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ASSESSMENT
of the
COOPERATIVE DEVELOPMENT PROJECT INSTITUTIONALIZATION PLAN
in the
OCCUPIED TERRITORIES of WEST BANK and GAZA
Cooperative Agreement No. HNE-0159-A-00-2050-00

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EXECUTIVE SUMMARY

The purpose of this consultancy was to review the draft Institutionalization Plan of the Cooperative Development Project (CDP) and investigate the situation in which CDP is operating to make recommendations that would assist in finalizing its institutionalization plan.

Institutionalization was interpreted to mean placing activities for which there is an ongoing need in an organization which will survive beyond the life of a particular donor-funded contract. The purpose of an Institutionalization Plan is to assure that these conditions will be fulfilled.

The consultant confirmed that there is a need for the activities CDP conducts. The question, then, was where to place these activities. In the Occupied Territories of West Bank and Gaza (WB/G), no institution was found that is capable of providing the high quality, integrated training and cooperative business development assistance being delivered by CDP. It is not necessary, however, to start from zero to create a new institution to perform these functions.

The existing CDP is widely regarded in WB/G as a Palestinian "institution" staffed by competent people, equipped with the physical resources and the basic operating policies and procedures required to do the job. The consultancy concludes that the activities should stay with CDP and it should develop a strategic plan for continuing beyond the life of the project.

The report recommends that CDP initiate an organizational development process which provides for the following steps:

1. forming an advisory board,
2. drafting organizational documents,
3. creating a strategic plan, and
4. registering a non-profit Palestinian organization which would replace CDP.

It should be possible for CDP to finalize an Institutionalization Plan in two month's time of the decision to do so and to conclude the organizational development process within the subsequent 24 months.

INTRODUCTION

This consultancy report is based on a visit to the Occupied Territories of West Bank and Gaza (WB/G) July 18-August 5, 1993. The purpose of the visit was to do an assessment of the institutionalization plan of the Cooperative Development Project (CDP). According to the Scope of Work (SOW), "... (T)his assessment would assist CDP to identify avenues to pursue in-depth in finalizing the institutionalization plan", see Attachment A for full SOW text.

During the 18 days in WB/G, seven days were spent in the field visiting cooperatives, educational institutions, training projects, and complimentary organizations (see the List of People Interviewed, Attachment B). Field visits were scheduled by the CDP management team to the following locales:

- **North--Tulkarim and Nablus;**
- **South--Soureef and Hebron;**
- **Central--Ramallah and Kufer Na'meh;**
- **East--Jericho; and**
- **Southwest--Gaza.**

Of the remaining work days spent in Jerusalem, five days were spent discussing the project with CDP management and technical staff, in addition to requesting and reviewing material. On three more days separate meetings were held with each of the following: Palestinian Non-Governmental Organizations (NGOs), Private Voluntary Organizations (PVOs) and the Jordanian Cooperative Organization (JCO).

The time for this ambitious assignment was limited, but the CDP management team of Acting Director (Director of Technical Services, Abed Abu Arafah), Director of Training and Cooperative Development (Odeh Shehadeh Zaghmory), and Director for Finance and Economics (Joseph Nesnas) gave of their time in scheduling, attending and--when necessary--translating for the meetings and interviews. Each accompanied me on at least one full day in the field. Odeh was assigned to accompany me during the majority of the field visits.

All three of these gentlemen effectively enabled me to gain a good exposure to the world of institutions and individuals in which CDP operates. I appreciate their assistance, guidance and cooperation. Most especially, for the kind hospitality extended by them and their families--as well as by the entire staff--I wish to express my profound gratitude.

**William Greenwood
26 August 1993**

ABBREVIATIONS

ACDI	Agricultural Cooperative Development International
ADS	Arab Development Society
AMIDEAST	American-Mideast Educational and Training Services
AMIS	Agricultural Marketing Information System
ANERA	American Near East Refugee Aid
ARIJ	Applied Agricultural Research Institute
ATF	Arab Thought Forum
CDC	Center for Development Consultancy
CDP	Cooperative Development Project
CDO	Cooperative Development Organization
CRS	Catholic Relief Services
EEC	European Economic Community
GOI	Government of Israel
JCO	Jordan Cooperative Organization
KRA	Key Result Area
M&E	Monitoring and Evaluation
MIS	Management Information System
NIS	New Israeli Shekel (USDOL \$1.00 = NIS 2.80)
NGO	Non-Governmental Organization
PARC	Palestinian Agricultural Relief Committee
PTPO	Palestinian Trade Promotion Organization
PVO	Private Voluntary Organization
PLO	Palestinian Liberation Organization
SCF	Save the Children Federation
SOW	Scope of Work
TDC	Arab Technical Development Corporation
UN	United Nations
UNDP	United National Development Program
USAID	United States Agency for International Development
WB/G	West Bank and Gaza
WID	Women In Development

I. COOPERATIVE DEVELOPMENT PROJECT (CDP)

CDP INSTITUTIONALIZATION PLAN

CDP has been operated by Agricultural Ccooperative Development International (ACDI) under a grant from the United States Agency for International Development (USAID) beginning in 1986 and under a cooperative agreement since 1992. CDP's first version of its institutionalization plan was submitted to ACDI/Washington May 10, 1993 under the direction of the former Chief of Party. That plan was not accepted by ACDI/W.

The Palestinian management team of CDP provided substantial input to a new institutionalization plan outline which CDP submitted to ACDI/W on May 25, 1993. A new draft of the institutionalization plan was written. This is the draft which the present assessment reviews. The draft CDP plan was received by the consultant in two stages. The first consisted of eight pages and was delivered at the beginning of the visit. The second consisted of three pages and seven attachments; these were delivered at the end of the visit. This document coincides with the May 25 outline submitted to ACDI and is as follows:

INTRODUCTION

SITUATION ANALYSIS

GOAL

OBJECTIVES

INSTITUTIONALIZATION PHASES

A. ADMINISTRATIVE

B. PROGRAMMATIC

EXPECTED RESULTS

ATTACHMENTS:

- 1. Selection Criteria (Advisory Committee)**
- 2. Position Description (General Director)**
- 3. Charging Policy (User Fees)**
- 4. Proposed Organizational Chart**
- 5. Plan for CDP Resource Center**
- 6. Loan Portfolio Servicing Contract (TDC-CDP)**
- 7. Plan for Using Consultants**

Institutionalization means placing activities for which there is an ongoing need in an organization that will survive beyond the life of a particular donor-funded project. The CDP draft document displays a good understanding of the problems and obstacles to cooperative development. This focus is understandable because the constraints are many and some are serious. The plan does not, however, explain how the needed functions of CDP will be placed with one or more organizations which will survive current donor funding.

Because the CDP document is in progress, it must be read in light of CDP plans now in execution but not adequately substantiated or articulated in the draft document. The SOW for this consultancy makes clear that the assignment is not to rewrite the CDP document. The point is rather to assess how CDP conceives of and proposes to institutionalize its functions. The focus of this report, therefore, is the broader statements of CDP plans, actions and strategies in process, as amplified in discussions with management.

Based on CDP's analysis and strategic decisions taken, the most significant findings and conclusions which have a direct bearing on CDP's institutionalization are the following:

1. CDP has credibility as a *de facto* Palestinian institution among the cooperatives, NGOs and PVOs. It has earned leadership due to a reputation for technical competence and respect for being "above" political factionalism.
2. There is a need in Palestinian cooperatives for the training and business development services provided by CDP.
3. The follow-up to training requires that CDP engage in extensive business development assistance from both CDP staff and outside consultants.
4. Effective delivery of these support services requires adequate, explicit programmatic administration.
5. Institutionalization includes both the development of an organization and the registration of a legal entity.
6. The institutional form appropriate to CDP is a private, non-profit company. The CDP plan proposes a strategy for institutionalizing its functions in a Palestinian Cooperative Development Organization (CDO).
7. Premature creation of a Palestinian CDO would subject it to the tendency toward factionalism common in WB/G.
8. The financial decisions related to institutionalization concern sustainability (i.e., survivability), not self-sufficiency (i.e., profitability).
9. Some of CDP's costs can be recovered with an appropriate plan that is implemented effectively.
10. Institutionalization of the proposed Palestinian CDO will require outside donor support at least in the middle term.

The CDP institutionalization plan should be finalized. It should have less the quality of a working document describing the problem and more the quality of a business plan. It must state the problems and constraints succinctly; report the conclusions of the situation analysis relevant to CDP institutionalization; and focus on strategic actions and the results that will ensue.

CDP PROGRAM ACTIVITIES

The formal training service provided by CDP is focused in the areas for which there is an ongoing need and which it is well positioned to do. These areas are:

- cooperative education,
- business management, and
- development-driven technical issues.

The follow-up support services that these formal training activities require are wide-ranging and involve CDP in extensive informal and on-the-job training, as well as significant management oversight. (Subsequent sections of this report will discuss recommendations for more effective administration and delivery of these services.)

CDP is not creating an unsustainable bureaucracy in order to centralize the capability to provide all the inputs and services needed for cooperative development. CDP already initiated the institutionalization in outside organizations of the following three activities:

- credit administration;
- basic computer training; and
- the Agricultural Marketing Information Service (AMIS).

It should be pointed out that CDP retains a key role in these activities. The reason for this involvement is for quality control and to assure that the spin-off has the intended result or is adjusted accordingly. This oversight should be continued for at least the immediate future.

Rather than increasing staff, CDP has done three things to assure that key services are provided:

1. Contract consultants to address specific problems (e.g., feasibility studies).
2. Coordinate with other projects and institutions on a bilateral basis to do cost-sharing for activities in which each organization has an interest and ability.
3. Work with other organizations to create new institutions which perform and facilitate activities previously performed directly by CDP.

CDP should continue to play an active role coordinating with local organizations to conduct events jointly when possible; and by supervising consultants contracted to address specific problems.

THE PERSPECTIVE OF COOPERATIVE LEADERS

In various meetings held with cooperative managers and Board members, there was a strong message of support for CDP. The main conclusions of meetings with representatives from cooperative development organizations and related projects are summarized as follows:

1. In the WB/G condition of limited resources, training now has a very high priority.
2. Training should be based upon an assessment of the training needs by sector and sub-sector.
3. CDP is relied upon to carry out much of the training for Palestinian cooperatives,

especially in the area of cooperative education, business development-driven training, and training of trainers.

4. NGO planning for training should take account of the political scenario because needs vary according to the time frame considered, as between needs current, transitional and future.
5. PVOs in WB/G are shifting their focus from training individuals to strengthening institutions, and so are dealing now with institutionalization, both at the beneficiary level and at the provider level.
6. PVOs are learning that the internal dynamic of most projects is to want to maintain a grant-funded status quo without taking the risks and initiative required for institutionalization.
7. Institutionalization requires organizational focusing and prioritizing, which in turn require a catalyst, specifically technical, financial, and moral support from donors.

II. REVIEW OF OTHER ORGANIZATIONS

A review of educational institutions and Non-Governmental Organizations (NGOs) follows. Its purpose is to determine if one or more of them is suitable for spinning off CDP functions.

PALESTINIAN UNIVERSITIES

The first group visited were Palestinian universities. The ones investigated were:

- An Najah University in Nablus;
- Hebron Graduate Union, the Continuing Education Department, at Hebron Polytechnic; and
- Birzeit University in Ramallah.

An Najah University has a faculty of 40 and a student body of 6,000. Open for nine months, the University previously was closed by Israeli Military Order for 44 months. The school's primary source of funding is the Palestinian Liberation Organization (PLO) and other Arab countries. Presently there are insufficient funds for staff salaries. A meeting with the Dean of the Livestock Department revealed the Palestinian university system's weakness as a possible source of farmer agricultural training or extension work with CDP clientele. The University's priority is building its own program, getting a farm, and a lab facility. The Department is less interested in supporting farmer training or extension than it is in finding cooperating farmers where its students can do projects. Previous work with CDP has been on an individual or collegial basis rather than an institutional one.

A relationship is also possible with Birzeit University in the area of business training and assistance. It has an Office of Technical Consulting, and has expertise in business management, finance, accounting, and marketing. The limitation of Birzeit is similar to the weakness of the

rest of the Palestinian university system under present conditions.

The most fruitful case of coordination with a university level institution was with the Department of Continuing Education, a division of the Graduate Union visited at Hebron Polytechnic (HTEC). Offering full-term and short-courses in Adult Education, it conducted programs relevant to CDP in technical training for farmers and women in development, as well as business skills for cooperative employees. It has an agricultural machinery shop, a computer and language lab, and gave courses in these subjects, as well as business and women's crafts. The Graduate Union made the agricultural machinery shop available to CDP at no charge after regular program hours. When there is a demand, the school can put on short-courses and expressed its continued interest in working with CDP.

The strategy of coordination with educational institutions is appropriate in the institutionalization of CDP programs and activities. It should help reduce costs, increase quality and increase the ability to reach more people both cooperative members and employees in need of training. But schools have always needed community-based organizations like CDP to identify and articulate community needs, and do practical training responsive to some of those needs. At best this will assist CDP in transferring some specific training courses. The Palestinian university system is not capable of training CDP clientele in a way that could replace an organization like CDP providing practical training, following up, and doing business development.

NON-GOVERNMENTAL ORGANIZATIONS (NGOs)

There are a number of NGOs which complement CDP activities. An overall assessment of the ones visited on this consultancy follows.

PALESTINIAN TRADE PROMOTION ORGANIZATION (PTPO)

PTPO will be advising and providing consultants to exporters. CDP assisted in its formation, thereby some of the export development and advisory activities CDP previously conducted are currently being carried out by PTPO. But, PTPO does not conduct training programs. The only "training activity" it contemplates is taking exporters to visit port facilities and marketers.

PTPO will concentrate its assistance on the strongest entrepreneurs who are most able to take advantage of its resources. This can benefit some cooperatives with which CDP is working. PTPO is limited in its ability to assist CDP clientele, and depends on organizations like CDP. Even if it targeted cooperatives, PTPO assistance would be in the export activity, not in their business development as a whole (i.e. finance, management, production, organization, etc.).

CENTER FOR DEVELOPMENT CONSULTANCY (CDC)

The Palestinian CDC was formed recently to identify and mobilize Palestinian technical

expertise for WB/G businesses. This is a new potential resource for bringing technical input to the process of strengthening cooperatives. CDC is untested, however, and consultants need orientation and supervision to be effective and constructive in a developmental cooperative businesses setting. It is not capable of taking on CDP's functions.

ARAB TECHNICAL DEVELOPMENT CORPORATION (TDC)

TDC is a credit institution. It is associated with CDP in that it administers CDP's loan fund. TDC has received assistance from CDP to get some training for its clients and TDC staff. Unlike CDP, it lends to all types of businesses and will not concentrate its loan portfolio in borrowers structured as cooperatives, or in agriculture. It is an organization complimentary to CDP, but TDC has yet to demonstrate that it can provide the kind of supervised credit CDP clientele requires.

ARAB THOUGHT FORUM (ATF) and APPLIED AGRICULTURAL RESEARCH INSTITUTE (ARIJ)

These are research organizations, ATF doing theoretical research and publication; ARIJ does agricultural production research and is working on outreach to disseminate research findings. They are interested in CDP's AMIS data base, so they are relevant and could be complimentary to CDP. But they are not farmer-oriented and do not have any agricultural marketing expertise.

These facts, as well as their ideological tendencies are limitations which make them not suitable for housing the AMIS.

ARAB DEVELOPMENT SOCIETY (ADS)

This is an agricultural preparatory school in Jericho, working primarily with high school age youth. It has ample installations, including a small dairy, farmland and dormitory facilities. CDP is seeking ways to work more closely with ADS, but no specific plans are agreed to yet. Presently ADS facilities are underutilized, and the organization is uncertain of its future. ADS is a good resource, but it is in no position to assume CDP functions.

PALESTINIAN AGRICULTURAL RELIEF COMMITTEES (PARC) and MA'AN DEVELOPMENT CENTER

These organizations provide some of the same services as CDP, including work with cooperative groups. As prospective candidates for assuming responsibility for the mandate of CDP, however, their weaknesses are a combination of the following limitations: their target clientele is not formal cooperatives; they lack expertise in the business approach to cooperative development; and they are partial to a political faction.

In conclusion, the organizations reviewed have strengths stemming from their specialization. None have a specialty that equips them to perform practical training and cooperative business development assistance in the integrated way that CDP does; nor do they have CDP's results-oriented, commitment to follow-up. Moreover, the negative potential consequences of competition and factionalism make it important that CDP maintain a positive, arms-length relationship and continue coordinating with these and other organizations.

The consultancy did not locate another organization capable of delivering the same quality of services that would render it suitable for housing the functions of CDP. Nor can these functions be parceled out to various organizations without losing their coordinated delivery. The coordinating role of CDP is one of the capabilities of CDP that makes it so valuable. In point of fact, CDP is widely regarded in WB/G as an effective cooperative development organization, a Palestinian "institution" staffed by competent people, equipped with the physical resources and the operating policies and procedures needed.

III. CONSTRAINTS

The constraints identified in this report are:

- restrictive governmental policies and procedures;
- the Jordanian Cooperative Organization;
- deep-rooted factionalism; and
- an increasing number of projects which often overlap.

Each of these factors will be discussed in this section. The constraint of financial weakness in the cooperative sector will be discussed in the following section on sustainability.

GOVERNMENTAL

Certainly one of the most obvious and often cited constraints is policies and procedures for registering Palestinian organizations with the Government of Israel (GOI). This is not readily apparent from the overall statistics, because in the past two decades the number of Palestinian community-based organizations registered increased. One source (K. Nakhleh, Indigenous Organizations in Palestine, 1991) gives the following totals:

- 228 in Israel;
- 51 in Gaza; and
- 47 Labor Unions in West Bank.

The limitation of these organizations is that their jurisdiction tends to be only local, or at best regional, and their purpose emphasizes relief in response to pressing or emergency conditions. The range of organizations' purposes covers health, education, welfare, research and advocacy. The important thing about organizations registered in the past two decades is what is missing;

that is, Palestinian organizations 1) whose purpose is to develop or assist Palestinian-owned businesses, and 2) which are authorized to function in both the West Bank and Gaza.

GOI procedures are generally restrictive. In the case of charitable societies, for example, they include "...approving elected board members of these societies, permitting the registration of new societies, and controlling the process of transferring external funds to these institutions" (Nakhleh, *op.cit.*). In the case of cooperatives, GOI authority includes procedures cited for charitable societies, as well as approving audited financial statements and authorizing annual meetings. The same author goes on to characterize the criteria for projects funded as follows:

- service- and consumer-oriented projects;
- improving the physical infrastructure, and maintaining existing structures, rather than developing them; and
- high-technology medical equipment.

This summary illustrates the non-developmental orientation of GOI policies and procedures. Palestinian sources cite a host of other restrictions having the intent and effect of limiting or prohibiting competition from Palestinian producers.

Another procedural constraint is that the historical legal infrastructure of West Bank and Gaza are different, following Jordanian and Egyptian law respectively. In the West Bank, for example, it is necessary to register a cooperative with both the Israeli and Jordanian governments. Requesting the authority to function in both regions serves to give the Israeli government more discretion and to delay processing.

THE JORDANIAN COOPERATIVE ORGANIZATION (JCO)

A trip to Jordan to speak with top-level JCO policy makers was not possible during this consultancy. This fact limited the consultant's ability to make definitive judgements about the agency. A meeting was held in Jerusalem, however, with West Bank officials of JCO, so firsthand input was obtained.

JCO is a complication for institutionalizing CDP. There is a long and important history to JCO influence and control over Palestinian cooperatives in the West Bank. The fact that new cooperatives still must register with the JCO demonstrates that it is a force to be reckoned with. Nevertheless, at present, JCO appears to be so underfunded that its staff is bare-bones and overwhelmed with its mandate. Some JCO supporters holding key positions in cooperatives are perceived as old guard, and the trend is toward their replacement. So while it would be difficult for JCO suddenly to turn around this weak situation, it remains a limiting factor in the scenario for institutionalizing CDP.

FACTIONALISM

There is a high degree of factionalism in Palestinian society. This is commonly acknowledged

and has deep social-tribal roots. It is manifested in the above-cited characterization that training and development projects have allegiance to one or another political faction. What this means for action to institutionalize CDP by creating a Palestinian CDO is:

1. registration must not be done prematurely, or else the organization will tend to degenerate into varying levels of kin/sect/region/political factional loyalty; and
2. the CDO must be built by a deliberate, planned developmental process or it will not survive to become an effective, sustainable service provider.

The difficulty of overcoming this problem once and for all suggests that a limited PVO role may be necessary and appropriate after the Palestinian CDO is created.

ORGANIZATIONAL DUPLICATION

As the possibility of Palestinian statehood acquired more legitimacy, outside donors from various nations (and groups of nations or trade blocks, such as EEC, UN, etc.) became increasingly willing to fund projects which these donors view as favorable to their national, regional or institutional interests. This includes projects for providing credit, training, agricultural extension, and technical advice. Sometimes these projects lead to a duplication of services.

This scenario is perceived at CDP as tending toward head-on competition in cooperatives served. Certainly competition and even conflict may arise. The situation can be turned to advantage by CDP because it offers opportunities and resources to implement projects CDP wants to support for its clientele. This requires: 1) productive coordination with other organizations, and 2) a clear definition by CDP of when and where it has strategic advantages. Opportunities exist and more can be created where CDP can focus its human and financial resources.

IV. SUSTAINABILITY

The proposed Palestinian CDO needs a financial plan which provides reasonable assurance it will be financially sustainable. In this regard, the consultancy SOW calls for consideration of inputs needed, training cost recovery, and income generation.

INPUTS

The major inputs needed to install appropriate CDP training and follow-up activities are already in place. These include:

1. Capable, committed staff.
2. Administrative infrastructure, headquarters, budget, vehicles, etc.
3. Up-to-date periodicals, trade periodicals, technical information, and information management capabilities.
4. Training equipment, materials, packaged curriculum, and curriculum development

- capability.
5. Access to educational institutions and facilities.
 6. Access to credit institutions.
 7. Access to consultants.

The consultant considers the critical inputs issue to be their effective utilization. This could be improved in CDP by a combination of the following:

1. Well-defined leadership with seasoned cooperative development experience working in a more efficient organizational structure.
2. Establishment of a structure for ownership and governance by stakeholders (including clients, Palestinian middle management, and complementary local institutions).
3. Systematic administration of project information, especially the implementation of a monitoring and evaluation (M&E) system to track project results and client performance.

Definite action in response to these issues was in progress at the time of this consultancy. A CDP institutionalization plan was drafted. ACDI project management was changed. The M&E system recommendations of the Coleen R. Brown consultancy in June 1993 were being implemented. Because these changes have not been concluded, the following suggestions should be considered.

1. CDP needs a more strategic focus on do-able activities, which will have a significant impact on resolving critical issues for the cooperatives and exploiting key opportunities.
2. Formal training activities are easier to plan and organize than the crucial follow-up activities of business consulting; therefore delivery of business development services should be carefully targeted, programmatically assured and closely monitored for qualitative and quantitative impact.
3. Business development assistance refers to a range of inputs that can be administered more like a supervised credit program strategy where lender performance is agreed to by, and conditioned upon, borrower performance.
4. The Key Result Areas (KRA) system for assessing cooperative viability should be maintained for all cooperatives. For the more financially successful cooperatives it should be supplemented with a full set of indicators for measuring business performance; that is, criteria that go beyond sustainability to self-sufficiency criteria (measures of profitability, liquidity, capitalization, solvency).

TRAINING COST RECOVERY

The institutionalization of the proposed Palestinian CDO must address two related financial sustainability issues: the non-profit nature of training and the thin profitability of CDP's clientele. The simple fact is that CDP activities of training cooperative members and employees

in cooperative principles are not profit-making activities. They are long-term investments in human resources.

Educational and training institutions the world over could be classified by their funding source as government-funded, donor-funded, or user-funded. In the case of CDP each of these funding sources is problematic. Government funding is not an alternative, there being no Palestinian government now capable of funding these activities. CDP contemplates a funding relationship with new donors; but this is a long-term, time-consuming process. User-funded models such as employer-funded training institutions (including regional cooperatives in the US) and student-funded private educational institutions have limited relevance.

In developing countries generally there is not a tradition of cooperative members and employees wanting to attend training in cooperative development/principles, let alone pay for the training, and Palestinian cooperatives are no exception. The weak financial condition of the Palestinian cooperative sector means that it is clearly unreasonable to expect them to pay the full cost. For those in the WB/G who do want the training, even if they are willing to pay for it, they do not have the money to do so. CDP management estimates that 5-10 percent of its cooperative principles training cost would be recoverable from user fees charged to its current clientele. Charging fees is most feasible in the case of technical training that teaches practical, transferable skills, which has more immediate impact on the cooperative. This is reflected in the policy CDP recently established.

One of the difficulties with this issue is that training costs need to be accurately separated out from the multiple other development activities of CDP. Financial analysis is necessary with better cost accounting information than grant accounting normally permits and than was possible in this consultancy. A cost accounting system should be developed at CDP. This in turn presupposes better delineation of the types of business development assistance provided.

Measures such as coordination with other institutions have been noted throughout this report where they show promise of leading to increasing CDP's effectiveness by sharing costs and spreading them over more students reached. CDP has been doing such coordination and expanding its clientele. The audience now reached by CDP includes a growing number of formal cooperatives, informal cooperatives, and even non-cooperative businesses.

But the bottom line is that CDP must be effective in strengthening the cooperative business sector. This includes a more active business development orientation, and use of training more strategically for this purpose. That is the only sure way to cover more of its training costs by user fees. It is not reasonable to expect, however, that a future Palestinian CDO can be self-sustaining without donor support.

INCOME GENERATING SERVICES

Staff business development assistance is a potential income generator for CDP. It is important to develop cost and profit centers in its accounting structure as was suggested above to better

cost out its services as part of the development of a fee for services policy.

Charging for its services is consistent with the CDP program philosophy. To date, however, the focus for implementation of this strategy has been not at CDP but at secondary cooperatives. For example, CDP supplied a summary valuation of services rendered by the Hebron Electric Cooperative Union to member cooperatives during a three month period in 1993. On that basis CDP developed a draft market rate schedule for those services so that the Union could develop a fee structure and charging policy for its services. In the long run, the work of CDP will have a lasting impact if it can establish viable cooperative Unions in the sectors it is assisting (Rural Electric Cooperatives, Olive Press Cooperatives, Women's Handicraft Cooperatives). The consultant considers that the priority, then, ought to be having member cooperatives pay for their Unions' services and capitalize their institutionalization, rather than impose an excessive demand on the cooperative's limited resources for the sake of generating CDO income in the near term.

A fee for services policy would need to be initiated carefully with a clientele which has little or no tradition of charging fees. The chairman of the targeted Tulkarim Livestock Cooperative and its manager asserted that the cooperative would be willing to pay for certain services, particularly those involving new product development. This suggests the possibility of CDP joint-ventures with a cooperative. It also implies that CDP plan its cooperative development more strategically, targeting sectors in the Palestinian economy which it can effect in the short term.

Just as CDP is advising the Union to charge for its services rendered, CDP must cost out its assistance in terms of its current operation and in future scenarios. These services would be separate from and in addition to training fees, and they might vary from sector to sector. CDP should detail the activities it is capable of conducting. The list should include feasibility and market studies, audits (financial, administrative, legal), accounting assistance, evaluations, management services, and proposal writing.

CDP makes use of consultants, and this has been affirmed as a viable policy. Similarly, staff is allowed to hire out on its own time as consultants for other organizations when this does not conflict with their staff duties. Instead of doing this on an individual basis, when it is consistent with the organization's objectives CDP could be the intermediary for these services and earn an overhead fee.

V. CONCLUSIONS AND RECOMMENDATIONS

While the task of institutionalizing CDP is formidable, the reasons for doing so are many. CDP strengths exist to overcome the constraints discussed in this report. The reasons in favor of institutionalizing CDP can be summarized as follows:

1. Provide a reasonable guarantee of an authoritative force for non-political and non-sectarian Palestinian cooperatives as market-based, free enterprise, democratic

institutions.

- 2. Assure an organizational home for non-political, non-sectarian cooperative development specialists.**
- 3. Capitalize seven years of investment in WB/G accruing to CDP in the business-oriented Palestinian cooperative movement.**
- 4. Create a basis for continuity and confidence on the part of the Palestinian cooperative sector in technically responsible and reliable quality training and business development services.**
- 5. Contribute to Palestinian institution-building in a social landscape which has an anemic history of enduring non-political and non-sectarian institutions, thereby reinforcing a sense of accomplishment and national pride.**
- 6. Concluding the institutionalization process already begun by CDP would strengthen the credibility of all those individuals and institutions involved in the process, and would assure inter-institutional continuity with the Palestinian leadership in place.**

Therefore, this consultancy recommends the following:

- 1. To assure that the inputs of credit, training and business services are provided to the cooperative sector, CDP should continue implementing the following strategies:**
 - A. Direct provision of those business development-driven inputs for which CDP is uniquely positioned:**
 - Cooperative education;**
 - Technical training;**
 - Business and management services; and**
 - Oversight and follow-up consulting with clientele.**
 - B. Institutional coordination to achieve cost sharing for training.**
 - C. Oversight of the institutionalization in progress with outside organizations of the following activities:**
 - Credit administration;**
 - Basic computer training; and**
 - Agricultural Marketing Information System.**
 - D. Working with complementary local organizations to build or strengthen Palestinian institutions tailored to perform functions previously performed by**

CDP.

2. **Strategies to institutionalize any CDP activity in other organizations must take into account the limitations of other NGOs. The limitations of those contacted include:**
 - A. **Not willing to assume responsibility for CDP's integrated functions.**
 - B. **Expertise lacking in the disciplined approach to cooperative business development.**
 - C. **Provides a single-purpose technical input necessary but not sufficient for cooperative development.**
 - D. **Depends on CDP-type organization to carry out program.**
 - E. **Captive of a particular faction.**
 - F. **Target clientele is not formal cooperatives.**

3. **Finalize the CDP institutionalization plan covering 1994-95, culminating with the decision to register a Palestinian Cooperative Development Organization as a non-profit organization. The plan should demonstrate that this decision is based on an analysis of the pros and cons of these forms:**
 - A. **Governmental - Unacceptable. CDP has established itself as apolitical while virtually all other providers of training and support services have factional loyalties.**
 - B. **Commercial - Unacceptable. No matter how businesslike cooperative development is done, training and support services are not profit-making and require subsidizing.**
 - C. **Cooperative - Inappropriate. It is a legal form having more restrictions than a for-profit company.**
 - D. **Charitable Society - Inappropriate. Charity contradicts the notion of strengthening business and charging fees.**
 - E. **Non-profit Organization - The most appropriate because its operating jurisdiction can include both West Bank and Gaza, and the non-profit form is consistent with charging fees for some business support services.**

4. **The main practical constraints on registering a Palestinian CDO relate to structuring its governance with representatives from the client cooperatives and complementary local organizations without triggering a factional dispute for control. Therefore, the plan should lay out a tight and clearly defined organizational development process. The first stage might take 12-14 months and should include drafting the following:**
 - A. **Membership policies and procedures.**
 - B. **Organizational structure.**
 - C. **Delegation of management authority.**
 - D. **Operating policies and procedures.**
 - E. **By-laws and other organizational documents.**

F. Financial plan.

5. **Implementation of this plan should begin before the end of 1994. It would start with the formation of an advisory board in accordance with the selection criteria already established by CDP, and the acceptance of the draft documents listed above. The advisory board would finalize and approve the draft documents, then agree on a timetable for constituting and registering the CDO, ideally by the end of 1995. This timetable will depend upon the successful completion of the preceding steps, and the evolution of political processes and governmental procedures. Due to current uncertainties in that arena, it would be imprudent to recommend in this report a binding time frame. So this recommendation allows for the flexibility and discretion necessary to be effective.**

6. **CDP has demonstrated a respectable degree of direct cost recoverability. Sustainability will require outside donor support for at least the medium term, due to weaknesses in the client cooperatives. CDP should continue its plan to establish relationships with new donors in preparation for a sound financial basis for the CDO by assuring that CDP takes into account the following measures:**
 - A. **CDP should try whenever possible to make its clients more successful, encouraging business growth at every opportunity, including in the training context.**
 - B. **Management should seek ways to expand on its traditional grant accounting to a cost accounting capability thereby improving management information available monthly and by activity.**
 - C. **Cooperative business development services are a potential fee generator. A fee policy similar to the Electric Cooperative Union's policy for services should be considered by CDP for its services.**
 - D. **Other possible income generators include:**
 - **Continued expansion of clientele;**
 - **Further development of fee policies for services;**
 - **Joint venture arrangements with cooperatives; and**
 - **Intermediation of consulting done by CDP staff.**

ATTACHMENTS

**SCOPE OF WORK
INSTITUTIONALIZATION ASSESSMENT SPECIALIST**

DURATION OF ASSIGNMENT: 15 work days (six day work weeks)

PERIOD: July-August 1993

Reporting to the acting project director, Abed Abu Arafah, the consultant will work with the management staff of the Cooperative Development Project (CDP) in a preliminary assessment of institutionalizing CDP. This assessment would assist CDP to identify avenues to pursue in-depth in finalizing the institutionalization plan.

Specifically, the consultant will:

1. Review the draft CDP institutionalization plan and conceptualize new ideas.
2. Determine what inputs would be necessary to install "training and follow-up" activities previously identified as appropriate for CDP to conduct.
3. Identify constraints, i.e., political, financial, etc., to institutionalization.
4. Assess available NGOs and training institutions as possible candidates for spin-off of some or all CDP activities.
5. Meet "movers and shakers" in the cooperative sector to assess their ideas of the importance of the Palestinianization of CDP activities.
6. If time permits a trip to Jordan, determine possible constraints and complications by the Jordan Cooperative Organization (JCO). If time does not permit a trip to Jordan, at least meet with JCO representatives in the West Bank.
7. Review the pros and cons of conversion of CDP to a Palestinian private, independent institution.
8. Identify training costs that appear feasible to be met and identify possible sources of funding.
9. Identify ways to cover costs through consultancies, feasibility studies and/or other income generating services.

10. **Hold a half day workshop with CDP management staff to present and discuss your recommendations.**
11. **Present initial recommendations and preliminary plan as a "assessment of the CDP draft institutionalization plan".**

LIST OF PEOPLE INTERVIEWED

CDP Institutionalization Plan Assessment
List of People Interviewed in Order of Meetings
(July 18 - August 5, 1993)

No.	Name	Institution	Title
1.	Joseph Nesnas	CDP	Administrator for Finance & Economics
2.	Abed Abu Arafah	CDP	Acting Director
3.	Odeh Shehade Zaghmory	CDP	Director of Training & Co-op Development
4.	Karen Turner	USAID	Attache for US A.I.D.
5.	Sufian Mashaba	USAID	CDP Project Assistant
6.	Mansour Garaba	CDP	Livestock & Dairy Specialist
7.	Nuhed Judeh	CDP	Women's Coopera- tive Development Advisor
8.	Jamal Abomar	Nablus	Dean of University Livestock School
9.	Mohmamed Hemeud	Tulkarim Live- stock Co-op	Manager
10.	Yahya Mohamed Hindi	Tulkarim Live- stock Co-op	Chairman
11.	Basam Walwiel	ACU	General Manager
12.	Basam Daraghmeh	ACU	Farm Supply Manager
13.	Zena Ala'kal	Souef Women's Co-op	General Manager
14.	Hitam Bader	Hebron Poly- technic	Extended University
15.	Haider Akhras	CDP	Electric Engineer
16.	Yousef Hleqawy	Hebron Elec Co-op Union	Chairman
16.	Arafat Dajani	CDP	Marketing Specialist
17.	Farouk Muthafar	JCO	Regional Director
18.	Daoud Istanbuli	JCO	Follow-Up Committee
19.	Omar Daoudi	UNDP	Director Projects
20.	Abdul Rahman	Yama Secondary School	Instructor - Ag School Horticulture Manager
21.	Jamal Abu Libdeh	Kalkiria	Manager

22.	Rawhi Mahmoud Kahled	Marketing Co-op Kalkiria	Accountant
23.	Jamal Abu Nimeh	Marketing Co-op Kalkilia	Credit Specialist
24.	Ali A. Alsanam	Marketing Co-op Kalkilia	Public Relations Specialist
25.	Saeed Dawad	Marketing Co-op Kalkilia	Board Member
27.	Shehadeh Dajani	ADS	Director
28.	Jamal Mousa Tomah	PARC	Projects Coordinator
29.	Hamad Hasham	PARC	Nursery Manager
30.	George Kurzum	Ma'an Dvlpt.	Acting Director
31.	Mamaoud Sa'id	Kufur Na'meh Co-op	Chairman
32.	Issa Hamadeh	Kufur Na'meh Co-op	Treasurer
33.	Mufeed El Hanini	Kufur Na'meh Co-op	Board of Directors Member
34.	Mohammad Nasser	Kufur Na'meh Co-op	Employee
35.	Samer Al-Birawi	TDC	Manager (Jerusalem)
36.	Mohammad Yousef	ATF	Executive Director
37.	Mohammad Abu-Khater	CDC	
38.	Mohammed K. Shadid	CDC	Chairman
39.	Jamal H. Zuhour	PTPO	Coordinator (Jerusalem)
40.	Omar Jousef	ARIJ	Researcher
41.	Abdallah Al-Laham	ARIJ	Research Assistance
42.	Ramez Al-hodely	ARIJ	student
43.	Aown Shawa	CDP	Regional Director (Gaza)
44.	Abdel Samie Efranji	Gaza Livestock Co-op	Chairman
45.	Bushra Hamarneh	Gaza Women's Co-op	Chairman
46.	Saad Da'arazi	Beit Lahia Agricultural Co-op	Manager
47.	Nuha Shawa	TDC	Regional Director (Gaza)
48.	Alex Pollock	UNRWA	Field Development & Planning Officer
49.	Ahed F. Bseiso	AMIDEAST	Gaza Field Office
50.	Tayseer Edeas	CDP	Computer Specialist Director
51.	Ian Shaw	SCF	Gaza Program Manager
52.	Ghada Rabah	ANERA	Training & Education Consultant
53.	Mohamed Barakat	UNDP	Program Management

54.	Bruce Stanely	AMIDEAST	Officer
55.	Eid Al Natouri	SCF	Country Director
			Financial
			Administration
			Manager
56.	Micheal Sansour	CRS	Acting Country
			Representative