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COOPERATIVE DEVELOPMENT PROJECT

IN WEST BANK AND GAZA

FINANCIAL RESOURCES FOR COOPERATIVES
AND THEIR MEMBERS

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1

FINANCIAL RESOURCES FOR COOPERATIVES AND THEIR MEMBERS

SUMMARY

A team of U. S. cooperative representatives developed this project in 1984. They were assisted by cooperative leaders from the West Bank and Gaza while obtaining USAID approval in 1985. The Cooperative Development Project (CDP) was formed and the Chief of Party opened offices in East Jerusalem in April of this year and hired a local office staff.

Finance was recognized as a major need along with management/operations, marketing and cooperative education (extension). These early observations are being confirmed by the short-term consultants in each of the subject areas. The direct inter-relation between each subject area should be utilized as the education and training programs are selected and implemented along with the technical assistance during the next two years.

The West Bank and Gaza are unlike any other area in the world. Traditional, trusted financial institutions have not operated on a locally-owned basis for at least two decades. Without a national government, there cannot be a central bank or national currency. Fortunately, a multi-currency arrangement was adopted with the shekel, Jordanian dinar and U. S. dollar. Most Palestinians utilized the JD, which has remained strong as the shekel has suffered severe devaluation.

The fundamental economy, with a high dependence on agriculture, has been sustained without benefit of formal credit of any magnitude. The savings, whether earned or transferred from foreign relatives, has been used within the family structure. The resourcefulness of the family has also provided the source of loans for acceptable purposes. Thus, the Palestinian families have endured the international recession and the Middle East cutbacks with a minimum of high interest cost and excessive debt. However, the level of savings is still declining.

Along with the basic financial, educational and practical teaching workshops, this project should help re-establish savings institutions as a more efficient method of utilizing funds for set periods of time. Ideally, the savings function should be matched with the credit activities. Before the traditional trust can be restored to the lending area, the current responsibility expected of the cooperative or family should be extended to the individual creditor. Also, a basic credit policy for both the individual and the broader area should be developed and implemented. This should apply to each lender, including the Private Voluntary Organizations (PVO's).

This project has an unusual opportunity to provide a leadership role in establishing or re-establishing a few financial institutions. This would be an expansion of the education-training scope. A Senior Financial Specialist should be employed to help the residents determine the priority of savings and credit needs and the appropriate alternatives to handle them. These alternatives should include (1) a village savings and credit pilot, (2) further development of JCO/cooperative structure with a financing arm, (3) establishment of a Bank for Cooperatives on the West Bank and Gaza, (4) establishment of savings and credit arrangements for cooperatives with a local commercial bank, and (5) determination of whether or not a revolving credit fund by USAID is appropriate to serve the credit requirements of cooperatives and residents.

A. Introduction

This Cooperative Development Project (CDP) was well conceived by the initiating teams a couple of years ago. Although broad in all levels of cooperative activity, the focus can be and is being narrowed to basic education and training, including technical assistance. Capital is one of the four factors of production. The flow of capital or lack of capital continues to be a major factor in the Middle East. Therefore, the broader subject of financial resources was properly chosen for specific consideration along with management/operations, marketing and field education (extension).

The fundamentals of finance are the same for the West Bank and Gaza as other parts of the world. So are the tools of financial analysis. The objective of CDP is to develop or redevelop the practical tools of financial management in order to improve the combination of financial resources for cooperative members in the future.

B. Objective of this Report

1. The broad objective is to provide a strategy or combination of strategies to improve the well-being of the residents of the West Bank and Gaza.
2. The operating objective is to utilize the existing cooperative base at the individual and village level and relate to the cooperative experience at the international level.

C. Methodology

1. This project has been attracting senior financial executives with cooperative experience who work at the international level. This recruitment includes the Chief of Party, Don Hovendick, former President of the Federal Intermediate Credit Bank of Omaha. While becoming acquainted with the local leadership and specific organizations, appointments and visits were made throughout the West Bank and Gaza. My schedule also included Amman and Tel Aviv and the primary interviews are listed in Attachment 1.
2. Although the interviews are listed as they occurred, a specific attempt was made to seek out diverse but related spokesmen. Along with a representative sample of cooperative managers and directors, in-depth interviews were conducted with financial leaders. Some individuals were well qualified to comment in both areas.

D. Financial Organization

1. As a brief introduction to the current financial situation, the concise and respected section on banking and credit was drawn from The West Bank Handbook, 1986 by Meron Benvenisti:

"On the eve of the occupation, eight banks with 30 branches operated throughout the West Bank. Among them were six local banks with 24 branches and two foreign (British) banks operating six branches. Residents of the West Bank (including East Jerusalem) held about a third of the total cash assets in the Kingdom of Jordan, including some \$60 million in bank deposits. The total credit available to West Bank residents was about a quarter of the total private credit in Jordan. Immediately after the war, the banks were not permitted to reopen, as the cash at their disposal covered only six percent of the public's deposits.

All Jordanian and foreign banks still maintain their offices in Jerusalem and other West Bank towns, though their activity is limited to administrative matters. However, checks drawn on bank branches in Amman are in common use throughout the West Bank. From 1971-1978, there were some attempts to renew the operations of Jordanian and foreign banks, but they failed for political reasons, due to both Jordanian and Israeli government opposition. The main problem was whether supervision of the banks' activities should be carried out by the Royal Bank of Jordan or by the Bank of Israel. In May 1968, the authorities permitted the two British banks in the region to reopen, but they refused to do so unless the Jordanian banks reopened as well.

In July 1967, a decision was made to open West Bank branches of Israeli banks. By mid-1984 there were 20 branches, including those in Israeli settlements. Arab residents make infrequent use of Israeli banks.

An analysis of banking data shows that the public holds limited deposits and credit facilities available to local residents are very low.

In 1976, total credit available to the public amounted to 22 percent of total assets. In 1984 this stood at 8.0 percent. The steep decline in credit available to the public was caused mainly by the decline in credit from

government deposits. In 1978 government credit was 43 percent of total credit. By 1982 this had fallen to 4.3 percent.

The shortage of credit and the absence of a capital market is a decisive factor contributing to the stagnation of the Palestinian economic sector on the West Bank. However, alongside the formal system, an unofficial credit network exists. Cooperative associations and public organizations grant credit which comes from the JOINT COMMITTEE of Jordan and the PLO, the funds being transferred through Jordanian financial houses.

Most monetary activity is carried out through money-changers who operate a popular banking network alongside the Israeli one. In the West Bank there are 68 money-changers (14 in Jerusalem). The authorities have no special interest in curtailing their activities and leave them room for maneuver so as not to force the Israeli banking system into alleviating the money shortage.

At the close of 1984 restrictions were imposed on money-changers' activity and they were prevented from trading in foreign currency except Jordanian dinars, and that only by Jordanian passport-holders. These restrictions, however, were not enforced.

In 1984 an application to open an Arab bank under local ownership in Nablus was submitted. The Israeli government agreed in principle, but Jordan refused to approve the application as the bank would have had to operate under Bank of Israel supervision."

This early internal stagnation in 1983 became worse in the West Bank and Gaza with the impact of the international recession. As the Israeli agriculture began to suffer from continued overproduction in certain crops, they have responded by putting restrictions on imports from the West Bank and Gaza and by "dumping" their overproduction into West Bank and Gaza. Also, the recent Arab boycott and conflict between certain Arab world countries has closed off markets, and the oil price decline has caused more laborers to transfer home from the Arab Middle East. As income has declined and loans were not available, the liquid savings have been put into production and/or consumed for family living expenses.

E. Existing Constraints

1. The Israelis use layers of law, some going back to the British Mandate, regulations, rules, and impromptu military orders. The law is considered absolute and is enforced by the military on an arbitrary basis. The threat of adverse action is always present. The need for security is used as the justification. There appears to be a pattern of rewards and punishments toward specific individuals and by local areas so clear statements on exceptions to the constraints cannot be made.

Income taxes are quite high and the application of Value Added Tax (VAT) appears to be misused (for example, against fresh fish) and can result in arbitrary confiscation of personal property and real estate. There are no restrictions on pledging collateral for loan purposes (other than local homestead exemptions), except for foreign lenders who have no legal protection. However, Palestinian residents of the West Bank and Gaza do not borrow funds from Israeli bank branches for fear of confiscation of the collateral for some technical reason out of their control.

For a more complete statement on financing constraints, Attachment 10 provides an unpublished manuscript, Finance and Money with Undeveloped Banking, by Professor Laurence Harris, dated January 1986. Also, Professor Benvenisti plans to release, in April 1987, a new manuscript on Industrialization in the West Bank and Gaza, with specific attention to constraints.

Regardless of which constraint or how it was interpreted, the overall result has been as follows:

- a. No savings institutions are available.
- b. No internal source of borrowed funds is available beyond a couple of months.
- c. No trusted commercial banks are available.
- d. No working capital loans are available.
- e. No seasonal, intermediate or long term lending institutions are available.
- f. No adult education resources are in place for basic finance.

F. Cooperative Education - Training¹

1. Introduction

If the Cooperative Movement in the West Bank and Gaza is to be successful, it has been decided that a general program of education and training is essential. This is the basic concept of the Cooperative Development Project. The primary objective of this consultancy is to assist in the determination of the concepts, strategies and procedures to accomplish this objective.

In order to present the background and information pertinent to this assignment, the CDP office arranged meetings with agencies of governments, agencies of assistance, cooperatives, and private sector interests. Also, local leaders presented historical, economic, cultural and political information.

During this period of study, certain basic concepts became evident. There is, indeed, a fundamental need for education and training in all segments of the cooperative activities. The most critical need is for the individual producers -- cooperative members -- to learn the basic concepts of a cooperative philosophy and operation. Any cooperative educational effort to date has been directed to the governmental employees, cooperative managers and, occasionally, to cooperative board chairmen. No approach has been made to the education and training of members.

It is the firm belief that, to have an intelligent and disciplined approach to a society/cooperative operation, it must be based upon a high level of understanding by all members of the cooperative or societal philosophy and the disciplines it requires. Members must be committed to the objectives of the organization. The ultimate strength of any cooperative must be based upon the support of an intelligent, committed and loyal membership. Examine any successful cooperative and this element of membership relations is the basic foundation. The membership elects competent and dedicated directors to represent them by a fully democratic process.

This is cited to emphasize the importance of a program of education and training that will provide all people of the cooperative operation -- members, directors and management -- with the capability to be successful.

¹This section represents a voluntary joint effort by Len Wooten, Marketing Consultant, and this writer to take the initial step of providing a master strategy to deliver the education, training and technical assistance in a planned and systematic manner. This is intended as one alternative among several that can be implemented.

As workshops for the set of selected course materials are designed and developed, it is important to present methods of delivery to the targeted audience. In the interest of this education and training, three tools are presented in draft form as follows:

- a. Cooperative Education Strategy.
- b. Combined Implementation/Work Plan and Cost Estimate Format.
- c. Cooperative Education Organization Chart.

2. Cooperative Education Strategy

General Audience	All cooperative members, directors, and employees of the cooperatives, but not to exclude any interested individuals.
Target Audience	Any cooperative member who can read and write Arabic and is motivated to learn. Specific attention to board members and those cooperative employees who interface with the membership.
Objective	Provide practical training at the member enterprise (primarily, farmer) level and for his cooperative business with simple presentations, explanations, illustrations and worksheets. Manage a systematic schedule to reach as many cooperative members as practical with available funds.
Subject Matter	Practical equivalent of: Management 101 - Basic principles with illustrations. Marketing 101 - " Finance 101 - " Field Education - Field application.
Subject Material	Both Arabic and English language materials drawn from basic materials and related sources, with worksheets and illustrations pulled mostly from local sources.
Trainers - Both Direct/ Indirect	Select and train local residents to teach the four basic subjects in Arabic with some knowledge of English. This initial group

of four trainers should be chosen with more attention to teaching skills with practical tools at the local level. This group would present the subject in a scheduled session for a fixed number of times and would be regarded as Direct Trainers. The Indirect Trainers would be cooperative representatives (cooperative employee, board member, or field education - extension) who present the information informally in individual situations.

Train-the-Trainers

Invite three individual trainees in each subject area. After the course, select one Direct Trainer based on applied skills and performance. The Train-the-Trainer course should also include 10 to 12 cooperative representatives as potential Indirect Trainers who are natural teachers and have on-going contact with cooperative members.

Trainer's Course

Review text as located by each consultant for each of the four primary subjects. Select the basic teaching aids. Provide professional teachers (the trainer for the trainers) to present model teaching sessions and later to serve as advisors. Have each potential trainer prepare and lead selected training session for practice (and evaluation). The morning sessions should be devoted to model presentations of each subject area during the first week. The afternoons should be used to develop workshop materials. The second week should be devoted to practice teaching sessions in the morning and to preparing and testing individual teaching material during the afternoon. After 10 days (4 hours of class and 2 hours of workshop per day), the selection of trainers can be made. Additional subject matter instruction may be needed before each professional trainer is satisfied. Both the professional trainer (subject specialist) and CDP trainer/manager should recommend each potential trainer for final hire by CDP.

Professional Trainers	Select the best available, either local, regional or Middle East. Consider picking from the Agriculture Credit Corporation training staff in Amman. Match up a team of four with a substitute for each. The original faculty, their models and selection of Direct Trainers will determine the success of the member training programs so they should be well compensated by CDP. The central location of Ramallah or East Jerusalem is suggested.																																																
Locations	For a minimum of day time travel and limited interruption of the regular work schedule, several locations should be utilized -- probably Nablus, Ramallah, Hebron, and Gaza City.																																																
Workshop Schedule	Start at 3 or 4 p.m. one day per week and convene no more than three hours. This would allow 45 minutes of work activity in each of the four areas. About 20 to 25 members should be enrolled.																																																
Sample Schedule	<table><thead><tr><th><u>Location</u></th><th><u>Mon.</u></th><th><u>Tues.</u></th><th><u>Wed.</u></th><th><u>Thurs.</u></th><th><u>Sat.</u></th></tr></thead><tbody><tr><td>Nablus</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Section 1</td><td>X</td><td></td><td></td><td></td><td></td></tr><tr><td>Nablus</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Section 2</td><td></td><td>X</td><td></td><td></td><td></td></tr><tr><td>Ramallah</td><td></td><td></td><td>X</td><td></td><td></td></tr><tr><td>Hebron</td><td></td><td></td><td></td><td>X</td><td></td></tr><tr><td>Gaza</td><td></td><td></td><td></td><td></td><td>X</td></tr></tbody></table>	<u>Location</u>	<u>Mon.</u>	<u>Tues.</u>	<u>Wed.</u>	<u>Thurs.</u>	<u>Sat.</u>	Nablus						Section 1	X					Nablus						Section 2		X				Ramallah			X			Hebron				X		Gaza					X
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Hebron				X																																													
Gaza					X																																												

In order to maximize the services of the Direct Trainers, at least one morning session could be added in each location. Also, special training sessions (single-purpose workshop or seminars or technical assistance) could be arranged around the specific teaching schedule of each Direct Trainer each day.

Sample Costs

Train-the-Trainer Training

Professional Trainer

4 x _____ JD/month x 3 weeks =
Room, Board & Travel costs for
4 x 3 weeks =

JD

Student Trainers - both Direct & Indirect

25 x _____ JD/month² x 2 weeks =
Room, Board & Travel costs of
25 x 2 weeks =

Direct and Indirect Training

Direct Trainers

4 x _____ JD/month x 5 months =
Room, Board & Transportation
costs for 4 x 5 months =

Indirect Trainers

Personal transportation costs
and honorarium, quarterly =

TOTAL

JD

Basic Level?

The initial late afternoon workshop would contain management, marketing, finance and field education material with a Direct Trainer for each area. This four-member faculty would travel to four regional locations each week on a set schedule for five months to provide about 20 hours of instruction in each subject area. Each cycle would handle up to 125 members, assuming that one of the regions filled two afternoon sessions. If the interest was greater, the use of a morning schedule each day would double the attendance to 250 per five-month cycle. This would provide direct training to 1,000 members in 4 cycles in two years. If the initial demand is stronger, a second faculty can be developed.

²Say, one-half the fee level of the Direct Trainer.

Specialized
Level

As the Basic Level is being completed, the original consultants could be invited back to evaluate the results of their recommendations, the effectiveness of implementation, and member response to this education. The early response should be adequate to justify the development of Presentations 202 in each subject area. Specific attention should be given to the needs of the board and cooperative operations. By that time the longer term approaches to cooperative education activities would be more apparent, particularly, the structure for a transition to a permanent local body with both existing talent and future financing.

However, the immediate implementation of the Basic Level workshop, field education and technical assistance should not prevent the development of a Specialized Level program if CDP management can handle it. With advanced preparation, the Basic Level Trainers would have time during the three-hour session, while the other subjects are being taught, to conduct the Specialized Level session and/or do technical assistance.

3. Combined Implementation/Work Plan and Cost Estimates

Table 1 provides a draft model as one alternative.

4. Cooperative Education Organization Chart

Table 2 provides a draft chart as one alternative.

5. Conclusions

The prerequisite of a quality training program is the properly-trained trainers. When local resources are used, the Train-the-Trainer approach is even more critical. We are informed that there are several hundred well-educated individuals who are under-employed now. The specific selections that the training specialist and project management make will be vital to this education delivery.

The job description for the finance specialist is presented as Attachment 8. The workshop curriculum for a Basic Financial Management and Agricultural Credit Management workshop

TABLE 1

COMBINED IMPLEMENTATION/WORK PLAN AND COST ESTIMATES

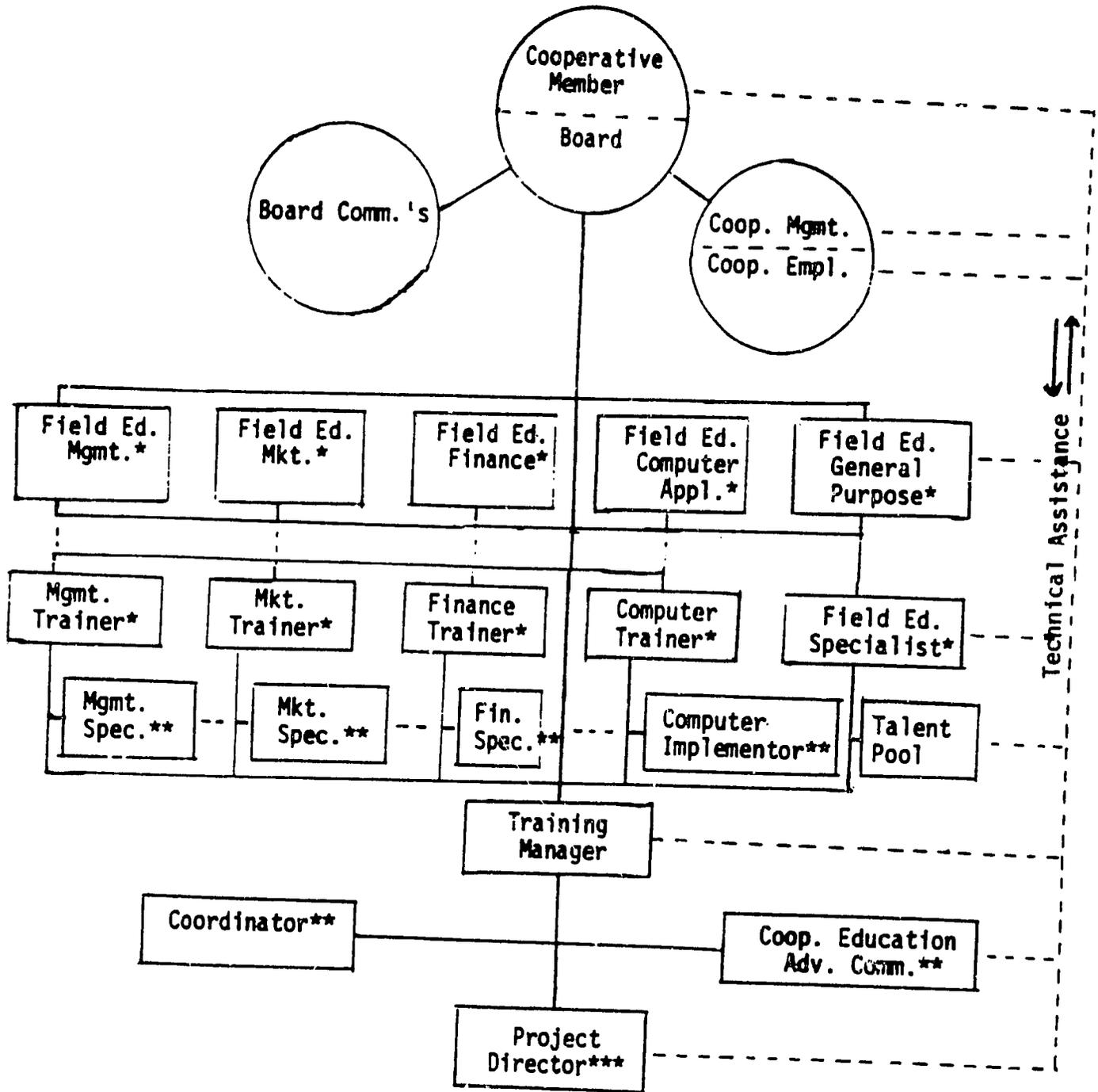
(Draft Model)

Master Strategy by Major Activities	1987				1988			
	<u>1st Qtr.</u>	<u>2nd Qtr.</u>	<u>3rd Qtr.</u>	<u>4th Qtr.</u>	<u>1st Qtr.</u>	<u>2nd Qtr.</u>	<u>3rd Qtr.</u>	<u>4th Qtr.</u>
Workshop Series								
Basic Level								
- Interview & hire trainers								
- Attract trainee trainers								
- Present T-T courses								
- Select & hire direct trainers								
- Appoint Internal Trainer in cooperative								
- Work schedule								
- Cost estimates								
Specialized Level								
- Define narrow goal								
- Hire trainer								
- Work schedule								
- Cost estimate								
Basic Level - Second Faculty								
- Same as above								
Field Education (Extension)								
- Define each goal								
- Select & hire trainer for each specialty								
- Train in appropriate cycle								
- Work schedule								
- Cost estimate								
Technical Assistance								
- Appoint Coop. Ed. Adv. Comm.								
- Coop Board projects								
- Coop management projects								
- Coop member projects								
- Finance institution projects								
- Cost estimate								
Costs Summary								
Major activities								
CDP overhead								

TOTAL

ma

TABLE 2
 COOPERATIVE EDUCATION ORGANIZATION CHART



* Full time.
 ** As needed.
 *** Assumes that participating cooperative will commence to compensate JCO for management services at 25 percent per year increase and JCO in turn would reinvest the funds into a "foster parent" arrangement to take over CDP activities by 1989.

is presented as Attachments 2 and 3. The agriculture credit text and materials in both Arabic and English which we located at the Agriculture Credit Corporation in Amman appear to have merit.

G. Savings and Credit Institutions

1. The residents of the West Bank and Gaza have wanted an "Arab Bank" since all banks were closed in 1967. As the Israelis imposed branches of Israeli banks into the major communities in 1968, local residents made an "ingenious" decision to function in a multi-currency system by continuing the use of the Jordanian Dinar. With severe erosion and devaluation of the Israeli shekel in recent years, the "JD" has provided stability and an alternative to these residents. As a group of people, they have no democratic voice in the control of any currency. Therefore, the stability and trust in a financial institution is paramount.

After 15 years of refusals by the Military Authorities and a Supreme Court decision, the Bank of Palestine was allowed to open one branch in Gaza City. This bank, strongly supported by the local residents, would like to reopen its 5 branches in the West Bank and Gaza. When the board of directors of the bank announced an effort to increase the share capital of the bank for expansion purposes, the Military Authorities objected. This has not stopped the confidence of the customers in this small bank with 6,000 accounts in one branch.

In terms of commerce, it is generally regarded that Nablus is the finance center of the West Bank, Ramallah is the trade center, and Hebron is the more industrial area. Agriculture is strong in the north and south, with concentration in the Jericho area of the Jordan Valley. After the Jordan and Israel governments failed in the final arrangements to open a bank in Nablus a couple of years ago, several events have occurred. It is my understanding that Professor Harris of Oxford was asked by the Jordanian government to analyze the present financial institutions (see Attachment 10). He was expected to give some direction to the future role of the moneychanger and the future commercial banking needs. During this time period, two large moneychangers from the Nablus area were slated to open or reopen commercial banks in Nablus.

With this possible concentration of banking in only one area of the West Bank, there may have been interest in the need for a broader distribution of banks, particularly in the Hebron

area. While this was happening, there were rumors that certain moneychangers had suffered losses in oil and real estate development. Many investors responded by calling their deposits. Unfortunately, the moneychanger could not borrow sufficient funds against assets to cover the call by the depositors. One of the moneychangers committed suicide last spring and the other one is stalling depositors which has damaged the confidence in deposits with money-changers who reinvest the funds. Dr. Harris did not favor the commercial banks over the moneychangers.

With the continuing assistance of the U. S. consulate in Jerusalem, the Cairo-Amman Bank announced plans to reopen its Nablus branch this fall. The manager who sustained his position after the branch closed in 1967 will handle this reopening, at least during the early transition. This branch opening may be interpreted as a signal that more branches will be allowed to reopen. This could include Arab Bank in Amman, which is ready to open one or two of their branches. In contrast, this permission may only represent a minor adjustment if the branches are provided with insufficient resources.

2. In order to put some numbers on the size and the lack of balance of the economies, the recent Foreign Trade Summary is presented in Attachment 4.

Exports declined to \$166.4 million in 1985 from the West Bank, while imports slowed to \$392.4 million. Imports of agricultural products from Israel was the major item. According to this data, agriculture exports to Israel exceeded exports to Jordan by 200 percent.

Exports declined to \$102.5 million in 1985 from Gaza Strip as imports were reduced to \$279.9 million. Imports of industrial products from Israel were the major item.³

The West Bank and Gaza have neither a central monetary authority nor an effective banking system. The total assets and liabilities of Israeli banks' branches are presented in Attachment 5. Total loans to the public is small for populations of this size. Cash is the primary means of payment. About 30 branches of Israeli banks operate here, but they are

³ Israeli shekel (IS) is almost 1.50 to US\$1.

little used except to serve the Israeli settlements. Instead, there is an extensive network of about 360 moneychangers. The residents also avail themselves of the services of Jordanian banks, directly or through the moneychangers, who intermediate between local residents and banks in Amman and the international money centers.

The major supplier of external funds has been the Jordan-Palestine Committee and the Jordan Cooperative Organization. A summary of these investments for the past five years is presented in Attachment 6. Although the conversion rate is about \$3 to 1 JD, the annual amount of funds is not large. The funds for agriculture were primarily for seasonal production loans. The capital improvement loans were primarily for land and livestock development and some crop processing equipment.

The amount of long term financing being done is insignificant. Even the shorter term sources do not represent a large amount outstanding except for the moneychangers and commission agents who handle short term cash flow emergencies. The primary organizations who finance cooperatives and individuals are described in Table 3.

The question can be asked, "How does any group of productive people survive with so little financing?" The short answer is the strong, interdependent family! This has been aided by a strong currency (JD or \$US) and almost no loan payments to financial institutions.

Without traditional financial institutions that can be trusted, families with assets are "equity poor." However, this equity or collateral is used to borrow funds within the extended family and friends. Formal documents such as loan agreements, promissory notes, collateral pledges, chattel mortgages, repayment schedules, guarantors (co-signators), or deeds of trust are not considered necessary. When a family member has an acceptable need and has only a portion of the cash, he will ask one or more family members for the balance. Even if that man does not have the cash, he has an obligation to borrow it from someone else. This cycle of informal financial activities may continue until death. After the funeral, the individuals who have loaned funds come forth for collection and those who owed funds pay up. There are more modern ways to handle financial matters and to utilize a broader base of savings and debt, but this informal family arrangement may have been the best for the Palestinians under existing constraints. At least, the distrust of financial institutions and fear of confiscation of home and assets is avoided.

TABLE 3

COOPERATIVE AND OTHER FINANCIAL ORGANIZATIONS
OPERATING IN THE WEST BANK AND GAZA STRIP, 1986

Organization and Location	Type	Purpose	Financial Activities	Current Annual Volume, JD	Sources of Funds	Lending Terms	Rate of Interest	Importance
JCO, including Cooperative Bank Amman	Cooperative Union	Financial and Technical Support to all coops	Broad resource to all types & sizes of coops	JD 1 mil	JCO allotment	1-15 yrs.	1-5%	Very High
Housing Bank Amman	Commercial-need Govt. guarantee	Coop Housing Projects	Basic loan for shell	Limited	Private banks	15 yrs.	7.5%	Low
Industrial Development (IDB), Amman	Semi-Commercial	Industrial Projects	A few small to medium sized projects	Limited	Private funds & Joint Comm.	Medium	1-6%	Low
Islamic Bank Amman	Regional Commercial	Village water, utilities, light industry	A few projects of 35,000 to 750,000 JD	Limited	Arab & Islamic countries	Equity & Grants	Joint Venture	Low
EEC through JCO, Amman	European	Productive coops	A few projects up to 50,000 JD	JD 500,000	European assistance	Medium	2%	Low
Commercial Arab Bank Amman	Commercial-with guarantee in Amman	Productive private firms	A few individual projects	Limited	Investors	Short	11%	Very Low
Moneychangers West Bank	Licensed private financial firms	Prompt undocumented transactions	Foreign exchange, checks, deposits, short term loans	JD 5 to 7 mil	Owners and depositors	Days and weeks	20-30%	Medium
ANERA	Non-profit service	Local Development	Several individual and coop loans	JD 500,000	USAID and other donors	1-7 yrs.	3-9%	High
Other Private Voluntary Org.'s - Save the Children, MCC, CRS, Int. Christian Comm.	Non-profit service	Local Development	Many small projects	500 mil	USAID and other donors	1-7 yrs.	7-11%	Minor ?
Commission Agents	Private firms	Facilitate production & marketing	Cash or supply advances	500,000	Private		10-20% per season	Medium
Bank Palestine Gaza	Commercial bank	Regular banking services	All basic banking to coops and individuals	700,000 equivalent	Private & deposits	Short term	13% hard currency	Low
Israeli Banks, West Bank	Commercial bank	Regular banking services	All basic banking	N/A	Private & deposits	Short term	20-30% indexed	Very Low :
Welfare Association, Geneva	Non-Profit service	Local development	A few projects 50,000	200,000	Donor states & individuals	Medium	3-5%	Low
UNDP	UN agency	Local development	About 25 coop & village projects	800,000	UN	Grants	--	Medium
Local Insurance Funds			Small but not researched					
Local Pension Funds			Small but not researched					

3. A financial consultant seldom has the opportunity to find a sizeable geographic territory with productive people that does not have internal, self-contained financial institutions. Rather than make several recommendations to start big institutions immediately, I will stress a local or village approach, at a slow pace, with longer term objectives. The primary ingredients will be savings, local leadership, education and technical assistance.
4. Although savings have declined in recent years, there is a sufficient amount at the village level to merit safekeeping and reinvestment. The primary challenges would be to invest the funds with safety and to keep administration cost low. The thrift and credit association or the cooperative provides an effective example in many other countries. The West Bank had several similar cooperatives before 1967. There were primarily credit and thrift since the pre-JCO provided loan funds and thrift was encouraged as a by-product of the outside source of loan funds.

There are two thrift and credit cooperatives in the Nablus area that have survived. The basic data for each is presented in Attachment 7. They may not be benefiting from the payroll deduction feature. Neither West Bank or Gaza have large firms with large payrolls. The CDP (Finance Specialist) could verify that one of the Nablus cooperatives is a good model and do a "lessons learned" analysis. CDP could present the model thrift and credit to the leadership of several progressive villages drawn from the primary cities. The first village that develops a satisfactory feasibility study would be encouraged to form the organization and collect membership capital. Also, the Arab Bank in Amman could be encouraged to provide or train a part-time manager for this part-time location, not necessarily in a store front. The attorneys may recommend a corporate structure, but operate according to cooperative by-laws. The World Council of Credit Unions could be asked to supply technical services. CDP could provide credit training to the membership. International organizations may want to match the equity in a series of these. (It may also be preferred to form a separate savings and loan corporation and tie together with a holding company.)

A village thrift and credit institution could be a low budget operation that re-lends the funds to members. A successful model could be duplicated throughout the entire area in a few years.

5. As the CDP gets underway, there is renewed talk of attracting blocks of external funds and developing internal vehicles to administer them. A traditional commercial bank is the area-wide vehicle and would not interfere with current moneychangers, since most of the activities will be longer term. Representatives from the International Finance Corporation visited the West Bank and Gaza last week after visiting with officials in Tel Aviv and Amman. Although their capital market staff avoided this project as a "political loan," IFC may develop a financial plan for the Cairo-Amman Bank that would bring in additional sources of loan for re-lending. I would expect USAID to be solicited to participate in a 50 to 75 million dollar loan fund. CDP could provide the training component to the borrowers. Also, CDP should provide the necessary technical assistance so that the cooperatives were prepared to merit and receive a substantial portion of the loans. This activity would be strengthened by the on-going CDP membership education workshops.

If for some reason the Cairo-Amman situation in Nablus does not develop, IFC may want to consider something with the Arab Bank, possibly in Ramallah. There is merit in examining the progress of the Trafalgar Development Company in Kingston, Jamaica, which was established in 1984 by local citizens with start-up costs and long term loan funds (at market rate lending) from USAID. CDP would benefit from the early experience of this new private sector lending institution.

If a commercial or investment bank is not developed with long term funds, another alternative within the cooperatives is practical under conditions of "disciplined credit" (education, supervision and technical assistance). For a clear statement on the role of credit, the reader is referred to Attachment 9, pages 9 and 10. The seven regional marketing cooperatives⁴ have the broad coverage of membership on the West Bank. A credit arm could be attached to each cooperative with sufficient central direction to assure disciplined credit. If the cooperative member has not attended the basic CDP workshops or equivalent, a pre-loan approval condition should be satisfactory completion. A similar service could be arranged for Gaza with the Bank of Palestine.

The cooperatives must avoid the practice of allotting a fixed amount of credit to each member or his number of acres. Basic credit criteria should be applied on an individual basis. A higher priority should be placed on (1) new technical or

⁴Agricultural Marketing Cooperatives - Hebron, Jenin, Jericho, Nablus, Ramallah, Qalquiliya, and Tulkarem.

specialized industries, (2) new products with an export market, and/or (3) improvement in local markets. Also, loans should be avoided that increase agricultural production without new or additional markets and/or adequate supply of water.

The Private Voluntary Organizations (PVO's) maintain active roles in both the West Bank and Gaza with a modest amount of funds. Until recently, these funds went out as grants or loans with minor interest rates. Efforts are underway, specifically with ANERA and Save the Children, to charge interest rates closer to the U.S. cost of funds. The PVO's appear anxious to utilize the CDP education and training programs. However, any training should be complemented with a sound credit program. Therefore, CDP is the natural vehicle to provide a leadership role on credit policy and criteria. In order to coordinate the various funding programs among the PVO's, a memorandum of understanding is needed.

H. Project Recommendations and Comments

1. The key recommendations are as follows:
 - a. Education is urgently need-d throughout the cooperatives and need not violate the existing constraints.
 - b. Cooperative vehicles have been effective even under the existing constraints. There is no question of the need for credit to productive purposes with this strong, nearly debt-free equity, but education should come first. A major concern is "how to set priorities of resources and time, since the basic education in management, marketing, finance and technical assistance are so large if the military authority becomes less repressive."
 - c. The financial education should be directed to the cooperative member as a firm, with the cooperative organization serving his business and marketing vehicle.
 - d. The financial curriculum should include accounting principles, record keeping, budgeting financial projections, cash flow analysis, enterprise analysis, break-even analysis, etc. The finance education workshops should complement the master CDP cooperative education strategy and dovetail with the Implementation/Work Plan and Organization Chart.

- e. A Financial Specialist should be employed for up to two years to direct the development of materials for use in both Arabic and English and help train local Financial Trainers who will operate under the Implementation/Work Plan, along with ongoing technical assistance. Also, the person would lead the financial institution development. A Terms of Reference for this position is presented in Attachment 8.
 - f. A professional management approach should be adopted to the local situation to reactivate the thrift and credit functions which have not functioned for twenty years.
 - g. The West Bank and Gaza should have the benefit of at least one highly qualified and experienced financial expert. CDP can provide a neutral workplace and the total additional cost is reasonable. The two geographic areas sustain nearly 1.5 million people and nearly 200 active cooperatives. For two decades, these areas have been unable to provide advanced courses in finance and Palestinians could not obtain local financial management positions. There has been no opportunity to practice financial management or learn from other local financial institutions. Some young people have left the area for higher education but their typical work experience does not fit the current needs of this series of assignments. Efforts could be made to find such an Arab-speaking person in Jordan. However, Jordan has acute financial needs and does not provide strong models for implementation. Since CDP plans to employ several local trainers and technical assistance specialists, the use of these expatriates for the entire project is reasonable. Even with open competition, there are only a few individuals equipped to accomplish the stated objectives of this position. Thus, it is concluded that a financial management specialist can make a major contribution to both the specific and overall objectives of this project. Therefore, I recommend the funding for this expatriate position during 1987 and 1988.
2. With the combined results of the four consultants, project management should be ready to select the best combination of strategies to reach the targeted recipients in the estimated 30,000 cooperative population. The execution dates for this implementation plan can be decided and penciled in. Then, the staffing of the Trainers can begin and a combined education and technical assistance program will be underway for a full speed operation.

Whether it is a cooperative or any other activity, local leadership is the key to successful results. Don Hovendick has assembled a talented cadre, including the Palestinian counterparts and the support group from the private sector. I want to specifically thank Adnan Obeidat in the role of "Mr. Cooperator" and his objective assistance to me during this month. Also, I appreciate the rapid word processing results of Tina Davies under inconvenient conditions.

Attachment 1

Master List
Marshall Burkes
9-18-86

Financial Interviews by Type of Firm

<u>Name, Location and Type</u>	<u>Senior Hosts</u>	<u>CDP Representatives</u>	<u>Date</u>
1. Regional Mktg Coops Meeting with managers Nablus Marketing	Tahsin El Faris, Chairman Mohamad Hudrob Manager	Burkes/Obeidat Evavold Davies	8-26-86
2. Rural Research Center Al Najah University Nablus Research Studies	Dr. Feras Sawalha	Burkes/Obeidat Davies	8-26-86
3. Barclays Discount Bank East Jerusalem Commercial Bank	Fouad Anfous	Hovendick Burkes	8-27-86
4. Save the Children East Jerusalem Private Voluntary orgns.	Shehadeh Dajani Ag. Specialist	Hovendick/Davies Burkes/Obeidat	8-27-86
5. MATTYN (non Profit corporation) Ramallah Center for Production Development	Charles Shamas	Burkes/Obeidat	8-27-86
6. Khadder & Co. East Jerusalem Certified Public Acctnts	George Khadder	Burkes/Obeidat Evavold	8-28-86
7. Kuttab & Kuttab East Jerusalem Attorney	Jonathan Kuttab	Hovendick, Davies Ott, Evavold Burkes/Obeidat	8-28-86
8. ANERA East Jerusalem Private Voluntary Orgns.	Ibrahim Matar	Burkes/Obeidat	8-29-86
9. Citrus Growers Ag. Coop (Packing House Co.) Gaza City Citrus Processing	A. Abu Niddean, Chairman	Hovendick/Davies Burkes/Obeidat	8-31-86
10. Bank of Palestine Gaza City Commercial Bank	Ata Shawa, Chairman Rushdi Sakallah, Manager	Hovendick, Evavold Shawah, ANERA	8-31-86

11. Al Tawfiq Fishermen Cooperative. Gaza City Fresh Fishing	Long term manager	Hovendick, Evavold Burkes	8-31-86
12. Private Voluntary Organization in Gaza Private Voluntary Orgns.	Issam Shawah ANERA	Hovendick, Davies all consultants Obeidat	8-31-86
13. Private Consultant East Jerusalem Financial Studies	Ahmad Sweilem	Hovendick Burkes	9-1-86
14. International Authority West Jerusalem West Bank and Gaza Studies	Meron Benveniste	Davies, Burkes	9-1-86
15. Ayyad Travel Agency El-Bireh (Ramallah) Travel Agency	Al Malki Owner	Burkes/Obeidat	9-1-86
16. Kufr Malek Ag. Coop Kufr Malek Machinery cooperative	Faheem Al Malki Secretary	Burkes/Obeidat Shamas	9-1-86
17. Al Najah University Nablu Financial Studies	Dr. Atraf Alawnah Chairman Eco. Dep.	Burkes/Obeidat Shamas	9-2-86 no show
18. Tulkarm Mktg Coop Tulkarm Mkth coop.	Khalil Garsu Director Mohamad Al Salah Director	Burkes/Obeidat Shamas	9-2-86
20. Badran Company Tulkarm Garment Factory	Abdallah Badran	Burkes/Obeidat Shamas	9-2-86
21. Beit Sahour Health Insurance Coop. Beit Sahour Health	Saba Musleh, Chairman	Burkes/Obeidat R. Muzzafar	9-3-86
22. Beit Sahour Handicraft Coop. Beit Sahour Handicraft coop.	Yonan Salameh, Chairman	Burkes/Obeidat F. Muzzafar	9-3-86
23. Beit Sahour Housing Coop. Beit Sahour Single Family Housing coop.	Raji Hanouneh Director	Burkes/Obeidat F. Muzzafar	9-3-86
24. Beit Jala Olive Press Coop. Beit Jala Olive Pressing coop.	Suleiman Muker, Chairman	Burkes/Obeidat	9-3-86

25. Sae'r Electric Coop. Sae'r Village Electric coop.	Mohamad Gutraish Chairman Mohamad Milhem Advisor	Burkes/Obeidat Evavold	9-3-86
26. Tarqumia Ag. Coop. Hebron Olive coop.	Omar Daoudi, Manager	Burkes/Obeidat Evavold	9-3-86
27. George Halabi & Co. East Jerusalem Money Changer	Jamal Halabi	Burkes/Obeidat	9-4-86
28. Regional Finance Authority Amman, Jordan/Kufr Malek Banker & Economist	Malki President, Jordan Bankers Assoc.	Hovendick Burkes	9-5-86
29. Engineers Housing Coop. Nablus New Single Family Construction	Ismaeel Masoud Coop Manager	Hovendick, Davies All Consultants	9-6-86
30. Atallah Tex & Trading Factory Nablus Money Changer & Coop Treasurer	Issa H. Atallah	Burkes	9-7-86
31. Bank of Israel West Jerusalem Senior Economist, Research	^{Dan} Ben Zakai	Hovendick Burkes	9-8-86
32. International Authority West Jerusalem West Bank & Gaza Studies	Meron Benvenisti	Hovendick, Davies All Consultants Obeidat	9-8-86
33. Bank Leumi Tel Aviv/West Jerusalem Senior Management	Mr. Yekutieli Joint General Mgr.	Hovendick Burkes	9-11-86
34. Howarth Bavley Milner & Co. Tel Aviv CPA & Public Service	Dan Bavley	Hovendick Burkes	9-11-86
35. JCO Amman, Jordan Senior Cooperative for Jordan & West Bank	Mr. Tell, Gen. Mgr.	Burkes/Obeidat Wooton/Husseini	9-13-86
36. Ministry of Occupied Territories Amman, Jordan West Bank & Gaza	Dr. Ahmad Quantzani <i>Katarani</i> Deputy	Burkes/Obeidat Wooton/Husseini	9-13-86
37. Ministry of Agriculture Amman, Jordan Production Numbers	Soud El Suhair Dir. of Ag.Econ.	Burkes/Obeidat Wooton/Husseini	9-13-86

38. USAID Amman, Jordan Data Source	Tom Rishoi Program director	Burkes/Obeidat Wooton/Husseini	9-13-86
39. Paralled Coop. Market Amman, Jordan Market & Finance	Fahim El-sukkon Manager	Burkes/Obeidat Wooton/Husseini	9-13-86
40. JCO Staff Amman, Jordan Credit	Dr. Johannes Teichert Management Advisor	Burkes Wooton	9-14-86
41. Cooperative Bank Amman, Jordan Credit	Ghaleb Qalqili, Director	Burkes/Obeidat	9-14-86
42. Industrial Development Bank Amman, Jordan Lending Program	Ahmad Eid, Mgr. of Investments	Burkes/Obeidat	9-14-86
43. Ag. Credit Corp. Amman, Jordan Educational Data	Sami Saina, Ph.D General Director	Burkes/Obeidat Nesnas	9-14-86
44. Ag. Credit Corp. Amman, Jordan Educational Courses	M. Rashrash, Secretary General NENARACA	Burkes/Obeidat Nesnas	9-15-86
45. Dhahiat Hussein Coop. Suburban - Amman Food Market	Fathelel Hamoni Chairman	Burkes/Obeidat Wooton/Husseini	9-15-86
46. Ministry of Planning Amman, Jordan Finance Planning	Dr. Tahir Kanwan Minister Salem Ghawi Finance Director	Burkes/Obeidat	9-15-86
47. Arab Bank, Ltd. Amman, Jordan Commercial & Investment Banking	Khaled Shoman, Deputy Gen. Mgr. Munzer Fahoum, Ast. Gen. Mgr.	Burkes/Obeidat	9-15-86
48. International Finance Corp. Washington, D.C. Investment Project	Doug Gustafson, Investment Dir.	Burkes	9-18-86

Attachment 2
WORKSHOP CURRICULUM
(Draft Suggestions)
Basic Financial Management

1. Accounting Principles
 2. Use of Financial Records
 3. Financial Statements - Balance Sheet and Income Statement, plus Source and Application of Funds
 4. Ratio Analysis
 5. Appraisal of Assets
 6. Cash Flow Analysis
 7. Enterprise Accounting
 8. Break-even Analysis
 9. Budgets
 10. Planning for Capital Improvements
 11. Any other tools for analysis and decision making
- Text: any basic, introductory finance material in Arabic**

Attachment 3
WORKSHOP CURRICULUM
(Draft suggestions)
Agricultural Credit

1. Background to Agricultural Credit
2. Need for Quality Farm Records
3. The Balance Sheet
4. Appraisal of Assets
5. Profitability
6. Liquidity
7. Interest and the Value of Money
8. Types of Loans and Interest Rates - Borrowers' Needs
9. Collateral as Security
10. Economics of Each Enterprise
11. Assessing Farmers' Loan Worthiness
 - A. Character
 - B. Business ability
 - C. Farming ability
 - D. Management ability
12. Preparation of Loan Application
13. The Farm Plan
14. Project Financing - The Cash Flow
15. Loan Documents
16. Methods of Disbursement
17. Methods of Repayment
18. Prevention of Arrears
19. Correcting Arrears
20. Handling Default and Possible Recovery

21. Any other tools for analysis and decision making

Text: Agricultural Credit Training, produced by FAO and edited RAJ Roberts and Malcolm Harper and translated to Arabic.

FOREIGN TRADE

Attachment 4

FOREIGN TRADE SUMMARY

\$ million

	The Golan Area						
	1983				1985	1984	1983
	X-XII	VII-IX	IV-VI	I-III			
A. IMPORTS - GRAND TOTAL	79.5	64.4	73.2	62.8	279.9	279.4	332.1
FROM ISRAEL - TOTAL	72.6	59.3	67.3	57.8	257.0	256.8	305.7
Agricultural products	8.1	6.7	9.1	7.8	33.7	35.5	37.9
Industrial products	64.5	50.6	58.2	50.0	223.3	221.3	267.8
FROM JORDAN - TOTAL	-	-	-	-	-	-	-
Agricultural products	-	-	-	-	-	-	-
Industrial products	-	-	-	-	-	-	-
FROM OTHER COUNTRIES - TOTAL	6.9	5.1	5.9	5.0	22.9	22.6	26.4
Agricultural products	2.3	1.4	2.1	1.5	7.5	6.3	7.0
Industrial products	4.4	3.7	3.8	3.5	15.4	16.3	19.4
B. EXPORTS - GRAND TOTAL	35.0	16.2	26.1	25.2	102.5	114.9	160.6
TO ISRAEL - TOTAL	29.9	16.2	18.7	16.9	81.7	95.8	151.1
Agricultural products	2.4	0.9	3.2	3.6	10.1	6.4	17.2
Industrial products	27.5	15.3	15.5	13.3	71.6	87.4	133.9
TO JORDAN - TOTAL	2.4	-	7.4	6.3	16.1	14.9	22.5
Agricultural products	2.4	-	7.4	6.3	16.1	14.9	22.5
Industrial products	-	-	0.0	0.0	0.0	-	0.0
TO OTHERS COUNTRIES - TOTAL	2.7	-	-	2.0	4.7	4.2	7.0
Agricultural products	2.7	-	-	2.0	4.7	4.2	7.0
Industrial products	-	-	-	-	-	-	-
C. SURPLUS OF IMPORTS OVER EXPORTS - GRAND TOTAL	44.5	48.2	47.1	37.6	177.4	164.5	151.5
In trade with Israel	42.7	43.1	48.6	40.9	175.3	161.0	154.6
In trade with Jordan	-2.4	-	-7.4	-0.3	-16.1	-14.9	-22.5
In trade with other countries	4.2	5.1	5.9	3.0	16.2	18.4	19.4

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Judea and Samaria

1 9 8 5				*1985	1984	1983
A-XII	VII-LX	IV-VI	I-III			
93.8	102.0	103.1	93.5	392.4	406.8	452.7
79.9	90.8	92.6	82.1	345.4	363.1	406.9
12.5	14.8	16.4	10.3	54.0	62.7	51.7
67.4	76.0	70.2	71.8	291.4	300.4	355.2
2.7	1.9	1.2	2.9	8.7	8.2	6.8
0.2	0.1	0.0	0.0	0.3	0.1	0.3
2.5	1.8	1.2	2.9	8.4	8.1	6.5
11.2	9.3	9.3	8.5	38.3	35.5	39.0
2.1	1.6	1.5	1.3	6.5	4.4	5.1
9.1	7.7	7.8	7.2	31.8	31.1	33.9
40.9	37.6	46.0	41.9	166.4	184.5	201.0
26.9	24.5	20.6	24.1	96.1	99.9	134.0
4.0	3.3	4.1	3.5	14.9	15.5	23.0
22.9	21.2	16.5	20.6	81.2	84.4	111.0
13.7	12.9	25.1	17.6	69.3	83.5	65.9
3.6	2.9	17.3	8.7	32.5	33.5	23.8
10.1	10.0	7.8	6.9	36.8	50.0	42.1
0.3	0.2	0.3	0.2	1.0	1.1	1.1
-	-	-	-	-	-	-
0.3	0.2	0.3	0.2	1.0	1.1	1.1
52.9	64.4	57.1	51.6	226.0	22.3	251.7
53.0	66.3	72.0	58.0	249.3	63.2	272.9
-11.0	-11.0	-23.9	-14.7	-60.6	-75.3	-59.1
10.9	9.1	9.0	8.3	37.3	34.4	37.9

Attachment 5

Table 30. Assets and Liabilities of Israeli Banks' Branches in Judea-Samaria and the Gaza District, 1978-84^a

	(current IS million)						
	1978	1979	1980	1981	1982	1983	1984
ASSETS							
Coins and banknotes	7.8	10.0	31.0	75.7	137.1	676.3	3,526.2
Balances with branches in Israel	51.3	95.1	262.7	620.1	1,489.6	3,644.0	26,429.0
Credit to the public							
From government earmarked deposits	6.0	6.6	4.7	3.2	9.9	13.8	66.2
Other	8.1	11.4	30.0	51.1	217.8	685.3	3,459.6
Total credit to the public	14.1	18.0	34.7	54.3	227.7	699.1	3,525.8
Guarantees and other assets	10.1	22.0	41.6	132.8	303.8	1,394.0	10,554.2
Total assets	83.4	145.0	370.1	882.8	2,158.2	6,403.4	44,035.2
LIABILITIES							
Deposits of the public							
In Israeli currency	49.2	63.9	127.7	213.3	527.3	1,130.0	6,798.3
In foreign currency	16.6	52.3	186.9	511.3	1,269.9	3,857.4	26,028.5
Total deposits of the public	65.8	116.2	314.6	724.6	1,797.2	4,987.4	32,826.8
Government earmarked deposits	5.4	5.6	5.1	3.2	9.9	13.6	66.2
Guarantees and other liabilities	12.1	23.2	50.4	155.0	351.0	1,402.4	11,142.2
Total liabilities	83.4	145.0	370.1	882.8	2,158.2	6,403.4	44,035.2

^a End-of-year figures.

Source: Publications of the Examiner of Banks Department.

WEST BANK AND GAZA LOANS, ACCORDING TO
AGRICULTURAL INVESTMENT AREA AND
SOURCE OF LOAN FOR JANUARY 1979 - MAY 1985
(JD's)

No.	Agricultural Investment Area	Indiv. Ag. Loans by JCO	Loans Given to Coops by		EEC	Total Amount	Percent
			JCO	JCO-own Loan Box			
1	Land development	209250			34166	243416	2.6%
2	Poultry raising	53500	125000	5773	8000	192273	2.1
3	Livestock development	114000		20000	12000	146000	1.6
4	Drip irrigation	4250	12500			16750	0.2
5	Plastic houses	28000	20000			48000	0.5
6	Olive presses	30000	100930		16235	147165	1.6
7	Irrigation canals	25900	45000		57509	128509	1.4
8	Nurseries	2000			12000	14000	0.1
9	Ag. equipment & machines		116200			116200	1.2
10	Water tanks & pools	27500				27500	0.3
11	Pump renewing & well rep.	51850				51850	0.6
12	Vine trellising	6000				6000	
13	Banana work		42681			42681	0.5
14	Bee			1720	12000	13720	0.1
15	TOTAL (A)	552250	462311	27493	152010	1194064	12.8
16	Marketing loans for Gaza (B)		80000			8000	0.9
17	Seasonal production loan (C)		3225880		20918	3246798	37.8
18	Loans for dev. & trade (1)		4800000			4800000	51.5
	TOTAL	552250	8568191	27493	172928	9320862	100.0%

A Files from technical office, Jordan-Palestine Joint Committee, Amman.

B Files from Ministry of Occupied Territories/Agriculture Dept., Amman

C Files from JCO/Amman.

¹ Loans for development and trade external company in West Bank given by Joint Committee.

Attachment 7

Nablus Employees Cooperative for Thrift and Credit (UNRWA)

Established - 1964
Members - 134 families
Monthly payments - JD 5
Minimum amount of share capital paid - JD 50
Membership fee - JD 5
Total Loans - JD 10700
Total Paid Shares - JD 6700
Total Savings - JD 2600
Total Reserve Funds - JD 2000
Distributed Dividends - 2.5%

Nablus Government Employees Cooperative for Thrift and Credit

Established - 1955
Members - 250
Monthly payment - JD 1
Minimum amount of Share Capital Paid - JD 20
Total Loans - JD 27482
Total Paid Shares - JD 5674
Total Savings - JD 17722
Total Reserve Funds - JD 5000
Amount of Annual Loan - JD 180
Rate of Interest - 4% annually
Liability - Ten times the shares

Attachment 8

TERM OF REFERENCE

<u>Title of Expert</u>	Senior Financial Advisor
<u>Duration</u>	18 to 24 months
<u>Date Required</u>	January 1, 1987
<u>Place</u>	East Jerusalem

Nature of Assignment:

Work within the existing Cooperative Development Project to finalize the programs as related to finance and execute each function in a professional and orderly manner. The present political environment, which encompasses this location, demands both the standard financial executive skills at the local, national and international level and the ability and experience to operate effectively in complex situations requiring diplomacy and political sensitivity. This person must be able to switch from senior leadership activities to trivial pursuits in order to accomplish an objective in an efficient manner.

Purpose of Assignment:

Provide day to day leadership: (1) of Finance Trainers in the Train-the-Trainer program and Field Educator-Finance on an ongoing basis, (2) for the possible establishment of a thrift and credit cooperative type set of organizations to serve as a working model and (3) for the possible development or redevelopment of a locally-owned lending organization to administer and supervise a sizeable revolving fund for cooperative use with repayment plus interest.

Functions:

1. Attract and select trainers to train others.
2. Supervise the Train-the-Trainers program for finance.
3. Select the Direct and Indirect Trainers for finance.
4. Supervise the ongoing training in finance and its interface with the other areas.
5. Encourage the adoption of simple, clear balance sheets and income statements with supporting record keeping tools.
6. Motivate the formation of thrift and credit committees in several villages to develop interest in the first new organization.

7. Take the more likely village candidate through the procedure of developing and operating a firm at the village level.
8. Determine the successes and lessons learned in the first village.
9. Determine the best alternative to establish a locally-owned broad based lending organization.
10. Advise on the formation or reformation of this firm and establish proper lending policies, supervision and controls.
11. Provide technical assistance on financial management.

Qualifications:

1. Graduate of a recognized University with an MBA degree or equivalent.
2. At least 3 years experience as a senior financial executive.
3. Established and recognized reputation for professional financial management.
4. Leadership experience in cooperative with financial responsibilities.

Language:

English.

Arabic desired (Foreign Service Exam Level I) but not mandatory.

Background:

The Cooperative Development Program (CDP) represents the cooperative movement of the United States. This project was founded in early 1986 to accomplish a set of objectives in the West Bank and Gaza Strip. Funded by the Agency for International Development, it offers training and technical assistance to strengthen and develop cooperatives.