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**WEST BANK AND GAZA
COOPERATIVE DEVELOPMENT
PROJECT (CDP)**

***CONCEPT PAPERS
FOR
EXTENSION, MARKETING, HOUSING AND COMMUNITY
IMPROVEMENT, AND ELECTRIC OPERATIONS***

Submitted to:
U.S. Agency for International Development

Submitted by:
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In Collaboration with:
Overseas Cooperative Development Committee

October 1988

U.S. Overseas Cooperative Development Committee



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October 14, 1988

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Mr. Stephen Grant
A/NE PVO Liaison
Project Officer
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Development
Room 4725 NS
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Dear Mr. Grant:

On behalf of the U.S. cooperative community, the Overseas Cooperative Development Committee (OCDC) submits four concept papers to undertake additional developmental programs on the West Bank and Gaza beginning in Fiscal Year 1989.

These concept papers represent a block grant for expanding the Cooperative Development Project (CDP) which is currently being undertaken by Agricultural Cooperative Development International (ACDI) with a subcontract to the National Cooperative Business Association. The concepts would expand collaboration with the National Rural Electric Cooperative Association and the Cooperative Housing Foundation as additional ACDI subcontractors.

The Cooperative Development Project is a prototype of a movement-to-movement approach in providing assistance between the U.S. and Third World cooperatives. While CDP is administered by ACDI, the overall guidance of the project is through the U.S. Overseas Cooperative Development Committee which is composed of ten national cooperative organizations engaged in overseas assistance. Composed of senior U.S. cooperative leaders, OCDC represents more than 70 million American members of all types of cooperatives.

Mr. Stephen Grant
October 14, 1988
Page 2

The impetus for CDP was an initial OCDC assessment of ways its members could be of assistance to Palestinian cooperatives. CDP was designed to engage U.S. cooperative development organizations in both its training activities and to identify additional technical assistance and project needs to expand the scope of CDP activities. These concept papers build on the momentum and relationships created through CDP training programs and are based on detailed technical sectoral studies.

In order of priority, the concept papers would expand CDP through:

- o extending current CDP cooperative training and credit activities including additional field trainers for a third year at \$1,627,000. ✓
- o undertaking a systematic marketing program for small enterprises and cooperatives, primarily for agricultural products, in exporting to Europe, Israel, the Middle East and other countries at \$1,464,000. ✓
- o establishing a program for low and moderate income housing and community improvements to install needed infrastructure, complete or improve housing and build new, small scale activities for meeting community needs through micro-enterprises at \$3,758,079. ✓
- o initiating a comprehensive program for increased reliability in village-based electric systems for improved service and productive uses to attract small enterprises at \$1,174,000.

OCDC believes that these concept papers fully address U.S. policy goals and AID's strategy for direct PVO programs to improve the quality of life for Palestinians on the West Bank and Gaza. They have been reviewed by CDP staff in Jerusalem and were developed in cooperation with Palestinian counterparts and institutions.

We stand ready to discuss the concepts with the Bureau for Asia and Near East and to develop them into full proposals.

Sincerely yours,

Ted Weihe

Ted Weihe
Executive Director

Enclosures: a/s



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October 12, 1988

Mr. Stephen Grant
A/NE PVO Liason
U.S. Agency for International Development
Room 4725 NS
Washington, D.C. 20523

Dear Steve:

We are pleased to enclose twenty copies each of four separate concept papers which appear in the following order:

1. Cooperative Development Project Extension
2. Marketing Development Project
3. Housing and Community Improvement
4. Electric Operations

Each of the projects include a separate budget. However, many of the local expenses, especially training, field educators and local administrative support, will be merged into the CDP budget at the time the project proposals are submitted. This is because CDP would provide the overall training and administrative support for each new project activity.

ACDI is prepared to administer a block grant for an expanded CDP and has a strong commitment to see the total project succeed. Attached is a simplified organization chart which reflects each of the new activities' relationship with CDP's chief of party.

ACDI has the capability to handle increased activities and has implemented large complex projects in other countries. We have several excellent candidates for chief of party and have made contingency plans for increased office space at our present location. The team in place plus the new members that will be recruited and assigned shortly will be able to provide a rapid start for new components.

Please let me know if you have any questions about any of the attached concept papers.

Sincerely,

Ron Gollehon
President

RGG/jsl

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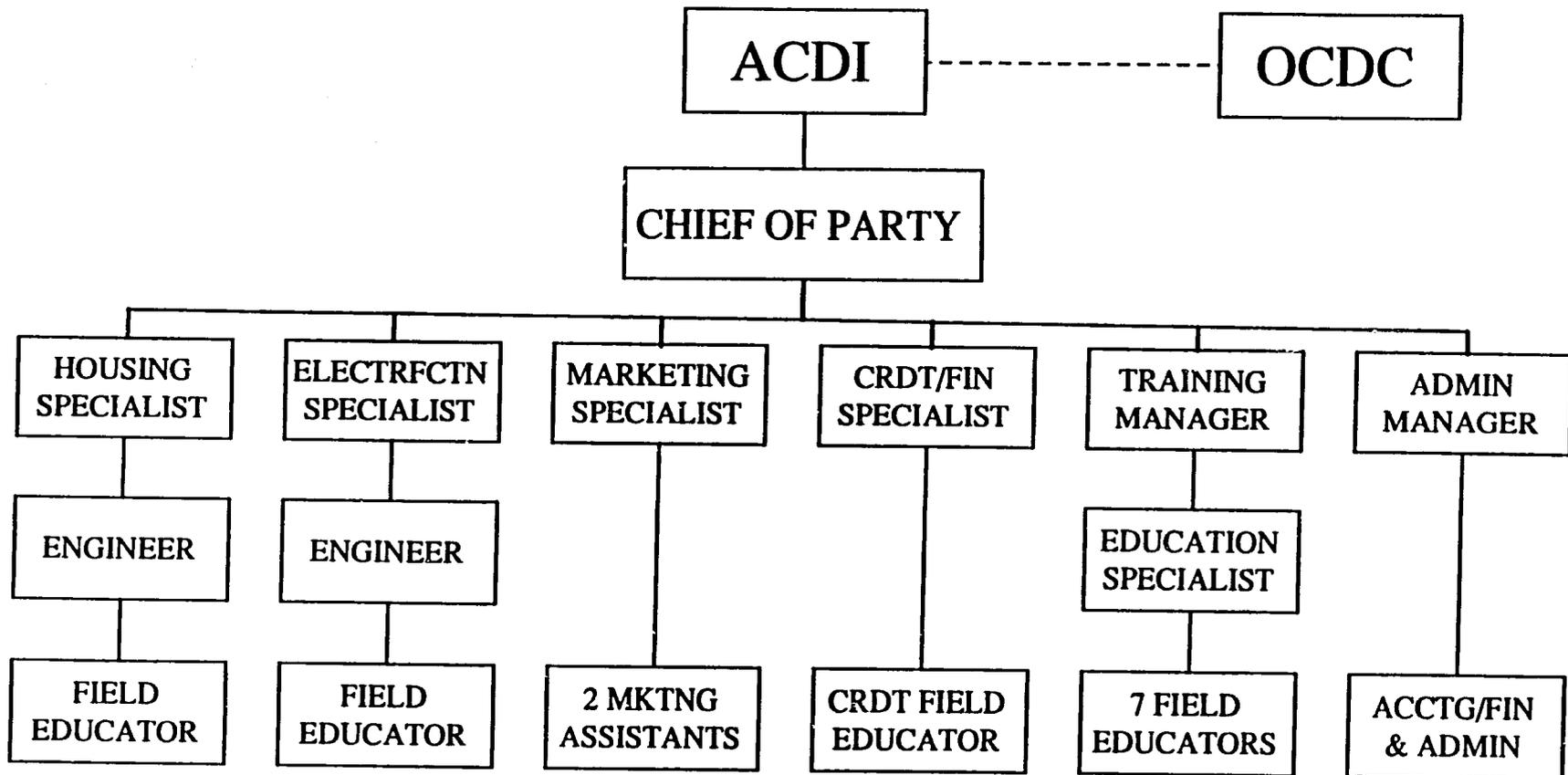
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COOPERATIVE DEVELOPMENT PROJECT

WEST BANK/GAZA

Organization Chart



Note: The Education Specialist will coordinate the training activities of the Field Educators and the Marketing Assistants.



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COOPERATIVE DEVELOPMENT PROJECT - EXTENSION

A CONCEPT PAPER

I. SUMMARY

Extension of the Cooperative Development Project (CDP) for two years was originally submitted to USAID with a budget request of \$3 million. Due to budget constraints, A.I.D. requested ACDI to reduce the request to \$2 million. Thus, it was necessary to reduce the level of effort of the credit advisor from two years to one year, to decrease the number of field educators and to curtail the office, administrative and logistical support required to maintain the larger staff. The lower amount was subsequently approved.

This concept paper proposes to return to the level of effort originally requested and to provide for an additional year of CDP activities. Three other concept papers are being submitted simultaneously. Therefore the CDP will serve as the umbrella organization and block grantee for the other activities. It will therefore be necessary to extend the life of CDP so that it overlaps the other project activities.

The CDP will remain the central management training project that focuses on human resource development for economic growth. The other proposed components--marketing, housing, electricification--will provide a local capability for specialized assistance at advanced levels. CDP will meet the following needs:

- 1) Development of human resources to complement planned material and financial assistance;
- 2) Strengthening of local credit institutions to support enterprise development; and
- 3) coordination of proposed specialized component projects to achieve reduction of costs and maximum benefit.

The statement of the problem and the justification for the project has been addressed in the original extension project proposal which was approved.

II. Project Goal

CDP's goal is to stimulate economic growth and to improve the quality of life of Palestinians in the West Bank and Gaza (WBG). This will be accomplished by strengthening Palestinian enterprises which in turn will generate employment, develop opportunities for increased income, and deliver services and products needed by their community.

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III. Project Strategy

Successful businesses, whether cooperatives or not, must make the best possible use of their material, financial and human resources. In addition to providing expertise in their specific sectors, the other proposed concept papers for specialized project components in marketing, housing and electricity emphasize material and financial support. In contrast, CDP emphasizes human resource development in all these areas, offers crucial support in the provision of disciplined credit and strengthened financial management, and serves as a central administrative unit for the other specialized components.

The strategy of providing specialized assistance under the auspices of CDP as an umbrella organization mirrors the cooperative structure wherein a number of cooperatives join together to provide common services. Such a structure allows each organization to focus on the sector it knows best while sharing common functions to improve efficiency and reduce cost. One example of improved efficiency will be in reduced start-up time since each of the proposed new project components can use and be supported by the existing CDP structure.

CDP's human resource development activities will focus on the effective management of resources in order to assist Palestinian organizations to obtain maximum return on investment and thereby move from a dependent to an independent business stance. The existence of active, independent, stable enterprises will, in turn, lead to demand for improved credit, market information and support services.

Specific technical skills needed to ensure the success of new enterprises and improve the performance of existing ones will be transferred through short- and long-term technical assistance and training locally and in the U.S. and third-countries.

The following are key elements of the CDP strategy:

- o Develop existing CDP procedures, contacts, facilities and support services to provide a central administration not only for itself but for specialized assistance in marketing, housing and electricity.
- o Coordinate and monitor credit policy and procedures in marketing, housing and other credit programs through local institutions.
- o Offer a coordinated program of human resource development activities to increase income of cooperatives by focusing on training needs shared by all sectors.
- o Offer technical assistance in critical areas not addressed by the proposed specialized components.
- o Build infrastructure of skilled instructors and administrators, equipment and materials leading to the establishment of a viable independent cooperative training institution.
- o Utilize skilled Palestinian technicians, engineers and business people to develop all aspects of selected cooperatives.

COOPERATIVE DEVELOPMENT PROJECT

- o Using these selected cooperatives, demonstrate the close interconnections of technical expertise, good management, member relations, marketing and sound credit in generating income for the organization and its members.
- o All project activities will be coordinated with other private voluntary organizations working in WBG to minimize costly duplication of effort and maximize benefits to all concerned.

IV. Inputs

In keeping with CDP's emphasis on human resource development, the bulk of the inputs will be person-months, both local and expatriate. The following inputs are projected, over and above those in the recently approved amendment to CDP's contract.

	1989	1990	1991	Total
<u>Expatriate Advisors</u>				
Chief of Party	0	0	12	12
Credit/Financial	0	12	12	24
Training	0	0	12	12
Consultants	0	0	6	6
<u>Local field staff</u>				
Coop Education Advisor	0	0	12	12
Field Educators	0	24	96	120
<u>Local office staff</u>				
Administrative Manager	0	0	12	-
Secretaries	0	12	36	-
Bookkeeper	0	0	12	-
Translator/Librarian	12	12	12	-
Third-Country Training	0	0	24	24

Tangible inputs will be limited to commodities and facilities, including expanded office space, office equipment and furnishings, training equipment and materials, and supplies.

V. Outputs

The outputs expected to result from CDP's activities include:

- o A viable, independent cooperative training institution with the necessary staff, materials and equipment to serve the needs of the Palestinian cooperatives.
- o Strengthened local lending institutions applying a disciplined approach to sound credit practice.

COOPERATIVE DEVELOPMENT PROJECT

- o Cooperatives and other enterprises with new services, improved financial status, more employees and increased income.
- o Cooperatives in several sectors developed to serve as demonstration cooperatives.
- o Increased employment of skilled and unskilled Palestinians in local enterprises.
- o A nucleus of experienced Palestinian cooperative specialists trained to promote sound business practice.
- o Availability of Arabic language training materials appropriate to WBG needs.

The impact of these outputs will be expanded through the synergistic effects of the inter-relationships among CDP, the specialized component projects, other PVOs, and local institutions.

The beneficiaries of this project are the members of cooperatives in WBG and their family members; second, the local lending institutions and their borrowers; third, Palestinians who use new services or benefit in other ways from the economic activity generated by the improved enterprises.

VI. Fit with AID Strategy

AID Goal 1.a) Employees, volunteers, and members who are trained to do their jobs properly and in concert have a solid basis from which to launch market entry. CDP's focus on management training especially for the agricultural sector will be complemented by the expanded capability in production assistance offered by the Field Educators.

AID Goal 1.b) Institutionalization of disciplined credit at local lending agencies will assist them to build the trust needed to develop financial markets in WBG.

AID Goal 1.c) Cooperatives in WBG are primarily community-based organizations. CDP training interventions will show how effective use of resources can enable cooperatives and other private enterprises to innovate and expand.

AID Goal 2) In our view, this goal is best addressed on a government-to-government basis. Nonetheless, cooperatives that are effective in production and marketing and have access to an adequate financial market should encourage stability and an emphasis on getting a job done. Such attitudes should, in turn, have a positive effect on the policy environment.

AID Goal 3) CDP's efforts in improving management and credit discipline will lead directly to stronger cooperatives, entrepreneurial businesses, and an improved financial market; all of which support a greater level of economic activity in WBG.

AID Goal 4) Cooperatives that are run in a business-like manner to maintain profitability can devote a portion of their surplus to social and community services.

COOPERATIVE DEVELOPMENT PROJECT

VII. Issues

Actions of the Civil Administration in the WBG may constrain achievement of CDP objectives. CDP scrupulously avoids political involvement and tries to maintain a balance among the contending parties in this most complex situation. As a result, we do not anticipate difficulty in obtaining GOI approval of our activities; but we cannot predict the negative effects of arbitrary actions such as curfews, limitations on communication, and detention without charge.

Presently, there is concern among West Bank cooperators about possible changes in the role of the Jordan Cooperative Organization (JCO). The Director-General has asserted that the decision of the King to sever legal and administrative ties with the West Bank does not apply to his organization and that the status quo is and will remain in effect.

The uncertainty over JCO's status also has cast doubt on the role of the recently-formed Union of Agricultural Cooperatives. The Union can serve as a key partner or a major obstacle. The position may become clear in a few months.

As CDP reaches beyond its original cooperative constituency to the broader private enterprise sector, two risks must be faced: one, the selection of organizations to receive benefit from project activities must not be allowed to become politicized and two, the focus on effective management and technical skills as the building blocks for successful enterprise must not be diluted.

COOPERATIVE DEVELOPMENT PROJECT

VIII. Budget

Through the latest grant amendment, CDP has a provision for partial staffing for a two-year period. The following estimated figures are for the additional staff required to increase the number of field educators, a credit advisor and to provide for an extension of all staff for a third year:

	1989	1990	1991	Total
	\$	\$	\$	\$
Salaries/Allowances-Expats				
Chief of Party	-	-	120,000	120,000
Credit/Finance Advisor	-	120,000	120,000	240,000
Consultants	-	-	72,000	72,000
Salaries/allowances-Local				
Field	-	30,000	144,000	-
Office	15,000	27,000	87,000	-
	15,000	57,000	231,000	303,000
Training	23,000	23,000	150,000	196,000
Facilities, Transp. & Commodities	10,000	20,000	90,000	120,000
HQ Support 25,000		-	-	25,000
ACDI Subtotals	48,000	220,000	808,000	1,076,000
Indirect Costs (36%)	17,000	79,000	291,000	387,000
ACDI TOTALS	65,000	299,000	1,099,000	1,463,000
NCBA Sub-contract	-	-	164,000	164,000
TOTALS	65,000	299,000	1,263,000	1,627,000



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MARKETING DEVELOPMENT PROJECT, WEST BANK/GAZA A CONCEPT PAPER

I. STATEMENT OF THE PROBLEM/SUMMARY

The agricultural yield in the West Bank and Gaza (WBG) over the past 20 years has been dramatic and has been achieved through the use of high yielding varieties, fertilizers, pesticides, drip irrigation, etc. However the productivity increase has not been accompanied by a corresponding increase in the market for the WBG produce. Factors which have restricted the size of both local and export markets include policy issues and tight restrictions on exports by the Government of Israel (including the military) and import quotas, packaging restrictions, and other controls by the Government of Jordan which have been well-documented elsewhere. Also, the local and export market is considerably controlled by middlemen.

Poor farmers without surplus capital at the beginning of the season borrow agricultural inputs through commission agents and middlemen who are reimbursed when the harvest is sold. Many small farmers remain in debt because middlemen and agents control the prices of the inputs as well as the prices at which produce is sold to consumer.

These middlemen as well as large land-owning families control the procedure for applying for export licenses to Jordan. The system of exporting to Jordan has become more complicated due to tighter restrictions on truck transportation.

Support by the European Economic Community (EEC) has led to Israeli permission for Palestinians to directly export to Europe. If the plan to market to the EEC is coordinated through the existing marketing infrastructure, it may not benefit the majority of Palestinian farmers.

The viable private entrepreneurs which exist in WBG tend to be family enterprises. There is little evidence they would be willing to assist small Palestinian-owned enterprises. Cooperatives, agribusinesses and other enterprises require marketing assistance to identify and penetrate markets without wasting time, effort and financial resources. Too often, small to medium-sized enterprises make investments in ventures for which markets are either unsuitable or unprofitable. Also Palestinians conceive ideas for business which may be unrealistic and nonviable, often in the absence of expert advice, and without conducting feasibility studies, financial analysis, etc.

ACDI proposes a three-year, \$1.5 million Marketing Development Project (MDP) that will focus primarily on the agricultural sector and will emphasize the welfare and economic return of the individual small producers.

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10

MARKETING DEVELOPMENT PROJECT

Building on the experience of ACDI in the WBG, the MDP will assist small enterprises, including cooperatives, to increase market penetration of primarily agricultural products to Europe, Israel, the Mid-East (especially Jordan and Iraq) and other countries. The target enterprises will be market- rather than production-driven. The project will identify a market, then work to develop or improve the production, processing, packing and other value-added requirements to satisfy this new opportunity. Targets of business opportunity and competitive advantage will be exploited in order to achieve a niche within a country specific market.

The participants of the project will reside in the WBG and will consist of Palestinian enterprises engaged in production and sales of agricultural and industrial products for domestic and export markets. It is expected that the project will benefit about 15 enterprises with 5,000 people and will directly benefit 30,000 Palestinians. This will include members of cooperatives that are associated with the Union of Agricultural Marketing Cooperatives (Union) and farmers who supply small-scale enterprises as well as their immediate families.

The project will devote primary attention to the cooperative agribusiness sector. However, the project will not be limited to this sector and will be able to provide assistance to non-cooperatives and, to a limited extent, non-agricultural enterprises, depending on the feasibility of the product lines. In those cases where the project staff become involved in industrial products such as handicrafts, granite, textiles, etc., which may be outside their area of experience, other specialists will be called upon to provide the technical assistance. The project will address non-agricultural enterprises which have less than 20 employees.

II. Project Goals

The goal of the MDP is to increase the income of farmers, entrepreneurs and cooperative members. The project purpose is to strengthen enterprises so they are viable and profitable and provide better returns to producers and workers, provide employment opportunities and contribute to the overall economic growth of the WBG.

III. Project Strategies

MDP is a new project component that complements the Cooperative Development Project (CDP). Both aim to assist Palestinians in the cooperative sector and stimulate self-sustaining economic development and growth, and promote private sector job creation.

The objective of MDP is to expand sales volume of domestic and export markets in order to generate profits in WBG enterprises. This in turn will stimulate the economy, provide employment opportunities and raise incomes of Palestinians. The project will focus on providing technical assistance and limited capital primarily for agricultural marketing.

The project will complement and not compete with existing PVO programs and other programs operating in the WBG. The approach will be similar to that of the CDP which regularly provides training and advisory assistance to other PVOs and institutions in WBG. Other PVOs and organizations with existing or planned marketing efforts will be encouraged to coordinate with the MDP's technical assistance and joint projects will be given priority.

The marketing specialist provided through this project will collaborate closely with the CDP credit specialist in the design of marketing interventions which link credit to new markets.

MARKETING DEVELOPMENT PROJECT

Both specialists will operate under the umbrella of CDP to reduce administrative costs and coordinate the marketing programs with CDP's training activities.

This marketing activity is a logical complementary effort to the CDP. CDP has undertaken three consultancies by an internationally recognized agricultural marketing specialist and extensive training for marketing cooperatives during the previous two years. CDP's Palestinian marketing field educator, with short-term training in the U.S., is providing marketing training and technical assistance to WBG cooperatives.

The new marketing activity will work with small enterprises and cooperatives which have a demonstrated entrepreneurial capability. Starting with a few of these entities, entrepreneurs will be provided with technical assistance, possibly limited seed capital and other support needed to penetrate new markets.

The marketing strategy will entail vertical integration: market-driven production, post-harvest value-added processing, grading, packing, quality control, cooling and storage as well as direct marketing. Marketing efforts will be targeted to existing and new enterprises. The project has been requested by and will also provide technical assistance to the newly formed Union. The Union will require specialized assistance in order to enter the export markets which have recently opened up to WBG producers through the agreement between the Government of Israel (GOI) and the EEC.

IV. Inputs

The following inputs will be required for the 3-year project:

	Year I	Year II	Year III	Total
<u>L-T Tech Assist</u>				
Marketing Spec	12 pm	12 pm	12 pm	36 pm
Marketing Assistants	24 pm	24 pm	24 pm	72 pm
<u>S-T Tech Assist</u>				
Consultants	4 pm	4 pm	4 pm	12 pm
<u>Training</u>				
In-country	20 pm	20 pm	15 pm	55 pm
U.S. & 3rd Cntry	5 pm	5 pm	5 pm	15 pm
<u>Developmt/Revlng Funds</u>				
	\$100,000	\$200,000	\$200,000	\$500,000

MARKETING DEVELOPMENT PROJECT

(i) Long-term technical assistance

Marketing Specialist - A full-time Palestinian specialist in marketing, with two local assistants, will be provided for a three-year period. The specialist shall have hands-on marketing experience in agribusiness or other commercial enterprises and be familiar with export marketing. Training required to support the project will be undertaken through the CDP.

(ii) Short-term technical assistance

Twelve person months in technical areas. Technical assistance will be provided in production, post harvest physiology and handling; grading, packing, storage of perishables or other agricultural products; engineering (design and install machinery and equipment); marketing of perishables/foods, etc; packaging of perishables, food products and other agricultural products; marketing orders; trademark registration; industrial engineering; industrial marketing; designers as needed.

The project will obtain additional technical assistance through Volunteers in Overseas Cooperative Development (VOCA), a collaborating cooperative development organization (CDO), which can provide volunteer specialists under the auspices of CDP.

(iii) Training

All training for the marketing department will be conducted by CDP but it is included here for completeness. The MDP will increase demand for specialized training both in-country and international. In-country training will focus on participatory courses conducted by short-term consultants and CDP field educators to strengthen skills in various production, processing, infrastructure and marketing. Field educators and/or project staff (marketing assistants) can expand on-site training and technical assistance. U.S. and third country training will be provided for specialization skills.

(iv) Revolving Fund (FUND)

Funds for market development costs, including feasibility studies and market visits, as well as limited working capital and equipment/commodities required by assisted enterprises will be provided either from the project or other sources. Some new capital funds may be obtained through commercial or informal channels. However, such funds are limited and unreliable. The institutions are inexperienced in making these types of marketing loans. Thus, a project loan fund (see annex for details) is essential to ensure that a reliable source of new venture capital is available on a timely basis.

A Fund of \$500,000 will be established and maintained to support the identification and development of new and expanded markets and to provide grants for development and repayable loans for working capital and equipment for enterprises. (Please see Annex 1). The Fund will be divided into the following sub-activities:

MARKETING DEVELOPMENT PROJECT

(a) Working capital/commodities

A revolving fund of \$350,000 will be provided for venture capital. Prior to accessing these funds, enterprises will be required to seek credit from available formal and informal financial sources such as commercial banks, ADCC, PVO-provided loan funds or other sources. Loans will be provided on a strictly economic basis and the borrowing enterprise will be required to provide a substantial portion of the risk capital. Repayment, at market interest rates, will be made to the Revolving Fund. (See Annex 1.)

(b) Market Feasibility and Development

A fund of \$150,000 will be provided for market analysis, pre-feasibility studies, marketing strategies, labeling and product identification, reliable transportation linkages, test market runs, international travel to identify and develop new markets, etc. Since these activities are development costs, they will be considered as grants until the enterprise's operation becomes successful at which time all or part of the grant shall be converted into a loan and repaid to the revolving fund. (See Annex 1.)

V. Project Outputs

Following are some anticipated end-of-project outputs:

- a. 15% increase in production and sales of good quality, competitively priced commodities.
- b. 10% increase in income of workers.
- c. 5 strengthened, profitable, self-supporting enterprises plus 10 others in various stages of development.
- d. Increased employment for 100 workers.
- e. 50% increase in exports
- f. 15 trained management and marketing managers and employees and entrepreneurs.
- g. A locally-managed, self-sustaining marketing development revolving fund.

VI. "Fit" Within Strategy

The project addresses the first three goals of A.I.D.'s strategy:

The project will directly promote economic growth by facilitating market entry, market access, management and production in the agricultural sector (goal 1). In accordance with agreements between the GOI and EEC, the project will stimulate and expand the export market and respond to the more favorable policy environment (goal 2). Technical assistance will be provided to financial institutions and the establishment of a revolving fund will increase the capacity of private enterprises and financial market institutions to support economic activity (goal 3).

MARKETING DEVELOPMENT PROJECT

VII. Issues

1. Political - Although the EEC has obtained GOI agreement on the export of Palestinian products to Europe, it is possible that direct export will be restricted.
2. Security - Curfews or other types of government or military actions which delay or prevent production, harvesting, transportation, etc. of Palestinian goods can disrupt the orderly marketing process and cause significant financial loss to producers and enterprises.
3. Coordination - Because several PVOs and other local institutions are involved in similar or related activities, efforts must be taken to coordinate all efforts in the marketing sector. This is not anticipated to be a problem since CDP periodically hosts the coordination meeting of AID-funded PVOs and there are regular meetings of PVOs and UN organizations working in the WBG. The project staff shall maintain close contact with the EEC Commissioner and the newly established Management Development Project.

VIII. Budget

	Year I	Year II	Year III	Total
	\$	\$	\$	\$
Salaries/allowances	80,000	80,000	80,000	240,000
Local Staff/allow.	30,000	30,000	30,000	90,000
Consultants	48,000	48,000	48,000	144,000
Training	40,000	40,000	40,000	120,000
Local costs/trans/commod	65,000	25,000	25,000	115,000
Subtotal	263,000	223,000	223,000	709,000
Overhead (36%)	95,000	80,000	80,000	255,000
Revolving Fund/Development	100,000	200,000	200,000	500,000
TOTAL	58,000	503,000	503,000	1,464,000

MARKETING DEVELOPMENT PROJECT

MARKETING DEVELOPMENT PROJECT, WEST BANK/GAZA

ANNEX 1

REVOLVING FUND (FUND)

The enterprises and cooperatives assisted by the project will require technical assistance for market analysis, pre-feasibility studies, labelling and product identification, packaging know-how, reliable transportation linkages, test market runs, feasibility studies, marketing strategies, working capital and other forms of support. Travel will be necessary to European and Mid East markets to identify and negotiate market agreement by key entrepreneurs and cooperative officials. Funds will be needed to produce and ship samples, attend trade shows/expositions, join international associations (such as the European equivalent of the U.S.'s Produce Marketing Association - of which ACDI is a member), send test shipments, develop and register trademarks, undertake test plantings, develop or test new varieties suitable for WBG growing conditions, etc.

A reliable credit source with adequate capital must be available to facilitate marketing development on a timely basis. There are existing formal and informal financial institutions for capital in WBG such as CAB, Bank of Palestine, ADCC and others. However, the existing sources have limited funds available for marketing purposes and do not have expertise in providing venture capital. Current and prospective PVO revolving loan funds can provide some marketing credit. However, it is necessary to supplement existing local and PVO sources with a small and highly flexible project-provided "Revolving Fund" (FUND) so that viable enterprises that meet the project's selection criteria can be assured of timely financial resources.

Some of the funds will be earmarked for project development to pay "up front" costs such as feasibility studies, travel to determine market needs, product promotion, etc. Such development funds would initially be provided on a grant basis with a proviso that if the proposed undertaking is successful, part or all of the grant would be converted to a loan. It is anticipated that one-third to one-half of the funds would be recovered over time. The other portion would be used strictly for loans.

Loans will be repaid to the Fund at market interest rates. Funds shall be maintained as a revolving fund at the CAB or another WBG financial institution. The CDP credit advisor will work closely with the institution that manages the revolving fund to ensure that it is strengthened and capable of continuing the use of the fund after project termination.

The Fund will be provided through CDP and managed by CAB or another institution according to criteria established mutually by ACDI. It is the intention of the project to create a "Marketing Revolving Fund Unit" within the West Bank financial institution that manages the Fund to ensure project continuity and to institutionalize it after the project ends. The CDP credit specialist will provide technical assistance and training to strengthen the institution so that it can successfully manage the fund after project termination.

The project would consider requests for feasibility studies, pre-feasibility studies, labeling, packaging, transportation, working capital loans, etc. This marketing revolving fund (R/F) Unit will be the repository of the knowledge and studies developed by the project.

MARKETING DEVELOPMENT PROJECT

Loans would be provided only on a "last resort" basis. A written turn-down would be required from the recipient from at least one other viable source. Loans are to be administered on a sound, disciplined basis under policies, guidelines and procedures to be determined by the CDP. Control of the funds and the loan portfolio would rest with a loan committee consisting of one representative from the lending institution, the CDP marketing specialist and the CDP credit specialist. The loan committee would select two other cooperative leaders to serve on the committee.

Loan terms would be intermediate, i.e., 3 to 5 years, with perhaps a one-year grace period. Since the loan portfolio would be relatively high risk, provision should be made for losses to help avoid long-term depletion of the revolving fund. This could be done by requiring borrowers to contribute an amount equivalent to 5% of loans obtained, which in effect would be an add-on to each loan requested, that would be accumulated in a restricted loss reserve fund. Additionally, the lending institution could be required to supplement the loss reserve fund with 10% of interest income generated by those loans. It should be recognized that the foregoing would be an attempt to hedge against potential loan losses only.

Another concept to consider building into the Marketing Revolving Fund Unit is a "check-off" for a capital retain fund to further capitalize the revolving fund for additional sources of seed capital. In a check-off system, each Palestinian exporter will be required to contribute a designated percentage of each export shipment's FOB value into a marketing development fund. These additional resources would be an add-on to the AID-provided funds to develop markets for products produced in the WBG. This effort would closely parallel the promotional, research and development "Marketing Orders" common in the U.S. and which are also financed by check-off systems.

The participants will undertake all the risks associated with the entrepreneurial ventures in accordance with guidelines prepared by the project staff. It is expected that project-assisted enterprises will provide 40% to 50% of the required risk capital but in special circumstances this could be reduced to 25%. The borrowing enterprise will provide collateral or other forms of security to cover the amount of loans. Participants are expected to provide the labor, materials, in-kind and financial contributions agreed upon with the project staff. Participants will pay back all loans at market interest rates. These funds shall build up within the marketing unit of the financial institution so that funds will be available for continuing loans after project termination date.

Grant and loan funds would be invested in the respective financial institution on an as-needed basis under a trust arrangement to be negotiated with each institution. A "guarantee" arrangement will be considered under which the WBG financial institution would issue loans with the project guaranteeing a portion of defaulted loans.

The disposition of the unexpended funds, the loan portfolio and the loss reserve fund existing at the end of the project will be addressed in two ways. Funds shall remain in the respective institution for making loans on a carefully restricted basis to be negotiated by CDP or the funds shall become the basis for the creation of a cooperative bank.

MARKETING DEVELOPMENT PROJECT

Marketing entails high risk especially for new enterprises which may have difficulty with fully financing test shipments or market assessment visits. Some marketing efforts may not repay the costs of production. Therefore in such cases, the expenses may have to be treated as part grant/part loan. However, similar to AID's "Trade in Development" program, successful enterprises will be expected to repay the full cost of the above services and inputs from profits plus a service fee within five years.

In granting loans, the political situation must be realistically considered. The project participants' best intentions and efforts may be frustrated or prevented by security measures that affect production, harvesting, transportation, etc. at critical times resulting in unavoidable losses. In such cases project managers would have great difficulty in enforcing collection. Therefore, a provision will be made to reduce, reschedule or forgive certain loans for activities which do not succeed for bona fide political reasons.



Cooperative Housing Foundation

SPECIAL REVOLVING FUND FOR HOUSING AND COMMUNITY IMPROVEMENT

A CONCEPT PAPER

I. Statement of the Problem

The steadily growing Palestinian population (currently 1.4 million) in the Occupied Territories is experiencing a critical housing problem in both urban and rural areas, especially among the lower-income groups. One indication of need can be measured by the services available to families and the degree of overcrowding or room densities. A study in the early 1980s stated that 45% of Arab families lived in units where occupancy was 3 or more persons per room as compared to 1.6% of families in Israel. In 1986 the Ministry of Planning of Jordan estimated that 32% of houses in the West Bank and Gaza had only one bedroom and that 78% were not connected to public sewage systems.

It is important to note that no financial institutions in the West Bank or Gaza have made housing loans since 1967. However, from 1979 to 1985 the Palestinian/Jordanian Joint Committee and the Jordan Housing Bank did channel roughly \$75 million into housing in the West Bank, which met a small portion of the pent-up demand. However, the program was suspended in 1985, and since then, there have been almost no new loan funds available. Because of this, any new housing in the West Bank and Gaza (WB/G) is paid for in cash, or with funds borrowed from family members. Thus, most of the lower-income and many moderate-income families cannot expect to acquire, build or complete a home.

In 1986 the government of Jordan estimated that US \$288 million of external resources would be required to meet the housing deficit in WB/G over a five year period. Much of this deficit will be among the lower and moderate income groups. The situation in Gaza is especially critical, where no housing credit whatsoever has been available for more than 20 years.

II. Project Goals

The goals of this pilot project are to improve the quality of life for Palestinians in the Occupied Territories, increase employment in the small building and construction sectors, mobilize untapped savings for productive purposes, and strengthen the West Bank/Gaza (WB/G) cooperative housing movement.

The project supports US policy goals in the following critical ways:

- o Provides accessible resources for purposes of high priority for Palestinians; it demonstrates, in a concrete way, US concern for the humanitarian and economic needs of the Palestinian people.
- o Makes funds available quickly to produce visible results in completed projects which can yield benefits disproportionate to initial investment.

Helping families throughout the world build better housing and communities

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21

- o Establishes special revolving fund which can be easily augmented by local savings and other donors and continue over time.

III. Project Strategies and Description

A. Strategies

The strategies employed in this pilot project are designed to complement US government policies in the West Bank/Gaza, and extend the radius of the Cooperative Development Project (CDP) to a sector of highest priority for the Palestinian people. Key elements in this strategy include the following:

- o Establish a Housing and Community Development Department (HD) in the Cooperative Development Project (CDP) capable of implementing and administering the project
- o Create a special revolving fund for housing and community improvement programs
- o Work directly with the professional staff of the Cairo-Amman Bank to strengthen its capabilities in the management of a housing loan portfolio
- o Provide training and technical assistance to cooperatives, benevolent societies, and other local non-profit organizations and individuals to prepare project proposals
- o Leverage additional resources by assisting cooperatives, benevolent societies, and other private sector PVOs and organizations to develop savings programs for their members or constituencies for shelter and home improvement programs
- o Develop at least one small, model self-help cooperative housing project for lower-income Palestinians
- o Identify and obtain other donor support from European government and cooperative sectors, the EEC, the United Nations Capital Development Fund, the UNDP, etc.
- o Utilize small contractors and builders to maximize income generation and job creation for Palestinian skilled and unskilled workers
- o Stimulate WB/G economy by increasing the demand for local building materials

B. Overview

The CDP requests a grant of US \$3 million to establish a revolving fund for medium and longer term credit, that can be made available to lower- and moderate income Palestinian families to install needed infrastructure, complete or improve their homes, and build a new, small scale project, or undertake other community facility or improvement projects. Technical assistance will also be required and these costs are set forth in Part V, Budget. The USAID grant will leverage savings from the beneficiaries and, over time, resources from other donors. This project

will be modeled generally on the experience that the Cooperative Housing Foundation (CHF) has had in its highly successful "Cooperative Neighborhood Improvement and Job Program" in Central America. In that program, US \$6 million in capital assistance leveraged an additional \$2.4 million in local currencies.

C. Organization and Management

A special Housing and Community Development Department will be established within the existing CDP to implement and manage the program. It will be headed by an experienced CHF technical advisor for two years. The advisor will be assisted by a senior Palestinian housing specialist, a local cooperative housing development and training advisor and civil engineer. The management team would receive additional short-term technical assistance provided by CHF/Washington on an as-needed basis. While the CDP/HD will act as a specialized unit within the CDP, it will take advantage of existing CDP administrative and management support systems. See Chart I (Program Management and Decision-Making Process) in Annex A.

CHF would have a sub-contract for its technical assistance components, while the Palestinians would be funded, administratively, from the CDP project budget. Arrangements will be made with the Cairo-Amman Bank and its branches to assist in the financial management of the program including management of savings accounts, disbursements of construction and loan proceeds, handling of housing loan repayments and development of appropriate documentation. See Chart II (Flow of Funds) in Annex A.

D. The Beneficiaries

The targets of this pilot project fall into various categories. Part are those lower- and moderate-income Palestinian families who are currently renting housing and have no access to credit of any kind. Another target group are those lower-income families that either have land and a basic house but do not have the money to complete it, or own a house without the necessary infrastructure. Eligibility criteria will be developed for the pilot project. However, determinations will be made so as to encourage economic growth, either directly or indirectly. For example, priority will be given to those families wishing to add to or improve their homes to incorporate a small business or enterprise. Applications which include self-help components will also be given priority.

Another major target group are cooperative housing members in lower- and moderate-income cooperatives who were not able to complete their projects under the Joint Committee program. Housing cooperatives represent one of the largest cooperative programs in the West Bank. Of 92 registered cooperatives, 43 obtained loans from the Joint Committee in the early and mid-1980s. Regrettably, only 28% (or 404 units) of a total 1458 housing units started, were occupied by July 1987. The rest were sitting vacant in varying stages of completion, most without infrastructure.

There had been the expectation that the new (and recently aborted) Jordan Development Plan would provide resources to these cooperatives to complete their infrastructure, but this did not take place. Priority will be given to those cooperatives whose membership is within the moderate to lower- income range, and whose projects are structurally sound and can be made habitable at reasonable costs.

IV. Inputs

The program calls for capital and human inputs depicted below.

PILOT PROJECT
CAPITAL INPUTS: \$3 MILLION

	YEAR 1		YEAR 2			YEAR 3		GRAND TOTALS		
	Amount	# of Loans *	# of Benef.**	Amount	# of Loans	# of Benef.	Amount		# of Loans	# of Benef.
CDP Special Loan Fund	500,000	50	300	1,000,000	100	600	1,500,000	150	900	3,000,000
European and other donors				500,000	50	300	1,000,000	100	600	1,500,000
Beneficiaries	150,000			450,000			750,000			1,350,000
Total resources mobilized	650,000			1,950,000			3,250,000			5,850,000
Total No. of loans		50			150			250		450
Total beneficiaries			300			900			1,500	2,700

Footnotes:

- * Average loans of US\$ 10,000.
- ** Family of 6.

TECHNICAL ASSISTANCE INPUTS IN P/Ms

Technical Assistance	Year 1	Year 2	Year 3
CHF Expatriate Project Manager	12	12	
Palestinian Senior Housing Specialist	12	12	12
Co-op Housing Dev. & Training Advisor	11	12	12
Engineer	11	12	12
CHF Consultants	2	2	2

V. OUTPUTS

The following are the major project outputs:

- o Create the CDP/HD capable of developing and implementing the program
- o Mobilize more than \$1,350,000 in domestic savings
- o Obtain \$1,500,000 in other donor contributions
- o Establish education and training program for housing cooperatives, benevolent societies, and other private sector groups
- o Develop at least one model self-help co-op housing program including the possibility of a scattered site version
- o Provide employment for skilled and unskilled workers in WB/G
- o Facilitate expansion of small business enterprises
- o Construct, upgrade, complete and rehabilitate 450 homes for lower/moderate income families
- o Strengthen Cairo-Amman Bank in managing a housing loan portfolio
- o Train three Palestinians as co-op housing development and management specialists

VI. AID and CDP/CHF Strategies

The chart which follows depicts how AID and CDP/CHF strategies intersect.

AID Strategy

Overall: Promote WB/G economic growth thru employment generation. Support investments in private sector, infrastructure, public goods and services, non-profits and family enterprises. Assure US financial support visibly demonstrates concerns of the American people for the Palestinian population.

1. Promote WB/G economic growth:
 - o Stimulate financial market development including local banking available to Palestinians and other financial intermediaries

 - o Assist Palestinian financial institutions and encourage new ones such as PVO credit projects

 - o Stimulate community-based income generation programs thru PVOs, including limited infrastructure activities for income-producing investments
2. Strengthen public and non-public institutions to support economic activity in Occupied Territories. This may include:
 - o Private enterprise organizations including cooperatives

 - o Financial institutions (like CAB) to begin longer term lending

 - o Non-municipal non-profits such as benevolent societies
3. Emphasize improved social services, including health, education and housing.

CDP Strategy

Overall: Strengthen the WB/G co-op movement thru effective training programs. Stimulate construction and building materials industries. Provide credit for housing, infrastructure, home improvement; complete co-op lower/moderate income housing projects.

1. Provide training, TA and credit:
 - o Utilize CAB and branches as a conduit for establishing revolving fund for housing improvement and co-op housing credit

 - o Channel credit resources through CAB and develop CDP revolving fund for med./long-term housing credit

 - o Assist selected housing co-ops to complete housing and install infrastructure; credit for housing and home-based commerce/industry
2. Enable CDP to support shelter program; strengthen and assist housing co-ops, ben. societies and other groups to or complete small scale housing projects.
 - o Strengthen existing co-ops and foster new ones where appropriate

 - o Work closely with CAB and branches to dev. capability for long-term lending and management of loan portfolio

 - o Encourage benevolent societies, co-ops and other local NGOs to develop small scale housing and home improvement projects
3. Stimulate small scale, self-help housing projects, home completion, and home improvement projects for lower-and families.

VIII. Issues

There are a number of issues concerning the program which should be mentioned. Housing is a potentially sensitive issue with the civil administration. In addition, there have been obstacles in obtaining building permits and registering housing cooperatives. However, CDP intends to mitigate these through a low profile implementation approach. Some of the pilot effort will involve projects already registered. In the past, a PVO has made outright grants to a number of housing projects enabling them to complete their infrastructure. The CDP/CHF project will employ loans, not grants, and will bring to it CHF's 25 years of experience in international housing and urban development.

Clearly established and fairly administered selection criteria for beneficiaries will be in place. Availability of land may also pose a problem, especially in Gaza. The CDP intends to overcome this by working closely with private sector developer/builders in Gaza, employing and adapting a number of successful experimental low-rise projects. In many cases, it is anticipated that the prospective beneficiary may either own land or have started, but not completed a house.

CDP/CHF know that housing is a priority for many Palestinians, and also are aware that small-scale development and self-help efforts in housing can make a significant contribution towards WB/G economic development. US government policy and financial support can make this pilot program become a reality.

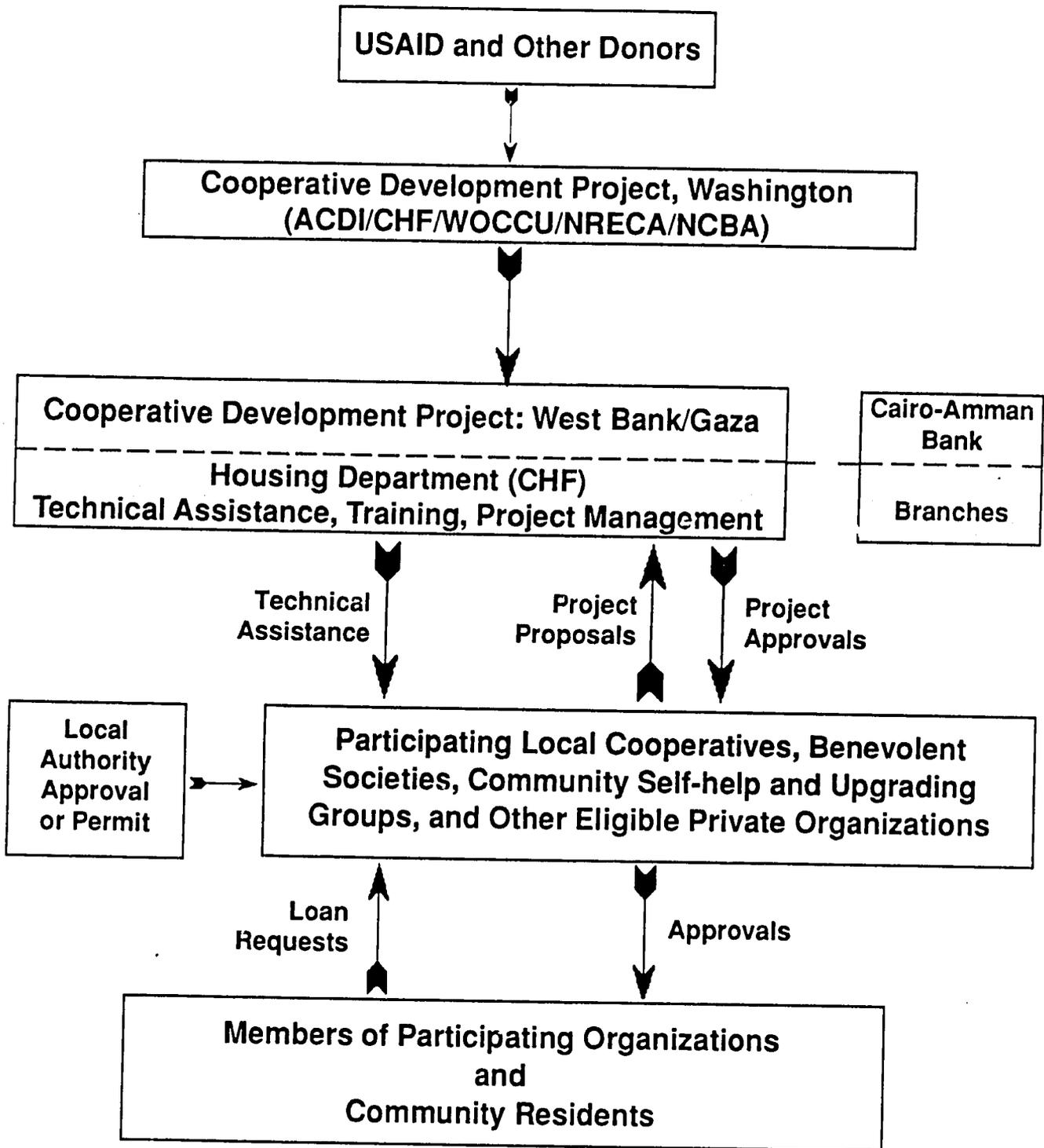
VII. BUDGET

Item	Year 1	Year 2	Year 3	Total
Salaries:				
CHF Resident Advisor	45,000	47,244		92,244
Short-Term Adv./Consultants	8,334	8,750	8,750	25,834
Project Manager(Wash.)	5,000	5,250	5,512	15,762
Secretary(Wash.)	1,750	1,838	1,930	5,518
Indirect costs	72,101	75,698	19,430	167,230
Local Salaries/Allowances*	52,000	54,600	57,333	163,933
Allowances, CHF (Housing)	15,000	15,750		7,288
Travel/Transportation, CHF	28,560	28,560	11,560	68,680
Other direct costs	7,535	7,636	4,500	19,671
Training*	10,000	8,000	8,000	26,000
Local costs/Transp./Commodities*	72,500	34,125	35,832	142,457
Special loan fund	500,000	1,000,000	1,500,000	3,000,000
Grand Total				3,758,079

*Provided by CDP budget; Salaries @ \$18,000, \$12,000 and \$10,000 +benefits

Chart 1

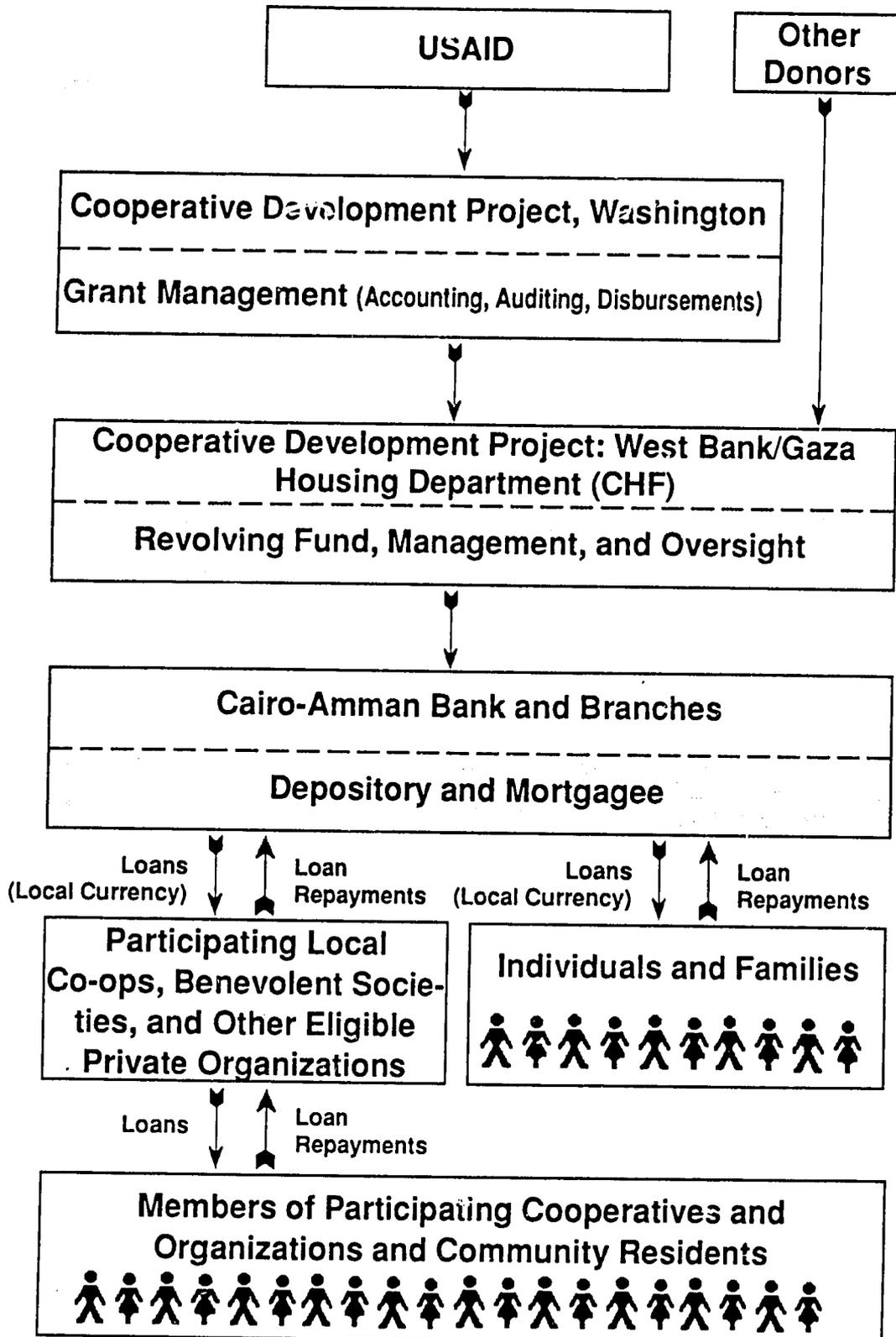
PROGRAM MANAGEMENT AND DECISION-MAKING PROCESS



13

Chart 2

FLOW OF FUNDS





National Rural Electric Cooperative Association

1800 Massachusetts Avenue, N.W.
Washington, D.C. 20036
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WEST BANK ELECTRIC OPERATIONS IMPROVEMENT PROJECT

A Concept Paper

I. PROBLEM STATEMENT AND SUMMARY.

Outside the cities and large towns, Palestinians on the West Bank tend to live in small villages, heavily dependent on agriculture. Electricity is provided to their homes and small businesses by cooperatives and small municipal electric systems which rely on diesel power or are connected to the national electric grid. These village electric cooperatives and the municipal electric system are relatively small and face the following problems:

- o There is no source of continuing capital to upgrade services as loads grow resulting in overloaded lines, high losses, and unreliable equipment.
- o No organization exists to provide technical assistance and guidance to the individual systems.
- o There are few standards or specifications.
- o Utility staff are poorly trained.
- o Service hours are too short to allow for meaningful small enterprise or productive use development.
- o Energy costs are high and rates are too low for full recovery of the cost-of-service.
- o Future power supply is uncertain.

To assist the village cooperatives, the Jordanian Cooperative Organization (JCO) hired an electric technician who is able to assist in the repair of the electric lines and switchgear. However, there is no leadership or direction to the cooperatives and small municipal systems to address their management and finance problems. The Cooperative Development Project has provided some training, but this proposed new activity would address the core management problems in the village based electric distribution systems.

In 1986, the National Rural Electric Cooperative Association (NRECA) undertook a six-week assessment of village electric cooperative and other municipal electrical systems on the West Bank. There are wide differences between the better operated system with 24-hour service and the poorest electrical systems which may operate only a few hours a day with frequent breakdowns. Generally, the village electric systems are losing money and are dependent on external funds for major expenses such as engine overhaul and replacement. Many village distribution systems hooked up to the national electric grid require major rehabilitation. Operationally, about one-third are unsafe, inefficient and in need of rehabilitation. The systems operate with little management.

The assessment identified four areas for major improvement: diesel operations, network operations, finance and management.

This \$1.2 million project over three years would undertake a comprehensive program for increased reliability in village-based electric systems for improving electrical service and undertake a productive-uses program for attracting small enterprises into these small towns and villages. The project will be undertaken through a subcontract to Agricultural Cooperative Development International (ACDI) and integrated into CDP for overall management and reduced administrative costs. The project will complement and expand CDP training and credit programs.

II. Project Goals

The purpose of this project is to strengthen the ~~village cooperative and municipal electric systems in the West Bank.~~ The project will lead to reduced energy costs in the rural communities and increased small enterprise development based upon productive uses of electricity, thereby creating jobs and improving the quality of life for the Palestinians. Project beneficiaries include the 25,000 people served by the 14 village electric cooperatives. Another 25,000 or more will benefit through increased services and rehabilitation from small municipal electric systems.

III. Project Strategies

The project strategy is to strengthen the institutional ability of village electric cooperatives and small municipal systems to operate efficiently, expand their capability for more reliable electricity service and undertake programs for expended productive uses in order for the systems to operate profitably. This will be achieved through strengthening the Union of Electric Cooperatives by hiring professional staff, the

provision of technical assistance, creation of a small revolving fund and training programs.

Management

The project will strengthen the Union of Electric Cooperatives to provide leadership, overall management technical assistance and training for the individual village electric systems. The Union should be able to undertake the following responsibilities:

Feasibility studies: Conduct feasibility studies of system expansions and new generation facilities.

Funding sources: Work with donor and financing institutions to arrange continued funds for the electric systems.

Coordination: Establish communication links between systems for assistance with spare parts, emergency repairs, sales of diesel units, tools, etc.

To accomplish these objectives, the project will recruit a professional Palestinian manager to give direction and supervision to the Union of Electric Cooperatives and supervise the daily activities of the Union including its current technician. The manager will work with the electric cooperatives and village municipal systems to encourage increased service hours, implement loss reduction measures, improve operations, and secure financing. The manager will report to the CDP Chief of Party and will be provided administrative support. The costs for the manager and Union will be shifted to small electric systems at the end of the project.

The project shall develop local managers. Since most systems cannot afford full-time managers, area managers will be trained and supervised by the Union of Electric Cooperatives.

The project will develop written policies and guidelines for:

- o unpaid bills and disconnects
- o area coverage
- o rate structure
- o financial performance and targets
- o budgeting
- o employee compensation
- o employee training and development
- o cash management
- o service quality (voltage drop, hours of operation, etc.)
- o representation on Union Board

In order to deal with financial failure, the project will also attempt to develop a system of receivership in which the Union can temporarily step in and operate a village electric cooperative or municipal system.

Technical Assistance

Technical assistance is needed to improve the quality of electric service, specifically to extend service hours, reduce network losses and voltage drops and improve maintenance practices. Technical assistance will address:

- o Power supply -- The systems need diesel units which can operate effectively over peak and off-peak hours. Proper sizing of power systems gives operators the ability to efficiently serve a wider range of loads.
- o Switchgear -- Close-over switches need to be synchronized for multiple diesel units or with the overall power grid. Also, improvements are needed for meters, short-circuits, re-set feeder breakers and line fuses.
- o Networks -- Electric distribution networks need to be upgraded through establishing low-voltage standards, protection through surge arrestors, purchase of lower cost wooden poles, correction of sub-standard service drops and entrances, fixing of unbalanced feeder lines and creation of .11khV backbone distribution lines.

Systems will be selected to implement loss-reduction programs or interconnect with other energy sources such as olive press diesels which operate only a month or two during the olive pressing season. During the first year, technical assistance would be provided by expatriate consultants with participation of local Palestinian counterparts. In subsequent years consulting will be undertaken by these local experts.

Revolving Fund

A separate revolving fund will be established, in conjunction with the CDP credit programs, to finance loss reduction efforts, line extensions to small enterprises, and interconnections to other power supplies.

The fund will either operate through the Cairo-Amman Bank (CAB) which will have a committee to approve and supervise loans or through the Union of Electric Cooperatives. In the latter case, the Union Manager will supervise the fund through a committee of electric system representatives who would review and approve applications for credit. Applications must demonstrate an

adequate return through increased loads and profitability by expanded sales of electricity. Loans will be provided at prevailing interest rates for generally intermediate-term periods of up to five years. Priority will be given to loans for (1) line extensions to small enterprises which will increase electric loads and result in greater employment; (2) interconnections to small agribusiness operations for increased reliability and power sharing and (3) loss reductions through improved systems design and management.

Training

Training programs required through this project will be carried out through the Cooperative Development Project (CDP). A major training component will be U.S. training for the Union General Manager who will be given an opportunity to learn sound business practices and technical programs undertaken by U.S. cooperatives. The manager will be trained at a statewide U.S. electric cooperative which will establish a permanent sister cooperative relationship with the Union on the West Bank. The manager will also be provided firsthand experience on the benefits of interconnection and co-generation. S ?

On-site training by CDP and project staff will focus on increasing powerplant operators' understanding of interconnected procedures, switchgear requirements, and technical subjects such as diesel operations, low voltage standards and safety. Management training will include the economies of small electric power systems, policy making and planning, electric utility accounting and rate design.

IV. Inputs

The project will provide the following person-months of services

<u>Position</u>	<u>Person-months</u>			
	Year 1	Year 2	Year 3	Total
General Manager of the Union	12	12	12	36
Expatriate Consultants	5	2	1	8
Local secretary (part-time)	3.3	3.3	3.4	10
Local Consultants	2	7	7	16
Home-office support	1	1	1	<u>3</u>
				73
<u>Revolving Fund</u>	\$100,000	\$175,000	\$175,000	\$450,000

The General Manager will be provided with a vehicle, office space, office equipment, operating and traveling funds.

A revolving fund of \$450,000 will be established for loss-reduction construction programs, interconnections, and line extensions to small enterprises.

CDP will organize and carry out the following training programs: a 2-month training program for the General Manager in the U.S. Further, ten operators will be trained in interconnected operations of electric systems. Three seminars for system managers and Board members will be conducted to illustrate the economic and financial aspects of: (1) loss reduction, (2) productive-use loads, and (3) interconnection operation.

V. Outputs

- o The Union of Electric Cooperatives and its general manager will be capable of providing leadership and direction to the village electric systems.
- o Ten interconnections of generators to cooperative or municipal electric systems.
- o Forty village electric system managers and Board members will be trained and become familiar with the benefits of loss reduction and interconnection.
- o Losses will be reduced by 7% in at least ten village electric systems.
- o Reduced operating expenses will be in place for at least 15 systems.
- o At least 30 new small enterprises will be established and connected to village electric systems and commercial sales will increase over 4% in the municipal systems.
- o A self-sustaining revolving fund will be established within the Union of Electric Cooperatives or a local financial institution with proper financial controls for continued loss reduction, efficiency improvements, interconnections, and line extensions to small enterprises.

VI. Relationship to AID Strategy

AID Strategy

Overall: Promote WG/G economic growth thru employment generation. Support investments in private sector, infrastructure, public goods and services, non-profits and family enterprises. Assure U.S. financial support visibly demonstrates concerns of the American people for the Palestinian population.

1. Promote WB/G economic growth:
 - o Stimulate financial market development including local banking available to Palestinians and other financial intermediaries.

- o Assist Palestinian financial institutions and encourage new ones such as PVO credit projects.

- o Stimulate community-based income generation programs thru PVOs, including limited infrastructure activities for income-producing investments.

2. Strengthen public and non-public institutions to support economic activity in Occupied Territories. This may include:

- o Private enterprise organizations including cooperatives.

Project Strategy

Overall: Strengthen West Bank economy in rural area thru more efficient, reliable and expanded electric service essential to small scale agricultural and manufacturing equipment. Establish sister-to-sister cooperative relationship between Union and U.S. statewide RE organization.

1. Provide TA, credit and training.

- o Establish within CAB or Union a revolving fund to stimulate investments in improved power systems, interconnections and small enterprises.

- o Revolving fund will encourage self-sustaining investments to village and municipal systems and strengthen existing/or create a new financial institution.

- o Provides infrastructure loans at community level for income producing activities.

2. Undertake village electrification improvements through public and non-public institutions including cooperatives essential for economic activities.

- o Provide for increased use of cold storage and other facilities that improve private sector processing and marketing of agri-cultural products. Also, interconnection of power

supplies with processing plants results in greater use and reliability of diesel units.

- o Financial institutions (like CAB) to begin longer term mortgage lending.
- o Non-municipal non-profits such as benevolent societies.

o Work closely with CAB or Union to begin medium-term lending to small village electric systems.

o Work with benevolent societies to encourage more productive uses of electricity.

3. Emphasize improved social services, including health, education and housing.

3. Extending operating hours will support expanded social services such as health clinics, schools, street lighting; save on kerosene and batteries as well as provide the delivery of social services at more convenient hours.

VII. Issues.

Issues which may affect the proposed project include:

- o Authorities may not allow the cooperatives to extend their distribution lines to interconnect with existing diesels or hook up new small enterprises.
- o Restrictions may be placed on permits for new enterprises.
- o Authorities may restrict irrigation users from pumping water made available through expanded productive uses of electricity.
- o The Jordanian Cooperative Organization may place restrictions on training and the selection of qualified leadership essential to strengthening the Union of Electric Cooperatives.

Other important assumptions in this proposal are that:

- o Qualified Palestinian leadership and a General Manager can be recruited and can successfully implement the project.
- o The cooperative and municipal systems will agree to borrow funds for the loss reduction and connections if the financial and economic benefits are clearly demonstrated.

VIII. Budget

A budget is for a three-year program at \$1,174,000. A line item break down follows:

	Year 1 \$	Year 2 \$	Year 3 \$	Total
1. Salaries/Allowances-Expat	23,333	23,333	23,334	70,000
2. Consultants & Allowances	31,333	31,334	31,334	94,000
3. Overhead	30,000	30,000	30,000	90,000
4. Salaries/Allowances--Local*	98,333	98,333	98,333	295,000
5. Training*	20,000	20,000	20,000	60,000
6. Local costs/Transportation/ Commodities*	65,000	25,000	25,000	115,000
7. Loan funds	100,000	175,000	175,000	450,000
8. Total	<u>368,000</u>	<u>403,000</u>	<u>403,000</u>	<u>1,174,000</u>

* Provided by CDP budget