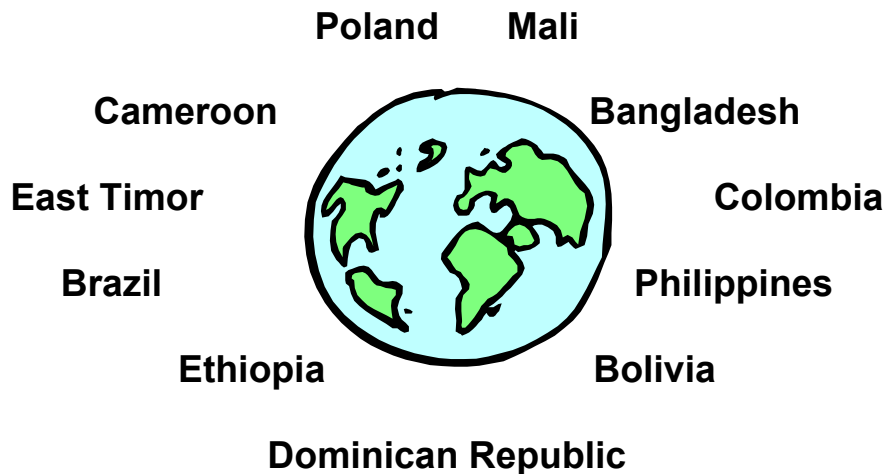


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# **Analysis of U.S. Cooperative Development Experience**

## **Executive Summary**



### **Summary of Case Studies and Cooperative Development Framework by U.S. Cooperative Development Organizations:**

- **Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance (ACDI/VOCA)**
- **Americas Association of Cooperative and Mutual Insurance Societies (AAC/MIS)**
- **CHF International**
- **Land O' Lakes, Inc.**
- **National Cooperative Business Association (NCBA)**
- **NRECA International, Ltd.**
- **National Telecommunications Cooperative Association (NTCA)**
- **World Council of Credit Unions (WOCCU)**

*Theodore Weihe and Gretchen Warner,  
U.S. Overseas Cooperative Development Council (OCDC)*

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## Information About OCDC and its Members

OCDC, the U.S. Overseas Cooperative Development Council, is a voluntary association of eight cooperative development organizations, representing diverse economic sectors.

Our mission is to strengthen the ability of member organizations to promote cooperative development in developing countries and emerging democracies.

The involvement of U.S. cooperative organizations in overseas activities grew out of the conviction that cooperative techniques, which have helped millions of American families, could be adapted to help poor and low-income people in developing countries achieve a better way of life.

OCDC members have been development partners of the US Government for over forty years and represent over \$200 million in annual funding that is provided centrally and from the field. They also receive funding from other sources.

OCDC members apply their expertise and approaches in a wide range of settings and countries. Members have multi-year projects in over 70 countries worldwide.

### What Do OCDC Members Do?

Members provide technical assistance and training for overseas development. OCDC members work in a wide range of sectors including:

Agriculture	Natural Resources
Community Development & Infrastructure	Public Policy & Advocacy
Disaster & Reconstruction	Rural Electrification
Finance	Rural Telecommunications
Insurance	SME and Micro-businesses
Local Economic Development	Shelter and Community Building

The approach of OCDC members is both adaptable and demand-driven:

- Strong track record in countries under-going political and economic change
- Strong track record in grassroots economic development
- Strong track record in institutional reforms

### How Do OCDC Members Work?

Much of the strength of OCDC members is drawn from the orientation to the community, as well as working simultaneously at a policy level.

OCDC members are brought together by shared values and programmatic approaches, which include:

- Democratic self-governance
- Local control and ownership of assets

- Transparent processes
- Private sector-based, business approaches
- Linkages to U.S. and overseas coops.
- Profound belief in the capability of individuals to provide the energy and drive for their own advancement.

### **Why Cooperative Development Works**

OCDC believes that the values of cooperative development and mutuality can and should play a key role in laying the foundation for economic growth, peace and stability for emerging democracies and in conflict-affected regions of the world.

- Cooperatives develop community-based private enterprises, build open markets and bring minorities and the poor into the mainstream economy.
- Promote grassroots democracy and strengthen human dignity through self-help, community action.
- Alleviate poverty & achieve social goals.
- Enable people to realize lasting economic independence & prosperity.
- Provide jobs, income, basic education and democratic experience.

### **Cooperative Development Center & ListServ**

The Cooperative Development Center was launched to establish a center of excellence on key issues and challenges in coop development. Please visit:  
[www.coopdevelopmentcenter.coop](http://www.coopdevelopmentcenter.coop).

Join our ListServ, which periodically sends analytical documents or information about cooperative development issues. Email [coopdevelopmentcenter@nreca.org](mailto:coopdevelopmentcenter@nreca.org) to subscribe. Please provide your name and organization.

## Contact Information

### ACDI/VOCA

ACDI/VOCA identifies and opens economic opportunities for farmers and other entrepreneurs worldwide by promoting democratic principles and market liberalization, building international cooperative partnerships, and encouraging the sound management of natural resources.

50 F. Street, N.W., Suite 1100  
Washington, DC 20001  
Phone: (202) 638-4961 Fax: (202)638-1374  
[www.acdivoca.org](http://www.acdivoca.org)

### Americas Association of Cooperative / Mutual Insurance Societies (AAC/MIS)

AAC/MIS promotes the formation and expansion of coop insurers throughout the hemisphere through training, technical assistance, and information exchange.

Urb. Venus Gardens A-33 Enea Street  
San Juan, Puerto Rico 00926  
Phone: (787) 758-4270 Fax: (787) 759-9961  
[www.icmif.org](http://www.icmif.org)

### CHF International

CHF International dedicated to the development of community, habitat, and finance. CHF serves as a catalyst for sustainable positive change in low- and moderate- income communities around the world, helping families improve their economic circumstances, environment, and infrastructure - including critical emergency management following disasters and civil conflict.

8601 Georgia Ave., Suite 805  
Silver Spring, MD 20910  
Phone: (301) 587-4700 Fax: (301) 587-7351  
[www.chfhq.org](http://www.chfhq.org)

### Land O' Lakes, Inc.

To adapt Land O' Lakes proven food systems expertise to create profitable businesses and drive economic growth worldwide.

1515 Wilson Blvd., Suite 1150  
Arlington, VA 22209  
Phone: (703) 524-1739 Fax: (703) 524-3668  
[www.landolakesidd.com](http://www.landolakesidd.com)

### National Cooperative Business Association (NCBA)

The mission of NCBA's international program is to alleviate poverty in developing countries through economic empowerment and assistance in the creation of locally owned and managed commercially viable enterprises. NCBA is better

known as CLUSA worldwide.

1401 New York Ave., N.W., Suite 1100  
Washington, D.C. 20005  
Phone: (202) 638-6222 Fax: (202) 638-1374  
[www.ncba.coop](http://www.ncba.coop)

### NRECA International, Ltd.

NRECA International Program's mission is to help bring electricity and prosperity to rural areas around the world. NRECA promotes the consumer-owned electric utilities as the system of choice and encourages the use of the highly successful U.S. cooperative model in rural electrification. NRECA also provides global leadership to rural electrification efforts in developing countries.

4301 Wilson Blvd., 7th Floor  
Arlington, VA 22203  
Phone: (703) 907-5645 Fax: (703) 907-5532  
[www.nreca.org](http://www.nreca.org)

### National Telecommunications Cooperative Association (NTCA)

NTCA's mission is to improve the economic, social, and physical quality of life in rural and peri-urban communities of developing and newly democratized countries by helping targeted communities obtain modern telecommunication services through telephone cooperatives and telecenters.

4121 Wilson Blvd., 10th Floor  
Arlington, VA 22203  
Phone: (703) 351-2000 Fax: (703) 351-2027  
[www.ntca.org](http://www.ntca.org)

### World Council of Credit Unions, Inc. (WOCCU)

WOCCU's mission is to be the world's leading advocate, platform for innovation, and development agency for credit unions.

601 Pennsylvania Avenue, NW, Suite 600  
Washington, D.C. 20004  
Phone: (202)632-5990 Fax: (202)682-9054  
[www.woccu.org](http://www.woccu.org)

### U.S. Overseas Cooperative Development Council (OCDC)

4301 Wilson Boulevard, Suite 617  
Arlington, VA 22203-1860  
Phone: 703-907-5621 Fax: 703-907-5523  
Email:

[coopdevelopmentcenter@nreca.org](mailto:coopdevelopmentcenter@nreca.org)

Cooperative Development Center:

[www.coopdevelopmentcenter.coop](http://www.coopdevelopmentcenter.coop)

OCDC Website:

[www.coopdevelopmentcenter.coop/OCDC/home.htm](http://www.coopdevelopmentcenter.coop/OCDC/home.htm)

# Analysis of U.S. Cooperative Development Experience

## Executive Summary

**The Support for Overseas Cooperative Development Act of 2000.** Legislation, sponsored by Congressmen Doug Bereuter and Earl Pomeroy and Senators Chuck Hagel and Russ Feingold, expanded the mandate for overseas cooperative development. The law defines cooperatives and requires the U.S. Agency for International Development (USAID) to promote all types of cooperatives such as credit unions, electric and telecommunications cooperatives, shelter and insurance cooperatives. It mandated a report to Congress that set a new agenda for cooperative development that instructs to:

- Test new cooperative solutions such as rebuilding HIV/AIDS devastated communities in East Africa,
- Seek better understanding and methods to adapt Western cooperative approaches to emerging market economies,
- Target assistance to local coops through their stages of development, to achieve greater scale and impact,
- Strengthen networks of cooperatives to solve multiple economic and social challenges, and advance specialized coops in agriculture, financial systems, community-owned infrastructure and community services, and
- Develop new analytical tools on the strengths and weaknesses of coops to promote them within multilateral institutions to reach areas that lack or cannot attract private investment.

**Framework for Cooperative Development.** As a result of the legislation, the Overseas Cooperative Development Council (OCDC) and USAID's Office of Private and Voluntary Cooperation (PVC) began a learning agenda including the development of a framework for cooperative development and field-testing it through case studies. The U.S. cooperative development organizations (CDOs) were able to agree on a basic checklist to assess cooperatives, especially those characteristics that should be in the cooperative by-laws and practices. However, they had greater difficulty agreeing on common financial criteria across different cooperative sectors. Rather than struggle with this issue in isolation, OCDC members agreed on basic financial measurements and ratios of liquidity, solvency, profitability, and financial sustainability. Members also developed a case study format for comparative purposes to identify common issues in project implementation and cooperative performance.

The framework and format, including financial measurements, were tested through case studies in 10 countries, and among 12 cooperatives from various sectors and levels of cooperative development. CDOs found that the financial measures were useful and applicable across cooperative sectors (agriculture, shelter, electricity, telecommunications, and insurance) with some adaptations. Credit unions have their own system, known as PEARLS. CDOs identified lessons learned to improve project implementation processes and strengthen cooperative governance, impact and salience that will be incorporated in future USAID cooperative programs. The framework is included at the back of this summary document.

**Lessons-Learned Across Sectors in the Case Studies.** CDOs and USAID's PVC held two workshops in August 2003 to review the case studies and draw from them common lessons learned:

- Focus on the results in which cooperatives are a means, not an end in themselves, and use cooperatives to promote strategies for social and economic change.
- CDOs must be able to better describe ways to know how they have succeeded in each of their sectors – what is meant by success and how best to achieve it over longer timeframes and through stages of development other than permitted through project funding.
- More emphasis needs to be placed on financial performance of cooperatives including democratic governance and management that is more attuned to business challenges. Adequate capitalization, financial planning and accounting are particularly important for start-up and fledgling cooperatives. CDOs should develop and perfect better systems to collect and measure cooperative performance and financial progress, including information and indicators from their local cooperative partners.
- Alliances and public-private partnerships, including with commercial firms and banks, are important in achieving cooperative leverage and scale. More attention should be placed on cooperative salience within communities, regions and countries including how to determine what it means and how cooperatives link into economic and social progress of importance to the community.
- Cooperative development methodologies should avoid donor dependency in building viable group-based businesses. CDOs should plan for the changing relationships and interventions along the donor to commercial continuum.
- Successful cooperatives require strong leadership, governance and maintaining cooperative values. In very poor communities, members may require literacy and numerary training to fully participate in the cooperative.
- A major constraint to cooperative development in many countries is a poor enabling environment with restrictive laws and regulations that adversely impact the business purposes of cooperative. In some cases, a legal foundation is required before cooperatives can be formed or developed, such as for credit unions, telecommunications and electric coops.
- In former Soviet bloc countries and developing countries where cooperatives were state instruments, model cooperatives or associations formed along cooperative principles can demonstrate successful approaches to voluntary, self-help and member-controlled cooperatives.
- Cooperatives can address many of the challenges of HIV/AIDS, including prevention, community responses and healthcare.
- Cooperatives have outstanding development successes as well as mixed results. CDOs need to carry out a learning agenda to strengthen cooperative development methodologies,

promote these approaches with guiding principles, and advance the lessons learned among development practitioners.

\*\* Below are summaries of the case studies. For the entire case study, contact [coopdevelopmentcenter@nreca.coop](mailto:coopdevelopmentcenter@nreca.coop) for an electronic version.

### **Cooperativa Café Timor and Cooperativas Café Organico in East Timor**

The case study describes the East Timor coffee cooperatives, which have a national federation and 16 local cooperatives, as well as an organic cooperative federation with 500 organized farmer groups. With assistance from the National Cooperative Business Association, these cooperatives have built a network of 20,000 small-scale farm families reaching approximately 120,000 rural people. The focus of the cooperatives is the production and processing of high value specialty coffees for the export market, including through fair trade and organic organizations. The cooperatives have become the new country's largest private sector income generating activity, employer and exporter as well as the largest network of primary health care services. Cooperativa Café Timor sales during 2002 reached \$US 2,613,037 and the average annual cash income per farmer member was \$US 128, a substantial amount where the average rural income is \$US 102. In 2003 the cooperatives employed 300-full-time employees and provided short-term work to 4,000 workers.

The study provides details on project implementation including dealing with the civil conflicts in 1999 and 2000 where a number of the cooperative facilities were vandalized along with other infrastructure and assets, which resulted in the displacement of one-third of the country. The project staff had to be evacuated due to the violence, and cooperative structures totally rebuilt when East Timor became independent and local leaders took over the functions of the former Indonesian parastatal. The cooperative made a major contribution to the rehabilitation of the country's economy despite historically low prices for coffee. A major challenge discussed in the study was the establishment of a rural health network since the cooperatives were the only organizations available to take on these responsibilities. The analysis details the cooperatives' organization and governance and business activities including financial data on Cooperativa Café Timor as basically a start-up business since all the previous records were destroyed. Lessons learned include (1) the difficulty of collaboration in such conflict situations, (2) need for strong cooperative management in business operations, (3) access to capital for the cooperatives to carry out export activities, and (4) significance of quality, quantity and reliability by the cooperative to be successful.

### **Tadu Dairy Cooperative Society in Cameroon**

The Tadu Dairy Cooperative in Cameroon was designed to assist Fulani cattle raisers through organizing them for higher quality production and value added processing. Formed in 1992 with assistance from Land O'Lakes, the cooperative today has about 500 members with 12,500 animals located in four distinct areas. Fulani's are traditional nomadic cattle herders that subsist on deteriorating pasturelands and have ongoing conflicts with pastoral farmers. They have not adopted modern hygiene milking practices, nor acquired strong business and market skills.

The case study describes the cooperatives successful artificial insemination program, but how broader project objectives failed. The analysis details the problems from too much control by the cooperative manager, and weaknesses in the grassroots governance practices. It suggests that men who dominate the cooperative focused its activities on their traditional breeding roles, rather than emphasize quality milking and processing which women do. Financial data about the cooperative had to be reconstructed from hand records since no formal financial accounting existed. Over 11 years, the cooperative had four years of negative operating margins and assets as high as \$83,000 with member equity at about \$17,500 in 2002.

Various recommendations are offered to improve the cooperative as well as lessons learned, in particular the difficulty with self-financing, weak cooperative structures, and a lack of milk marketing and processing skills that could stimulate local milk production. The fundamental issue is that cooperative has not operated as a successful group-based business, and does not have a clear business or financial plans. The result is that the cooperative does very little commercial activities.

### **Democratic Condominium Associations in Poland**

This case study examines the development of two model condominium associations in Sopot, Poland to address home improvement and capital renovation. The goal was to expand the capacity of newly formed condominium associations to manage their aging housing stock and borrow funds for renovations through the application of cooperative principles. Two smaller condo associations were selected with 13 and 9 residents each. Respectively, internal procedures and loans were analyzed for roof renovation, insulation, restoration of common areas and other improvements. As a result of the loans, average price per sq. meter increased by about one third (e.g. \$800 to \$1,100).

The program involves a public-private partnership with the local municipal government and banks to establish lending programs through “learning by doing,” as well as training NGOs in fee for service to assist other newly formed apartment associations. While Poland’s unit ownership law provides a legal framework for the creation of the condos, it did not address fifty years of deferred maintenance, nor permit the associations to accept group loans, thus, each owner has to qualify individually to cover capital needs for the entire building and his/her own apartment. The condos were successful in arranging for these loans, carried out major renovations and increased the value of the housing stock. Members of the association were trained in the roles and responsibilities of self-management and sound financial practices.

Lessons learned include: (1) the importance of public-private partnerships in dealing with affordable quality housing in post-communist settings, (2) the selection of model sites should be representative so that they have potential for wide replication, (3) democratic practices successfully moved local associations from dependence on the municipality to self-management, and (4) the limited project timeframe made institutionalization of the results difficult. CHF International found strong evidence that cooperative methodologies can be “incubators” for democratic leaders and a participatory culture.

## **Cooperativa Rural de Electrificación (CRE) in Bolivia & Comilla I Palli Bidyut Samity in Bangladesh**

This comparative case study by the National Rural Electric Cooperative Association contrasts the self-help development of the CRE electric cooperative in Santa Cruz, Bolivia, with a more government-dominated Comilla cooperative that is located outside of Dhaka, Bangladesh. As one of the largest electric cooperatives in the world, CRE has about 100,000 members and, along with other cooperatives in Santa Cruz, they provide telecommunication and wastewater services to this urban community. Formed in the early 1960s, CRE had to overcome initial government opposition to a cooperative structured utility and was one of the first to receive funding from USAID.

In the 1970s, Comilla was created as a model cooperative to begin implement area wide rural electric coverage in Bangladesh. It has the heavy strings of government through REB, the rural electric funding agency, including selection of managers and strong oversight. A positive outcome is the requirement that all cooperatives had a “lady advisor” on their board, not likely through democratic elections. Unlike CRE, Comilla is part of a 25-year on-going effort to bring electricity to all rural areas. Financial analyses of both cooperatives indicate that each is very strong in liquidity, solvency and profitability based on US standard ratios.

The history and organization of these different cooperatives is provided in some detail including their operations, governance and structures. The two cooperatives have resulted in dramatic economic development through bringing affordable and reliable electricity to their communities. The impacts on rural people in the Camilla service area is particularly significant in reducing poverty and generated industrial and commercial development, and widespread improvements in health, education and female empowerment.

Lessons learned are drawn from both experiences including (1) the importance of local leadership, (2) the generation of sufficient economic development to make the cooperatives viable and (3) strong management and on-going staff training. In both cases, cooperative members provided self-help assistance in construction, but the high cost of capital-intensive infrastructure is a constraint to cooperative formation and expansion. The study also discusses the role of boards of directors and managers in cooperative success including the avoidance of partisan politics. Financial data is provided on the cooperatives including liquidity ratios, collection efficiency, and profitability. The cooperatives have demonstrated consistently strong financial performance over the years.

## **LaEquidad Seguros Cooperativo (LaEquidad) in Colombia & Cooperativa Nacional de Seguros (CoopSeguros) in the Dominican Republic**

This case study of cooperative insurance companies in Colombia and the Dominican Republic discusses the importance of insurance as part of development and in reaching low-income populations who face the greatest risks. Founded in 1970 with a feasibility study funded by USAID, LaEquidad has become one of the most successful insurance companies in Latin America, and reaches over 3 million Colombians who are members of 3,574 cooperatives, 1,475 employee funds and 172 associations. LaEquidad is currently expanding its services to 100 small

poor communities outside of Bogotá, with customized products and using its own agents for the first time, rather than relying on its members for marketing.

When it started up in 1993, CoopSeguros in the Dominican Republic had a rocky start with some immediate losses. Several members of the Americas Association of Cooperative/Mutual Insurance Societies (AAC/MIS) provided financial and technical support including appointment of an outside director from a successful Puerto Rico cooperative insurance company. CoopSeguros is owned by 31 “active” members and reaches 22,855 cooperative members with group life policies.

The case study describes how AAC/MIS members provided critical start up and on-going technical assistance, often using technical expertise from companies in the U.S. and Canada and increasingly on a south-south basis. Lessons pointed out are: (1) the importance of maintaining cooperative values to grow markets among members of cooperatives and allied organizations, (2) strong insurance knowledge by managers and boards of directors since insurance is a complicated business, (3) focus on client needs rather than products developed by other companies, and (4) operating independently, not as an arm of cooperatives, with a branding strategy to differentiate products from more traditional insurance companies that focus on higher-end markets.

### **Model Credit Unions in Southern Mindanao, Philippines**

This case study discusses how the World Council of Credit Unions changed its development methodologies through a new “model credit union” approach. It emphasizes savings that are as important as access to credit, creation of sound financial intermediaries able to protect member deposits and not dependent on external credit, and balancing the needs of net savers (safe and secure savings, liquidity and return) and net-borrowers (access to loans, non-usurious rates).

The analysis details the developmental experience of 23 credit unions in Mindanao that were able to go from technical insolvency to profitability, positive asset growth and restructured balance sheets while greatly increasing scale and outreach. This was achieved through intensive and targeted technical assistance, training and application of the PEARLS monitoring system to provide objective measures of credit union performance. The analysis indicates that the credit unions have a membership of over 233,000 members, three quarters of whom are women. As a result of the project, they saved US\$21.5 million and had nearly 100,000 loans of US\$28.1 million. Beneficiaries were evenly divided between urban and rural and 70 to 80% of them were self-employed. The direct project impact reached over one million Filipinos, more than 5% of the population of Mindanao.

The case study highlights the viability of the cooperative financial model in which credit unions quadrupled in outreach, achieved financial discipline (e.g., writing off loans, rigorous collection and better credit analysis) and savings relative to assets nearly doubled. Using average savings and shares as proxy for household wealth, the analysis indicates that the credit unions not only reached more people, but also much poorer members. The study discusses the democratic structures of the credit unions including leadership, member participation and outreach, especially to low-income women. It also provides detailed financial analysis of the credit unions.

Lessons learned for model credit union methodology includes: (1) a commitment to self-sustainability, voluntary savings (instead of non-withdrawable member shares or external capital), (2) appropriate pricing of savings and lending, and (3) application of diagnostics, business plan, participation agreement, implementation, monitoring and evaluation. Unresolved issues include: achieving better legal and regulatory framework usually as part of existing bank laws, increased competitiveness and system integration to achieve scales of economy, improved governance to avoid borrowers from dominating boards of directors, and new tools based on best principles including ways to modify governance structures to emphasize business and service driven networks.

## **WIST and Tyczyn Telecommunications Cooperatives in Poland**

With the election of Lech Walesa in 1989, the Solidarity-led government launched a grassroots effort to rectify 40 years of neglect in bringing telephone services to rural areas. At the time, rural areas of Poland had fewer than 2.4 phones per 100. The case study by the National Telecommunications Cooperative Association (NTCA) describes the development of two highly successful telecommunications cooperatives. The cooperatives in southeastern Poland were built through organizing numerous village-based telephone committees, leveraging leadership from locally elected mayors to effect regulatory change, garnering support from NTCA volunteers, collaborating with Nortel Networks and working with various banks that provided initial capital. Within three years, the cooperatives were profitable and today serve 18,000 rural residents and businesses. These model cooperatives were the first independent telecommunications cooperatives in Poland and led the way for the development of 44 independent systems.

This retrospective study describes the development process and the difficulties faced in dealing with TPSA, the monopoly provider. It demonstrates the importance of working for policy reforms while, at the same time, developing model cooperatives that tested and forced interconnection and revenue sharing arrangements as they pioneered sector reform. The 46-page study details how the structure and governance of the cooperatives, created with the U.S. experience as a model, were adapted to Poland's old style cooperative legislation.

The study discusses their significance to community building, business formation and job creation. They serve over 500 businesses including large rural enterprises such as a dairy cooperative, meat plant and bottling facility. They serve over 100 public sector organizations such as schools, police, mayors and a regional airport. As a direct result of the project, substantial investments were made in each service area and an association of local governments created to promote their region, based on cooperative organizing principles.

In financial analysis, one of the cooperatives demonstrated an impressive ability to generate liquid funds. The degree of financial leverage (conversely solvency) is strikingly low, indicating a high degree of leeway for expansion. Profitability is low which may indicate that there is no incentive to maintain high margins and the tax regime appears to encourage sheltering of revenue.

Key lessons learned are distilled into three overarching principles that can guide those working to create community-based telecom systems: (1) Promote policy and a legal framework that is hospitable to universal access, technology neutral and allows for cooperative business models,

(2) Changing telecommunications technologies and varying business conditions means that no single model of cooperatives works in all cases (e.g. in some cases, customer-owned rural/small town cooperatives will be a realistic alternative; in others, community/business oriented telecenters may be more feasible), and (3) Provide training and visits to third country or U.S. telecommunications cooperatives for hands-on demonstrations on how universal access policy can enable cooperatives to flourish, and how telecommunications cooperatives can be designed and run successfully.

### **Market-Oriented Agricultural Cooperatives in Ethiopia**

This case study illustrates how to convert top-down and centralized cooperatives to market-oriented and member-owned cooperatives. Since 1997, ACDI/VOCA has been assisting Ethiopian coops with the transition from a socialist orientation under the repressive Derge regime to a free market, business-driven cooperative approach. The case study compares the growth and progress of the Lumme Farmers' Cooperative Union and the Kolba Primary Cooperative. Through a participatory methodology, the study involved interviews at national, regional and local levels including with government officials and outside experts, farmer members, board members and management groups of the union and primary cooperatives.

Through giving ownership of the project to the cooperatives, the Cooperative Promotion Bureau (COPB) and ACDI/VOCA promoted sustainability. The growth and profitability of cooperatives has removed the negative stigma of co-ops as an extension of the government's political machinery. Cooperatives are now seen as essential in a free market economy and democratic society where members choose their leaders democratically without government intervention.

Key lessons learned include: (1) critical organizational changes were required in which professional managers, who are not members of the cooperatives, manage the unions, board members and managers must learn their duties, and auditors, who earlier were considered "fault finders", need a prominent role in the cooperatives with regular audits; (2) the cooperatives learned to operate as businesses in which membership is voluntary and based on profits and incentives such as patronage dividends. Annual business plans are now required at both the union and primary cooperative levels; (3) the cooperatives must become creditworthy as evidenced by the Commercial Bank of Ethiopia (CBE) which is providing inventory credit (before coops were isolated and none of their assets acceptable as collateral); and (4) savings and credit services need to be institutionalized through establishment of rural SACCOs – so that local savings mobilization is built up; and, primary cooperatives as members of SACCOs can borrow working capital for grain purchases, which is a major breakthrough in rural finance.

Additional work remains. There are still substantial differences between the primary cooperative and the cooperative union in the degree of business planning and management sophistication. Literacy levels are low and, as a result, the level of understanding of the concepts and principles of cooperatives at the primary coop level is also low. Training has focused on cooperative managers, accountants, board members and cooperative promoters, now needs to expand to reach farmer members to a greater extent. Input supply now constitutes the major activity, which should be diversified into agro-processing (value-added products) and increased technology transfer. Marketing needs additional attention since several cooperatives have cereals (teff) and pulses in their stores, while the country is facing a famine

## **Policy and Legal Reform of Brazilian Cooperatives**

The thrust of the study is to analyze the impact of "self-management" of cooperatives in a move away from strict federal control traditionally exercised by the Instituto Nacional de Colonizaco e Reforma Agraria (INCRA) within the Ministry of Agriculture. The change came about through lobbying by the Brazilian cooperative movement and its national apex organization - Organizaco das Cooperativas Brasileiras (OCB), thereby achieving the inclusion of cooperative provisions in the country's new constitution adopted in 1988.

During military governments prior to 1988, INCRA control was total and invasive. INCRA could intervene in cooperative businesses, force them into liquidation, remove their management, and held the ultimate audit power. Military officers attended the annual meetings of cooperatives. The first civilian government under Jose Sarney worked with Brazilian cooperatives to introduce cooperative language in the new constitution. The study details these historical developments, but focuses more on the development of self-management cooperative systems that resulted, especially software and business systems introduced at the national level to assist local cooperatives in business planning and operations.

The study presents analysis of the current legal and regulatory system now in place in Brazil, and the final package of cooperative reforms that are now in draft form and are circulating in the Congress. OCB leadership is confident that these draft provisions will become law because of the current Lula government's support for the cooperatives in reaching low-income Brazilians and promoting their "social inclusion."

The major lesson drawn is the importance of cooperative legal reform in the removal of invasive and inefficient government controls and how other countries can succeed in unleashing cooperatives through providing them with the proper legal standing as independent, member-owned businesses.

## **Farakala Cooperative and the Ugoa in Mali (Union des GIEs de l'Office de la Haute Valle du Niger et Associs)**

This case study describes and assesses two of the many continuing cooperative and group-based enterprises established in Mali through development assistance provided by the National Cooperative Business Association.

The Farakala Agro-Pastoral Cooperative is a small, village-based business consisting of 27 members that focuses on the marketing of cattle and cereals. From 1999 through 2001, individual members netted approximately \$US 22,000 from their cattle fattening and cereals marketing operations, while the cooperative earned over \$US 8,000, some of which has been reinvested in the cooperative's business operations. The cooperative's financial ratios show strong profitability (47% return on equity and 22% return on assets), and good solvency (100% collection of payments due), but a relatively weak liquidity situation (working capital represents only 3% of total operating costs while a minimum of 10% is recommended).

The UGOA, or the Upper Niger River Valley Union of Economic Enterprises, is a cooperative alliance of nine secondary level economic interest groups involving some eighty village-based associations and organizations designed to facilitate access to, and lower the cost of agricultural inputs for all cooperating members. Formed in 2002, the UGOA was selected for a portion of this study because it is a “bottom-up” tertiary structure that was created because its members saw it as a means of addressing their specific needs. The participation of village associations, such as Farakala, in a secondary-level organization, such as UGOA, has enabled many of them to gain profits on their activities, accumulate capital and open accounts with savings groups and banks. During its first year of operation UGOA had sales of \$US 217,376.

Lessons learned include (1) the importance of literacy, numeracy and basic management skills as the foundation for successful group-based enterprises, as well as the importance of a source for continuing advisory and consultative services that can provide assistance with improving and sustaining these skills, (2) the significance of internal capital mobilization as central to building member commitment to the cooperative business, (3) the importance of building and maintaining relationships with a variety of governmental actors, and (4) the importance of addressing the broader economic policy issues that affect cooperative businesses.

# Cooperative Development Framework

## Introduction

In 2001, The U.S. Overseas Cooperative Development Council began a learning agenda including the development of a framework for cooperative development and field-testing it through case studies. OCDC was able to agree on a basic checklist to assess cooperatives, especially those characteristics that should be in the cooperative by-laws and practices. The checklist is below as Part I.

The diverse cooperative development organizations had greater difficulty agreeing on common financial criteria across different cooperative sectors. These sectors include cooperatives for agriculture, telecommunications, electricity, insurance, and housing, among others. Cooperatives need to compete within each industrial sector (or sub sectors within a sector), which have different measurements. A taskforce of cooperative financial experts and OCDC agreed to adopt basic financial measures and ratios of liquidity, solvency, profitability and financial sustainability. These measures and their application to different sectors are in Part II.

Finally, OCDC members agreed on a common format for carrying out case studies in order to be able to draw lessons learned across sectors, countries and stages of cooperative development. In particular, the format has three components: (1) a description of the cooperative project, its implementation and impact, (2) description of the cooperative(s) in terms of their governance, business operations, salience and importance to members and the community, and (3) financial analysis. The common cooperative development format is in Part III.

The framework was tested in 10 countries and among 12 cooperatives (or groups of cooperatives) from various sectors and levels of cooperative development. Lessons-learned from the field testing of this methodology is provided elsewhere in the OCDC web page, and detailed individual case studies will be made available to the cooperative development practitioners.

## Part I: Cooperative Assessment Tool

Checklist	
<b>I. GOVERNANCE</b>	
<b>A. Mission/Goal</b>	
1. The cooperative has a clearly articulated mission.	Y N
2. The cooperative has set business goals to benefit its members.	Y N
3. The cooperative's mission and operations are consistent with generally accepted international cooperative principles.	Y N
4. The cooperative is properly registered and operates in accordance with local laws and regulations (that should provide an enabling environment).	Y N
5. Does the coop mission reflect the member's interests and needs?	Y N
<b>B. Cooperative By-Laws</b>	
1. By-laws address fixed terms of office for officers.	Y N

2. By-laws clearly define the duties of cooperative members, the Board and General Manager.	Y	N
3. By-laws set quorum requirements.	Y	N
4. By-laws define extraordinary circumstances and procedures when cooperative members may petition for general meetings.	Y	N
5. By-laws determine how officers are nominated and voting is conducted.	Y	N
6. By-laws articulate the procedure and responsibilities of general meetings.	Y	N
7. By-laws define requirements for eligibility for members.	Y	N
<b>C. Membership Meetings/ Member Responsibilities</b>		
1. Meetings are open, broadly advertised and convened at least annually.	Y	N
2. Annual meetings are attended by significant portion of membership.	Y	N
3. General meeting holds democratic election of officers and opportunity is provided for multiple candidates for open positions.	Y	N
4. Members determine how:		
• Directors are elected or appointed, fixed terms of directors, quorums	Y	N
• Cooperative by-laws are approved and amended	Y	N
• Significant liabilities or disposition of cooperative assets are undertaken and approved	Y	N
• Dissolution or merger of cooperative are handled	Y	N
• Cooperative auditors are appointed	Y	N
5. Members understand basic business operations of a cooperative; can make distinction between coops and other business forms.	Y	N
<b>D. Board of Directors</b>		
1. Board decisions are consistent with generally accepted international cooperative principles.	Y	N
2. The Board limits itself to:		
• Setting, reviewing and modifying organizational policies	Y	N
• Establishing strategic and financial planning objectives	Y	N
• Representing the interests of the cooperative to members, authorities and the general public	Y	N
• Reflecting the interests and concerns of members in the decision-making process	Y	N
• Hiring, monitoring and evaluating management in accordance with cooperative policies, plans and job descriptions	Y	N
• Oversee acquisition and preservation of cooperative assets	Y	N
• Preserve the cooperative character of the organization	Y	N
• Assess the cooperative's performance		
3. Board members serve in a voluntary and unpaid capacity. (However, they may be reimbursed for costs associated with Board service).	Y	N
4. The Board ensures the timely publication of agendas, minutes, financial returns, audit reports and any other materials required by laws and/or by-laws to promote cooperative accountability and transparency.	Y	N
5. The Board is composed of elected members and/or limited numbers of non-elected or advisory members appointed under by-law guidelines. (Government officials do not serve on the board).	Y	N
6. Board meetings are announced well in advance, are conducted in accordance with cooperative by-laws and are open to members.	Y	N
7. Board members do not engage in business or activities placing them in direct competition with any business unit or service offered by the cooperative.	Y	N

<b>E. Board Officers</b>		
1. Chairman		
• Sets meeting agendas		Y N
• Ensures information needed by the Board is available		Y N
• Facilitates deliberations of the Board		Y N
• Ensures that decisions are taken and recorded in meeting minutes		Y N
2. Treasurer		
• Ensures that cooperative accountants keep accurate, up-to-date records of all financial activities and provides written financial reports each month to the Board and annually to cooperative members.		Y N
• Oversees the compliance of financial records to audit procedures and guidelines.		Y N
3. Secretary		
• Keeps thorough minutes of cooperative meetings (records of members present, date, place, who presided, conclusions, reports)		Y N
<b>F. Management</b>		
1. Manager formulates both short- and long-range operational plans in compliance with cooperative goals and objectives.		Y N
2. Manager facilitates and ensures that employees perform their functions as described in job descriptions.		Y N
3. Manager has drafted written policies and procedures for employee conduct and performance; policies and procedures are made readily available to coop members and staff.		Y N
4. Manager ensures that cooperative employees are adequately paid within cooperative guidelines.		Y N
5. Manager establishes and communicates clear standards of performance and regularly evaluates employees according to these standards.		Y N
6. Manager is clearly accountable to the Board with respect to organizational policies, planning, etc. Manager attends Board meetings and presents detailed operational and financial reports.		Y N
7. Manager is entrepreneurial and provides leadership for group-based business activities.		Y N
8. Manager has procedures and processes for managing risk.		Y N
9. Manager is accessible to cooperative employees and ably addresses individual employment concerns (e.g., educational and career development, relations with other employees).		Y N
10. Can the Manager get the Job Done?		Y N
<b>II. FINANCE</b>		
<b>A. Planning</b>		
1. Annual Budgeting		
• A regular budget process is developed and integrated into annual operating plans.		Y N
2. Long-Term Financial Planning		
• The cooperative's long-term financial planning addresses sources and allocation of capital that is consistent with competitive strategy (i.e., planning favors increases in cooperative's net worth and the volume of cooperative business).		Y N
• A business plan whose sophistication is correlated with the significance of the investment of individual members has been prepared.		Y N
• Non-member business is handled following guidelines determined by cooperative by-laws.		Y N

<b>B. General Accounting</b>		
1. The cooperative has a bank account in its own name.		Y N
2. A full financial audit of the cooperative is undertaken annually, under the supervision of qualified accountants appointed by the Board.		Y N
<b>C. Resource Mobilization and Management</b>		
1. Member Equity		
• The cooperative has mechanisms in place to ensure that member equity is proportional to patronage.		Y N
• Members continue to own the cooperative.		Y N
• The cooperative maintains its net worth-to-liability ratio at a level that is consistent with prudent industry norms.		Y N
• Equity ownership and voting control should only be held by the current membership of the cooperative, and should not reside with interests external to the cooperative.		Y N
2. Equity Redemption		
• The rate of stock dividends in the cooperative should not exceed the short-term savings rate of the country where the cooperative operates.		Y N
• Allocated equity is distributed to members in proportion to member patronage.		Y N
<b>D. Auditing</b>		
1. Auditing ensures economically efficient use of cooperative funds.		Y N
2. Cooperative audits generate information relative to future decision-making.		Y N
<b>III. BUSINESS ACTIVITIES</b>		
<i>A. Cooperative start up or new business activities</i>		
Cooperative has:		
1. Sound feasibility plan for its economic activities.		Y N
2. Marketing/member recruitment plan for its business.		Y N
3. Comparative advantage over its competitors.		Y N
4. Sufficient membership base to operate profitably.		Y N
5. Sufficient business transactions by potential members to operate profitably.		Y N
6. Competitive location.		Y N
7. Capacity to attract investments.		Y N
8. Successfully transitioned from voluntary to professional management.		Y N
<b>B. Operating cooperative</b>		
1. Rate of annual growth in cooperative members.		
2. Percentage of members doing business with the cooperative:		
3. Percentage of growth in:		
• Assets		
• Business volume		
C. The cooperative is significant to the economic sector in which it operates (e.g., 8-15% of turnover in the sector).		Y N
D. The cooperative is improving the local community where it operates.		Y N
E. The cooperative is increasing the economic welfare of its individual members (e.g.		Y N

increased profit based on business volume).	
G. Cooperative gains solid financial record in a limited number of types of business activities prior to diversification	Y N
H. Primary cooperatives are linked through secondary or other structures to increase business volumes and efficiencies	Y N
<b>IV. GENERAL MEASUREMENTS</b>	
1. Are Members Satisfied? <ul style="list-style-type: none"> <li>• Value of Cooperative</li> <li>• Willingness to Commit (patronage, equity, products, serve)</li> <li>• Leadership</li> <li>• Direction</li> </ul>	Y N
2. Trust <ul style="list-style-type: none"> <li>• Between Board &amp; Management</li> <li>• Among Members</li> <li>• Between Members &amp; Management Team</li> </ul>	Y N
3. Transparency in Governance: <ul style="list-style-type: none"> <li>• Decision Process and Rules are Clear</li> <li>• All Players Understand Process and Their Respective Roles</li> </ul>	Y N
4. Collaboration Across Cooperatives <ul style="list-style-type: none"> <li>• Coop Associations</li> <li>• Ability to Learn from Each Other</li> </ul>	Y N
5. Organization "Culture" or Philosophy <ul style="list-style-type: none"> <li>• Open</li> <li>• Supports Learning at All Levels</li> <li>• Need for Ongoing Education: Managers, Directors, Members, Staff</li> </ul>	Y N
6. Operates within best practices in its sector	Y N

## Part II: Cooperative Financial Measures and Ratios

These measures provide a common set of ground rules for determining financial results of cooperative development. They are not intended to permit comparisons between cooperatives across business sectors or to prepare a set of fixed comparison measures that would be applied in all cases. It is desirable that the financial analysis of cooperative performance addresses a series of measures for liquidity, solvency, and profitability commonly used for the specific business sector. Financial sustainability of the cooperative will be determined through comparisons against target values that are developed by the Cooperative Development Organization (CDOs) based upon the conditions in the country of operation.

The fundamental tools of any business financial analysis are the operating statement, sometimes called the income statement, and the balance sheet. In some cases, the CDOs have developed their own financial reporting forms for these three tools. For instance, NRECA has adopted various modifications of the REA (now RUS) Form 7 for its overseas clients, and WOCCU has developed the PEARLS software, which directly reports performance ratios. It is expected that these organizations will utilize their standard reporting forms. A set of generic reporting forms has been developed and is attached for those organizations that do not have their own.

Once the data has been collected, it must be consolidated and analyzed. Development of key ratios based on data from the reporting forms is normally the method used for presenting a

consolidated picture of the operations. Some standard of comparison must be used to determine whether a particular value of a specific ratio is good or bad. Useful comparisons can best be developed through benchmarking, or the collection of information from a number of entities known to be successful and carrying out statistical comparison of ratio values of the test case and the known “best practices” organizations. CDOs will have to establish benchmark values based on their experience for the key ratios. Some suggested values have been extracted from the document “Analyzing a Cooperative Business” designed for grain and farm supply cooperatives and published by CoBank in February 2002.

Attached are a series of Excel spreadsheets that list the ratios, how to calculate them, and the chosen target values for each. The spreadsheets are arranged so that the values of key ratios will be calculated automatically from data in the generic operating statement and balance sheet provided. Use of sector specific operating forms will require hand calculation of the ratios. The forms are designed to be filled out in local currency, but in order that the results may be comparable regardless of currency variations, a second set of spreadsheets convert the local currency values to US dollars, and the ratios are calculated from the dollar spreadsheets.

This effort has been made to prepare a uniform reporting system for financial analysis of the cooperatives for case studies and application to the field to measure cooperative financial performance. This system should not be considered prescriptive or fixed, and should be refined as the studies or their application is carried out. A fundamental assumption in the preparation of this mechanism is that data required can be obtained, and it is anticipated that lack of data may well be the principle problem in its execution.

<b>Summarized Balance Sheet for Cooperative:</b>											
Line	Item	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
<b>General Information</b>											
1	Number of Members										
2	Number of Employees										
3	Exchange Rate Local Currency to US\$ at 12/31										
<b>Current Assets</b>											
4	Cash										
5	Special Deposits in Other Institutions										
6	Short Term Investments										
7	Accounts Receivable (less than one year)-Net										
8	Inventory, valued at lesser of Cost or Market										
9	Goods in transit										
10	Prepayments										
11	Other Current Assets										
12	Total Current Assets										
<b>Long Term Assets</b>											
13	Total Fixed Assets in Service										
14	Construction Work in Progress										
15	Total Fixed Assets										
16	Accumulated Provision for Depreciation										
17	Net Fixed Assets										



Modified Debt Service Coverage	>1.35											(Depreciation + Interest Expense+ Margins)/(Interest Expense +Principle payments)= CFC Ratio 2
Times Interest Earned	>1.35											(Operating Margins+Interest Expense)/Interest Expense= CFC Ratio 1
Days Sales in Receivables	<90											365*Accounts Receivable/Operating Income
<b>Solvency</b>												
Collection Efficiency	>95%											(Operating Income received/Operating Income billed)
System Losses	<15%											(kWH Purchased-kWH Sold)/kWH Purchased
Ownership Percentage	>20%											Total Margins and Equities/Total Assets = CFC Ratio 7
Leverage Ratio	>2:1											Long Term Debt/Member Equity
Write-offs as a % of Revenue	<5%											Amount written off/Total Operating and non-Operating Income= CFC Ratio 12
Days Sales in Payables	<45											365*Accounts Payable/Operating Income
<b>Profitability</b>												
Return on Sales	>5%											Total Operating Margin/Operating Income
Capital Cost to Total Capitalization	<10%											(Interest Expense+Total Operating and non-Operating Margin)/(Total Margins and Equities+Total Long Term Debt)= CFC Ratio 4
Return on Equity	>10%											Total Annual Margin/Total Margins and Equities

Return on Assets	>8%											Operating Margin/(Current Assets+Net Fixed Assets)
Labor to Goss Income Ratio	<25%											Labor Expense/Total Income
Purchased Power Cost as % of Income	>60%											Purchased Power Cost/Operating Income= CFC Ratio 21

**Credit Unions:**

Financial Ratios for Cooperative:											Computation
	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	
Ratio	Target										
<b>Liquidity</b>											
PEARLS Ratio L1											(ST Investments + Liquid Assets- ST Payables)/Savings Deposits
PEARLS Ratio L2											Liquidity Reserves/ Savings Deposits
<b>Solvency</b>											
PEARLS Ratio P1											Allowance for Loan Losses/ Delinquency > 12 Months
PEARLS Ratio P2											Net Allowances for Loans Losses/ Delinquency of 1-12 Months
PEARLS Ratio E9											Net Institutional Capital/Total Assets
PEARLS Ratio A1											Total Loan Delinquency/Gross Loan Portfolio
<b>Profitability</b>											
PEARLS Ratio R9											Total Operating Expenses/Average Total Assets
PEARLS Ratio R12											Net Income/Average Total Assets

## Agricultural Cooperatives:

Financial Ratios for Cooperative:											Computation
		Year	Year	Year	Year	Year	Year	Year	Year	Year	
Ratio	Target										
<b>Liquidity</b>											
Working Capital to Sales	>8%										(Current Assets-Current Liabilities)/Operating Income
Debt Service Coverage	>2.0										(Depreciation + Interest Expense+ Margins)/(Interest Expense +Principle payments)
Current Ratio	>1.5										Current Assets/Current Liabilities
Interest Cover Ratio	>3.0										(Operating Margins+Interest Expense)/Interest Expense
Days Sales in Receivables	n/a										365*Accounts Receivable/Operating Income
<b>Solvency</b>											
Term Debt to Total Fixed Assets	<50%										Long Term Debt/(Total Fixed Assets-Net)
Local Leverage Ratio	<50%										Total Long Term Debt/(Total Members Equity-Equity in Associated Organizations)
Ownership Percentage	>40%										Total Equity/Total Assets
Total Debt to EBITDA	<3.0										Total Debt/(Earnings before Interest, Taxes, Depreciation or Amortization)
EBITDA/Interest	>5.0										(Earnings before Interest, Taxes, Depreciation, and Amortization)/Total Interest Expense
Days Sales in Payables	n/a										365*Accounts Payable/Operating Income

Write-offs as % Revenue	<5%										Amount written off/Total Operating and non-Operating Income
<b>Profitability</b>											
Return on Sales	>2.5%										Total Operating Margin/Operating Income
Return on Assets	>8%										Operating Margin/(Current Assets+Net Fixed Assets)
Productivity Ratio	<10%										(Total Expenses-Cost of Goods sold)/Total Operating Income
Labor to Gross Income Ratio	<30%-40%										Labor Expense/Total Income
Days Sales in Inventory	n/a										365*Value of Inventory/Operating Income

**Housing Cooperatives/Condominiums** (based on National Cooperative Bank financial measurements in assessing housing coop loans)

<b>Comparison of Adjusted Financial Ratios</b>			
<b>Ratio Name-Description</b>	<b>Target</b>	<b>Coop #1</b>	<b>Coop #2</b>
<b>Balance Sheet Analysis</b>			
1. Cash/liquidity			
1.1. Cash+Reserves)/ Annual Gross Income	> 5%	.	1
2. Delinquency			
2.1 Delinquent Amount per Year/ Annual Gross Income	< 5%		
2.2 Number of Delinquent Unit Owners / Total Number of Unit Owners	< 10%		
<b>Income Statement Analysis</b>			
3. Debt			
3.1 Debt Service Coverage Ratio	1:1		
4. Capital (Replacement) Reserve	Based on engineering survey and updated on a		

	regular basis		
5. Assessment After Debt Payments			
5.1 Increase of Assessments over Life of the Loan	<40-50%		
<b>Other Ratios</b>			
6. Life of the Loan	<15 years		
7. Owner Occupancy Requirement	>50		
8. Loan to Value			
8.1 Loan/Assessed Value of Condo Units	<15%; NCB average of 5-7%		

### Other Types of Cooperatives:

Financial Ratios for Cooperative:												Computation
		Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	
Ratio	Target											
<b>Liquidity</b>												
Working Capital to Sales	>8%											(Current Assets-Current Liabilities)/Operating Income
Debt Service Coverage	>2.0											(Depreciation + Interest Expense+ Margins)/(Interest Expense +Principle payments)
Current Ratio	>1.8											Current Assets/Current Liabilities
Interest Cover Ratio	>3.0											(Operating Margins+Interest Expense)/Interest Expense
Days Sales in Receivables	n/a											365*Accounts Receivable/Operating Income
<b>Solvency</b>												
Term Debt to Total Fixed Assets	<50%											Long Term Debt/(Total Fixed Assets-Net)

Local Leverage Ratio	<50%										Total Long Term Debt/(Total Members Equity-Equity in Associated Organizations)
Ownership Percentage	>50%										Total Equity/Total Assets
Total Debt to EBITDA	<3.0										Total Debt/(Earnings before Interest, Taxes, Depreciation or Amortization)
EBITDA/Interest	>5.0										(Earnings before Interest, Taxes, Depreciation, and Amortization)/Total Interest Expense
Days Sales in Payables	n/a										365*Accounts Payable/Operating Income
Write-offs as % Revenue	<5%										Amount written off/Total Operating and non-Operating Income
<b>Profitability</b>											
Return on Sales	>2.5%										Total Operating Margin/Operating Income
Return on Assets	>8%										Operating Margin/(Current Assets+Net Fixed Assets)
Productivity Ratio	<10%										(Total Expenses-Cost of Goods sold)/Total Operating Income
Labor to Goss Income Ratio	<30%-40%										Labor Expense/Total Income
Days Sales in Inventory	n/a										365*Value of Inventory/Operating Income

**PART III: Common Format for Cooperative Case Studies**

The objective of the format is to document, from a common perspective across cooperative sectors and in quantifiable ways, the development *process* and the *organizational* and *operational* capacities of the assisted cooperative(s). The outline is intended to provide a structure for organizing cooperative case studies and includes categories for assessing the assisted cooperative(s). Utilization of the outline will help to ensure the presentation of the

same kinds of information in the studies, as well as similar measurements of achievement and key indicators of cooperative business development.

The case study should be presented from the perspective that cooperative business development is an important developmental tool. It is important that the case studies are *cooperative* businesses that (to the extent possible) operate in keeping with cooperative principles (voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation among cooperatives; and concern for community). The study should indicate the status of the cooperative(s) vis-à-vis the principles, the political/regulatory environment, whether officially registered and, if so, under which cooperative law (use of the cooperative assessment checklist in Part I is also encouraged).

The case study should indicate the basic assumptions of the CDO in taking a cooperative approach to business (or economic development) as an important tool for development, e.g., cooperatives empower members; increase community awareness and identification.

Each case study should examine/analyze: (1) the CDOs development process (implementation); (2) the capacities of the assisted cooperatives [before and after implementation]; and, (3) lessons learned from project implementation.

Specific to the development process, the case study approach should examine the CDOs approach, project objectives, project human and financial resources, and the effectiveness of project implementation.

Specific to the assisted cooperatives, the study should examine cooperative organization and governance, cooperative management and operations, business performance and salience.

### **Outline/Contents of Case Studies**

I—THE IMPLEMENTATION PROCESS (In addition to providing a general description of the project/activity, this section focuses on the process of implementation, including the CDO's strategy, decision making, problems/issues confronted, and an examination of the impact).

- A. Project Description
  - 1. Background and Overview
    - a. Project Setting and Target Groups
    - b. Intended Beneficiaries
  - 2. Project Objectives and Strategy
    - a. Objectives
    - b. Implementation Strategy
    - c. Project Components
    - d. Conditions Expected at EOP
- B. Project Implementation
  - 1. Project Management and Organization
    - a. Staffing
    - b. Organization/Activities Plan

## 2. Project Reporting/Monitoring

- a. Baseline Data and Performance Monitoring
- b. Levels of Output
- c. Implementation Problems/Issues (including issues related to the operating environment, level playing field vis-à-vis other businesses, cooperative law, etc.)

## C. Impact of the Project

1. Impact on the Target Population
2. Potential for Institutionalization

II—THE PARTICIPATING COOPERATIVE(S) (This section examines the cooperative(s) vis-à-vis governance, business operations, viability, and impact on members).

## A. Cooperative Organization and Governance

1. Mission (purpose), Status
2. Leadership and Decision Making
3. Membership and Member Participation

## B. Business Operations

1. Management
  - a. Policies, Procedures
  - b. Personnel
2. Business Activities
  - a. Planning and Performance
  - b. Transparency/Accountability
3. Financial Analysis
4. Salience
  - a. Value/Importance to Members
  - b. Significance to the Community
  - c. Importance in the Business Sector

III—LESSONS LEARNED (a set of lessons drawn from field experience with supporting examples that validate each lesson).

- A. Lessons Learned during Project Implementation (lessons related to the objectives, strategy, process of implementation, monitoring, and evaluation).
- B. Lessons Learned in Addressing Problems/Issues (lessons related to specific impediments and problems, operational environment; areas of significant achievement).
- C. Participant Perspectives on the Value of Project Assistance (information obtained from field interviews that contributes to an understanding of the achievements, benefits, and issues from the point of view of the participants).

IV—FINANCIAL ANALYSIS - see part II in the framework.