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The 2004 Annual Report of ACIDI/VOCA

Vision

A world where people are empowered to succeed
in the global economy.

Mission

To promote economic opportunities for cooperatives,
businesses and communities worldwide through the
innovative application of sound business practices.

Practice Areas

Driven by the goal of adding value to local enterprise,
which underlies prosperous free markets and stable
democracies, ACDI/VOCA works in

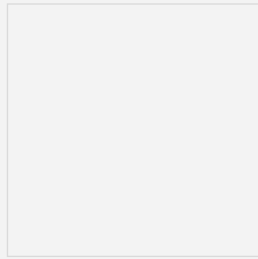
- Enterprise Development
- Agribusiness Systems
- Financial Services
- Community Development

Scaling Up.

In 2004 ACDI/VOCA focused on shoring up internal operations and scaling up project proficiency. Administrative and financial system refinements, strategic planning decisions and enhanced technical approaches led to increased effectiveness. Although scale generally refers to size, it also suggests extent or degree. While our portfolio continued to grow in size, in fact to record levels, our tightened programmatic focus enabled our projects to become more sophisticated and multifaceted. This, in addition to ACDI/VOCA's traditional ability to replicate success and organize people for increased economic efficiency and political clout, ensured maximum impact.



From the President



Forty-two years ago ACDI/VOCA was founded to promote cooperative development abroad. Today we are still known for organizing beneficiaries within an industry, a sector or a community to create economies of scale as well as social and political capital.

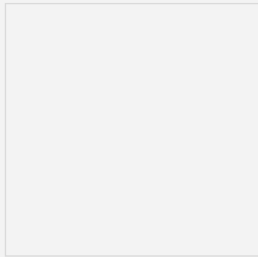
This practice has more relevance than ever in a globalizing, crisis-ridden world. Combined with our cutting edge value-chain approach, it enables us to transform entire sectors and industries. The result is far-reaching economic benefit and a higher quality of life for our beneficiaries.

ACDI/VOCA greatly values its roots. Our broad-based, sustainable approach to development is one of the reasons the U.S. cooperative community and our donors continue to lend valuable support. Further, our 2004 results are a powerful argument for ACDI/VOCA to continue to step up its operations and its capacity.

A handwritten signature in blue ink that reads "Carl H Leonard". The signature is fluid and cursive.

Carl Leonard
Interim President & CEO

From the Chairman



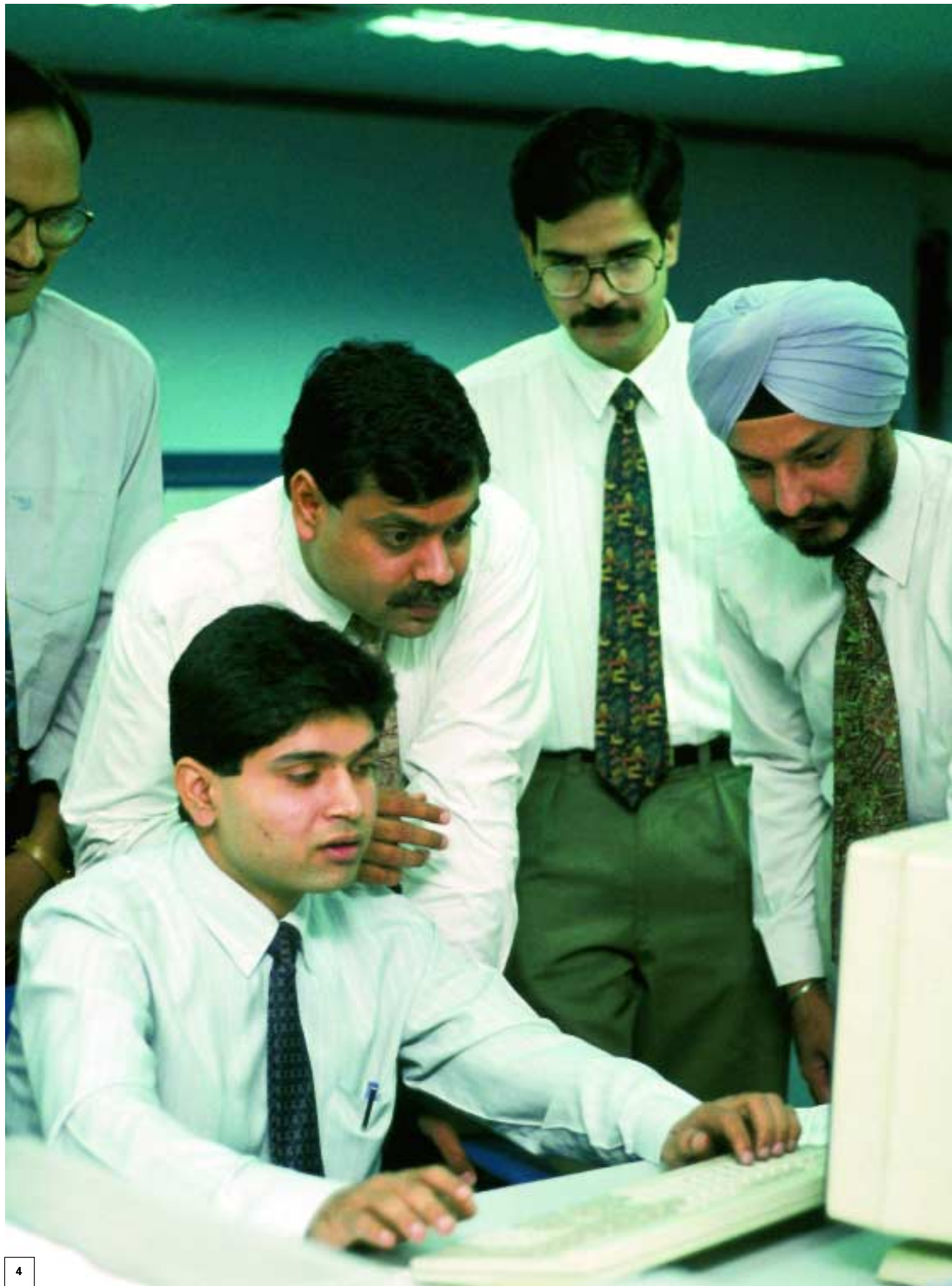
Change is never easy, but the staff at ACDI/VOCA has embraced reinvention. Their willingness to do so stems from a dedication to improving lives around the world, which has enabled the organization to achieve greater operational soundness, increased technical proficiency and a new prominence in the economic assistance arena.

While refining ACDI/VOCA, the staff has also managed the organization's largest and most complex project portfolio to date, resulting in the achievements and impact outlined in this report.

Speaking for the Board of Directors, which has forged a new closeness with the organization, I believe in the ACDI/VOCA mission, and am gratified by the way it is manifested every day by committed staff the world over.

A handwritten signature in blue ink that reads "Jean-Mari Peltier". The signature is fluid and cursive.

Jean-Mari Peltier
Chairman of the Board



Enterprise Development

Sustainable increases in entrepreneurs' incomes



ACDI/VOCA's enterprise development activities increase incomes quickly and sustainably by improving the productivity and competitiveness of industries in which small firms participate and ensuring that firms benefit from that participation. Through technical assistance that identifies growth opportunities and alleviates the most critical growth constraints along a value chain—from input supply and production to processing and delivery into final markets—we help to increase the incomes of individual firms, develop mutually beneficial relationships between firms, and promote more efficient business practices and higher profits for targeted industries.

Beyond the firm and industry levels, ACDI/VOCA promotes enterprise development by

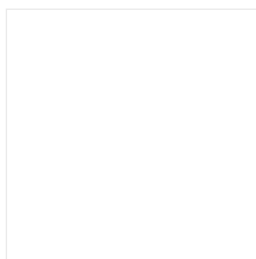
- targeting the legal, regulatory and policy environments that limit firms' legal standing, efficiency and ability to read market signals
- expanding access to business services such as finance, market information, technology and skills development
- promoting collaboration among firms, through associations, cooperatives and networks that increases their efficiency, advocates their interests before the government or sets industry standards

As a prime contractor under USAID's \$180 million Accelerated Microenterprise Advancement Project, known as AMAP, ACDI/VOCA is helping to shape modern development strategy. We are pursuing an ambitious effort to create growth in industries, clusters and value chains through research and implementation in the areas of market access, product development, technology support and interventions to strengthen the legal, regulatory and policy environment.

2004 Enterprise Development Highlights

In 2004 ACDI/VOCA increased the productivity and competitiveness of small firms around the world by identifying, and providing assistance to overcome or mitigate, critical growth constraints.

Through its USAID-funded AMAP BDS Indefinite Quantity Contract, ACDI/VOCA and its partners investigated value chains in various subsectors in Guatemala, Indonesia and Mozambique, and wrote case studies on sectors in Indonesia and Mexico. ACDI/VOCA published several papers on enterprise development and played a leading role in developing USAID's microenterprise strategy.



Value chain assessments were also conducted in West Bank and Gaza, where ACDI/VOCA and Palestinian partner PalTrade identified target firm and cluster-level activities in the horticulture sector as part of a \$1 million business development services program; Brazil and Paraguay, where strong subsector prospects were identified for activities under ACDI/VOCA's Cooperative Development Program; India, where ACDI/VOCA began implementing a three-year \$6.5 million microenterprise development program; and Vietnam, where assessments of 300 enterprises with approximately 15,000 workers identified six rural business center partners and a model business services provider for technical assistance.

In 2004 ACDI/VOCA training and technical assistance increased production and fostered improved market linkages. In Kenya, over 8,000 farmers received training in agronomy and post-harvest handling, and more than 4,500 association members were trained in ACDI/VOCA's *Farming as a Business* curriculum. ACDI/VOCA also enhanced the capacity of 15 producer associations and helped farmers consolidate and market 9,720 tons of maize worth \$1.5 million. Up-to-date prices in various local markets around the country were made available to farmers in the form of short text messages to and from mobile phones, fax machines and IP addresses.

ACDI/VOCA's AgVANTAGE program established 47 markets in Russia and Europe for Georgian agribusiness and facilitated fruits and greens exports worth \$5 million. It assisted 21 associations and established four more, including one to lease equipment. Thirty training courses were conducted in marketing, production, technology, post-harvest handling, leasing and law for over 500 participants, as were four overseas study tours.

ACDI/VOCA's Business Services Development Project in Vietnam selected the An Giang Aquacultural Technical Services Co. Ltd. as a model business services provider, and is providing critical assistance and funding to the firm. An Giang is the first privately owned and operated aquaculture testing lab in the Mekong Delta and the only commercial lab outside of Vietnam's cities. It not only provides a vital service for local producers and processors who want to export, but also signals that commercial service providers can compete with those subsidized by the government.

In Brazil and Paraguay, ACDI/VOCA technical assistance emphasized cooperative administration and planning, particularly the concept of change management within the context of a competitive global economy.

ACDI/VOCA trained strawberry growers from five Gaza cooperatives on meeting European retail standards.

In Tanzania, ACDI/VOCA engaged a number of stakeholders, including investors and government agencies, to promote production of the profitable *cottonii* variety of seaweed, leading to 50 percent increases (since 2002) in both production and price received. ACDI/VOCA established trials for alternative mariculture activities which have the potential to provide coastal residents with profitable yet environmentally sustainable livelihoods.



Walt Payne, former CEO of Blue Diamond, completed three ACIDI/VOCA consultancies in Brazil in 2004. Mr. Payne confirmed strong prospects for Brazil nuts and energized officials to mount a cluster approach in several states of the Amazon region. A permanent technical committee was formed and Mr. Payne was named as its international adviser.

Several of ACIDI/VOCA's successful enterprise development programs ended in 2004, including a USDA-funded project in Indonesia that established a cold-chain association. The 102-member association, the first of its kind in Indonesia, brought together stakeholders in the perishable commodities sector to collaborate on strengthening their industry.

ACIDI/VOCA's Rural Enterprise Investment Partnership (REIP) program in Eritrea ended after nine years of political turbulence. REIP strengthened the operations and outreach of the Commercial Bank of Eritrea, provided short-term technical assistance to the government's Rural Enterprise Unit, built the capacity of the National Confederation of Eritrean Workers to establish and strengthen rural cooperatives, and assisted in the development of the horticulture subsector, with a focus on bananas. REIP produced key subsector analyses and conducted dozens of short-term technical assistance assignments to develop rural enterprise.

2004 also saw the close of the three-year Dairy Directive Program in Egypt. The program addressed the problem of unhygienic dairy products, and attendant malnutrition and infant mortality, by improving commercial dairy processing, educating local dairy operators on hygiene, and conducting an awareness campaign that reached 55 million consumers. A million dollars of USAID funding was used to leverage \$14 million in in-kind support from Egyptian private and public sectors.

Enterprise Development Programs in 2004

Angola—Cooperative Development Program
Bulgaria—Agribusiness Support Project
Brazil—Cooperative Development Program
Central Asia—Enterprise Development Project
East & Central Africa—Global Competitiveness Hub
Egypt—
 Agribusiness Linkages for Egypt
 Dairy Directive Project
 Agricultural Exports & Rural Incomes
Eritrea—
 Rural Enterprise Unit Funds Transfer
 Rural Enterprise Investment Partnership
Ethiopia—
 Amhara Microenterprise, Agricultural Research, Extension & Watershed Development Project
 Southern Tier Initiative
 Small Holder Linkages Program
Georgia—
 Enterprise Growth Initiative
 Support Added Value Enterprises (AgVANTAGE) II
Global—
 Cooperative Development Program Center for Excellence
 AMAP BDS Task Order-Knowledge Management Practice
 Accelerated Microenterprise Advancement (AMAP BDS)
 Volunteers for Economic Growth Alliance (VEGA)
India—Rural Competitiveness-AMAP Task Order
Indonesia—Cold Chain Association Development
Iraq—Private Sector Development & Employment Generation
Kenya—
 Business Development Services Program
 AMAP BDS Task Order-USAID Kenya's Business Development Services Activities
 Maize Development
Kyrgyzstan—Cooperative Development Program
Mozambique—Cooperative Development Program
Paraguay—Cooperative Development Program
Regional—European Bank for Reconstruction & Development (EBRD) Grain Warehouse Receipts Program
Russia—Grain Warehouse Receipts Training & Travel Service
Serbia—Enterprise Development Project
South Africa—Cooperative Development Program
Tanzania—Smallholder Empowerment & Economic Growth through Association Development
Thailand—Accelerating Economic Recovery
Uzbekistan—Small & Medium Enterprise Project
Vietnam—
 Rural Business Support
 Food for Progress



Agribusiness Systems

Equitable growth through competitive agribusiness



ACDI/VOCA creates sustainable wealth by supporting increased agribusiness productivity, growth and competitiveness. We address growth constraints at all levels of an agricultural value chain and help provide an enabling environment with critical support services.

ACDI/VOCA provides capacity-building and technical support services to a wide range of agribusinesses. Our interventions are based on minimizing market distortions and creating sustainable growth by working through, and building the capacity of, private sector participants.

ACDI/VOCA draws on its long history in cooperative and association development to provide management support to farmer organizations. To help farmers improve productivity, capture market share and maximize returns, ACDI/VOCA imparts technical skills, market knowledge and a business approach to farming. Farmers who organize themselves as shareholders in large-scale business operations are better able to access competitively priced inputs, finance and other essential services including the purchase and repair of irrigation and other equipment, product packaging and transportation. ACDI/VOCA assists producers, processors and exporters to obtain necessary certification and meet international standards such as ISO, HACCP, and EurepGAP. We work with growers and buyers in regional and international markets to expand contract production and develop branding strategies that increase both producer and buyer profits. We help agribusinesses recognize that increased productivity and competitiveness require coordination among firms at all levels of an industry, and that agribusiness-derived wealth allows communities to invest in advocacy, environmental protection and improved public health.

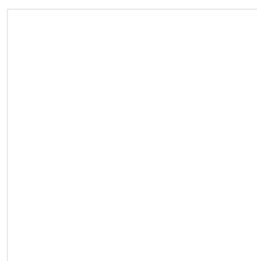
Competencies include

- warehouse receipts systems that impose quality standards, use commodities as loan collateral and reduce market volatility
- pro-growth legislation and regulations that facilitate cooperative formation, trade liberalization and favorable tax treatment
- market information systems tailored to the needs of producers and traders
- producer compliance with international organic and Fair Trade standards

2004 Agribusiness Highlights

ACDI/VOCA's prominence in this area is based on agriculture's fundamental importance around the world to livelihoods and its role as a powerful economic engine. In 2004 in diverse locales with widely varying circumstances, ACDI/VOCA applied a comprehensive value-chain approach to give thousands of farmer groups and small enterprises a foothold in the global economy.

Two new programs were launched in 2004 that build on previous achievements: one in Egypt that expands on the smallholder component of ACDI/VOCA's highly successful seven-year AgLink Program, and a new five-year Title II



agricultural development program in Rwanda that is a follow-on to a 2000 award. In Egypt, ACDI/VOCA rapidly extended technical assistance to 2,344 small-scale livestock producers (of whom 89 percent are women) and helped establish 111 smallholder groups. The program provided quality control and product development training to 56 dairy processors, and animal health care and nutrition training to more than 500 veterinarians and government extension agents. ACDI/VOCA also established a market information system that equipped clients to negotiate advantageously in local and regional markets.

In Ethiopia, ACDI/VOCA worked with over 650,000 small-scale farmers in 642 cereal, dairy, coffee, sugar cane and sesame seed cooperatives to build local capacity. Three ACDI/VOCA-assisted cooperative unions in Ethiopia, representing approximately 140,000 smallholder coffee growers, exported 6,500 metric tons of quality coffee into the specialty markets of Europe, Japan and the US—including to Starbucks—reaping significant premiums for their members. In particular, sales of organic and Fair Trade coffee have increased farmer income during this period of historically low coffee prices.

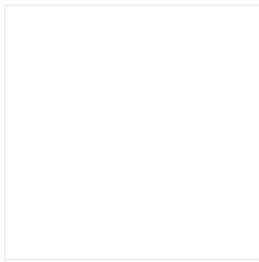
In Angola, a partnership among ACDI/VOCA, ChevronTexaco and USAID boosted horticultural production within the Cabinda Province to supply the local oil terminal and regional markets. After just six months, training, improved inputs and the installation of 1,500 square meters of greenhouses and cold storage technology enabled farmers to sell 76 tons of high-value fruit and vegetables at a value of over \$102,000—a significant sum in this war-torn country where 70 percent of the population lives below the poverty line.

Through its USAID John Ogonowski Farmer-to-Farmer Programs in the Caucasus, Central Asia, East Africa and Russia, ACDI/VOCA fielded 196 volunteers representing 41 states and the District of Columbia to provide technical assistance to farmers, farm groups and agribusinesses.

Continuing its seminal work in worldwide cocoa industry development, ACDI/VOCA was awarded a three-year USDA-funded Food for Progress program in Ecuador to increase high-quality cocoa production to raise smallholder incomes.

ACDI/VOCA's highly successful *Farming as a Business* curriculum enables producers to understand the importance of business planning and cost-benefit analysis, turning part-time income-generating activities into full-fledged, highly profitable enterprises. In 2004 the curriculum was been adopted by ACDI/VOCA programs in Indonesia, Kenya, Tanzania and West Bank and Gaza.

ACDI/VOCA's initial SUCCESS Alliance program in Indonesia progressed beyond training of cocoa farmers, to focus in 2004 on farmer organizations and market linkages. In Vietnam, where we are helping to establish a new, high-quality cocoa industry, ACDI/VOCA trained 2,000 farmers in cocoa cultivation and developed plans to train 15,000 more and to support them with seedlings, extension and marketing assistance.



In 2004 ACDI/VOCA also began consolidating its valuable cocoa expertise by founding a cocoa resource center, developing an industry listserv and completing a video of program highlights. Additionally, the first annual SUCCESS Alliance Regional Cocoa Conference brought more than 100 key farmers, buyers, traders, donors and researchers to Makasar, Indonesia, to share best practices and plan future activities. The conference promoted public-private sector collaboration and showcased ACDI/VOCA expertise.

Several programs ended in 2004, including ACDI/VOCA's six-year Market Information Project in Egypt, which disseminated key horticultural prices using a range of media and trained farmers and government extension agents in how to use the information, and a rural business development project in Mozambique known as RENDER. RENDER provided organizational support, facilitated access to credit, and introduced value-adding technologies to 131 smallholder farmer associations with more than 2,000 members. As a result, members sold over a million dollars of agricultural produce—more than double the three-year project target. ACDI/VOCA's efforts through RENDER will be scaled-up through a follow-on program with TechnoServe and CLUSA.

ACDI/VOCA's Worldwide Farmer-to-Farmer program, under which 399 volunteer assignments were completed in eight countries over seven years, also ended in 2004. Volunteers contributed 11,399 days of work toward a total ACDI/VOCA matching contribution of \$5,797,575 (105 percent of the target).

Agribusiness Systems Programs in 2004

Angola—Cabinda Agribusiness Development Project
 Armenia—Farmer-to-Farmer
 Azerbaijan—Farmer-to-Farmer
 Bolivia—Onions II-Cochabamba & Santa Cruz
 Cape Verde—PL 480 Title II Monetization
 Central Asia—Farmer-to-Farmer
 Colombia—Specialty Coffee Program
 Ecuador—Food for Progress-Cocoa
 Egypt—Marketing Information Project V
 Ethiopia—Agricultural Cooperatives in Ethiopia
 Georgia—Farmer-to-Farmer
 Global—Coffee Corps
 Honduras—PL 480 Title II Monetization
 Indonesia—Sustainable CoCocoa Enterprise Solutions for Smallholders (SUCCESS) Alliance
 Kenya—Farmer-to-Farmer
 Mozambique—Rural Business Development
 Philippines—SUCCESS Alliance
 Russia—Farmer-to-Farmer
 Rwanda—PL 480 Title II Monetization
 Uganda—
 Farmer-to-Farmer
 PL 480 Title II Monetization
 Food for Education
 Ukraine—Grain Warehouse Receipts Program
 Vietnam—SUCCESS Alliance

Volunteers

Each year volunteer experts serve an important role in ACDI/VOCA's programs by providing technical assistance to help farmers and other entrepreneurs improve productivity and increase profits. In 2004, ACDI/VOCA volunteers from 43 states completed 373 volunteer assignments in 38 countries. Russia received the most volunteers (90), followed by Kyrgyzstan (28) and Georgia (27). Madagascar received its first ACDI/VOCA volunteers since 1990 and Papua New Guinea its first volunteers since 1993.

ACDI/VOCA has played a key role in launching two organizations that support global economic growth through the provision of volunteer technical assistance: Volunteers for Economic Growth Alliance (VEGA), which was founded in 2004 with a 5-year, \$2.5 million grant from USAID, and the Coffee Corps program of the Coffee Quality Institute. The Coffee Corps was originally funded by USAID and the coffee industry as a public-private partnership to improve overseas coffee livelihoods and help ensure a world supply of quality coffee. ACDI/VOCA manages the logistics of volunteer assignments for the worldwide program and in 2004 fielded 51 highly specialized Coffee Corps volunteers in 17 countries.

Commodity Management

From 1989 to 2004 ACDI/VOCA monetized or distributed almost 800,000 MT of U.S.-donated commodities valued at \$210 million to enhance food security and develop local markets. In 2004 ACDI/VOCA managed commodity shipments and served as the lead monetizer for PL 480 Title II consortium partners in Uganda and Rwanda. ACDI/VOCA also managed and monetized USDA Food for Progress wheat in Georgia on behalf of FINCA International.

Capacity

ACDI/VOCA is committed to refining methodologies and expanding subject matter expertise to help clients solve development problems and to advance the art of economic development. In 2004 ACDI/VOCA

- published papers on value chain tools and approaches
- established a cooperative development website
- implemented its proprietary *Farming as a Business* curriculum
- utilized its *Financial Institution Viability Assessment, Warehouse Receipts/Licensed Public Warehouse Systems Development, and Association and Cooperative Development* toolkits
- expanded innovative warehouse receipts, value chain, monetization and crisis recovery methodologies

Scale

ACDI/VOCA operated in 2004 under contracts, grants and cooperative agreements. We have a demonstrated capacity to organize and lead large consortia. We co-implement nine Indefinite Quantity Contracts (IQCs) with such partners as Abt Associates, BearingPoint, Development Alternatives International, Louis Berger, IBM and Management Systems International.

Partnerships

In 2004 ACDI/VOCA partnered with a host of donor organizations, companies, universities, governments and NGOs to make the most of complementary expertise, leverage limited funding and best serve beneficiaries. We stress internationalization and local capacity in all activities. In Eastern and Central Europe, ten self-supporting business development, financial and civic groups are monuments to our emphasis on sustainability.

2004 at a Glance

\$92 Million in Revenues

93 Active Projects in 37 Countries

834 Employees

U.S. – 100

Overseas – 734

434 Short-term Technical Assistance
Assignments Completed

Since 1963 ACIDI/VOCA Has Worked in the Following Countries

(Bold names and green shading on map indicate 2004 activity)

Albania	Chile	Guinea	Mali	Rwanda	Tunisia
Angola	China	Guinea Bissau	Malta	Sao Tome & Principe	Turkey
Antigua	Colombia	Guyana	Mauritania	Senegal	Turkmenistan
Argentina	Congo	Haiti	Mauritius	Serbia	U.S. Virgin Islands
Armenia	Costa Rica	Honduras	Mexico	Seychelles	Uganda
Azerbaijan	Cote d'Ivoire	Hungary	Micronesia	Sierra Leone	Ukraine
Bangladesh	Croatia	India	Moldova	Slovakia	Uruguay
Barbados	Cuba	Indonesia	Mongolia	Solomon Islands	United States
Belarus	Czech Republic	Iraq	Montenegro	Somalia	Uzbekistan
Belize	Djibouti	Jamaica	Morocco	South Africa	Vanuatu
Benin	Dominica	Jordan	Mozambique	Sri Lanka	Venezuela
Bolivia	Dominican Republic	Kazakhstan	Namibia	Nepal	Vietnam
Bosnia-Herzegovina	Ecuador	Kenya	Nicaragua	Niger	West Bank/ Gaza
Botswana	Egypt	Kiribati	Nigeria	Nigeria	Western Samoa
Brazil	El Salvador	Korea	Pakistan	Pakistan	Yemen
Bulgaria	Eritrea	Kosovo	Panama	Panama	Yugoslavia
Burkina-Faso	Estonia	Kyrgyzstan	Papua New Guinea	Paraguay	Zaire (Rep. of Congo)
Burma	Ethiopia	Laos	Paraguay	Peru	Zambia
Burundi	Fiji	Latvia	Peru	Philippines	Zimbabwe
Cambodia	Gabon	Lesotho	Poland	Romania	
Cameroon	Gambia	Liberia	Russia	Romania	
Cape Verde	Georgia	Lithuania		Romania	
Central African Republic	Ghana	Macedonia		Romania	
Chad	Grenada	Madagascar		Romania	
	Guatemala	Malawi		Romania	
		Malaysia		Romania	



Financial Services

Enabling enterprise, fueling growth



ACDI/VOCA facilitates the provision of financial services to enterprises and rural households. We work with local financial institutions to expand outreach, increase scale and achieve sustainability. We are committed to sound industry practices, transparent operations and the principle that the customer deserves respect as well as economic benefit.

We identify and support critical changes that reduce the cost and increase the efficiency of financial intermediation for micro, small and medium-sized enterprises. Our systems approach to financial services is flexible enough to address varied conditions with appropriate activities, such as

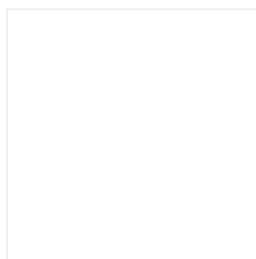
- developing new, and partnering with existing, financial intermediaries such as local commercial banks, cooperatives and non-bank financial institutions
- supporting local partner efforts in the areas of systems, policies, standard operating procedures, internal controls, financial analysis, financial management, MIS and new product development
- developing local management capacity and supporting diversified funding and donor independence to ensure viability beyond the project timeframe
- expanding alternative methodologies such as warehouse receipts and inventory credit systems
- recommending legal and regulatory changes

2004 Financial Services Highlights

In 2004 ACDI/VOCA continued to assist local financial institutions worldwide.

Lending activities were launched in Iraq through Al-Thiqa, an Iraqi nonprofit organization, and a new wholesale microlending institution in Kyrgyzstan, Frontiers.

ACDI/VOCA's Mobilizing Agricultural Credit Program ended, but its work building the capacity of the Rural Credit Cooperation Development Fund (RCCDF) in Russia continues as a new component of ACDI/VOCA's Cooperative Development Program. At the end of 2004, RCCDF boasted a network of 47 rural cooperatives and was forming



a national rural cooperative. RCCDF also passed an international standards audit and received a BB- rating from Microfinanza. In recognition of RCCDF's improvements in governance, management information systems and transparency, it received an honorable mention in the Consultative Group for Assistance to the Poor (CGAP) Transparency Awards for 2004.

CredAgro, ACDI/VOCA's partner institution in Azerbaijan, also successfully completed its first international standards audit.

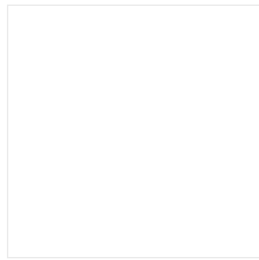
In Central Asia, ACDI/VOCA continues to strengthen the microfinance lending community by providing technical assistance, mini-grants and wholesale loans as part of a \$14 million four-year USAID-funded program. The program is building a regional network of 17 lending institutions that are sustainable and profitable, and in 2004 its scope was expanded to include the establishment and development of four microfinance associations across the region.

Lending Growth in 2004

Financial Institutions Established Under ACDI/VOCA Programs

	2003		2004	
	Amount of Outstanding Loans	Number of Active Customers	Amount of Outstanding Loans	Number of Active Customers
Al-Thiqa*, Iraq			4,108,000	2,415
Bai Tushum Financial Fund, Kyrgyzstan	2,092,000	1,408	3,501,000	2,068
Cred Agro, Azerbaijan	3,170,000	962	3,828,000	1,070
Frontiers*, Kyrgyzstan			375,000	9
Kazakhstan Loan Fund, Kazakhstan	3,054,000	7,250	6,144,000	11,449
Rural Credit Cooperation Development Fund, Russia	5,354,000	285	7,199,000	431
MDTM, Ferghana Valley, Tajikistan	244,000	1,355	604,000	2,317
FV Mard, Ferghana Valley, Uzbekistan	228,000	1,454	701,000	3,188
Sakhalin Small Business Credit Society, Russia	1,868,000	817	1,982,000	670
	\$16,010,000	13,531	\$28,442,000	23,617

*Al-Thiqa and Frontiers were both newly established financial institutions that began lending in 2004. Frontiers provides capital to small and medium-sized non-bank financial institutions and microfinance institutions for on-lending purposes in Central Asia, and therefore has fewer clients than financial institutions that lend directly to businesses and individuals.

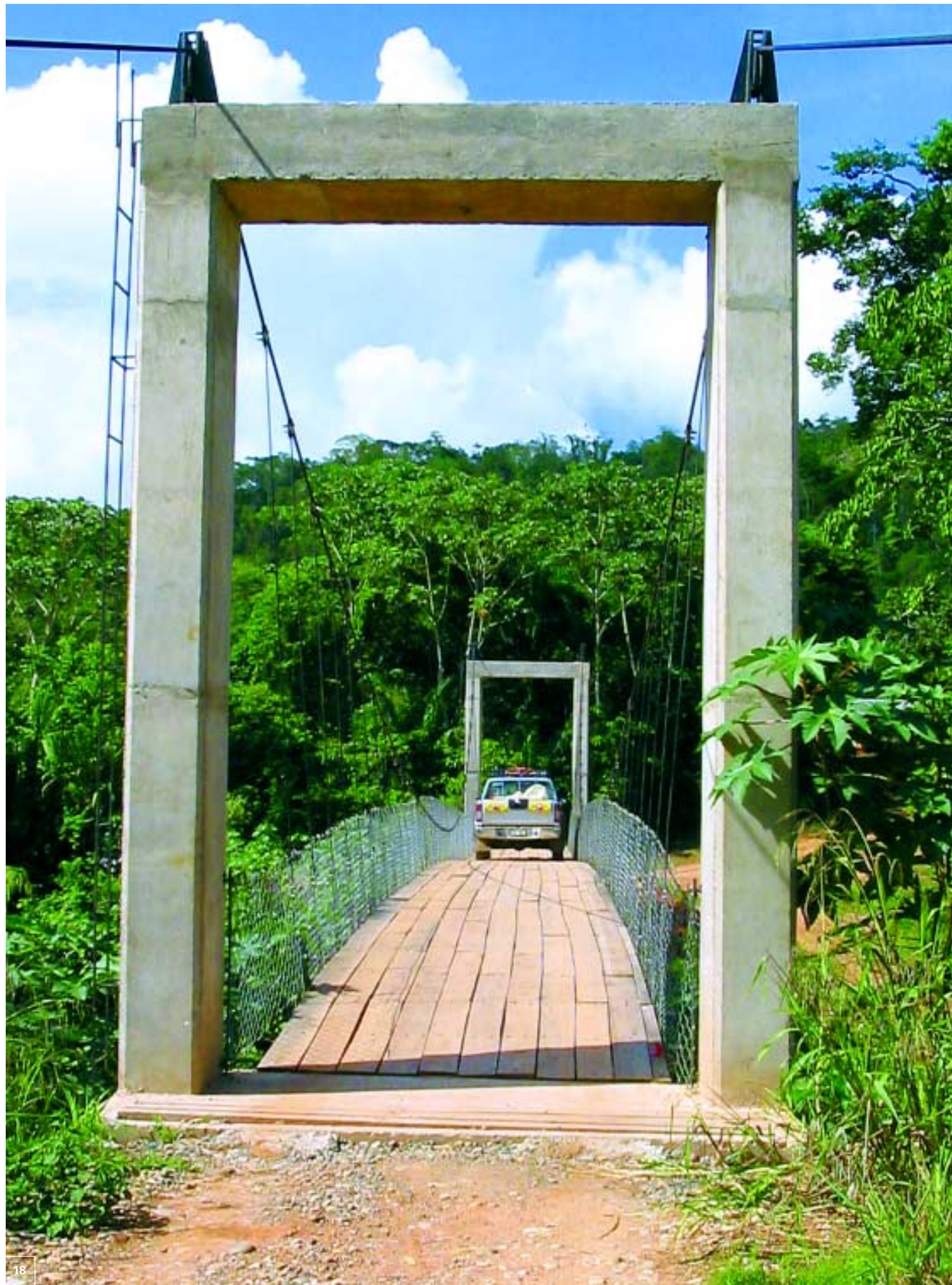


ACDI/VOCA's Muhammad Junaid, advisor to the Bai Tushum Financial Foundation in Kyrgyzstan for four years, was presented the Eagle Award by USAID. The award honors individuals who soar to new heights in their professional efforts to serve their employers. USAID recognized Mr. Junaid's "exemplary leadership of a program that led to improved operations and management, and a higher quality loan portfolio." Mr. Junaid was also commended for his outstanding contributions to the development of the microfinance sector in Kyrgyzstan.

ACDI/VOCA provided quarterly analysis to nine individual financial institutions using our *Performance Monitoring Tool and Database*. Overall, financial results and portfolio quality meet and generally exceed industry standards. As of December 31, the nine institutions served 23,400 active customers with \$28 million in outstanding loans. The portfolio quality was excellent, with portfolios at risk ranging from 0.5-3.0 percent. Five out of nine institutions are financially sustainable, with three institutions—MDTM and FV Mard in the Ferghana Valley, and RCCDF in Russia—achieving financial sustainability in 2004. CredAgro has almost reached 100 percent financial sustainability (assuming seven percent cost of capital). The Kazakhstan Loan Fund and Kyrgyzstan's Bai Tushum Financial Fund are leveraging a significant portion of the donated loan capital with commercial funds, and three other partner institutions are currently launching or negotiating loans and equity capital investment with commercial partners, including the Sakhalin Small Business Credit Society, which secured a \$100,000 donation from ExxonMobil to support loans.

Financial Services Programs in 2004

- Azerbaijan—Azeri Rural Credit
- Central Asia—Microfinance Alliance (CAMFA)
- Egypt—MicroStart Program
- Iraq—Access to Credit for Northern Iraq
- Kazakhstan—
 - CAMFA
 - Provision of Assistance to the Kazakhstan Community Loan Fund
- Kyrgyzstan—
 - CAMFA
 - Provision of Assistance to the Bai Tushum Financial Foundation
- Russia—
 - Sakhalin Regional Microcredit Program
 - Mobilizing Agricultural Credit
- Tajikistan—
 - CAMFA
 - Stability & Food Security Project
 - Rural Savings & Credit Associations
- Uzbekistan—
 - CAMFA
 - Stability & Food Security Project



Community Development

Organizing for social and economic gains



In emergent communities or those recovering from crisis, ACDI/VOCA mobilizes the breadth of resources available in local communities, including economic actors, local government and civil society, to not only address immediate needs but also to build capacity and enable economic growth. This participatory approach promotes and builds upon the participation of local governments, enterprises, community groups, associations and civil society organizations to work together in organizing and developing resources, setting priorities and implementing plans that increase long-term capacity for self-help.

ACDI/VOCA works with communities to

- build social and economic infrastructure, such as rural roads, schools and irrigation networks, and develop systems to ensure maintenance
- create employment and generate income
- promote gender equity and broad-based participation of vulnerable and underrepresented groups
- promote democratic practices and develop local advocacy capability
- provide training in conflict prevention/mitigation and post-conflict mitigation
- emphasize investments and opportunities that best position them for the future

In some of the world's most challenging environments ACDI/VOCA applies its expertise in grassroots organizing, enterprise development and project management to increase employment, improve infrastructure, generate growth and unite civil society and local governments. These activities bring stability and lay the foundation for intensified economic development interventions.

2004 Community Development Highlights

In 2004 ACDI/VOCA mobilized people around the world to implement community-driven social and productive infrastructure projects for their own benefit. Our technical approach is similar from place to place, however program goals are varied, ranging from crisis recovery to conflict prevention to alternative development.

In Northern Iraq ACDI/VOCA is providing the support and incentives necessary for communities to quickly identify and address their most pressing social and economic development needs. This process has brought together members of different ethnic groups, religions, genders and ages and given them the means to improve their lives



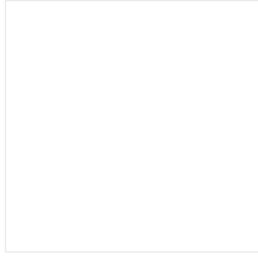
through collective action. In 2004 the program enhanced market chains for sustainable economic growth by establishing 40 agriculture and livestock cooperatives, providing community leaders with tools to integrate conflict prevention strategies into their projects and delivering \$2 million in direct assistance through the Leahy War Victims Fund. As of December, the program had benefited 7.8 million people in 130 communities, generated 120,000 employment days and put \$10.9 million into the local economy.

At the close of 2004 ACDI/VOCA's Darién Community Development Program, which builds local capacity to prioritize, plan and implement sustainable projects for essential infrastructure and income-generating opportunities in the remote Darién region of Panama, had benefited 64 communities with an estimated population of 23,780. Community members (2,501 women and 3,708 men) have received training in project administration, environmental management, agricultural production and community organizing in order to help implement 22 social and 14 productive infrastructure projects.

For nearly four years ACDI/VOCA's Yungas Community Alternative Development Fund has been supporting the joint strategy of the Government of Bolivia and USAID/Bolivia to impel and strengthen licit economies of rural communities in the Yungas region through increased or improved social and productive infrastructure. With funding from USAID, ACDI/VOCA has invested \$12 million to support 216 community-based projects benefiting 20,000 people and demonstrated its ability to implement effective community and economic development within the challenging context of alternative development.

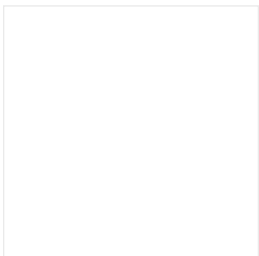
Citizens of Shymkent, Kazakhstan, were so inspired by the success of ACDI/VOCA's Community Action Investment Program's ability to involve local communities in the rehabilitation of youth centers and development of potable water systems that they are using the program's model to implement five of their own projects. ACDI/VOCA staff provided some guidance but no funding for the projects that mobilized 750 residents in the rehabilitation of children's playgrounds, water pipelines and the basements of local apartment buildings.

In Kyrgyzstan and Kazakhstan ACDI/VOCA's community development program helps prevent conflict and promotes broad-based citizen dialogue in targeted communities. The program builds trust and partnership among stakeholder groups—community members, local governments, citizens groups, businesses and NGOs—to enhance each community's capacity to leverage local resources and support innovative initiatives. At the end of 2004 the program had mobilized 51 communities to implement 143 projects. The projects, which have benefited 587,760 people, primarily focused on improving basic and youth services, as well as stimulating economic development by supporting small-scale businesses.



In central Serbia ACDI/VOCA is developing democratic mechanisms by bolstering citizen and community participation in local decision making and fostering cohesion within and across communities. At the end of 2004, 33,000 people had helped complete 708 projects in Serbia, with local communities contributing more than \$11 million in support. A unique aspect of the Serbia program is its emphasis on media training, which has resulted in more than 5,000 positive stories about the program in the local media. The media coverage has promoted greater dialogue between community boards and the people they represent, enhanced community ownership of projects and stimulated wider participation.

The Yungas Community Alternative Development Fund has been heralded by the Government of Bolivia and USAID/Bolivia as a model for community grants management. USAID/Bolivia's director of alternative development has described ACIDI/VOCA's approach as "client-oriented, flexible and responsive"—characteristics imperative in responding to the shifting paradigms of alternative development programs in Bolivia.



Community Development Programs in 2004

Bolivia—Yungas Community Alternative Development Fund

Philippines—

EnRICH II-Family Planning, Maternal & Child Health Tuberculosis & Health Care Capacities Assessment

Iraq—Community Action Program

Kazakhstan—Community Action Investment Program

Kyrgyzstan—Community Action Investment Program

Panama—Darién Community Development Program

Rwanda—Food Security Initiatives Technical Assistance & Management Support (PL 480)

Serbia—Community Revitalization through Democratic Action

Uganda—

Rural Economy & Agriculture Production Improving Nutritional & Hygienic Practices

West Bank/Gaza—

416(b) Monetization

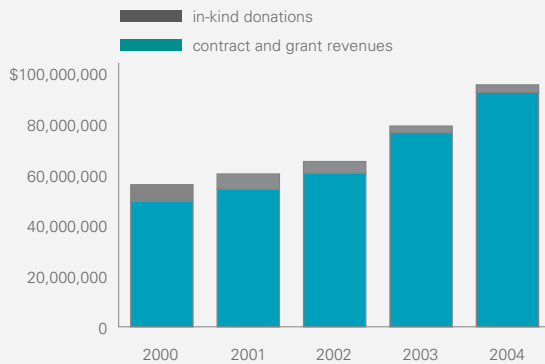
416(b) Grants Management Program

Financial Report

Board of Directors

ACDI/VOCA Revenue

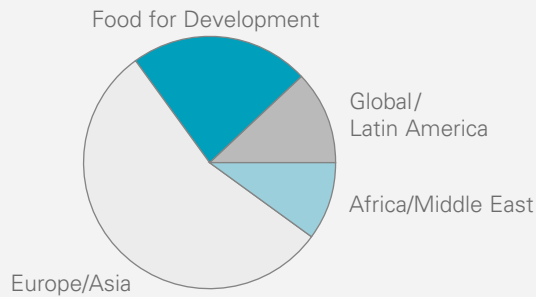
Amounts shown for 2000-2003 are audited. ACDI/VOCA reports the value of donated services in accordance with generally accepted accounting principles (GAAP).



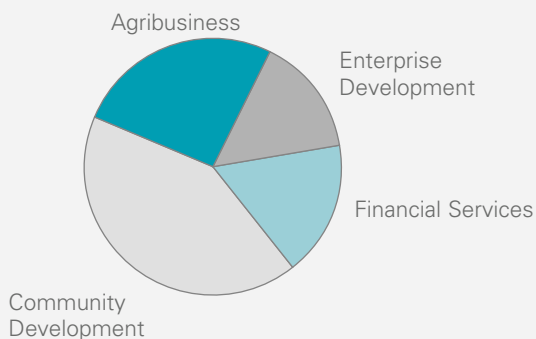
2004 Award Revenues

(excludes in-kind donations)

By ACDI/VOCA Division



By Practice Area



- Jean-Mari Peltier, Chairman
National Council of Farmer Cooperatives
- Honorable Timothy J. Penny, Vice Chairman
- Shri U.S. Awasthi
Indian Farmers Fertiliser Cooperative Limited
- William Collins
AgriBank, FCB
- Everett Dobrinski
CoBank, ACB
- Patricia Wilkinson Garamendi
- Lewis Gardner
Dairy Farmers of America
- Douglas Graham
Nationwide
- R. Bruce Johnson
Southern States Cooperative, Inc.
- Vern McGinnis
GROWMARK, Inc.
- Mortimer Neufville
- Leland H. Ruth
- Duane Stenzel
CHS, Inc.
- Tom Verdoorn
Land O'Lakes

Membership

ACDI/VOCA Members

ACDI/VOCA was founded in 1963 by U.S. cooperatives and farm credit banks to assist cooperatives in developing countries. Since then ACDI/VOCA's work has expanded and, although cooperative principles are still integral, the organization primarily focuses on agribusiness systems, enterprise development, financial services and community development. Many institutions from the U.S. cooperative community still support ACDI/VOCA as members and directors on its board. These institutions and ACDI/VOCA's other members have provided important financial assistance over the years, totaling more than \$1.3 million.

ACDI/VOCA Voting Members

Voting members are farmer cooperatives, farm credit institutions and other cooperatively organized entities. Members in this category pay membership dues of at least \$4,000 annually and appoint a representative to serve on ACDI/VOCA's Board of Directors.

AgriBank, FCB
St. Paul, MN

CHS, Inc.
Inver Grove Heights, MN

CoBank, ACB
Denver, CO

Dairy Farmers of America
Kansas City, MO

GROWMARK, Inc.
Bloomington, IL

Indian Farmers Fertiliser Cooperative Limited
New Delhi, India

Land O'Lakes
Arden Hills, MN

National Council of Farmer Cooperatives
Washington, DC

Nationwide
Columbus, OH

Southern States Cooperative, Inc.
Richmond, VA

ACDI/VOCA Associate Members

Associate members are cooperatives and other businesses who pay membership dues of at least \$500 annually. In the event that there are five or more associate members, one representative will be elected from within the associate membership rolls to serve on the board.

American Turkish Council
Washington, DC

Risk Management Partners, Inc.
Woodbridge, VA

Terra Institute Ltd.
Mt. Horeb, WI

Members for twenty-five years or more:

CHS, Inc.
CoBank, ACB
Land O'Lakes
Southern States Cooperative, Inc.

Members for ten years or more:

AgriBank, FCB
Dairy Farmers of America
GROWMARK, Inc.
Nationwide



ACDI/VOCA is affiliated with the National Council of Farmer Cooperatives and the Farm Credit Council.



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