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MULTILATERAL INVESTMENT FUND

URUGUAY

**ENHANCING THE STRATEGIC AND BUSINESS MANAGEMENT OF
COOPERATIVES IN URUGUAY**

(UR-M1022)

DONORS MEMORANDUM

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ABBREVIATIONS

ASP	Application Server Provider
AWP	Annual work plan
CUDECOOP	Confederación Uruguaya de Entidades Cooperativas [Uruguayan Confederation of Cooperatives]
ICT	Information and communications technologies
MIF	Multilateral Investment Fund
OR	Operating Regulations
PCR	Project completion report
PCU	Project Coordinating Unit
PPMR	Project performance monitoring report
SMEs	Small and medium-sized enterprises
TTU	Technical Training Unit

ENHANCING THE STRATEGIC AND BUSINESS MANAGEMENT OF COOPERATIVES IN URUGUAY

(UR-M1022)

EXECUTIVE SUMMARY

Beneficiary country:	Uruguay						
Executing agency:	Confederación Uruguaya de Entidades Cooperativas [Uruguayan Confederation of Cooperatives] (CUDECOOP)						
Beneficiaries:	The direct beneficiaries of the project will be the 23 cooperatives in different industries, sectors, and size ranges, where management tools will be implemented. The indirect beneficiaries will be all the cooperatives, their members, principals, managers, technical staff and officials, as well as CUDECOOP.						
Financing:	<table> <tr> <td>MIF¹</td><td>US\$ 990,898 (60%)</td></tr> <tr> <td>Local counterpart:</td><td>US\$ 659,877 (40%)</td></tr> <tr> <td>Total:</td><td>US\$1,650,775 (100%)</td></tr> </table>	MIF ¹	US\$ 990,898 (60%)	Local counterpart:	US\$ 659,877 (40%)	Total:	US\$1,650,775 (100%)
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Local counterpart:	US\$ 659,877 (40%)						
Total:	US\$1,650,775 (100%)						
Objectives and description:	The project's goal is to promote the competitiveness of Uruguayan cooperatives and their capacity to influence the community. The purpose is to improve the strategic and business management of a pilot group of cooperatives in Uruguay.						
Terms:	<table> <tr> <td>Execution period:</td><td>42 months</td></tr> <tr> <td>Disbursement period:</td><td>48 months</td></tr> </table>	Execution period:	42 months	Disbursement period:	48 months		
Execution period:	42 months						
Disbursement period:	48 months						
Special contractual clauses:	Conditions precedent to the first disbursement of Bank resources: (1) the Project Coordinator has been appointed; and (2) the Operating Regulations are in force, in accordance with the terms agreed with the Bank.						
Exceptions to Bank policy:	None.						

¹ The MIF resources include 0.5% of the subtotal of the MIF contribution for the ex post impact assessment.

**Environmental
and social
review:**

The Committee on Environment and Social Impact reviewed the project at its 6 October 2006 meeting. No recommendations were made.

**Coordination
with other
development
finance
institutions:**

No similar projects are being carried out by other institutions.

I. BACKGROUND AND RATIONALE

A. Evolution of cooperatives in Uruguay

- 1.1 Cooperatives first appeared in Uruguay at the beginning of the twentieth century, and today play a major role in the country, both socially and economically. According to the latest official survey carried out by the Confederación Uruguaya de Entidades Cooperativas [Uruguayan Confederation of Cooperatives] (CUDECOOP) in 2003, there are more than 1,200 active cooperatives in Uruguay, with over 840,000 individual members. They are distributed practically country-wide² and cover a wide range of sectors of activity: agroindustrial production and marketing, crafts and industry, housing, savings and loan services, retail, health, transportation, and insurance.
- 1.2 Cooperativism carries significant weight in some of the leading sectors of the country's economy. Agrarian cooperatives industrialize and market more than 90% of milk and milk products; manage approximately 30% of the wheat and a large portion of sunflower, sorghum and corn production; they industrialize and market close to 10% of the wool harvest; store practically half of the national farming production, and play a major role in national bulking and exports of honey and its derivatives. Savings and loan cooperatives provide services to more than 300,000 households and businesses. Consumer cooperatives facilitate access with financing to goods and services to over 150,000 Uruguayan households. Housing cooperatives have built more than 20,000 decent housing units. There are some 400 production cooperatives (collective work), with an estimated 12,000 members (workers). In the insurance and pension fund management markets, the only private companies with totally national capital stock originated in the cooperative sector. Lastly, Uruguayan cooperatives directly employ more than 25,000 people overall, and have accounted for 5% to 7% of the country's exports in recent decades.
- 1.3 The cooperative phenomenon in Uruguay is important not only because of the volume of its economic activity, but also because it offers an alternative—often the only one—for low-income sectors to become actively involved in the often countercyclical economic phenomena, helping members withstand times of crisis, providing a source of mutual support and solidarity.
- 1.4 In many ways, most cooperatives can be likened to small and medium-sized enterprises (SMEs). In particular, because they represent an accumulation of many small saving or investment holdings owned by many members (stated as social shares with no preferential political or economic rights), and experience many of the same problems as SMEs, such as low self-financing capacity, difficulty in accessing credit, and limited professionalization of management.

² There are active organizations in 133 localities throughout the country.

B. Sector limitations and the project's response

- 1.5 **The problem.** Cooperatives are characterized by a management structure that is not highly professionalized, and a singular form of business organization that combines several integrated features: (i) an association of persons with common needs, with its own form of governance, decision-making, democratic participation, and involvement of different levels of actors; (ii) an enterprise as an instrument to attain the corporate objective; (iii) a common culture, identity, and values, applied consistently to the group and the business; (iv) a distinct strategic vision (because the kind of needs involved are not cyclical, therefore the “business of the enterprise” cannot take only a short-term approach); (v) the relationship with its surroundings (cooperatives emerge from communities or sectors of activity within the broader society and markets from which they must read the relevant social, economic, political, and environmental signals); and (vi) an information and communication system that, taken with other crosscutting elements, integrates each and every one of the previous features. The integral, modern, and pertinent management of all the above elements demands a new organizational and management model, for which there are few examples in the region.³
- 1.6 Despite their special characteristics, cooperatives are also prone to the influence of the social and economic environment, in particular the effects of a more open economy, regional integration, the growing globalization, and the cultural changes associated with these phenomena. Consequently, they have had to operate in situations of accelerated change, dealing with increasingly complex scenarios characterized by intense competition. Despite being nonprofit organizations, most Uruguayan cooperatives conduct their business in competitive markets, competing against traditional businesses. This creates strong pressure to obtain results, and requires an effort to adapt and modernize management without losing sight of the values and principles that are the hallmark of the true cooperative model.
- 1.7 Most Uruguayan cooperatives do not know about or do not efficiently use innovative instruments to support management, many of which were developed for traditional commercial enterprises and therefore must be adapted to the particularities of the cooperative organizational model. This dual nature of cooperatives—both a business and an association—needs to be taken into account, together with the resulting particularities in their structure and management. Neither the world of cooperatives nor the national scholars have made any significant contribution in this regard. It is therefore necessary to turn to relevant international experiences (Mondragón in Spain, the Desjardin movement in Canada, theoretical developments on cooperative management by Peter Davis in Great Britain, etc.), to devise a specialized portfolio of services, tailored to the complex reality of cooperatives.

³ With the exception, perhaps, of the savings and loans cooperatives, which usually wait to feel pressured and/or obliged to adapt their management.

- 1.8 The **value added** of this project consists in modernizing cooperative management in Uruguay to improve competitiveness in an ethical and responsible manner vis-à-vis members, the community, and the environment. Cooperatives cannot do this individually; it can only be done and spearheaded through an initiative embedded in a representative institution such as CUDECOOP that is able to bring together a critical mass of cooperatives to generate a multiplier effect and economies of scale. This project offers the MIF an important learning opportunity, with a view to replicating the experience in other countries in the region, given this is a new area relevant to the work of MIF II.
- 1.9 There are no programs similar to the proposed project. The proposed management enhancement model recognizes the dual and integral nature of cooperatives (as an association of individuals and an economic unit), in addition to the resulting particularities in structure and management, and the need for quality throughout the system (from the technical, economic, and productive performance, to the social/group functions). The model is built on the organizational structure of each individual cooperative, adapting to the new economic realities of having to compete in the marketplace.

II. OBJECTIVES AND DESCRIPTION

- 2.1 The project's **goal** is to promote the competitiveness of Uruguayan cooperatives and their capacity to influence the community. The **purpose** is to improve the strategic and business management of a pilot group of cooperatives in Uruguay. This will be done through four components.
- 2.2 **Component 1: Institutional adjustment to promote cultural change (MIF: US\$112,413 - Counterpart: US\$51,839).** The purpose of this component is to reformulate CUDECOOP's strategy and interest its members in a new cooperative management system. The following activities will be carried out to that end: (i) revise and reformulate CUDECOOP's strategic planning; (ii) design and implement a communications strategy and plan; (iii) establish a system for CUDECOOP to connect with public and private strategic partners in the development sector, their associates, and cooperatives in order to process queries, agreements, and decision-making; (iv) organize awareness-raising workshops (sector- and/or geographically-based) for cooperative principals, officials, and members on the use of the new management tools and supporting technologies developed under the project; and (v) identify and establish incentives (recognition, annual awards, media) to achieve the cultural changes that are crucial for the adoption of new practices.
- 2.3 These actions will result in the following outcomes: (i) an increase in positive perception of CUDECOOP in the media; (ii) better understanding of CUDECOOP's role by its members; and (iii) establishment of strategic partnerships among CUDECOOP members, and between CUDECOOP and strategic partners

- (other cooperative organizations that are a source of best international practices, development agencies, and potential clients).
- 2.4 **Component 2: Develop a tool kit and implement the pilot phase (MIF: US\$400,084 - Counterpart: US\$226,200).** The purpose of this component is to develop and perfect services, which include management tools and an interdisciplinary team trained in their implementation during the first, or pilot, phase. The component looks at the entire process, starting with the selection and adaptation of the tools, their implementation supported by at least one information and communications technology (ICT) solution developed by a professional team established for this purpose,⁴ and ending with any required fine-tuning of said tools resulting from their use by the pilot cooperatives selected for this phase. The following activities will be carried out: (i) workshop for international and national experts to present innovative experiences; (ii) select and adapt management tools; (iii) develop an ICT solution to support implementation of the selected management tools; (iv) develop an e-learning platform to support the distance and blended learning activities; (v) develop an Application Server Provider (ASP) service to use the above tools; (vi) train the local technical team within the CUDECOOP Technical Training Unit (TTU); (vii) implement the tools at the pilot cooperatives; and (viii) draft the requisite documents and teaching materials for scaling-up the pilot implementation under Component 3.
- 2.5 These activities will result in four management tools, adapted and operational in at least six pilot cooperatives, with handbooks explaining how to implement the tools, for use when the project is scaled-up to include 17 additional cooperatives under Component 3. The eligibility and selection criteria for participating cooperatives in the pilot phase will be determined once the program coordinator has been appointed, with the support of an international consultant hired for tool selection and adaptation. At least some of the criteria must take into account the heterogeneity of the cooperative movement: branch of activity, age, size, location, and lifecycle of the cooperative. One necessary condition—and by no means the only one—to be satisfied in all cases, is the cooperative's real interest and willingness to be involved. These requirements are described in detail in the Operating Regulations (OR).
- 2.6 **Component 3: Implement tools for the professional management of cooperatives (MIF: US\$182,900 - Counterpart: US\$238,925).** The purpose of this component is to scale-up implementation of the management tools to a larger group of cooperatives. It will work with 17 cooperatives—15 existing and 2 new

⁴ The ICT solutions that best fit the characteristics of the selected management tools will be developed, evaluating and selecting solutions such as Business Strategy Coordination (BSC) for strategic planning, Business Activity Monitoring (BAM) for monitoring and administering management indicators, Enterprise Resource Planning (ERP) for integral business management, and Business Process Management (BPM) tools.

ones created during program execution.⁵ The following activities will be carried out: (i) develop criteria and select new and existing cooperatives for the scaled-up implementation; and (ii) have the local technical team provide technical assistance and training to the 17 cooperatives. In this phase, the selection criteria will include those used for the pilot phase, plus criteria which at least consider the beneficiary cooperative's capacity and/or effort to partially defray the implementation cost,⁶ and the potential demonstration effect and likelihood of becoming a replicable model. The size of the cooperative is irrelevant as the main strategic thrust is to achieve a heterogeneous and representative group.

- 2.7 The anticipated outcome will be a management system specializing in coordinating supply and demand for *cooperative development services* (management-improving services).
- 2.8 **Component 4. Evaluate and disseminate lessons learned (MIF: US\$65,800 - Counterpart: US\$50,663).** The purpose of this component is to regularly evaluate and disseminate lessons learned from implementing the **comprehensive management system**. That system will result from methodically raising awareness about the need for change in the cooperative movement culture, implementing tools to professionalize cooperative management, promoting a market of specialized service providers, generating a financial incentive system to coordinate supply and demand, and measuring results that feed back into and improve the management system. The following activities will be carried out: (i) validate indicators, and establish a baseline and a monitoring system; (ii) develop a sustainability plan; (iii) organize monitoring workshops for leaders, technicians and beneficiaries; (iv) develop case studies; (v) hold seminars and other activities to publicize the outcomes; and (vi) prepare a technical paper for a public policy proposal to encourage economic activities in the sector.
- 2.9 The anticipated outcome will be a comprehensive documented management system, a system disseminated beyond the 23 participating cooperatives, and a technical paper for a public policy proposal submitted to the government through the Honorary Cooperativism Commission.

III. COST AND FINANCING

- 3.1 The estimated cost for the project is US\$1,650,775 equivalent, of which the MIF will contribute US\$990,898 and the Counterpart US\$659,877, with at least half provided in cash. The MIF contribution includes 0.5% for the ex post impact assessment. The table below shows the budget summary (an itemized budget is included in the technical files):

⁵ Different eligibility criteria will apply for new and existing cooperatives.

⁶ For purposes of demonstration, the MIF will finance implementation for the Component 2 pilot group; and in order to generate a payment culture, the MIF will provide decreasing subsidies to cover the cost of implementing the tools as an incentive for participating cooperatives in the Component 3 scale-up group.

Budget category	MIF (US\$)	Local contribution (US\$)	Total (US\$)
Administration	171,000	9,450	180,450
Logistics	8,000	52,800	60,800
Component 1	112,413	51,839	164,253
Component 2	400,084	226,200	626,284
Component 3	182,900	238,925	421,825
Component 4	65,800	50,663	116,463
Subtotal	940,197	629,877	1,570,074
Contingencies	30,000	30,000	60,000
Audits (4)	16,000		16,000
Total	986,197	659,877	1,646,074
Ex post impact assessment	4,701		4,701
Grand total	990,898	659,877	1,650,775
	60%	40%	

- 3.2 Project **sustainability** is assured on two levels. At the cooperative level, these institutions will enjoy tangible benefits in the form of increased competitiveness, as a result of implementing the proposed management tools. At the project level, sustainability rests on two pillars: (i) one, the “comprehensive management system”—the sum of all project components—will provide a precedent for CUDECOOP to build upon in the future using both private and public sector funds;⁷ and (ii) two, the dissemination and awareness-raising activities, combined with the achievements obtained through implementation of the management tools in the pilot and scaled-up cases, may awaken interest in other private associative and/or public sectors to support efficient processes for the implementation of competitiveness-enhancing tools among cooperatives.
- 3.3 Specifically, CUDECOOP will acquire knowledge on demand for management tools by cooperatives and supply by the service provider market, thus correcting the prevailing asymmetry of information. From the **technical** standpoint, as a specialized intermediary brokering these services, CUDECOOP will ensure that associated cooperatives regularly receive the latest tools available, at prices and quality comparable/competitive with the best sources of international know-how in this field. From the **financial** standpoint, CUDECOOP will charge a fee for its brokerage services between cooperatives and specialized suppliers.
- 3.4 The project calls for developing a sustainability plan (business plan), starting in the second year of execution. The plan will include holding a **sustainability workshop** between Bank representatives and the executing agency, one year before project completion, to consider the likelihood of the comprehensive management system operating autonomously after the MIF support comes to an end.

⁷ Cooperatives paying the market price for services brokered by the CUDECOOP/MIF project, and government investment in a financial incentive mechanism for the socioeconomic purpose of increasing employment, tax collections, etc.

IV. EXECUTION

- 4.1 **Executing agency.** The project executing agency will be the Confederación Uruguaya de Entidades Cooperativas [Uruguayan Confederation of Cooperatives] (CUDECOOP). It is a third-tier organization created by the Uruguayan cooperative movement to represent, promote, and defend members. CUDECOOP was granted legal status on 13 October 1988, although its immediate predecessor, the Mesa Nacional Intercooperativa [National Inter-cooperative Board] (MNI), had been in existence since 1984. It is legally incorporated as a nonprofit entity for other than commercial purposes, has 16 full member and 6 associate member entities, grouping practically all second-tier representative or national institutions of agrarian, savings and loan, consumer, production (labor), housing, insurance, and health cooperatives. Its mission is to “represent the Uruguayan cooperative movement nationally, regionally, and internationally, acting as receiver of its demands and spokesperson for its proposals. Promote the integration and consolidation of the movement in all its dimensions, identifying opportunities and generating alternative responses for its integral development, so as to contribute to strengthening the social economy.”
- 4.2 The prior institutional analysis conducted by the Bank reviewed the institution’s financial and administrative documents. CUDECOOP has the necessary capacity and sources to cover the project’s budgetary and management requirements. The institution is experienced in administering and executing projects financed by international donors, such as the Swedish Cooperative Center (SCC-Utan Gränser), the European Commission (EC), the Inter-American Foundation (IAF), and the Avina Foundation, among others.
- 4.3 CUDECOOP will bring to the MIF project, the experience and complete involvement of its Technical Training Unit (TTU)—which specializes in training and providing technical assistance to cooperative leaders and technical staff in business and association management—and its Information and Communication Technologies Unit, which is crucial to the incorporation of the management tools based on ICT solutions to be implemented under the project.
- 4.4 **Execution mechanism.** The Project Coordinating Unit (PCU) will function within CUDECOOP. It will consist of a Project Coordinator and a Financial Administrator financed with MIF resources, and a part-time accountant financed by CUDECOOP. The Coordinator must be experienced in project management, specifically in the area of business development services. The project calls for the temporary hire of specialists (assigned to fulfilling the specific objectives of the project) in management tools, communication, and ICT solutions, who will support project management working in close collaboration with the Project Coordinator and the heads of the CUDECOOP Technical Training Unit and Information and Communication Unit.
- 4.5 An **Advisory Board** will be established to advise the CUDECOOP Board of Directors and the PCU. It will consist of: the Project Coordinator (as its Secretary),

two members of the CUDECOOP Executive Board, one representative of the federations participating in the project (rotating annually), one representative of the cooperatives (rotating annually), one representative of the Honorary Cooperativism Commission, and one representative of the Cooperative Studies Unit of the University of the Republic.⁸

- 4.6 **Execution period.** The project is expected to have a 42-month execution period, and a 48-month disbursement period.
- 4.7 **Program readiness.** Project objectives, components, and activities have been agreed upon. The executing agency has submitted a letter committing to contribute the counterpart funds. Likewise, the Operating Regulations have been drafted and the terms of reference for the principal consultants agreed upon.
- 4.8 **Procurement.** CUDECOOP will procure, through the PCU, the goods and services required for the project in accordance with a semiannual procurement plan approved by the Bank. Works and goods will be procured in accordance with Bank policies contained in documents GN-2349-7, Policies for the procurement of works and goods financed by the IDB, and GN-2350-7, Policies for selection and contracting of consultants financed by the IDB, and the 8 August 2006 MIF guidelines. The project team, together with the Country Office Procurement Specialist, evaluated CUDECOOP's procurement capacity, as the executing agency (Technical document IXb). As a result of this evaluation, the first three procurements in the first year, and procurements deemed critical in the Operating Regulations (OR), will be subject to ex ante review. All other procurements will be subject to ex post review.
- 4.9 At the end of the first year of project execution, a second risk analysis will be performed to assess whether CUDECOOP may continue executing the project using its own procurement procedures which, in accordance with Bank policies, must conform to usual market practices and be acceptable to the Bank, yield competitive, market prices for the goods and services, and be consistent with project needs. Based on the outcomes of the subsequent risk analysis, the Bank will decide on the most appropriate form of review.
- 4.10 **Results-based disbursements.** A revolving fund of up to the equivalent of 10% of the MIF funds will be established. Funds will be disbursed once the conditions precedent to the first disbursement are met. Activities will be programmed based on an annual work plan (AWP) duly regulated in the OR, and also based on a performance matrix. Project disbursements will be contingent upon compliance with key indicators (triggers) specified in the AWP and recorded in the OR.⁹ Such compliance will be verified through the executing agency's reports and the operational audits conducted during technical visits.

⁸ The duties of the CUDECOOP units, the PCU, and the Advisory Board are described in the Operating Regulations.

⁹ The triggers laid out in document Vb will be grouped according to time frame, to facilitate their supervision.

V. MONITORING AND EVALUATION

- 5.1 **Supervision and monitoring.** The Bank's Country Office in Uruguay will be responsible for project supervision and monitoring. A **closing workshop** will be scheduled at the end of project execution to evaluate the outcomes achieved and the actions required to increase project impact.
- 5.2 **Evaluation.** Within no more than three months from the start of the operation, CUDECOOP will contract consulting services, in accord with the executing unit, to design the monitoring and evaluation system, and prepare the baseline. The evaluation system will be based on the Logical Framework, have a total quality criterion, and allow for analysis of the following areas: (i) relevance, applicability, and degree of compliance with project objectives; (ii) quality of services offered; (iii) project sustainability (technically, economically, financially, socially, and institutionally) once the MIF contribution ends; (iv) possibilities to scale-up or replicate the project; and (v) impacts achieved.
- 5.3 The project provides for two evaluations to be conducted by specialized consultants selected and contracted directly by the Bank. The first evaluation will be contracted after 50% of the total funds have been disbursed or 24 months after the first disbursement, whichever occurs first. The final evaluation will be conducted after 90% of contribution funds have been disbursed, or three months before the deadline for the last disbursement, whichever occurs first.
- 5.4 **Accounting and audit:** The executing agency will submit annual audited financial statements. Audits are financed by the MIF.

VI. BENEFICIARIES AND RISKS

- 6.1 The **direct** beneficiaries of the project will be the 23 cooperatives in different industries, sectors, and size ranges, where management tools adapted to the reality of these organizations will be implemented. The indirect beneficiaries will be all the cooperatives, their members, principals, managers, technical staff and officials, as well as CUDECOOP.
- 6.2 Project **benefits** are expected to result in a 15% reduction in operating costs for the participating cooperatives for the same volume of business, similar or lower prices for products and services offered by participating cooperatives versus the private sector non-cooperative comparables, an increase in the number of members using the services, a drop in average times to respond to customer requests, and that participating cooperatives as a whole open 10 new markets at home and abroad, and increase their share (10%) in existing markets.
- 6.3 **Risks.** One risk is that CUDECOOP member cooperatives may be unwilling to adopt modern management tools. This risk will be mitigated through communication, awareness-raising, and training activities targeting cooperative principals, officials, and members, on the advantages and use of new management

tools and support technologies developed under the project. A second risk is CUDECOOP's ability to assimilate the capacity to coordinate future management service demand by member cooperatives. This risk will be mitigated by training the CUDECOOP Technical Training Unit in application of the proposed comprehensive management system, which will be properly documented to facilitate its use in practice.

VII. ENVIRONMENTAL AND SOCIAL CONSIDERATIONS

- 7.1 The Committee on Environment and Social Impact reviewed the project at its 6 October 2006 meeting and gave its concurrence. No recommendations were made.

ENHANCING THE STRATEGIC AND BUSINESS MANAGEMENT OF COOPERATIVES IN URUGUAY UR-M1022

LOGICAL FRAMEWORK

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
GOAL			
<p>The goal of the project is to promote the competitiveness of Uruguayan cooperatives and their capacity to influence the community.</p>	<p>Five years after project completion:</p> <ul style="list-style-type: none"> ▪ 20% increase in satisfaction of internal and external customers. ▪ 10% of first-tier cooperatives show a 10% surplus increase and a 15% business growth (sales, market share, or % of GDP). ▪ Social development (20% growth in membership and cooperatives, more than 30% increase in member participation in the management of their cooperatives, and a 30% increase in the participation of the cooperative grassroots in second- and third-tier management). ▪ Innovation: 10% new processes, interagency cooperation, products and services. <p><i>* Determination of indicators and projected estimate of their value, to be developed by an evaluation consultant who will be hired at the start of the project.</i></p>	<ul style="list-style-type: none"> ▪ Cooperative Census (Honorary Cooperativism Commission - CHC) ▪ National Statistics Institute ▪ Central Bank statistics ▪ Baseline and monitoring system ▪ Ex post sampling surveys conducted by the executing agency ▪ Ex post evaluations of a sample conducted by the executing agency 	<p>No negative impacts on the economy by extreme social, political, or economic events.</p> <p>The authorities of cooperatives and other development-related institutions have the political will and commitment.</p>

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
PURPOSE			
<p>The purpose is to improve the strategic and business management of a pilot group of cooperatives in Uruguay.</p>	<p>Upon project completion:</p> <p>A comprehensive management system¹ is implemented and operational in a sustainable manner in at least 15 cooperatives, with a constant supply of and demand for innovative services.</p> <p>On average, the participating cooperatives report the following results compared to their baselines and/or a control group:</p> <p>(1) Participating cooperatives' operating costs drop by 15% for the same volume of business.</p> <p>(2) The price of products and services offered by the participating cooperatives are similar or lower than comparables in the non-cooperative private sector.</p> <p>(3) Increase in number of members using their services, in number of services offered to members, and in number of repeat services per member.</p> <p>(4) Reduction of average time to respond to client requests, and drop in number of complaints.</p> <p>(5) Increase in income per number of full-time workers.</p>	<ul style="list-style-type: none"> ▪ Baseline and monitoring of indicators ▪ External consultant's midterm and final evaluations ▪ Project completion report (PCR) ▪ Project performance monitoring report (PPMR) ▪ Executing agency's progress reports and final report ▪ Minutes of the sustainability and completion workshops ▪ Surveys 	<p>Participating cooperatives maintain their initial commitment to project actions.</p> <p>The CUDECOOP Technical Training Unit continues to provide technical support thus ensuring the quality of services offered.</p> <p>There are no major changes to the competitiveness of participating cooperatives' economic sectors.</p>

¹ The comprehensive management system will result from methodically raising awareness about the need for change in the cooperative movement culture, implementing tools to professionalize cooperative management, promoting a market of special services providers, generating a financial incentive system to coordinate supply and demand, and measuring results that feed back into the management system.

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<p>(6) Overall, the participating cooperatives open 10 new markets at home and abroad, and increase their share (10%) in existing markets.</p> <p>(7) Eight new providers of specialized services related to the implementation of the management model.</p> <p>30 months into project execution, the pilot cooperatives will show:</p> <ul style="list-style-type: none"> ▪ A 10% drop in their operating costs for the same volume of business. ▪ Greater operating efficiency, measured as a reduction in average times to respond to customer requests. ▪ A drop in complaints. 		
COMPONENTS			
<p>1. Institutional adjustment to promote cultural change</p> <p>The purpose of this component is to reformulate the CUDECOOP strategy and interest its members in a new cooperative management system.</p>	<p>At the end of the project:</p> <ul style="list-style-type: none"> ▪ CUDECOOP's positive presence in the media increases by 30%. ▪ The perception of CUDECOOP's role by its members improves by .25%. ▪ At least 15 partnerships are established among CUDECOOP members, and between CUDECOOP and strategic partners (other cooperative organizations as a source of best practices, development agencies, potential clients). 	<ul style="list-style-type: none"> ▪ Monitoring and evaluation system and baseline reports ▪ Executing agency's progress reports and final report ▪ External consultant's midterm and final evaluations ▪ PPMR ▪ PCR ▪ Record of attendance in the project database and minutes of events ▪ Inspection visit reports 	<p>Cooperatives remain interested in participating in the project.</p>

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<p>12 months into project execution:</p> <ul style="list-style-type: none"> At least 10 expressions of interest to participate in the project will have been received, 6 of which will have been selected. <p>36 months into project execution:</p> <ul style="list-style-type: none"> At least 40 expressions of interest to participate in the project will have been received, 17 of which will have been selected. 		
<p>2. Develop a tool kit and implement the pilot phase</p> <p>The purpose of this component is to develop and perfect services, which include management tools and an interdisciplinary team trained in their implementation.</p>	<ul style="list-style-type: none"> Four management tools designed and adapted by month 8. Four implementation handbooks drafted and adjusted by month 22. 15 specialists trained by month 10. Six pilot cooperatives have implemented the tools by month 22. Management tools validated by month 24. 	<ul style="list-style-type: none"> Executing agency's progress reports and final report External consultant's midterm and final evaluations PCR PPMR Inspection visit reports Project database records 	<p>Cooperatives remain interested in participating in the project.</p> <p>Qualified personnel are available.</p>
<p>3. Implement tools for the professional management of cooperatives</p> <p>The purpose of this component is to scale-up implementation of the validated management tools to a larger group of cooperatives.</p>	<ul style="list-style-type: none"> By month 24, 17 cooperatives (15 existing ones and 2 established during project execution) selected to implement the validated tools. Management tools implemented by month 42. Management system specializing in coordinating supply and demand for <i>cooperative development services</i> (management-improving services) by month 42. 	<ul style="list-style-type: none"> Executing agency's progress reports and final report External consultant's midterm and final evaluations PCR PPMR Inspection visit reports Project database records 	<p>Cooperatives remain interested in participating in the project.</p> <p>Qualified personnel are available.</p>
<p>4. Evaluate and disseminate lessons learned</p> <p>The purpose of this component is to regularly evaluate and disseminate lessons</p>	<ul style="list-style-type: none"> Comprehensive management system documentation developed by month 42. Dissemination of the system at 23 cooperatives by month 42. 	<ul style="list-style-type: none"> Analysis reports Executing agency's progress reports and final report 	<p>The relevant actors participate and provide timely and appropriate information.</p>

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
learned from implementing the <i>comprehensive management system</i> .	<ul style="list-style-type: none"> Technical paper proposing a public policy submitted to the Government through the Honorary Cooperativism Commission by month 36. 	<ul style="list-style-type: none"> External consultant's midterm and final evaluations PCR PPMR 	
ACTIVITIES			
<p>1. Institutional adjustment to promote cultural change</p> <p>1.1. Revise and reformulate CUDECOOP's strategic planning</p> <p>1.2. Design and implement a communications strategy and plan</p> <p>1.3. Establish a system for CUDECOOP to connect with public and private strategic partners in the development sector, associated entities, and cooperatives in order to process queries, agreements, and decision-making.</p> <p>1.4. Awareness-raising workshops (sector- and/or geographically-based) for cooperative principals, officials, and members on the use of the new management tools and supporting technologies developed under the project.</p> <p>1.5. Identify and establish incentives (recognition, annual awards, media) to achieve the cultural changes that are crucial for the adoption of new practices.</p>	<p>Total: US\$164,253</p> <p>MIF: US\$112,413</p> <p>Counterpart: US\$51,839</p> <ul style="list-style-type: none"> Executing unit team in place by the end of month 2 CUDECOOP strategic planning reformulated by month 6 CUDECOOP communications strategy and plan developed by month 5 Event launching the project in month 3 Dissemination materials available as of month 6 Event to re-launch the project in month 20 All Uruguayan territorial departments visited by principals and technical personnel by month 24 Two awareness-raising workshops (sector- and/or geographically-based) by month 7, six additional workshops by month 21, and another two by month 36 Incentives for cultural changes identified by month 10 	<ul style="list-style-type: none"> Financial reports Progress reports Consultant contracts Executing agency's semiannual and final reports External consultant's midterm and final evaluations PCR PPMR 	<p>Participating cooperatives remain interested in the project.</p> <p>Local qualified experts are available.</p>

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>2. Develop a tool kit and implement the pilot phase</p> <p>2.1. First workshop for international and national experts to present innovative experiences.</p> <p>2.2. International consultancy to select and adapt management tools.</p> <p>2.3. Develop an ICT solution (BSC, BAM, ERP, BPM) to support implementation of the selected management tools.</p> <p>2.4. Develop an e-learning platform to support the distance and blended learning activities included in the project.</p> <p>2.5. Develop an Application Server Provider (ASP) service to use the above tools.</p> <p>2.6. Select national consultants for the local technical team from within the TTU.</p> <p>2.7. Train the local technical team in implementation of the tools.</p> <p>2.8. Develop eligibility criteria and select the pilot cooperatives.</p> <p>2.9 Implementation of the tools at the pilot cooperatives by the technical team.</p>	<p>Total: US\$626,284</p> <p>MIF: US\$400,084</p> <p>Counterpart: US\$226,200</p> <ul style="list-style-type: none"> ▪ First workshop for international and national experts to present innovative experiences in month 4 ▪ International consultancy to select and adapt management tools contracted by month 4 ▪ Consultancy services to identify ICT solutions contracted by month 7 ▪ ICT solution developed by month 12 ▪ E-learning platform available by month 7 ▪ ASP service available by month 12 ▪ Local technical team established and trained by month 10 ▪ Management tools implemented in six pilot cooperatives by month 22 ▪ Tools validated and documented by month 24 	<ul style="list-style-type: none"> ▪ Financial reports ▪ Progress reports ▪ Consultant contracts ▪ Executing agency's semiannual and final reports ▪ External consultant's midterm and final evaluations ▪ PCR ▪ PPMR 	<p>Participating cooperatives remain interested in the project.</p> <p>Local qualified experts are available.</p>

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>2.10 Evaluation, adjustment and validation of the tools as a result of the pilot implementation.</p> <p>2.11 Draft documents and teaching materials to scale-up the pilot implementation under Component 3.</p>			
<p>3. Implement tools for the professional management of cooperatives</p> <p>3.1. Develop criteria and select new and existing cooperatives for the scaled-up implementation.</p> <p>3.2. Technical assistance and training by the local technical team for 15 existing selected cooperatives.</p> <p>3.3. Technical assistance and training by the local technical team for 2 new cooperatives, established during execution.</p>	<p>Total: US\$421,825 MIF: US\$182,900 Counterpart: US\$238,925</p> <ul style="list-style-type: none"> ▪ Eligibility criteria for cooperatives developed by month 20 ▪ Management tools implemented in 15 existing cooperatives by month 42 ▪ Management tools implemented in two new cooperatives by month 42 	<ul style="list-style-type: none"> ▪ Financial reports ▪ Progress reports ▪ Consultant contracts ▪ Executing agency's semiannual and final reports ▪ External consultant's midterm and final evaluations ▪ PCR ▪ PPMR 	<p>Participating cooperatives remain interested in the project.</p> <p>The cooperatives are willing to pay for services received.</p>
<p>4. Evaluate and disseminate lessons learned</p> <p>4.1. Consulting services to validate indicators and establish a baseline and a monitoring system.*</p> <p>4.2. Consulting services to develop a sustainability plan.</p> <p>4.3. Monitoring workshops for principals, technicians and beneficiaries.</p> <p>4.4. Consulting services to develop case studies.</p>	<p>Total: US\$116,463 MIF: US\$65,800 Counterpart: US\$50,663</p> <ul style="list-style-type: none"> ▪ The baseline is established and the indicators validated by month 6 ▪ Business plan by month 12 ▪ Monitoring workshops in months 14, 23, and 35 ▪ Two case studies by month 24, and two more by month 38 ▪ Two workshops to publicize the results, in months 24 and 40 respectively 	<ul style="list-style-type: none"> ▪ Financial reports ▪ Progress reports ▪ Consultant contracts ▪ Executing agency's semiannual and final reports ▪ External consultant's midterm and final evaluations ▪ PCR ▪ PPMR 	<p>The relevant actors participate and provide timely and appropriate information.</p>

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
4.5. Seminars and other activities to publicize the outcomes. 4.6. Midterm and final evaluations.* 4.7. Closing workshop. 4.8. Consulting services to draft a technical paper proposing a public policy. * <i>To be contracted externally by the Bank.</i>	<ul style="list-style-type: none">▪ Web page current as of month 6▪ Midterm evaluation in month 24, and final evaluation in month 42▪ Closing workshop in month 42		

BUDGET SUMMARY

ENHANCING THE STRATEGIC AND BUSINESS MANAGEMENT OF COOPERATIVES IN URUGUAY (UR-M1022)

BUDGET CATEGORY	MIF (US\$)	Local (US\$)	TOTAL (US\$)
Coordination and logistics	179,000	62,250	241,250
Administration	171,000	9,450	180,450
Logistics	8,000	52,800	60,800
1. Institutional adjustment to promote cultural change	112,413	51,839	164,253
1.1. Revise and reformulate CUDECOOP's strategic planning	1,500	7,950	9,450
1.2. Design and implement a communications strategy and plan	63,167	14,476	77,643
1.3. Establish a system for CUDECOOP to connect with public and private strategic partners in the development sector, associated entities, and cooperatives in order to process queries, agreements, and decision-making.	16,080	16,080	32,160
1.4. Awareness-raising workshops (sector- and/or geographically-based) for cooperative principals and officials, on the use of the new management tools and supporting technologies developed under the project.	16,667	8,333	25,000
1.5. Identify and establish incentives (recognition, annual awards, media) to achieve the cultural changes that are crucial for the adoption of new practices.	15,000	5,000	20,000
2. Develop a tool kit and implement the pilot phase	400,084	226,200	626,284
2.0. CUDECOOP technical counterparts	-	70,000	70,000
2.1. First workshop for international and national experts to present innovative experiences	28,000	5,000	33,000
2.2. International consultancy to select and adapt management tools	54,724	6,000	60,724
2.3. Develop ICT solutions (BSC, ERP, BAM, BPM, the first two) to support implementation of the selected management tools	142,000	25,000	167,000
2.4. Develop an e-learning platform to support the distance and blended learning activities included in the project	-	24,000	24,000
2.5. Develop an Application Server Provider (ASP) service to use the above tools	21,000	36,800	57,800
2.6. Select national consultants for the local technical team in the Technical Training Unit	3,000	-	3,000
2.7. Train the local technical team in implementation of the tools	860	3,000	3,860
2.8. Develop eligibility criteria and select pilot cooperatives			-
2.9. Implement the tools at the pilot cooperatives with assistance from the technical team	135,100	54,000	189,100
2.10. Evaluate, improve and validate the tools following the pilot implementation	2,400	2,400	4,800
2.11. Draft documents and teaching materials to scale-up the pilot implementation under Component 3	13,000	-	13,000

3. Implement tools for the professional management of cooperatives	182,900	238,925	421,825
3.0. CUDECOOP technical counterparts	-	85,925	85,925
3.1. Develop criteria and select new and existing cooperatives for the scaled-up implementation	-	-	-
3.2. Technical assistance and training by the local technical team for 15 selected existing cooperatives	172,900	135,000	307,900
3.3. Technical assistance and training by the local technical team for 2 new cooperatives, established during execution	10,000	18,000	28,000
4. Evaluate and disseminate lessons learned	65,800	50,663	116,463
4.1. Consultancy to validate indicators and establish a baseline and a monitoring system*	20,000	30,000	50,000
4.2. Consulting services to develop a sustainability plan	8,000	-	8,000
4.3. Monitoring workshops for leaders, technicians and beneficiaries	-	7,163	7,163
4.4. Consulting services to develop case studies	11,000	-	11,000
4.5. Seminars and other activities to publicize the outcomes	10,400	9,700	20,100
4.6. Midterm and final evaluations*	16,000	-	16,000
4.7. Closing workshop	400	800	1,200
4.8. Consulting services to draft the technical paper proposing a public policy	-	3,000	3,000
SUBTOTAL	940,197	629,877	1,570,074
Contingencies	30,000	30,000	60,000
Audit (4)	16,000		16,000
TOTAL	986,197	659,877	1,646,074
Ex post impact assessment	4,701		4,701
GRAND TOTAL	990,898	659,877	1,650,775
Percentage (excluding cluster activities)	60%	40%	100%

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

PROPOSED RESOLUTION

Uruguay. Nonreimbursable Technical Cooperation ATN/___-____-UR to Enhance the Strategic
and Business Management of Cooperatives in Uruguay

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank or such representative as he shall designate is authorized, in the name and on behalf of the Bank, as Administrator of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Eastern Republic of Uruguay, and to take such additional measures as may be pertinent for the execution of the project proposal contained in document MIF/AT-___ with respect to a technical cooperation to enhance the strategic and business management of cooperatives in Uruguay.
2. That up to the amount of US\$990,898, or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the resources of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.