

Findings of the Assessment of Service, Consumer and Handicraft Cooperatives in the West Bank: Challenges and Opportunities



International
Labour
Organization



A cooperative

Is defined as an “autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.”

ILO, Promotion of Cooperatives Recommendation, 2002 (No. 193)

Background

This policy brief presents concrete strategies to improve the challenging situation that workers face in the Occupied Palestinian Territory (OPT) by exploring how service, consumer and handicraft cooperatives in the West Bank can be strengthened. The findings and recommendations were derived from an assessment that was conducted in 2016 by the International Labour Organization (ILO) in coordination with the Palestinian General Directorate of Cooperatives at the Ministry of Labour. Since its establishment, the General Directorate has been working towards revitalising the cooperative sector in the OPT as a potential avenue for economic development and women’s empowerment.

In May 2014, the ILO published a policy brief¹ on agricultural cooperatives in the OPT. Lessons learned from this first assessment proved to be invaluable and it was decided to undertake a similar assessment of the service, consumer and handicraft cooperatives, using the same methodology.

The second assessment was delivered in April 2016, profiling a total of 142 cooperatives in the West Bank under the 3 sectors while examining their functions with

regards to the clarity of their mission and objectives, managerial and financial performance, and members’ level of participation. The assessment identified key challenges and opportunities for the future development of these cooperatives, while at the same time giving particular focus to women’s roles in cooperatives.

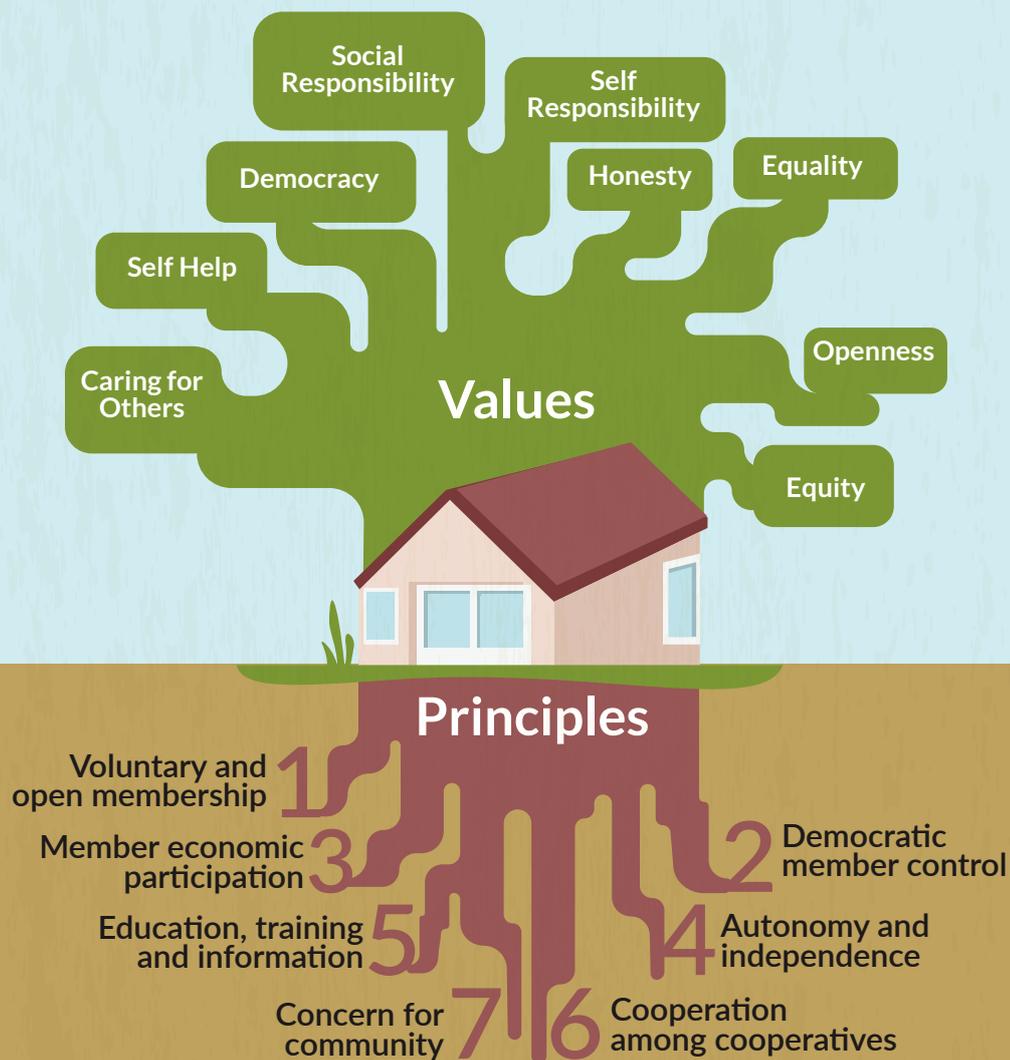
The cooperatives selected for the study were assessed using a cooperative performance assessment tool developed by the ILO.² The tool examines four aspects of cooperatives’ organisational capacity:

- i. Governance, motivation and ambition;
- ii. Cooperatives’ programmes and services;
- iii. Cooperatives’ Resources; and
- iv. Cooperatives’ Management Systems and Processes.

Combined, these two studies allow for a comprehensive understanding of most of the cooperative sector in the West Bank.

This policy brief aims to provide information and guidance on how best to support the development of service, consumer and handicraft cooperatives and create decent employment opportunities for women and men in the West Bank. It was developed for a number of stakeholders, including national institutions, development practitioners, and the donor community, whom have channelled substantive funds to the start-up and running of cooperative enterprises in the OPT.

Cooperative principles and values



International Co-operative Alliance, *Statement of the Co-operative Identity*.

See

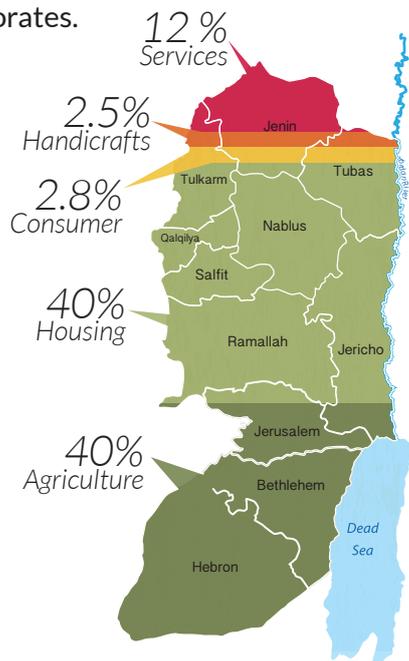
<http://ica.coop/en/whats-co-op/co-operative-identity-values-principles>

1 ILO, 2014. *Findings of the assessment of agricultural cooperatives in West Bank: Challenges and opportunities*. (Beirut, Lebanon, ILO). Available at: http://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms_249766.pdf

2 The tool was developed within the framework of a Joint UN Programme for Gender Equality and Women's Empowerment during the period 2013-2009 funded through the Spanish MDG Achievement Fund.

Service, consumer and handicraft cooperatives in the West Bank: Characteristics and membership base

Of the total number of registered cooperatives (855) in the West Bank, around 40 per cent operate in agriculture, 40 per cent in housing, 2.8 per cent in consumer, 2.5 per cent in handicrafts and 12 per cent in Services.³ This assessment included all 102 service, 24 consumer and 16 handicraft cooperative enterprises operating in 11 governorates.



The majority of the assessed cooperatives (55 per cent) were established between the years 1990 and 2009, and almost 30 per cent were established before 1990 while the rest were established after 2009. Those established during the past 15 years were mainly funded by external support. Around half of all cooperatives are concentrated in the middle geographic areas of the West Bank, particularly in Ramallah, Jericho and Jerusalem governorates.

In terms of their areas of specialisation, the assessment classified service, consumer and handicraft cooperatives as follows:



Education services: facilitate students' access to higher education through the provision of scholarships, training courses and soft loans to students and their families

7 cooperatives



Saving and credit services: provide soft loans to their members

40 cooperatives



Utility services: distribute water and electricity to communities and collect fees for these services;

7 cooperatives



Services in rural areas: predominately established to enhance the economic participation and empowerment of women through involving women members in productive work - such as beauty salons, kindergartens, small sheep farms, beehives, greenhouses, etc.

44 cooperatives



Packaging and marketing of member's products:

4 cooperatives



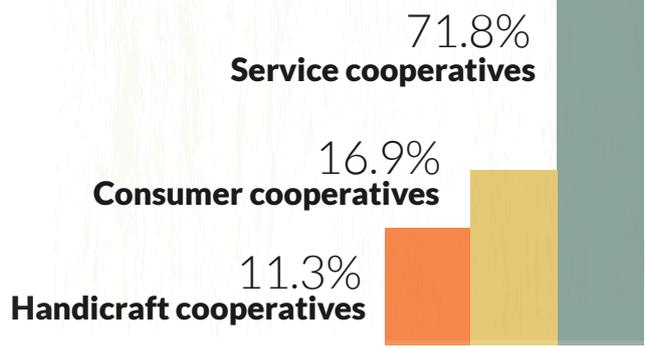
Consumer cooperatives: that run grocery stores and food processing and catering services.

24 cooperatives



Handicraft cooperatives: primarily involved in embroidery, sewing and other forms of handicrafts.

16 cooperatives



The total number of cooperative members in these three sectors in the West Bank is estimated to be 30,035 of which 27,252 are members in service cooperatives, 2,105 in consumer and 678 in handicraft cooperatives.

Around one-third of cooperative members are women, with female representation varying significantly between sectors. Mobility restrictions, low wages, family responsibilities and lack of training are among the factors contributing to the low participation of women. There is a notably high level of female representation in the handicraft cooperatives (82 per cent), while representation is much lower in service (32 per cent) and consumer (22 per cent) cooperatives. However, female representation remains high relative to women membership in the agricultural sector (7 per cent).⁴ Moreover, women are well represented in board committees of service, consumer and handicraft sectors, comprising almost half of the total board membership.

The number of registered women-only cooperatives is 49, which comprise around 35 per cent of the total service, consumer and handicraft cooperatives in the West Bank. However, roughly half of these do not qualify as cooperatives as they do not have genuine cooperative enterprises. Consequently, most either have no or very low annual sales. Women-only cooperatives with cooperative enterprises are in the field of food processing, saving and credits, beehives, kindergartens, greenhouses, sewing, embroidery and grocery. The vast majority of these women-only cooperatives were established during the past 15 years due to availability of funding earmarked for this purpose. Accordingly, women-only cooperatives are generally more recently established than other cooperatives covered by the assessment.

1 Service cooperatives

	Education services	Saving & credit services	Utilities services	Services in rural areas & others	Marketing & packaging	Sector total
 Number of members	3,394	15,738	6,240	1,739	141	27,252
 Number of cooperatives	7	40	7	44	4	102
 Average number of members per cooperative	484	393	891	40	35	267
 Number and percentage of women members	658 (19%)	7,128 (45%)	194 (3%)	592 (34%)	24 (17%)	8,596 (32%)
 Number of board members	35	201	51	221	22	530
 Number of female members and percentage of total	5 (14%)	128 (63%)	7 (14%)	102 (46%)	9 (41%)	251 (47%)

2 Consumer cooperatives

	Groceries & supermarkets	Food processing & other activities	Sector total
 Number of members	801	1,304	2,105
 Number of cooperatives	9	15	24
 Average number of members per cooperative	89	87	88
 Number and percentage of women members	201 (25%)	272 (21%)	473 (22%)
 Number of board members	49	84	133
 Number of female members and percentage of total	15 (30%)	35 (42%)	50 (38%)

3 Consumer cooperatives

	Handicrafts	Total (all three sectors)
 Number of members	678	30,035
 Number of cooperatives	10	142
 Average number of members per cooperative	42	211
 Number and percentage of women members	555 (82%)	9,624 (32%)
 Number of board members	77	740
 Number of female members and percentage of total	46 (60%)	347 (47%)

3 Data provided by the Palestinian General Directorate of Cooperatives at the Ministry of Labour (as of March 2016)
 4 http://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms_249766.pdf

Values, principles and performance: Four categories of cooperatives

The assessment identified four distinct categories of cooperatives in the West Bank, classified according to the level to which the cooperative:

Is driven by a common cooperative goal that brings members together;

Has a cooperative project that is economically viable and effectively contributes to improving the economic conditions of its members;

Is exercising good governance and management principles.

The four categories with their key features are described below:

Category 1

Cooperatives classified as “active”, but whose members lack a common goal

Number of cooperatives: 63 (44.5%)

Common cooperative goal:

Not clear. Investment-like companies operating under cooperative registration.

Activities:

Community development and humanitarian projects, largely funded by external sources. Activities include leasing of greenhouses, stores or other assets, sheep farms, and beehives.

Management and financial performance:

Managed by non-cooperative members or very few members with salaries or shares from profit, under the supervision of the cooperative’s board. Members’ mutual benefits are non-existent.

Category 2

Cooperatives whose members have common motive, but who lack an economically viable project or initiative

Number of cooperatives: 20 (14%)

Common cooperative goal:

Exists, however, lacks a cooperative venture and/or initiative to respond to members’ needs.

Activities

Mainly include management of grocery stores, supermarkets, food processing and kindergartens.

Management and financial performance:

Organizational capacity gaps, performance constrained by limited understanding of cooperative principles, lack of a solid business case, and limited financing.

Category 3

Cooperatives who have some common motive but have only small-scale initiatives that provide members with only limited benefits

Number of cooperatives: 42 (29.5%)

Common cooperative goal:

Exists, however, often is not realistic or feasible in practice.

Activities:

Utility services (distribution of water and electricity), food processing, school canteen management, saving and credit services, embroidery and sewing.

Management and financial performance:

Lack of sound cooperative business practices, limited capacity of members to manage or upscale the business.

Category 4

Cooperatives whose members share a common goal and respond to members' needs in a financially sustainable manner

Number of cooperatives: 17 (12%)

Common cooperative goal:

Exists. Cooperatives in this category have feasible and real cooperative projects that provide services to its members in a financial sustainable manner.

Activities:

Education, marketing and packaging, saving and credit service, embroidery and sewing services.

Management and financial performance:

Generate considerable sales revenues and surpluses and serve the majority of its members.

A common cooperative goal

The success of any cooperative requires careful definition of and agreement to a common goal by all its members who decide to pool together resources to achieve such a goal and accrue a mutual benefit from establishing or joining such a cooperative.

The assessment revealed that 42 per cent of the surveyed service, consumer and handicraft cooperatives were initially founded on the basis of a mutual desire by their members to cooperate towards a common idea. After their establishment, many cooperatives shared a reasonable level of motivation among its members to work together. However, after some years, more than 85 per cent of those faced poor performance due to lack of vision, resources, leadership and unsuccessful business plans. This resulted in a loss of momentum and motivation towards self-help.

Of the 142 assessed cooperatives, 32 per cent have mission statements that are based on members' consensus and clearly define the core business of the cooperative and its *raison d'être*, while 19 per cent have a general mission statement that does not clearly define what the cooperative does. The remaining 49 per cent of the assessed cooperatives have neither articulated their mission statement nor have they engaged members in such discussions.

In other words, a relatively high number of cooperatives in the West Bank were established without having a clearly articulated mutual goal or interest that the founding members were seeking to address through cooperation. In fact, 42 per cent of

the cooperatives' registration was mostly a mean to gain access to humanitarian assistance from external parties rather than being a reflection of members' belief in self-help cooperative principles. These cooperatives have not managed to grow or mobilize additional membership.

Respect to cooperative principles and values

Cooperatives are based on principles of voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training and information, cooperation among cooperatives and concern for community. Only 12 out of 142 cooperatives (9 per cent) are aware of and can show evidence of their commitment to the seven cooperative principles previously mentioned. Common features among these cooperatives include strong leadership, relatively good financial performance that is mostly linked to transactions with members, and provision of services to members. Of the remaining cooperatives, 35 (49 per cent) demonstrated commitment to five principles, 13 (18 per cent) committed to three principles, and 42 (60 per cent) to only one cooperative principle.

Principles that are most likely to be observed are those related to democratic member control and voluntary and open membership, while the least were members' economic participation, and cooperation among cooperatives.

Relevancy of cooperative projects and activities

The assessment showed that 42 per cent of the assessed cooperatives have projects that are relevant to their members' needs and directly contribute to their livelihoods. In particular, projects considered successful include large supermarkets, marketing and packaging of member products, utility services, and saving and credit services.

The remaining cooperatives either do not have any cooperative initiatives (i.e. are inactive) or have very modest services that generally do not contribute to improving the livelihood conditions of their members or meet their needs. Projects managed by cooperatives are small and fail to generate sufficient income to cover the costs of their operations.

The social, ecological and economic benefits of these projects are very limited. Types of initiatives that were found to have very limited impact on members' livelihoods and local communities include sewing, embroidery, processing and marketing of food products, savings and credit schemes, groceries, kindergartens, consumer markets, beauty salons and beehive projects.

Cooperative effectiveness: Revenues

Results indicate that only 28 per cent of the cooperatives were able to generate financial

surplus, with an average value estimated at JD 7,100⁵ per year. Cooperatives which generated a surplus were those involved in production and marketing of handicrafts, saving and credit services, management of school canteens and utility services.

In most cases, projects either incur financial deficit or generate very limited surplus that is not sufficient to sustain operations without accessing external support. In some cases, projects even compete with other projects managed by cooperative members. Two-thirds of all cooperatives earn very low annual revenue of less than JD 10,000 (or JD 850 per month).

In general, the assessed cooperatives have not exploited an economy of scale due to a certain lack of conviction among their members in the value of cooperative work, as well as members' limited financial capital. In the overwhelming majority of cases, members view cooperatives mostly as conduits that facilitate their individual access to external assistance rather than a means of enabling them to work with others in order to achieve mutual benefits. Such lack of conviction and lack of concern for cooperative's success is clearly reflected in generally low levels of patronage and very high levels of members' debts for cooperative services, which has forced many cooperatives to suspend or downscale operations.

Cooperative effectiveness: Capital and assets

The total capital of service, consumer and handicraft cooperatives in the West Bank is about JD 11 million, which comes to an

average of JD 77,000 per cooperative and JD 366 per member. Slightly under 40 per cent of cooperatives assessed have capital have capital of JD 10,000 or less, while only around 20 per cent have capital exceeding JD 30,000.

Service cooperatives account for 90 per cent of the total capital and 98 per cent of assets, with two main cooperatives (Al-Wafa' Savings and Credit, and Preventative Security) holding a combined capital value of JD 7.2 million (66 per cent of the total capital). Thus if we exclude these two large cooperatives from the calculation of the average capital of cooperatives in West Bank, the actual average capital of the remaining 140 cooperatives, is JD27,000 per cooperative and JD126 per member. For these remaining cooperatives, this level of capitalization is considered insufficient for business development and growth, particularly given the low average value of assets owned by these cooperatives, financed mostly through grants from external sources.

The total capital for the 23 active women-only cooperatives is estimated at JD 1.5 million, with an average capital value of JD 30,000 and JD 155 per female member. However, four large saving and credit cooperatives account for 60 per cent of this total capital and 80 per cent of total assets. When these four cooperatives are excluded from the analysis, the average value of the remaining cooperatives decreases significantly.

These initiatives are generally very small in terms of scale, with most of them generating less than JD 13,000 in annual revenues per cooperative, thus making only a marginal contribution to improving their members' economic conditions.

Cooperative effectiveness: Management and leadership

Very few of the surveyed cooperatives have standard management, financial, administrative procurement or human resources policies or procedures.

88 per cent of the assessed cooperatives do not have any form of a business plan, and a further 8 per cent have either generic plans that do not match the needs of their members or have plans that are lacking crucial elements.

94 per cent of the assessed cooperatives do not have any form of human resource management as they do not formally employ staff.

50 per cent of the assessed cooperatives prepared financial statements within the last two years. The remaining 50 per cent of cooperatives had not prepared statements, which is in explicit violation of Article number 37 of Jordanian Cooperative Law.

76 per cent of the assessed cooperatives do not undertake any marketing or promotional activities, which would increase demand for their products or services.

Results also indicate that the majority of cooperatives do not have written policies, nor a system for regular planning, or monitoring and evaluation, with the exception of basic manual for bookkeeping. In fact, the majority of cooperatives do not adhere to the basic provisions stated in the Jordanian Cooperative Law related to financial planning, management and control.

On matters related to leadership, women comprised almost half (47 per cent) of the board members. Yet, there is a tendency for women to either not hold any positions on board or be relegated to less influential positions, such as a secretary position. In case cooperatives dominated by male membership, women are given board membership only to appease donors' desire for a more gender equitable board formation.

Cooperatives as a means to job creation

The total number of people employed by service, consumer and handicraft cooperatives was found to be very limited, standing at 178 paid employees in the 142 cooperatives. The majority (58 per cent) of cooperatives have no paid employees.

Employment in cooperatives is mostly concentrated in service cooperatives (62 per cent), followed by consumer (23 per cent) and handicraft (15 per cent) cooperatives. Women-only cooperatives have similarly low employment rates and have not been very successful in fulfilling their mission of providing employment opportunities for women.

Salaries paid by cooperatives are generally low, rendering them unable to attract people with the necessary technical skills and management experience needed for cooperative growth and development.

Cooperative Law reform under way

The West Bank currently adheres to the Jordanian Cooperative Law for the year 1957. In 2010, with support from the ILO, new legislation was developed in line with the principles on the Promotion of Cooperatives Recommendation, 2002 (No. 193), of which advocates for the promotion of strong, autonomous and inclusive cooperatives that respond to the needs of their members. The new law was endorsed by the Council of Ministers in July 2010, submitted to the President for his signature, which to date remains pending. The law calls for the establishment of a new and semi-autonomous cooperative development administration, the General Commission for Regulating Cooperatives (GCRC), which will take over the functions of the Directorate General of Cooperatives at the Ministry of Labour.

(ILO 2010)

Specific recommendations related to cooperatives by category

These following specific recommendations are geared towards improving the performance of the assessed cooperatives in the consumer, service and handicrafts sectors, while also supporting women's empowerment, decent work and economic development agendas. The recommendations are presented for each of the four categories of cooperatives assessed:

Support the acceleration of reform of cooperatives that fall under Category 1.

While these cooperatives are classified as "active" by the General Directorate of Cooperatives, they largely fail to meet most of their legal obligations, including the membership and governance requirements on which basis they were granted registration. These cooperatives are barely functioning as cooperatives. They are unable to demonstrate any commitment to cooperative principles, lack the common purpose to drive self-help and cooperation, and have membership profiles that fail to meet their own membership requirements.

The principle recommendation is to support the General Directorate of Cooperatives at the MoL in subjecting these cooperatives to investigation, with the view of dissolving them and revoking their registration.

Support the cooperatives that fall under Category 2 in developing and/or starting enterprises that meet their members' needs.

These cooperatives are joined by clear needs of their members to cooperate and have a fairly strong will to develop their cooperative enterprises. However, they lack

the capacity and –at times- resources to adequately identify and establish feasible cooperative enterprises to meet their members' needs. Hence, the principle recommendation is to support these cooperatives in assessing feasibility of their cooperative enterprise ideas they have, and then provide them with technical assistance to develop their business plans for which they can mobilize resources needed.

Support the cooperatives that fall under Category 3 in strengthening and upgrading their business operations and management procedures.

Cooperatives under this category are running highly relevant economic enterprises, but are yet to achieve financial sustainability and reach scale. Their key constraint in this regard is the lack of internal capacity to develop their business operations and management practices, as well as the lack of access to finance. Thus, the principle recommendation is to extend technical assistance to these cooperatives to assess their business operations and management processes both technically and financially, with the view of identifying business development needs and opportunities; and, to facilitate their access to finance to undertake business development activities.

Undertake an in-depth analysis of the performance of Category 4 cooperatives to identify success factors and good practices, and disseminate the results to promote cooperative enterprises.

Given their overall good performance, cooperatives under Category 4 should be showcased as examples of successful cooperatives. Towards this end, in-depth case studies of these cooperatives should be undertaken, and the results of these case studies should be widely disseminated both within the OPT and globally.

General recommendations

Advocate and support the adoption of the Unified Cooperative Law:

The new draft law has been endorsed by the Council of Ministers, and forwarded to the Palestinian President Office, where it has been pending approval since 2010. Once operational, the Unified Cooperative Law will end the “dual structure” of cooperatives in the West Bank and Gaza; the West Bank currently adheres to Jordanian law, while Gaza follows the Egyptian law. The current situation of limbo requires political will and sustained advocacy efforts to enforce and implement the Unified Cooperative Law.

Update the cooperative national strategy

The General Directorate of Cooperatives should update the national cooperative strategy with the support from development agencies. The strategy should encompass all the different economic sectors where cooperatives are active and consider recommendations that came as a result of various assessments. The strategy could include a comprehensive training programme for all cooperatives to ensure good governance and increased economic performance and members’ satisfaction.

Support women in cooperatives to promote gender equality:

Existing women-only cooperatives should be supported both technically and, on a limited scale, financially. Any support provided to the existing women-only cooperatives that enhances their cooperative enterprise would go a long way in encouraging women’s participation. It is essential to build the capacity of women in basic business and cooperative management in order to enhance performance and membership. In the long run, this would also increase the potential for women to go beyond their traditional roles and enter mixed cooperatives. In general, cooperatives should make efforts to reach out to women and help increase their participation as active members. There is a necessity for training strategies to be linked to the

broader goal of promoting gender equality by addressing issues such as unpaid work, shared family responsibilities, care provisions, maternity protection, social security and knowledge sharing (ILO 2010).

Conduct further assessment of cooperatives in other sectors:

The methodology used for assessing agriculture, services, consumer and handicraft cooperatives should be replicated to examine all cooperatives present in the Occupied Palestinian Territory, including Gaza. In particular, it would be valuable to conduct an assessment of housing cooperatives to further explore their potential and assess their compliance with cooperative principles and values. Resources should be made available to support the General Directorate in conducting this assessment.

Donor coordination, collaboration and financing:

Coordination amongst donors and stakeholders should be maximized to exploit potential synergies while avoiding distortions of the spirit and values of cooperatives. An attempt in this direction has been made by the Swedish Cooperative Center We Effect. Such initiatives can contribute to a more sustainable development of the cooperative sector in the West Bank. Donor support should preferably be directed towards active and value-recognized cooperatives. It is advisable for the donor community to combine technical assistance with an assessment of the cooperatives’ financial needs. Support grant financing should be provided only on the basis of clear business cases, and on evidence of commitment to implementing a business plan. Full grant financing for cooperative business development does not contribute to promoting self-help principles and cooperative culture within cooperatives. Rather, it risks rendering cooperatives inactive once the initial grant is exhausted, as demonstrated by a number of cooperatives in the West Bank, and should therefore be avoided. Instead, it is recommended that such funding should only support the promotion of cooperative values and principles, management training, or cooperative assets, which can turn them into authentically active cooperatives.

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