolio of approximately 60 percent of all loans to credit union members with DAPC projects and a membership of small farmers amounting to over 50 percent of total credit union members.

ACOSCA considers the national financing component of its production credit program to be of utmost importance, not only for the economic viability and eventual self-sufficiency of the national organization, but also to serve as an incentive along side technical assistance to focus leagues' attention on production credit in rural areas. The

general conviction of leagues, that they need help in the international money market, is borne out by experience.

### (3) Financial Inputs

The pilot projects call for the mobilization of \$500,000 of member-owned capital and loans over the next five years from the following sources:

Equity capital from the African credit union movement (Pilot Project Countries)	\$300,000
Grants and loans from international development agencies (A.I.D., \$60,000) UN Capital Assistance Fund, \$100,000)	160,000
Credit and investments from U.S., Canadian and European credit unions and other cooperative organizations	<u>40,000</u>
	\$ 500,000

Based on the assumption that the three pilot project leagues will raise \$500,000 in working capital for production credit sub-lending from the DAPC credit unions and other affiliated units as described above, and that the leagues will carry a loan volume of that same amount, by FY 79 the leagues will generate an average net income of approximately \$25,000 per annum. This amount will cover the operating expenses of the credit manager at the league level and the DAPC counterpart.

Once the leagues are fully structured, they will be in a position to look for alternative sources of loan funds from national as well as from external development organizations.

Examples that this already is taking place are:

- (a) The Cameroon League received a 10,000 (dutch gilder) loan from the Dutch Lenten Fund in early CY 1974 to supplement its production credit activities.
- (b) The Lesotho League has received approval of a \$100,000 loan from the UN Special Capital Assistance Fund, pending A.I.D. approval of the DAPC program.

### (4) Training:

The ACOSCA Program will serve two principal purposes: (a) production and distribution of a variety of reports, manuals, newsletters, and journals which promote the movement and provide technical guidance and information to hundreds of credit unions on a periodic basis; (b) training in organization, administration, and supervision of league personnel and credit union field technicians for national and local production credit development efforts in five regional training centers located in Nairobi, Kenya; Bukavu, Zaire; Bamenda, Cameroon; Bobo Dioulasso, Upper Volta; and Roma, Lesotho. (Average of 20-30 students are trained each year at each of the regional training centers).

In order to assist ACOSCA to accomplish these stated program objectives, four qualified technicians will be contracted. These technicians will consist of one regional and three country-level technicians. (See Section "II.B.3(c) Technical Personnel, " below for detail).

### 3. Rationale for Continuing A.I.D. Regional Grant Assistance

#### a. General:

As described above, the support provided by A.I.D. over the past three years has been instrumental in creating a growing credit union movement in Africa and has demonstrated the operational utility of the regional organization, ACOSCA. However, the credit union movement is still many years from a self-sustaining stage of development. Continuing technical assistance on a regional basis is needed for the medium-term future in such areas as managerial reforms, improved access to internal and external sources of financing, and the development of national and local competence in a number of the more technical aspects of credit administration. It is also of great importance to increase the relevance of credit union activities to priority development needs by substantially increasing directed agricultural production credit, particularly to the small farmer. Furthermore, since the credit union movement in Africa as a whole represents a sizeable pool of able human talent, a reasonably-developed institutional base, and potentially significant financial resources, the current and growing determination to assist the small farmer offers an excellent opportunity for A.I.D. to pursue one of its most important program goals.

#### b. ACOSCA as a Vehicle for Regional Assistance

ACOSCA, as an indigenous creation of the national credit union associations throughout Africa, has a mandate from the credit union movement to function as its international agent for, among other things, securing and administering essential external technical and financial assistance. There are a number of compelling reasons why ACOSCA should be utilized as a vehicle for ongoing A.I.D. assistance for the credit union movement in Africa. The reasons are: (1) ACOSCA, as a legal entity, is the only organization dedicated exclusively to the needs of the credit union movement on a regional basis. Also, since ACOSCA is a very new organization and is not yet self-sufficient, reduction of A.I.D. assistance at this time would result in abrupt discontinuation of vital ACOSCA services, and concomitant discontinuation of some important new initiatives in the establishment of integrated production programs and the securing of new external sources of credit; (2) although ACOSCA as an institution is not financially viable at present without continuing grant-funded inputs, in its role as a supplier and channel of technical and financial assistance, it could become so as its present level of operations by the end of FY 1979. Interlending and insurance operations are the essential components in reaching a break-even point by the end of FY 1979, and yet the technical assistance program will continue to require both external support and inputs from other agencies; and (3) on the credit side, what may turn out to be the most valuable service to be performed by ACOSCA, that of assisting in obtaining and channeling other donor funds to member leagues

for sub-lending, will not be without A.I.D.'s continuing support. ACOSCA is now and in the foreseeable future the only African organization attempting to raise the necessary international capital and it appears to be the most promising instrumentality for utilizing financial incentives and leverage for promoting small-farm priority lending on a regional basis.

c. Technical Personnel

The technicians assigned to the project will have two areas of work concentration. These areas are the administrative and technical field work of the credit union leagues and credit unions, i.e., credit union management and directed agricultural production credit.

(1) Regional Technician

The specific administrative responsibilities of the regional technician will be to assist ACOSCA and the three national leagues to develop a uniform program along the following functions for a period of five years:

- (a) Design overall development of the leagues
- (b) Organize and develop three central national finance systems
- (c) Design and implement the small farmer production credit program in the pilot projects
- (d) Train national association officials, management, and field personnel in the operations of production credit and centralized finance systems
- (e) Study the potential for expanding the DAPC program to other countries of Africa.

The technical requirements for operation of the regional office, while varied and difficult, are essential to overall program success. Technical responsibilities will include the following:

- a. Maintain uniform inter-country data sheets required to carry out proper DAPC loans by the credit unions.
- b. Maintain statistical information on all DAPC loans within the different countries.
- c. Develop training programs for each country in the area of DAPC program analysis related to application of technical information and local conditions in farming areas.
- d. Maintain technical liaison with the local governments and cooperatives as to the purpose and goals of the DAPC programs of the leagues and credit unions in relationship to their production activities.

## (2) Country Technicians

The three production credit specialists in Cameroon, Lesotho and Zambia will provide technical assistance to the leagues for a period of three years during which the pilot projects will be initiated and expanded to at least twelve more credit unions. The specific administrative responsibilities of these specialists will be national and local in scope and will be the same as those of the regional technician.

In the area of technical responsibilities, the production credit specialist will be working very closely with the Ministry of Agriculture and with cooperative organizations in the country of assignment. His work will be coordinated with the work of credit union members and the area extension advisors. Specific technical responsibilities include the following:

- a. Coordinate the implementation of the production programs and utilization of the standardized country data forms.
- b. When necessary, assisting the local extension agents on construction of livestock equipment, vegetable packaging, storage, and propagation methods.
- c. Assisting local supply cooperatives in maintaining timely delivery and market systems.
- d. Encouraging farmers to adopt new and modern techniques (fertilizer, seed, etc.) into their farming process.
- e. Coordinating the country programs of the credit unions with the regional ACOSCA production program outlined for all of the participating countries.

Consideration will be given to economies of scale for the local agricultural conditions in relationship to local and national supply and marketing systems in order to achieve good profit ratios for the individual farmer-credit union member and the pilot area as a whole.

Phase-out of the country specialists is programmed at the end of their three-year assignment. After their departure, it is planned that the national production credit counterparts will be able to continue with the expansion of the program under the guidance and supervision of the ACOSCA regional technician for a period of two years. At the end of the five-year period, each of the three pilot projects should be in a position to assume full responsibility for the production credit program in each program country.

It is planned that at the end of five years, when the three initial participating leagues in DAPC will no longer require technical input from the regional technician or ACOSCA to continue expansion of the program, the services of the regional technician could be phased out if no further expansion of the program is requested for other countries.

d. The Role of Major Donor Agencies

During the implementation of ACOSCA's five-year development program, several international donor agencies will be involved in providing continued funding assistance. It is the intent of donor organizations and ACOSCA to achieve greater coordination in the planning efforts of all the agencies assisting ACOSCA, thereby, avoiding any duplication of effort.

The Canadian International Development Agency (CIDA) is providing ACOSCA with grant funds for the maintenance of the national staffs of four training centers. This funding is scheduled to terminate in August, 1975. ACOSCA has submitted a request to CIDA seeking continued funding support for an additional five years; this request is now under consideration by CIDA. The training centers are an important component of the ACOSCA service structure; they continuously train volunteer leaders and government employees in the nature, philosophy, and practical operations of credit unions for new applications of credit union systems in Africa.

The Konrad Adenauer Foundation (KAF) is providing funding assistance to ACOSCA for the following; (1) training scholarships for regional and international seminars; (2) hiring of local personnel and extensionists for leagues; (3) producing training material for the promotion and organization activities of leagues in the West African countries of Cameroon, Nigeria, Liberia, and Ghana and in the East African countries of Ethiopia, Kenya, Uganda, and Mozambique. This assistance began in 1968 and will be extended for an additional five years. KAF is also providing technical staff on a regional basis to assist ACOSCA in monitoring ACOSCA's overall program. The regional KAF representatives are located in Nandi, Kenya; Douala, Cameroon; and Accra, Ghana.

The CUNA Mutual Insurance Society is providing technical and funding assistance for an indefinite period to assist ACOSCA in developing life savings and loan and bonding insurance programs with the national leagues for credit unions members. It is anticipated that in future years, ACOSCA may be in a position to form its own insurance entity.

The other donor agencies, such as the World Council of Credit Unions, MISERIOR, Catholic Relief Services, (CRS), Netherland Volunteers and OXFAM, are expected to continue funding of limited special projects which will also contribute to the achievement of the objectives and goals of ACOSCA. (See page        for 6-year donor contribution schedule).

e. Credit Union Relationships to National Government and Related Agencies

The working relationships of the credit union movement with governments and related agencies involved in rural development have been very positive. The Governments of Cameroon, Lesotho, and Zambia, within their limited resources, are assisting the leagues by providing limited technical assistance, paid-manager programs, and audit services. It is planned that working agreements will be developed by the national leagues and the credit unions with the Ministry of Agriculture to obtain the services of agricultural agents, and with supply cooperatives and/or marketing organizations which are functioning for the benefit of small farmers.

### III. PROJECT GOAL

#### A. Statement of Goal

To assist certain African countries' five-year development plans to increase savings, maximize agricultural production and increase income of the small farmers through credit union production credit programs, and to assist ACOSCA in expanding credit union institutions to ensure the eventual viability of a cooperative system on a self-sufficient basis.

#### B. Measurement of Goal Achievement

1. Agricultural production credit services provided through credit unions to the small farmers at an increasing rate as more farmers are incorporated into the program each year.
2. Increased net returns per hectare of cash crops brought about by the application of improved technical services, better seeds, adequate fertilizers, and insecticides.
3. Increased availability of working capital to the small farmer through the establishment of capitalization systems and sound administrative and credit-granting procedures which insure recovery of loans extended for agricultural production credit.
4. Ministries of Agriculture giving special assistance to credit unions with DAPC programs.
5. Increase in number of African countries with credit union units.
6. Increase in credit union membership, share savings and loans outstanding.

#### C. Basic Assumptions of Goal Achievement

1. Participating pilot project countries (Cameroon, Lesotho, and Zambia) will continue to pursue their national development goal of mobilization of farmer savings and the participation of small farmers in the economies of production credit.
2. Target countries will continue to upgrade the services of agriculture extension personnel to assist credit union farmers in all areas of production.
3. Favorable legislation will assist leagues in the expansion of production credit programs to all parts of the three countries.
4. Credit union expansion continues to receive special emphasis in country development plans.
5. League personnel and staff adequately trained in promotional and substantive activities to meet the needs of prospective affiliated credit unions.
6. Cost of agricultural inputs will be in a favorable relationship to the market price of the cash crops.

#### IV. PROJECT PURPOSE

Assist ACOSCA in developing economically viable national credit union organizations capable of increasing membership savings and channeling resources to production systems in the different countries with special emphasis for production credit pilot programs in the countries of Cameroon, Lesotho, and Zambia.

##### A. Purpose

1. Assist ACOSCA in developing economically viable national credit savings and production systems capable of mobilizing savings at the local village level, and in channeling these resources into agricultural production activities.
2. To increase the net income of small farmers by providing adequate and timely agricultural production credit and services in selected credit unions in each country.
3. To optimize the management of rural human resources, which are not at present being fully utilized.
4. To demonstrate the viability and effectiveness of the production credit methodology of the DAPC program for replication in other areas of the selected countries and in other countries in Africa.
5. To strengthen the program directional activities of ACOSCA for the purpose of expanding credit unions and ensuring the development and maintenance of an economically viable structure.

##### B. Conditions Expected at End of Project

1. The credit union league in every country in which the production credit program has been initiated has become a viable organization with trained and qualified personnel. Personnel will assist and supervise credit unions in the operation of production schemes and will guide them in their overall policies, procedures, and systems for evaluating the production credit program.
2. The net income and capital resources available to the small farmer have been increased, resulting in a higher standard of living among the participating farmers and increased productive activity in the rural areas.
3. The agriculture extension services from the Ministries of Agriculture have become available, upon request, to the small farmer at the village level.
4. Credit unions owned and controlled by the rural population whose primary purposes are (a) to provide credit for agricultural production; (b) to assist in the marketing of crops; (c) to provide supplies for increased production; and (d) to assist in the dissemination of information on applicable innovations and techniques in agriculture. The credit unions will have established themselves as being able to mobilize local savings, pay a fair return, and attract additional supplemental capital from external sources whenever necessary.
5. An established Pan-African organization capable of continuing to provide development programs and services to credit union members.

6. Increase in number of credit unions functioning in other African countries outside the pilot project area.

6. Institutional development boosted by trained personnel.

### C. Basic Assumptions for Success of Project

1. The national and local leadership of the leagues and credit unions as well as the small farmer credit union members, participate in the project and in activities which are promoted by the credit unions in implementing the DAPC programs.
2. The Ministry of Agriculture and the National Office of Cooperatives in each country involved in the program, continue to provide support and collaboration in a working relationship with the league and with the credit unions where the program is being implemented.
3. Adequate markets continue to be available to absorb the increased supply of agricultural production.
4. Adequate legislation is enacted and implemented to insure the institutional viability of the expanded operations proposed by the leagues and credit unions involved in a production credit program.
5. National credit union associations implement development plans as well as develop human technical resources for implementing DAPC programs.
6. Evaluation and audit of progress is planned by national leagues with the assistance of the participating governments, ACOSCA and the CUNA/ACOSCA technical advisors.

## V. PROJECT OUTPUTS

### A. Statement of Project Outputs

The program is designed to increase the service capacity and efficiency of ACOSCA and its members in expanding credit unions and carrying out production credit programs through the following methods:

### B. Outputs

1. Training
2. Technical services
3. Program expansion, DAPC
4. Management practices, administrative and technical

### C. Output Indicators

In order to achieve the project outputs, the following will be necessary:

1. Adequately trained officials and field personnel for leagues services and to carry out the DAPC programs.
2. Field workers capable of assisting small farmers to develop individual production plans.
3. Twelve new credit unions brought into the DAPC program.
4. Adequately trained league and credit union administrative and technical personnel.

6. Marketing and supply services utilized under a national plan
7. A financial department for an inter-lending program
8. Coordination of multi-donor funds toward complementary goals
9. Increased national league affiliation with ACOSCA
10. Increased income and revenues for achieving economic self-sufficiency of ACOSCA
11. Increased number of managers and officials of credit unions capable of operating efficient credit unions
12. Increased capabilities of technicians for planning and designing production credit programs in other countries of Africa
6. National service cooperative available to credit unions.
7. Central inter-lending programs established between national and local credit union organizations
8. Multi-donor funds programmed to eliminate duplication
9. 100 per cent increase in ACOSCA affiliates
10. ACOSCA revenues and income increased to support present level of operation.
11. Train at least 500 managers and officials in operating efficient and viable credit unions.
12. Train three league staff to plan, design, and administer production credit programs.

QUANTITATIVE OUTPUT INDICATORS

<u>INDICATORS</u>	<u>BASE YEAR</u>						<u>Life-of-Project</u>
	<u>FY 74</u>	<u>FY 75</u>	<u>FY 76</u>	<u>FY 77</u>	<u>FY 78</u>	<u>FY 79</u>	
1. Pilot Project Countries with DAPC Programs							
a. Cameroon, Lesotho and Zambia	-	3	3	3	3	3	3
b. Other African Countries	-	-	-	1	2	3	3
2. Number of pilot DAPC Credit Unions							
a. Cameroon, Lesotho and Zambia	-	3	6	9	12	15	15
b. Other African Countries	-	-	-	1	2	3	3
3. Number of League Finance Depts. in Operation	1	1	3	3	3	3	3
4. Membership of Pilot Credit Unions Active in DAPC Program (Cumulative %)	-	10%	20%	30%	40%	50%	50%
5. Total Credit Union and League Loan Resources Applied to DAPC Projects (Cumulative %)	-	5%	15%	30%	45%	60%	60%
6. DAPC - Generated Savings as % of Total Pilot Credit Union Savings (Cumulative)	-	10%	20%	30%	40%	50%	50%
7. Number of Countries with Credit Union Programs	22	23	26	28	30	33	33
8. National Leagues Affiliated with ACOSCA	11	12	14	17	20	22	22
9. Number of Rural Credit Unions as % of All Credit Unions Created in ACOSCA-Affiliated Countries (Cumulative)	-	5%	10%	15%	20%	25%	25%

QUANTITATIVE OUTPUT INDICATORS (CONT'D)

<u>INDICATORS</u>	<u>BASE YEAR FY 74</u>	<u>FY 75</u>	<u>FY 76</u>	<u>FY 77</u>	<u>FY 78</u>	<u>FY 79</u>	<u>LIFE-OF- PROJECT</u>
10. Number of Credit Union Members (ACOSCA-Affiliated Countries - thousands)	424	466	512	563	619	636	636
11. Members Share Savings (ACOSCA- Affiliates - \$ Millions)	24.6	29.4	34.4	39.9	44.2	49.2	49.2
12. Total Amount of Loans Outstanding (ACOSCA-Affiliates - \$ Millions)	23.3	27.7	32.3	36.9	41.5	46.6	46.6
13. ACOSCA Dues Revenue from Affiliated Leagues (\$ 000)*	10.0	15.7	18.8	22.0	25.2	29.8	-
14. Training							
a. Southern Regional Training Center							
(1) Number of Courses	2	4		4	-	-	12
(2) Number of Participants	45	80	80	80	-	-	240
b. Country DAPC Program for Cameroon, Lesotho, and Zambia							
(1) Number of Courses	12	12	12	12	12	12	60
(2) Number of Participants	120	120	120	120	120	120	600

\* Estimated Dues Revenue calculated at current ACOSCA rate of .0008% of total member savings; collections probability at 80% confidence level.

## VI. PROJECT INPUTS

Funds are to be provided for contracting technical personal, training programs, commodities, and revolving funds. Other donors will contribute funds as listed below:

### A. Personnel

### Magnitude of Inputs

Funds for four technicians, three field workers, and two regional office personnel will be provided.

#### 1. Regional DAPC Specialist (1)

1. A regional production credit specialist assigned to ACOSCA headquarters in Nairobi, Kenya, for a period of five years. His duties will be:

- 1) Design overall development of leagues
- 2) Organize and develop three central national finance systems
- 3) Design and implement the small farmer production credit program in the pilot projects
- 4) Train national association officials, management, and field personnel in the operations of production credit and centralized finance systems
- 5) Study the potential for expanding the DAPC program to other countries in Africa
- 6) Maintain uniform inter-country data sheets required to carry out proper DAPC loans by credit unions
- 7) Maintain statistical data on all DAPC loans within the different countries
- 8) Develop training programs for each country in the area of DAPC program analysis related to application information and local conditions in farming areas
- 9) Maintain technical liaison with the local governments and cooperatives as to the purpose and goals of the DAPC programs of the leagues and credit unions in relationship to their production activities
- 10) Maintain uniformity among the three DAPC pilot projects and assure continued uniformity as the program is expanded to include other credit unions and other countries

2. Country DAPC Specialists  
(3)

2. Three country specialists for a period of three years. They will be assigned, one each, to the participating countries. Their duties will include:

- 1) Provide technical assistance to the leagues for a period of three years during which the pilot projects will be initiated and expanded to twelve more credit unions
- 2) Administrative responsibilities will be national and local in scope and will be the same as those of the regional technician
- 3) Technical responsibilities will be as follows:
  - a) Fulfill the production programs set up by the development plans for complete and accurate data forms and implementation instructions
  - b) When necessary, assist local extension agents in application analysis and recommendations
  - c) Assist in construction of livestock equipment, vegetable packaging, storage, and propagation methods
  - d) Assist local supply cooperatives in maintaining timely delivery and market systems
  - e) Encourage farmers to adopt new and modern farm techniques (fertilizer, seed, etc.)
  - f) Assist in determining economic size market inputs for farmers to maintain high profit ratio for individual farmer/market transactions.

3. Host Country Field Technicians (3)

3. Three men will be hired, one for each program. They will work as counterparts to the country specialists for three years and will continue working after the U.S. technicians have departed. Their duties will be the same as the expatriate country specialists

4. Regional office personnel, one secretary and one book-keeper

4. These office personnel will provide logistical and administrative support to ACOSCA for three years.

## B. Training

As a result of the training activities conducted by ACOSCA in its five regional training centers (one supported by A.I.D. and four by CIDA), a preparatory stage within each country has been established on which a broader and more solid foundation of training may be built. This requires the following:

### Training

### Magnitude of Inputs

- |   |  |
|---|--|
| 1. In-country training in basic credit union management, bookkeeping and production credit techniques   | 1 Regional Manager and his assistant will coordinate and conduct the in-country training programs  |
| 2. Short-term regional seminars (one to two weeks) held for specific training in production credit systems, centralized finance systems, insurance, league services, and programs, finance and management | 2. A one-month course within each of the five Southern Region countries will be conducted yearly for approximately 20-30 students  |
| 3. Long-term courses for the higher level of management training for participants to be chosen from each country who have attended in-country training  | 3. Upon completion of the five in-country courses, the Regional Manager and his assistant will follow up in each country by spending a minimum of two weeks working in the field with field staff and/or credit unions in need of assistance |
|   | 4. The Regional Manager and his assistant will call upon other resource personnel working within ACOSCA and/or within each region for training assistance  |
|   | 5. The yearly Regional Seminar will be coordinated by the Regional Manager and funded by ACOSCA/Nairobi  |

## C. Commodities

### Magnitude of Inputs

1. Funds will be provided for three 4 x 4 support vehicles for use (one each) in the countries proposed -- Cameroon, Zambia, and Lesotho.
2. Spare parts for 4 x 4 vehicles
3. Funds will be provided for the following office equipment: 3 typewriters, 3 adding machines, 3 file cabinets, 3 safes. This equipment will be placed in the office of the local DAPC pilot credit unions in each country (one of each item per pilot credit union).

D. Donor Agencies

Magnitude of Inputs

- |  |  |
|--|--|
| 1. CIDA (Canadian International Development Assistance)  | 1. Funds for the maintenance of national staffs for four training centers  |
| 2. KAF (Konrad Adenauer Foundation)<br>a. Training scholarships for regional and international seminars<br>b. Hiring of local personnel and extensionists for leagues<br>c. Production of training material for organizing activities in West African countries of Cameroon, Nigeria, Liberia, and Ghana | 2. KAF<br>a. Training centers turn out 20-30 students per year<br>b. Increase supervisory personnel for countries where the local personnel are located<br>c. Provides the basic materials needed for training seminars in the different countries as well as giving pre-conditioning for expansion into other African countries |
| 3. CUNA Mutual Insurance Society<br>Funding and technical assistance to ACOSCA in developing life savings and loan bonding insurance programs with national leagues for members of credit unions   | 3. Funding and technical assistance focused on ACOSCA developing its own insurance entity  |
| 4. MISEREOR, CRS, OXFAM, (World Council of Credit Unions) (Catholic Relief Services - Funding of special projects  | 4. Provide leaders and supervisors for credit unions in the various countries, as well as local facilities   |
| 5. Host Country Government   | 5. Host country governments will provide for each of the DAPC credit unions an agriculture agent who can assist the credit unions when called upon   |

E. Revolving Funds

Magnitude of Inputs

Two revolving funds will be established:

- |                                     |   |
|-------------------------------------|---|
| 1. Production Credit Revolving Fund | 1. This fund will be established initially with capital paid to the league by the credit unions affiliated to it on a monthly basis. However, the fund will be small and will require additional working capital which will be provided through the grant as a revolving fund. This fund should provide a sufficient base for the league to initiate priority production credit operations within the pilot project |
|-------------------------------------|---|

2. Paid Managers of Credit Unions Revolving Fund

2. A revolving fund will be established through the grant for payment of managers' salaries at the credit union level. This fund will operate basically as an interest-free loan from the league to the credit union. Once the credit union reaches a certain level of self-sufficiency, within a period of one or two years, it will be in a position to repay the money advanced to it. These funds, when repaid to the league, may be invested by the league in other newly-established production credit programs

F. Agricultural Technical Assistance

Magnitude of Inputs

Through grant funds, TDY assistance for production credit projects will be made available to provide adequate and timely reviews of the techniques for increasing agricultural production. The technical assistance will be granted on a periodic basis for periods of one to two months at predetermined intervals before and during the planting season. The technical assistance for agricultural production could be contracted through consultants or with the U.S. Department of Agriculture under a PASA Agreement

G. Country Inputs

Magnitude of Inputs

The following inputs will be furnished by the governments of Cameroon, Lesotho, and Zambia:

1. Personnel

1. The three governments have indicated that through their Ministries of Agriculture they will furnish agriculture extensionists to work closely with the credit union league and with individual credit unions selected for the DAPC program. The agricultural extensionists will perform the following functions:
- a. Serve as loan advisor to the credit union, evaluating and verifying the viability of loan applications submitted by its small farmer members
  - b. Advise on marketing and supply facilities in the area
  - c. Assist the farmer member in determining the best farm inputs to be purchased with funds advanced from the credit union

d. Advise the farmer with respect to techniques and innovations which should be taken into consideration during the planting phase of the production activity

2. Equipment

2. Some mode of transportation, such as motorcycle or horse, will be provided by the government for each agricultural agent

3. Training

3. The government will provide funds for improving the qualifications and training of agriculture extensionists assigned to work on the DAPC project

4. Operating Costs

4. The government will provide funds to cover personnel, transportation, per diem, and other related costs for the agricultural agent for the next five years

5. Paid credit union managers

5. The National Office of the Commissioner of Cooperatives in Lesotho is to provide partial funding to support the full-time managers at credit unions involved in the project

H. Inputs by Credit Union Leagues

Magnitude of Inputs

1. Personnel

1. The league will provide the salaries of the manager of the league and other administrative personnel as required to assist the project with administration, training, logistics, and other needs of the project

2. Capital

2. Credit unions affiliated with each league will initiate a capitalization system to capitalize the league at a consistent level based on a specified percentage of paid-in capital by members in each credit union

3. Operating Costs

3. The league will provide partial funding for covering part of the logistical support expenses to the DAPC project during the first year of the program and will subsequently assume all of the costs involved in the expansion of the production credit program to other areas in each country

## VII. COURSE OF ACTION

To initiate the small farmer directed agricultural production credit scheme (DAPC) , several rural credit unions have been surveyed to determine the potential for introducing this program to their operations. (A report on this survey is provided in Annex E). Pilot projects are to be established in three credit unions to determine the effectiveness and efficiency of the program. Obviously there will be some program adjustments and modifications necessary in order to conform to local conditions. Once the program has been refined, this will serve as a model that will be offered to other rural credit unions. Local credit unions entering in the small farmer production scheme will need to develop both specialized lending policies geared to agricultural production and specialized financial assistance to assist farmers in planning their agricultural production activities. The pilot DAPC rural credit unions will have to work closely with the Ministry of Agriculture, the national Credit Union Association, and the National Marketing Board or Cooperative Board in each country to assure a smooth operating market scheme for farmer member's produce.

The course of action for this project will consist of a constant and stimulating introduction of a specific number of skills in financial and administrative technical assistance, training, production credit, and promotional activities. The first twelve months of the project are devoted to developing the regional instruments under which the project will operate and to training counterparts, official of the national associations, agriculture extensionists, and credit union members involved in the production credit program.

Once the production credit programs for each target country are formally approved by all participating organizations, then the attached implementation schedule of major actions item will be followed.

ACTION ITEMS TO BE COMPLETED

<u>DESCRIPTION</u>	<u>RESPONSIBLE AGENT</u>	<u>TIME (MONTHS)</u>
Recruit U.S. Technician	CUNA/AID	2
Recruit Counterpart Staff	ACOSCA/Natl. Association	2
Consultation and Orein- tation U.S. Technicians Relocation	CUNA/AID	1
Prepare regional plan and train staff	CUNA/ACOSCA	1
Prepare country plan	CUNA/Natl. Assn.	1
Draft by-law changes		1
Draft rules and regulations		1
Prepare material		1
Train ag-field staff and financial dept. personnel		1
SELECT CREDIT UNION		1
Orientation meetings Approval by BD Approval by GMM Publicity		
Review C.U. administration Adopt changes Rules and regulations Set up accounting and control procedures		1
Train credit union manager and staff Mgt-P.C. Evaluation and Promotion		1
Receive first loan applications Production Credit		



Department of State

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**TELEGRAM**

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ACTION AID-59

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FM AMEMBASSY YAOUNDE  
TO SECSTATE WASHDC 5223  
INFO AMEMBASSY NAIROBI

UNCLAS YAOUNDE 0631

AIDAC

F.O. 11652: N/A  
SUBJ: RDO/Y-DIRECTED AGRICULTURAL PRODUCTION CREDIT (DAPC)  
PROJECT NO. 698-11-995-154

REFS: A) GRANT AGREEMENT NO. AID/AFR-G-1079 BETWEEN AID AND CREDIT  
UNION NATIONAL ASSOCIATION, INC. (CUNA).,  
B) MOULD (AFR/RA) TO CRUZ LETTER JAN. 17, 75.,  
C) NAIROBI 1655 (NOTAL)

NAIROBI PLEASE PASS DAVID WILLET, PROJECT REGIONAL  
COORDINATOR, AND HENRY CRUZ, TELEPHONE 24696.

1. SUMMARY. PURPOSE THIS MESSAGE IS TO RELATE SERIES OF  
ACTIONS TAKEN TO LAUNCH CAMEROON PROJECT DURING RECENT  
VISIT TO YAOUNDE OF DAVID WILLET FROM NAIROBI, AND JOHN  
BUTTS CAMEROON PROJECT TECHNICIAN RECENTLY STATIONED IN BAMBENDA,

CAMEROON. MEETINGS WITH MINAG OFFICIALS RESULTED IN MINAG  
LETTER OF AGREEMENT TO CAMEROON PROJECT. RDO/YAOUNDE IS ALSO  
PROCEEDING WITH NON-FUNDED PROAG WITH MINISTRY OF PLAN.  
END SUMMARY.

2. MEETINGS OF WILLET AND BUTTS, RDO/Y REP, AND MINAG  
COOPERATIVE DIRECTOR SHANG, VICE MINISTER AWUNTI AND  
CAMEROON COOPERATIVE CRESST UNION LEAGUE DIRECTOR (AND  
ACOSCA CHAIRMAN) MUKONG RESULTED IN FULL AGREEMENT

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R. BUTTS ETA NAIROBI FRIDAY, FEB. 25. PA-188.  
MOORE

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ROUTING SLIP

4/15/75

Licht

FROM: AFR/DP

SUBJ: Minutes for ECPR meeting of 3/27/75 on Kenya's "Agricultural Planning" and "Health Management"

Name	Organization Symbol	Room Number	Building
1. Dr. Samuel Adams	AA/AFR	6936	NS
2. Mr. Donald Brown	AA/AFR	6,36	NS
3. Mr. Jerry Knoll	AFR/ESA	4758	NS
4. Mr. Owen Cylke	AFR/ESA	4758	NS
5. Mr. Tom O'Keefe	AFR/ESA	4845	NS
6. Mr. Harald Marwitz	AFR/ESA	4845	NS
7. Mr. Joe Kemper/Floyd Spears	AFR/EMS	6758	NS
8. Mr. Princeton Lyman	AFR/DS	4639	NS
9. Mr. Antonio Gayoso	AFR/DS	4644	NS
10. Mr. Sheldon Cole	AFR/DS	4536	NS
11. Mr. Samuel Butterfield	AA/TA	207	SA-2
12. Mr. Jerome French	TA/DA	2735A	NS
13. Mr. Clayton Miracle	PHA/POP/AFR	315	RPE
14. Mr. Edward Dragon	GC/AFR	3536	NS
15. Mr. Thomas Muntsinger	GC/AFR	3536	NS
16. Miss Lena Goodman	EOP	2664	NS
17. Mr. Ronald Bobel/John Welty	PPC/DPRE	3639	NS
18. Miss Stolla Britton	PPC/RC	3898	NS
19. Mr. Milton Carr	SER/IT	1001	SA-5
20. Mr. Ross Thomas	PPC/PBAR	2925E	NS
21. Mr. Robert Duncan/Edwin Segall	AF/EPS	4515	NS
22. Mr. Robert Barrett	AF/E	5240	NS
23. Mr. James MacRae	OMB	8235	NEOB
24. Mr. John Bushnell	TREAS	3212	TREAS

(AFR/DP:MWarnecke:29202)

Minutes

AFR Executive Committee for Project Review  
March 27, 1975, at 3:30 p.m.  
Room 6944 New State

Subject: PRPs for two Kenya projects -- "Health Management" and "Agricultural Planning"

Participants

AA/AFR: SAdams	AFR/DS: PPeterson
AA/AFR: DBrown	AFR/DS: GAdams
AFR/DP: RHuesmann	AFR/DS: RDepp
AFR/DP: MWarnecke	AFR/EMS: FSpears
AFR/ESA: JKnoll	GC/AFR: TMuntsinger
AFR/ESA: OCylke	PPC/DPRE: JWelty
AFR/ESA: TO'Keefe	PPC/RC: SBritton
AFR/ESA: HMarwitz	PHA/POP/AFR: CMiracle
AFR/DS: PLYman	TA/DA: JFrench
AFR/DS: SCole	AF/EPs: ESegall

Decisions

KENYA HEALTH MANAGEMENT

1. The PRP was approved in principle and authorization given for preparation of the Project Paper (PP).
2. The goal statement should be broadened to focus on the sector-wide goals of the Government of Kenya's ten-year health plan, and not limited to family planning and maternal child health.
3. With reference to the pre-investment analysis team, it is recommended that:
  - a. Leadership and maximum professional input should be Kenyan.
  - b. U.S. membership should be reduced by at least one individual.
  - c. A broader range of skills, such as health economics and financial management, would appear to provide an effective balance to the medical administration inputs.
4. The Mission should be aware that findings of the abovementioned team and subsequent project implementation activities may well identify additional problems/constraints which would require extensive donor assistance. These implications should be specifically addressed in the PP. Should it be determined that additional assistance by the U.S. is warranted, an early programmatic justification would be required to amend the current rather limited health strategy outlined in the Kenya DAP.
5. The PP should also include a summary of the relationship of other donor activities to the management problems to be addressed by this project.

KENYA AGRICULTURAL PLANNING

1. The ECPR did not approve this PRP, but is willing to consider a revised PRP with broader scope following the May/June DAP strategy elaboration.
2. It is suggested that:
  - a. The development of an agricultural planning activity be dovetailed with other AID program development activity in Kenya, including:
    - smallholder design activities contemplated under the FY 1975 Agr Sector Loan I (Production);
    - DAP strategy elaboration;
    - PRP/PP for Agr Sector Loan II.
  - b. The activity be closely coordinated with the proposed IBRD program loan and with other significant donors.
  - c. The design team determine whether training should also be provided at the implementation and management levels (in addition to the planning level).
  - d. The PRP present assurance that the project will address equity considerations as well as improvement in planning capacity.
  - e. The Mission may wish to consider incorporating the proposed TA project with the PRP/PP for Agr Sector Loan II, to present an integrated activity paper.

Discussion

The meeting was called to consider the following two project proposals:

- 1) "Health Management," estimated total cost of \$1,181,000, a four-year program consisting of a number of activities designed to improve the organizational structure, staffing, and functioning of the Ministry of Health.
- 2) "Agricultural Planning," estimated total cost of \$1,034,000, a four-year program designed to complement other donor assistance currently being provided to the Economic Planning Division of the Ministry of Agriculture. Inputs would include long-term technical assistance, consultants, participant training, and a small amount of funds for needed socio-economic studies.

In addition to the points reflected above, discussion covered the following relative to "Agricultural Planning":

- The ECPR believes the Mission is on the right track in attempting to focus assistance on those elements of the public sector concerned with planning and resource allocation in an effort to reduce constraints to Kenya's absorptive capacity and to develop a project design capacity. However, on the basis of discussions with the IBRD, other donor skepticism re the

Economic Planning Division (EPD), and AID experience in other countries with ministry planning units, the ECPR seriously questions whether the EPD alone could meet Mission objectives, since project implementation and management are as important as planning:

- Specific concerns with the EPD arise from its weak links with the operating/implementation divisions of the Ministry of Agriculture and GOK resource allocation process, weak internal leadership, staffing and retention problems, and its predominant expatriate composition.
- The ECPR recognizes that the EPD has played a major role in the development of programmatic and conceptual frameworks for donor-funded agricultural activities and as such has contributed to the effective utilization of development inputs. Nevertheless, in Kenyan circumstances, it is believed that the PRP should have a broader scope to meet both program and project activities, and should provide credible support for the proposition that a strengthened EPD, along with other measures, will result in practical projects or programs affecting the small-farmer target group.
- It is suggested that the project design include an examination of the relationship between agricultural managers/farmers and "agricultural planners," and that training needs for agricultural planners be better defined in the PRP.
- A team is scheduled to go to Kenya during May and June to refine further the Kenya DAP agriculture sector assessment. It is felt that the work of this team will have a significant impact on the analysis/assumptions/proposals of the PRP.
- Results of TAB-sponsored management studies which are now under way, and the related six-week workshop scheduled for next summer, could also have an impact on the proposed project.
- Results of the last two items should be carefully reviewed with the Government of Kenya and the World Bank before proceeding to final project design.

Meeting adjourned at 4:40 p.m.

Cleared by  
AFR/DP:RHuesmann  
AFR/ESA:JKnoll  
AFR/DS:Plyman  
PPC/DPRE:JWelty

AFR/DP:mw  
4/15/75

698-154

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR FOR AFRICA

JUN 26 1974

FROM: AFR/NARA, E. Dennis Conroy *E. Dennis Conroy*

SUBJECT: PROP for AFR/NARA Regional Project: Regional Organizations Development - Africa Cooperative Savings and Credit Association/Directed Agricultural Production Credit

REF: James/AA for Africa Action Memorandum, dated November 21, 1973

Issue: Africa Bureau approval of subject PROP is requested for initial funding provided in FY 1974.

Discussion: Referenced memorandum approved the sending of a joint A.I.D./Credit Union National Association feasibility study team to certain African countries to detail CUNA's prefeasibility study on small farmer production credit. The attached PROP incorporates the team's report and recommendations. The five-year project is designed to provide continuing A.I.D. assistance to the Africa Cooperative Savings and Credit Association (ACOSCA) and to initiate under the auspices of ACOSCA, a pilot demonstration program of specific-purpose production credit for small farmers in Cameroon, Lesotho and Zambia. Life-of-project funding currently is projected at \$1,306,000 through FY 1978 and first-year funding is \$434,000 (under the Food and Nutrition appropriation rubric).

The Bureau's ECPR approved the PROP on June 19 and views the potential comparative experiences of the pilot programs to be very useful not only for the African cooperative credit union movement and African small farmers but also for its empirical significance for subsequent program/project development for Bureau aid strategy. After 2½ - 3 years of project implementation, the pilot programs will be subjected to a thorough substantive and statistical evaluation. A.I.D. field missions have been kept abreast of this proposed project and welcome its application.

FY 1974 funding for this sub-activity originally was shown under "Selected Countries and Organizations" appropriation category in the Bureau's FY 1974 Congressional Presentation. Since the sub-activity now is targeted more directly at increasing agricultural productivity, it is being funded under the "Food and Nutrition" category. Notification of this change is being provided to the U.S. Congress.

The Contract Office is prepared to move for grant signature with CUNA prior to June 30th and General Council notes that the recipient organization, ACOSCA, is exempted from Section 110(A) of the FAA (25% host country contribution).

Recommendation: That you approve the attached PROP for FY 1974 funding for implementation in early FY 1975.

APPROVED *[Signature]*

DISAPPROVED \_\_\_\_\_

DATE 27 June 1974

ACTION MEMORANDUM FOR ASSISTANT ADMINISTRATOR FOR AFRICA

THRU: AFR/DP, Mr. Edward B. Hogan

NOV 21 1973

FROM: AFR/NARA, Ullmont, EJ James

SUBJECT: Strategy for Development of a Credit Union System in Africa.

Issue: A decision is needed on whether or not to proceed with a study of potential strategy and project design for the development of credit unions in Africa.

Discussion:

I. Africa Bureau Strategy, 1970 - 1973

Over the past three years AFR regional funding totaling \$310,000 has been channeled through the Credit Union National Association (CUNA) to support initial growth of the African Cooperative Savings and Credit Association (ACOSCA). ACOSCA, a regional service organization in credit union development, is headquartered in Nairobi and has a training center at the Roma campus of UBLS. It was established in 1968 and currently has national credit union league membership from twelve African countries. ACOSCA receives financial resources from other donor agencies and from member leagues. A.I.D.'s grant assistance to ACOSCA, the major share of its resources, supplies the services of two U.S. credit union advisors (Nairobi headquarters and BLS training center and management office in Lesotho) and limited support on a matching-fund basis for its administrative budget. The current grant expires in mid-FY 1974. There has been no other A.I.D. support for development of credit unions in Africa during these three years.

The Bureau enlisted the expertise of CUNA in 1970 to funnel technical assistance to a fledgling Africa-wide credit union movement - ACOSCA. ACOSCA was sufficiently rooted in African interest, initiative, and managerial responsibility so that widespread desire for its services has not been lacking. CUNA has assigned effective personnel. The original African Executive Director turned out to be a fine public relations type but lacked managerial competence. The ACOSCA board faced this problem responsibly and replaced him with a Ghanaian who is doing well. There has been some slippage in schedule, however, and an extension of six months in A.I.D. assistance (\$48,000) is planned to complete work objectives under the current project. Membership and deposits grew at a 14% per annum rate last year and deposits have now reached \$13 millions.

This memorandum is designed to: (1) provide justification for developing a strategy for credit union development in Africa; (2) elaborate the details of a proposed feasibility study for such a strategy, including Africa Bureau participation in the CUNA/ACOSCA study team; and (3) relate on-going A.I.D. assistance for ACOSCA to the proposed feasibility study.

## II. Developing Future Strategy

Credit union development recommends itself as a priority area of concentration in Africa for AFR responsiveness to Congressional interest in cooperatives. (World wide financing of \$20 million has been earmarked in the House/Senate Conference Committee agreement for the development of cooperatives during FY 1974 and FY 1975).

While a more extensive effort on cooperatives may be called for, caution is dictated by the many failures among those types that entail complex management. Credit unions are relatively undemanding in management and African potential to achieve a good rate of growth is indicated by success to date. During recent months, interested AFR offices, the PVC/Cooperatives Office and CUNA have reviewed ACOSCA's progress and searched for an effective approach which can rapidly demonstrate to African leaders and rural communities the potential of a rural, self-managed credit system. While ACOSCA is proving itself at the regional association and national league level, it does not yet have sufficient personnel and financial capacity to minister to the technical assistance needs of local credit unions. It is estimated that five to seven years may be required for ACOSCA to reach professional competence and financial self-sufficiency.

On its own initiative in February and March 1973, CUNA conducted a prefeasibility study of potentiality for pilot programs in credit facilities for agriculture production in several select African countries. In doing so, it drew upon experience in Latin America where substantial success has been achieved. (Tab B). Preliminary program design reveals African receptivity to such an approach and the desirability of further delineation of program application.

The CUNA prefeasibility study shows that the circumstances in Zambia, Lesotho and Cameroon appear to meet program requirements, and the major thrust of CUNA's feasibility study will be directed toward the operational modalities of pilot programs in these three countries. The Directed Agricultural Production Credit Program (DAPC) approach, proposed by CUNA, has the merit of mobilizing credit union resources to achieve greater productivity and greater income for the small farmer who belongs to the credit union. This in turn expedites

credit union growth. Latin American experience has shown that it takes anywhere from 7 to 10 years to establish a viable small farmer credit program on a national/local community scale. With the benefit of that experience perhaps similar results can be achieved more rapidly in Africa. Working through ACOSCA and national credit union leagues, A.I.D. and other donor technical assistance could be applied to one or two already viable local credit unions in several countries to demonstrate increases in small farmer production and income. Requisite host country inputs would be extension services, definition of supply and marketing mechanisms, and statutory encouragement for both the national league and pilot credit unions.

State/A.I.D. representatives in each of these countries have supported the DAPC proposal warmly. Further exploration and definition of systems relationships at the national and local levels are needed in order to provide baseline data for measurement of annual performance and to ensure that credit and agricultural technical assistance linkages are coordinated.

### III. Study Proposal and Relationship to Current Project Activity

During this past summer, CUNA has been responsive to our criticisms of the DAPC prefeasibility analysis and has elaborated a feasibility study, complete with a preliminary logical framework matrix, a time-phased design plan and estimates on personnel funding for a field study team. (Tab A). The ACOSCA Executive Board has endorsed the proposal for a feasibility study. We consider it appropriate with minor changes and are convinced that arrangements for it should proceed. The initial phase of the feasibility study can be expected to yield sufficient data and conceptual parameters to enable design of A.I.D. assistance to ACOSCA and the DAPC program for the next several years; and, the latter phase of the feasibility study would provide the broader framework for eventual inclusion of more pilot programs in other African countries beyond those contemplated for Zambia, Lesotho and Cameroon. In addition to accepting our stipulation that there would be no A.I.D. commitment for subsequent funding of the DAPC program, CUNA has agreed to assure that the study design will be responsive to the interests of other donors as well as ourselves.

The feasibility study team would be composed of three to five members representing ACOSCA, CUNA and A.I.D.'s Africa Bureau, and would include at a minimum an expert on DAPC concepts, an African with broad credit union experience, and an agricultural/rural development expert (most likely the A.I.D. team member). The team would hold week-long planning seminars in each of the three pilot program countries, which would involve concerned local and national interests and be directed toward precise definition of pilot program modalities. Preliminary

preparation in Washington and the field is planned to take 15 days, field visits including the three week-long seminars require 36 days, and preparation of the study report would complete the total 65-day study period. With approval now to proceed with the feasibility analysis, CUNA would expect to complete the study by early March, 1974. CUNA has suggested that the Africa Bureau input to the feasibility study be limited to provision of a senior agriculturist for the team. Additive costs for the study are scheduled to be funded under Task Order No. 1 of the CUNA world-wide contract (Csd 1526), while travel and per diem for the Africa Bureau staff member is estimated at no more than \$2,500 from AFR/W travel funds. An implicit assumption of our interest in the feasibility study is that ACOSCA will continue to be the focal point in Africa for providing guidance services and for channeling donor assistance to national leagues and local credit unions. The DAPC pilot programs, introduced and coordinated by CUNA and ACOSCA with credit union leadership from national and local organizations, would be the main vehicle for reaching Africa's small farmers with locally-managed production credit facilities.

The longer-term definition of ACOSCA's capacity for growth in terms of leadership and affiliated membership for Africa-wide credit activities would be covered under the later phase of CUNA's feasibility study (to be conducted on a limited basis over the next nine to twelve months). This study phase would be aimed at defining the broader seven-to-ten year perspective for African credit union growth. We would anticipate, subject to successful CUNA/ACOSCA project design, to submit a revised PROP to cover the combined ACOSCA and DAPC activities. \$128,000 is allocated for this purpose under the AFR/NARA regional OYB submission.

The current project activity of providing technical advisory services to ACOSCA is due to expire at the end of December, 1973. While original project goals have been approached they cannot be completely met in that time frame. Training of the counterpart advisor for the Southern Africa credit union training center has been retarded by unanticipated counterpart personnel changes during the past year and a half. Evaluation of the feasibility study and final DAPC project design will occur in the third quarter of FY 1974. In the interim, extension of ACOSCA project funding through the end of June will ensure training of the new counterpart advisor and will maintain the capacity of ACOSCA headquarters' management which will be required if there is to be FY 1975 start-up of the new project activity. The \$48,000 interim funding requirement included in AFR/NARA OYB allocation for this project activity, covers the services of the CUNA technician at the regional training center, technician travel and per diem, administrative costs, and the cost of participant programs at the training center.

Recommendation: That you concur in the six-month extension of the current project and in the conduct of a feasibility study along the lines discussed above.

APPROVE \_\_\_\_\_

DISAPPROVE \_\_\_\_\_

DATE 11/27/1977