

Annex K

Cooperative Development Program Evaluation Executive Summary

**Prepared by
Lowell E. Lynch**

EXECUTIVE SUMMARY

INTRODUCTION AND BACKGROUND

One of the ways in which the United States Agency for International Development (USAID, or "the Agency") provides support to U.S.-based cooperative development organizations (CDOs) is through a series of multiyear grants-in-aid from USAID headquarters. The most recent grant, the FY 2004-2009 Cooperative Development Program (CDP), totals \$29 million, including a \$2 million supplemental appropriation in FY 2007. The CDP provides only a small portion of the USAID funding available to the CDOs. The CDP's importance both to those organizations and the Agency is disproportionately great, however, because of its focus on improving the CDOs' performance in delivering cooperative development services, particularly through building their intellectual capital.

Eight CDOs receiving the FY 2004-2009 CDP funding are:

- Americas Association of Cooperative and Mutual Insurance Societies (AAC/MIS);
- Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance (ACDI-VOCA);
- Communications Cooperative International (CCI);
- Cooperative Housing Foundation International (CHF);
- Land O'Lakes International (LO'L);
- National Cooperative Business Association (NCBA);
- National Rural Electric Cooperative Association (NRECA); and
- World Council of Credit Unions (WOCCU).

Current CDP projects that the CDOs are implementing include the insurance, telecommunications, housing and community services, agribusiness, rural electrification, health, and business sectors.

USAID's stated mission for the CDP is to "deliver the quality and magnitude of support necessary for CDOs to attract the human, institutional and financial resources necessary to significantly enhance their impact on cooperative development worldwide." The CDP has six strategic objectives: reform of cooperative law and regulation; institutionalization of effective governance and training; expansion in good-performing, self-sustaining cooperatives; growth in other-donor support for cooperative development; initiation of significant US cooperative investments in joint ventures with developing and transition economy cooperatives; and diversification of CDO financing. The CDP also has five strategy components: leverage overall cooperative development quality and impact by financing CDO learning and innovation (intellectual capital); focus development community attention on cooperative development's potential; catalyze support for legal and regulatory reform; create incentives for US cooperative engagement in

cooperative development activities; and encourage alliances between US CDOs and like-minded organizations.

The request for application (RFA) for the current CDP calls for the CDOs to focus on developing, testing, evaluating, and disseminating solutions to key problems (or "issues," to quote the RFA) that impede the success of cooperative development efforts. Those problems are:

- principles of sound cooperative law and strategies to improve the legislative and regulatory environments;
- organizational change strategies;
- addressing HIV/AIDS, its impact on cooperatives and their members;
- strengthening cooperative participation and governance;
- planning and implementation systems;
- replication, scale, and salience of successful cooperative development efforts;
- alliances in support of cooperative development objectives;
- avoiding dependency—accelerating progress from donor support to commercial operations; and
- design (of cooperative project interventions and research activities).

EVALUATION PURPOSE

The specific purpose of the evaluation is twofold: to assess whether the performance and results of the 2004-2009 CDP justify a new one; and to tap the lessons learned from the current program for purposes of applying them to a successor. In assessing the program's performance and results, including the lessons-learning and dissemination processes, the evaluation is to examine USAID's central support to U.S. CDOs in the development, testing, evaluation and dissemination of solutions to the key cooperative development issues specified in the RFA. In particular, the evaluation is to assess the degree to which the CDP has met its goal of encouraging the learning of lessons through an applied-research orientation and the dissemination of those lessons, both among the CDOs and to the broader development community. Any indicated improvements resulting from that assessment are to feed into the design and development of the prospective new program.

OVERALL FINDINGS AND CONCLUSIONS

The 2004-2009 Cooperative Development Program has been quite successful overall. The program's accomplishments, in strengthening cooperative development in low-income countries, transitioning nation-states, and emerging democracies, have been impressive.

The improved performance in cooperative development has taken place primarily through CDO-managed projects, which the current CDP has underwritten, in over 30 countries during the past five years. Those projects have bolstered broad-based, participatory, member-owned enterprises that generate economic and social development, relieve poverty, and underpin community self-help and democratic governance. At the same time, they have often served as learning laboratories that have yielded lessons for improved cooperative development interventions that the CDOs have then disseminated widely.

In addition to funding the CDOs' in-country projects, the CDP has also provided highly useful financial support for programmatic initiatives, in the form of research studies that are not field-project specific. The eight CDOs have collaborated on initiatives to address two challenges confronting

cooperative development. The Cooperative Law and Regulation Initiative (CLARITY) is successfully tackling the constraints that the legal and regulatory environment often creates for cooperative development. The other initiative is identifying a set of key indicators of long-term viability and sustainability of cooperatives as businesses in a developing country context.

SPECIFIC FINDINGS AND RECOMMENDATIONS

Finding 1: This evaluation has found that the performance of the current CDP justifies the development of a new one. The learning and dissemination emphases, combined with programming flexibility, are essential ingredients of the current CDP that clearly deserve inclusion in a new one.

Recommendation 1. USAID should proceed with a new five-year Cooperative Development Program patterned after the 2004-2009 CDP.

Finding 2: The level of funding for the CDP is modest in relation both to the needs of cooperative development and to the amounts of money flowing into the sectors in which cooperatives operate. The CDP funding level is limited even in relation to the budgets of many of the CDOs. Even so, given the way in which USAID's Office of Development Partners (ODP) has strategically programmed the money, the CDOs have been able to use it in ways that realize benefits for cooperative development that far outweigh the meager costs.

Recommendation 2. USAID should increase the level of effort and funding for the new CDP.

Finding 3: The CDP's success has yielded a number of positive lessons for the new program, including: the desirability of mandating collaboration on additional basic research projects such as CLARITY; the effectiveness of invoking scale and salience considerations for cooperatives in pursuing sectoral expansion; and the value of promoting an organizational learning orientation in innovative project activities.

Performance has been mixed in the case of certain CDP objectives: fostering appropriately paced growth in other-donor support for expansion of cooperative development; initiating significant US cooperative investments in joint ventures; and diversifying CDO financing. The prospects for the achievement of these important objectives in a new CDP could be significantly enhanced by certain improvements in aspects of program design and development, CDO implementation arrangements, and interactions between USAID and the CDOs.

Recommendation 3. Experience with the current CDP has yielded specific lessons both about capitalizing on successes (in learning and innovation, collaborative research, and replication, scale and salience, in particular) and about improving the program's performance (especially in pursuing other-donor support for cooperative development, joint ventures, and diversification of CDO financing); ODP should incorporate those lessons in the new program.

Finding 4. CDP-induced collaboration among the CDOs has been instrumental in the development of CLARITY and other initiatives important to improving cooperative development. Expanding collaboration support to cover other important issues in the next CDP would undoubtedly enhance the effectiveness of this special feature of the program.

Recommendation 4. The emphasis on practical collaboration among the CDOs should continue in the new CDP

Finding 5. In addition to collaboration, there are three other special features of the current CDP that have proven extremely important to its success. They are flexibility, experimentation, and continuity.

The flexibility the CDP allows the CDOs, in responding nimbly and effectively to changing conditions as the action research unfolds during project implementation, has proven crucial, for both improving project performance itself and strengthening the lessons-learning process. An important component of the CDP's flexibility is the fact that ODP has been willing and able to grant the CDOs considerable freedom of action. This evaluation has found that the Agency, in the person primarily of the cognizant technical officer, has overseen the CDOs responsibly and effectively.

The experimental approach the CDP embodies – developing, testing, evaluating, and disseminating solutions to cooperative development problems – has enabled the CDOs to use the resources effectively in two ways that have proven instrumental for cooperative development. It has allowed the funding of key innovations that spell the difference at the margin between project (and cooperative development) success or failure. It has also permitted the luxury of exercising the kind of risk-taking that is essential for a learning-based organization.

The Agency's central support for cooperative development, of which the CDP is the latest manifestation, has evolved significantly over the course of its three-plus decades. Even so, the relatively high degree of consistency in the nature and magnitude of that support has been invaluable for a program that focuses on institutional development, which inherently demands long-term commitments. The continuity feature of the CDP has allowed many of the CDOs to build on and enhance accomplishments from earlier programs.

Recommendation 5. The Agency should ensure that the CDP's special features, of flexibility, experimentation, and continuity, which have been essential to its success, are incorporated in the new program.

Finding 6. Although most of the CDOs agreed that learning and dissemination are central to the CDP's primary purpose, the degree to which the CDOs' implementation of these two pivotal processes has been accomplishing the desired results has varied widely among CDOs and projects. Overall, there is room for more systematic, rigorous, explicit learning and dissemination components in the various projects.

The CDO community could benefit significantly from support in carrying out the learning and dissemination agenda more fully. Such help might include funding, perhaps from a central CDP account, for training and technical assistance for CDP staff in incorporating an operations-research like component in projects.

Recommendation 6. The new CDP should incorporate specific, concrete provisions for improving performance in the learning and dissemination components of projects, including possibly tying CDP funding to credible initiatives in this regard.

Finding 7. There seems to be a distinct appetite among the CDOs for additional work on the more "basic," non-experimental research initiatives, such as CLARITY, and more recently the sustainability indicators project. Such activities could usefully consume sizable amounts of CDP resources, a fact that constitutes part of the case for a higher funding level in the new CDP. However, the current CDP's support for the more operations-oriented, applied research, in which the projects are partly experiments with solutions

to key cooperative development problems, is also quite important to the CDO community. That kind of project-based, experimental research helps the community improve its cooperative development capabilities, by learning through doing and by sharing – through concerted, goal-oriented dissemination regimens – experience-based lessons learned.

Recommendation 7. In the process of developing the RFA, ODP should organize an effort to sort out how much emphasis the new CDP should put on “basic” research, such as that represented by the CLARITY and sustainability indicators activities, versus the more applied, project-based experimentation.

Finding 8: The RFA for the current CDP recognized that the issue of legal and regulatory reform was important enough to require that the CDOs mount a collaborative effort (CLARITY) to address it. Certain other issues are of such priority to the achievement of the CDP’s objectives that the CDOs should be strongly encouraged, if not required, to address them. Such issues include: change strategies; replication, scale and salience; strengthening cooperative participation and governance; alliances in support of cooperative development objectives; and avoiding dependency.

ODP should conduct a review, in consultation with the CDOs and OCDC, of the list of key issues, to determine whether any changes are necessary, including any further prioritization. ODP should then devise a means of ensuring that the CDOs’ proposals and projects tackle the most critical issues on the list.

Recommendation 8. After carrying out a review of the list of key issues, revising and prioritizing them as necessary, ODP should ensure that the RFA for the new CDP accounts for the fact that certain key issues are clearly critical to the success of the program, by mandating that the CDOs’ proposals take on those critical issues.

Finding 9. A substantial diversity of interpretations and understandings exists among the CDOs about what key aspects of the RFA mean. Those aspects include, most importantly, the nature and role of the learning-based approach to CDP activities and of the dissemination of proven solutions to key CDP issues. However, they also extend to: the operational distinctions among alliances, joint ventures, and other-donor, foundation, academia, and related organization involvement with the CDP; and the relationship between change and innovation processes. A tighter, simpler, and conceptually cleaner RFA for the new CDP would almost certainly help improve the CDOs’ proposals and implementation performance.

Recommendation 9. ODP should see that the RFA or other solicitation instrument for the new CDP contains a simple, straightforward, tightly reasoned enunciation of the goals, objectives, issues, and other key elements of the assistance being solicited of the CDOs.

Finding 10. Although the CDP, being a centrally funded program, is not an integral part of USAID mission and bureau program portfolios, CDP project activities can furnish significant benefits to USAID’s country development efforts.. Similarly, missions and regional bureaus can contribute importantly to CDOs’ project work, by facilitating access to policymakers and coordinating other USAID programs with CDP activities, for example.

Recommendation 10. ODP should pursue means of strengthening the interactions between CDP projects and USAID mission and bureau programs, activities,

and operations. Such means could include: establishing cooperative development (liaison or program) officer positions in missions and bureaus; assigning the CTO responsibility and authority for keeping concerned mission and bureau staff informed about CDP activities in their countries and regions; ensuring that the CTO has funding for several CDP country visits annually; and stipulating in the RFA that CDO staff, on a regular, frequent basis, provide reports to mission and bureau personnel and have consultation meetings with them.

Finding 11. A strong field presence tends to make a major positive difference in CDP project performance. If the head of the CDO's operation in the country is not just a technician or administrator but is, instead, the CDO's country representative able to carry out the entire range of in-country program management duties, the performance of the CDP project is likely to improve greatly.

Recommendation 11. For the new CDP, ODP should provide inducements for the CDOs to enhance their in-country staffing and project management by, for example, incorporating in their application proposal a country representative, chief of party, or project manager position; the inducements could include such provisions as additional funding for field staff or extra points in the scoring of the proposals that effectively addressed the field presence issue.

Finding 12. Linking in-country interventions in, for example, rural electrification, rural credit, and agricultural production presents obvious possibilities for creating synergy that benefits rural development. If the CDP were to offer incentives to CDOs for capitalizing on such linkages through formal in-country project collaboration, an added benefit might be that a concentration of two or more CDOs in one country could facilitate economies of scale in program and project management (if, for example, the CDOs were to share staff).

Recommendation 12. The new CDP should promote collaboration among CDOs at the field level and on specific projects, particularly where the linking of sector interventions can contribute to development.

Finding 13. There is some sentiment, although no consensus, within the CDOs and USAID for a funding and procurement instrument other than the cooperative agreement. Some expressed an interest in an IQC-like acquisition or assistance instrument for facilitating USAID mission and other donor buy-in to innovative cooperative development activities. Others suggested a leader-with-associates grant as an alternative procurement and funding mechanism.

Recommendation 13. ODP should explore alternative procurement and funding mechanisms for the new CDP.

Finding 14. There is a widely shared opinion within the CDO community that cooperative development can be an effective tool for promoting both economic growth and democracy but there is not enough documentation as to how to work via cooperatives in crisis and post-crisis environments. The role of cooperative development models in aiding democratization and governance

reform in a wide range of transition countries offers fertile ground for research, of both a basic and an applied nature, in the new CDP. More resources for such work are warranted, given all that the cooperative development model has to offer especially to transition assistance.

Recommendation 14. The new CDP should promote further experimentation with cooperative development in conflict and post-conflict countries, as part of transition assistance programs; ODP should also consider funding research into cooperative development's relationship to the field of democracy and governance, including interactions with economic stabilization and growth.

Finding 15. Questions have arisen about both potential new applicants to the CDP and those CDOs that have been grant recipients long enough to be ready, at least arguably, to "graduate" from the program. The graduation argument is not compelling in the case of the CDP.

There are other cooperative development organizations that have the potential to participate in the CDP. Whether there is an increase in funding for the next CDP or not, additional CDOs beyond the current eight should be invited to submit applications.

Recommendation 15. All of the CDOs participating in the current CDP should be allowed to submit applications for the new one, and new CDOs should also be permitted to apply.