

William F. Gelabert, ADPR, Ass't Dir.

October 5, 1971.

William L. Rodgers, Chief, ARDO

Cooperative Project Plans

An introductory statement is attached on the cooperative and credit project, and a tabulation of cooperative program content. The letter from INCRA that is mentioned is available for your review.

The brief introductory statement and tabulation are intended to speak for themselves. We can elaborate on any points left unclear in our concern for brevity. The tabulation is consistent with the "logical framework" prepared with much effort for the April review, but simplified in hope of greater understanding, to provide narrower focus of AID support, and to reflect reduction of team numbers.

A note at the end of each "USAID input" item indicates the probable sharing of responsibility between Gerber and Bednarczyk with Gerber taking the lead. Most "non-national" work (national program development, etc.) will be in the Northeast.

We believe there is one significant, interrelated problem of program content and timing for AID planning action. That is, INCRA continues to advance in its cooperative programs, but Stanley Krause and Henry Gerber report the following significant items that have not yet taken definite form.

1. INCRA includes no program expansion for PROTERRA until governmental plans are further established.
2. INCRA has not fully established training plans for the Northeast, pending specific decisions on functions of the Campinas center, CETRECOOP.

Krause and Gerber expect INCRA to implement expanded training and management assistance programs when these matters are settled. Gerber is well integrated in the INCRA planning process nationally and is participating in such decisions. This planning is thus a valuable current input of our team.

The outcome of this GOB planning perhaps will affect to some degree our desired immediate program emphasis. It certainly will affect long-range AID planning. GOB and AID decisions and specific plans concerning grain sorghum, manioc, seeds and rural aspects of marketing are also significantly related.

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I recommend that mission management adopt the attached tabulation as representing short-term project plans, without immediately calling an assembled review session. I propose that mission management resources will be best applied by acting on this temporary basis, and by recheduling an assembled review of the project in the February-April 1972 time frame. We would present an amended statement of program activities at that time, and be better prepared for decisions reaching into FY 1973.

ARDO/WLRodgers:my
October 5, 1971.

UNCLASSIFIED

cc: W.A. Ellis
R. Ballantyne
C. Green
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D. Cohen
S.F. Krause
H. Gerber
S. Bednarczyk

Cooperative programs should be linked to other GSN programs, especially to marketing improvement action, and also the proposed grain service, union and seed improvement programs. Mutually complementary linkages among such programs offers a new horizon for cooperatives in Northeast Brazil, further supported by flexibility provided by the revised cooperative law now before congress.

The expected sharing of responsibility between the two resident cooperative advisors is noted at the end of each UNKID input item. Mr. Gerber will be headquartered in Brasilia, working on national program development, develop projects in the Northeast, and attend high priority conferences, etc. in other areas. Mr. Bednarczyk will be headquartered in Recife and work in the NE and North except on exceptional opportunities may require travel to other regions.

LEDS

JustificationINCRA InputSurvey of
Coop.
Reality

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DEVELOPMENT OF AGRICULTURAL COOPERATIVES

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This paper assumes well-managed cooperatives engaged in marketing farm products, inputs, and providing credit will contribute significantly to increased agricultural productivity, and especially serve to include of small-scale farmers in benefits of modernization. GOB promotes development of marketing and credit cooperatives with these objectives. OCT/NOV.

Cooperatives play a vital role in marketing wheat, soybeans, fresh fruit and vegetables, coffee and milk in the South. However, large numbers of cooperatives are weak, poorly managed, or non-functioning, especially in the Northeast and North.

GOB assist cooperatives through INCRA (principally), ANCAR, SUDENE and other agencies. Frequent changes in GOB action programs (organization, personnel, content, financing) have reduced the quality and effectiveness of those programs. INCRA, established July 1970, has about completed its organization structure, key staffing, and basic selection of programs.

(2) Finance Audit INCRA requested expanded continued AID assistance in a letter of January 29, 1970. without a thorough analysis

of the enterprise. Fiscal Work to improve cooperative management is the highest priority kind of AID technical assistance, especially through developing training programs and the tools of inspection and control (fiscalização), and auditing.

AID also should assist in improving credit programs as manpower permits, by assisting BNCC to improve its leading programs and related assistance to cooperatives, and by developing improved ways to meet credit needs of small-scale farmers, such as through insured lending.

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PROGRAM: IMPROVEMENT OF AGRICULTURAL COOPERATIVES (INCRA/USAID)

<u>Steps</u>	<u>Justification</u>	<u>INCRA Input</u>	<u>USAID Input</u>	<u>Output</u>
Survey of Coop. Reality	Out of 6000 registered Coops., only 3000 still enjoy legal status. Of these only 1500 comply with their legal obligations to the normative agencies.	The aim is rather to put the house in order and revive wherever possible than to liquidate. But procedures have also been outlined for liquidation and are to be observed strictly. Regional meetings of INCRA, DAC, ABCAR technicians have been scheduled for OCT/NOV. in order to receive and digest preliminary situation reports, which in their turn shall serve as basis for 1972 budget requests. Issue of regulations and provision of funds for complete survey to begin in all States not later than Oct. 71. Some States like RGN and PR have finished their surveys others like CE, PA, AM, PI and MA have started already.	USAID technicians have given guidelines for, actively participated in, and are requested to do so further, training sessions for survey personnel, and especially the evaluation phase. Previous surveys resulted only in the listing of names, locations and some unrelated statistics. This survey is expected to form the working basis for execution of INCRA's attributes.	It is estimated that beside the 1500 in compliance, another 500 to 1000 Cooperatives are recuperable, either in their original form, or as collection points for ones nearby, or by merger into Centrals. This clean-up could be accomplished by the end of 1972.
(2) Financial Auditing	No recuperation - and even no liquidation - is possible without a thorough analysis of the enterprise. Fiscalization when sporadically undertaken in the past, was concerned with fulfillment of legal requisites. Neither quantity nor quality of personnel was sufficient for auditing work. Therefore, most of the frequent cases of mismanagement and fraud have gone unnoticed, which in turn has contributed to above statistics. The BNCC, for its part, is deeply interested in systematic & continuous auditing activities.	INCRA has, in recognition of this failure, begun to finance courses for Coop. Auditors, with personnel from INCRA, DAC, BNCC and Centrals participating. INCRA is prepared to continue this endeavor and also to assist the Coops in the formation of Co-op controlled Service Organizations (Auditing, Training) as demonstrated by the State of PR. Such assistance would take the form of paying the Association for especially requested audits or subsidizing, on a phase-out basis, the salaries of competent professionals.	(Gerber - Bednarczyk) Both the courses and the Association concept are promotions of USAID technicians, sustained over the 5 years of their presence in Brazil, but only recently realized. INCRA requests their further assistance in selection of personnel for Courses, in the accompaniment of these Courses in order to assure the teaching of modern techniques, in the organization of auditing teams (by they officials or of the Associations), and in the supervision of the first working steps of these teams. (Gerber, principally)	At the end of the 3rd Course in 1971, INCRA, DAC, BNCC will have about 70 knowledgeable, but not yet well practiced auditors. Two only have been trained so far for Associations (PR). It can be said that, countrywide, about 200 are needed for fulltime auditing activities with at least 20 in the ranks of INCRA capable to audit and analyse financial reports. With the present preparedness of INCRA, this goal can be achieved by the end of 1973.

Management
Analysis

BNCC, as stated by its President, is interested in good clients, and INCRA in well administered co-ops capable to make economic contributions. Auditing analysis has to be followed by management analysis in order to create the conditions for budgeting and planning.

(4) Management
Training

After financial and management analysis comes the training of personnel: managers (administrative and marketing), accountants, warehouse foremen etc. Demand exceeds supply of professional management, aggravated by the fact that middle and/or high level graduates prefer city to rural employment, even where equitable salaries are offered by both. An additional manpower resource has to be created by making careers in cooperatives attractive: in-service technical upgrading of existing personnel followed by salary increases, and the awakening of co-op career interest in students thru training in the class room as well as on the job (pre-service).

(5) Assistance
in Intro-
duction of
Reforms.

What has been missing in all programs in the past, owing to lack of personnel, was their follow-up. Therefore many good plans and intentions have not achieved their goals or expectations.

INCRA recognizes the need for and wishes to train personnel in, the know-how of the following aspects:
Inventory control and turnover;
Credit Controls;
Cost and Quality Control;
the use of audit reports;
budgeting and forecasting;
administrative programming;
return on capital; etc.

INCRA plans to include in its future budgets the National Plan for Technical Assistance to Cooperatives (Managers) - PLANATE para Gerentes -, on a Pilot basis in 1972. This plan covers both types of manpower resources and provides for (a) salary assistance, on a phase-out basis, to such co-ops as wish to avail themselves, in contractual form, of trained professionals; (b) a comprehensive pre-service training program; (c) repeated short-course in-service training for existing personnel.

Flying inspection teams are on INCRA's priority list, federally and on the State level. INCRA's budget allotments for travel have been and will be relatively large, in view of its nationwide responsibilities. Foregoing ~~ing~~ ^{training} plans capacity of inspectors.

should increase technical

There is virtually no GOB personnel available for teaching such aspects, and few only at the academic teaching level. USAID technicians should help to plan training, and may do some teaching and informal training.

(Bednarczyk - Gerber)

Training methods have often been archaic (and continue to be so). USAID technicians exerted influence on course structure, and in the case of returned participants, on instructors. More remains to be done. E.G., a complete training package for trainers as well as selected Co-op personnel is needed, which would begin with US assisted courses in Brazil, the high graduates of which would receive study grants in the US consisting of both class and on the job training.

(Bednarczyk - Gerber)

USAID technicians can occasionally accept high-priority requests to assist in follow-up to implement reform actions.

(Bednarczyk, principally)

All INCRA Co-op technicians should become fundamentally familiar with management analysis. They in their turn, will then be able to help managers improve their efficiency.

During the next few years, from 1500 to 2000 persons will be needed in Co-op management, and similar numbers in related fields. Three training packages should be scheduled, one each for '72, '73 and '74. Assuming 25 participants and 6 high achievers in each, this would give us 57 in-country trained for State levels, and 18 completely trained for Federal Training Centers.

This rounds off the comprehensive Improvement Program for Cooperatives.