



Palestine Economic Policy Research Institute (MAS)

Agricultural Cooperatives in the Palestinian Territory: Current Status and Perspectives

**Yousef Odwan
Sara Nofal**

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- ♦ Evaluating economic and social policies and their impact at different levels for correction and review of existing policies.
- ♦ Providing a forum for free, open and democratic public debate among all stakeholders on the socio-economic policy-making process.
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P.O. Box 19111, Jerusalem and P.O. Box 2426, Ramallah
Tel: ++972-2-2987053/4, Fax: ++972-2-2987055, e-mail: info@pal-econ.org
Web Site : <http://www.mas.ps>



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Researcher: Yousef Odwan, Research Associate, MAS
Sara Nofal, Trainee at MAS

Reviewer: Dr. Fathi Srouji, Associate Professor of Economics, Birzeit University
Dr. Adnan Obeidat, Representative of Arab Student Aid International (ASAI)

Layout: Lina Abdallah

Funding: This study was funded by The Spanish Cooperation (AECID) through Asamblea de Cooperación Por la Paz (ACPP).



Palestine Economic Policy Research Institute (MAS)
Jerusalem and Ramallah

Foreword

Cooperative work is deeply rooted in Palestinian life and has contributed in enabling Palestinian citizens to use available resources more effectively and efficiently. Nevertheless, this type of organized economic activity based on voluntary unions, helping oneself and others, democratic principles, equality in rights and duties, solidarity among members, openness, transparency and social responsibility, and caring for others, has suffered and is still suffering from a state of stagnation since the Nineties of the last decade; half of the registered cooperatives are inactive and a relatively limited number are working efficiently. It is noticeable that the cooperative spirit and culture have diminished as well.

Realizing this deterioration of the cooperatives, the Palestinian National Authority (PNA) and its partners in the civil society started exploring ways to scale-up cooperative work. Many conferences and workshops were held to discuss plans for cooperative development, and the many studies which were conducted by the MOL, ILO and other international organizations focused on the weaknesses and recession of the cooperatives. These efforts were supported by the PNA, who took the responsibility of rehabilitating cooperative work and transforming it into a meaningful liver for sustainable development, not merely the agricultural cooperatives but also cooperatives in other economic sectors. In order to achieve this goal, it was necessary a few years ago to replace the outdated legal and regulatory framework impeding the development of the cooperative work with a modern cooperative law. This draft law was endorsed by the cabinet recently.

This study is part of those efforts aimed at analyzing the situation of agricultural cooperatives, establishing methods of promoting them, and transforming them into a driving force for sustainable development. We anticipate that the findings and recommendations of this study will be a useful source for decision-makers and all those interested in re-launching and activating the collaborative work as well as alleviating the weaknesses and restrictions limiting their activities.

Lastly, we would like to express our thanks to the research team who conducted the study and the cooperatives which were surveyed (included in the sample of the field survey) who have provided the team with valuable information and data along with all the discussants and reviewers

of the study who participated in the workshop. Finally, we would like to extend our deepest gratitude to our partners for carrying out the Developing Food Security Policy program, the Asamblea de Cooperacion Por la Paz (ACPP) and the Spanish Cooperation (AECID), who generously funded the study.

Dr. Samir Abdullah
Director General

Executive Summary

This study aims to identify and evaluate the current state of Palestinian cooperatives, the problems they face, and the role that they play in Palestinian society. To achieve this, the methodology of the study was based on a literature review of the past experiences of cooperatives in other countries, a series of interviews with representatives from agricultural cooperatives in the West Bank and Gaza strip, as well as interviews with relevant private sector actors, with staff of the international institutions that support these cooperatives and with a selection of academics with relevant expertise.

In its evaluation of Palestinian collaborative, the study relied on the seven international principles that appear in the statement of the International Co-operative Alliance (ICA), which are: voluntary and open membership, democratic control of members, autonomy and independence, economic participation of members, training, education and the provision of information to members, cooperation among cooperatives, and a degree of concern for the community and for strengthening the cooperative movement at the local, regional and international levels.

Cooperatives in general and agricultural cooperatives in particular, witnessed a considerable increase in their activity following the emergence of the Palestinian Authority. By April 2010 the number of cooperatives had reached 497 associations with a combined membership of about 43,552. Among these 221 are agricultural cooperatives with a membership of approximately 17,574.

The percentage of the agricultural cooperates devoted to plant production exceeds the percentage of those cooperatives devoted to animal production – approximately 142 organizations (64% of the total) with about 14,403 members (81%) as opposed to 79 cooperatives with approximately 3,171 members.

The study sums up the problems facing agricultural cooperatives as follows:

1. Problems associated with the marketing of agricultural products:
 - ✧ Israeli measures at checkpoints restricting access to Israeli markets.

- ✧ Poor marketing skills
 - ✧ Lack of adequate information about foreign markets.
 - ✧ Lack of insurance for agricultural exports.
 - ✧ Imbalanced and unfair competition with Israelis producers.
 - ✧ Exploitation and manipulation by Israeli trade agents.
 - ✧ Lack of support for Palestinian producers and insufficient protection against those Israeli marketing companies that have monopolized the market.
 - ✧ The high cost of grading.
 - ✧ The lack of appropriate storage and refrigerators for vegetables
 - ✧ The unplanned actions of wholesale vegetable traders, who overload Palestinian markets with Israeli products.
 - ✧ Competition between the private sector and agricultural cooperatives.
2. Problems associated with the small and diminishing size of the capital possessed by cooperatives:
- ✧ Weak commitment of members to the paying of their membership fees.
 - ✧ The fluctuation of currency exchange rates.
 - ✧ Delays in starting-up income-generating projects.
 - ✧ Mismanagement of the projects of cooperatives.
 - ✧ Dealing with debt.
 - ✧ The inability to provide banks perquisites for credit facilities.
3. The low penetration of collaborative thinking and the preconceptions that farmers have about cooperatives as a tool to attract funds.
4. The limited skills of workers in cooperatives which affect the loyalty and affiliation of members.
5. The absence of proper democratic processes.
6. The absence of the professional documentation necessary to facilitate the administrative and financial operations and for the protection of rights.
7. The absence of governmental support.
8. The continuing movement restrictions on agricultural lands and the unavailability of needed fertilizers.
9. The outdated nature of the cooperatives law that is applied in the West Bank and Gaza Strip.
10. The poor management of funded projects which leads cooperatives to rely on external resources rather than relying on their own.

Considering the above-mentioned international principles of cooperative work, Palestinian cooperatives fail to apply the open membership principle to members because of their dependence on foreign aid, which has weakened their dependence on the contributions of their members. In addition, democratic practices are weak and there is an absence of effective measures to control partisanship within established cooperatives. There is also only a weak commitment amongst members to engaging with the cooperative they are members of as well as a lack of attention to the training and development of members. Moreover, there is a weak commitment to the provision of necessary market information to members. The connections between the cooperatives themselves are also weak and limited to personal relationships between presidents. The social aspects of cooperatives sometimes come at the expense of income-generating projects.

The study concludes with a set of recommendations aimed at developing agricultural cooperatives:

- ✧ The necessity for continuing the policy of the current Palestinian government of boycotting Israeli settlements products and expanding its policy to all Israeli products.
- ✧ The Palestinian Government needs to put more pressure on the Israeli authorities to allow access of cooperatives' products to Israeli markets.
- ✧ The Palestinian Government needs to control the movement of trade at crossings points in to Israel.
- ✧ The Palestinian Government needs to take action regarding the provision of transit permits to farmers whose lands are located behind the Apartheid Wall, and to protect them against confiscation and dredging of their lands.
- ✧ Drafting a cooperation strategy in-line with the law and principles of cooperative action.
- ✧ Drafting and stipulating an up-to-date law for cooperatives and for the regulation of agricultural insurance for both the West Bank and Gaza.
- ✧ Agricultural cooperatives should be under the supervision of the relevant authority, i.e. the Ministry of Agriculture.
- ✧ The Cooperation Department should provide cooperatives with financial and managerial consultancies.
- ✧ Cooperatives should market their products in a superior fashion, especially those with the Global GAP certificate.
- ✧ Likewise, the cooperatives need the full legal support of the Palestinian Authority against the manipulative strategies employed by Israeli marketing companies and trade agents.

- ✧ The study also recommends encouraging the private sector to invest in Palestinian packing houses and set affordable prices that comply with Palestinian and international standards.
- ✧ The PA should consider providing agricultural cooperatives with laboratories for testing olives prior to the pressing process.
- ✧ The Provision of credit to purchase vehicles, for the construction of appropriate storage spaces, and the provision of discounts on fuel prices.
- ✧ Providing training courses for members of cooperative regarding how to promote collaborative thinking.
- ✧ The creation of a joint insurance fund financed by the contributions of members in order to protect cooperatives against financial crises.
- ✧ More emphasis should be placed on income-generating projects, instead of social activities.
- ✧ The provision of credit facilities at competitive interest rates and comfortable repayment terms.
- ✧ The provision of appropriate agricultural guidance and education and coordination with agricultural colleges in order to develop the knowledge and ability of college graduates.
- ✧ It is also important to assemble a legal body to follow legal issues of all agricultural cooperatives affected by the wall.
- ✧ The organization of workshops regarding accounting, managerial and documentation skills as well as feasibility studies.
- ✧ Enforcing strict inspection mechanisms for controlling manipulation during the elections of administrative bodies.
- ✧ The Cooperation Department should be held responsible for assessing the technical, financial and administrative capacities of the cooperatives before their registration, and the department should follow the implementation of the projects which cooperative are licensed to implement.

With regard to funded agricultural projects it should:

- ✧ Limit the targeted group to agricultural cooperatives and their members rather than the whole community.
- ✧ Follow the direction and supervision of cooperatives and not their members.
- ✧ Cooperatives should be exempted from mandatory contributions to these projects, while maintaining contributions from beneficiary members to ensure funding is properly used.
- ✧ These projects should be based on realistic assessments of the needs of the cooperatives.

- ✧ Legal action should be taken against cooperatives that misuse their power.
- ✧ Projects should be complimentary to the cooperatives' projects and not compete with them.