

Cooperative Development in Poland: A Legacy of USAID Assistance



USAID
FROM THE AMERICAN PEOPLE



US Overseas **Cooperative Development Council**

Table of Contents

Cooperative Development in Poland: A Legacy of USAID	1
Research Question: What is the Legacy of USAID assistance to the cooperative sector?	2
Methodology	3
History of USAID assistance to cooperative development in Poland	4
Findings: USAID Legacy	5
Conclusions	10

Dr. Judith A. Hermanson, Research Director, Overseas Cooperative Development Council
Dr. Barbara Czachorska-Jones, Cooperative Advisor, Global Communities (formerly, Cooperative Housing Foundation)
Ashley Holst, MA, Research Associate, Overseas Cooperative Development Council

Cooperative Development in Poland: A Legacy of USAID

USAID commissioned the International Cooperative Research Group (RG) of OCDC to carry out a legacy study to examine what, if any, lasting effects of the USAID assistance to cooperatives can be seen in Poland today, nearly 20 years after its conclusion. The RG carried out this study as a complement to the countrywide survey research project, “What Difference Do Cooperatives Make?” Through secondary and primary research, the RG found that the USAID assistance provided to the cooperative sector in the 1990’s left traceable effects as an effective investment in institutions, particularly in certain sectors of the economy, and in human capital. Perhaps most significantly, since this assistance was provided at a time of enormous social, economic and political change in Poland, the support and guidance provided to the cooperative sector was reported to have been a key element in helping to chart a new course for both cooperatives and individuals and to navigate the many changes that were

simultaneously occurring. The outcomes of the assistance include new approaches to cooperative organization reflecting the international cooperative principles as well as the development of new ways of doing business particularly in some areas of agriculture (dairy), communications, and housing. The cooperative development programs aided in Poland’s important transition to a market economy and a decentralized government, and to what is now the eighth largest economy in Europe with a GDP that has doubled since 1990.



OCDC Research Team meets with Centrum Doradztwa Rolniczego [Agricultural Advisory Center].



The Wawel Dragon Statue sits at the foot of the Wawel Hill in Kraków, Poland outside of the limestone caves below the Wawel Castle.

Research Question: What is the Legacy of USAID assistance to the cooperative sector?

As the Iron Curtain came down in early 1990's and radical economic and political changes swept across Eastern and Central Europe, the US Government, largely through USAID, supported the transition to democracy and market economies in a significant way, investing \$918,014,204 (1988–2000) in Poland alone.¹ Of that amount invested in Poland, a relatively modest amount (\$24.5 million from 1990 on)² was invested in the cooperative sector. The assistance to the cooperative sector was viewed as useful for the role that it might play in the evolution of cooperatives, which were previously largely used as instruments of national policy rather than empowering local communities. Cooperative development was also viewed as a significant way to transform production and services in key sectors, such as agriculture, housing,

finance and communications. The research was designed to investigate whether and to what extent the legacy of cooperative assistance could be identified, a challenging task nearly 20 years after USAID's exit from Poland. Despite the challenges, the RG was able to identify legacy effects of the USAID assistance to the cooperative sector.

Since much of USAID's assistance, although not all, was provided through Cooperative Development Organizations (CDOs) — a new generation of cooperatives has emerged. Poland has transformed itself and “re-joined” Europe through accession to the European Union (EU) in 2004. As with many institutions and segments of the economy and society, the trajectory of cooperatives has had its share of ambiguity and “changing rules.”

¹ http://pdf.usaid.gov/pdf_docs/Pdacq367.pdf

² Based on project reports available through USAID Development Experience Clearinghouse <https://dec.usaid.gov>

Methodology

The legacy research study, conducted in parallel with the “What Difference do Cooperatives Make?” research, is based on secondary and primary data gathering focused on the projects that USAID supported. It supplements the systematic survey research and illuminates the journey that cooperatives have taken in Poland. Without any intention or ability to determine impact in a strict sense, the legacy study also shows how some of the investments made by USAID through CDOs have developed, grown and evolved.

The legacy research included: (a) inputs from the RG’s in-depth country context study, Cooperative development in Poland: Context Analysis and Report; (b) systematic search and review of project reports available through USAID’s Develop-

ment Experience Clearinghouse (DEC)³, and (c) interviews with CDO representatives, key actors in Poland in the sectors in which the CDOs were active, and some of the people directly engaged in the projects. Interviews were conducted with 35 individuals identified through the country context study and review of project reports. These interviews were conducted in person and/or by phone with Polish cooperative leaders, apex organizations and government officials, academics, and cooperative development practitioners. The interviews were conducted using a fluid interview process. A framework was developed in advance but was adapted to reflect the individual’s expertise, sector, and lens (for example US based CDO or Polish cooperative).

³ USAID Development Experience Clearinghouse <https://dec.usaid.gov>

History of USAID assistance to cooperative development in Poland

The RG systematically searched the USAID Development Experience Clearinghouse (DEC) database for any cooperative related projects completed in Poland from 1990 – 2000 to ensure that the net was sufficiently refined. Efforts were made to capture projects that may have used terms other than “cooperative,” so searches were made for terms such as “associations.” The database searches resulted in 45 documents that met the above criteria. These documents were then reviewed by the RG further to identify projects that worked with cooperatives or worker associations that met the OCDC standards of cooperatives. In addition to the screened documents, the researchers asked the OCDC member organizations to report any USAID funded projects in Poland during the time period.

The culmination of these efforts resulted in the identification of nine USAID funded projects that assisted the cooperative sector supported by USAID’s Cooperative Development Program (CDP) as well as other USAID funding sources. In this analysis, the RG used most recent and/or complete document, such as a final project report as well as reviewed the project trajectories by examining the intermediate reports and any evaluations that might have been completed. Following the identification of the projects and their implementers, the researchers reviewed the reports and spoke with staff members of the implementing organizations when possible. Using the reports and interviews, key cooperatives and sectors were identified for in-country interviews⁴.

⁴ During the legacy study, the researchers focused on OCDC member organizations. Due to this decision, one project, implemented by Technoserve, was not interviewed but was included in the desk research.

Findings: USAID Legacy

The legacy of the USAID assistance varies among sectors and the extent to which it can be traced also varies, as most CDOs — with some exceptions — have had little if any continuing contact with their Polish counterparts in the almost 20 intervening years since the USAID program in Poland ended. Institutional memory of the activities also varies. Nonetheless, the picture that emerges is that the US assistance provided in the course of the 1990's played a key role in helping both individuals and organizations to navigate uncharted waters characterized by newly decentralized governments, new financial instruments and institutions (e.g., mortgage finance), as well as new institutional gaps and opportunities. The US assistance program also importantly introduced a different approach to cooperative development, one that is centered on the international cooperative principles and the concept of a financially self-sustaining, cooperative business model. This model has taken root, notwithstanding many pol-

icy and legislative changes in the intervening years demonstrating the resilience and applicability of the cooperative development approach. The personal commentary of some of the participants in the CDO activities testifies to the role of USAID's assistance both in developing institutions as well as in developing human capital — both investments in sustainability and self-reliance.

During the interview process, 35 Polish cooperative leaders, academics, and practitioners reflected on transition issues as well as, in many cases, their personal reminiscences of assistance programs delivered by US-based CDOs in the 1990's. The rich content justifies the statement that through USAID assistance there has been an important contribution to the development of the Polish cooperative sector and its adaptation to new social and economic conditions. The transition of the cooperative sector is also reflected in the social and economic benefits



OCDC Research Director, Judith Hermanson, and Barbara Czachorska-Jones meet with Dr. Adam Piechowski of the Polish National Cooperative Council.

received by members and the wider community.⁵ Several leaders pointed to *'teaching Polish cooperatives new procedures and educating them about new practices'* (National Cooperative Council representative, Warsaw). This was particularly important in the early 1990's when legal changes allowed for more freedom to operate at the ground level but left the societies to fend for themselves and figure out ways how to do it without broader support.⁶ As noted by one of cooperative banking leaders this was a challenge since *'we were allowed to make our own decisions, but were not used to it, did not quite know what and how to do it, and did not know the priorities. We needed 'a helping*

hand' and mentoring and [USAID-funded ACIDI program] provided just that' (Head of Supervisory Council of Cooperative Bank, Wolczyn).

At a personal level, the experience of cooperative leaders and local entrepreneurs was similar. In the words of one of the cooperative housing leaders: *'The switch to a market economy in the 1990's [...] was the period when everyone was looking for a new way of doing things and for a place for oneself in this new society. The [Global Communities/formerly CHF International's] AWIM program showed new opportunities and helped people start'* (Director, AWIM-Olsztyn⁷).

⁵ Data gathered on legacy of USAID assistance to the Polish cooperative sector also provides support of the four research questions relating to economic and social benefits of cooperative members, and to the communities that are central to the OCDC research project, "What Difference Do Cooperatives Make?" which was piloted in Poland. Interviewees generally confirmed and provided many examples of a wide-ranging variety of benefits, visible across the many sectors of the economy in which cooperatives are active.

⁶ Law of 16 September 1982 — Law on cooperatives (uniform text of 4 Dec 2015, Dz.U. of 2016, item 21). This law regulates basic issues relating to cooperative principles and their organization; cooperatives are seen as legal entities which associate physical or legal bodies to conduct an economic enterprise.

Adam Piechowski. "Poland." International Handbook of Cooperative Law. Ed. Cracogna, Fici, Henry. (2013) p. 611.

⁷ AWIM stands for Agencja Wspierania Inicjatyw Mieszkaniowych (Polish acronym) or Agency to Support Housing Initiatives which indicates an enterprise initially to mobilize cooperatives and develop small housing projects and which over time branched into other housing-related activities and functions.

And, in words of another leader: *‘Were it not for American help in the early 1990’s [provided by NTCA], we would not have been able to establish the cooperative and to survive. Everything we learned and all experience came from the Americans [...]. Their advisory assistance was crucial to our survival’* (President, WIST Cooperative, Laka).

For small housing cooperatives, the legacy lives in the many hundreds of units built by people coming together in small cooperatives at a time when the pent-up demand for housing was a critical issue in Poland. The new units provided a model for low-rise development (an attractive, previously out-of-reach alternative to the typical high-rise buildings) to be emulated by others and also freed up units within the existing apartment blocks, helping to relieve the pressure of the acute housing shortage and in so doing also helping to sow the seeds of a robust housing market beyond the cooperative sector. Over the years (1991–2000) AW-IMs were organized and trained at 30 locations across

Poland, and their projects served as the grounds for practical on-the-job learning and to validate tangible results. The legacy also lives in the new business opportunities and market niches opened up. Some of these developer/facilitators are still active today in Krakow, Tarnow, and Rybnik, producing new housing using a developer’s model or offering other housing-related services. Others, in Olsztyn, continue to use the cooperative model.⁸ During and following the period of USAID assistance, (1991–2017) a total of 3,856 new housing units were built including 2,178 cooperative units, benefiting around 15,424 individuals and their



Mr. Artur Tokarz displays a Housing Cooperative Award at AVIM Krakow.

⁸ See <https://www.globalcommunities.org/node/38541>

communities, all locally financed. Another example of institutional legacy is the *Revitalization Forum*. It was established in 1998 with Global Communities/CHF's assistance and still exists today, continuing its work focusing on urban revitalization projects across the country.⁹

ACDI/VOCA began implementing a 6-year project funded by USAID in 1992, in a systematic effort to transform Poland's cooperative banks and enable them to better respond to community needs. Their project (Cooperative Bank Development Project) helped catalyze economic development and facilitate the difficult transition to a market economy. In result of that project three regional banks were formed, owned and controlled by participating local banks; through 'banker-to-banker program, U.S. specialists provided Polish bank officers with invaluable mentoring and practical assistance; training and study tours allowed to learn applicable new techniques

which were popularized and applied locally. Today the National Union of Cooperative Banks includes 560 banks and represents around 1 million members. The cooperative banking sector is stable and in good financial condition as evidenced by the fact that it was able to withstand international financial crisis of 2008 without assistance. The cooperative banking sector is perceived by the public as one of a few cooperative sectors 'having the best chance to grow.'¹⁰

Prior to National Telecommunications Cooperative Association (NTCA) Cooperative Development program in Poland there were no telecommunications cooperatives in the country, and phone coverage by the then national state operator in south-eastern Poland was very limited. Organizing an ICT cooperative was a novel idea, with no experience or practices to rely on, particularly with regard to interacting with national state operator. WIST Cooperative expanded over the years and today provides phone, internet, and

⁹ <http://www.forumrewitalizacji.pl/>

¹⁰ Dr. K. Vinogradnik. Stan i perspektywy rozwoju spoldzielczosci wiejskiej w Polsce [Report on project: Current condition and perspectives of development of rural cooperatives in Poland]. Editors: Z. Brodzinski, L. Lesniak, J. Bomba, CDR, Krakow 2015, p.137.

cable services. It boasts of 11,000 members, up from a handful when it started, and 47 employees, all young professionals between 25 and 46 years of age. Today the cooperative has around 10,000 internet users representing half of the whole Rzeszow voivodship and 3,000 users of cable TV services introduced in 2009.

The passage of time since the conclusion of USAID-funded programs in 2000 allowed some interviewees to reflect on their overall importance. In some cases, these programs were remembered as momentous personal experiences; in other cases, as a transforming organizational experience: *‘These programs were mostly about learning best practices, about how to run things, and how similar institutions work in the United States’* (President of the Board, National Union of Cooperative Banks). Study tours and visits to the U.S., programs like banker-to-banker, farmer-to-farmer, visits of housing specialists to the U.S. and of American specialists to Poland provided rich grounds for human interactions which helped Polish program participants find their way in evolving market conditions. Simple practical questions such as how to face competition, how to market a product, how to

deal with and keep the clients in the long run, were addressed through discussions, training, and site visits. Large numbers of people received training and exposure and felt backed up and supported: *‘It helped to have an American foundation behind [us], lending its name to the whole project’* (Director, AWIM-Krakow).

The USAID-supported cooperative development programs not only facilitated the understanding of markets but also helped to identify the adaptations needed for cooperatives to flourish in the new economy. The individual learning and the institutional support that the assistance provided enabled cooperatives across sectors to work at the local level to further local aspiration (for better housing, for access to new ideas, for new ways to communicate) as well as to create greater self-reliance, which were both essential ingredients to Poland’s successful social and economic transition. *‘Thanks to training as well as visit of an American banker [...] the development of our bank proceeded hand in hand with growing needs of our clients, especially small and medium size enterprises and farmers. This resulted in exceptional economic growth of the region’* (President of the Board, Cooperative Bank in Barlinek).



Dairy cooperatives have thrived since the early 1990s and represent a significant portion of dairy production in Poland.



The legacy research suggests that the overall success in the adaptation of cooperatives in specific sectors can arguably be linked to the early exposure and training received by Polish cooperative leaders through US-AID-funded assistance programs. When answering a question, for example, as to why dairy cooperatives today are doing so much better than other types of cooperatives one cooperative leader said when commenting on the period when USAID advisors were active: *'In my view, at the early period of transformations dairy co-op leaders were made to understand - the need for rapid changes, for modernization of equipment and management methods, and this paid off. After accession to EU [in 2004], funding became available and they took this opportunity to modernize.'* (National Cooperative Council representative, Warsaw).

Przemysław Budzilo (BBS Obserwator), Dariusz Socala (BBS Obserwator), and Judith Hermanson (OCDC Research Group) present the preliminary findings of the Poland research at CDR in Krakow.

Conclusions

Even though post-hoc it is impossible to make a direct cause-and-effect conclusion, programs implemented by U.S.-based CDOs appear to have made a meaningful contribution to the transformation of cooperative development in Poland and elements of this legacy are found both in personal testimony as well as in objective analysis of the current status of cooperatives. They are personally attested to by those who participated in such programs in the course of the 1990s, many of whom are in prominent local positions today.¹¹ To a degree, such a contribution can also be inferred from the ways specific sub-sectors evolved over time.

The legacy of the CDOs' work funded by USAID lives today in the form of institutions established

or assisted, as well as that of the human capital developed during the USAID assistance program in Poland. For example, in case of Land O'Lakes (LOL), the legacy lives in the form of the *International Center for Business and Public Management (ICBPM)* at the University of Warmia and Mazury in *Olsztyn*,¹² continuing the excellent tradition of the *Polish-American Center for Marketing and Management* established in collaboration with LOL in 1993. The Center is active today and carries on its educational work. Global Communities/CHF's cooperative housing program also has a visible continuing legacy in the thousands of housing units that were developed within the market economy and also in the continuing operations of four *AWIM*¹³ developer/facilitators who offer market-based housing

¹¹ A complete list of interviewees and direct quotes is available from the RG.

¹² International Center for Business & Public Management <http://center.uwm.edu.pl/mba.html>

¹³ AWIM stands for Agencja Wspierania Inicjatyw Mieszkaniowych (Polish acronym) or Agency to Support Housing Initiatives which indicates an enterprise initially to mobilize cooperatives and develop small housing projects and which over time branched into other housing-related activities and functions.

services and housing today (some of them based on the cooperative model) thus actively contributing to the development of their communities and to the local economies. In the cooperative banking sector, the legacy of the assistance programs is reflected in the strong condition of the sector today, attributed through personal testimonials to the engagement and training of Polish specialists in the U.S. as well as to the technical advice provided by U.S. specialists who came to Poland. Based in Gdansk, the National Association of Credit Unions (*Kasa Krajowa SKOK*) now works with and has been a member of WOCCU since 2000.¹⁴ For NTCA, its legacy is reflected in the excellent condition of the WIST cooperative, 11,000 members strong and planning new outreach and new services for its members.¹⁵

The effectiveness of cooperative development assistance in Poland is evident through the lasting legacy of cooperatives which benefitted from financial and operational support of USAID. Many

cooperatives continue to thrive and attribute their successes to training and capacity building received from USAID assistance. Despite a somewhat challenging history both before and after the introduction of the market economy, the cooperative sector in Poland continues to play an important role in many people's lives, and some sectors, such as social cooperatives and young farmers in agricultural cooperatives, are experiencing new energy showing a positive trajectory for the future of cooperatives in Poland.

Sustainability of results is a primary goal of USAID, and the history of cooperative development and USAID assistance in Poland shows that not only has the assistance through CDOs produced long-lasting results, but in many cases the social and economic benefits of cooperatives have continued to be scaled. In addition to providing evidence for the legacy of USAID assistance, the research further supports the cooperative development in the context of national

¹⁴ <http://www.skok.pl/o-skok/co-to-jest-skok/skoki-na-swiecie>

¹⁵ <http://www.wist.com.pl>

social and economic transitions showing that cooperatives can be effective and sustainable models for social and economic development. In fact, they help to chart a course through the turbulence of change and enabling their members to find their way and to prosper. The legacy research and the complementary findings of the “What Difference do Cooperatives Make?” survey research together provide evidence of the positive social and economic effects and potential of cooperative development aligned with international cooperative principles.

OCDC Members: Agricultural Cooperative Development International / Volunteers in Overseas Cooperative Assistance (ACDI/VOCA)*; Global Communities (Formerly CHF International)*; Cooperative Resources International (CRI); HealthPartners; Land O’Lakes, Inc.*; National Cooperative Business Association (NCBA CLUSA); National Rural Electric Cooperative Association (NRECA); World Council of Credit Unions (WOCCU)*

*OCDC members who worked in Poland



Mr. Artur Tokarz gives a tour of AVIM Krakow.

The Research Group is indebted to many people without whom this research would not have been possible. The report is greatly strengthened by the comments of all reviewers and support we have received along the way.

First, we appreciate the funding support and guidance of the Cooperative Development Program (CDP) and especially thank Tom Carter and Emily Varga for their support and their helpful reviews of the draft report. We are also grateful for the careful reading and insightful comments made by the OCDC Research Advisory Committee, Dr. Michael Cook, University of Missouri; Dr. Sonja Novkovic, St. Mary's University; Dr. Linda Shaw, Cooperative College, UK (retired). We also enthusiastically thank Obserwator Biurobadan Spolecznych — specifically Przemyslaw Budzilo, Dariusz Socala, and Yevhenii Bohdan Zenchenko — for the design and conduct of the field data collection in Poland and their analytical work. And we are grateful to all in Poland who took the time to participate and share information with us. Last but not least, we express our great appreciation also to each of the OCDC member CDOs, for their collaboration and interest in the research to deepen understanding of cooperative development and to OCDC's Executive Director Paul Hazen and the OCDC staff for their support throughout this process.

U.S. Overseas Cooperative Development Council
1250 Connecticut NW, Suite 200 Washington, DC 20036
www.ocdc.coop | www.Research.coop

