

PD-73
March 30, 1980

POLICY ON AID-U.S. COOPERATIVE ORGANIZATION RELATIONSHIPS

The attached Policy Determination 73 was approved by the administrator on March 30, 1980

Attachment

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Governing Legislation

Section 123(a) of the Foreign Assistance Act, as amended in 1978, declares a public policy in favor of public subsidies to supplement private financial resources in order to expand the overseas development activities of certain private groups without compromising their private and independent nature.

The groups are private and voluntary organizations and cooperatives which embody the American spirit of self-help and assistance to others to improve their lives and incomes.

The purposes of the support are to (1) assist and accelerate in an effective manner the participation of the rural and urban poor in their countries' development and (2) mobilize private American financial and human resources to benefit poor people in developing countries.

The activities to be supported must be consistent with U.S. development assistance policy as stated in Section 102 of the Foreign Assistance Act.

Section 111 of the Foreign Assistance Act directs that high priority be given to the development and use of cooperatives in developing countries which will enable and encourage greater numbers of the poor to help themselves toward a better life.

Section 601(a) of the same law and Section 123(a) also encourage the participation of cooperatives in the implementation of U.S. Government foreign assistance programs.

Background

Cooperatives have played an important role in the economic growth of the developed world. They continue to figure prominently today. It was easy, therefore, for government to look to the cooperatives of the developed world to make an equally important contribution to the development process overseas. Ideological considerations -- an idealistic association between cooperatives and egalitarianism and social change -- as well as an appreciation of cooperatives as effective business enterprises underlay these conclusions.

The U.S. Congress directed that foreign assistance agencies should promote the development of cooperatives in the developing countries and engage the American cooperative movement in this enterprise. What had been a modest effort in the Point IV era became a larger, more directed effort in the 60's and into the 70's. And in recent years Congress has shown particular interest in the sum that should be expended for cooperatives.

almost \$3 million is currently provided annually to support international offices of American cooperative development organizations. This amount includes specific grants made to the cooperatives to enhance their skills in project design and evaluation.

The results of efforts to encourage and promote cooperative activity have been mixed. There has been a prodigious growth of credit unions in Latin America

and a steady increase in Africa. A major cooperative achievement was the organization of the Indian Farmer Fertilizer Cooperative, including the building of a fertilizer plant and the organization of a cooperative marketing structure. Rural electric cooperatives flourish in several countries. Other demonstrations of the contribution of the American cooperative movement exist as well, but some programs have had spotty histories, failing to adequately address the degree of difficulty and complexity associated with developing cooperative business enterprises in developing countries.

Occasionally questions have been raised about the appropriateness of modern, business-oriented western cooperatives in the context of a developing economy. It has been assumed that the style and talents of the modern cooperative structure would be relevant to, and needed by, developing countries. Yet cooperatives in the U.S. have evolved in a unique environment and in response to unique conditions which do not similarly prevail in developing countries. Their current operational approaches and levels of capitalization make them dramatically different organizations than those which characterized their earlier years.

These questions, observations and recommendations raised in recent literature suggest that the best of the cooperative competence and spirit is not always being engaged in the development effort. More thorough attention should be given to encouraging application of the experience and capabilities of the cooperative organizations to those situations where they can realistically be expected to achieve their objectives.

An examination of such issues, particularly as they related to small farmers, was carried out under the auspices of the Agricultural Development Council. The results of that study were the subject of a three-day conference at Wingspread, the Johnson Foundation's conference center at Racine, Wisconsin, in late April 1978. Scholars, donor agency officials, and cooperative leaders of the U.S., Europe and the Third World were participants.

The conclusions drawn from the exercise follow:

1. That there is indeed a role for American cooperative to play in overseas development, but that the fit must be carefully made;
2. That AID and the American cooperatives should place new emphasis on direct cooperative-to-cooperative relations and less on cooperatives as instruments of government-to-government aid programs;
3. That cooperative development should be recognized as a long-term process and that U.S. Government and cooperative movement commitments must be of a longer-term nature than has been common in the past;
4. That U.S. Government support should be provided in a manner that leaves maximum flexibility in the hands of the cooperatives;
5. That U.S. Government support should not in the long run be the sole financial basis for direct cooperative-to-cooperative relations;
6. That U.S. (and other foreign) cooperatives have been more effective in providing technical assistance to already organized cooperatives, to national confederations, and regional cooperative organizations, and been less so in organizing local cooperatives and cooperative movements in developing countries

General Policy

It is our policy to further the development and use of developing country cooperatives which will enable greater numbers of the poor to help themselves to better lives. U.S. cooperatives organization can play a significant role in furthering this objective, consistent with the principles stated in Section 102

of the Foreign Assistance Act.

To assist in the development of cooperatives, AID will support two approaches. First, it will continue to consider cooperative development an integral concern of its bilateral programs and provide support in that context. Second, it will encourage U.S. cooperatives to relate directly to developing country cooperative counterparts as private organization-to-private organization and will support this effort beyond the framework of the usual government-to-government bilateral programs. Each of these approaches will have distinct requirements.

1. In the first category, project financing will continue to be provided by Regional Bureaus and USAIDs with the existing OPG procedures and authorities. Cooperative organizations will also be eligible for contracts related to bilateral aid programs administered by AID. The application of the collaborative assistance method (Policy Determination 65) will be extended to embrace the cooperative development organizations which are recognized and listed as such by the AA/PDC. Such activities will be carried out in the context and with the usual requirements, including project review and rigorous evaluations, of all of AID's other bilateral programs.

2. In the second category, which emphasizes the cooperatives' private contacts and character, AID will encourage U.S. cooperatives to seek out and develop their own relationships with developing cooperatives. Through fraternal association in international organizations such as the International Cooperative Alliance, International Federation of Agricultural Producers, the World Council of Credit Unions, the Joint Committee for the Promotion of Aid to Cooperatives, etc.; through regional organizations such [as] ACOSCA, COLAC, OCA, SIDEFCOOP, etc.; and through familiarity with national cooperative organizations, the U.S. cooperatives have developed relationships which will identify opportunities for assistance. To support further the movement-to-movement relationship, AID will encourage the cooperative groups to decentralize their international headquarters staffs, associating them where feasible and appropriate with national and international affinity groups. AID-supported cooperatives should also be able to continue to function where bilateral programs have terminated except when specifically prohibited by law.

3. Direct cooperative-to-cooperative relations supported by AID must serve both the goal of enabling and encouraging greater numbers of the poor to help themselves toward a better life and the internationally accepted cooperative movement principles of voluntarism, democratic control, equitable sharing of benefits, and business purpose. There are many different kinds of organizations and programs which are called "cooperative." Some do not actually serve this goal, which is the purpose of AID support; and some are out of line with the fundamental international cooperative principles. When AID funds are involved, U.S. cooperatives should seek out "emerging cooperatives" and forego assistance to large, moneyed "establishment" cooperatives, when the latter don't serve directly low-income people.

4. Institutional support to the U.S. cooperative organizations and funds to support independent cooperative-to-cooperative programs will be centrally funded. This centrally-funded support will be provided subject to periodic reviews and funds availability in a manner that leaves maximum flexibility in the hands of the cooperatives, subject to the principles in this statement, including point five below. This support will not be exclusively part of the country programming process. U.S. Government approval for specific activities, for travel, and for other aspects of the work will not be required. The American cooperatives and their local partners will be responsible for obtaining whatever foreign government approvals are required. No logistic or other support will be sought from U.S. Government officials or agencies other than what might normally be provided for private persons and organizations which operate without Government funding and independent of the Government. AID will assist the American cooperatives with training, orientation and similar services as agreed upon and convenient to both parties.

5. For institutional support to U.S. cooperative development organizations, the review procedures for discrete country program activity will be the same as those now being used for PVO matching grants, per the attached policy guidance for PVOs. The AID-funded U.S. cooperative development organizations, when contemplating program activity, will consult with USAIDs in the countries involved regarding their plans. Should a USAID feel that a contemplated activity is inappropriate, such concerns will be communicated by AID/Washington to the Governing Board of the cooperative organization involved.

6. The provision of support for cooperative-to-cooperative activity should not be regarded as an automatic AID commitment to provide funding for specific project activity which might flow from such cooperative-to-cooperative relations.

7. The success of the independent cooperative-to-cooperative aspects of this policy depends on an expanded commitment of resources by U.S. cooperators on a matching grant basis, the details to be agreed with the cooperatives.

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USAID ROLE RE CENTRALLY FUNDED GRANTS TO PVOs, INCLUDING CRITERIA FOR ANALYZING MATCHING GRANT PROPOSALS

The following is AIDAC Cable State 015988 dated January 20, 1980 to Principal Posts, U.S. Mission/Geneva, American Embassy/Lagos, American Embassy/Paris, American Embassy/Rome:

A) AIDTO CIRC A-172 w/attachments.

1) Memo for Assistant Administrators and Mission Directors with matching grant guidelines from A-A/AID dated 4/20/79.

2. Dear Colleague letter to PVO's from A-AA/PDC dated 6/27/78.

3. AID' matching grants -- a summary description.

B) Report of conference of AID related PVO's dated 2/10/78.

C) Action memorandum for Administrator dated 6/9/78.

D) Info memorandum for Administrator from AA/PCD dated 12/22/78.

E. Action memorandum for Administrator from AA/PDC dated 3/9/79.

FOR MISSION DIRECTORS FROM ADMINISTRATOR BENNET

1) In February 1978, A.I.D. established a centrally-funded matching grant (MG) program to assist PVO'S TO expand their development efforts in the Third World. Since that time, there has been an accumulation of decision memoranda and other documents which together describe the background of the program and the criteria which are used in approving proposals. Listed above as references are the principal background documents. Missions have received most of them at one time or another; we will forward those which have not yet been distributed for your information.

2) Although the increasing role of PVO's is generally understood and accepted in the Agency, there appears to be some uncertainty with respect to the Mission role vis-a-vis centrally-funded PVO grants, especially matching grants. Consequently, we felt it would be useful to bring together in one message the principal criteria used by the Agency in considering matching grants and the role to be placed by field missions.

3) Review Criteria

a. While each of the referenced documents contains some useful background material, Bob Nooter's memo of April 23, attached to AIDTO CIRC A-172 (Ref A), describes the Agency's philosophy towards matching grants. While A.I.D. must exercise enough oversight to assure that the use of the funds is consistent with our legislation, we should not try to remake these programs in our own image nor should we require the same kind of detailed project documentation used for our regular programs." The point is that we want to capitalize on the resources and management capabilities PVO's can bring to bear on development by supporting but interfering as little as possible in their activities. Bob Nooter's memo had as an attachment the following matching grant guidelines:

1. The purpose of the matching grant program is to support the ability of PVO's to administer effective development programs, within A.I.D.'s overall priorities and legislative mandate. Simultaneously, we seek to facilitate increased resources for developing countries.

Some fundamental corollaries follow this purpose statement, as follows:

--A. The program must be field-oriented rather than headquarters-oriented.

--B. The program must remain the PVO's own program (rather than an A.I.D. program, with all of its formal requirements and programming system).

--C. The program must be "discrete" in the sense that it deals with an identifiable problem (or set of problems) which has some boundaries around it (rather than a blank check to do what the PVO may decide to do over the course of the grant period).

--D. The program must be set up in such a way that it is measurable and evaluable, based on broad functional and geographical target areas. (The final report and the previous annual reports, therefore, must be able to tell the development community and A.I.D. something useable about a program and an approach--i.e. water resource development using a community participation methodology, etc.)

--E. The PVO must have clearly established its ability both to carry out the program and to raise the matching funds from non-governmental sources. (Note: It was subsequently decided that exceptions can be made to permit host government contributions in partial substitution for private contributions.)

--F. The PVO proposal must be specific enough to enable A.I.D. to ascertain at least the following: The projected countries in which the matching grant program will be undertaken; sample indications of the program's coordination of the PVO input with host country governments, estimate beneficiaries, host country (indigenous) PVO's or other private groups; the functional area in which the PVO will work (nutrition, water resources, etc.), and a broad outline of the budget, including other income history and projections and expenditures for the matching grant program.

Each matching grant proposal should have sufficient information about the proposed PVO program for a mission to understand how it would work in that specific country. Projects do not have to be described in the same detail as in the case of OPG.

Roles of the Mission and AID/W:

A. The central feature of the matching grant program is its support for the PVOs' own programs when those programs fall generally within A.I.D.'s broadly-viewed development objectives. Agency approval processes and monitoring requirement as well as mission responsibilities are based on recognition of this fact.

B. The originating bureau, usually PDC, seeks the clearance of AID/W regional bureau responsible for the country or countries in which the PVO proposes to carry out its program with A.I.D. support.

C. Prior to forwarding matching grant proposals to regional bureaus and missions for review, PDC/PVC analyzes the credentials of the PVO and the matching grant proposal to ascertain that the proposed program is based on an established track record to performance, that the PVO can assume responsibility for self-monitoring and accountability, and that the PVO has both demonstrated capacity to generate the necessary private support and possesses a long-range financial plan to achieve agreed goals.

D. AID/W will advise missions of any centrally-funded grant application

involving a PVO which has carried out significant programs in the respective country and/or seeks to work in that country. We will send relevant missions a copy of the proposal or a complete cable summary, together with separate and specific questions and issues on which we will seek and need mission comments and suggestions.

E. The respective regional bureau and PDC must have informed field input. We will ask for mission views and recommendations to ascertain whether (1) the PVO's past performance and reputation has resulted in severely negative attitudes within the host country; (2) the proposed program is incompatible with the country's social, economic or political structure; (3) the proposed activities are in conflict with mission or other donor programs; or (4) the area of the country where the PVO hopes to work is too unsafe for such an activity. The mission's role is essentially one of guidance and suggestion rather than of specific clearance.

F. The PVOs are themselves responsible for obtaining whatever host country concurrences or authorization is necessary.

G. In the actual development and implementation of the program, we will continue to urge and encourage the PVOs to be certain that they discuss with the respective mission their plans and programs. Such consultation, however, is not obligatory, since an effort by A.I.D. to supervise or control matching grant activity would violate the basic premise of the program.

H. In keeping with this spirit, PVOs using A.I.D. matching grant funds need not seek authorization to travel to countries in which their project is operating, with the exception that in countries in which important political or other factors warrant it, Mission clearance can still be required. Conversely, PVOs cannot expect any logistical support from the Mission.

5. We are convinced that the recipients of matching grants, which are the most established and proven of the PVOs, will work best in support of the poor when they are as free as possible of the usual governmental restrictions and impositions. While we do our part to ensure healthy communication among AID/W, centrally-funded PVOs, and missions, we will expect missions to support this important new program and the principle behind it.