



Governance of Agricultural Cooperatives in Palestine



**December
2021**



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Acknowledgements: The Coalition for Accountability and Integrity (AMAN) would like to thank the researcher, Moayad Afana, who prepared this report. Thanks are also due to AMAN's work team and Dr. Azmi Shuaibi for his supervision, review and editing of the report.

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Executive Summary

The cooperative sector is considered a lever, a stimulator and a key element for supporting the national economy. Cooperative work is a people-centered enterprise hence it plays a role in reducing unemployment through a more equal distribution of wealth and by creating a productive community work-force. This form of an organized economic structure means bringing together the simple financial scattered forces under one group of individuals with common social interests and ties where they are unified into a cooperative organization that is self-managed (i.e. controlled and, run by and for the members of the cooperatives). This results in social solidarity and the creation of a fair system for distributing wealth by expanding ownership of economic enterprises and sharing of returns. In addition, the system also helps members of cooperatives to achieve the benefits of their productions and marketing.

Needless to say that cooperatives, including agricultural cooperatives in Palestine, play an important role in the various fields of the economic system, whether in production or services. Therefore, it is necessary to strengthen the governance of these institutions, especially in light of the obstacles and issues they face in governance. This was revealed by the reports of the Cooperative Work Agency (Agency), the State Audit and Administrative Control Bureau (SAACB), and the results of the few previous literature and studies conducted on this sector's governance.

Based on the abovementioned, this report includes monitoring and collecting information related to agricultural cooperatives' work in Palestine from its various and documented sources. It also includes diagnosis of the status quo from the perspective of governance principles and indicators. In addition, this report highlights existing challenges and gaps and provides an analysis of information collected from primary and secondary sources with the aim of putting forth conclusions and recommendations that will assist in strengthening the governance of this important sector. Therefore, this report aims to examine and analyze the degree by which the principles of governance and the transparency, integrity and accountability systems are practiced in agricultural cooperatives. It also aims to provide practical scientific recommendations that will contribute to strengthening governance and hence fortify this sector.

Conclusions:

- The existence of multiple problems relating to compliance with the law in regard to guidance, capacity-building and oversight.
- Weakness in the accountability systems at the formal and internal levels due to the limited ability of the Agency to fully cover the vast fields of work of these cooperatives or due to the weakness of general assemblies of these bodies. Also, the absence of guidebooks and or training on governance and failure to enforce the law on violators.
- The existence of flaws in the integrity system due to the incomplete legislative system related to integrity and the absence of guidebooks and approved codes of conduct on good governance.

- Weak levels of transparency in general, as publications and disclosures are not applied systematically in (i.e., are not institutionalized) in agricultural cooperatives.
- Weak participation by members of agricultural cooperatives, which is a violation of the law and of the cooperative principles. It is also a manifestation of weak governance.
- A range of challenges have emerged facing the agricultural cooperatives which threaten their existence and or continuity, especially in terms of efficiency and effectiveness. This was revealed by the following indicators: the fiscal deficit in the sector is greater than its surplus; the harsh measures imposed by the Israeli occupation; modest government funding and lack of real protection for agricultural input and output production exacerbated the problem.
- Insufficient measures to reduce conflict of interest cases in the agricultural cooperatives, such as: an incomplete legal framework, the Anti-Corruption Commission (ACC) guidebook has not been published and hence not circulated; weakness of a cooperative culture, poor guidance, follow-up and oversight processes of agricultural cooperatives working in Palestine.

Recommendations:

- Completion of the legislative framework governing the work of cooperatives in Palestine, including agricultural cooperatives. This can be achieved by modifying the Law by Decision No. (20) of 2017 through a participatory approach to include all relevant parties, taking into account all previously prepared drafts, and finally to launch it along with the executive rules and regulations as a package.
- Enforcement of the Cooperative Work Agency of its official role in monitoring of the cooperative work in Palestine. It should also focus on the implementation of its new strategy 2021-2023, on guidance, follow-up, supervision and control of the work of all cooperatives including agricultural cooperatives.
- Institutionalizing the work and efforts of the agricultural cooperatives by integrating the efforts of: the Cooperative Work Agency, in cooperation with the Ministry of Agriculture (MoA), related civil society organizations (CSOs), federations and other cooperatives.
- Promoting the concept and ideology of agricultural cooperative in Palestine by launching a media campaign, especially since this ideology has been subjected to major distortions in recent years, such as: transformation of some cooperatives to profit making enterprises, or as ways to obtain foreign funding for the sake of money. This reinforced behaviors that are contrary to governance; contributed to the failure of some cooperatives; posed difficulties for other associations and provided opportunities for corruption in some.
- Building the capacity of the agricultural cooperatives, through the integration of work of the official institution and NGOs. It is also suggested to include institutions of the private sector, particularly in the area of governance, as part of their community responsibility and duty.
- Government and cooperative unions must provide protection for agricultural cooperatives, especially small cooperatives, from financial distress. This can be feasible by protecting production inputs and outputs by providing marketing of their products, which is especially needed in light of the free market economy in Palestine and the neo-liberal trends, in addition to the private companies' near-monopoly over many agricultural sources, both, plant and animal production.

Introduction

The cooperative sector is considered a lever, a stimulator and a key element for supporting the national economy. Cooperative work is a people-centered enterprise hence it plays a role in reducing unemployment through a more equal distribution of wealth and by creating a productive community work-force. This form of an organized economic structure means bringing together the simple financial scattered forces under one group of individuals with common social interests and ties where they are unified into a cooperative organization that is self-managed (i.e. controlled and, run by and for the members of the cooperatives). This results in social solidarity and the creation of a fair system for distributing wealth by expanding ownership of economic enterprises and sharing of returns. In addition, the system also helps members of cooperatives to achieve the benefits of their productions and marketing.

Therefore, cooperatives are socio-economic institutions that are built on ethics, values and principles, where it empowers people to realize their economic ambitions collectively through self-help and empowerment. It also allows them to re-invest in their communities by upholding a long-term vision of sustainable economic growth and promoting social and human capital hence caring for the well-being of their fellow citizens and improving the environmental responsibility in their communities.

Needless to say that cooperatives, including agricultural cooperatives in Palestine, play an important role in the various fields of the economic system, whether in production or services. Therefore, it is necessary to strengthen the governance of these institutions, especially in light of the obstacles and issues they face in governance. This was revealed by the reports of the Cooperative Work Agency (Agency), the State Audit and Administrative Control Bureau (SAACB), and the results of the few previous literature and studies conducted on this sector's governance.

Content of the Report

Due to the important economic role played by the cooperative sector in Palestine and specifically the agricultural associations, this report includes information on monitoring and data related to agricultural cooperative work in Palestine from its various and reliable sources. It also includes diagnosis of the status quo based on governance principles and indicators. In addition, this report will highlight existing challenges and gaps and an analysis of the information collected from primary and secondary sources with the aim of putting forth conclusions and recommendations that will assist in strengthening governance of this important sector.

Purpose of the Report:

The purpose of this report is to examine and analyze the degree of applied governance principles in the agricultural cooperatives working in Palestine. Its aim is to promote the principles of governance, transparency, integrity and accountability within these cooperatives and to present scientific practical recommendations that will assist decision-makers in governing these institutions and hence fortify this sector.

Methodology of the report:

A scientific survey methodology was adopted in the preparation of this report based on the following focal points:

- Review of the historical context of the agricultural cooperative sector in Palestine.
- Review of the governing legal framework of the agricultural cooperatives; highlighting problems, gaps and inconsistencies in laws that hinder the work of cooperatives.
- Examine the seriousness of the relevant authorities concerning management of the agricultural cooperative sector.
- Diagnose the state of the working environment of the agricultural cooperative sector.
- Examine the environment of integrity, transparency and accountability in the agricultural cooperative sector.
- Conduct interviews with relative parties.
- Conduct a survey targeting a sample of workers in the agricultural cooperatives in Palestine.
- Analyze collected data using the study's designated tools "Interviews/survey, etc."
- Prepare conclusions and recommendations based on a scientific process for strengthening governance of cooperatives in Palestine.
- Hold a focus-group workshop for those involved in carrying out the study in order to discuss the methodology, conclusions and recommendations, and other related issues that would enrich the working-paper.
- Prepare the final version of the study.

Historical Overview of Cooperatives

It seems that cooperative work existed since human beings appeared on this earth, manifesting in different forms and images. Organized cooperatives, however, emerged as a reform tool in the middle of the 18th century. The pioneer in this field was Robert Owen who is considered the spiritual father of cooperative work and known for leading the cooperative movement at the time. The first successful association, though, was established by the pioneer Rochdale in Britain in 1843, after which cooperatives began to spread around the world¹.

And on the first Saturday of July 1923, the first Cooperative International Day was celebrated by the International Cooperative Alliance, after which the mentioned date became an occasion to be celebrated annually. Furthermore, the United Nations (UN) General Assembly announced on December 16, 1992 resolution No. (47/90) stipulating that the first Saturday of July 1995 would be considered an international day of cooperatives. The date was selected in commemoration of the 100th anniversary of the establishment of the International Cooperative Alliance.

Furthermore, in 2017, the world celebrated the International Day of Cooperatives under the theme “Cooperatives ensure that no one is left behind”. This embodies one of the most important principles and slogans of the Sustainable Development Goals 2030. In that regard, cooperatives are considered live examples that are built on ethical values and principles on the one hand, and are models that contain aspects of sustainable development that can be one of the key solutions in reducing income inequality, on the other hand.

Therefore, cooperatives are not a marginal phenomenon, but are an effective economic institutions operating in many developed and developing countries alike. Within this context, recent statistics show that more than 12% of the world’s population are considered members in more than 3 million cooperatives worldwide. And, according to the 2017 World Cooperative Monitor, the total sales of the world’s 300 largest cooperative enterprises amounted to about 2.1 trillion dollars. Furthermore, cooperatives employs about 280 million people worldwide, a figure equivalent to about 10% of the world’s wage earners hence contributing to a sustainable economic growth and stable employment at the global level².

What is a Cooperative: each cooperative consists of at least fifteen members who are united voluntarily to meet common economic, social and cultural needs and aspirations of its members through a jointly owned and democratically controlled and supervised enterprise. Its capital has no set ceiling... its aim is to improve the economic and social situation of its members by joining forces in accordance with the general cooperative principles. Thus, cooperative work means to assemble and unite individuals and their efforts to achieve a common goal in the shortest, least costly and best way possible.

International Cooperative Alliance (ICA): It is union formed in 1985 to serve and represent cooperatives around the world; an independent and non-governmental organization that is considered the largest existing NGO. Its members consist of organizations operating in all sectors including agriculture, banking and other financial centers, fisheries, health, housing and industry, insurance and tourism, and the consumer sector.

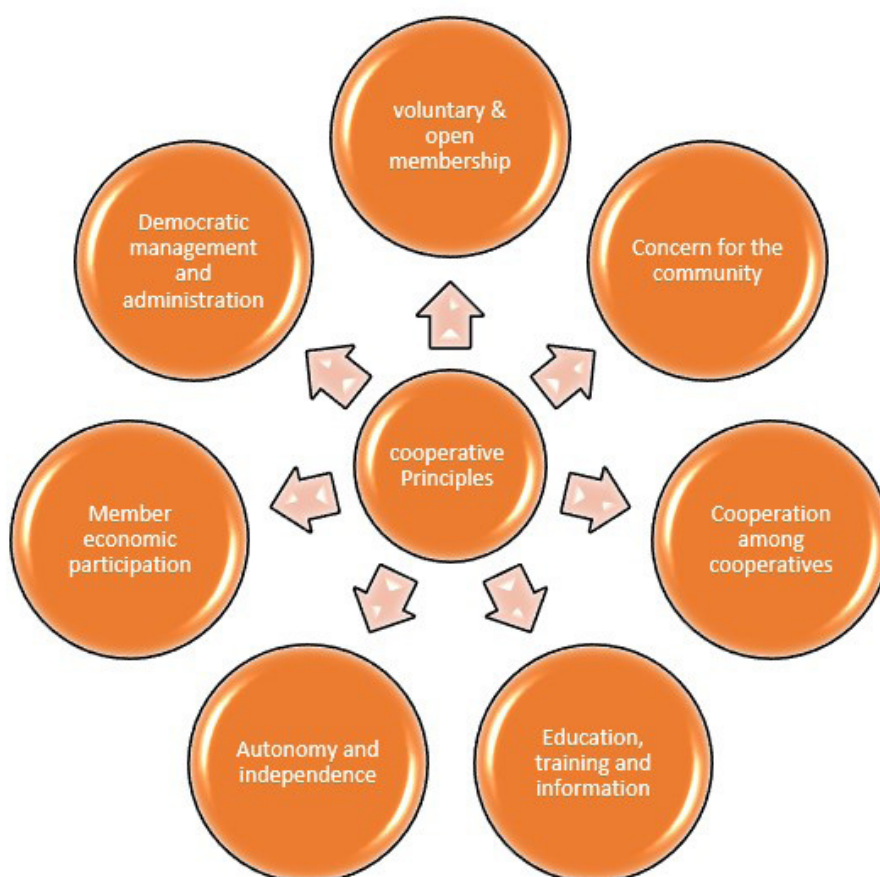
¹ Reform and development of the Palestinian cooperative It has unlimited capital and is intended to improve the economic and social situation of its members, sector, Palestinian Economic Policy Research Institute (MAS) 2015,P.1

² Co-operative Action Commission- Annual Achievement Report 2019-Palestine, P.1

Cooperative Principles: there are seven principles that were approved by the (ICA) during the July 1995 celebration, on the occasion of its 100th anniversary; these are:

1. Voluntary and open membership.
2. Democratic management and administration.
3. Member economic participation.
4. Independent self-rule.
5. Education, training and information.
6. Cooperation among cooperatives.
7. Concern for the community.

Figure No. (1)
Cooperative Principles



The cooperative classifications shown below are those adopted by the (Agency):

- **Working cooperative:** any cooperative registered by the (Agency) and has been preparing its budget regularly and has held at least one meeting during the last three years for its general assembly members.
- **Non-working cooperative:** any cooperative registered by the (Agency) and has not been committed to preparing its budget, nor has it held a general assembly meeting for its members for the last three years.
- **Active cooperative:** Any classified cooperative that is operational and has generated revenue from its sales according to its latest approved budget.
- **Inactive cooperative:** Any classified cooperative that is operational and has not achieved any sales according to its latest approved budget³.

Cooperative structure: The cooperative structure consists of:

a. Cooperative Society: a cooperative society is a socio-economic institution that is established by at least 15 members who are voluntarily linked to meet their common needs and aspirations through their: own contributions, shared ownership, democratic management and control. The institution conducts its activities in its legal capacity.

b. Sectoral Union: It is a body that is established by a minimum of (7) cooperatives from the same sector.

c. General Union: It is a body that is established by at least (5) sectoral unions. It is not permissible to establish but one union.

2. It is permissible for four or more cooperatives from the same sector to establish a central association. However, a governorate can only allow for one such central association to be established⁴ .

For more information, please see annex 1 where full information on the history of cooperatives in Palestine is provided.

⁴ Law by Decision No. (20) of 2017 on cooperatives, Article no. 15.

The Legal and Institutional Frameworks Governing Cooperatives in Palestine

The emergence of the cooperative movement in Palestine dates back to 1920 where under the British Mandate the first cooperative law was issued, which was amended in 1933 by Law No. (50); other laws include: the amended Cooperative Associations Law No. 16 of 1937; the amended Cooperative Associations Law No. 40 of 1944. Decision by Law on the addition of a clause to (the Cooperative Associations Law No. (50) of 1933) No. (4) of 1966. 123 associations operated under the umbrella of this law until 1938 where the number increased to 244 associations in 1948. Thus, it can be concluded that Palestine has been ahead of other Arab states in this regard.

For the past century Palestine and Palestinians have been subjected to several colorizations who were in charge of running the affairs of the country and the people. Staring from the Turkish administration (the Ottoman Empire era) to the British Mandate shortly after World War 1 (1920), and through the Nakba where Israel occupied the majority of the Palestinian land in 1948. Subsequently, in 1950, the West Bank (WB) was annexed and joined with the East Bank of the Jordan river under the authority of the Hashemite Kingdom of Jordan (Jordan) and Gaza was placed under the Egyptian administration. This was the status quo until Israel occupied the rest of Palestinian land, the WB and the Gaza Strip (GS), in 1967. Both of these areas were placed under Israeli military rule and its civilian administration, which the occupation founded in 1982. This lasted until the establishment of the Palestinian National Authority (PA) in 1994 on the basis of the Oslo Agreement signed between the PLO and the Government of Israel in September 1993. As a result, many legislations were drafted “laws and regulations” that would govern the life of Palestinians including laws and regulations on cooperative and cooperatives⁵.

• The Legal Framework for Cooperatives in Palestine:

For the first time in the history of the PA, a law by decision was issued to regulate the cooperatives' work in Palestine (Law No. 20 of 2017 on Cooperatives) The aim of the law is to “encourage, regulate and develop cooperative work based on the principles of voluntary membership, democratic administration, economic participation, self-independence, cooperative knowledge and cooperation between the associations for the benefit of all cooperative members and the community⁶.

The Law and its amendment⁷ granted the power to the Cooperative Work Agency to follow up on all cooperative work in Palestine. In that regard, article (4) of the Law stipulated the following:

- Under the provisions of this Law by Decision and its amendment, a body named the (Agency), has a legal personality, financial independence, is managed by a board of directors, and is under the jurisdiction of the Ministry of Labor. Its budget is included as an independent item within the budget of the Ministry of Labor⁸.
- The Agency has the legal capacity to engage in all functions, activities and actions in order to achieve its objectives and goals, including: ownership of movable and immovable funds necessary to carry out its work and activity in accordance with the provisions of this Law by Decision.
- The main headquarters of the Agency shall be in Jerusalem. However, the Agency is granted the right to have a temporary base elsewhere as well as to establish additional branches anywhere in Palestine.

⁵ For more on the historical development of laws governing cooperation and cooperatives in the successive political periods. See Annex 2.

⁶ Law by Decision No. 20 of 2017 on Cooperatives, Article 2.

⁷ Law by Decision No. (23) of 2021 to amend the Law by Decision No. (20) of 2017 on cooperatives.

⁸ Law by Decision No. (23) of 2021 to amend the Law by Decision No. (20) of 2017 on cooperatives.

- The Agency shall enjoy exemptions and privileges granted to ministries and government departments and is subject to the State Audit and Administrative Control Bureau (SAACB).
- All laws and regulations relating to administrative and financial affairs, supplies and works that are applicable to ministries and government departments apply to the Agency.
- The Agency is committed to submitting its periodic and annual reports on its technical, administrative and financial work to the Council of Ministers⁹.

Objectives and Tasks of the Agency as Defined by Law:

The Agency's aim is to regulate and supervise the cooperative sector without engaging directly in its work. Therefore, the Agency shall:

1. Set policies, develop plans and strategies for the cooperative sector and submit them to the Council of Ministers for approval.
2. Draft laws on cooperative work; develop regulatory instructions for the work of associations and cooperative unions; adopt relevant work guidebooks.
3. Ensure that the provisions of this law as well as all rules, regulations and instructions issued in its regard are enforced, including implementation of follow-up procedures in this regard.
4. Regulate the relationship with associations, sectoral unions and the General Union as well as encourage economic engagement among them, in accordance with the cooperative principles stated¹⁰.
5. Strengthen coordination and cooperation with relevant ministries, civil and official institutions in addition to strengthening cooperation with Arab and international cooperative organizations.
6. Empower women and young people, and integrate individuals with disabilities and former political prisoners in the cooperative sector.
7. Collect and arrange data, provide statistical data on the various cooperative sectors¹¹.
8. Approve donor-funded projects for the cooperative sector with the aim of developing and improving the sector^{12 13}.

The law contained 70 articles, divided over nine chapters:

- Chapter I: Definitions, objectives and scope of enforcement.

This chapter covers general definitions, objectives of the law, adherence to the cooperative principles, which includes governance-related issues. It also covers the scope of enforcement of the law, which includes cooperatives, sectoral unions and the General Union.

- Chapter II: Administrative and financial regulation of the Agency.

This chapter covers a number of articles that include tasks entrusted to the Agency, provisions relating to compliance with the law, strengthening oversight and accountability, reporting, governance of the Agency itself and matters relating to the principles of participation and accountability.

- Chapter III: Structure of cooperatives.

This chapter covers matters related to the establishment of cooperatives in addition to provisions that enhance integrity and prevent conflict of interest as well as detailed regulations documents upon need.

- Chapter IV: Founding and registration provisions for cooperatives

This chapter covers provisions on encouraging and institutionalizing participation, and provisions that promote transparency.

⁹ Law by Decision No. 20 of 2017 on Cooperatives, Article 4.

¹⁰ This paragraph should include "the democratic administration of cooperatives, independent self-rule, and concern for the community", in accordance with the cooperative principles.

¹¹ This item should include "to be accessed by all"

¹² Law by Decision No. 20 of 2017 on Cooperatives, Article 5

¹³ It should be noted that this article is part of the restrictions by which the government is trying to control cooperatives.

- Chapter V: Association Management

This chapter covers governance related provisions such as: participation, accountability mechanisms, compliance with the law, integrity and conflict of interest. Example on conflict of interest: “the management committee may not have two or more members who are relatives of the first or second degree.” Also, “it is not permissible for a member of the management committee to receive a salary for his services in the Association.” And more.

- Chapter VI: Financial provisions of the Association

This chapter includes provisions that promote transparency, integrity and accountability such as: “At the end of its fiscal year and in a period of not more than two months, each association must prepare a balance sheet indicating its assets, obligations and final accounts. In addition, the general assembly of each association must select an auditor to audit its accounts annually illustrating the results of its work and activities, in accordance with its internal system and regulations.”

- VII: Investigations, closures and dissolution of associations

This chapter covers provisions on accountability issues and related instructions for the liquidation and closure of cooperatives.

- VIII: Violations and penalties

This chapter covers provisions relating to strengthening compliance with the law and integrity values, some of which imposing punishment on whoever “exploits his/her position and unjustly seized funds, supplies or assets of the Association for himself or others, or refrained from handing over any assets he/she were entrusted with to the association upon leaving one’s job or during his tenure, or did any act to disrupt the auditing, investigation or implementation of the provisions of this law, or the internal rules and regulations. Or provided incorrect reports, information or data on the work and activities of the Association, or acted or retained any of the Association’s funds, in violation with the provisions of this law and its regulations and the internal rules and regulations of the Association, or distributed the association’s assets at the time of liquidation... contrary to the provisions of this law and its regulations and the internal rules and regulations of Association.

- IX: Final provisions.

This chapter covers final provisions on the integration of associations; transfer of the rights and obligations of deceased members; joining Arab and international organizations; arbitration and collection of public funds; other provisions.

In 2018, Decision No. (11) of 2018 was issued by the Council of Ministers concerning the Agency’s fee system specifying the fees charged by the Agency for services it provides¹⁴.

Also, the Council of Ministers issued Decision No. 11 for 2020 on the system of liquidation of cooperative associations¹⁵. And during the same year, the council issued Decision No. (12) of 2020, on investigations into the work of cooperatives and unions, which aimed at: 1. regulating the financial and administrative investigation procedures for cooperative associations and unions, 2. modifying the financial and administrative system according to the results of the investigations¹⁶.

****Note:** As of the preparation of this report, no comprehensive executive regulations have been issued for the Law by Decision No. (20) of 2017 on cooperative associations. This may provide ample space for the Agency to abuse implementation of the law.

¹⁴ The Council of Ministers Decision No. 11 of 2018, on the Cooperative Work Agency’ fee system.

¹⁵ The Council of Ministers Decision No. 11 of 2020, on the liquidation of cooperative associations.

¹⁶ The Council of Ministers Decision No. 12 of 2020, on investigating the work of cooperative associations and unions

• The Institutional Framework of the Cooperative Work Agency:

The Ministry of Labour (MoL) was one among the many government institutions and ministries established upon the inception of the PA in 1994. The organizational structure of the Ministry included a number of public administrations, one of which is the General Directorate of Cooperation, which has been tasked with overseeing and controlling the Palestinian cooperative sector. Following issuance of the decision of Law by Decision No. (20) of 2017 on cooperatives, the Cooperative work Agency was established at the beginning of 2018, in accordance with Article No. (65) of the mentioned law. Article (65) stipulated that employees of the General Directorate of Cooperation in the Ministry of Labor shall be transferred to the Agency without compromising any of their work rights. After the establishment of the Agency and in accordance with Article 6 on board of directors, the board was formed. It consists of eleven members representing the relevant ministries and institutions in addition to three representatives from the General Union of Cooperative Societies, with the Minister of Labour as Chairman of the Board.

in accordance with tasks and powers entrusted to him, the Chairman of the Agency is currently supervising the implementation of policies and decisions issued by the Board of Directors of the Agency; responsible for the preparation of the Agency's annual draft budget; supervision of the Agency's employees and of its administrative and financial affairs. He is currently supported by 57 men and women employees, 20 of them through contracts. Of those 29 work in different governorates, and 28 work in the chairman's headquarters in Ramallah¹⁷.

The Agency's vision for the cooperative sector, as stated in its 2021-2023 strategic plan is a "productive and pioneering cooperative sector, self-sufficient, and committed to cooperative principles and values."

As for the Agency's mission, it is stated as such: "working to strengthen the role of the cooperative sector to be a lever for economic and social development and to expand the base of active and effective associations and cooperatives, qualitatively and quantitatively. This will be achieved through hard work in promoting, organizing and developing collaborative work while ensuring that the global principles and values of cooperation is applied, in addition to working on promoting good governance practices in all cooperative sector institutions".

First strategic objective: an institutional and legal environment that facilitates continuity and development of the cooperative movement.

Second strategic objective: an improved financial and regulatory performance of cooperatives.

Third strategic objective: cooperatives include new categories of citizens and areas of work¹⁸.

Moreover, the Agency is allowed to collect public treasury revenues through its various services in accordance with the Cooperative Law and Fee Regulations. Examples include: registration fees for associations and unions, fees for ratifying the internal regulations of associations/unions, and fees for auditing budgets of associations/unions etc. The amount collected from these fees and transferred to the public budget amounted to approximately JD 47,000¹⁹ since the formation of the Agency in late 2018,

¹⁷ The official website of the Cooperative Work Agency <http://www.cwa.pna.ps>

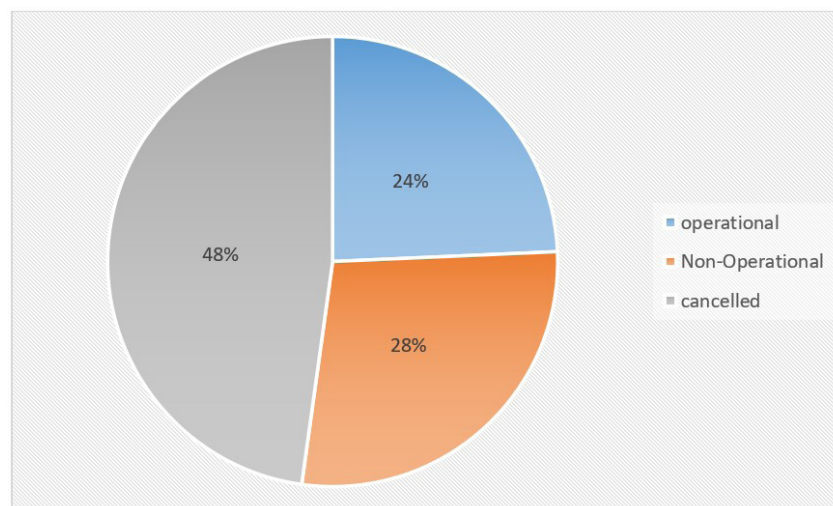
¹⁸ The Strategic Plan of the Cooperative Work Agency for 2021-2023, P.33.

¹⁹ Personal interviews with the chairman of the Cooperative Work Agency, Mr. Yousef Al-Turk and the Agency's staff on 26-31/5/2021.

Weak permanence of cooperatives and their suspension shortly after registration is one of the most important indicators of the weakness of the Palestinian cooperative sector. This explains the large number of cooperatives that have been closed down on the one hand, and the other large number classified as “non-operational”, which includes cooperatives subject to investigation and liquidation procedures, on the other hand²⁰.

- The number of cooperatives in the Northern Governorates reached 677 association, 335 of them are “non-operational”, accounting for 49.5% of all cooperatives. This means that nearly half of all associations are not working²¹.
- Decisions have been taken to investigate the affairs or liquidate assets of 228 non-operational cooperatives, including agricultural cooperatives; a ratio of 33.6%²².
- Only 139 agricultural cooperatives are functioning in the Northern Governorates. This means that their legal statuses are intact as of the end of 2019²³. This number is out of a total of 269 registered agricultural cooperatives²⁴ accounting for only 51.7% of these bodies.
- According to the data collected, the number of registered agricultural cooperatives amounted to 533 associations²⁵.
- 43.5% of agricultural cooperatives have been cancelled, accounting for 33.8% of the total number of the ended cooperatives in Palestine²⁶.
- According to official statistics issued by the Agency, only 24.3% of the total number of cooperatives registered in the Northern governorates were “operational” at the end of 2017. This represents a lower percentage compared to the proportion of the “non-operational” cooperatives of (27.9%) and the proportion of cooperatives dissolved (47.8%)²⁷.

Figure No. (2)
Distribution of cooperative ratios in the northern governorates registered with Palestinian registration numbers according to their operational status



20 The state of cooperatives in the WB at the end of 2017, the Cooperative Work Agency, Palestine, P.26.

21 The non-working cooperative is: any cooperative registered with the Agency, but has not committed itself to preparing its budget and/or has not committed to holding a meeting of its general assembly for more than three years.

22 The Annual Achievement Report 2019- Cooperative Work Agency, Palestine, P.9.

23 The Cooperative Work Agency Strategic Plan for 2021-2023, P.13.

24 Status of cooperatives in the WB at the end of 2017, Cooperative Work Agency, Palestine, P.70

25 Status of cooperatives in the WB at the end of 2017, Cooperative Work Agency, Palestine, P.70

26 Status of cooperatives in the WB at the end of 2017, Cooperative Work Agency, Palestine, P.27

27 Status of cooperatives in the WB at the end of 2017, Cooperative Work Agency, Palestine, P.33

The agricultural cooperative sector is the only cooperative sector whose deficits exceed its surplus, with an average net deficit of 1,497 JDs per cooperative²⁸.

The number of agricultural cooperatives registered with Palestinian numbers in the WB that have been liquidated or cancelled is 232.²⁹

The Israeli occupation measures imposed on the sector constitute one of the most important reasons for the weakness of the agricultural cooperatives in Palestine, according to the Agency's representatives. Measures such as: confiscation of land, banning drilling of water wells, construction of settlements and the apartheid wall where thousands of agricultural dunums were seized and confiscated in order to build it. Add to that the Israeli occupation's control of all agricultural production imports where it prevents or blocks some of the products from passing through under the pretext of high prices or dual use such as chemical fertilizers. All of the abovementioned makes agricultural investment a risky issue and increases the cost of production. This is in addition to the complicated situation and numerous dangers and risks the sector faces in the Gaza Strip, such as the Israeli frequent bombing, banning export, preventing needed material and agricultural products from going in or out of the Strip, among other arbitrary measures.

Adding to issues is a tax system that is not biased favorably to farmers, limited government support for the sector, and the nature of the Palestinian market that is based on a free economy, which does not provide protection for small farmers or cooperatives. Nevertheless, there are outstanding success stories for agricultural cooperatives nationwide³⁰.

28 Status of cooperatives in the WB at the end of 2017, Cooperative Work Agency, Palestine, P.63

29 Status of cooperatives in the WB at the end of 2017, Cooperative Work Agency, Palestine, P.71

30 Personal interviews with the chairman of the Cooperative Work Agency, Mr. Yousef Al-Turk and the Agency's staff on 26-31/5/2021.

Governance of the Agricultural Cooperative Sector

The first agricultural cooperative, called the Arab Palestinian Association of Tobacco Farmers was established in Acre, Palestine in 1924. Hence the agricultural cooperative sector has been around for nearly a century. Nevertheless and despite this length of time, this important and vital sector in terms of governance continues to be plagued by obstacles and problems that have become real issues in protecting it from mismanagement and /or corruption.

• The Concept of Good Governance in Cooperatives:

Good governance in cooperatives is a system of rules, principles, standards, policies, processes and behaviors reflecting the way in which the management of the cooperative exercises governance. It is based on the effectiveness, efficiency and good use of resources to serve the members of the cooperative and society in general. This method expands the options available to members of the cooperative and to individuals of the community, away from personal benefit³¹.

Good governance practices lead to:

- Justice, transparency and fair treatment for all members.
- Integrity and the prevention of abuse of power by some administrative members to obtain illegal gain or squandering of the cooperative's funds.
- The development of financial and human resources in the cooperative society

• Governance of cooperatives:

Governance of cooperatives is a set of optimal rules and principles that govern policy-making and good management of processes, practices and conducts. It is also the ability to identify, assess and control risks and find solutions, as well as the ability to set goals and achieve them. In addition, good governance is the ability to manage and organize the association effectively and efficiently in the interest of the whole body away from personal benefit (Integrity). It also clarifies the responsibilities and procedures for decision-making (transparency) and provides the best oversight possible (accountability) and raises the level of participation of members in the management of the association (participation) for the sake of building cooperative associations that are based on good governance³².

Most Important Principles of Good Governance:

- Integrity of officials and employees.
- Transparency of procedures, work mechanisms, access and dissemination of information.
- Effective accountability mechanisms to hold officials accountable for their actions and decisions, most important of which: reporting on tasks' implementation, challenges, results achieved and those that have not been achieved stating the reasons for failure.

In regard to cooperative governance, it is necessary to define the following bodies and references: governing laws; responsibilities of the general assembly, the management committee as an executive authority, the oversight committee and related members and directors involved. Once defined, and or all involved can be held accountable in the event of any flaw. Moreover, since cooperatives are democratically formed and run, disclosure of all information related to the work of the association must (transparency) be made available to all members and in a timely manner. Also, members must be able to obtain their legal rights fairly and equally. In addition, decisions must be monitored (accountability) to ensure their compatibility with the interest of the association and to ensure that personal interests of those in charge of the association do not override that of the association's (integrity).

³¹Guide-book on Good Governance for Cooperatives in Palestine- Institute of Applied Research (ARIJ), 2012, P. 16

³² Guide to the integrity and governance of Jordanian cooperatives issued in compliance with the National Strategy for Integrity and Anti-Corruption 2017-2025, From the releases of the Integrity and Anti-Corruption Commission and the Jordanian Cooperative Foundation 2017, P.7

Governance in cooperatives means: Providing regulations, frameworks and mechanisms that control relationships between stakeholders in cooperatives. This is needed in order to make participatory decisions which serve the best interests of the associations through justice, responsibility, transparency and accountability³³.

The Guide to Good Governance for Cooperatives in Palestine

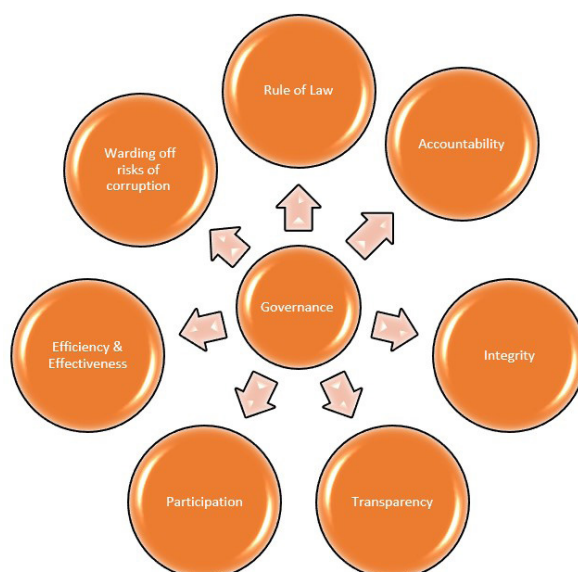
In 2012, ARIJ prepared a Guide to Good Governance for Cooperatives in Palestine, which was adopted by the General Directorate of Cooperation at the Ministry of Labor. The guide defined the concept of good governance in cooperatives and provided a number of principles for promoting good governance, listed below:

1. Rule of law and compliance with international laws and conventions.
2. Participation.
3. Transparency.
4. Accountability.
5. Equality and inclusiveness.
6. Consensus and agreement.
7. Responsiveness.
8. Efficiency and effectiveness³⁴.

• Examining the extent agricultural cooperatives apply the principles of governance at work:

A set of governance principles has been defined to examine the extent of enforcement of the principles of governance in agricultural cooperatives based on the review of the following sources: Jordan's "Cooperative Associations Integrity and Governance Guide-book" delivered in implementation of the National Integrity and Anti-Corruption Strategy 2017-2025 and issued by the Integrity and Anti-Corruption Commission and the Jordanian Cooperative Foundation; the Guide to Good Governance of Cooperatives in Palestine issued by the Institute of Applied Research (ARIJ) and adopted by the Agency; and the Guide to Cooperative Governance issued by the Ministry of Human Resources and Social Development in Saudi Arabia. In addition, the Palestinian Law by Decision No. (20) of 2017 on cooperatives was a main source as well as other guide-books, references, and related literature . The following figure displays the governance principles mentioned:

Figure No. (3)
Principles of governance in agricultural cooperatives



33 Guide to cooperative governance- Ministry of Human Resources and Social Development-Kingdom of Saudi Arabia 2019, P.7.

34 Guide to Good Governance for Cooperatives in Palestine - Institute of Applied Research (ARIJ), 2012, P. 15

Rule of law and compliance with legislation

The rule of law means that all members of the Agricultural Cooperative and its apparatuses are subject to the laws in force and are committed to applying the regulations and instructions provided internally to all beneficiaries without discrimination.

The following conclusions are based on review of the relevant literature, documents and studies in addition to the in-person interviews, and specific survey:

- Despite the achievements realized over the past years in terms of development of the legislative and institutional structures of the cooperative sector, most prominent is the adoption of a Palestinian cooperative law in force, many issues and obstacles remain to be dealt with concerning the legal environment, most important of which are:

1. Failure to complete the legislative system of the sector, especially those regulations and systems connected to the law by decision in addition to few shortcomings within the text and lack of clarity of some of its articles. Also, it is recommended that its provisions on good governance be reviewed and re-evaluated

2. The absence of systems is a major contributor to the weakness in the performance of cooperatives as it rescinds good governance practices, such as accountability and transparency and also weakens commitment to the internal regulations of the associations.

3. Institutional building of the Agency: its limited human and material capabilities to enforce the law and carry-out its role effectively: In its current state, the Agency lacks many of the material, logistical and human capacity to carry out its tasks. This is reflected in the shortage of specialized personnel (human resources). It is also felt in the absence of owned vehicles for field visits, especially since there are no branches in the various areas. This means that the Agency lacks sufficient capacity to effectively plan activities, or carry out the ones that are planned such as supervision, oversight and awareness tasks. In addition, the Agency is unable to compensate for transportation and or over-time work where often employees are required to work beyond working hours. This reduces efficiency and interferes with achieving the desired goals

Based on the methodology of the study, information collected and governance indicators adopted by the researcher, the law on cooperative work in Palestine contains many issues whether in terms of its content and articles or at the level of its executive regulations and systems. Problems also exist at the level of enforcement due to the incompleteness of the legislative system, especially in regard to: amendments relating to enhancing governance and its indicators, applying provisions on integrity, transparency, accountability and combating the risks of corruption. And although relevant parties have exerted efforts to amend the law, it remains unfinished. As for the institutional environment, the Agency suffers from limited logistical, material and human resources.

Through interviews with the Chairman of the Agency Yousef Al- Turk and its staff, the Agency is currently working to modify some of the Cooperative Law's articles and address its shortcomings. They added that their work has been completed, but the draft law is awaiting endorsement of the Agency's Board of Directors first before submitting it to the Council of Ministers for their approval.

However, despite the issues mentioned above concerning the law it received a high rating by the International Cooperative Alliance. The Alliance considered it a “cooperative friendly” law based on results of a study it conducted in this regard. They noted that the law is “a progressive law and a source of inspiration³⁵. Hence, the problem lies in the extent to which the provisions of the law are adhered to.

The institutional environment: the Agency is in dire need of additional logistical, material and human resource support in order to carry out its supervision and oversight tasks on cooperatives, including agricultural associations. In addition, it is also necessary that the Agency’s institutional structure is approved and adopted for better organization and delineation of tasks and responsibilities of all concerned.

The Agency, despite its limited capabilities was able to recruit financial support for the development of the cooperative sector. Examples include funding for the following projects: a \$500,000 project to support cooperatives in Jericho and the Jordan Valley; a €4 million project to strengthen the capacity and foundation of the cooperative sector, and a €4 million project to support cooperatives in Jerusalem. It is worth noting that this assistance may not have been possible if it weren’t for the presence of a supportive donor body³⁶.

Dr. Rabah Murrar, representative of the Institute for Economic Policy Research (MAS) expressed during our interview with him that it is necessary to integrate the legal framework governing the work of cooperatives by engaging all relevant parties in the review of the Law. This step is needed since the law was approved and its regulations and systems issued in the absence of a legislative institution³⁷.

Moreover, additional problems concerning the law were pointed out by Ms. Adlene Karajeh, the Executive Director of the Agricultural Cooperatives Union. According to her, these problems lie in the competent parties’ lack of adherence to the law exemplified in the oversight and follow-up procedures. She also pointed out that the new law hinders the work of associations, but work is being carried out to amend some of its unfair articles. In this regard, a position paper has been developed with amendments to the articles and regulations of Law by Decision No. 20 of 2017, in participation and approval of all relative local and international institutions and unions. A legal advisor was called on to assist in the drafting of the amendments, after which it was presented to the Chairman of the Board of Directors of the Agency, Dr. Nasri Abu Jaish. It was also presented to the committee assigned by him for review during the years 2019-2020. Furthermore, plans to impose pressure on the competent parties to make the necessary amendments will be applied during the coming months³⁸.

Munjed Abu Jaish, Director General of the Agricultural Development Association/ Agricultural Relief, said that the cooperative needs to develop internal by-laws jointly with the private sectors and to train cooperative associations on the implementations of these regulations³⁹.

Also during a personal interview with Mu’ayed Bisharat, Director of the Department of Economic and Social Empowerment of the Union of Agricultural Action Committees, who said that work has been executed on amending the law jointly with cooperative unions and a draft law was prepared in 2019. However, no response has been received from the Board of Directors of the Agency until now⁴⁰.

35 International Cooperative Alliance Study on Cooperative Laws, <https://coops4dev.coop/en/4devasia/palestine#general>

36 Personal interviews with the chairman of the Cooperative Work Agency, Mr. Yousef Al-Turk and the Agency’s staff on 26-31/5/2021.

37 Personal interview with Mr. Rabah Murrar, (MAS) on 26/5/2021.

38 Personal interview with Adelen Kharajeh, executive director of the Agricultural Cooperatives Union in Palestine, on 1/6/2021.

39 Personal interview with Munjed Abu-Jaish, General Director of the Agricultural development Association/Agricultural Relief, on 31/5/2021.

40 a personal interview with Mu’ayed Bisharat, Director of the Department of Economic and Social Empowerment of the Union of Agricultural Action Committees on 3/6/2021.

Results of the survey⁴¹, conducted specifically for the purposes of this study on cooperatives' officials and employees, showed that the legal framework and institutional structure of these institutions suffer from specific problems that hinder the application of good governance in the sector's associations.

- The SAACB's 2018-2019 Reports showed that although agricultural cooperatives have a long history in the field, they continue to have issues in terms of compliance with the law; examples include:

1. Failure to comply with the preparation and issuance of audited budgets within the time stipulated by the law.
2. Non-compliance with relevant legal provisions such as: meetings of general assemblies and administrative bodies; preparing and auditing budgets; preparing periodic reports.
3. Non-compliance with the approved financial system.
4. Some cooperatives continue to apply the Cooperation Associations Law No. (17) of 1956, although it was explicitly repealed, following the issuance of the Law by Decision No. (20) of 2017⁴².
5. Mismanagement and a low level of governance was noted in the audited agricultural cooperatives⁴³.

In 2019, the SAACB audited two agricultural cooperatives where it detected numerous legal, administrative and financial violations. Both of the associations were referred to the Anti-Corruption Commission on "corruption suspicions".⁴⁴
This indicates a flaw in the integrity system and the prevention and control of corruption risks.

- Data of the 2019 Cooperative Work Agency's Annual Achievement Report revealed the following:

1. Approximately half of the registered cooperatives, some of which are agricultural, are non-functional (i.e., no commitment to preparing budgets to holding meetings for their general assemblies for more than three years⁴⁵. These are clear legal violations of the Law No. (20) of 2017 on cooperatives and specifically, Articles (31) and (45)⁴⁶
2. In 2019, 72.8% of the functional cooperatives' budgets were approved for the fiscal year 2018, agricultural cooperatives included. While only 64.0% of these cooperatives held meetings for their general assemblies⁴⁷. Hence it can be concluded that the remaining cooperatives do not comply with the law, noting that this data was collected prior to the CORONA pandemic and the declaration of the state of emergency.

According to the governance indicators adopted by the researcher, there are many problems related to cooperatives adhering to the governing law. In addition, the Agency needs to step-up its procedures on many fronts, most importantly: supervision, capacity building and oversight follow-up. Moreover, integrating the work and efforts of all relevant parties in building the capacity of cooperatives and their governance would also be very beneficial.

41 A questionnaire was developed and implemented for the heads and members of the administrative bodies and employees of the agricultural cooperatives operating in Palestine. Names of cooperatives were obtained through Agency, and sample of the study was selected using the simple random method, taking into account its geographical representation.

42 The SAACB annual report 2019, P121.

43 The SAACB annual report 2018, 107.

44 The SAACB annual report 2019, P. 122.

45 Cooperative Work Agency Annual Achievement Report 2019 – Palestine, P. 9.

46 Law by Decision No. (20) of 2017 on cooperatives; Articles (31) and (45)

47 Cooperative Work Agency Annual Achievement Report 2019 – Palestine, P. 9

In the area of preventing and combating the risks of corruption, Ms. Adlene Karajeh, the Executive Director of the Agricultural Cooperatives Union, says that failure to prevent corruption stems from the weakness of the economic project by which the Association is based on, hence members do not see any benefits, services or financial returns, which plays a role in their refraining from taking an active role in following up with the association concluding that it's headed by one person and one person benefits from it.

As for the role of the union in addressing the abovementioned issue, Ms. Adelene stated that the union conducts awareness raising workshops and governance training for its member associations. It also carries out follow-up and evaluation of these association to ensure application of the principles of good governance at work. Moreover, the union is currently providing a number of its member associations with financial systems that corresponds with the nature of the association's work, which will be linked to the union's financial system and under its supervision. 15 associations will be targeted as a pilot project before including the rest of the associations⁴⁸.

To prevent corruption, Mr. Rabah Murrar (MAS) recommends that the Agency's intensify its oversight, supervision and the promotion good governance role in agricultural cooperatives, and in particular to active the system of accountability, since it is considered a protective shield against corruption and mismanagement. He also recommends that the SAACB take a greater role in the supervision and follow-up of agricultural cooperatives⁴⁹.

Munjed Abu-Jaish, General Director of the Agricultural Development Association, confirmed the need for development of cooperatives. This was reason behind Agricultural Relief Agency's targeting 20 agricultural cooperatives in providing grants of 40-50,000 Euros to the most outstanding associations amongst them that meet good governance requirements. Mr. Abu-Jaish said that success stories were registered as a result. He said that the absence of motivating programs in cooperatives creates a state of lack of enthusiasm among members⁵⁰.

The Chairman of the Agency, Yousef Al-Turk, pointed out that the Agency is currently working on enhancing cooperatives governance through a group of interventions. For example, the Agency is in the process of preparing a procedural guidebook (legal/administrative/financial) and working on building the capacity of cooperative members to promote values of integrity, transparency and accountability. The Agency also held the cooperatives themselves responsible for issues related to governance in their associations, since many of the problems are not law related. The Agency said that many problems may be attributed to lack of knowledge of the cooperative culture and laws. Or it may be a flaw in management of cooperatives, lack of action on suspected cases of corruption. However, the Agency has been working to coordinate with the SAACB and the Anti-Corruption Commission (ACC) to follow up on these institutions. It also recommends that the work and efforts of the oversight and executive bodies be integrated with the Agency, in order to achieve the desired objectives⁵¹. Moreover, results of the survey mentioned revealed problems related to deterring and preventing corruption in agricultural cooperatives, exemplified by the absence of governance and anti-corruption guide-books.

48 Personal interview with Ms Adelene Karajeh on 1/6/2021.

49 Personal interview with Dr. Rabah Murrar (MAS) on 26/5/2021.

50 Personal interview with Mr. Munjed Abu-Jaish, General Director of the Agricultural Development Association/ Agricultural Relief, on 31/5/2021.

51 Personal interviews with the chairman of the Cooperative Work Agency, Mr. Yousef Al-Turk and the Agency's staff on 26-31/5/2021.

Accountability

Accountability consists of the mechanisms that oblige a given institution to report on its work and respond to complaints and objections, as well bearing responsibility for actions and decisions taken by its officials in terms of: providing periodic reports that illustrate methods of carrying out duties and use of power and meeting the requirements of the association and responding to all inquiries on their actions and decisions upon request.

Reviewed literature, studies, reports, special interviews and results of the survey mentioned indicate weakness in the accountability systems of agricultural cooperatives. Flaws are found at the level of the official and or the internal accountability systems of the associations themselves, based on the provisions of the law and adherence to the seven cooperative principles, and in particular, violations were detected in:

1. Annual reporting.
2. Complaints systems.
3. Accountability.
4. The Agency's acknowledgment of the weak accountability systems in cooperatives, including agricultural cooperatives, due to its (the Agency) limited human and material capabilities that hinder its ability to plan activities or carry out its supervisory and oversight roles⁵².
5. Lack of clear and applicable systems, policies and action plans for most cooperatives⁵³.
6. Weakness of the internal accountability systems embodied in the general assemblies of cooperatives. This is illustrated by the low number of 141 agricultural cooperatives classified as "operational". All other remaining cooperatives are classified as "non-operational"⁵⁴, which means that they have failed to prepare annual budgets nor hold general assembly meetings for at least the last three years.

The (SAACB) audits cooperative associations including agricultural cooperatives within its available means. The SAACB reports indicated that it only carried out one "official accountability" process during 2018 conducted on the Al-Nassaria Agricultural Cooperative Association / Nablus⁵⁵. And in 2019, the SAACB conducted two audits on the Agricultural Marketing Cooperative/ Tulkarem, and Beni Na'eem Sheep Breeding Cooperative⁵⁶, and one on the General Department of Cooperation in the Ministry of Labor⁵⁷.

The researcher concludes that there are problems related to accountability in agricultural cooperatives, both, at the official and internal levels, whether it is due to the weak capabilities of the Agency the weak role of general assemblies of these bodies, or lack of guidebooks and or training in governance, in addition to failure to punish violators, according to provisions of the law.

52 The Cooperative Work Agency Strategic Plan for 2021-2023. P.18.

53 The Cooperative Work Agency Strategic Plan for 2021-2023. P.18.

54 The Cooperative Work Agency Annual Achievement Report 2019 – Palestine, P.18.

55 The SAACB's 2018 Annual Report; P. 97.

56 The SAACB's 2019 Annual Report; P. 111.

57 The SAACB Report on the work of the General Department of Cooperation in the Ministry of Labor 2018,

Munjed Abu-Jaish, a previous source, finds that in order to strengthen the accountability system, it is essential that general assemblies of cooperatives hold meetings as required by the law and its regulations⁵⁸. Mu'ayad Bsheirat, Director of the Department of Economic and Social Empowerment of the Union of Agricultural Action Committees agrees with Abu-Jaish on the need to activate the principles of governance in agricultural cooperatives due to the weakness of the Agency in follow-up procedures to ensure that these bodies abide by the law⁵⁹.

Dr. Rabah Murrar, (MAS), also agrees with Abu-Jaish who confirmed the need to activate the role of the Agency concerning follow up and accountability of cooperatives classified as “non-functional” and to enforce provisions of the law on these bodies in order to remedy their situation⁶⁰.

As for the Agency itself, the head and staff confirmed that they are working on a full package of documents and activities to strengthen the governance of cooperatives, including agricultural cooperatives. The package includes: a code of conduct for enhancing integrity, a guide-book on governance, preparing guidance counselors for cooperatives, in addition to staff training. Moreover, the Agency signed a memorandum of understanding (MoU) concerning a “Governance Guide” to prevent the risks of corruption. However, the Agency remains hindered by its limited human and financial resources where it welcomes any help and or assistance from CSOs or other institutions in the preparation of a governance manual and training for cooperatives. It is worthy to note that a governance guidebook, which may need to be up-dated, was prepared By ARIJ for the General Department of Cooperation at the time it was in charge of supervision over the cooperative sector prior to the establishment of the Agency.⁶¹

Respondents of the survey, conducted for the purpose of this study, agreed that there were problems related to the principle of accountability and the absence of a governance guidebook. The guidebook is especially important since many cooperatives lack knowledge and understanding of these principles and of the legal provisions necessary to the enforcement of accountability. Moreover, the Corona pandemic also limited meetings of general assemblies and public and administrative bodies.

58 Personal interview with Munjed Abu-Jaish, General Director of the Agricultural development Association/Agricultural Relief, on 31/5/2021.

59 Personal Interview with Mu'ayyad Bsheirat on 3/6/2021.

60 Personal interview with Dr. Rabah (MAS) on 26/5/2021.

61 Personal interviews with Yousef Al-Turk, head of the Agency on 26-31/5/2021.

Integrity

Integrity is defined as a set of values related to: honesty, trust, loyalty at work, adherence to proper conduct of avoiding conflicts of interest as well as concern for the public interest. It also means that public office holders are keen to declare any kind of conflict of interest that might arise between their own interests and the public's interest. Furthermore, integrity includes respect for working hours and public funds and refraining from using either of them for private benefits⁶². It also means protection of public funds and resources; the equal treatment of all citizens and the practice of fairness and in the recruitment and appointment processes of staff.

Based on the reviewed literature, documents and previous studies, interviews, and the specific survey, weakness in the integrity system of agricultural cooperatives was indicated by:

- Absence of a specific code of conduct on integrity for cooperatives.
- Remarks noted in the SAACB reports on the poor integrity of the agricultural cooperatives that were based on its audits conducted in 2018⁶³ and 2019⁶⁴.
- Absence of an updated governance guidebook for cooperatives. The present guidebook has been since 2012 prepared by ARIJ⁶⁵, which was prior to the approval of the Law by Decision No. (20) of 2017 on cooperatives.
- For example, the Law by Decision No. (20) of 2017 in its article (30) paragraph (14) stipulated that within the terms of reference of a general assembly is the: acceptance of donations and wills, and any other subsidies received by the association or unions⁶⁶. The question is: how can this legal provision be enforced when half the number of registered cooperatives did not hold a general assembly's meeting for the last three years or more⁶⁷?

The researcher concludes that there are problems related to integrity in the agricultural cooperatives. The main reason is the incompleteness of the integrity legislative system and the absence of an up-to-date governance guidebook, or any adopted code of conduct to promote integrity. However, attempts are being made by all relevant parties to address these issues, but the instability of the law and the frequent amendment of its provisions limit and abort those attempts with no tangible outcomes.

Within this context, Ms. Adlene Karajeh, the Executive Director of the Agricultural Cooperatives Union, points out that there is a code of conduct exists and was shared with individuals representing the member associations of the Union⁶⁸.

Dr. Rabah Murrar (MAS), confirmed the need for preparing a: code of conduct for workers in agricultural cooperatives. He also indicated the need for a guidebook on good governance and integrity in cooperatives to be prepared in participation with all relevant parties, and adopted by the Agency. Also, the Agency must oblige all cooperatives to implement its provisions⁶⁹.

62 Integrity, Transparency and Accountability in Facing of Corruption; AMAN publications 2016, P. 53.

63 The SAACB 2018 Annual Report, P. 107.

64 The SAACB 2019 Annual Report, P. 121.

66 Law by Decision No. (20) of 2017 on Cooperatives, Article (30), Paragraph (14).

67 The National Cooperation Sector Strategy 2021-2023, page 13.

68 Personal interview with Ms. Adlene Karajeh on 1/6/2021.

69 Personal interview with Dr. Rabah Murrar (MAS), on 26/5/2021.

Mu'ayyad Bsheirat, Director of the Department of Economic and Social Empowerment of the Union of Agricultural Action Committees, said the law must be amended to include the principles of integrity in its articles, executive regulations and systems as well as making its implementation mandatory for cooperatives⁷⁰. While Munjed Abu-Jaish said that there are many observations on the Law by Decision No. (20) of 2017 and should be reviewed properly in order to promote integrity in the agricultural cooperatives in addition to preparing a code of conduct and a good governance guidebook⁷¹.

Moreover, results of the survey conducted for the purpose of this study, revealed the presence of problems related to the absence of guidebooks and codes of conduct that promote integrity in the work of agricultural cooperatives.

⁷⁰ Personal interview with Mua'yyad Bsheirat on 3/6/2021.

⁷¹ Personal interview with Munjed Abu-Jaish on 31/5/2021.

Transparency

Transparency is revealing information clearly and in a timely manner, where members of the general assembly and external parties can easily access it. This is to ensure that decisions are taken and implemented within an effective framework, as well as to display the goals and objectives of the association, publically. And to also make public all information and data... including financial, administrative, action plans, mechanisms of action, procedures, standards and criteria.

Based on the reviewed relevant literature, documents and previous studies in addition to interviews, and the specific survey, it was noted that there is weakness in the transparency system and disclosure of agricultural cooperatives, indicated by:

- Absence of a code of conduct for cooperatives to strengthen the transparency system and disclosure.
- Remarks on poor transparency in the work of agricultural cooperatives noted by the SAACB during its audit processes carried out in 2018⁷² and 2019⁷³.
- Absence of an updated guidebook on governance and promoting transparency for cooperatives.
- About half of the cooperatives, including agricultural ones registered with the Agency are not operational, which means these bodies have not been committed to preparing their budgets, nor have they held general assembly meetings for their members for more than three years⁷⁴ (i.e., did not comply with the simplest transparency and disclosure requirements).

The researcher concludes that there are flaws related to transparency in the agricultural cooperatives, including the absence of a guidebook to promote transparency. All of the above in addition to the weak institutionalization of cooperative governance directly affect transparency and disclosure, as there is also no institutionalization of publication and disclosure in these cooperatives.

Within this context, the Agency confirms that it is working to provide a complete package of documents and activities that include transparency principles to strengthen good governance in cooperatives. While Moayad Basharat, Head of the Agricultural Action Committees Union, stresses the need for executive regulations and systems that promote the principles of transparency and are enforced in cooperatives⁷⁵.

And according to results of the survey, conducted specifically for the purposes of this study, responses varied concerning the cooperatives' commitment to the principles of transparency and disclosure. The results showed commitment by some associations and lack thereof by others either due to weakness and lack of knowledge or because of lack of capabilities such as the availability of a web page or a page via social media sites, noting that the study sample was conducted on working cooperatives only.

72 The SAACB 2018 Annual Report, P. 107.

73 The SAACB 2019 Annual Report, P. 121.

74 Cooperative Work Agency Annual Achievement Report 2019 - Palestine, page 9

75 Personal interview with Mu'ayyad Bsheirat on 3/6/2021.

Participation

Participation means that men and women enjoy freedom of opinion and the right to participate in decision making, directly or indirectly. Furthermore, the Council/Board is also committed to applying the principle of participation by conducting consultations sessions with all members of the general assembly in order to encourage and develop the cooperative association⁷⁶.

Based on the reviewed literature, documents and previous studies, interviews and the specific survey, it was noted that there is weakness in the participation principle in the work of the agricultural cooperatives, indicated by:

- Approximately half of the cooperative associations, agricultural ones included, did not hold meetings with their general assemblies for the last three years. This demonstrates a lack of commitment to the principle of participation, which is in violation of the relevant legal provisions.
- Women's participation remains limited in agricultural cooperatives. Data provided by the Agency shows that there are 9,710 men and only 1,119 women out of a total of 10,829 members⁷⁷.

The researcher concludes that there is a flaw in the principle of participation in agricultural cooperatives, which constitutes a legal violation. It also violates the principles of cooperatives and a manifestation of weak governance.

Results of the survey conducted specifically for this report, also revealed poor participation of women, especially in seasonal cooperatives such as the olive pressing (extracting the oil out of the fruit) period or during events with participation of both sexes. Women participation was also weak in associations that lack an effective governing body, or those associations formed by small groups of farmers. Moreover, the gap increases in meetings of general assemblies.

Dr, Rabeh Murrar (MAS), sees the solution is in the activation of the oversight and supervision role of the Agency by members of general assemblies. He also stresses the importance of enforcing the law by taking action against violators, in addition to computerizing systems of follow-up⁷⁸.

Ms. Adelene Karajeh, Executive Director of the Union of Agricultural Cooperatives, however, says that the Union is implementing training on the principles of cooperative work, where one of the objectives is participation and the commitment to apply these principles at work⁷⁹.

Munjed Abu-Jaish, for his part, called for the commitment to general assemblies' and the board of directors' meetings. And to hold accountable those who violate this commitment⁸⁰.

Muayyad Bsheirat, on the other hand, stressed the need for the Agency to apply the provisions of the law through follow-up procedures and by enforcing the legal provisions and by liquidating any cooperative that is in violation of the law. To also confiscate and transfer assets of such associations. He also said to support active associations noting that 10 active associations are better than a 100 registered that are ineffective⁸¹.

76 The Good Governance Guidebook for Cooperatives in Palestine (ARIJ), 2012, page 22.

77 Cooperative work Agency Annual Achievement Report 2019 - Palestine, page 37

78 Personal interview with Mr. Rabah Murrar, (MAS) on 26/5/2021.

79 Personal interview with Ms. Adelene Karajeh, on 1/6/2021.

80 Personal interview with Munjed Abu-Haish on 31/5/2021.

81 Personal interview with, on 3/6/2021.

Efficiency and effectiveness

Effectiveness means achieving the goals of the cooperative within the approved plans and strategies, and efficiency means using the available resources in the best way to achieve these goals. Therefore, ability and competence in the management of associations ensure continued progress, prosperity with an outlook to promote the concept of a sustainable development by committing to employ the resources available in a proper and clear manner that will benefit, both, the association and to the community members⁸².

Based on the reviewed relevant literature, documents and previous studies, interviews and the specific survey, it was noted that there is weakness in the efficiency and effectiveness of agricultural cooperatives; indicated by:

1. The agricultural cooperative sector is the only cooperative sector whose deficit exceed its surplus, where the agricultural cooperatives earned an average net deficit of 1,497 JDs per cooperative⁸³.
2. The number of agricultural cooperatives registered with Palestinian numbers in the WB that have been dissolved or cancelled is 232⁸⁴.
3. The objectives of establishing cooperatives are not to improve the economic conditions of their members only, but also to contribute to the development of the community and fight the issue of unemployment. In that regard, cooperatives are labour-operating enterprises by recruiting workers and employees, which is a sign of efficiency and effectiveness. However, data indicates that the number of wage earners in cooperatives as a whole is (536) individuals. And the percentage of agricultural cooperatives with paid workers accounted for only 32.6% of the total number of agricultural cooperatives operating⁸⁵.
4. The table below illustrates the problem of effectiveness and efficiency in the work of agricultural cooperatives through numbers by differentiating those with a fiscal deficit from those with a surplus and those who have zero deficit.

Numbers of Agricultural Cooperatives with a Fiscal Deficit, Surplus or Zero, per Governorate⁸⁶

Governorate	Nothing	With Deficit	With Surplus	Total
Jenin	1	17	13	31
Tubas	3	3	6	12
Tulkarem	0	10	8	18
Nablus	0	10	9	19
Qalqeelya	0	9	3	12
Silfeet	1	5	5	11
Ramallah	0	7	4	11
Jericho	1	6	5	12
Jerusalem	1	2	3	6
Bethlehem	0	2	3	5
Hebron	0	17	11	28
Total	7	88	70	165

82 The Good Governance Guidebook for Cooperatives in Palestine (ARIJ), 2012, P. 54

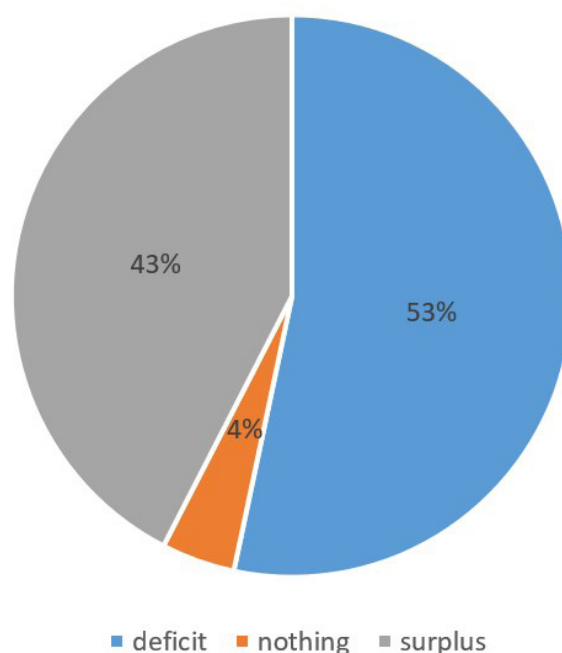
83 Status of cooperatives in the WB at the end of 2017, Cooperative Work Agency, Palestine, P.63

84 Status of cooperatives in the WB at the end of 2017, Cooperative Work Agency, Palestine, P.71

85 Cooperative work Agency Annual Achievement Report 2019 - Palestine, P.42.

86 The State of Cooperatives in the West Bank at the end of 2017, the Cooperative Work Agency, Palestine P.90.

Figure No. (4)
Percentage of Agricultural Cooperatives with a Fiscal Deficit, Surplus or Zero, per Governorate



The researcher concludes that there are problems and challenges facing the agricultural cooperatives, which threaten their survival and continuity, especially in the areas of efficiency and effectiveness of their work. This is indicated by the fact that the financial deficit of the sector is bigger than its surplus. Moreover, the Israeli measures against the sector, the scarce government support and the lack of protection for agricultural production exacerbated the problem further. Added to that are the governance issues within the cooperatives as well as other problems related to the concept of cooperative work and its philosophy, which was distorted post 1948.

In a special interview, the Agency pointed out that there are underlying causes for the poor performance of cooperatives, agricultural and otherwise, including their suffering from fiscal deficits. These reasons relate first and foremost to the extent to which the cooperative adheres to the cooperative principles and values, and whether there was an urgent and real need to establish it in the first place. That said, it is only natural that cooperatives established for reasons other than being a cooperative association, as in pursuit of financial grants, political reasons etc., to have problems. These “False cooperatives” as they’ve been labeled suffer not only from financial deficits but also have governance issues in addition to the weak commitment of their members to promote the success of their association by engaging personally in their activities and by supporting them economically and financially.

It is worth drawing the attention to the non-constructive role played by some donors or intermediaries that provide grants and assistance to cooperatives. In that regard, some of these actors are either ignorant or ignore the nature of the cooperative model. On the one hand, they seem not to know the difference between it and a charitable organization that aims to provide services to the community and also confuse cooperatives with private enterprises whose aim is to make a profit for their owners by selling their products to third parties. Cooperatives, on the other hand, are member-based institutions who themselves are owners and users of their services.

Hence, their first responsibility is to provide funding from their own contributions, which reflects their commitment to one of the most important values of cooperation, “self-assistance”. External funders, intended or not, often give grants to cooperatives for projects that do not meet the needs of the cooperative. This leads to the failure of these projects as a result of the lack of a real need for these projects⁸⁷, and that is where the non-constructive role is played.

Munjed Abu-Jaish said that one of the reasons for the ineffectiveness and lack of efficiency of cooperatives is that these bodies are not based on the same profession and the common interests of their members. Some of these associations were built for different reasons; some were established to earn an income while others were built for no real need. He added that other reasons for the failure of agricultural cooperatives is the lack of market protection neither by the government nor by unions. Many reasons created a difficult reality for agricultural cooperatives that affected their effectiveness, efficiency, competitiveness and survival⁸⁸; these are: no collective procurement or marketing is carried out; lack of official policies to protect small farmers as well as lack of protection of the production inputs and outputs; and competition with the private sector and privileges granted to it.

Muayyad Bsheirat stated during our interview that the agricultural cooperatives, management and members, need to have a “cooperative” ideology, and allow members to identify their needs and not to respond to the donors’ agendas. Moreover, he said that these associations also need government protection for their productions’ in terms of marketing in light of the private sector companies’ and imported products from foreign countries and Israel taking over the market⁸⁹.

Adelene Karajeh confirmed that active cooperatives have high quality products, but unfortunately, over time loses some of this value. However, some cooperatives have loans but are active and functioning. Also, have a budget deficit doesn’t necessarily mean that the association is ineffective⁹⁰.

Dr. Rabeh Murrar (Mas) said that it is important to study the reasons behind the failure of the agricultural cooperatives in order to develop scientific solutions for their problems, and to provide support and protection for their products if their losses are due to the supply and demand equations in the market, as suggested above. He added that it is important to develop the performance of cooperatives in order to keep pace with modern developments related to agriculture ⁹¹.

Results of the survey, conducted specifically for the purposes of this study targeting chairpersons, members and workers of agricultural cooperatives in Palestine, revealed discrepancies in the interpretation of ineffectiveness of cooperatives, response were as follows: some cooperative are effective at work; some are faltering due to lack of experience, or because of political, economic and social conditions, or as a result of shortage of finances or knowledge. However, the sample agreed that there is distortion of the concept of cooperative work in Palestine.

87 Personal interviews with the Head of the Agency, Yousef Al-Turk, and staff 26-31/5/2021

88 Personal interview with Munjed Abu-Jaish, on 31/5/2021.

89 Personal interview with Mua'yyad Bsheirat on 3/6/2021.

90 Personal interview with Adelene Karajeh, on 31/5/2021.

91 Personal interview with Mr. Rabah Murrar, (MAS) on 26/5/2021.

Conflict of Interest

Preventing conflicts of interest is to give priority to the interest of the cooperative over those who manage it and to the public interest of the State over any other interest/s.

Based on the reviewed relevant literature, documents and previous studies in addition to interviews, and the specific survey, it was noted that there is weakness in the system for preventing conflict of interest of agricultural cooperatives, indicated by:

- The absence of a code of conduct for the agricultural cooperatives' workers.
- The absence of an "updated" guide to good governance and integrity in agricultural cooperatives, illustrating cases and situations of conflicts of interest.
- Until the writing of this report, no system or executive regulation have been issued for the Law by Decision No. (20) of 2017 on cooperatives and promoting integrity in the agricultural sector.
- The SAACB audits in 2018⁹² and 2019⁹³ revealed a number of observations concerning the weakness of the integrity system in agricultural cooperatives; among them issues of "conflict of interest".
- According to the study "Reform and Development of the Palestinian Cooperative Sector" conducted by the MAS Institute, some cooperatives were established and function under the pretext of cooperative associations but in reality their main objectives is to benefit certain individuals and objectives that do not relate to cooperative work⁹⁴; which contradicts the principle of preventing conflicts of interest.
- The ACC issued a guidebook on conflict of interest disclosure, which needs to be distributed and applied in cooperatives. Also the Council of Ministers issued the Decision No. (1) of 2020 on the system of disclosure of conflicts of interest.

The researcher concludes that there is a shortage of measures and procedures to prevent conflict of interest in the agricultural cooperatives typified by the following: incomplete legal framework, the guidebook prepared by the ACC has not been published or distributed, poor cooperative culture and the weakness of supervision, guidance and follow-up processes applied to the working agricultural associations in Palestine.

The cooperative Work Agency (Agency) points out that conflict of interest is one of the challenges and governance problems experienced by organizations in general and cooperatives in particular. Moreover, conflict of interest must not be viewed in isolation of other governance problems and challenges that might stem from the same causes and hence the same approach may be used to solve the. Similar to other governance issues, conflicts of interest can be the result of a weak cooperative culture or a weak commitment to the principles of cooperation, especially the principle of democratic governance. The Agency states that conflict of interest is prevented through law enforcement and the issuance of executive regulations and systems that prevent conflicts of interest. In that regard, it is worth noting that the Agency has distributed 3,000 copies of the law to all relevant cooperatives and institutions since it contains legal provisions to prevent conflict of interest⁹⁵.

Ms. Adelene Karajeh, Executive Director of the Union of Agricultural Cooperatives calls on the Agency to activate its oversight and accountability role concerning the agricultural associations by taking the necessary measures when needed⁹⁶.

92 The 2018 SAACB Annual Report, P.107.

93 The 2019 SAACB Annual Report, P.121.

94 Reform and Development of the Palestinian Cooperative Sector- Study, MAS, 2015, P. 54

95 Personal interviews with the chairman and staff of the Agency, Mr. Yousef Al-Turk on 26-31/5/2021.

96 Personal interview with Adlene Karajeh on 1/6/2021.

Mu'ayyad Bsheirat, Director of the Department of Economic and Social Empowerment of the Union of Agricultural Action Committees stressed the need for a governance guidebook that illustrates conflict of interest issues. At the same time, it is necessary to amend the law by addressing gaps that allow for conflict of interest, such as the condition that requires 15 members to establish a cooperative hence providing an opportunity for some people to add the names of their relatives to fulfill this requirement⁹⁷.

Munjed Abu-Jaish, Director General of the Agricultural Development Association, said that in order to prevent conflict of interest, the general assembly's members of a given association must be formed by competent members based on specific conditions, two of which are: membership of relatives from the first degree is forbidden and the signing of a code of conduct on preventing conflict of interest is mandatory⁹⁸.

Dr. Rabeh Murrar MAS stressed the need to amend the law or the issuance of a specific system to ensure that conflicts of interest are prevented. He also added that the Agency must also activate its follow-up, oversight and supervision roles in addition to utilizing technology to help develop databases and computerized follow-up systems⁹⁹.

Respondents of the survey, conducted for the purpose of this study and targeted a number of heads, members and workers of agricultural cooperatives in Palestine agreed that there was no clear guidance to prevent conflicts of interest. In addition, members of these associations lacked awareness of the facts and violations conflict of interest entails.

Based on the above revealed information, the Agricultural Development/Agricultural Relief Association and the Federation of Agricultural Action Committees have shown readiness to assist in the preparation of a good governance guidebook that will, first and foremost, enhance the principles of transparency, integrity and accountability and prevent conflict of interest, with welcome and approval by the Agency.

It is worth mentioning that AMAN has previously prepared and developed relevant indicators for a code of conduct for NGOs and local government units among other institutions, which can be a base to build on for a code of conduct for cooperatives.

The ACC issued a specific guidebook on conflict of interest disclosure. Also the Council of Ministers issued a specific Decision No. (1) for 2020 on the system of disclosure of conflicts of interest. And in light of the results of the study, this information needs to be circulated to agricultural cooperatives and applied at work.

Note: Article 6 of the Law by Decision No. (20) of 2017 on cooperatives included specifics concerning the Agency's Board of Directors, which includes representatives from the General Cooperative Union in Palestine; Article 7 contained the powers granted to the Board that include: registration of associations, sectoral unions and the General Union and monitoring the extent by which these bodies are committed to the implementation of the provisions of this Law. The Board also has the power to investigate into the affairs of these bodies and dissolve or liquidate any of them. However, this may create a conflict of interest situation unless there is a clear and binding system to prevent it.

97 Personal interview with Mu'ayyad Bsheirat on 3/6/2021.

98 Personal interview with Munjed Abu-Jaish on 31/5/2021

99 Personal interview with Dr. Murrar (MAS) on 26/5/2021.

Recommendations

- The need to complete the legal framework governing the work of cooperatives including agricultural cooperatives. This can be achieved by amending the Law by Decision No. (20) of 2017 applying the participatory approach (i.e., involving all relevant parties) while taking into account the drafts that have been prepared. Finally, to launch it as a one legislative package including the executive regulations and systems.
- The need to enforce the Agency's official role of follow-up on cooperatives; strengthen its independence; implement its new strategy for 2021-2023, on guidance, follow-up, supervision and control of the work of cooperatives, including agricultural cooperatives. In addition, the Agency needs to move forward from its limited interventions and responses based on the cooperatives' limited resources and to focus on the work's dynamics based on the problems related to governance issues.
- The need to provide the Agency with logistical, human and material resources in order to enable it to carry out tasks entrusted to it by law, especially since the majority of governance issues require legal and field follow-up by the Agency.
- The need to institutionalize the work and efforts of agricultural cooperatives through the integrating efforts of the official institutions represented by the Agency, the Ministry of Agriculture (MoA) and related NGOs and unions. It is not comprehensible that after nearly a century since the first cooperative was established that conditions of cooperatives would suffer from such institutional and operational weakness.
- The need to promote the concept and ideology of agricultural cooperative in Palestine by launching a media campaign, especially since this ideology has been subjected to major distortions in recent years. Such distortions include the transformation of some cooperatives to profit making enterprises, or as ways to obtain foreign funding for the sake of money, which reinforced behaviors that are contrary to governance and contributed to the failure of some cooperatives. It also posed difficulties for other associations and provided opportunities for corruption in some.
- The need to capitalize on positive initiatives presented by the Agency, the Agricultural Cooperative Union and related NGOs on amending the related law, as well as the issuance of the governance guidebook for agricultural cooperatives.
- The need to build capacities of agricultural cooperatives in Palestine through the integration of work of the official institution and relevant NGOs. It is also suggested to include institutions of the private sector, particularly in the area of governance, as part of their community responsibility and duty.
- The need for the government to play a greater role in supporting and strengthening the agricultural cooperatives through providing a stimulus package, such as: tax exemptions, offer guidance and logistical support, compensate those cooperatives suffering from the occupation's harsh measures, particularly those complying with the law. The government needs to realize that this is in-line with the importance of the role of cooperatives in the socio-economic security and in achieving its motto for the economic disengagement from Israel.
- The need for the government and cooperative unions to protect agricultural cooperatives from financial difficulties, especially small associations. This can be achieved by protecting production inputs from Israeli occupation measures as well as from products produced by private sector companies. Also to protect production outputs by assisting with its marketing, especially in light of the free market economy in Palestine and the neo-liberal trends, in addition to the semi-domination of the private sector's companies over many plant and animal production sources.

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Study Interviews

- Personal interviews with the Chairman of the Cooperative Work Agency, Mr. Yousef Al-Turk and the Agency's staff on 26+31/5/2021.
- Personal interview with Dr. Rabeh Murrar, Palestinian Economic Policy Research Institute (MAS) on 26/5/2021.
- Personal interview with Ms. Adelne Karajeh, Executive Director of the Union of Agricultural Cooperatives in Palestine, on 1/6/2021.
- Personal interview with Mr. Munjed Abu-Jaish, General Director of the Agricultural Development Association/Agricultural Relief, on 31/5/2021.
- Personal interview with Mr. Mu'ayyad Bsheirat, Director of the Department of Economic and Social Empowerment of the Union of Agricultural Action Committees, on 3/6/2021.

Annex I: Briefing on the History of Cooperatives in Palestine

“The Arab Palestine Association of Tobacco Farmers was the first agricultural cooperative to be established in Palestine, which was at the beginning of the British Mandate in 1924; three more cooperatives were registered by 1932. This is why Palestine is considered a pioneer in registering cooperative associations in comparison with many Arab countries where the cooperative movement began after World War II.

Moreover, 1933 is also considered a turning point in the history of cooperatives in Palestine due to the passing of the first cooperative law¹⁰⁰, which was the reference for registering nearly 250 cooperatives between the years 1933-1948. Approximately 80% of those cooperatives were agricultural and development associations and 20% in the area of transport and consumerism with 50% each¹⁰¹. During this period, credit and loan cooperatives began to spread. These cooperatives played an important role in alleviating the suffering of farmers who were subjected to extortion by agents, intermediaries and traders in purchasing and or selling their agricultural products. And although these cooperatives are classified as service entities these days, they were classified at the time as agricultural cooperatives because their members were farmers and they provided their services for agricultural purposes only.

After the partition of Palestine, which also marked the end of the British Mandate, the inception of the Hashemite Kingdom of Jordan and annexing the West Bank (WB) to the Emirate of Eastern Jordan, the Jordanian government took charge of cooperative affairs. This lasted from 1948 to 1967 during which the number of cooperatives registered in the WB increased to approximately 420 associations. This rise in number is attributed to Jordan's policies towards cooperative work at the time, which included tax exemptions as well as government assistance and facilitation of loans. Moreover, the Jordan Cooperative Law and complementary regulations were approved, which continued to be applied to cooperative work in the WB until December 29, 2017 (i.e., until the Decision by Law No. (20) of 2017 came into effect).

In 1967, after the Israeli occupation of the remaining part of Palestine, cooperatives in the WB faced many difficulties imposed by the occupation forces, first and foremost they lost connection with their headquarter association, located in the Jordanian capital, Amman. The second obstacle and most dangerous was the Israeli policies that aimed to weaken cooperative associations since the majority of them are agricultural. These policies increased in intensity as time passed with the aim of keeping farmers off their land in preparation for its confiscation for military and colonization purposes, not to mention the occupation's response to any Palestinian organizational action of resistance, including cooperative work. Despite the difficulties mentioned, many cooperatives continued to provide services to their members and to help them improve their living conditions. Despite all this, hundreds of other cooperatives registered in the various fields that shared the same aim as the agricultural associations during this period which preceded the coming of the PA, such as the Housing Associations.

100 Law No. 50 of 1933.

101 The Palestinian Ministry of Labor, Cooperation Sector Strategy 2017-2022, page 4.

After the inception of the Palestinian Authority (PA) in 1994, the responsibility of oversight and supervision of the cooperative sector was assigned to the General Department of Cooperation (GDC) at the Ministry of Labor. The GDC tried to remedy the cooperatives' situation as best it can. It also continued to register additional associations in the various fields based on the cooperative legislations in force. One of the steps implemented by the GDC, beginning in 1995, was to re-register all existing cooperatives with Palestinian registration certificates with serial numbers starting with the number (1) and beginning with the oldest, based on the registration dates of these cooperatives¹⁰².

The Major and Minor Sectors in which the Palestinian Cooperative Sector is Active:

1. Agriculture (plant and animal).
2. Fishing.
3. Artisanal manufacturing.
4. Food Industry.
5. Health.
6. Housing.
7. Energy (Electricity).
8. Water (providing drinking water).
9. Transportation (transport).
10. Consumer.
11. Financial (credits & loans).
12. Education.
13. Alternative energy.
14. Marketing.

Promising sectors of cooperatives as defined by the National Cooperation Sector Strategy 2021-2023: tourism; information and communication technology; environment and product recycling; pre-school education; commercial sector (small business); Skills/professions and crafts, and home Services Sector¹⁰³.

Registered Cooperatives in Palestine:

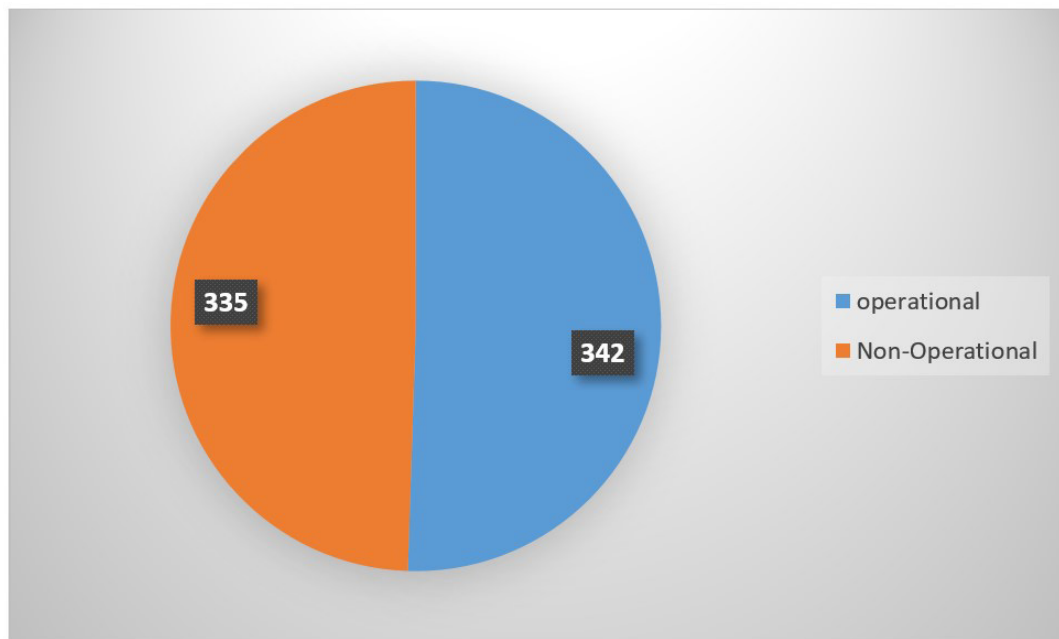
According to the Ministry of Labor's updated data presented in the Cooperative Work Agency's 2019 Annual Report:

- In the Northern Governorates, the number of cooperatives at the end of 2019 reached 677 as sociation. 335 of those are non-operational; 228 of these associations, an order of investigation was issued in their regard to look into their affairs or to liquidate their assets. The majority of these decisions were taken prior to the enforcement of the law.

¹⁰² The state of cooperatives in the WB at the end of 2017, the Cooperative Work Agency, Palestine, P.23.

¹⁰³ The National Cooperation Sector Strategy 2021-2023, page 10.

Distribution of Cooperatives-Northern Governorates-Based on Status “functional or non-functional”

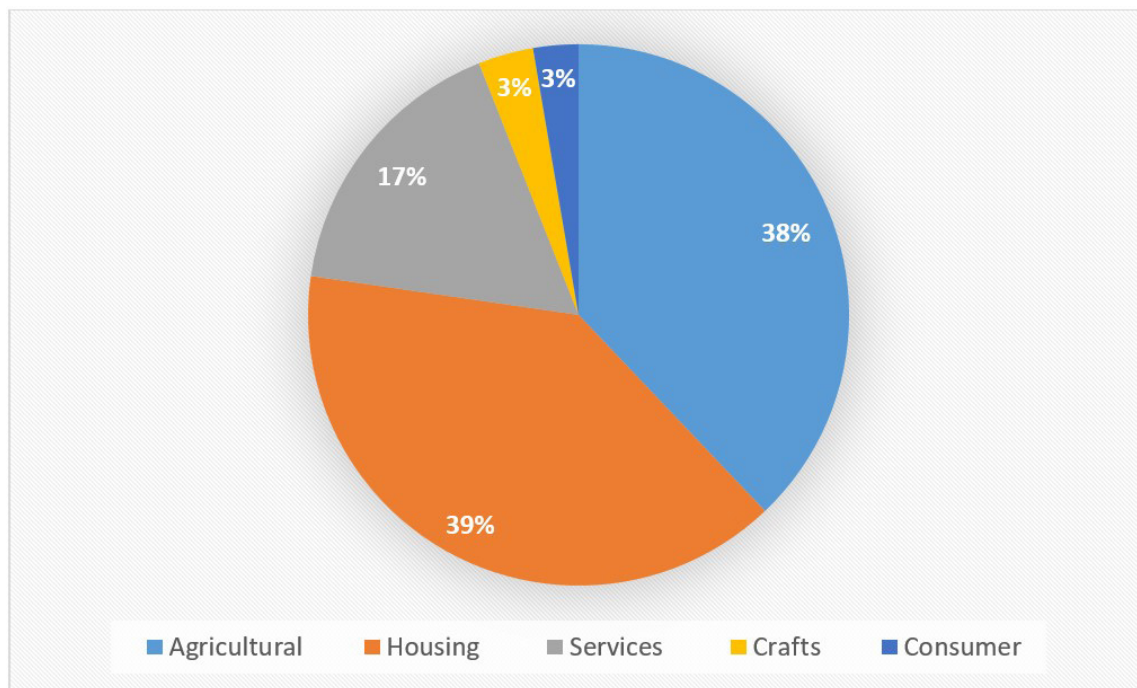


- 24% of the registered cooperatives are members of cooperative unions. Of those, 34.5% are classified as “working/operational” and 14.3% as “non-working” cooperatives.
- Of the 342 cooperatives that are classified operational, there are 64 whose members are men, and 43 cooperatives whose members are women with the remaining associations having mixed membership.
- During 2019, budgets of 72.8% of operating cooperatives were approved for the fiscal year 2018. While 64.0% of the working cooperatives held a meeting for their general assemblies.
- In the Northern Governorates, the number of registered cooperatives’ members reached (60,302) at the end of 2019. (39,370) of these are members of cooperatives classified as “operational cooperatives” with women accounting for 31%.
- In the Northern Governorates, the total number of members of management committees in “working” cooperatives reached (1,956), which is an average of 5.7 member of a management committee per cooperative. Also, the proportion of women among members of management committees was 26.4%.
- 20.7% of mixed cooperatives management committees are women. Their ratio among the chair men of these committees, however, accounted for 14.9%.
- The number of those who earned wages in working cooperatives reached 536 individuals working in only 114 cooperatives; with women accounting for 53.2%¹⁰⁴.
- The number of Non-Operational cooperatives is 335 association, which is approximately half of the cooperatives registered with the Agency, divided as follows:
 1. Agricultural 37.9%.
 2. Housing 39.4%.
 3. Services 16.7%
 4. Crafts 3.3%
 5. Consumer 2.7%¹⁰⁵

¹⁰⁴ The Cooperative Work Agency' Annual Achievement Report 2019 - Palestine, page 9.

¹⁰⁵ The Cooperative Work Agency' Annual Achievement Report 2019 - Palestine, page 30.

Distribution of “Non-Operational” Cooperatives by Economic Field Activity



Approximately two thirds of “Non-Operating” cooperatives were issued an order of investigation or liquidation; 88 under investigation and 140 under liquidation¹⁰⁶.

Agricultural Cooperatives

The Agricultural Cooperatives' Union is considered the largest in terms of the number of member associations. This is due to the joining of three unions under its umbrella, namely:

1. The Olive Press Cooperatives Union.
2. The Agricultural Cooperative Union.
3. Union of Livestock Cooperatives.

According to historical data, the agricultural sector has 533 registered cooperatives in the Northern Governorates. These are listed below according to the registration date and governorate:

106 The Cooperative Work Agency' Annual Achievement Report 2019 - Palestine, page 9.

Distribution of Agricultural Cooperatives in the Northern Area based on Registration Date & Governorate¹⁰⁷

Governorate: based on date registered	British Mandate Period	Jordan	Israeli Occupation	Palestinian Authority	Total
Jenin	0	1	29	35	65
Toubas	0	1	6	21	28
Tulkarem	0	2	17	18	37
Nablus	0	4	20	24	48
Qalqeelyia	0	1	8	24	33
Silfeet	0	1	10	13	24
Ramallah	0	14	30	23	67
Jericho	0	8	5	17	30
Jerusalem	0	1	4	5	10
Betlehem	0	1	8	4	13
Hebron	0	14	117	47	178
Total	0	48	254	231	533

Operational agricultural cooperatives:

According to data received from the general assemblies of cooperatives in the Northern Governorates at the end of 2019, the number of operating associations is 342, with 39,370 members. This means that approximately half of the registered cooperatives are Non-Operational (i.e., has not fulfilled requirements of the law in terms preparation of budgets or meetings of general assemblies for at least the last 3 years¹⁰⁸).

According to data presented in the National Cooperation Sector Strategy 2021-2023, the number of the operational agricultural cooperatives in the Northern Governorates is 139 association. However, results of the study “the State of Cooperatives in the West Bank”, conducted by the Agency at the end of 2017, showed that the number of these cooperative is 156¹⁰⁹. In this regard, the table below illustrates the distribution of all operating cooperatives in the Northern Governorates based on the latest adopted data:

¹⁰⁷ The state of cooperatives in the WB at the end of 2017, the Cooperative Work Agency, Palestine, P.70.

¹⁰⁸ The National Cooperation Sector Strategy 2021-2023, page 13.

¹⁰⁹ The State of Cooperatives in the West Bank at the end of 2017, Cooperative Work Agency, Palestine, P. 74.

Distribution of Agricultural Cooperatives in the Northern Areas as per Governorate¹¹⁰

Governorates	No.	Ratio
Jenin	22	15.8%
Toubas	12	8.6%
Tulkarem	18	12.9%
Nablus	12	8.6%
Qalqeelyia	12	8.6%
Silfeet	10	7.2%
Ramallah	15	10.8%
Jericho	8	5.8%
Jerusalem	4	2.9%
Betlehem	6	4.3%
Hebron	20	14.4%
Total	139	100.0%

Liquidated or Ended Agricultural Cooperatives:

Registered Cooperatives in the West Bank; Liquidated or ended as per registration and Governorate¹¹¹

Governorate: based on date registered	British Mandate Period	Jordan	Israeli Occupation	Palestinian Authority	Total
Jenin	0	1	12	3	16
Toubas	0	1	3	6	10
Tulkarem	0	1	7	3	11
Nablus	0	3	12	4	19
Qalqeelyia	0	0	3	6	9
Silfeet	0	0	3	2	5
Ramallah	0	4	9	0	13
Jericho	0	3	2	7	12
Jerusalem	0	0	1	1	2
Betlehem	0	0	4	1	5
Hebron	0	9	104	17	130
Total	0	22	160	50	232

110 The National Cooperation Sector Strategy 2021-2023, page 13.

111 State of Cooperatives in the West Bank at the end of 2017, the Cooperative Work Agency, Palestine, P.71.

Annex II: Areas and Questions Covered by the Survey, which targeted a number of heads, members and workers of agricultural cooperatives in Palestine.

No.	Item	Strongly Agree	Agree	Neutral	Against	Strongly Against
	Compliance with the law					
1	The cooperative adheres to the governing legal provisions					
2	The Cooperative Labor Law has been reviewed.					
3	The cooperative adheres to the approved financial systems					
	Accountability					
4	The cooperative holds regular meetings					
5	The Cooperative is committed to preparing administrative and financial reports					
6	There are accountability mechanisms in place in the cooperative					
	Integrity					
7	There are complaint mechanisms in place the cooperative					
8	The cooperative has a code of conduct					
9	There are committees in the cooperative that work fairly and impartially.					
	Transparency and Disclosure					
10	The cooperative provides the information requested by members					
11	The cooperative has a website/ Facebook page					
12	The cooperative publishes its administrative and financial reports and introductory bulletins.					
	Participation					
13	Members of the General Assembly participate in regular meetings					
14	Members of the administrative body participate in regular meetings					
15	Women participate in meetings.					
	Efficiency and Effectiveness					
16	The cooperative achieves fiscal surplus "profits"					
17	There has been a decline in the effectiveness of the cooperative.					
18	The cooperative has problems at work.					
19	The cooperative prevents conflicts of interest					
20	There is a guidebook to prevent conflicts of interest at the cooperative					
21	The cooperative works to prevent opportunities for corruption					

Annex II: Briefing on the History of Laws that Governed Cooperatives over the Past Century

The British Mandate:

The first Cooperative law, Law No. (50), was passed in 1920, during the British Mandate in order to regulate the registered cooperatives and in response to the increasing number of such associations during that period. This law was amended in 1933 to become Law No. 50 of 1933. Also issued was the Cooperative system of 1934. It is also worth noting that the same law was amended several times over the years, the first of which was in 1937 where it was amended and replaced by Law No. (16) of 1937, then Law (40) of 1944, and Law No. (4) of 1966. And in the midst of amending and passing these laws a decree was issued that exempt associations from taxes¹¹².

The Egyptian Administration of the Gaza Strip:

After the Nakbeh in 1948, the Egyptian Authorities continued to apply the same law issued during the British Mandate (i.e., Law No. (50) of 1933) to regulate the affairs of cooperatives in the GS. However, some necessary amendments to the law were made as many decisions concerning cooperative affairs were issued during the mentioned era. These are:

- Decision of the Gazan Executive Board No. (9) of 1964 on the establishment of the Department of Cooperation as an administrative institution in charge of overseeing the work of registered cooperatives at the time.
- The Governor-General's Decision No. (6) of 1965 on the system of electing boards of directors of cooperatives.
- The Governor-General's Decision No. (35) of 1965 on the exemption of cooperatives from paying income tax on profits coming from dealing with non-members.
- The Governor-General's Decision No. (15) of 1966 on appointing members to boards of directors of cooperatives.
- Decision No. (1) of 1966 on the accompanying accounting system for consumer cooperatives.
- Decision No. (3) of 1964¹¹³ on assigning the responsibility of registering cooperatives to the Directorate of Social and Refugees Affairs.

The Israeli Occupation of the Gaza Strip era:

The Israeli occupation authorities always intentionally placed obstacles to obstruct and hinder the development of the cooperative movement in the GS, represented by the following orders issued by the military occupation:

- Military Order (686) of 1982 on the amendment of the Ottoman Cooperative Law, which originally was the mandate law. The amendment stated that it is mandatory to obtain prior permission in order to carry out the activities of associations.
- Military Order (766) of 1982 on financial allocations and the requirement of prior authorization to obtain them.
- Military order (832) of 1983 which prohibited cooperatives from providing any services to the public without prior permission.
- Military order (843) of 1984 which demanded prior notification of cooperatives' general assemblies' meetings to include agenda, date and hour of a given meeting.
- Military order (875) of 1985 on the oversight of cooperatives' general assemblies' members.

¹¹² Reform and development of the Palestinian cooperative sector, Palestinian Economic Policy Research Institute (MAS), 2015, page 24.

¹¹³ Reform and development of the Palestinian cooperative sector, Palestinian Economic Policy Research Institute (MAS), 2015, page 25.

Jordan's Administration of the West Bank:

The Jordanian authorities continued to have cooperatives operating in the West Bank to work under the umbrella of the Mandate Cooperative Law No. (50) of 1933 until the issuance of the first Jordanian Cooperative Law No. (39) of 1952. Moreover, a cooperative system was also passed under this Law in 1953. Moreover, the Cooperative Construction Department was established to sponsor the Jordanian Cooperative Movement, register and monitor associations, in addition to establishing the necessary cooperative institutions. And due to the horizontal and vertical development of cooperatives, Cooperative Law No. (39) of 1952 was amended to become Law No. (17) 1956, which was also amended by Law No. (6) of 1967. Furthermore, the Cooperative System No. (1) was issued in 1957 as an executive regulation of Law No. (17) of 1956 which was later amended by Law No. (42) of 1965.

And in 1959, the Housing Associations System No. (42) was issued to replace the Housing Association system No. 1 of 1958. Also in 1963, the Cooperative Institute System No. 47 of 1963 was issued as a governing framework for the first cooperative institution dealing with cooperative matters such as training, research and studies. Its specialization also encompassed building the capacity of the Cooperative Construction Department's employees and to develop a two-year cooperative study program that will enable the institute to grant a diploma in cooperative affairs to those who earn it.

Period of the Israeli occupation of the West Bank...:

The Israeli occupation authorities continued to apply all laws prevailing in the West Bank including the Jordanian Cooperative Law No. 17 of 1956. However, the Israeli military authorities did not allow the subsequent amendments to this law, which took place in Jordan, to be applied, but also issued military orders and severe measures that restrict cooperative work and its development in the WB.

Moreover, due to the severe restrictions within the provisions of the prevailing Jordanian law, no amendments were added by military orders except those concerning financial allocations and prior authorization for obtaining them, and those related to monitoring and control of general assemblies of cooperatives.

The occupation authorities interfered clearly and publicly in the registration of cooperatives, especially those seen by the occupation as having potential of being strong and reliable in the future. Also during this period, many of the basic services provided to cooperatives from Jordan were reduced, such as training and collaborative education and funding. And since registration is one of the conditions for foreign and Arab funding, the solution was to register the associations in Jordan and obtain support through the Jordanian Cooperative Organization and other sources of funding¹¹⁴. This was executed at the end of the 1970s and early 1980s.

114 Reform and development of the Palestinian cooperative sector, Palestinian Economic Policy Research Institute (MAS), 2015, P.26.

The establishment of the Palestinian National Authority:

The first decree passed after the establishment of the PA was the Presidential Decree No.(1) of 1994, which maintained the prevailing laws that were enforced prior to the occupation of the WB on June 5, 1967. Among these laws were two laws governing cooperative societies in both the GS and in the WB; these are: the Mandate Law No. (33) of 1933 remained in force in the Gaza Strip and Jordanian Law No. (17) of 1956 in the West Bank. Also, the Ministry of Labor was designated as the official party to be in charge of supervision and monitoring of the cooperative movement and cooperatives. In addition, the General Directorate of Cooperation was established as a department within the Ministry to be in charge of registering, regulating and managing cooperatives in Palestine¹¹⁵.

For 23 years, those laws have been in force. Also the Ministry of Labor, worked through the General Department of Cooperation to follow up and supervise the cooperative sector in Palestine, until the Law by Decision No. (20) of 2017 on Cooperatives was approved.

115 Reform and development of the Palestinian cooperative sector, Palestinian Economic Policy Research Institute (MAS), 2015, P.26.