



Office of Inspector General

May 10, 2012

MEMORANDUM

TO: USAID/IDEA/SA, Maura O'Neill

FROM: AIG/A, Timothy Cox

SUBJECT: Review of USAID Cooperative Development Programs
(Report No. 9-000-12-001-S)

The Office of Inspector General (OIG) conducted a review¹ to assess a complaint from Professor Richard Tinsley, an agronomist with extensive USAID experience. Professor Tinsley requested a review into USAID's use of the cooperative business model to determine whether these programs are justified for continued use or whether other means of assisting small farmers should be used. We concluded that we could not adequately assess benefits accruing to small farmers participating in USAID-funded agricultural cooperatives because the financial data needed to perform an assessment were not readily available.

Our review of documents brought to our attention both the lack of reliable data with which to make informed program decisions for cooperative development programs and the challenges these programs experience. We began our review with the objective of assessing the economic benefits accruing to small farmers participating in USAID-funded agricultural cooperative development programs. We worked with USAID to identify the evaluations and reports that describe the agency experience with agricultural cooperatives. We learned that a 2009 report, *Measuring Cooperative Success: New Challenges and Opportunities in Low-and Middle-Income Countries*, identified a need to measure cooperative performance and recommended metrics for program reporting. While USAID has taken steps that will contribute to cooperative development improvements, such as new planning for improved evaluation and new data requirements in recent requests for proposal announcements, we did not identify a comprehensive approach across the agency to apply a set of relevant metrics with which to assess cooperative development program results.

¹ The review was in response to Senator Mark Udall's letter to USAID of February 28, 2012, forwarding correspondence from his constituent, Richard Tinsley.

Based on the above, OIG concluded that USAID should improve data collection and evaluation of cooperative development programs and those cooperative programs serving small farmers may merit additional in-depth review. These evaluations would assist USAID in making funding decisions and allow USAID to draw conclusions about the effectiveness and efficiency of the cooperative business model. To encourage data collection and assessment for cooperatives programs, OIG is making the following recommendation:

Recommendation 1: We recommend that the Office of Innovation and Development Alliances (1) work with other offices in USAID to develop and implement requirements for financial and economic reporting in agency cooperative programs and (2) evaluate the reported data to determine whether the cooperative business model has produced sustainable economic benefits for small farmers.

We would appreciate your written comments within 30 days of receipt of this management letter. In your comments, please clearly state your position on the recommendation. If you agree with the recommendation, please confirm your agreement and include a plan for corrective action, along with a target date for completion of the planned action. If you disagree with the recommendation, please explain why you disagree.

Attachment: Copy of Letter to Professor Tinsley

cc: Assistant Administrator, Bureau for Food Security, P. Weisenfeld



Office of Inspector General

May 10, 2012

Professor Richard Tinsley

Dear Professor Tinsley:

Your letter to Senator Udall was referred to my office for response. In your letter, you expressed concerns about USAID's use of the cooperative business model to support small farmers. Our review of USAID's use of the cooperative business model found that USAID does not collect financial data to inform decision making about cooperative development programs.

We started our review by sharing your letter with the manager of USAID's Cooperative Development Program in the Office of Innovation and Development Alliances to determine what information was readily available to evaluate small farmer cooperatives. We obtained program reports related to cooperatives, but we could not locate a rigorous assessment or evaluation directly addressing the experiences of small farmers in cooperatives funded by USAID.

Absent that, we requested the data you suggested in your letter to determine whether we could perform an economic analysis of cooperative programs for small farmers. We found that financial and economic data to evaluate and compare cooperative and private sector business opportunities available to small farmers were not readily available. According to USAID, obtaining reliable data on production costs, opportunity costs, side selling, and other aspects of small farmers' experience in cooperatives would take an inordinate amount of time.

A 2009 report, *Measuring Cooperative Success: New Challenges and Opportunities in Low- and Middle-Income Countries* (available on the U.S. Overseas Cooperative Development Council's Web site at http://www.ocdc.coop/OCDC/documents/PUB_Metrics_2009.pdf), asserts, and we strongly agree, that basic business parameters (financial and economic performance indicators) should be part of routine progress reporting. This report, produced with USAID funding, identifies challenges of measuring the business practices of cooperative development programs and recommends developing and collecting quantitative measures and results.

We also met with staff from USAID's Bureau for Food Security (BFS) to discuss the ideas in your letter. In response to your concern for sustainability, the BFS representative said that USAID directs funding to research, policy improvements, extension services, infrastructure, and financial services that, taken together, are designed to deliver sustainable economic benefits. Because agricultural producer cooperatives are a small part of this overall strategy, they have not been examined in depth.

To conclude our review, we informed Agency executives of your concerns and our belief that improved data collection and analysis must guide program decisions regarding agricultural cooperatives. To strengthen program management, we recommended that the Office of Innovation and Development Alliances coordinate improvements in financial and economic reporting and evaluation of USAID agricultural cooperative programs to assess the benefits of the cooperative business model for small farmers.

Thank you for your interest in making USAID programs more efficient and effective.

Cordially,

Timothy Cox
Assistant Inspector General for Audits