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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D.C. 20523

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**ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR, ANE**

**FROM:** ANE/PD, Ronald Venezia *RV*

**SUBJECT:** West Bank/Gaza - Agricultural Cooperative Development  
International Proposal: Cooperative Development on  
the West Bank and Gaza (398-0159.23)

**PROBLEM:** Your approval is required to provide a \$2,421,049 grant over a three-year period to Agricultural Cooperative Development International (ACDI) to assist in the development of cooperatives in the West Bank and Gaza (WB/G).

**BACKGROUND:** To date, A.I.D. has been providing limited support, principally in the form of commodities, to cooperatives in the WB/G through three private voluntary organizations (PVOs) currently working in the territories: American Near East Refugee Aid (ANERA); Community Development Foundation (CDF); and Catholic Relief Services (CRS). Experience to date indicates that cooperatives could play a valuable role in the economic development of the territories but are constrained by a number of technical, managerial, financial, and political problems.

In March 1984, under the auspices of the Overseas Cooperative Development Committee (OCDC) (a group composed of representatives of U.S. cooperative organizations working overseas), a team of U.S. cooperative representatives visited Jordan, Israel and the WB/G to assess the status of cooperative development in the territories. The team's report provided some general observations concerning cooperatives in the WB/G, noted problems facing Palestinian cooperatives, offered several recommendations, and summarized discussions with cooperative members, government officials, and others. A follow-up visit, in March 1985, was financed by A.I.D. to explore the types of training and management assistance which U.S. cooperatives could provide to strengthen Palestinian cooperatives. This second visit resulted in a formal proposal which was submitted to A.I.D. on June 7, 1985.

**SUMMARY OF PROPOSAL:** The ACIDI proposal, which represents the combined efforts of OCDC members, requests \$2,421,049 over three years to strengthen existing cooperatives and to assist in the development of new cooperatives serving agricultural,

housing, electric power, savings/credit, and other needs of the Palestinians on the WB/G. The proposal calls for the establishment of an office with two U.S. cooperative experts and two local support staff in East Jerusalem to serve as the focal point for the provision of management training and technical assistance. One of the experts, a senior U.S. cooperative representative, will be in charge of the overall program. (The individual tentatively identified for this position has extensive farm bank credit experience.) The second expert, a management trainer, will be responsible for both in-country and overseas training programs. ACDI will call upon the resources available from U.S. cooperative organizations to complement and supplement its long-term resident staff. A third cooperative expert, with extensive background in agricultural and cooperative credit programs, is proposed in the second and third years to develop and implement a credit program designed to build on the management training and technical assistance programs.

DISCUSSION: The Near East Advisory Committee (NEAC) met on July 2, 1985 and recommended approval of the proposal. The NEAC concluded that the ACDI proposal is a high priority activity and consistent with the Secretary's "quality of life" initiative for the WB/G. The NEAC also observed that ACDI, along with its OCDC affiliates, would complement and enhance the efforts of other PVOs currently working with cooperatives on the WB/G by providing assistance in critically needed areas (technical and management training) where other PVOs are not equipped to assist. Both the Consulate General in Jerusalem and the Embassy in Tel Aviv have strongly endorsed the ACDI proposal.

However, since the proposal lacked adequate detail in a number of respects, the NEAC conditioned its recommendation of approval on the satisfactory fulfillment by ACDI of the following requirements during the first year of the project, with the understanding that future year funding would be contingent on ACDI's performance in undertaking these requirements:

(1) Implementation Plan

Within six months after the execution of the Grant Agreement, ACDI should submit to A.I.D. an implementation plan which persuasively demonstrates the economic viability of ACDI's proposed interventions in the WB/G. In preparing the plan, ACDI should collect relevant baseline data, including numbers of cooperatives, identification of cooperative members, and a detailed description of productive economic activities

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undertaken by cooperatives. The plan should describe, inter alia, the linkages between the ACDI intervention and enhanced economic benefits, including production, employment, and foreign exchange generation. A detailed description of the linkages should facilitate projection of economic benefits. Also, appropriate performance targets or benchmarks should be provided, e.g., numbers of cooperatives with which ACDI will work, numbers of individuals whom ACDI will assist to obtain credit, etc.

(2) Credit Program

Within nine months after the execution of the Grant Agreement and prior to the hiring by ACDI of the proposed long-term U.S. credit advisor, ACDI should submit to A.I.D. a detailed justification for the posting of a resident credit advisor in the WB/G. Such a justification shall be based on the demonstration by ACDI that increased credit availability in the WB/G will substantially improve productive sector activity. In this regard, ACDI shall provide a thorough and detailed description and analysis of the participants in financial intermediation prevailing in the region, including institutions (e.g. banks), informal arrangements (e.g. money-lenders) and self-finance. The report should cover: for credit, currencies used, interest rates, lending terms and conditions, including collateral, size of loans, etc.; for savings and deposits, interest rates, accessibility, etc.; and for other sources of funds for institutional loans (such as government contributions), interest rates, terms, restrictions on use such as targetting, etc. Based on this analysis, ACDI shall define the nature of the credit problem and recommend proposed interventions to address the problem. As part of this plan, ACDI shall provide a detailed scope of work for the proposed credit advisor, including proposed technical assistance and training activities. If a fund is proposed for A.I.D. financing, then the plan should also include a proposed approach for institutionalization of the cooperative credit program once the project terminates.

(3) Institutionalization of the Training Program

Within twelve months after the execution of the Grant Agreement, ACDI shall submit to A.I.D. a proposed plan and time frame for the institutionalization of the training program - either by creating a program within an existing institute of higher education or other institute(s) or by establishing an independent cooperative training facility for the WB/G.

(4) Role of Women

In undertaking the analyses in (1) and (2) above, ACDI shall examine the role of women in cooperative organizations, including the nature and extent of their access to cooperatives, their role in the decision-making process and/or management of cooperatives, and the potential for enhancing the role of women in the society through the project.

(5) Coordinating Committee

Within three months after the establishment of its office in East Jerusalem, ACDI shall establish a coordinating committee composed of representatives of other A.I.D.-supported PVOs (ANERA, CRS, CDF, AMIDEAST) and other key persons/organizations involved in cooperatives development in the WB/G.

ACDI has been apprised of and finds these conditions and requirements acceptable. The proposal budget provides funds for short-term consultants during the first year to undertake the necessary analyses and studies called for. An Advice of Program Change was sent to Congress on December 9, 1985. The Government of Israel has been apprised of and has conveyed its formal approval of the program.

VEHICLE PROCUREMENT WAIVER: ACDI has requested A.I.D. to authorize the local procurement of two foreign-made passenger vehicles valued at approximately \$30,000, all of which will be borne by A.I.D. Under Delegation of Authority No. 40, you have the authority to approve the requested waiver of A.I.D.'s source and origin requirements for motor vehicle procurements. Under Chapter 4C2d(1) of AID Handbook 1B, the requested waiver is justified because there is a current and projected lack of adequate service facilities and supply of spare parts for U.S.-manufactured or Code 941 vehicles in the WB/G. In approving this vehicle waiver, you would be certifying that exclusion of procurement from free world countries other than the cooperating country and countries included in Code 941 would seriously impede the attainment of U.S. foreign policy and assistance objectives.

RECOMMENDATION: That you approve the subject proposal from ACDI and the related vehicle waiver by signing the Project Authorization at Attachment A, with the understanding that:  
(1) of the total funding required, \$700,000 will be provided

now with FY 1986 funding; and, (2) future year funding will be provided subject to the availability of funds in accordance with the AID OYB/allotment process and the satisfactory fulfillment by ACDI of the conditions noted above.

Attachments:

- A - Project Authorization
- B - ACDI Proposal
- C - NEAC Issues Paper

Clearances:

ANE/PD/SA:TTiftt \_\_\_\_\_ (Draft)  
ANE/TR/HRD:PBisek \_\_\_\_\_ (Draft)  
ANE/TR/ARD:RRebique \_\_\_\_\_ (Draft)  
ANE/TR:BTurner \_\_\_\_\_ (Draft)  
ANE/MENA:AGooch \_\_\_\_\_ (Draft)  
ANE/MENA:GKamens \_\_\_\_\_ (Draft)  
ANE/DP:RFraenkel \_\_\_\_\_ (Draft)  
ANE/DP:BSidman \_\_\_\_\_ (Draft)  
SER/AAM/OS/ANE:MMcDaniel \_\_\_\_\_ (Draft)  
GC/ANE:JSilverstone \_\_\_\_\_ (Draft)  
STATE/NEA/IAI:BBodine \_\_\_\_\_ (Draft)  
ANE/PD:RVenezia \_\_\_\_\_ (Draft)  
DAA/ANE:RBell \_\_\_\_\_  Date 12/26/85  
ANE/PD/ME:LLan: bhw: x79102: 11/21/85: 1780c

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ATTACHMENT A

PROJECT AUTHORIZATION

Name of Entity: Agricultural Cooperative Development International      Name of Project: Cooperative Development on the West Bank and Gaza  
Number of Project: 398-0159.23

1. Pursuant to Section 531 of the Foreign Assistance Act of 1961 (The Act), as amended, I hereby authorize grant assistance to Agricultural Cooperative Development International for the Cooperative Development on the West Bank and Gaza Project in an amount not to exceed Two Million Four Hundred Twenty-One Thousand Forty-Nine United States Dollars (\$2,421,049) to be obligated over a three (3) year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is through December 31, 1988.

2. The project will provide technical assistance, training and commodities to strengthen the capability of existing cooperatives and to assist in the development of new cooperatives serving agricultural, housing, electric power, savings/credit, and other needs of the Palestinians on the West Bank and Gaza.

3. The Grant Agreement(s) which may be negotiated and executed by the officer(s) to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority shall be subject to the following essential terms, covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

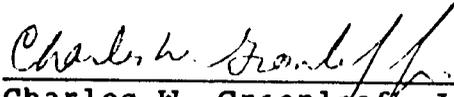
a. Source and Origin of Commodities and Nationality of Services

Commodities financed by A.I.D. under this project shall have their source and origin in the West Bank/Gaza or in the United States except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services

shall have the West Bank/Gaza or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the project shall except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

b. Vehicle Procurement Waiver

I further authorize, pursuant to Delegation of Authority No. 40, the local procurement of two passenger vehicles manufactured in a country included in A.I.D. Geographic Code 899, said purchases to be made in accordance with good commercial practice. Exclusion of procurement from free world countries other than the cooperating country and countries included in Code 941 would seriously impede attainment of U.S. foreign policy objectives and objectives of the foreign assistance program.

  
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Charles W. Greenleaf, Jr.  
Assistant Administrator  
Bureau for Asia and Near East

Dec 30, 1985  
Date