



Office of Inspector General

MAY 10 2012

Professor Richard Tinsley
2931 Brookwood Drive
Fort Collins, Colorado 80525-2308

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.

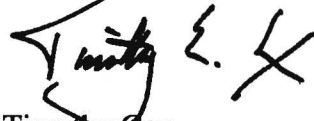
A 2009 report, *Measuring Cooperative Success: New Challenges and Opportunities in Low- and Middle-Income Countries* (available on the U.S. Overseas Cooperative Development Council's Web site at http://www.ocdc.coop/OCDC/documents/PUB_Metrics_2009.pdf), asserts, and we strongly agree, that basic business 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

A handwritten signature in black ink, appearing to read "Timothy Cox", with a stylized flourish to the right.

Timothy Cox

Assistant Inspector General for Audits