

File ACOI, Repulse  
398.0159.23

Rec'd from  
ACOI on  
10/13/87

PDCA4116

**A DEVELOPMENT CHALLENGE:**

**STRENGTHENING WEST BANK AND GAZAN COOPERATIVES**

## BACKGROUND

U.S. cooperative development organizations have been active around the world for more than a quarter of a century. Yet they have not often collaborated on a movement-to-movement basis. The Cooperative Development Project (CDP) for the West Bank and Gaza is a prototype for this approach to providing assistance between U.S. and Third World cooperatives.

Since 1984, eight U.S. development organizations -- Agricultural Cooperative Development International (ACDI), Volunteers in Overseas Cooperative Assistance, the World Council of Credit Unions, the National Cooperative Business Association (NCBA) (formerly CLUSA), the National Rural Electric Cooperative Association, the Cooperative Housing Foundation and CARE, coordinated through the U.S. Overseas Cooperative Development Committee (OCDC) -- have been providing technical assistance, training and advisory services to strengthen the Palestinian cooperatives of the West Bank and Gaza. A team-based and joint effort by the U.S. cooperative development organizations is helping make possible the improvement and expansion of cooperatives' services to Palestinian members as well as encouragement for the creation of new cooperatives to provide services not presently available to the West Bank and Gaza population.

The West Bank and Gaza is the focal point for the tensions between Israel and the Arab states. Even use of the term "West Bank and Gaza," which is the official U.S. terminology, has political connotations. CDP makes every effort to avoid political entanglements and to channel assistance from U.S. cooperatives to those in this contested region. In undertaking the program

2

CDP works with the Jordan Cooperative Organization as well as other private voluntary organizations which operate in the area.

OCDC is committed to encouraging the cooperative business approach to building local democratic institutions for economic and social development. CDP represents a difficult and potentially rewarding challenge for U.S. cooperatives to achieve this goal of economic self-reliance within a democratic framework.

## PALESTINIAN PEOPLE AND COOPERATIVES

Situated between Israel and Jordan, the West Bank comprises 1.4 million acres, or 2,200 square miles (5,572,000 dunams in local terms), slightly larger than Delaware. It stretches about 170 kilometers from Jenin in the north to El Dhahria below Hebron in the south. It ranges from 3,000-foot mountains in the north and middle to 1290 feet below sea level along the Dead Sea.

The Palestinian population is estimated at some 850,000 in the West Bank, including 100,000 in East Jerusalem. Another 550,000 Palestinians live in Gaza, located on the Mediterranean coast between Israel and the Sinai of Egypt.

The cooperative movement in Palestine officially started in 1920 when the British Mandate issued the first cooperative ordinance. Until the 1933 amendment of the cooperative law which made possible the introduction of agricultural credit and thrift societies to the Arab population, the Palestinians had established few cooperatives. Today there are about 250 active Palestinian cooperatives of various types with 34,000 members (200,000 family members). They serve the majority of Palestinians living in the West Bank. There are only eight active cooperatives in Gaza.

### Agricultural

There are four agricultural regions: semi-coastal, central uplands, eastern slopes and the Jordan Valley. Half of the farmer/owners own less than 10 dunams of land (one hectare = 10 dunams; 1 acre = 4.2 dunams). Their total area equals 10% of the cultivated land in the West Bank. The 8% of the owners

who own more than 100 dunams own 38% of the cultivated land, down from 63% during the British Mandate.

Agricultural cooperatives are the most important type found in the West Bank. There are 129 active agricultural cooperatives. The most widespread is the olive press cooperative; there are 17 covering most of the West Bank area. The olive cooperatives have expanded into other services to their members: the renting of heavy agricultural machinery; a cooperative plant nursery for fruit trees and olive seedlings; cooperative factories for bottling, canning and grading olive oil; and a cooperative soap factory. Other types of agricultural cooperatives in the West Bank include livestock, bee, irrigation, poultry and fishing.

The second most prevalent type of agricultural cooperative is the marketing cooperative. These eight cooperatives provide their members with improved seeds, chemical fertilizers and plant protection chemicals, loans in cash and in kind and the loan/rental of heavy equipment.

### Housing

Housing cooperatives in the West Bank began in the 1960s when employees of the Post Office in Jerusalem built their housing project north of Jerusalem. The Hebron Housing Cooperative has served as a model. The cooperative, which was established before 1967, was reactivated in 1975 when 47 members purchased 50 dunams (12 acres) from their own funds.

Spread throughout the West Bank, there are some 92 housing cooperatives with 3,281 members; 64 of the cooperatives are registered by the Jordanian Cooperative Organization. Many cooperatives invested in land yet were not able to proceed further. Of the 92 housing cooperatives, 62 own land, but only 43 of those have obtained loans. Only 28% (or 404 units) of a total of 1,458 housing units partially funded from Jordan are currently occupied -- up from 145 in 1985. The rest are sitting vacant in varying stages of completion, most without rudimentary infrastructure. The cost to complete the infrastructure was estimated in 1986 at JD 3 million (US\$9 million).

The cooperatives with vacant units tend to fall into two categories: those with higher income members who are slowly completing their units as resources permit and those whose members have moderate incomes and who exhausted the bulk of their savings before completing the infrastructure and house construction.

### Service

Cooperatives in the service sectors are providing necessary services such as village electrification and water supply in the absence of the provision of such services by national or municipal authorities.

There are currently 14 active village electric cooperatives serving over 5,000 meters. The systems vary from the smallest serving only 59 meters to the largest with 825 members. Cooperatives in the service sector in the West Bank also include those in the areas of health insurance, consumer goods, transportation (bus), higher education, crafts and mutual benefit.

## FOCUS OF ACTIVITIES

The goal of the assistance being provided by the Cooperative Development Project is to put into the hands of "entrepreneurial" cooperative managers and leaders the knowledge, skills and confidence to test and adapt appropriate technologies or to analyze their circumstances for improved or new endeavors.

The project is designed to build on the long history and basic inherent strengths of the cooperatives in the West Bank and Gaza. In this institution-building effort, CDP works with over 50 employees of the Jordan Cooperative Organization which provides essential support services and key management functions.

Existing cooperatives will be strengthened and new cooperatives encouraged to serve the needs of the Palestinians in the West Bank and Gaza. In providing technical assistance, training, analysis and advice, CDP will seek to achieve the following:

- Better trained managers will be in charge of regional marketing and other larger cooperatives.
- Standard, computer-assisted accounting systems will be in use in most cooperatives.
- An improved, professionally competent Palestinian cooperative education service will reach the members of agricultural and other types of cooperatives.
- There will be increased productivity and services by the Palestinian cooperatives such as improved housing and electric services.

- Disciplined credit at or near market interest rates will be introduced and strengthened through cooperative revolving loan funds or other credit mechanisms.
- Savings and credit unions will be strengthened and efforts will be undertaken to establish more.

CDP technical assistance includes coaching, tutoring, on-the-spot business and operational consulting and fixing, trouble-shooting and feasibility studies. The emphasis is on helping cooperatives function more efficiently, concentrating on profit-center management and encouraging cooperative directors, managers and leaders to be entrepreneurial and innovative. Encouraging the development of new cooperatives is one of the basic technical assistance objectives of the project.

#### Establishment of a Data Base

One of the first activities undertaken by CDP was the development of a computerized data base on cooperatives in the West Bank and Gaza. CDP staff developed survey forms, visited cooperatives, relied on approved annual reports and conducted numerous interviews. The process of gathering objective data about cooperatives in the West Bank has produced mixed and sometimes inconclusive results. Much data, often conflicting, exists regarding the number and types of cooperatives, but almost none is available in a comprehensive and analytical framework for tracking and assessing cooperative strengths and weaknesses. There is often a long time lapse before cooperatives' annual reports are readily available; in other cases, the cooperatives are new or inactive and have not issued regular reports. It is

therefore taking longer than anticipated to compile data for functioning cooperatives on a uniform and up-to-date basis. The available baseline data reflect mixed dates, different currencies, incomplete reports and other inconsistencies. Nonetheless, the data collected to date represent a starting point. The data will not only be important to the CDP project but will also provide a foundation for Palestinian cooperative leaders to analyze, plan and strengthen their overall efforts.

Statistics on cooperatives are still imprecise. To date, the data gathered by CDP indicate that there are about 242 active, locally registered cooperatives in the West Bank and eight in Gaza. There are 129 agricultural cooperatives, 81 non-agricultural and 32 housing cooperatives with a total of 34,000 members, 1,376 directors and 208 employees (as well as many unpaid volunteer workers). Earlier data showed that one-third of the cooperatives had net profits, one-third suffered losses and for one-third there was no available data on earnings. Positive member equities were reported by about 60% of the cooperatives. Ultimately, this data base will serve as the point of departure for the development of a process for evaluating and grading performance of individual cooperatives through a Cooperative Classification System which has been designed by CDP.

#### Building Positive Attitudes About Cooperatives

The cooperatives in the West Bank and Gaza have been subjected over many years to varying degrees of government benevolence and support. This history has produced a cooperative training audience that is both anxious to see immediate training program results and somewhat disillusioned because of past experience

and disappointments. A fundamental task of CDP is to cause attitudes to change.

Many currently held attitudes are a constraint to the strengthening of Palestinian cooperatives. For example, too many cooperative officials believe that cooperatives should receive highly subsidized loans from government or donor sources. There is also insufficient interest by some in improving the financial management and direction of the cooperatives. CDP's management development activities emphasize the establishment of sound cooperative business practices and profitable operations for planning, budgeting, pricing, earnings and financial controls aimed at increasing the cooperatives' net worth and member equities as well as the overall stability and strength of the cooperatives.

Training is designed to keep the attitude and morale of the cooperatives' management teams and employees at a level where they are ready to take advantage of future opportunities.

#### Utilization of Cooperative Experts

The strategy CDP has adopted involves the use of U.S. and Palestinian cooperative experts. There are many highly educated and technically competent Palestinians, but few have had the specialized training to relate their professional training to the cooperative mode of business operations. To strengthen these Palestinian cooperative human resources, CDP has used consultants in cooperative operation and management, education services, marketing, credit, financial management, electrification and housing. Three

long-term resident consultants have been provided by ACDI and NCBA, and the other member organizations of OCDC have provided the short-term consultants to the project.

### Sectoral Analyses

CDP's technical assistance began with analyses of the different sectors of the Palestinian cooperative movement and the formulation of a series of recommended actions. The U.S. and Palestinian teams met with as many cooperative officials and members as well as other interested individuals and organizations as feasible within periods averaging one month each. The role of women in the development of West Bank and Gaza cooperatives is also being examined.

### Operation and Management

A management and operations consultant visited 14 diverse cooperatives in the West Bank and Gaza: three olive press, two agricultural marketing, two electric, two housing and one each in domestic water supply, irrigation water, livestock, fishing and vegetable/fruit packing.

The widespread lack of a firm discipline on the repayment of loans which has allowed cooperative operations to continue without sufficient concern for profitability is being countered by CDP emphasis in training on the development of the disciplines required to foster profitable operations. To reach this goal, CDP is focussing on the development of greater accountability and team efforts within a cooperative's management to

generate more business, improved efficiency of operations and additional profit for the cooperative.

Many cooperatives formerly used a reporting format which listed depreciation as a liability and losses from operations as an asset (an account receivable). The consultant suggested modest changes in format which will prevent cooperatives from overstating their assets and which will communicate the real member equity or net worth.

He also conducted two seminars for directors, managers and Jordan Cooperative Organization (JCO) staff designed to create better understanding of the financial reports and the use of the information as a tool for the management team to improve operations. All participants supported the suggested changes in the cooperative reporting format and the use of key ratios in the monitoring of operations.

As a result of this analysis, CDP has designed and is implementing ongoing training courses in operation and management utilizing this approach.

### Education

A consultant in education through extension services spent nine weeks visiting a wide variety of West Bank and Gaza cooperatives to appraise the extent of existing educational efforts by the cooperatives. Recognizing the lack of a cooperative education system, CDP decided to focus in two broad areas:

- education for directors, managers and employees on business and operational management as well as on the principles of cooperation
- educational programs for members which will provide the best technology for solving problems in the management and operation of their individual units as well as education on the responsibilities of cooperative membership

Agricultural research stations which formerly provided extension services have been allowed to deteriorate until they are now little more than commercial farm operations; no meaningful research is conducted and demonstrations are almost never made. In its educational program, CDP is trying to partially fill this gap with courses on machinery maintenance and repair, credit, marketing and others and will soon have four field educators on its staff.

#### Finance and Credit

Traditional financial institutions have not operated on a locally owned basis for at least two decades in the West Bank and Gaza. A multi-currency arrangement is in place which utilizes Israeli and Jordanian currencies. Savings, whether earned or transferred from abroad, have been used within the family structure. However, the level of savings is still declining.

CDP's objective is to develop the practical tools of financial management in order to improve the combination of financial resources for cooperative members in the future. Its goal in this area is to help re-establish

savings institutions as a more efficient method of utilizing funds for set periods of time. So that traditional trust can be restored to the lending area, education and training in this field will include efforts to get the current responsibility expected of the cooperative extended to the individual.

A financial management consultant interviewed diverse spokesmen from cooperatives and financial institutions in order to assist in the determination of the concepts, strategies and procedures for a general program on credit. For cooperative education and training, he devised curricula for workshops in basic financial management and in agricultural credit management.

A long-term resident CDP team member in credit and finance has been employed to help cooperative members determine the priority of savings and credit needs and the appropriate alternatives to handle them and to attempt to put in place a more disciplined credit system for cooperatives.

### Marketing

In marketing CDP is attempting to build the appropriate philosophy within the existing cooperatives from producers to managers and to create the capability to market their agricultural products. The emphasis is on organization and performance.

Two marketing consultancies have been carried out so far. The first determined that the eight regional marketing cooperatives do little

marketing but rather serve as agents controlling the flow of imports into Jordan. Their main function is to issue permits allowing the shipment of agricultural products into Jordan. The existing marketing structure is, in fact, monopolized by private sector West Bank residents.

Efforts by agricultural cooperatives assisted by the marketing consultant to establish an independent cooperative marketing effort met with strong resistance. Until the cooperatives can offer their members reliable marketing services, they will continue to use the existing services.

While a marketing strategy is still evolving and under discussion with cooperative leadership and members, there is a growing awareness of the need for marketing assistance at the individual cooperative level. Two specific examples of this awareness are:

- The manager of a 250-member consumer cooperative pointed out that, as a result of marketing information made available to him, the cooperative is now aware of the need to maintain better inventory records and to hold more inventory in storage to take advantage of increased sales volume. A 20% increase in sales is projected under the new system proposed.
- An 87-member agricultural cooperative became aware of better methods of marketing their produce from the CDP consultant. Because the cooperative was implementing a drip irrigation scheme, they expected that increased productivity would result and that traditional markets might not be able to absorb increased produce, even though middlemen normally make the marketing decisions.

The marketing consultant conducted two marketing seminars on marketing products of cooperatives within the West Bank and left behind extensive course materials for three levels of courses in marketing.

### Electrification

An electrical engineer from the National Rural Electric Cooperative Association visited 14 active village electric cooperatives (VECs), two dissolved VECs and other electric utilities. He encouraged the adoption of uniform standards and made a series of recommendations including lists of needed tools and spare parts to be used by a Palestinian technician to assist the VECs in making repairs and inspecting construction. He also conducted two training sessions on the economic operation of electric power systems.

The consultant made recommendations in management and finance and in diesel and network operations. Training courses were recommended to encourage VEC management to collect operational information, begin evaluating performance and develop plans to improve their operations. CDP will provide some tools and equipment for educational purposes.

### Housing

A housing consultant from the Cooperative Housing Foundation (CHF) conducted a training and technical assistance needs assessment and made recommendations regarding West Bank and Gaza housing cooperatives and related issues. He began with a baseline study of the current status of

cooperative housing in the West Bank and conducted two cooperative housing workshops, the results of which clearly point to the need for some kind of entity to assist existing and future cooperative housing programs.

The CHF adviser visited various successful West Bank housing cooperatives. The key factors related to their success are:

- The cooperatives used and stood by traditional cooperative principles, including cooperative education and training of members and board members.
- A strong and active board of directors was present.
- There was a sense of trust between members and board members.
- The construction of houses was left to the cooperative which contracted with one or several builders (as opposed to members using separate contractors), resulting in uniformity and lower costs.
- The infrastructure was contracted for and installed in one operation, thus minimizing costs.
- A savings program was instituted.
- The membership was well informed, actively involved and engaged in the entire process.

CDP is working toward the establishment of a central cooperative housing organization or other entity to assist present and future cooperative housing endeavors in the West Bank and Gaza which will serve as a mechanism to facilitate the exchange of information on these successful experiences.

The first day-long workshop for about 40 cooperative housing board members and leaders discussed and debated the successes and problems facing

housing cooperatives. The second, more specialized workshop, attended by 25 participants, covered finance and affordability issues, organization and administrative matters and technical and social concerns.

### Training Needs Assessment

The baseline studies performed by CDP staff and U.S. and Palestinian consultants in their areas of expertise have disclosed needs for training in the following areas:

- Management performance:
  - basic management and fiscal skills
  - training of volunteer management
- Director performance:
  - basic skills
  - cooperative business operations
  - delegation of authority to managers
- Director-manager team performance:
  - individual and shared responsibilities
- Planning:
  - short- and long-range planning
  - feasibility studies
- Member performance:
  - benefits/obligations of cooperative membership
  - personal business skills (financial management, crop and livestock production, maintenance of equipment)
- Finance:
  - access to credit
  - management of credit

financial management

bookkeeping systems

- Marketing:

nature of marketing

presence in local market

discipline needed for effective export marketing

- Other areas:

basic skills: operation of cooperative equipment, tools, office machines

legal matters, e.g., applicability of Value Added Tax to cooperatives

### Training

Priority in training has been given to general management skills needed for strengthening cooperatives. Courses are being given for directors to provide a better understanding of their roles and responsibilities and to improve the general level of knowledge about how to establish sound business policies for the cooperatives. Other training includes "how-to" training for directors and managers, the basics of management, bookkeeping and accounting, credit and finance, marketing, cooperative supervision, field education, agricultural machine operations and maintenance.

Training is conducted in the West Bank and Gaza at various locations by instructors recruited locally, sometimes teamed with U.S. and other consultants. To date (September 1, 1987), CDP has conducted 32 training courses for 570 students (904 student days of training) in the following areas:

- agricultural machinery
- basic accounting
- basic agricultural credit
- basic agricultural marketing
- basic cooperative principles
- basic direction of cooperatives (a progressive series)
- basic extension
- basic management for cooperatives (a progressive series)
- dairy operations
- economic operations of power systems
- financial ratios
- housing
- maintenance of well equipment
- olive press maintenance
- training of trainers

Five senior-level directors and managers attended the six-week Land O'Lakes/CENEX course on management of a cooperative business in the fall of 1987. More hands-on training in U.S. cooperatives is contemplated.

Training materials have been prepared in Arabic, and two training videotapes on cooperative principles and the local movement have been produced.

#### Role of Women in West Bank Cooperative Development

CDP is examining the role of women in West Bank and Gaza cooperatives and the potential for enhancing that role through CDP. The opportunity exists to work with six women's cooperatives to upgrade organizational administration and to utilize members and leaders in these cooperatives to assist in training and organizing activities with women's service and charitable organizations wishing to form cooperatives. While few women are involved in non-women's cooperatives, CDP will attempt to reach them through its regular training efforts.

20

CDP began its activities with women in cooperatives with a specially designed workshop in basic accounting. The workshop was for 20 members of an embroidery cooperative including the manager and members of the board of directors.

\* \* \*

The overall objective of CDP is to assist Palestinian cooperative leadership to strengthen their cooperatives. Evidence of this will be increases in the number of members served, volume of business done and member equity, as well as economic gains for the members and the economy of the region. Cash savings will be realized from such improvements as better inventory controls, improved operation and maintenance of equipment and machinery, more accurate, up-to-date recordkeeping, improved rate setting and from increased technical skills. A partnership is being created between U.S. and Palestinian cooperatives which, in addition to bringing economic benefits to a troubled area of the world, also builds understanding and friendship.