

# Rebuilding Economies After Wars Proves Dangerous but Rewarding

BY NANCY JORGENSEN

how co-ops can help in these situations. “Co-ops provided an organized and structured platform with members in position to provide valuable services to its base,” he said. “Their staff can be immediately trained to provide much-needed food, technical assistance and training to members and surrounding communities.”

## Many Hot Spots

Not everyone is as enthusiastic as Kuehn about cooperative development in war-torn or failed states. Nonetheless, cooperative development organizations continue to work in a long list of world hot spots.

From Bosnia to Afghanistan to Rwanda, cooperative principles are being used to rebuild war-ravaged economies, provide electricity to remote areas and re-establish financial networks.

Most recently, three cooperative development organizations received grants from the U.S. Agency for International Development to work in southern Sudan, a region plagued by 25 years of civil war, with 2 million dead and 4 million displaced.

Jim Herne reflects a consensus among overseas workers that co-ops can be difficult to start up during a crisis.

“Potential members may be struggling for survival,” said Herne, regional director of Europe and Eurasia for Land O’Lakes International Development Division in Arden Hills, Minn. “This is not conducive to cooperation and collaboration. Also, when a crisis is underway—particularly in poorer countries—potential members will not have much trust for each other. The situation can be an ‘every man for himself’ type of environment.”

Herne worked in Bosnia, where Islamic, Christian and other ethnic factions battled after the Communist government was overthrown in 1991. Land O’Lakes built sheep and lamb co-ops there whose members crossed lines of ethnic diversity.

Herne laid out four conditions for co-ops to be successful in fragile states:

- Government policies must be favorable to co-op formation and operation.
- Farmers’ attitudes should not be negative based on previous bad experiences with government-mandated co-ops.
- Farmers need a minimum level of economic security so the assets they put at risk with the co-op are not their only assets.
- There should be a basic level of trust among potential members so that they can easily work together and make common decisions.

Most agree that the initial need in these areas is relief, which provides basic food, shelter and medical assistance. Member-owned and controlled co-ops provide a more lasting solution but generally work best once the smoke clears.

Lyle Brenneman, a former staff member and current consultant to NCBA, has worked in areas of Eastern Europe, Africa and Asia affected by both natural and man-made disasters. He favors disaster relief only when it’s needed to keep people alive.

“Using the old refrain, give a man a fish, he can eat for a day. Teach a man to fish, he can eat for life,” Brenneman said.

Ted Weihe recently retired as executive director of the U.S. Overseas Cooperative Development Council, an umbrella group of eight cooperative development organizations. Weihe produced a lengthy report in June on the role of cooperative development in crisis countries.

“Co-ops are not an overall solution, but they deserve their proper place, and failed states especially lend themselves to the co-op model,” Weihe said. “Our job in the cooperative community is to promote our success, demonstrated by the number of

## REBUILDING ECONOMIES

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REUTERS/Antony Njoguana

**J**ose Godofredo Pacheco and two colleagues were driving down a country road in El Salvador in April 1994, when they stopped to give a few hitchhikers a ride in their pickup bed. Suddenly shots came through the cab, wounding Godofredo and killing one of his fellow workers.

Left for dead by guerillas who took \$20, Godofredo lived to tell the tale.

“We were visiting the El Pichiche Cooperative [near Zacatecoluca] to discuss an irrigation project and a crop production contract for a local freezer company,” he said in a case study written later. The trio was helping members of the co-op grow grain, black-eye pea and sesame.

After recuperating 45 days, Godofredo went back to work advising farmer cooperatives in El Salvador for the National Business Cooperative Association’s CLUSA International Program.

“It was very dangerous working in El Salvador then,” said Stanley Kuehn, Godofredo’s supervisor at the time. “Kidnappings, car bombs, electrical poles being blown up daily, people dying from the war—at times it was difficult to get work done.”

Peace accords signed two years earlier ended a 12-year civil war but violence was continuing as civilians were allowed into former conflict areas, said Kuehn, who is now NCBA’s regional director for Central America, living in Managua, Nicaragua.

Godofredo is not the only international co-op development worker to be wounded working in a war-ravaged country. Others have succumbed to AIDS, other diseases, or natural disasters.

Why do they agree to work under such dangerous conditions?

Because, Kuehn said, forming co-ops is a viable and valuable strategy in war-torn or crisis states.

“We’re dedicated to the improvement of the economic, social, health and environment of the people we serve,” he said. “We accomplish these goals through hard work in extremely adverse conditions that include long hours, bad roads and everyday violence. We demonstrate through technical assistance and training that honesty, morals, ethics and credibility are vital to becoming a viable business.”

While it’s difficult to form co-ops when war hits, Kuehn witnessed in El Salvador

# CO-OPS IN CRISIS COUNTRIES

## Lighting Up Sudan

When Eric Gibbs visited Yi in southern Sudan recently, he found families returning after years of exile to mud hut homes with no electricity.

By the end of September, thanks to the work of Gibbs and others with the National Rural Electric Cooperative Association International Program, residents will see streetlights burning in their town center for the first time in the city's history.

NRECA is one of three cooperative development organizations to receive grants recently from the U.S. Agency for International Development to work in Sudan. The others are Land O'Lakes and CHF International.

Streetlights will be a symbolic step toward bringing electricity to homes and businesses after two decades of war pitted Muslims in the north against indigenous tribal groups in the south.

"These people don't want handouts—they want opportunities. And electricity is very important," said Yvek Tibabakar, senior advisor to the Yi in Yi. "We have programs for NRECA in Africa, but we've never had one in the Sudan."

The first phase of the project focuses on public safety. Along with the town center, it will light up the local hospital and municipal center.

Gibbs, an economist, traveled to the Saharan nation recently to determine how many members will likely join a new electric co-op. "We look at what they're using in lieu of electricity—kerosene, candles, dry cell batteries—and how much they spend

on energy now," he said. "That tells us how many people can afford to pay to connect at start-up."

In Yi's case, Gibbs estimated that about 500 families will sign up for the nominal membership fee. "We hope a lot more will follow," he said.

The local project will lead to a broader electrification program throughout southern Sudan. "We hope that other Yi people can build, solder and create their own shops and move water to their homes and crops more easily."

## Rwandan Coffee Co-ops

In 1994, ethnic tensions and civil war broke over in Rwanda. The resulting genocide nearly destroyed the country's coffee and cattle industries.

In 2000, ACDI/VOCA, a cooperative development organization formed by major U.S. cooperatives and farm credit banks, began helping Rwandan growers with grants, training and other assistance. Initially, assistance focused on coffee.

"When we began, all of Rwanda's coffee was sold to a few large exporters on the mass market," said Paul Dal Loco, ACDI/VOCA's African representative in Kigali. "We awarded grants to cooperatives to permit them to improve quality."

In 2001, ACDI/VOCA helped one coffee co-op register as a fair trade organization, which guarantees prices that allow growers to earn a living wage. One year later, its 300 members received \$1.26 per pound for their coffee—almost double the prevailing export

price and 10 times what they were previously paid by local trading houses.

The higher price generated a net profit of \$32,000. By 2003, the co-op had 450 members. In 2004, it grossed \$230,000, almost three times what it grossed in 2003.

That success has been repeated in other areas across Rwanda. One newly formed co-op, for example, recently sold \$300,000 worth of coffee, earning more in first-year gross sales than the cost of the initial investment.

## East Timor Success

Many co-ops have emerged from the rubble of war. But not many have been as successful as the network of co-ops in East Timor, a former Dutch colony and U.S. Cooperative Business Association's GLUSA International Program in the fledgling country of East Timor.

NCBA has been in the East Timor, part of an island north of Australia, since 1994. Its efforts to assist the coffee co-ops were led by a local leader in the months of civil strife after a 1999 referendum in which an overwhelming majority of Timorese voted for independence from neighboring Indonesia. Some 1,300 were killed and 300,000 fled briefly to West Timor.

Once the violence ended, the NCBA-assisted co-ops provided a quick source of economic recovery for the war-torn country. "The co-ops were a catalyst for economic recovery and were a catalyst for economic recovery," said Yvek Tibabakar, senior advisor to the Yi in Yi.

Today, East Timor's coffee co-ops are the country's largest private-sector, income-generating activity, its largest employer and largest exporter.

East Timor's network of coffee production, processing and export co-ops is also the world's largest producer of organic coffee and its coffee is among the highest quality in the world.

## Working Together in Lebanon

Lebanon doesn't usually conjure up images of people working together. But with help from CHF International of Silver Spring, Md., thousands of rural Lebanese, both Muslim and Christian, today are working in

From South Asia to the Middle East, cooperative organizations are rebuilding shattered economies and reducing ethnic tensions in former war zones and other crisis locations. Their employees endure long hours, poor working conditions and occasional violence. These two pages include a sampling of cooperative success stories from world hot spots across three continents.



ACDI/VOCA/Andrew Jones

# CO-OPS SUCCESS STORIES

REBUILDING ECONOMIES, EASING TENSIONS IN HOT SPOTS ACROSS THE GLOBE

## Albanian Telecom Co-op

Mehmet Tegegy remembers a high school student who brought a telecommunications cooperative in Kruje, Albania, earlier this year.

"He said, 'I want to know about Winston Churchill,'" Tegegy recalled. He was doing research for a school project, and he found what he needed by using a computer to search the Internet.

For users of the Kruje TelCoop, formed in 2004, progress came one connection at a time. The co-op had a computer, a fax machine and a head population of just 11,000. The co-op headquarters is the only local place to find a computer, telephone and photocopy machine, or to connect to the Internet.

As senior international project officer for the National Telecommunications Cooperative Association, Tegegy helped form the 70-member Kruje co-op with Land O'Lakes International Division, which had a dairy project nearby.

## Building Trust in Bosnia

Bosnia brought the term "ethnic cleansing" to living rooms across America in the 1990s. But under co-op development efforts from CHF International, Bosnian ethnic groups now work together in farmer co-ops that are transforming rural economies.

Jim Herne, regional director of Europe and Eurasia for Land O'Lakes, works from an office in Arden Hills, Minn. But he's seen the transformation in the former Communist-controlled area firsthand.

"...the main issue was the mistrust and even hatred among various ethnic groups," Herne said. "Getting to work together is not an easy process."

Land O'Lakes works in three areas in Bosnia to develop farmer groups, create opportunities for returning refugees, and build a livestock and marketing program. "One project has been very successful in forming a sheep co-op, which focuses

on producing a local type of cheese for the consumer market in Bosnia," Herne said. "The co-op, in existence for a little over two years, has recorded sales of more than \$300,000."

As in many former colonial or Communist countries, government saddled co-ops with a legacy of top-down management that didn't help individuals. As a result, in Bosnia, new co-ops are often called associations rather than co-ops.

"It took quite a bit of time and effort to convince potential members that the co-op model was the best for them," Herne said. "It took many meetings to get members to the point where they trust each other enough and are willing to risk some of their assets in a group-owned and managed operation."

Herne hit on a key to Land O'Lakes' Bosnian success: "The co-op model must be based on trust. The co-op must be owned by all members and be controlled that the co-op is benefiting them personally on an equitable basis," he said.

## Helping Farmers in Mozambique

How do you eat an elephant? As the proverb goes, one bite at a time. In Mozambique, a country just north of South Africa known for its elephants, co-op developers kept that lesson in mind as they helped form more than 800 farmer associations with 25 to 30 members each. In addition, they helped put together almost 40 federated organizations of co-ops that banded together to buy supplies or provide marketing and other services.

Staff at the U.S. Cooperative Business Association's GLUSA International organized for the benefit of the government like in the Communist period.

**Acknowledgment:** The following people helped in the preparation of this feature spread: Heather Luca, Perry Leeson, and Elizabeth Madsen; Jeffery O'Connell, Greg Oringer, Mark W. Peterson, and Maria S. Torres of the National Telecommunications Cooperative Association; Jennifer Hyman of CHF International; Gretchen Warner of the U.S. Overseas Cooperative Development Council; Judy Edwards of Land O'Lakes International Division; Patrick Lavigne of the National Rural Electric Cooperative Association; and the following members of the National Cooperative Business Association staff: Jim Conley, Stanley Gorman, Steve Striano, Lyle Bremsman, and Sam Filice.

Program arrived in the country in 1995 on the heels of a United Nations-negotiated peace agreement that ended a prolonged civil war.

Most organizations were just beginning their development activities and putting an end to free food distribution and other handouts.

Politically, Mozambique had just become a democracy. The first elections had been held the year before. NCBA's goal was to help integrate farmers into the new, market-oriented rural economy. It started by helping farmers market crops they were already growing. It identified new, reliable buyers and developed farmer-owned businesses as the link between farmers and buyers.

Farmers who raised crops for their own use in 1996 now market their surplus through the co-ops on their own. After the first six years, NCBA had involved 26,000 members in the associations and boosted their incomes by almost 60 percent.

Working together came naturally. "In my experience, Africans traditionally join together to address problems, so co-op structures and principles imported from the West can, after adaptation, be a useful tool," NCBA's Walter O'Donoghue said.

Much work remains in Mozambique. But by eating the elephant one bite at a time, income levels for co-op members have increased significantly.

—Nancy Jorgensen



In the Wadi Khalid area of North Lebanon, along the Syrian border, a small water dam is constructed with help from CHF International.

# CO-OPS IN CRISIS COUNTRIES

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**Stanley Kuehn, National Cooperative Business Association**

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successful co-op projects we're seeing around the world."

Weihe's report detailed successful cooperative development projects in no less than a dozen crisis states.

- ➔ In Montenegro in Eastern Europe from 1999 to 2002, Land O'Lakes formed dairy co-ops as the region was emerging from severe ethnic strife. Within a year, 35 co-ops were formed with 12,000 members. They experienced no ethnic or religious conflict.
- ➔ In Lebanon, CHF International is repairing infrastructure damage from years of war and generating income through agricultural co-ops and community-based businesses.
- ➔ In Rwanda, the World Council of Credit Unions has been rebuilding a credit union system nearly destroyed by genocide. WOCCU has moved 17 pilot credit unions from insolvency to solvency.

According to Weihe, co-ops provide a catalyst for economic growth and investment, build trust among diverse people, and build a framework for participation and control in democracy.

"In fragile states like Sudan," he said, "it's incumbent on us to promote how

co-ops build trust. They build economic development in a way that promotes social values. Entrepreneurs can exploit and control the market, where co-ops are more participatory."

Despite their positive aspects, Brenneman said co-ops are not a panacea.

"Some donors have poured millions into co-ops and seen little in the way of results. Often, in developing countries, organizations that call themselves co-ops really aren't. They are state-owned enterprises. Co-ops can only be better if they are business-oriented and member-owned and controlled," he said.

Land O'Lakes' Herne said the co-op model suffered in Eastern Europe's former socialist governments, where those in power sometimes corrupted co-ops for personal or political gain.

"In Eastern Europe, the co-op system was more of a top-down, state-mandated system that didn't work for the benefit of individual members," Herne said. "Because of this bad experience, many farmers are now reluctant to join co-ops. Sometimes you can call it a farmer association. It works like a co-op but avoids the negative connotation."

### Terrorist Threat

Will the threat of terrorism spur interest in developing co-ops?

Weihe is optimistic. "Just look what we're

doing to develop co-ops in Rwanda, Bosnia, and Sudan," he said. "These are tough places. But they effectively make the case for co-ops, especially as you look at the direction terrorists are going. There's an idealism to co-ops that brings out good behavior."

NCBA's Kuehn agrees. "I definitely feel that economic stability that co-ops have brought to El Salvador and the region has reduced the threat of terrorism if it's compared to the period before the peace accords were signed," he said.

Kuehn and his colleagues continue to make progress in El Salvador, providing language training for co-op members. When needed, they offer literacy programs as well.

NCBA-assisted co-ops grow, pack and ship lettuce, spinach, carrots, onions, melons, and more. Certified organic products are some of the most successful.

"Much of the productive land in eastern El Salvador lay fallow during the war because of the frequent wildfires," Kuehn said. "This idle time resulted in one serendipitous benefit: lack of tillage during the war years provided time for pesticides used in the past to dissipate."

Kuehn stays in touch with his old friend, Godofredo, who eventually became general manager of an NCBA-assisted cooperative and still lives and works in El Salvador.

In the case study, Godofredo said he overcame many fears in his work with

NCBA. "Little by little I realized that problems were part of our daily work and their solution was my great challenge," he said.

### Safety Measures for War-Torn Countries

How do cooperative development organizations protect their workers in war-torn countries and fragile states? In NCBA's case, safety rules have become stronger in recent years in response to terrorism. They include:

- ➔ No picking up hitchhikers
- ➔ Maintain radio communication in all vehicles in case of accidents or violence
- ➔ Pull technicians out of areas declared hot spots
- ➔ No traveling at night
- ➔ No weapons, drugs or alcohol
- ➔ Keep up with vehicle safety standards
- ➔ Take care when hiring staff to prevent putting members at risk
- ➔ Communicate constantly with the U.S. embassy—workers listen to security warnings, and warn officials of danger so they can pass information on to others

## Disaster Aid vs. Co-op Development: Which Works Best in Crisis Countries?

**W**hen is disaster aid more effective in crisis countries, and when does co-op development work best?

The short answer, according to experts contacted by Cooperative Business Journal, is that both are necessary. Disaster aid—providing basic food, shelter and medical assistance—must arrive during the crisis. Member-owned and controlled co-op development generally works best a little later.

But relief has its downsides—and its critics. "Relief is a handout," said Lyle Brenneman, a former staff member and current consultant to the National Cooperative Business Association's CLUSA International Program. "I don't believe in handouts except to keep people alive, as in the case of the recent tsunami."

James Shikwati, a Kenya-based economist, blames dependence on foreign aid for much of Africa's inability to climb out of a cycle of war, drought, pestilence and hunger.

"When aid money keeps coming, all our policy-makers do is strategize on how to get more," said Shikwati in a recent Associated Press article. "They forget about getting their own people working to solve the very basic problems. In Africa, we look to outsiders to solve our problems."

### Accountability Issues

Donor aid projects can suffer from a lack of accountability compared with more long-term projects like co-ops, according to Stanley Kuehn, who has worked on sustainable agricultural projects in Central America for NCBA since 1965.

The U.S. Agency for International Development "does the best job of accounting for the money," Kuehn said. "They have sophisticated auditors and evaluations to make sure no

money gets pocketed. Private donor groups don't always have those tracking systems in place."

Kuehn goes so far as to say that relief aid can harm co-op members. "Relief definitely has its place," he said. "But after the war in El Salvador, farmers that stuck it out in war-torn areas weren't given war dividends—there was an imbalance in relief. Militants were given land, while our farmer-members



who were trying to purchase land couldn't get it"

After Hurricane Mitch struck El Salvador several years ago, food aid coming into the region hurt farmer co-op sales, Kuehn added. "You can't be giving farmers seeds and inputs to get started, and at the same time be dumping food on these countries."

Kuehn said he'd like to see aid groups purchase food from local

farmers when possible.

He thinks USAID-supported organizations are still learning how to deal with wars and other disasters under the banner of nation-building. "The U.S. is doing a much better job than in the past, but we still need to do more to make sure we're getting the best bang for the relief dollar."

As a practical matter, cooperative development and disaster aid often compete for dollars in the budgets of donor organizations, and co-ops end up with a small piece of the pie.

Tom Carter coordinates USAID's Cooperative Development Program in Washington. He estimates that U.S. cooperative development organizations manage \$200 million in USAID resources, although not all of this is spent on co-ops. That compares with a total USAID budget of \$8 billion, plus \$1 billion in administrative costs.

"There are places and times when [cooperative development] is appropriate," Carter said. "Like any other form of business, they no doubt perform better in conditions of greater stability."

### 'Fragile States' Strategy

USAID recently developed a new strategy directed at stabilizing what it calls "fragile states." Asked if a trend toward co-ops will be part of that strategy, Carter said probably not.

"Depending on the state of that fragility, one expects that most energy, effort and creativity is spent keeping the fuse from reaching the keg," he said. "No matter how potentially valuable cooperatives might prove, long-term investments are not the way crisis managers try to solve problems. And cooperatives are long-term investments. It's not the sort of sexy patch that attracts attention."

—Nancy Jorgensen