Final Evaluation Report Final Evaluation of the Development Cooperative in Jizzine District, Lebanon and the role and performance of the Project: Expanding Economic Opportunities for Survivors of Landmines and Victims of War

Final Evaluation Report

Final Evaluation of:

Development Cooperative in Jizzine
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Azour Village, Jizzine District, Lebanon

And the role and performance of the Project:

Expanding Economic Opportunities for Survivors of Landmines and Victims of War in the District of Jizzine, South Lebanon

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Acronyms and Terms

Acronyms

ACDI/VOCA	Washington DC-based NGO, founded by U.S. agricultural cooperatives and farm credit institutions
AFE	Action for Enterprises
COOP	Development Cooperative in Jizzine
COP	Chief of Party
G & A	General and Administrative
GAAP	Generally Accepted Accounting Principles
GoL	Government of Lebanon
IESC	International Executive Service Corps
Kafalat	Company that provides guarantees on bank loans to SMEs, including farmers, that carry a Central Bank of Lebanon subsidy. Kafalat is owned by the National Institute for the Guarantee of Deposits (75%) and fifty Lebanese banks (25%).
KDC	Knowledge Development Company
LBLI	Lebanon Business Linkages Initiative, USAID-funded project, carried out by FHI 360, ACDI/VOCA, and AFE, ends December 2011
LIM	Lebanon Investment in Microfinance, USAID-funded project carried out by IESC
MFI	Microfinance Institution
RI	Relief International
SME	Small and medium-sized enterprises
TA	Technical Assistance
USAID	United States Agency for International Development
WRF	World Rehabilitation Fund

Terms

Cost or Profit Center Analysis: Used interchangeably with Departmentalized Statement of Operations

Income Statement:	Used interchangeably with Statement of Operations
Project:	Expanding Economic Opportunities for Survivors of Landmines and Victims of War in the District of Jizzine, South Lebanon
Tons	Tons in this report refers to metric tons.

Acknowledgements

The COOP board of directors and staff were most helpful during the course of this evaluation assignment. I was very well received by the board. I wish to give a special thanks to Board Chairman Jean Saliba and Vice Chairman Youssef Karam. I met both at the COOP and in their homes or place of business. I visited six of the seven board members, most at the site of their enterprises or homes. All provided generous hospitality and all demonstrated responsiveness to the issues and questions raised. All are fully committed to moving the COOP toward long term sustainability and profitability.

I also wish to thank COOP Manager Issam Bou Rached, Accountant Mona Fares, and the rest of the COOP staff. All were most helpful, providing input and information as requested. The managers of the different departments provided valuable insights to the internal operation of the COOP.

WRF management and staff provided invaluable support to me as I carried out the assignment. They lined up meetings with outside entities at the WRF office or at outside locations. They managed and provided complete logistical support which was most helpful. They also responded to the many questions that I posed, gathering detailed information that I needed for this assignment. I also wish to acknowledge the assistance provided by WRF in providing background and other factual information needed for the finalization of the report.

I wish to acknowledge the valuable input received from USAID Senior Economic Growth Specialist Georges Frenn. I drew from Mr. Frenn's comments to add to the recommendations contained in this report and to further clarify specific findings. Much of that input is acknowledged in footnotes. I appreciate Mr. Frenn's input, recognizing that his business experience and training add weight to the report, and hopefully, its usefulness to the COOP.

This final evaluation is anticipated to be the last of four conducted since 2005. I am deeply grateful to the Leahy War Victims Fund, including Cathy Savino and Rob Horvath, for giving me the opportunity to do this most interesting and fulfilling work.

Executive Summary, Conclusions and Recommendations

The main purpose of this evaluation as described in **Annex 1** Scope of Work (SOW) is to provide a report on the progress of the Development Cooperative in Jizzine (COOP). Is the COOP "on track" to becoming a fully sustainable business entity by the time that the WRF project ends in August 2012?

The apparent answer is "yes", the COOP is on track. The COOP continues to receive and sell its members' eggs and other products. It has "momentum" to carry it through some adversity such as the current drop in revenue from the broiler program[1] and the resulting reduction in feed sales. The COOP needs to make use of outside resources to improve its business performance. The new board needs to be open to learning and accepting sound business management advice and utilizing sound marketing practices in order that it may grow and achieve economies of scale and profitability.

This section will include a summary of findings with respect to the COOP's "on track" status as well as recommendations to the COOP and WRF. Recommendations will not be included in the "Findings" section of this report.

June 2010 Evaluation Report Recommendations Status

The SOW calls for reviewing the status of the response to the recommendations contained in the June 2010 Evaluation Report and the impact on sustainability. **Annex 2** contains full details on the status of the response to each of the recommendations contained in the June 2010 Evaluation Report. Given below is a summary:

A.1. Membership Criteria: Recommended that the board consider opening the membership to all qualified producers.

Status: The General Assembly of the COOP approved a by-law change loosening the definition of "war victim". However, the board has yet to define a policy or consider the membership applications of two large broiler producers. The COOP's potential "war victim" membership pool is declining as the

[1] The reduction was caused by disease problems facing its broiler producers which is expected to be a short term issue.

end of the war (Year 2000) falls further into the past[2]. Doing business with non members is positive but inadequate. The COOP needs to fully open up membership to anyone that can produce the quality of products needed for the market[3].

Response: Not fully adequate.

A.2, A.3, & A.4. Assisting members access credit: Recommended that the board and management assist members to access credit from outside sources including MFIs.

Status: Eight COOP members and six non members have obtained Kafalat-guaranteed bank loans since the project began, four in 2011. This is favorable. The board chairman and COOP manager met with a MFI during the past year. However the board is not supportive of the idea of making a significant effort to assist members access loans apart from Kafalat. Loans for flock renewal are needed. There appear to be several biases on the part of at least some members of the board:

- Against paying market rates of interest that a MFI would require. This is especially the case given the availability of Kafalat loans, even though the Kafalat loans do not meet very short term flock-renewal funding needs.
- Against encouraging members to borrow – the concern is that if the enterprise doesn't succeed, some board members do not want to be associated with the possible social stigma of having encouraged someone to take a loan that they were subsequently unable to repay.

Response: Inadequate

B.1.a. Departmentalized budgets: Recommended that the COOP prepare and the board review and approve a 2010 departmentalized budget.

Status: The COOP prepared a departmentalized budget for 2010 but not for 2011. A departmentalized budget is to be prepared for 2012 after the completion of the 2011 audit.

Response: Inadequate for 2011. The intention for 2012 appears favorable. However, my observation of the board's commitment to cost/profit center, that is, departmental analysis is questionable.

B.1.b. Staff performance: Recommended linking COOP performance and COOP staff salaries.

Status: Board generally agrees with the principle involved but hasn't made any changes. Carrying out performance reviews of staff, and especially the manager by the board has been delayed.

Response: Inadequate: A robust system of linking salaries and salary adjustments to performance with the full support of the board is not in place.

B.1.c. Staggering board elections: Recommended changing the by-laws to allow election of two or three of the seven members of the board each year instead of all seven every three years.

Status: No change in bylaws is proposed.

Response: Inadequate. However, the board chairman promised to examine the possibility.

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[2] The July 2006 war with Israel is acknowledged. However, the main impact was the COOP's inability to market eggs and other produce and obtain feed, hence several poultry flocks were lost.

[3] USAID Senior Economic Growth Specialist Georges Frenn noted that whereas this is important for the growth of sales and profit, this may need to be postponed until after cooperative agreement has expired. WRF could seek legal advice on this issue. Any change should be consistent with the cooperative agreement and the definition of War Victim. WRF and the COOP should nonetheless try to put some miles stones and indicators to achieve higher membership.

B.2.a. Departmental Operations: Examine departmental performance to determine which departments are contributing to sustainability and make changes where needed.

Status: Departmentalized statements of operations are prepared but not by the COOP's new auditor. The board and new auditor don't appear to be committed to departmental statements of operations and a careful business-like approach to cost/profit center analysis.

Response: Inadequate. However, the board chairman and auditor indicated that they plan to continue to carry out cost/profit center analysis.

B.2.b. New auditor: Recommended selecting a new auditor by advertising and reviewing candidates' qualifications and experience.

Status: The COOP reviewed several candidate auditors. Eventually the board chairman selected a new auditor, Elie Hourani.

Response: May be adequate. The new auditor is, as yet, untested. He has not demonstrated that he is up to the task of auditing a cooperative business like the COOP.

B.2.c. Accounts receivable: Monitor and control trade and member-producer accounts receivable. Consider finding a firm that would "discount" the COOP's receivables.

Status: The COOP board took action to reduce exposure of accounts receivable by eliminating credit for chicks for members and non members. The COOP explored the services of a firm that would discount receivables but judged that the cost would be too high.

Response: Adequate. However, the COOP continues to carry a high level of accounts receivable on its books – a significant portion of these will need to be written off in 2011 which will result in a significant loss for the year. Please refer to a section entitled "**Impact of writing off accounts receivable**" located toward the end of the narrative portion of this report (prior to the annexes).

B.2.d. Outside services: Recommended that the COOP carefully plan for the procurement of services currently provided by outside sources after the WRF project ends.

Status: The COOP board (at least the chairman and vice chairman) appear to discount the value of outside resources, especially the marketing and business financial planning resources provided. They value the business principles resources provided, however.

Response: Inadequate. The COOP is not making optimal use of the resources available to it as the WRF project winds up.

B.2.e. Long term planning: Recommended engaging in a long term planning exercise and update it annually.

Status: On hold.

Response: Inadequate. The new board is not prepared to benefit from such an exercise as yet.

B.3. a. through f. New enterprise planning for the COOP: Recommended carefully and conservatively planning new enterprises avoiding those with a high risk of failure.

Status: Planning for new enterprises is on hold for now. However, my observation is that the board may not be fully committed to a careful financial analysis of new enterprises. Their approach may be to go forward if they can find an entity to finance it, or to finance it internally.

Response: Adequate, for now.

C.1. Translate the evaluation report: Recommended translating specific parts of the June 2011 Evaluation Report for the board.

Status: Completed

Response: Adequate

Additional Findings Summary

- **Membership business model**: The enterprises provided through grants to beneficiaries are small and must be increased in size if the producer is to reach a level of income adequate to meet family living expenses. For this reason, sources of capital including loans for members' enterprise expansion are needed.
- **New Board**: Six of the seven members of the COOP's board of directors have changed since the July 2010 elections. Therefore, the business, finance and cooperative principles training and orientation for the board are back to the starting point. Not all board members grasp the importance of (a) carefully evaluating the individual businesses that the COOP is in (eggs, broilers, honey, retail store, etc.), (b) examining costs and returns in conjunction with fixed asset expenditures and (c) carefully examining the feasibility of new lines of business for the COOP.
- **Board's Approach to Business Management**: Many changes are positive such as improvements in inventory and cost controls, vehicle maintenance measures, and measures to improve accounts receivable control. However, some attitudes displayed by the board chairman and some board members are not constructive. The chairman, vice-chairman and several members of the new board are highly critical of the actions and policies of the previous board and obstinate in their dealings with WRF and outsiders. They discount the value of business advice from outsiders and marketing expertise. At the same time, the board contains several members that are business-oriented people that will hopefully influence the rest of the board to follow sound business principles.
- **Management and staff capacity**: The COOP is staffed by people without significant previous experience in business. Hence the need for outside support is great. The ability of the staff to manage the COOP and achieve the growth needed for sustainability is not assured. However, the staff has demonstrated that it can maintain a rather steady rate of business.
- **Ongoing COOP operations and profitability**: The COOP's egg packaging and selling operation supports the operating costs of the entire COOP. Feed has in the past generated profit but shows recent weakness. There appear to be un-exploited opportunities to improve feed volume and sales. Nearly half of the COOP's members are beekeepers but the COOP consistently (except for one year, 2007) loses money on honey. The COOP markets roughly 10% of the honey that its members produce. A strong effective honey marketing effort is needed.
- **COOP financial strength**: The COOP's balance sheet is very strong thanks to a) the capital provided through retention of a portion of the sales proceeds as "Paid in capital" and b) its capitalization by the project (WRF-USAID) through granted equipment, buildings and cash to cover certain expenses. The COOP's internally-generated earnings and net worth is very limited. The high level of past due accounts receivable will impact earnings in 2011 if a sound valuation of receivables is carried out and an appropriate provision for unrecoverable receivables is charged against operations (or unrecoverable receivables are written off).

Recommendations

The Statement of Work calls for recommendations to the COOP and to WRF.

Recommendations to the COOP

1. **Cooperate and collaborate**: The board needs to utilize the resources offered it through the WRF project through its August 2012 expiration. Recognize the value of the marketing, finance and business services provided. Develop an attitude of collaboration, avoid confrontation and conflict.
2. **Marketing**: Develop a strategy that provides (a) a policy that increases sales without increasing undue risk of uncollectable accounts receivable and (b) a marketing team including outside resources that will be able to achieve the desired results. Continue to explore externalize marketing, distribution and collection methods that result in increased sales and minimize risk to the COOP.
3. **Review previous recommendations and take action**: Review the recommendations contained in the June 2010 Evaluation Report and re-examine the need to implement each more fully.
4. **Operate the COOP as a business**: Use sound business principles as recommended. The COOP is a medium sized business, and not a small "shop".
5. **Workplace task analysis**: Procure the services of an outside firm or individual to carefully analyze each of the tasks carried out by the COOP's current employees and determine the amount of time that is spent and needs to be spent on each task. This includes evaluating whether all tasks that need to be carried out *are* being carried out.
6. **Pursue outside non financial business support**: The COOP should align itself with one or more providers of business services that may be available at low or no cost. Possible entities include a local chamber of commerce, MA3AN, Kafalat, Union of Municipalities, NGOs, other private sector promoters of business, and others. A crucial criterion in selecting a partner is the partner's understanding of business and the need to maintain COOP as a business, free of unhelpful political influence.
7. **Exchange ideas with other successful cooperatives**: Explore and find out what cooperatives in the region are successful and visit them. Find out what makes them successful. Is it sound leadership, business planning, financial control, membership support, or other features? Request that WRF support such visits. Entities to consider contacting include: The Chamber of Commerce, Industry and Agriculture of Zahle or of Saida could help to connect the COOP to successful cooperatives in South Lebanan or Beqaa[4].
8. **Valuation of December 31, 2011 assets, audit report and asset valuation[5]**: Ensure that the auditor correctly values assets at December 31, 2011 and adequately reports the COOP's financial condition. Two concerns:
    - Valuation of accounts receivable: Manager Issam Bou Rached has indicated that there are "challenges" with respect to the payment of $80,000 of members and producers accounts receivable. The auditor needs to carefully evaluate the collectability of each individual receivable (trade accounts receivable as well, even though these are thought

[4] Note: USAID Senior Economic Growth Specialist Georges Frenn notes that chambers of commerce have been very helpful as partners in the implementation of and assistance to other USAID projects.
[5] This point added following comments received from Mr. Frenn.

to all be collectable). Uncollectable receivables should be written off or a provision taken for the uncollectable portion.

- Audit Report: (a) Since the auditor was present at the inventory taking at the end of 2010, he will be able to prepare an audit with an "unqualified" opinion, meaning that he stakes his reputation on the accuracy of the report. (b) The departmentalized financial statements for 2010 should be included as an annex to the audit report – normally the auditors opinion does not provide assurance that the departmental expenses were allocated correctly. The allocation of departmentalized expenses is normally an estimate. (c) The audit report should be prepared in the format called for by the tax authorities. However, for financial reporting purposes to the board, a separate report may be prepared as a supplement to the audit report. The purpose is to ensure that the board receives a report that will provide the clearest representation of the COOP's financial condition in order that they will have the information needed to make management and policy decisions. The profit/loss picture given in both reports will be the same but the format only could change in the financial reporting audit report.

Recommendations to WRF

1. **Cooperate and collaborate**: WRF should provide assistance to the COOP recognizing that many of the changes made by the new board are very positive.
2. **Support the COOP**: Continue to support the COOP with capacity building training and orientation. Assist it in fulfilling the recommendations above.
3. **COOP audit and departmentalized financial statements**: WRF should collaborate with the auditor to ensure that the auditor correctly values assets at December 31, 2011 and provides reports that meet Lebanese legal and tax requirements *and* provide the board with a report that will enable them to make sound policy and management decisions.
4. **Request USAID support**: Request that a USAID representative meet with the board to provide advice and encourage the board members to be cooperative and make maximum use of technical and other assistance offered by WRF during the remainder of the project. It is noted that this action has been initiated by USAID Senior Economic Growth Specialist Georges Frenn and he is preparing for a meeting with the board after this report is issued.

Background

USAID's Leahy War Victims Fund began its support of the Jizzine Cooperative through the original project *Expanding Economic Opportunities for Survivors of Landmines in the District of Jizzine, Lebanon* in October 2001. The Project has been carried out by the World Rehabilitation Fund, a New York-based NGO. Project phases and major activities/accomplishments relating to the COOP included:

- Phase I, October 2001 through March 2003, 18 months: A founding committee was established on November 9, 2001. This committee held its first official meeting on January 17, 2002 when elections were carried out. The COOP was officially approved on February 14, 2002. The first General Assembly took place on March 8, 2002 and the first production of eggs and honey were marketed in August 2002. The COOP began marketing its producers' products under the B. Balady brand, a niche marketing brand associated with high quality, in December 2002.

- Phase II, April 2003 through September 2004, 18 months: An accounting system was installed and all transactions were computerized. Herb cultivation could not be expanded so most grants were shifted to Beekeeping.
- Phase III, October 2004 through August 2006, 23 months: The COOP grew and land was purchased and permits sought for a planned COOP building that would house all the cooperative's businesses and activities. Criteria for membership was expanded from landmine survivors to include victims of war or their dependents. Membership increased as planned during the first three years. However, in year four, 2005, an avian influenza resulted in a decrease in active membership. Membership began to increase once again in 2006, until the July war. Recovery took more than a year.
- Phase IV, September 2006 through August 2009, 36 months: The COOP center building was constructed. The COOP moved into the building following its inauguration in November 2008. The COOP experienced significant growth. The building included space for offices, meeting room, egg handling and storage, honey processing, laboratory, space and basic infrastructure for a dairy plant, and feed mill. Although grants for dairy goats were distributed, a dairy plant that was to be installed was cancelled as a project component.
- Phase V (current phase), September 2009 through August 2012, 36 months: Primary objectives are to (a) solidify the membership base and position the COOP for growth and the achievement of economies of scale and (b) strengthen management and operations of the COOP in order to establish it as a stand-alone, sustainable and profitable business. This includes transferring all responsibilities for management and oversight to the COOP membership, board of directors, and manager. Progress toward this objective is the subject of this report.

Total Project Cost Phases I through V: $8,989,581.

Methodology

Extensive discussions were held with WRF staff in order to become oriented to the current issues facing the COOP. I soon learned that the relationship between the new COOP board and WRF had become challenging. Therefore, I determined early on that meeting with the board members and learning their concerns and approach to managing and guiding the COOP was a priority.

During the first three days, I met with WRF and entities that provide or are offering services to the COOP and/or its members including a financial services firm (ECE); a business consultant (Jean Hajj), a marketing consultant (Nadine Chemali of the LBLI project), two officials of the Directorate of Cooperatives in the Ministry of Agriculture; and the COOP's auditor, Elie Hourani. Other service providers included the CEO of Kafalat, the COP of the Lebanon Investment in Microfinance (LIM) program; the Fransabank branch manager in Jizzine and others. **Annex 3** contains a list of all contacts made during the evaluation assignment.

Reports on producer returns contained in WRF quarterly reports were reviewed to evaluate the level of income being generated by the COOP's members.

Given that nearly the entire board of directors changed in 2010, I focused on meeting with and interviewing board members to determine their understanding of and commitment to sound business principles. I met all seven board members and held face to face interviews with six of them plus the three members of the monitoring committee.

I visited several producers to evaluate their commitment to producing for the COOP and their perception of the profitability of their enterprises.

Findings

Annex 1 Scope of Work directs that the consultant draw *from the COOP's actions in response to the recommendations contained in the June 2010 Evaluation Report.* **Annex 2** contains the recommendations of the April – May 2010 evaluation (final report dated June 2010) and includes a report on the response by WRF (from its Apr-Jun 2011 quarterly report) along with my observations and conclusions on each point.

Producer Business Model

Producer Income

The quarterly report provides monthly average income information on all members.

Table 1 Average monthly income and number of members

Average monthly income & number active members		***Comments***
Egg producers	Avg mo inc: $353 - $486 a/ # mbrs: 54	A review of Appendix 6 in the July – September 2011 indicates that a egg producer-beneficiary can expect to generate a profit of slightly under $1 per laying hen per month. Therefore, a producer with the standard grant-size of 200 hens would earn under $200 per month. The higher average monthly level is achieved since a number of producers have increased their flocks, some as high as 1,000 hens.
Beekeeping	Avg mo inc: $203 - $971 # mbrs: 72	Beekeeping is a part time job, however, it requires monitoring by the producer. The COOP markets only a small portion of each grower's honey. Hence the marketing skill of the individual members is a factor in the actual income obtained. Plus several growers generate more income from the sale of bees than honey.
Broilers	Avg mo inc: $413 - $426 # mbrs: 13	Producers with flocks of roughly 3,000 broilers can generate an income approaching $1,000 per month. The grant-sized flock of 400 broilers will generate under $200 per month of income.
Goats	Avg mo inc: $592 - $339 # mbrs: 7	Based on sales of dairy products and kids. As mentioned, only 8 of the 24 goat grant recipients still have goats. However, those with marketing aptitude are able to do well. Plus, the improved goat races, Saanen and Alpine, are in demand for their much improved milk production. One innovative producer has advertised goat milk and home-made Lebneh online and has more demand than he and his wife can meet. This family hopes to increase from three to seven milking does.
Goats	$ 2,136 - $1,363	Based on sales of dairy products and kids plus the value of kids produced.
Total	# mbrs: 146	Total COOP members: 225 – Total grants provided: 297

Source: WRF Quarterly Report July – September 2011

a/ The first value is the average monthly income reported in the April – June 2011 quarterly report and the second is the average monthly income reported in the July – September 2011 quarterly report from WRF.

The June 2010 evaluation included a report on the 2008 UNDP Millenium Challenge Goals, Lebanon poverty threshold levels. It reported an "Upper" poverty level threshold of $480 per month and a "Lower" poverty level threshold of $288 per month for a family of four.

Most COOP members have income apart from that generated from the enterprises obtained through their grants of 200 laying hens, 15 bee hives, 400 broilers, or four goats. The income levels from the granted enterprises typically return a level of income below at least the upper poverty threshold. For this reason, it is highly important that COOP members have loan and other resources available to increase the size of their enterprises in order to achieve economies of scale and increased income.

Opening Membership

Since the June 2010 evaluation, the COOP board has taken several important actions:

- The previous COOP board recommended a change in bylaws to open up membership to anyone who was adversely impacted in some manner by war. This change was approved at the July 2010 COOP General Assembly meeting. This change is favorable. However, two large broiler producers that are doing business with the COOP as non members have applied to become members but their membership approval is still on hold pending the board's preparation of specific guidelines to be used in implementing the new bylaw policy. The COOP's action could be considered partially responsive to the recommendations – the new board needs to be engaged in a program to attract new COOP members at the same time that it provides leadership and management to the COOP to increase sales.
- Discontinuing providing credit for flock renewal (chicks) whether laying hens or broilers: This is a favorable change in terms of protecting the COOP from excessively high and possibly uncollectible accounts receivable. At the same time, the change increased the need for outside credit for members. Virtually no credit for members has been sourced apart from long term bank loans guaranteed by Kafalat. Many members are able to pay cash for flock renewal drawing from savings or borrowing from family and friends. Nonetheless, a sound source of short term (up to 9 months to 1 ½ years) credit for flock renewal would be very helpful to COOP members. The COOP's actions to date could be considered as partially responsive to recommendations.

Policies of the COOP that would be considered as encouraging to members include:

- Facilitating credit for its members – Meet with prospective lenders to set up loan products that meet the needs of COOP members and prospective members. The document, "Loan Facilitating Guide" has been provided to WRF and the COOP following a meeting with Lebanon Investment in Microfinance (LIM) Chief of Party Mahmoud Elzein. This guide should be translated into Arabic for the COOP board and staff. Note: LIM may be translating it to Arabic.
- Providing technical assistance (TA) to members – A number of key staff that provided TA to members have now left the COOP but fortunately the poultry (layers and broilers) technical field specialist remains – eggs sales provide most of the revenue and gross margin to the COOP. **Annex 4** contains an organizational chart for the COOP that shows all current positions plus the positions vacated.

Conclusion: Producer Business Model

The COOP may be considered as "on track" in that members continue to provide it with their production. However the COOP has yet to open membership to all producers to become members.

At the same time, sales of eggs have not been on a continuingly increasing trend. Egg unit sales decreased significantly from 2006 to 2009 and partially rebounded in 2010 and 2011. The need for new egg producers is limited unless the COOP is able to increase its sales volume.

Up to now the COOP has managed to sell eggs as high quality and differentiated from other producers' (large companies') eggs, by quality and at a higher price. This is a success but the COOP needs to build on and strengthen this success. Marketing, branding, and distribution/market access and innovation will continue to be a challenge. Developing a sales network is important in order to maintain the favorable image of the B. Balady brand and maintaining prices at a higher level than other players in the market[6].

Broiler producers have done reasonably well it appears. However, this enterprise is 0risky. Large flocks (1,000 broilers or more) are required in order to generate a reasonably income to the producer. The broiler business has also been risky for the COOP and sales have been erratic.

Beehives are a part time job for the beekeeper members of the COOP and return a level of income that does not meet family living expenses. Honey sales were high in 2009 but dropped by almost 2/3 by 2010. Sales may be coming back slowly, achieving $11,800 for the first 9 months of 2011. However, the COOP members produced 8,500 kg of honey in 2010 and 7,000 kg in 2011 (the reduction in 2011 was due to poorer weather, not a reduction in honey producing members or capacity). The COOP sells less than 1,000 kg annually, therefore, producers are required to sell most their honey wherever / whenever they can, often resulting in low prices.

Additional efforts in marketing, especially honey marketing and market access, are needed in order for the COOP to reach a much higher level of sales than it does now. The marketing experience with the LBLI project in 2011 showed potential that should be built upon. Many beneficiaries are making a good income in their enterprises but the COOP can and should do more in order to enhance the over all impact on the community[7].

The COOP could also explore the possibility of collaborating with other niche high value food producers. To improve the visibility and acceptability, could the B. Balady brand be placed on others' products, improving the profitability of the COOP without increasing the risk to the COOP? The COOP could also investigate producing additional products, but this must be done with great care, ensuring that risk to the COOP is minimized. As part of its marketing strategy, the COOP ought to pursue resources that would assist it to carry out market intelligence on this and feasibility analyses.

The COOP needs to demonstrate the capacity to increase production and sales in order to be "on track". Growth will be necessary for sustainability.

Assessment of the Resource Cooperative in Jizzine as a Business

The COOP has gone through significant changes since the April-May 2010 evaluation.

Board of Directors

Five new board members were elected at the annual meeting on July 30, 2010. A sixth resigned to take a position with the COOP and one of the "Substitute" members took his place leaving only one member from the previous board that was re-elected to the current board. A complete list of current board members, the monitoring committee and the Substitute Committee is included in **Annex 4**)

[6] This paragraph is drawn from comments to a draft of this report prepared by USAID Senior Economic Growth Specialist Georges Frenn.

[7] This paragraph and the next one are also drawn from comments prepared by USAID Senior Economic Growth Specialist Georges Frenn.

The board has taken many positive steps since it took office in August 2010. Stronger accounts receivable controls, fingerprint clock whereby employees are required to "punch in", and improved maintenance of vehicles.

On November 10 at the beginning of the field work for this consultancy, upon my arrival in Jizzine, the board presented a letter that is contained in **Annex 6**. The letter reports on the above actions taken by the board. During that November 10 meeting (a dinner with the board) we went through the letter point by point. I congratulated the board on positive actions taken and raised questions on others that are detailed below.

The attitude displayed by the board chairman and vice chairman, and apparently shared by at least some of the others on the board is that the previous board did many things wrong and they (the current board) are now taking actions to set things right. An excerpt of the letter reads as follows:

> "We were shocked because of the disorder work in the cooperative which lead to many risks so we took many right decisions in order to solve this problem"

Certainly, mistakes were made by the previous board, but the fact that the COOP exists and is functioning, covering its costs and serving its members are indications that they did a lot of things right. In spite of this position, I credit the new board with many favorable changes as mentioned above and described in their letter.

The board's attitude toward WRF is also of concern. The same letter (**Annex 6**) includes a list of issues with WRF under the headings "Relation with WRF" and "Cooperation with WRF:". One of these contains an accusation that WRF is responsible to pay the approximately 50 million LL ($33,333) of 2009 and 2010 NSSF (social security tax) for COOP employees that went unpaid by mistake. The responsibility for this unfortunate lapse lies primarily with COOP management and board but should have been uncovered by the COOP's auditor for the 2009 and 2010 audits, Mr. Elie Zouein[8]. While it was an oversight on the part of many, the tone of the accusation and demand are uncalled for, given that the COOP's very existence is thanks to the USAID-funded project managed by WRF.

Several of the subsequent points also raise questions:

- "The WRF team in Azour was not supported the coop but they was blocking the work in the coop from 18/8/2010 till 28/4/2011."

This is a serious charge. WRF had four staff working for the COOP in Jizzine (Azour Village is the actual site of the COOP). If the board believed that any of them were "blocking the work in the COOP" they had an obligation to communicate the same to WRF at least verbally and preferably in writing which they did not, according to WRF. My observation was that the WRF Team filled significant support roles, including managing some tasks. Outside consultants also rated the WRF staff as effective especially Béline Aoun who was overseeing the COOP's marketing effort[9].

During the summer of 2011, a number of producers had serious problems with diseases. The letter describes another request to WRF:

- "We asked for a financial grant to cover the loss of the broiler beneficiaries that was facing some diseases in the summer 2011, the answer was outside the scope of the fund."

[8] A standard task of an auditor is to certify that the entity audited is in compliance with all rules and regulations including all tax obligations.
[9] As indicated by LBLI marketing specialist Nadine Chemali.

WRF does not have the mandate to pay for such losses, especially in this case – the broiler producers that suffered losses were not COOP members. They were non members doing business with the COOP. To pay these losses on the part of producers would run counter to the business sustainability principles that the COOP is based on.

- We asked WRF to distribute the bees' grants for 2012 in the November 2011 to make the beneficiary benefit from the honey on the spring and summer 2012 but they don't agree.

WRF declined this request because of the risk involved in placing bee hives in the fall. The risk of death of the bees is much greater when hives are moved in the fall as compared to spring. This is corroborated by many professional beekeepers in Lebanon that report that bees should not be sold and moved in the fall, it is far too risky.

The COOP board cut short the "secondment" arrangement of three key WRF-paid support positions on April 30, 2011, two months prior to the end of the agreed-upon secondment period[10]. The three staff were kept on by WRF until August 31 during which time they provided help on an ad hoc basis. The WRF project extension called for the support of these positions to end on August 31, 2011. The positions of two of them remain unfilled. They are (1) marketing and (2) technical production support in bees and over all supervision, (**Annex 5** contains a list of Beirut and Jizzine current and recent WRF staff). Manager Issam Bou Rached, Manager, now has direct responsibility for these areas.

The board's attitude toward service providers is also of concern. For example:

- The chairman insists that service providers "come to the COOP" instead of sending representatives of the COOP's management and board to meet at locations that are feasible for the service provider. During the last several months WRF and the COOP have been working with LBLI[11] on a honey promotion campaign. The COOP board did not engage in this effort and did not allow the COOP Manager to attend key meetings in Beirut – hence missing a potential major opportunity for outside assistance in marketing, an area in which the COOP has great need.
- The board does not acknowledge the value provided to the COOP by the firm ECE which has assisted the COOP to prepare departmentalized financial statements. I have been reviewing ECE's work during each evaluation (July 2005, December 2008, May 2010, and currently) and found it to meet high standards – it should be very useful to the COOP, and to WRF as it provides assistance to the COOP. The need for the services of ECE is especially important at this stage since the COOP's new auditor has not demonstrated the capacity to prepare departmentalized statements of operations. He has promised to prepare them but has not done so yet.

In conclusion, the attitude of some board members (board chairman and vice chairman in particular) are not in line with the principles of cooperation, collaboration, and receptiveness to technical assistance, aimed at strengthening the COOP's business sustainability.

[10] Beginning in September 2010, WRF and the COOP negotiated a means by which three of the WRF-Jizzine staff could report to COOP management instead of WRF. Beginning on November 1, 2010, the three were made acting middle managers by decision of the COOP and this arrangement was to continue to June 30, 2011. The COOP was to begin recruiting to fill these positions in March 2011. This did not occur. Instead the COOP board terminated the positions at the end of April 2011.

[11] Lebanon Business Linkages Initiative, a USAID-funded project carried out by FHI 360, ACDI/VOCA and AFE.

COOP Management and Staff

COOP Manager Issam Bou Rached now has more than four years of experience managing the COOP. He remains young and is still learning how to manage. However, with appropriate guidance and help, and effort from the COOP board to help him develop the right skills, he should be able to manage the COOP in a sustainable manner.

Accountant Mona Fares is able to fulfill the requirements of her position but also requires support from outside sources. Issam provides support along with others. Béline Aoun, one of the previous WRF-paid staff in Jizzine, had also been assisting her. An ideal support situation for this position could be the COOP's auditor. However, the new auditor, Elie Hourani, has not yet demonstrated a strong interest or capability to providing TA for this activity.

The COOP now has only one technical production specialist, Alain Kassouf. He oversees egg and broiler production. Given that egg sales generate most of the revenue and nearly all of the profit of the COOP, this position is probably the most important technical production position. As seen in **Annex 4**, the beekeeping supervisor, dairy goat supervisor, and the most technically capable person in the area of honey extraction and herbs distillation, have left and not been replaced. Given that the COOP generates little or no gross margin from these enterprises, it probably cannot afford to fill the positions. However, if the COOP could rebuild and improve its honey sales, this might be the first area to re-staff – at the same time, building back honey sales without providing quality TA to producers may be impossible. Honey sales represent a significant untapped opportunity for the COOP – its members produce approximately eight tons of honey per year and the COOP markets less than one ton. In addition, more than half of the COOP's members are beekeepers.

The most significant weakness in the COOP's human resources may be the marketing area. The Sales Representative, Elie Attieh, does not appear to be adequately trained and supervised to be able to lead the sales effort. The WRF-paid marketing specialist, Béline Aoun has left and Manager Issam Bou Rached is now directly in charge of marketing. Given the level of effort required by day to day management of the COOP, it is doubtful that the COOP has the necessary resources to grow sales sufficiently to achieve economies of scale. Even more concerning is the apparent failure on the part of the board chairman and some of the other board members to acknowledge this weakness.

The COOP also has staff that may not be fully employed. The new positions including maintenance supervisor and inventory control officer should be examined to ensure that they are fully employed. The honey technician is significantly under employed as honey processing takes place during only several months per year. However, if the COOP is going to pursue growth in honey processing and sales, it may need to recruit a capable honey and beekeeping specialist.

The chairman of the board has been very involved in staffing the COOP and may have bias with respect to the new positions created and those left vacant. It may be useful for an outside workplace task analysis specialist to review the tasks assigned to each COOP staff and the amount of time spent productively on these tasks. The purpose would be to ensure that all staff are fully employed and that all needed tasks are carried out.

Unit Sales Volume Trends and Departmental Operations

In this section, the unit volume sales are given where practical. This is followed by a discussion of the profit generating capability of each department.

The COOP's unit sales volumes have been erratic, not demonstrating steady growth. Some of this variability relates to outside forces such as war and disease. However, some of it surely relates to the COOP's lack of a solid consistent marketing strategy. A sound marketing effort is greatly needed by the

COOP and unfortunately, it does not appear to currently have a marketing team with the skills and contacts to effectively manage such an effort. In addition, the COOP appears to be missing out on marketing resources that are available to it. The COOP board needs to recognize the value of the B. Balady brand as an asset that needs to be capitalized upon.

As part of its marketing options, the COOP may have examined the possibility of contracting a private sector marketing entity to handle distribution and marketing. It should continue to study this possibility. Such a change would allow the COOP to focus on production and processing, aimed at increasing income to the COOP and its members[12].

It must be noted that the COOP has not taken a provision for or written off uncollectible accounts since it began operations. When the uncollectable accounts receivable are recognized, a significant loss will occur in the year in which they are written off or provisioned[13].

General & Administrative Expense Allocation

The reader should take special note of the line "Allocated G&A" (allocated general and administrative expense). Nearly all G&A expense was allocated to the departments in order to obtain a more accurate picture of the individual department's profitability. The allocation of G&A to the various departments is shown below in **Table 2**. Note: The COOP's departmentalized financial statements for FYs 2010 and 2011 did not include allocated G&A in the individual department income statements. In order to have comparable figures for all years, I allocated the G&A expenses for 2010 and 2011 to the departments at the same rates used in 2008 and 2009.

Table 2 Allocation of General and Administrative Expenses

Year	*2006*	*2007*	*2008 – 2011*
Honey & wax	14%	6%	3%
Retail shop	5%	1%	1%
Broilers	12%	8%	7%
Chicks	3%	5%	3%
Feed	20%	10%	24%
Eggs	40%	61%	60%
Other (herbs, goats)	6%	9%	2%
Total %	100%	100%	100%

Honey and Wax

The departmentalized statement of operations prepared by the COOP with help from WRF and ECE shows two separate cost/profit centers. For this report, they are combined into one since they are related.

Table 3 Honey Unit Sales and Statement of Operations 2006 – 2011

Year	*2006*	*2007*	*2008*	*2009*	*2010*	*Jan 1- Nov 17, 2011*
Honey sales - kg	1,807	1,299	1,127	630	469	987

Year	*2006*	*2007*	*2008*	*2009*	*2010*	*9 mos 2011*
Honey & Wax						
Sales $US	31,320	84,492	43,613	24,075	17,986	21,332

[12] This paragraph is drawn from comments prepared by USAID Senior Economic Growth Specialist Georges Frenn

[13] The COOP's new auditor, Elie Hourani, indicated that he will review accounts receivable in conjunction with the 2011 audit and write off or take a provision for accounts receivable that are deemed unrecoverable. He indicated that a provision or write off will be also be taken for any other assets for which the value is overstated.

Year	*2006*	*2007*	*2008*	*2009*	*2010*	*9 mos 2011*
Gross Margin	(7,440)	10,382	2,827	4,075	3,867	(4,077)
Less:						
Salaries & wages	-	-	8,093	8,333	9,827	3,283
Allocated G&A	10,803	6,521	4,282	3,745	3,384	2,587
Other exp (inc) net	1,920	-	(4,690)	(1,507)	-	(453)
Net Operating Income	*(20,162)*	*3,861*	*(4,858)*	*(6,496)*	*(9,344)*	*(9,494)*

Unit sales of honey decreased significantly in 2009. Factors include an increase in prices by the COOP and a one month period during which the COOP was unable to supply the stores – it had depleted its supply prior to the new crop.

As mentioned earlier in this report, the COOP needs an increase in its sales of honey since its members produce far more than the COOP can sell. It appears that a strong, sound, marketing effort is needed to accomplish this. It is unclear whether this is being carried out. At the same time, the honey and wax departments lose a lot of money which puts even more importance on the need to either increase sales to generate gross margin to cover costs, or discontinue the honey business – which would be problematic since 72 of the COOP's 146 active members (**Table 1**) and five of the COOP's seven board members are beekeepers, see **Annex 4**.

"Net Operating Income" in the above table and those that follow is defined as each department's contribution to the profitability of the COOP as a whole. Ideally all departments should have positive Net Operating Income – if not, they should be evaluated to determine if improvements can be made to achieve better performance. Over the long term, if a department cannot generate a Net Operating Income, it probably should be closed unless it can be justified as helping the COOP's other departments remain profitable.

Retail Shop

The retail shop continues to show slightly above break-even operations most years. The COOP has made some changes which will hopefully improve the picture for 2011 and subsequent years. These include increasing the variety of products available plus increasing the hours in order to be open during high traffic times.

Table 4 Retail Shop Statement of Operations 2006 - 2011

Year	*2006*	*2007*	*2008*	*2009*	*2010*	*9 mos 2011*
Retail Shop						
Sales - USD	17,429	42,958	31,017	48,087	50,280	37,196
Gross Margin	9,654	6,040	1,109	5,697	5,886	7,565
Less:						
Salaries & wages	4,693	4,378	5,292	5,689	5,057	1,992
Allocated G&A	3,858	1,087	1,427	1,248	1,128	862
Other exp (inc) net	1,920	-	900	(3,230)	(3,230)	-
Net Operating Income	*(818)*	*575*	*(6,510)*	*1,990*	*2,931*	*4,710*

The retail shop is a significant outlet for the products that the COOP sells. The goal would be to make sure that it covers its costs and at least a small portion of G&A expense, generating a positive Net Operating Income.

Broilers

Broiler sales have been quite erratic over the years. Currently, sales are down due to diseases that caused producers' losses the summer of 2011. Sales are expected to come back up according to the

COOP Manager. Feed sold to broiler producers does generate gross margin to the COOP, but less than the mixed feed sold to egg, dairy, livestock and other producers of farm products.

Table 5 Broiler Unit Sales and Statement of Operations 2006 - 2011

Year	2006	2007	2008	2009	2010	Jan 1- Nov 17, 2011
Broiler sales - kg	13,101	33,203	14,412	12,538	14,076	12,531

Year	2006	2007	2008	2009	2010	9 mos 2011
Broilers						
Sales	32,628	94,871	78,699	115,223	103,612	60,998
Gross Margin	(943)	4,573	7,814	11,889	7,191	14,615
Less:						
Salaries & wages	-	-	8,085	3,124	6,796	4,068
Allocated G&A	9,260	7,608	9,992	8,739	7,896	6,037
Other exp (inc) net	-	(4,330)	(10,980)	(42)	-	-
Net Operating Income	*(10,203)*	*1,295*	*717*	*68*	*(7,501)*	*4,510*

As seen above, unit broiler sales are still less than half the level of 2007. This is an indication that there may be an opportunity for an increase in broiler sales.

Initially the COOP's members were producing "free range" broilers. However a government-imposed limit on prices resulted in the COOP having to leave that business and assist members to produce "commercial" broilers since they could be sold at or below the government-imposed limit. This business continues to provide gross margin (but not profit) to the COOP.

The broiler activity needs to be evaluated to ensure that it does contribute to the over-all profitability of the COOP. The broilers produced by COOP members and non members are not sold under the B. Balady brand. Hence, the broiler operation is less of an integral part of the COOP's activities.

Chicks

In the past, the COOP purchased chicks for layers and raised them for 90 days of age in order in order to minimize producers' losses. The COOP now buys 90 day-old chicks for the egg producers and sells them to members at a small mark-up. The COOP also procures chicks for broiler producers and re-sells them. This, being a department that supports other departments, would hopefully at least cover its costs sufficiently to achieve break-even or slightly above profitability.

Table 6 Chicks Statement of Operations 2006 – 2011

Year	2006	2007	2008	2009	2010	9 mos 2011
Chicks						
Sales	11,540	22,934	35,278	99,636	48,972	23,850
Gross Margin	273	8,112	9,493	16,000	13,732	1,076
Less:						
Salaries & wages	-	-	-	1,072	116	-
Allocated G&A	2,315	5,434	4,282	3,745	3,384	2,587
Other exp (inc) net	1,924	1,990	4,080	3,551	1,200	-
Net Operating Income	*(3,966)*	*687*	*1,131*	*7,632*	*9,032*	*(1,511)*

Feed

Feed sales declined significantly in 2010 due to a feed quality problem in 2009 as described later in this report. Sales have yet to return to the 2009 levels. Feed sales appear to be an untapped opportunity for the COOP.

Table 7 Feed Unit Sales and Statement of Operations 2006-2011

Year	*2006*	*2007*	*2008*	*2009*	*2010*	*Jan 1 – Nov 17, 2011*
Mixed feed – tons	383	420	440	454	428	408
Pelleted feed – tons	118	278	462	535	262	234
Total - tons	**501**	**698**	**901**	**989**	**691**	**643**

Year	*2006*	*2007*	*2008*	*2009*	*2010*	*9 mos 2011*
Feed						
Sales	141,717	254,450	471,572	453,277	333,765	301,966
Gross Margin	10,190	11,250	44,313	63,274	38,472	28,163
Less:						
Salaries & wages	-	-	2,672	10,032	7,811	9,131
Allocated G&A	15,433	9,782	34,259	29,963	27,074	20,699
Other exp (inc) net	-	-	(6)	6,222	900	2,553
Net Operating Income	*(5,243)*	*1,468*	*7,388*	*17,057*	*2,687*	*(4,220)*

Mixed feed is prepared for laying hens, goats, and dairy and beef cattle. The COOP grinds maize and mixes in soybean meal, minerals and other ingredients based on specific rations for each type of feed based on reliable trade and research sources. The COOP reports that since local producers trust the COOP more than private feed suppliers, it is able to charge slightly higher prices for feed. However, COOP members receive a small discount.

Manufactured, pelleted feed is provided to broiler producers. The COOP purchases it from a pelleted feed manufacturer, transports it to Jizzine, and sells it to broiler producers at cost plus transportation and a mark-up. Following the feed quality problems of 2009, the COOP has changed suppliers. The sale of pelleted feed generates less gross margin for the COOP than mixed feed but also incurs far lower costs. The COOP is interested in manufacturing pelleted feed but this enterprise would need to be carefully examined: a) Would the COOP have or be able to hire personnel capable to manage such a sophisticated manufacturing facility? b) Would the market for pelleted feed be sufficient to achieve economies of scale recovering capital costs?

The feed plant manager/operator works for the COOP less than full time. He indicated that he could sell more mixed feed for dairy and other livestock if he had a place to store finished product. At the present time he can only produce specific kinds of livestock feed on demand, hence he misses out on sales to livestock people that need feed immediately. This constraint could be alleviated by the purchase of a 30' or 40' shipping container that would be place adjacent to the feed mill. The COOP would need to do a cost/benefit analysis before carrying out this expenditure, even if the container were to be donated.

Eggs

Unit sales of eggs declined considerably in 2008 and 2009 and have recovered, but not to the levels of 2006.

Table 8 Egg Unit Sales and Statement of Operations 2006 – 2011

Year	*2006*	*2007*	*2008*	*2009*	*2010*	*Jan 1- Nov 16, 2011*
30-egg packs	57,077	52,025	48,314	43,865	54,464	52,276

Year	*2006*	*2007*	*2008*	*2009*	*2010*	*9 mos 2011*
Eggs						
Sales	235,119	312,385	374,734	375,415	415,450	323,261
Gross Margin	51,217	91,598	129,151	132,841	137,894	112,602
Less:						
Salaries & wages	13,930	19,900	26,858	27,319	33,248	27,812

Year	2006	2007	2008	2009	2010	9 mos 2011
Allocated G&A	30,865	61,952	84,221	73,658	66,556	50,885
Other exp (inc) net	10,869	3,382	2,497	16,455	-	551
Net Operating Income	*(4,448)*	*6,364*	*15,576*	*15,409*	*38,090*	*33,354*

The packaging and sale of eggs is the activity that pays most of the costs of the COOP. The COOP needs to maintain and build this department in order to achieve sustainability. As seen in the above table, the COOP has not achieved a steadily increasing level of eggs sales.

Other – Goats & Herbs

The activities related to the seven remaining active goat beneficiary members results in losses to the COOP. However, the COOP does sell mixed feed to the goat producers. The board of directors and manager need to determine whether the business that the COOP does with goats is beneficial to the COOP as a whole.

Herbs are no longer a part of the COOP's activities. The board is interested in re-activating the herbs department. However, this would require careful study. It appears highly unlikely that the COOP would be able to develop a profit-generating herb activity.

Table 9 Other – Goats & Herbs Statement of Operations 2006 – 2011

Year	2006	2007	2008	2009	2010	9 mos 2011
Other (herbs, goats)						
Sales	497	1,232	878	818	145	439
Gross Margin	(609)	(1,143)	(1,821)	(1,090)	(3,884)	(31)
Less:						
Salaries & wages	-	-	8,070	6,712	-	-
Allocated G&A	4,630	8,695	2,855	2,497	2,256	1,725
Other exp (inc) net	3,914	5,184	(4,764)	(4,122)	-	-
Net Operating Income	*(9,152)*	*(15,022)*	*(7,983)*	*(6,177)*	*(6,140)*	*(1,756)*

Statement of Operations Summary

The following table demonstrates the need for the COOP to continually review its various departments (cost/profit) centers and make improvements, especially in weak departments, in order to strengthen over-all operations. As seen below, WRF grants (subsidies) have allowed the COOP to show a profit each year since 2006. However, a profit is generated only in 2010 and 2011 after deducting the WRF grants.

Table 10 Statement of Operations Summary 2006 – 2011

Year	2006	2007	2008	2009	2010	9 mos 2011
Total – All Departments						
Sales	470,250	813,322	1,035,791	1,116,530	970,211	769,042
Gross Margin	62,342	130,813	192,887	232,687	203,158	159,913
Less:						
Salaries & wages	18,624	24,279	59,070	62,282	62,854	46,285
Allocated G&A	77,164	101,080	141,319	123,596	111,679	85,383
Other exp (inc) net	20,546	6,227	(12,963)	17,327	(1,130)	2,652
Net Operating Income	*(53,992)*	*(772)*	*5,461*	*29,482*	*29,755*	*25,593*
Less: unalloc G&A	-	-	-	-	12,728	3,455
Add: Other inc (exp) net	76,119	42,464	40,644	4,784	6,740	3,064
Net Income	**22,127**	**41,692**	**46,105**	**34,266**	**23,767**	**25,202**
WRF Grants	72,373	78,414	76,496	29,591	4,490	6,520
Net Inc less WRF grants	**(50,246)**	**(36,722)**	**(30,391)**	**4,675**	**19,277**	**18,682**

Uncollectable Accounts Receivable Impact on Statement of Operations

As noted earlier, the COOP has not written off or taken a reserve for uncollectable accounts receivable – this represents a significant weakness in its financial statements and the work of the previous auditor. Apparently the auditor did not carefully review accounts receivable and make a determination as to whether each was collectable. Hopefully this will be carried out properly and according to Generally Accepted Accounting Principles (GAAP) in conjunction with the 2011 audit. When accounts receivable are valued correctly, the Net Income amount will be a large negative figure for 2011. However, most of this loss will relate to the accumulation of uncollectable accounts receivable associated with past years' operations.

I requested an accounts receivable aging when I was at the COOP in November – I received spreadsheets containing the following on December 5:

cust_name	cash_flow	days0_15	days16_30	days31_60	days61_90	over91days	Total USD
Trade a/	76,242.54	12,089.50	11,546.03	9,911.71	7,640.54	90,408.24	207,836.55
Members / Producers							169,216.45
Grand Total							377,053.00

a/ Grocery store & trade customers.

As noted above, there is not an aging of members / producers' accounts receivables. The e-mail that accompanied the above information stated: "… the COOP Board has taken a decision to legally pursue the matter with all members with outstanding accounts and who had challenges in paying (around $80,000)."

The availability of accounts receivable aging information is very important to the COOP. A rapid means of identifying past due accounts is needed in order that recovery methods can be applied in a timely manner.

Funds tied up in accounts receivable limit the COOP's availability of cash to use for other useful business purposes. In addition, uncollectable accounts receivable have a direct negative impact on profitability and significantly threaten the viability of any business, including the COOP.

The manager and sales staff need to review accounts receivable continually. The board of directors needs to have trade as well as member / producers' accounts receivable aging reports available at each meeting. In spite of the COOP's new policy and efforts to control accounts receivable, they continue to increase, albeit at a slower rate than in the past.

Balance Sheet

The COOP's balance sheet is strong and is "bankable" according to a number of the professional finance people with whom I met: Kafalat CEO Khater Abi Habib, Mr. Selim Haddad and Ms. Nada Boulos of ECE, and MA3AN CEO Antoun Hindy.

Table 11 Balance Sheet

	31-Dec-06	*31-Dec-07*	*31-Dec-08*	*31-Dec-09*	*31-Dec-10*	*30-Sep-11*
ASSETS						
Cash & Bank	65,869	65,421	46,802	39,312	111,086	113,494
Accounts receivable	105,121	165,097	230,297	316,917	320,963	377,053
Advance payments to employees		531		815	403	291
Coop members' current account	30,179	31,562	46,040	53,617	60,019	58,998
Inventories	22,496	44,375	42,037	57,599	58,025	36,648
Total current assets	**223,664**	**306,986**	**365,176**	**468,259**	**550,497**	**586,484**
Fixed assets						
Land	71,443	71,443	71,443	71,443	71,440	71,440

	31-Dec-06	*31-Dec-07*	*31-Dec-08*	*31-Dec-09*	*31-Dec-10*	*30-Sep-11*
Tech installations and indust. Mach.	3,107	5,954	93,058	94,072	95,161	95,661
Fixtures	2,529		17,910	19,848	19,880	20,023
Construction works	31	1,408	31			
Vehicles	56,467	99,337	122,387	138,138	139,798	139,798
Computers	3,978	5,376	11,681	11,681	11,700	11,700
Office equipment	7,590	7,590	11,229	11,229	11,231	11,231
Furniture			10,031	10,031	10,048	10,048
Accumulated depreciation	*11,016*	*23,839*	*54,694*	*89,526*	*90,294*	*62,395*
Net fixed assets	**134,130**	**167,269**	**283,075**	**266,915**	**268,963**	**297,505**
Total Assets	**357,794**	**474,255**	**648,252**	**735,174**	**819,459**	**883,989**
LIABILITIES & OWNERS' EQUITY						
Accounts payable	55,500	74,300	26,021	70,168	110,117	123,391
Expenses payable	4,245	9,627	23,792	23,213	32,266	29,625
Total liabilities	**59,745**	**83,926**	**49,813**	**93,381**	**142,383**	**153,016**
Capital	1,095	1,214	1,260	1,393	1,426	1,432
Additional Paid-in Capital (coop members)	73,665	82,172	100,097	109,051	117,153	117,153
Grants-Fixed assets	71,443	113,404	257,438	257,438	257,438	295,507
Legal reserves	14,685	19,995	19,995	19,995	20,004	20,004
Retained earnings	137,163	173,544	219,649	253,916	281,056	296,876
Total equity	**298,050**	**390,329**	**598,439**	**641,793**	**677,077**	**730,972**
Total Liabilities & Owners' equity	**357,794**	**474,255**	**648,251**	**735,174**	**819,459**	**883,989**

As mentioned previously in this report, the COOP's balance sheet contains a very high level of accounts receivable, some of which are uncollectable as noted previously. These include receivables from several members that did not pay for poor quality feed that the COOP provided to them that had been purchased from the COOP during the July through November 2009 period[14]. The poor feed quality resulted in $48,000 of past due accounts receivable from member broiler producers and a contested payable to a supplier in the amount of $30,000 – both the receivables and the payable remain outstanding up to the time of this writing as the case is in court. If the court were to rule in favor of the COOP, the $30,000 payable would be reversed, and would offset that amount of accounts receivable. Assuming that the $48,000 of accounts receivable are not collectable, the net loss would be approximately $18,000 relating to these accounts receivable and payable. However, as noted above, the COOP manager has reported that there are "challenges" regarding the repayment of around $80,000 of accounts receivable from member / producers.

Impact of writing off accounts receivable

Tying up the COOP's cash resources in high levels of accounts receivable reduces the liquidity available for other purposes whether or not the uncollectable accounts are recognized in the year in which they are incurred or deemed uncollectable. The COOP's auditor was remiss in past years for not recognizing and writing off or taking a provision for uncollectable accounts receivable. When this is corrected by writing off a large amount of accounts receivable reported (presumably) in the 2011 audit report, a large loss will be indicated. A possible scenario could be (a) the COOP generating a $20,000 net income before considering uncollectable accounts receivable, then (b) writing off or taking a provision for $80,000 of accounts receivable. The result would be (c) that the net income would become a $60,000 net loss for the year. It should be noted that the loss is mostly a recognition of past years' accounts receivable control weaknesses.

[14] As reported in the June 2010 Evalation Report.

The act of writing down or writing off accounts receivable or any other asset has a direct negative impact on Net Income. But the act, in and of itself, at the time of the write-down, does not have an impact on the cash position or the liquidity of the COOP. Therefore, it should not provide an immediate threat to the ability of the COOP to do business.

However, the failure of the COOP to develop strategies and methods to control accounts receivable will continue to impact the level of cash and resources that the COOP has available to do its business.

Sources of balance sheet strength

The strength in the balance sheet comes from several sources:

1. Unit retains: The COOP's "Additional Paid-in Capital" is generated through the members' agreement that the COOP may keep a portion of their sales revenue as capital. This practice among cooperatives is especially beneficial to cooperatives with break-even operations or low earnings.
2. Project grants: Grants in the form of cash, land, building and equipment.

A portion of the grants to the COOP contribute to Retained Earnings. Normally, the internally generated profit of a business builds Retained Earnings over time. However, the COOP's internally generated income from 2003 through the first nine months of 2011 is negative. Therefore the Retained Earnings shown above represent WRF grants received during the period, which are not included in grants for fixed assets which are shown in a separate line item.

Conclusion: Assessment of the COOP as a Business

The COOP has not demonstrated a steady increase in sales over the last five plus years. The COOP has faced adversity but achieving long term sustainability will depend on a steady increase in spite of adversity. It should be acknowledged that a fledgling business will make mistakes. The COOP management and board need to demonstrate that they can learn from their mistakes and grow.

The COOP has momentum to continue at its current level of business. Achieving a level of growth to achieve long term sustainability is in question. The COOP has not demonstrated the ability to grow its business. Instead, its sales volume has been erratic from year to year. However, sales of eggs and feed, its two profit centers that support the rest of the COOP, may be on an improving trend. Accounts receivable control needs to be improved. Cost/profit center analysis needs to be effectively utilized as the board of directors and manager set business priorities and policies.

Annexes

Annex 1 Scope of Work

Scope of Work – Final Evaluation of the "Development Cooperative in Jizzine" (COOP)

and the role and performance of the project:

"Expanding Economic Opportunities for Survivors of Landmines and Victims of War in the District of Jizzine, South Lebanon"

I. Background and Purpose

The July 2005 and December 2008 evaluations were focused on the performance of WRF in its roles of (a) assisting the project beneficiaries (COOP members) to become established in sustainable production enterprises that contribute to family income and (b) assisting the COOP to establish itself and achieve operational and financial sustainability.

The purpose of this final evaluation (November 2011) is to review the status of the COOP's actions and policies in terms of their contribution to financial and operational sustainability and WRF's assistance toward that goal. It is recognized that the COOP's sustainability is tightly linked to the COOP's members' sustainability.

The further purpose of the evaluation is to define as clearly as possible what the COOP will need to do to prosper post donor support. As no other USAID funding is forthcoming, and the politic situation remains unstable, how the COOP adapts will be crucial.

The evaluation will also summarize the exit strategy and asset distribution that will be a necessary part of the close out. This check list for future months will provide guidance for the leadership team as the August 30, 2012 deadline approaches.

The evaluation will also include a review of the COOP's performance and WRF's assistance to the COOP regarding the implementation of recommendations made during previous evaluations.

The objectives of this Evaluation include:

1. Assess the business models for current and prospective future COOP members including:
   - Beneficiaries that received grants to establish production units – are grantees thriving and expanding their businesses? Is the grant mechanism a viable model that will lead to growth? If so, will funds for grants be available from outside sources after the end of the program?
   - Are new members being attracted to the COOP (without grants). Are funding sources for new members available – is Kafalat the only source? Are members' economies of scale adequate to provide a level of income that will maintain their interest in the enterprises?
   - Could the COOP revise its membership definition and expand membership?
2. Assessing the operational and financial viability of the COOP.
   - Assessing the board and management's approach to monitoring COOP's financial performance.
   - Assessing the COOP's approach to evaluating prospective COOP enterprises with the objective of avoiding undue risk to the COOP.
   - Assessing the professional and technical capacities of human resources available to the COOP.
   - Assessing the status of the current operational systems and procedures.
3. Reporting on progress made against recommendations contained in the June 2010 Evaluation report, other consultants' reports, enterprise feasibility analyses, USAID recommendations, and/or other entities' suggestions and recommendations.
4. Prepare "Lessons Learned" including guidance for management and the board, aimed at:

- Strengthening the membership of the COOP and their interest in continuing to do business with the COOP. Are members now producing for other marketers or does the COOP provide the best value in terms of marketing, input supply, and services.
- Improving the COOP's chances for economic viability and growth.

II. Preparation, Process and Methodology of the Evaluation

The Evaluation will be initiated in accordance with the agreed Scope of Work. A consultant will be recruited by the Leahy War Victims Fund to undertake the assignment. The identification of the consultant will be made jointly among LWVF, USAID-Lebanon and WRF. A representative of LWVF may participate in the evaluation.

The Consultant's tasks include:

A. Conducting desk review of pertinent reports prior to travel, including COOP financial reports, projections and audits, Project progress reports and any other documents or materials considered relevant to the Evaluation.

B. Drawing up a plan of action and timetable for carrying out the various components of the Evaluation.

C. Carrying out field visits and consultation with beneficiaries including COOP officials.

D. Developing appropriate tools and instruments for data collection.

E. Consulting with the COOP's suppliers and providers of marketing, supply, and financial services.

F. Interviewing and consulting with various stakeholders and counterparts including at least a selected number of beneficiaries and community members, project resource persons and consultants, representatives of the Directorate of Cooperatives in Lebanon, and other relevant entities/persons.

G. Consulting with USAID/Washington, Leahy War Victims Fund, and USAID-Lebanon

H. Consulting with the WRF project staff and consultants.

I. Participating in a technical meeting for dissemination of results and findings to key stakeholders.

J. Preparing and ensuring timely delivery of an analytical report synthesizing the findings and outcome of the Evaluation and presenting practical recommendations.

K. Providing USAID/Lebanon and USAID/Washington with electronic and hard copy of the final report.

The Consultant will provide updates on progress made during the various stages of the consultancy to USAID/Lebanon and USAID/Washington if requested, and the WRF Project Director.

The WRF office in Lebanon will provide assistance and support to the consultant. It will also make available required and relevant documentation and reports. It will also provide the consultant with names and coordinates of contact persons for meetings and field visits and will organize and facilitate such meetings as appropriate and necessary.

III. Scope and Focus and Expected Results of the Evaluation

A. Producer Business Model:

The following (4) tasks were carried out during the May-June 2010 evaluation relating to the Producer Business Model:

1. Examine the businesses of the targeted beneficiaries – are the businesses profitable enough to entice the beneficiaries to grow their businesses, or, is the business scale too small to maintain producer interest over a long period of time.

2. Examine producer (beneficiaries') specific problems, constraints and limiting factors that cause some to drop out of the program.

3. Examine the relationship of the COOP with its members. Could the COOP survive without the involvement of the project grantees? Does the long term survival of the COOP require more business in order to achieve economies of scale that will allow it to be profitable?

4. Does limiting COOP membership to war and land mine victims preclude growth in membership and therefore increased business for the COOP?

This evaluation (scheduled for November 2011) will include a review of the above issues by:

a) Drawing from the COOP's actions in response to the recommendations contained in the June 2010 Evaluation Report

b) Reviewing and evaluating management and board actions taken since that time that will support member profitability and continued interest in producing for the COOP.

The evaluator will state whether the COOP is "on track" with respect to providing a policy (including by-laws) and business environment that promotes a viable membership base that is committed to doing business with the COOP.

B. Assessment of the Resource Cooperative as a business that will be able to continue to serve the capacity building, supply, marketing, and organizational needs of its members:

The following (4) tasks including sub-tasks were carried out during the May-June 2010 evaluation relating to the Resource Cooperative as a business:

1. COOP Management
   a. Do the COOP members have (or will they have) the capacity to take charge of the COOP at the managerial, administrative, organizational, operational, and financial levels at the end of Phase 5 of the project?
   b. Does the COOP's management and administrative processes and structure follow sound business practices?
   c. Are the COOP's human resources adequate?

2. Opportunities and challenges facing the COOP as it pursues sustainable (profitable) business operations
   a. Are current revenues sufficient to cover expenses? In each department? Are some profitable departments supporting unprofitable ones?
   b. What are the prospects for achieving a profitability level that is or will be adequate to meet the COOP's need for growth and future replacement of plant and equipment?
   c. Are capital and financial resources adequate?
   d. Are equipment and facilities adequate? For example, does the feed mill have the capacity to increase sales without the need for additional plant and equipment.
   e. What are the strengths and weaknesses of individual production, processing, accounting, and marketing departments of the COOP?
   f. How do actual recent financial operations (profitability) compare to past projected operations by department and for the COOP as a whole?

3. What are the opportunities for:
   a. new income generating business activities for the COOP? This could include other income generating activities such as sectoral consultancies and capacity building services to other COOPs and or small business entities.
   b. the COOP to take over and provide services that are now provided by outside sources?
   c. What is the impact (current and future) of the olive press, soap manufacturing department? What technical assistance support did Caritas provide with the equipment?

4. Adequacy of COOP legal structure for serving members' interests while pursuing financial sustainability (profitability) within the legal frameworks set for cooperatives in Lebanon.

This evaluation will include a review of the above issues by:

a) *Drawing from the COOP's actions in response to the recommendations contained in the June 2010 Evaluation Report regarding the business sustainability of the COOP.*
b) *Reviewing and evaluating management and board actions regarding each of the above points and sub-points.*

The evaluator will state whether the COOP's manager and board are taking actions and following an approach to business management that will permit the COOP to function as an ongoing business.

C. Provide Recommendations to the COOP and WRF:

COOP:

a) *Point out weak areas of operations that require actions by the manager and board to improve the COOP's chances for sustainability.*
b) *Evaluate the manager's and board's approach to over-all management, response to crises, and decision-making with respect to new enterprises that the COOP is considering for investment. Recommend changes as needed.*

WRF:

c) *Identify specific areas in which the COOP and its members need additional support and resources during the remaining months of the Project.*

IV. Reports/Deliverables

A. A summary draft Evaluation report to be presented to USAID/Lebanon and WRF prior to departure for review and comments. The Evaluation report will present the methodology, findings and recommendations of the assessment.

B. Summary meeting notes for all meetings conducted with individuals or groups who are not USAID and/or WRF staff and any formal meeting with USAID and/or WRF staff, and a list of individuals met during the course of this assessment (with addresses and telephone/fax numbers). These are to be included as annexes to the Evaluation Report.

C. A final report to be due within 10 days after receipt of comments, submitted in.pdf and Microsoft Word (.docx) versions.

V. Evaluation Team

The Evaluation will be conducted by one professional with experience and expertise in cooperatives, small to medium business enterprises and community development with experience and interest in attending to the needs of disadvantaged and disempowered individuals.

VII. Level of Effort:

Total Level of effort is 18 working days. (working days including desk review, travel, field activities, and report writing).

Annex 2 Response to June 2010 Evaluation Recommendations

The following is a full listing of the recommendations contained in the June 2010 Evaluation Report including WRF's status report in the April – June 2011 quarterly progress report and my observations:

Recommendation	*Responsible*	*Timeline*	*WRF: Apr-June 2011 quarterly report*	*Consultant Ose observation*
A.1. COOP Membership: Carefully examine the impact of the membership limitations contained in the current by-laws including the impact of any changes in the definitions of land mine and war victims currently under consideration. Consider opening membership to any qualified producer whose membership would contribute to the COOP's ability to serve all members and generate a profit at the level of the COOP.	COOP Board and Management	2010	After the approval of the COOP's General Assembly during its regular meeting of July 30, 2010, and following election of a new COOP Board, the COOP continues to work with WRF to identify and "recruit" new members according to the new expanded definition of membership and in the best interest of the COOP as a viable and sustainable organizational and business entity. The COOP Board is aware of the importance of addressing membership issues proactively and effectively.	At the July 2010 annual assembly, a bylaw that broadened the definition of "war victim" was adopted. **Footnote a/** to this table includes a translation of the bylaw change. The criteria, while broader than in the past, are still restrictive. To qualify for COOP membership, a person would need to have experienced displacement or financial damage from war or landmines. It should be noted that this the case for most *native* residents of the Administrative District of Jizzine, but it would exclude those moving in from outside the district.
A.2. Diversify Loan Sources: Develop a relationship with microfinance institutions (MFIs) that are willing to design loan products that would meet the COOP's current and prospective members.	COOP Board, Manager. Follow-up by WRF	2010	The "new" COOP Board has been focusing, since its election, on addressing organizational matters and improving the efficiency of operations to cut cost and upgrade productivity and quality. Moreover, the sociopolitical conditions in the country and challenges in the poultry sector have not been encouraging so far. However, WRF has so far facilitated several meetings and discussions between microfinance institutions and the COOP Chairman of the Board and Board members. Of particular emphasis is a meeting that was held on April 12, in the COOP Center, with representatives of the USAID-supported VEGA's Lebanon Investments in Microfinance (LIM) program and of Al-Majmoua (a local lending body) where discussions addressed the possibility of designing a special microfinance plan that would fit the needs of the COOP and its members. However, progress is still conditional on favorable sociopolitical and technical (in the agricultural production sector) conditions. WRF	Board members and other COOP members expressed strong opposition to paying commercial or microfinance rates of interest (effective rate could be 20% or more). The idea of obtaining a Kafalat-guaranteed bank line of credit that different members could access was discussed with Kafalat CEO Abi Habib. He indicated that if a willing bank could be found, such an opportunity could be studied. During a discussion with Michel Slim of Fransabank, we learned of a Kafalat-guaranteed "exceptional" loan product, currently used for pine nut harvesters which requires payment in full after one year. Such a product could be useful for flock renewal. No explicit goals have been set for member and prospective member loans. Conclusion: Four new Kafalat loans were
A.3. Three-way Loan Disbursement and Repayment Agreements: Examine the possibility of agreements between lenders and the COOP whereby a member's inputs may be paid with that member's loan proceeds and the loan repaid by the COOP deducting the principal and interest payments from the member's proceeds of sales to the COOP.	COOP Board, Manager. Follow-up by WRF	2010		
A.4. Set COOP Member and Prospective Member Loan Goals:	COOP with WRF Support	Set goal Sep 2010.		

Recommendation	*Responsible*	*Timeline*	*WRF: Apr-June 2011 quarterly report*	*Consultant Ose observation*
Examine the borrowing needs of the COOP membership. Set a goal for (a) percent of COOP members obtaining loans (such as 25%) or (b) a number of members and prospective members receiving loans, by September 2011. Collaborate with the LIM Project, MFIs such as Al Majmoua, commercial banks, and other lenders and help them design appropriate loan products as needed. Assist COOP members to obtain loans.		Achieve goal Sep 2011	continues to be in active discussions with KAFALAT and lending bodies and MFIs to identify favorable financing mechanisms and opportunities. Progress is expected during the second half of 2011.	disbursed in 2011 – this is very favorable. However, progress towards accessing MFI credit to members is not being pursued. The COOP board has decided that the COOP will not provide credit for new flock start-up, that is, chicks. While this change may be an apparent good move for the COOP, it increases the need for members to obtain credit from outside sources.
B.1.a Complete the 2010 departmentalized budget (by enterprise area, eggs, broilers, honey, etc.) as part of the 2010 Action Plan. Board review and approve.	Manager and Board, WRF support	June 2010	The 2010 departmentalized budget was completed and included in the COOP's 2010 Action Plan. This budget was reviewed and approved by the old COOP Board. The budget was also reviewed by the new Board who was elected on July 30, 2010.	A budget summary was prepared for 2011. However, a departmentalized budget was not prepared. The board has requested that the COOP manager prepare a draft summary budget for 2012 by the end of December 2011, to be finalized after the full December audit is completed. The board hasn't requested a departmentalized budget for 2011 or 2012.
B.1.b Link achievement of budgeted profitability, over-all and by department, to Manager and Staff formal performance reviews (PRs) and salary adjustments. Obtain WRF and outside assistance as needed.	COOP Mgr and Board, WRF & Consultant support	Sep 2010 & Mar 2011 PR cycles	The new COOP Chairman expressed commitment to performance appraisal and a related reward and accountability process. Within this context, the Board decided on a salary increase to most COOP employees effective December 2010. Moreover, the chairman of the Board showed interest and willingness to link performance to salary adjustments by department. This is being pursued by WRF with the chairman and the board.	The board members support maintaining job descriptions and conducting performance reviews including the idea of linking performance to salary raises.
B.1.c Consider changing the COOP's by-laws to allow the replacement of one-third of each governing body (Board, Monitoring Committee, and Substitutes) each year. Consult with WRF and cooperative law specialists. If this change would be legal, discuss	COOP Manager & Board, WRF & Consultant support	2010 discussion. Change in 2011 or 2012	This issue was addressed with the "old" and "new" COOP Boards. This matter has also been subject of discussion between WRF and the "new" Board in consultation with the Directorate of Cooperatives.	Several of the board members understood the need to make such a change but some thought it not worth the trouble. WRF has consulted Directorate of Cooperative officials in Beirut and Saida (Jizzine falls under Saida jurisdiction) and such a change is thought to be permissible under Lebanese cooperative law. It would

Recommendation	*Responsible*	*Timeline*	*WRF: Apr-June 2011 quarterly report*	*Consultant Ose observation*
it at the July 2010 membership assembly in order to prepare them for a possible future change.				require a change in the COOP's bylaws at the general assembly level, and such a change may need to be approved by the Directorate of Agriculture.
B.2.a Carefully examine operations of all departments in order to determine which are essential and contributing to, and which are detracting from, over-all profitability and sustainability and make changes accordingly.	Manager and Board	Quarterly after financial statement received	This matter has been discussed repeatedly with the COOP's "new" Board since November 2010. The new Board has been focusing, since its election, on addressing organizational matters, improving the efficiency of operations, cutting costs, and upgrading productivity and quality. WRF has also worked with the Board to identify weaknesses and opportunities before making decisions on changes among or within departments.	Some board members see the value of cost/profit center analysis as a useful tool to make decisions regarding departments to be maintained and strengthened or eliminated. Others seem to prefer to expand if the COOP can find the resources.
B.2.b Consider requesting audit proposals (possibly through a Lebanese accountant's trade journal or other appropriate media). Analyze bids and interview candidate auditors to determine which would provide the best services to the COOP including auditing, accounting support and income generating analyses, in addition to meeting Lebanese legal requirements. WRF and existing finance and business consultants could help in the selection process. Consider including the items called for in the attached Cooperative Audit Statement of Work (**Annex 9**) in the contract with the new auditor after he/she is chosen.	Manager and Board with support from WRF and consultants	Immediate, in time to contract 2010 audit	The COOP recruited a new auditor to serve the interests of the COOP in accordance with the recommendations of Iven Ose, WRF, and concerned consultants. The new auditor started auditing services on January 2, 2011. WRF had included the "Cooperative Audit Statement of Work (SOW)" (Annex 9 of the Evaluation report of Mr. Iven Ose) in the MOU signed with the COOP in October 2010. WRF also discussed all items of the SOW with the new auditor and got his preliminary agreement. The new auditor visits the COOP weekly and WRF is maintaining close monitoring and follow up of the auditing process.	COOP Manager Bou Rached reported that he made verbal contact with several auditors in the area – some were found to be too expensive, another wasn't familiar with accounting software, only manual accounting. The new auditor, Elie Hourani, was chosen after being contacted by COOP Board Chairman Saliba. The new auditor claims to know all accounting software programs in use in Lebanon. Unfortunately he has yet to bring his claimed expertise to bear to produce departmentalized financial statement. However he has promised to do so.
B.2.c Carefully monitor trade and member accounts receivable. Examine alternatives such as factoring, offering discounts for early or on time payment, or a	Manager, Board, sales staff, and member services staff	2010 and ongoing	The new chairman of the Board has been committed to control trade and member accounts receivables and to enhance more timely payments. The Board has set several policies for trade and members receivables that the COOP started applying,	The current board is very committed to improving the collection of accounts receivable. The actions taken are very positive, Please refer to **Annex 6** which contains a letter from the board describing actions taken.

Recommendation	*Responsible*	*Timeline*	*WRF: Apr-June 2011 quarterly report*	*Consultant Ose observation*
marketing/distribution firm that would pay for products on time. Carefully examine any change that would permit more timely payment but would also leave the COOP open to off balance sheet liabilities such as discounted receivables "with recourse". After thorough study, the Board should review and/or set policies for trade, member and non member receivables, that protect the interests of the COOP.			particularly: - Scheduling structured meetings between the chairman of the Board and COOP members who have pending accounts or production challenges. - Assigning a staff member to follow up with members and clients who have aging accounts. Progress in collection is expected soon. - Taking legal action against clients who reported bankruptcy or unwillingness to pay. - Applying a structured process of close follow-up on trade accounts receivables. Several challenges are still being faced and WRF is supporting the COOP team in looking for solutions and alternatives.	Tightening accounts receivable control should be accompanied by finding outside means of financing for producers. In addition, the COOP provides feed and collects eggs and provides a statement to the member on a monthly basis. However, the COOP pays for the eggs, less feed taken, three months later, hence another need for credit to meet other operating expenses. WRF identified, with help from Kafalat an entity that would factor receivables but at a cost of 22% of the value of the receivables. This was considered prohibitive by the board and manager.
B.2.d Examine which services currently provided by outside consultants and WRF staff are essential to the COOP's achieving sustainability. Plan for the procurement, through staff or outside resources, of these services. Ideally, additional staff should be hired only as the COOP has gross margin and service revenue sufficient to cover the cost.	Manager and Board	Ongoing, review quarterly	This matter has been under active discussion with the "new" Board to enable the COOP to assess and structure its middle management needs using the human resources of WRF and be prepared through a transition process to take over any functions assumed by the WRF staff. The secondment of members of the WRF team into middle management roles is proving valuable to this process. The COOP is expected to take decisions on recruiting permanent staff in a short period of time.	WRF agreed to assign three of its Jizzine staff to the COOP from May 1 through August 31 after which the COOP could choose to keep them or let them go after the scheduled end of their employment with WRF. One was recruited by the COOP in a modified role. Two were not hired by the COOP: Béline Aoun in marketing and Joe Kozhaya, production technical supervisor. The board directed that Manager Bou Rached would be in charge of these areas directly. The board appreciates business consultant Jean Dib Hajj. However, both the board and the new accountant are dismissive regarding ECE, which has been instrumental in providing financial advice and preparing departmentalized financial statements.
B.2.e COOP should internally prepare (with WRF help initially) long term projections ensuring that they are realistic and to maximize the COOP's "ownership" of them.	COOP Manager & Board	After each year end	The COOP Manager was expected to produce projections for 2011-2015, with support from WRF, based on the financial statements of 2010 and available data from 2011. However, recent challenges in broilers feed delayed the process and	This type of activity is most useful when the COOP board has developed its perspective beyond day-to-day operations. The current board may not have developed its understanding of the COOP and general

Recommendation	*Responsible*	*Timeline*	*WRF: Apr-June 2011 quarterly report*	*Consultant Ose observation*
			the Manager is waiting for decisions from the Board to make sure the projections would be more realistic.	business principles sufficiently to benefit from this exercise.
B.3.a Chick Rearing Facility: Carry out a thorough analysis of site preparation, construction, and equipment (including installation) costs and pursue donor support to cover all costs before beginning construction of this facility.	Manager and Board with WRF support	2010 or prior to construction	The COOP Board does not currently consider this activity as a priority issue since the COOP is managing to get chicks from the local market fairly well and without any major challenge. However, discussions are still underway with the COOP Board to get a donor support or a long-term loan to launch this facility.	This enterprise is no longer a priority for consideration.
B.3.b Olive Press: Contract (preferably with Project funds) a third party consultant with a reputation for "conservative" analyses, to carry out a feasibility of this enterprise. If it is to be pursued, obtain donor and/or investor funding for all construction, installation, and start up costs including needed training and technical assistance during start up[15].	Manager and Board with WRF support	Prior to construction and installation	Discussions are still underway with the COOP Board to expedite the process of decision-making reference this matter. A sheltered area outside the COOP building was prepared and the equipment was moved to this area as a temporary location. The COOP is still looking for renting or constructing a special place for the Olive Press outside the COOP. A feasibility study was prepared by WRF team and several financing alternatives are also being considered.	The feasibility of installing the Caritas-donated olive oil extraction equipment is questionable: • The olive press equipment would only process 300 kg per hour. Nearby commercial units process 500 to 1,800 kg per hour. Moving and installing the equipment (plus possibly constructing a building to house it (could cost $50,000 to $150,000) • MA3AN CEO Antoun Hindy indicated that MA3AN would pay for installing the equipment plus pay operating costs and the COOP would share in the profit. • WRF conducted a feasibility study that shows that it would not be feasible. The COOP should be wary of entering into an arrangement that would dilute management's time and attention from its primary business, even if MA3AN has guaranteed the COOP that it would cover all costs.
B.3.c Dairy Plant Feasibility: If the COOP decides to pursue this activity and even if the Baladiyat Project and/or the private sector entity, MA3AN are willing to carry out or	Manager and Board with WRF support	Prior to equipment purchase & installation	Discussions with representatives of "Baladiyat" project (RI) and "MA3AN" (a native entity) did not lead to a successful process. WRF has been engaging the "new" COOP Board reference this matter. A new alternative is being considered consisting of a	In August 2011, Consultant Fady Fayad told COOP management that a dairy plant in the same building as an egg packing operation could result in cross-contamination. Specific procedures may be necessary to prevent cross-

[15] As indicated elsewhere in this report, the COOP should establish profitability and repayment ability before taking on debt.

Recommendation	*Responsible*	*Timeline*	*WRF: Apr-June 2011 quarterly report*	*Consultant Ose observation*
pay for a feasibility analysis, the COOP should contract (preferably with Project or other outside funds) a third party consultant with a reputation for "conservative" analyses, to carry out a feasibility analysis.			partnership between the COOP and an interested businessman from the area who is willing to invest in this matter. WRF is supporting in assessing legal, technical and financial feasibility. WRF continues to encourage the COOP to look into considering a KAFALAT Loan for this purpose.	contamination if both were housed in the same building. In any event, if it were concluded that there would be a high risk of cross contamination, the dairy plant would need to be placed in a separate location. MA3AN may be interested in investing in a dairy plant but the COOP would need to make sure that its risk is minimized.
B.3.d Paying for Dairy Plant: Outside donor or investor funding should be obtained for all equipment purchase, installation, and start up costs including needed training and technical assistance during start up.	Manager and Board with WRF support	Prior to equipment purchase & installation		
B.3.e Dairy Outsourcing: In order to test the processing and marketing aspects of a dairy plant, consider outsourcing goat milk processing to an existing dairy plant.	Manager and Board with WRF support	Prior to equipment purchase & installation	With the absence of a dairy plant in Jizzine area, the COOP was looking for a plant that would accept outsourcing at acceptable prices. No progress has been made in identifying such a plant. This matter is being addressed with the COOP Board. A major challenge remains with most "Goat" beneficiaries dropping out of the program mainly because of the absence of a dairy facility in the area of Jizzine. WRF is still investing efforts to address this challenge	Not being explored at the present time. This would be worth pursuing if the COOP was seriously considering installing a dairy plant.
B.3.f Dairy Product Branding: Examine using a brand other than B. Balady for at least the start up phase in order to protect the B.Balady brand from possible quality mistakes during start-up.	Manager and Board with WRF support	Prior to equipment purchase & installation	This matter is being addressed with the recently proposed initiative of a partnership between the COOP and an interested businessman from the area who is willing to invest in this matter. WRF and the COOP are investigating the pros and cons of using the B.Balady brand. WRF will support in this matter.	To be considered if/when the COOP is considering installing a dairy plant.
C.1. Translate the following portions of this [June 2010] Evaluation Report into Arabic: • Executive Summary (including all recommendations) • B.3. New Income Generating Opportunities and Challenges • Annex 9 Statement of Work – Cooperative Audits	WRF	June 2010	WRF had held on June 18, 2010, in coordination with the COOP Board, a meeting gathering 97 members of the COOP's General Assembly where WRF presented and discussed the results and recommendations of the Evaluation Report with participating members. In addition, WRF translated into Arabic and provided to the COOP Chairman and Manager the following portions of this Evaluation Report: • All recommendations in the executive summary.	Completed. Note: The board has requested that it is provided a complete copy of this new report (November or December 2011).

Recommendation	*Responsible*	*Timeline*	*WRF: Apr-June 2011 quarterly report*	*Consultant Ose observation*
• Any additional sections that the COOP Manager, Board, WRF, and/or USAID deem useful to the Board and Manager			• Annex 9 Statement of Work – Cooperative Audits (provided also to the new auditor). Moreover, the COOP Manager was provided with a copy of the report and other sections will be translated and provided to all concerned as recommended and as needed.	

a/ **Text Below in Arabic is extracted from the Official Documents of the COOP (Translated to English by WRF)**

قرار مجلس الأدارة بتاريخ 2010/5/7:

The Decision of the COOP Board of May 7, 2010:

الموضوع الأول : درس وإقرار آليّة عمل تُمكّن من توسيع قاعدة الأعضاء لتشمل الأفراد المتضررين إقتصادياً من الحرب.

Item 1: Study and implement a mechanism to expand the membership of the COOP to include economically affected individuals during the war. This includes the following:

To increase the capital of the COOP to 250,000,000 Lebanese Liras to accept and attract the largest number of war affected individuals in accordance with the COOP Bylaws. Knowing that the victims of landmines and war are all those that have been affected directly or indirectly and they include:

أ - **المصابون المباشرون الأحياء /** وهي الأشخاص الذين أصابهم الألغام أو الحرب، الذين هم على قيد الحياة وعانوا إعاقة أو مرض أو خلل وظيفي (المستفيدون السابقون).

A – Directly affected People who are alive and they are victims of mines and war who were injured and are still alive and suffering from a disability or illness or dysfunction. (Former beneficiaries)

ب - **المتوفون،** فلأفراد عائلة المتوفى الذين توفوا جراء الألغام أو الحرب (المستفيدون السابقون).

B - Deceased, core family member of the deceased by mines or war. (Former beneficiaries)

ج- **المتضررون مادياً،** وهم كل من يتسبب إهماله أو عجزه، بشكل مباشر أو غير مباشر، بالألغام أو الحرب، بخسائر مادية أو إجتماعية (المستفيدون المستقبليون).

C - Materially affected individuals, and they are all people affected by the problem, as a result of negligence linked to mines or war, in the form of economic or social dysfunction. (Future beneficiaries). (i.e. all whom have lost / damaged their home, land, means of livelihood or property, or were forced to leave their homes and belongings and flee from the district of Jezzine due to the war). The COOP Board is to determine the accepted cases in accordance with the information available to it.

This "Decision of the COOP Board" was presented and approved by the General Assembly of the COOP in its meeting of July 30, 2010

Annex 3 List of Contacts

A complete list of contacts and meeting notes is included in **Annex 7**.

Georges Frenn, Senior Economic Growth Specialist, USAID, +961-4-542-600 ext 4586, frenng@state.gov.

COOP Board of Directors: Special sessions were held with six of the seven board members.

Monitoring Committee: I met with all three monitoring committee members.

COOP staff: Specific sessions were held with: Manager **Issam Bou Rached**, 03-150-535; **Jean Saad**, Store keeper, inventory control; **Pierre Bou Rached**, Feed mill operator; and **Mona Fares,** COOP accountant.

Please refer to **Annex 4** which contains a list of board members, monitoring committee members, substitute board members and all COOP staff.

WRF: Project Director Nadim Karam, Toufic Rizkallah, Dolly Basil, Gilbert Aoun, Woody Asaf and others. Please refer to **Annex 5** which contains a full list of WRF-Lebanon staff.

Elie Hourani, COOP's new auditor.

Dr. Khatar Abi Habib, Chairman, General Manager, Kafalat. Hamra Street, Picadilly Center, Beirut, P.O. Box 11-641, +961-(0)1-616-254, 01 346 255, fax +961 (0)1 350 111, khater@kafalat.com.lb.

Nadine Chemali, Senior Marketing Manager Lebanon Business Linkages Initiative (LBLI), ACDI/VOCA, USAID-funded project; 071-173-113; nadinechemalli@hotmail.com; LBLI ends December 31, project activities end November 30, 2011. Ms. Chemali is a marketing person for Proctor & Gamble in Lebanon. She is from the Jizzine area and is interested in helping out in that area.

Jean Dib Hajj, Managing Director, Knowledge Development Company, jdibhajj@gmail.com.

Myrna Dagher, General Directorate of Cooperatives – Ministry of Agriculture, Head of Mount Lebanon Cooperative Department –Tel: +961-03-647581, +961-1-293-131.

Alias Ayoub, Directorate of Agriculture – South Lebanon, Saida, Tel 07-720-096, Cell 03-090-273.

Salim Haddad Accounting Specialist and Consultant, Cell: +961-3-258-868, s.haddad@ece-consultants.com; and **Nada Boulos**, Managing Partner, n.boulos@ece-consultants.com; **ECE** tel: +961 1 217 232,

Mahmoud Elzein, Chief of Party, Lebanon Investment in Microfinance (LIM), IESC, VEGA, Cell: +961-3-880-196, Tel: =961-1-990-234; melzein@iesc.org.

Antoine Hindy, CEO, MA3AN; 03-561-688; amhindy@hotmail.com. Dr. Hindy is also a professor at St. Antonin Universtiy.

Hanna Mehme, Olive oil extraction facility in Sfaray Village.

Youssef Nammour, and wife **Naim**. Bee beneficiary.

Ms. Nohad Gerges, Goat beneficiary, her uncle, **Youssef Azar** takes care of the goats.

Antoine El Khawand: Previous vice chairman of the board, bee beneficiary, and wife **Grace**. Has goats from a relative, **Raymond El Khawand**, that got them from the project but is now employed in Beirut.

Reviewed poultry farms for egg production at Saydoun Village, **6 beneficiaries, 1,600 layers**.

Annex 4 Development Cooperative in Jizzine – Board of Directors and Staff

Board Members

#	Name	Position	Enterprise	Village	Tel #
1	Jean Saliba	Chairman of the Board	Beekeeping	Ain El-Mir	03-402788
2	Youssef Karam	Vice President -	Beekeeping	Jezzine	03-251388
3	Madonna Habib	Secretary (First Substitute Member, replaced Jean Saad in November 2010)	Beekeeping	Azour	70-927135
4	Elias Assaf	Member of the Board (since 2006, only member that remained on the board	Beekeeping	Bisri	03-215237
5	Maroun Helou	Member of the Board	Eggs	Ghob-batieh	03-946404
6	Joseph Rouhana	Member of the Board	Beekeeping	Bislayya	03-257429
7	Rony Aoun	Member of the Board	Eggs	Jezzine	70-771900 07/780990

Monitoring Committee

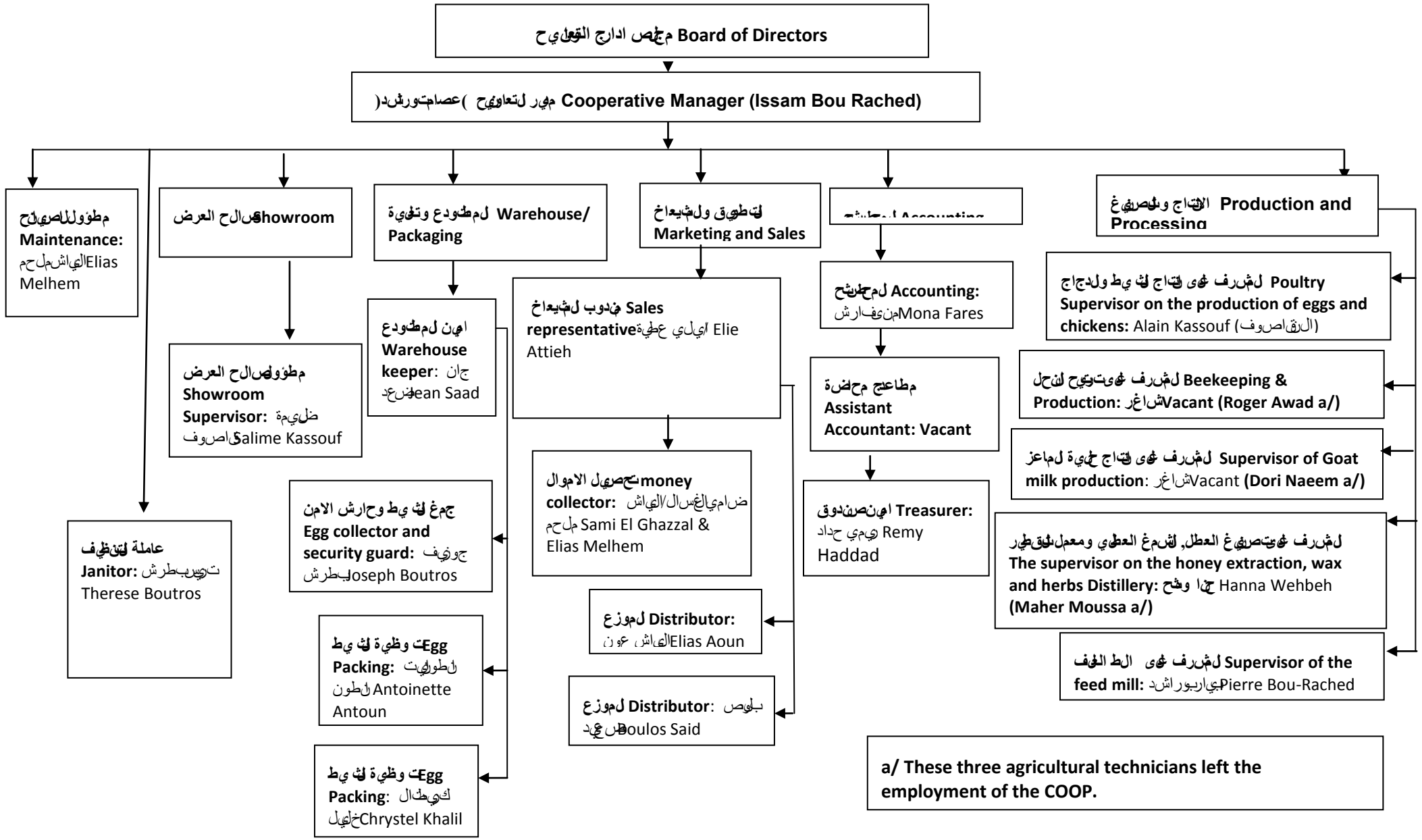
#	Name	Position	Enterprise	Village	Tel #
1	Youssef Chalhoub	President	Egg producer – inactive	Kfarjarra	70-920776
2	Tanios Khawand	Member	Egg producer	Saidoun	03-464069
3	Ziad Afif	Member	Egg producer, inactive. Manages beehives that a relative received as a grant from the project.	Bkassine	70-870765

Substitute Board Members

#	Name	Position	Enterprise	Village	Tel #
1	Madonna Habib	First Substitute Member – replaced Jean Saad in the Board in November 2010	Beekeeping	Azour	03-424108
2	Youssef Moussa	Second Substitute Member	Beekeeping	Snayya	03-524518
3	Maroun Oujeil	Third Substitute Member	Beekeeping	Jezzine	03-504570

Recent changes

Jean Saad	Previous board secretary, resigned from the Board on October 14, 2010 and took the job of storekeeper at the COOP. First substitute board member Madonna Habib replaced him.	Dhour Bkassine	03-430486


Board of Directors
Cooperative Manager (Issam Bou Rached)
Maintenance: Elias Melhem
Showroom
Showroom Supervisor: Salime Kassouf
Warehouse/ Packaging
Warehouse keeper: Jean Saad
Marketing and Sales
Sales representative: Elie Attieh
money collector: Sami El Ghazzal & Elias Melhem
Distributor: Elias Aoun
Distributor: Boulos Said
Accounting: Mona Fares
Assistant Accountant: Vacant
Treasurer: Remy Haddad
Production and Processing
Poultry Supervisor on the production of eggs and chickens: Alain Kassouf
Beekeeping & Production: Vacant (Roger Awad a/)
Supervisor of Goat milk production: Vacant (Dori Naeem a/)
The supervisor on the honey extraction, wax and herbs Distillery: Hanna Wehbeh (Maher Moussa a/)
Supervisor of the feed mill: Pierre Bou-Rached
Janitor: Therese Boutros
Egg collector and security guard: Joseph Boutros
Egg Packing: Antoinette Antoun
Egg Packing: Chrystel Khalil
a/ These three agricultural technicians left the employment of the COOP.

Annex 5 World Rehabilitation Fund Project Staff

Beirut Staff		
1	Dr. Nadim Karam	Director, WRF Programs for Lebanon
2	Mr. Toufic Rizkallah	- Assistant Director, WRF Programs for Lebanon - Programs Implementation Coordinator
3	Ms. Dolly Basil	Systems Development& Capacity Building Officer
4	Ms. Carla Araye	Programs Implementation Support & Documentation Officer
5	Ms. Claude Bechara	Office Manager / Accounting Officer
6	Ms. Nelly Kanaan-Atallah	Secretary
7	Mr. Ghassan Karam	Driver & Office Assistant
Jizzine Staff		
1	Eng. Gilbert Aoun	Project Manager & Field Operations Director
2	Woody Assaf	Project Assistant – Began employment with WRF on November 1, 2011
Previous Jizzine WRF staff that ended employment Aug 31, 2011		
	Ms. Béline Aoun	Executive & Operational Assistant – had been responsible for marketing and sales.
	Ms. Maya Habib	Community Liaison & Members' Affairs Officer – is now a staff of the COOP since October 1 in the position of secretary and members' affairs.
	Eng. Joe Kozhaya	Production & Processing Technical Supervisor

Annex 6 Communications from the Board to the Consultant

Letter presented to Consultant Ose at the beginning of the field work in Jizzine on November 10, 2011:

The Development Cooperative

in Jizzine

Dear Mr. Iven Ose

You are welcome in the development cooperative in Jezzine

Thank you for your personal efforts, and your visit to our cooperative

Best regards from the board and all the active members, general manager and the stuff of the cooperative.

We are very grateful to all the American people especially the Leahy War victims, USAID and the WRF.

Respectful Mr. Iven Osey we have been informed by the WRF about the date of your visit and its purpose so the board decides to send you a report about all the work done in our cooperative from 18/8/2010 till now, as it's in reality.

After the elections in 30/7/2010 which happened in an honest and fair way without any interruption from anybody as it used to be done before, the board started the formal work in 18/8/2010.

Then the board priority was only all what benefits the coop and our sign: Honest and truth

And beyond seen,

We were shocked because of the disorder work in the cooperative which lead to many risks so we took many right decisions in order to solve this problem

We were informed about all your reports and recommendations during your visit in April, 26 2010 till May 8, 2010 and we work hardly to apply those recommendations.

1- Administration Changes:

- We applied every right person in the right job.
- We assigned a storekeeper
- We assigned a Treasury person
- A person who is in charge of the maintenance of the building and the vehicles.
- We cancel the contract with the Auditor Mr. Elie Zwein, and we make a new contract with a new Auditor.
- We issued an attendance Finger print machine.
- We stop the sell from the stocks and the packaging department directly.
- We assigned an employer for the retail shop to sell in retail and wholesale prices.
- Maintenance for the vehicles (8 vehicles).
- Daily monitoring for all the work of the coop including all the invoices, receipts, expenses and production directly from the chairman of the board and the board.
- Documentation of all the letters.
- Monitoring the using of the vehicles.
- Assigning distributors for the B.Balady products.
- Assigning Merchandisers
- Assigning a veterinarian for the farms of the coop.
- Add more authority for the general manager of the coop.
- Contact all the cooperative members who have problems in order to solve it in safe ways.
- Provide best services for the members and due to a legal contract.
- Increase the coop members due to a decision from the last board to increase the membership.

And we are doing all our best even though the area is suffering many problems on all sides.

We are working seriously with the manager to supervise all the administrative, financial and all the departments and making reports and we work in the plan of limiting expenses.

Human resources till now are acceptable and we are working to face all the challenges.

What we are doing:

- We work on making a layers farm to the coop and another one to the Broilers managed by the coop with a feasibility study.
- An Apiary for the coop from 50 beehives or more.
- A serious plan to establish the Olive Oil Mill, and Soap.
- Working on establishing a dairy processing unit working on the traditional ways.
- Activation of The Honey and wax processing unit in the coop.
- Activation of the Distillation Unit
- Increase the work in the feed mill to make more revenues But sometimes we face a lot of challenges
- We start working with the new auditor to make a new financial strategy for sales in cash or for max 30 days and opening new markets.
- We working with some local associations to cover the expenses mentioned above without any risk for the coop and we start with that and soon we achieved our aims
- We make contracts with suppliers that they have high quality products.
- All our work are legal
- We are working seriously on all the missions in the coop from 18/8/2011 till now and we don't ask for any financial grant and we don't get any grant from anybody. We work in our efforts and everything in the coop is managed perfectly and precisely.

Our Challenges:

- Due to social security from 2009, 2010 and the amount is about 50,000,000 Lebanese liras
- 88000$ due with the members for the coop from 7 years.
- No legal contract with the members that make the member pay to the coop but now we take a decision that every member have to sign this contract that he is obliged to pay to the coop.

Relation with WRF:

- On the basis of the agreement with the WRF we see that they are responsible of the due of the social security and the members because they are supporting the coop in all kind of support and they don't draw the last board for this problem that why this problem now is more complicated.

Cooperation with WRF:

- We start an unlimited cooperation with WRF in all domain and we made meetings and we was always in their side and we inform them about all the decision and the work of the board without any exceptions.
- We asked the WRF for a Finger print attendance machine, a silo for the soya been and 2 computers and they do it.
- We asked the WRF also for a van, they don't agreed for now, the answer was we still working on it.
- We asked WRF for a financial supporting for the due of the social security; the answer was we don't have financial support.
- We asked WRF for a financial support for the veterinarian, Laboratory technical person, Board secretary, Auditor. They agreed to support the coop in the expenses of the veterinarian, Board secretary, Auditor, but not in all the amount and they don't agree to support the Laboratory technical person.
- The WRF team in Azour was not supported the coop but they was blocking the work in the coop from 18/8/2010 till 28/4/2011.
- WRF support the coop with financial and managerial consultancy with a very good consultant and also trainings for the employees of the coop and capacity building.

- We asked for a financial grant to cover the loss of the broiler beneficiaries that was facing some diseases in the summer 2011, the answer was outside the scope of the fund.
- We asked WRF to distribute the bees' grants for 2012 in the November 2011 to make the beneficiary benefit from the honey on the spring and summer 2012 but they don't agree.

Mr. Iven, this report and all item included is documented, and we work for prosperity and success and continuity of the coop and we hope that we succeed because like you and all know our country is politically unstable and we are afraid from the unknown and walking in the unknown is more dangerous than the unknown itself, from this point we work accurate and our objective is walking properly administers the cooperative practically, organizationally, and financially and the adaptation of transparent accounting method because it's the main point for launch and sustainability.

With Appreciation and Respect

Coop Board Members

Name	Position	Sign	Date
Youssef Karam	Vice President	[16]	Azour, 9/11/2011
Rony Aoun	Board Member		Azour, 9/11/2011
Joseph Rouhana	Board Member		Azour, 9/11/2011
Madona Habib	Board Secretary		Azour, 9/11/2011
Maroun El Helou	Board Member		Azour, 9/11/2011
Elias Assaf	Board Member		Azour, 9/11/2011
Jean Saliba	Chairman of The Board		Azour, 9/11/2011

Letter presented to Consultant Ose at the end of the field work in Jizzine on November 16, 2011:

Dear Mr. Iven Ose

With all respect and honor to know you from me and the board we thank you about your efforts in this visit in order to succeed the COOP and we hope that you can stay a long time with us to develop our skills.

- Mr. Iven, all that I told you about the COOP, I am responsible of it behind god and truth and my work in the COOP is for free and I work from all my heart to succeed…….. With the COOP and I think that you mention that and all person that they cooperate with us know that also and I tell the truth whatever it is and that for the benefit of the COOP.
- I apologize from you if my response of your questions in sometimes not in its place because the Lebanese word different for the English word but my aim is always the benefit of the COOP, and my slogan is truth and honestly.
- I hope to you all the success and you come back to your home in good health and I hope that you still communicate with us and don’t forget us.

It’s an honor to know you and our heart and mind with you.

Regards,

Board of the COOP

Sign: Jean Saliba

16-11-2011 Jezzine

[16] The original hard copy of the letter contained the signature of each board member.

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