

Relevancy Analyses in Cooperatives

A Guiding Material for Cooperatives' Assessment

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Abstract

The cooperative sector makes a significant contribution to the socioeconomic development in Palestine. Cooperatives contribute to job creation, income generation and poverty reduction. As member-based social enterprises, cooperatives contribute to economic change, while maintaining fair economic participation of their members, and practicing democratic management. Additionally, cooperatives have their social responsibilities to their societies and contribute to strengthening the civil society concept.

Co-operative principles, and values, as defined by the International Co-operative Alliance, have served as the guiding, as well as defining, tenets of co-operative founding and functioning. Co-operatives that have stayed true to these tenets have delivered immense value to their members, as well as their communities and customers. In this paper, I tease out the relevance of these tenets.

However, the recent studies still highlighting a key problem of cooperatives movement in Palestine remains *the lack of right understanding of coops principle and lack cooperative model*; the key stakeholders believe that there is crucial need to support development of model cooperative in order to use these successful models as a mean for sharing and spreading the right cooperatives concept and modality among the other cooperatives.

The relevance in cooperatives can be studied through analyzing the cooperatives generic aspect; as a) cooperatives case or the justification of the cooperative; b) the capital and investments; c) the membership file; d) work systems and bylaws; e) shared needs and; f) services and products. Other field of study is relevance in cooperative's concept and international cooperatives principles, also with cooperatives values.

Relevance analyses can be used in pre registration phase as tool of verification by the registration authorities, this will help in starting a active cooperatives with right cooperative case. Relevance analyses can be used for cooperatives strategic area as vision, mission, and strategic objective. Good governance practices is another field of analyses in the relevance analyses. The relevance analyses can also depend on the level of cooperative's maturity and development. The business case and production capacities is also an important field of the relevance analyses.

Relevance analyses is a comprehensive approach that can be used at different levels of cooperative development with the main output of this approach is a diagnostic report that is used to define the field of improvement within the cooperative. In this context, I have developed a manual that contains important and helpful elements that guide the Palestinian cooperative on how they can become model cooperatives that match their activities with members and communities needs and priorities. This manual is the first product of a continuous learning and development process.

Foreword

Cooperatives In Palestine According to the data available to the General Directorate of Cooperatives (GDC), the number of cooperatives in the West Bank at the end of April 2012 was 1,340 cooperatives, of which only 39% were operative. Agricultural cooperatives comprise 47%, followed by housing cooperatives (35%), service cooperatives (13%), and 2% for Craft and Consumer cooperatives respectively. The total number of cooperative members (general assemblies) reached 45,983,. Further, the agricultural cooperatives account for 45% of the members, followed by the service cooperatives 35%, and 15% in the housing cooperatives.

Managed financial assets and resources of cooperatives are estimated at about \$137 million (not including members' individual properties). Housing cooperatives acquires about 68% of the cooperatives' property, followed by agricultural cooperatives property estimated at about 18%. The majority of cooperatives' property (57%) are concentrated in Ramallah governorate.

Cooperatives play a strong pivotal role in socio-economic development in the occupied territories. Cooperative members constitute 2% of the population in the West Bank. The percentage rises to 10% when their family members are included. The holdings of members of agricultural cooperative are about 23% of the total agricultural holdings in the West Bank. The value of agricultural production of members' agricultural holdings is estimated at 233 million US dollars, comprising 28% of the value of agricultural productions, accounting for roughly 1.4% of the Gross Domestic Product, with the agriculture sector contributing 4.8% to GDP (2010). It is also estimated that 15,218 workers, or 23% of the total agricultural labour are engaged in the agricultural holdings of agricultural cooperative members, they comprise 2.7% of the total labour force in the West Bank.

As for the housing cooperatives, it is estimated that 3,351 housing units were built and completed by the housing cooperatives and 609 units are under construction. The value of savings in the price of housing units provided by the cooperatives is estimated at 100 million US dollars. The saving in the price of each unit is estimated to be 50% of the market value. Also, the housing units provided by the housing cooperatives saves around 7 million Jordan dinars (100 million USD) annually. Housing cooperatives also provided 14,000 direct jobs since the time they were first established.

As for the consumption cooperatives, they contribute to savings of about USD 57 per month for their members or 684 US dollars per year; accounting for 3.8% of the average family monthly expenditure. In addition the consumption positively supports industries such as food and detergents.

Credit and savings cooperatives share almost 3.7% of total small credits with outstanding loans given by the cooperatives reach up 2%. This generated an income of about 656,000 US dollars in 2011 and provided for 666 jobs.

Cooperatives provide many other social and economic services for its members and the community such as improving quality of their life and strengthen the role of cooperatives in achieving national

development goals, especially economic and social goals. One of their advantages is saving of around 20% through collective procurement and selling, building members' capacities and distribution of profit.

While the study showed an increased role of women in the cooperative movement, still much more is to be done, since women share in cooperatives general assembly is merely 15%,, much less in the administrative committees, and further, only 16% of cooperatives are women cooperatives. Despite the fact that almost 60% of the productive and reproductive activities are carried out by women, especially in rural areas, they are still under-represented in this sector

Introduction

Cooperatives' work is a socio- economic system which depends on aggregating and organizing the scattered efforts and resources into collective societies. These cooperatives should follow the cooperative's principles and values, socio- economic and technical rules. These rules and principles are organizing the production operations as credits, collective marketing, collective inputs purchase, that enables cooperative to attain the benefit of collective work, which is otherwise unattainable by individuals. Therefore we can say the word cooperative mean the mutual benefit and working together.

The cooperative sector in Palestine has witnessed several improvements at both the macro and micro levels. At the macro level, there were several achievements that include, for example, development, printing and disseminating Sectorial Strategic Planning, sectorial diagnostic studies, Guideline/Manual of Good Governance for Palestinian Cooperatives, and the analytical study "Socio-economic Impact of Cooperatives in the West Bank. At the micro level, several cooperatives have improved their institutional and business capacities, production and marketing capacities and apply Good Governance practices in their organizations.

However, the recent studies still highlight that a key problem of the cooperative movement in Palestine remains: the lack of right understanding of coops principle and lack of cooperative model. The key stakeholders believe that there is crucial need to support development of model cooperatives in order to use these successful models as a mean for sharing and spreading the right cooperative concept and modality among the other cooperatives.

In this context, the Relevance manual contains some important and helpful elements that guide the Palestinian cooperatives on how they can become model cooperatives that match their activities with members and communities' needs and priorities. During year 2103, about 215 cooperatives were trained on this manual. Further, it will be disseminated to all cooperatives in Palestine.

I perceive this manual as a first product of a continuous learning and development process. Other manuals will be produced during the coming years with more elements on strengthening cooperative relevance to their members and communities.

This guide was prepared as a reference for cooperatives' assessment diagnoses, and as a base of comprehensive understanding of the cooperative situation and background. This will enable relevant actors in applying a comprehensive capacity building model to increase cooperatives efficiency and effectiveness while at the same time strengthen cooperatives.

Relevance is the harmony and consensus of the cooperative with itself, and with the principles, values, laws governing cooperative's work and services on the one hand, and the members' needs and community needs on the other hand, including the corresponding of the Cooperative's objectives and the field of the operations with the real needs of its members.

The relevance diagnoses in cooperatives is very important in order to build the capacity or to correct the situation of cooperatives to increase their effectiveness and efficiency. Relevance can be studied through comparison between the needs of the members and the services provided by the cooperative. A correlation analyses could be the appropriate way to examine this relation considering the operation system and methodology and field of operations.

There is a significant positive correlation between the relevance's elements in the cooperative and the possibility of achieving the cooperatives' goals, meaning when cooperatives have high relevance it paves the way for the cooperatives' success and its ability to achieve its goals.

Relevance diagnoses in Cooperatives.

Diagnoses cooperative's relevancy means to review all aspects in the cooperative, including but no limited to: general aspect; cooperative's identity; strategic directions; working system; good governance; and cooperatives main business; and operations. Relevancy analyses can be used to indicate the gaps and field of development. in this following section is highlighting the most important aspects of analyses.

1. General Aspect :

1.1 Includes **Identifying and reviewing the main field of work** of the cooperative; its purpose as well as the main filed of business or services.

1.2 Analyze internal cooperative context, such as: working system, capital, size of business, investment , membership profile.

1.3 Membership history analyses through analyzing the members profiles in comparison with the membership criteria, field of work, main source of income, socioeconomic aspects, needs, and interest with the main business of the cooperative, or main field of work. The result of that analyses with the different levels of relevancy could be realized so as adjustments can be made such as membership's criteria or new members' acceptance meets the requirements.

1.4 Members' Shared needs and concerns analyses: reviewing the cooperative's bylaw in relations to the main cooperative issue and shared needs and membership criteria. comparing that with current situation within the same aspect.

1.5 Analyzing the main cooperative's activities and programs: reviewing the main activities, services, and business, then comparing that with cooperative's objectives and mission; all cooperative's operations should be correlate with the cooperatives main field of work.

1.6 Services analyses: How the produced services relates to the needs of cooperative members and the priority and importance of these services and projects provided to the members, whether economic or social importance and that as seen by the members themselves.

2. Cooperative's relevancy with cooperatives' identity.

2.1 Cooperative's Identity relevance:

The concept of cooperation among members should be in harmony with global concept of cooperative. In this context, the collective action among a group of members with shared needs and common needs that can't be attained individually. As defined by the International Labor Conference as an “ autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise”.

Relevancy means how the cooperative commits with the cooperative's governing values in general, at the same time how the cooperative commits with legislation and the principles of cooperative action adopted internationally ;he cooperative must be consistent with the cooperative concepts. Practitioners sometimes have confusion between the cooperative concept with the concept of charities and companies which leads to distorted images of cooperatives in Palestine.

2.2 Relevancy with International Cooperatives Principles.

The principles of cooperatives are the governing reference framework of the cooperatives in the world; these principles are considered as a reference frame for cooperatives' actions and businesses. So over the application of these principles is the basis for measuring the relevance of cooperatives and harmony with itself and with the world concepts of cooperative work. Reviewing the relationship of these principles and concept of relevance is summarized in the following table:

Coop's Principles	Relevancy Aspect
Voluntary & Open Membership	<p>Members choose freely if they will establish a cooperative or join it, so that membership is open for those that have the criteria of membership applying to them, without religious, ethnic, social or other discrimination ... , Therefore the relevancy of cooperatives in this regard, and the harmony with this principle entails that shall be open all the time, this can be verified by the cooperative application of this principle through measuring than the number of associate members of the cooperative annually, and the mechanism of progress of acceptance of the new members.</p>
Democratic Control	<p>Cooperative is a democratic organization governed by its members; they decide the future of the cooperative through their choice of the members representing them in management. They are also to be responsible for constituents, the progress, the performance, and efficiency. Each member can be nominated and elected to the board.</p> <p>Cooperatives are considered compatible and consistent in the application of this principle, through democratic practices in the management of its affairs, periodically changing, while a “one man show” is a sign of weakness in democratic control in the cooperative.</p>
Economic Participation	<p>All members contributes to the capitals of the cooperative, while they received dividends based on their shares and percent interactions, in the addition to service and incentives.</p> <p>A relevant coop is compatible and consistent in application of this principle and the distribution of dividends or investing in accordance with the governing cooperative laws. The application of this principles can be measured by reviewing the records of economic participation and the distribution of dividends in addition to records of dealing with the cooperative.</p>
Independency and self management	<p>Coops is self-managed by an elected group members; the board of directors endeavors are attaining the coops' objectives, the board of directors leads the coop in alignment with cooperative's principles and values.</p> <p>The relevant independent and self-managed coop is that led by elected board of directors. This can be assessed through analyzing the board of directors roles and performance, while assessing the independency of coop identity and the independency of coop's decision, mainly regarding to the influence of governmental, and nongovernmental organizations.</p>
Continuous learning and training	<p>Cooperatives seek to provide education and training services to all its members and elected representatives and management in order to enable member and responsible management to access the knowledge that will enable the cooperative and help in its success, as well as enhancing the cooperative values and principles among the members and non members.</p> <p>The relevant cooperative is providing more education and training</p>

	activities in line with its identity and activities,
Cooperation among cooperatives	Cooperatives are member-based organizations, and the cooperatives' union as well, have shared cooperative's resources and business, and collectives actions and voice. All of these are kind of cooperation among cooperatives. This cooperation helps in enabling the environment for the cooperatives growth , as well as facilitate the mutual benefit. Relevant cooperatives regarding to cooperation among cooperatives have a wide range of cooperation such as shared business, shared resources while at the same time members in the relevant union, federation and alliance.
Community interest	The priority of cooperatives is to provide sustainable service to its members an community. In the early stages cooperatives must be generating services to the members as a result of cooperative activities, but when it become sustainable, the cooperative must serve the community. Whether in education, health,.. etc., Verdict is due on this principle in terms of the appropriate level of cooperative development, and how the coop meet the needs its members, and the expected services , then if the coop can offer a certain services to the community.

2.3 Relevancy with Cooperatives Values

he cooperators should believe in cooperative's values, which is considered the base of the code of conduct for cooperative. These values should guide the members and employees in the cooperative; these moral values are also the base for the transactions and dealing with, including sincerity , frankness , social responsibility and concern for others, relevancy within cooperative regarding to the cooperative's values could be assessed as in the below table:

Coop's Values	Relevancy Aspect
Self-help	Assessing the cooperative's self- reliance , depending on collected resources within the cooperative, or assessing to what extent that the coop dependent on external resources.
Self Responsibilities	Assessing the extent of responsibilities for each party or committee or individual within the cooperative; this can be measured through analyzing the list of responsibilities and authorities for each individual or committee in the cooperative, and compare it with what is happening in reality.
Democracy	Assessing the mechanisms of decision-making in the cooperative, and to measure the democratic knowledge and practice of the members and employees in the cooperative.
Equity	Assessing and analyzing the rights and duties in the cooperative.
Fairness	Justice analysis in practices and the provision of services and the distribution of dividends
Solidarity	Analysis of the extent of solidarity among members.

3. Cooperative's relevancy in the establishment phase.

This part will highlight the cooperative's relevancy in the pre-incorporation and pre-registration phase taking into consideration the law and procedures in the General Directorate of Cooperatives.

Phases	Relevancy Aspect
Issue of Cooperative	Assessing the core reason of the establishment of the cooperative; asking about members' needs that are supposed to be addressed, as housing, marketing, or inputs. In this phase the cooperative should work on addressing the shared cooperative issues that are relevant to the members' needs.
Identification of the potential members	Figuring out the potential members who are facing the same problem or sharing the same interest. The impact of the members' needs or problem on their livelihood could increase their interest to be a member in the cooperative. Analyzing these aspects in this phase help in developing membership criteria.
Identification the cooperative's business	After having the issue of cooperative and potential members, members challenges and shared interest, business proposal can be developed to address these needs and interest. Projection analyzing these aspect in this phase is very important whether the business can meet the members expectation or not, feasibility study can be used as tool to predict about business feasibility.
Registration phase	Registration process should be relevant to legal procedures according cooperative's working law.

4. Relevancy in Strategic statement

4.1 Vision and Mission Relevancy

Cooperative's vision should be reviewed in accordance to the variables that might affect the strategic aspects of the cooperative, it is advisable to ask the following question during the vision review.

- Do the members and the employees believe that the cooperative's vision can be attainable?
- Do the cooperative's leader have the same thought about the vision?
- Is the strategic objective and the vision coherent?
- Are there sufficient resources that enable the coop to attain its strategic objective?
- If there are a variable conditions, is the vision still valid?

5. System Relevancy

The cooperative identity and concept should be the references for developing coop's work manuals and guiding documents. Considering the cooperative concept in developing the system and working manuals, these manuals should be in line with cooperative law, the manual should suit the nature of coops' work and produced services, and the size and the production size for coops. The manuals should be developed continuously in simple and easy to be applied systems and manuals that are appropriate for coops work. The system should be accountable, transparent, efficient and effective. Assessing and reviewing system relevancy starting in the phase of registration and bylaw development, considering the cooperative principles.

The appropriate regulations for provision of services and processes, the systems at this stage must be proportionate to the regulations in force with services and activities and processes, system and regulation of providing services. The relevancy in working systems and procedures might be measured through sampling the applied system and procedures, then analyze the efficiency and effectiveness of these system and procedures.

Cooperative's Good governance relevancy

Good Governance could be measured in coops by assessing the practice the principles of good governance.

1. The rule of law and compliance with the international conventions

This includes the realization of cooperative societies in theory and in practice that all rulers, officials and citizens are subject to the law, as such the cooperatives are subject to the law of cooperative, and ensures that at least comply with administrative practices in cooperatives. The General Directorate of Cooperatives is the entity authorized to register cooperatives, and

monitor the extent of its commitment to the application of the law and check their accounts and make them aware of financial resource management and financial reporting , auditing, shares and ownership , distribution of dividends .

2. Participation

Participation means to express an opinion and active participation in decision-making, where the Board of Directors must ensure the application of this principle in order to promote and develop the work of the cooperative. Commitment in participation of operations and ongoing consultation with members of the general assembly is also important. Participation plays an important role in the democracy, which aims to turn the fight against individuality and “one man show”. and increase the transparency , also contributes to promotion of volunteer work and the transfer of information and experiences among members.

3. Transparency

Transparency means the need for clarity relationship with members,. Disclosure to members of the general policies, especially financial policies and practices, transparent practices reduce the unexpressed, confidential which are ambiguous policies, including contributing to the availability of all the information, transparency indicators; it includes the willingness to involve members in information and facts, data and decisions, also the willingness to discuss things cooperative in openness and free manner, also willingness to receive constructive criticism from its members.

4. Accountability

The Board of Directors is the governing body in the cooperative. This body must submit periodic reports regarding to the progress of and in the cooperative. The report should show how successful the cooperative is in achieving its goals. Therefore it is the right of members in the general assembly to receive the sufficient and necessary information to ensure accountability with the existence of systems and channels of communication and a clear definition of responsibilities, so that accountability does not mean just a question of performance but also related to accountability and responsibility , which requires the presence of information and data accurate and reliable

5. Equality and Inclusiveness

Equality means that within the framework everyone judgment equal rights and freedoms and dignity. Therefore for all individuals be subject to equality and non-discrimination on the family foundation, partisan, class, ethnicity or gender or other bias. Therefore the cooperative work includes ensuring equality and equity between the members regardless to their social positions.

6. Consensus and Unanimity.

Consensus and unanimity house members of the cooperative guarantee the balancing of different interests in the cooperative, to reach a consensus benefit for the assembly, requires the understanding of the cultural, political and social framework for the members . The activities, which may contribute to achieving compatibility in cooperative to include the organization of workshops and discussion groups focus through which to listen to the ideas and views of members.

7. Response

Response is the ability and willingness of the Board of Directors in considering the needs and wishes of the members, and respond within an appropriate time, in addition to taking into account the views of board members, also means responding to consider the cooperative to the needs in the local community.

8. Effectiveness and Efficiency

Effectiveness means to achieve cooperative goals within the plans and strategies, and the efficiency means the use of available resources and optimizing the use of resources to achieve these goals, so the capacity in management of cooperative guarantee the continuity of progress, prosperity and achieve the goals.

Relevancy in Cooperative's operations

In the first early stage of the cooperatives life , cooperative should focus on the creation of the provision of services to its members, which directly meet the cooperative's issues or shared concerns or needs of members. At this stage relevancy can be judged according to following aspects:

1. To extend that the produced services from cooperative are meeting the members shared needs
2. The size or the number of produced services.
3. The quality of the produced services.
4. The level of impact on members' livelihood.
5. The sustainability of services provided to members.
6. The cost of the service compared to the market.
7. The consideration of cooperative concept in providing service.
8. The service fees.
9. Membership in cooperatives' Union.

At stage of development of cooperative services and economic growth, the cooperative start in economic growth, income-generating business for cooperative , membership increment, relationship at this stage and after the sustainability of the services provided to members of the. relevancy can be assessed as mentioned in previous points, but with including the sustainability of coops' businesses.

The below table includes guiding hints for assigning the relevancy in operative's operations and business:

Aspects	To be looking in
The Original business in application for registration	<ol style="list-style-type: none"> 1. Review the feasibility study of the proposed business . 2. Make sure to match the needs of members with economic activity. 3. Searching the conflict of interest between members business and cooperative business. 4. Studying the Marketing status for cooperative' business. 5. Studying socio- economic profiles of the members.
Coops Economic Activities	It is necessary to ensure the suitability of the economic activities of the coop to the real need of the members.
The coverage of members needs in the economic aspect.	<ol style="list-style-type: none"> 1. Searching in the indicators to compare between the needs of members and the quantity and quality of services. 2. Searching the quality of these services. 3. Compare the price of the service with the market price. 4. To what extend that cooperative is impacting livelihood of the members.
Social Responsibility	One of the main cooperative's principles, is the community service. Cooperatives were founded originally to serve its members, but must also be concern to the local surrounding community, and this is one of the success and effectiveness of the cooperative indicators. The basic principle is to take into account the nature of the surrounding community; agricultural cooperative should be the character of the surrounding community is an agricultural and so on.
Business Planning	It is necessary to do the GAP analyses of the business aspect in the cooperative, including reviewing of economic activities, business planning process which including study the feasibility of running projects and services, that will help in re-orientation of economic activities and investments towards business economically viable, while at the same time will help the cooperative in closing the infeasible business.

Areas in Expanding cooperative Work in Palestine

Experience showed the potential to extend cooperation work to expand various fields. Therefore, there are many prospects for the expansion of cooperation in the West Bank. Importantly is to broaden the activities of agricultural cooperatives and involve more Palestinian farmers, since members of agricultural cooperatives are 20 thousand out of 90 thousand agriculture holders. The same also applies to the housing cooperatives, it was estimated that 72% of households in the West Bank need new housing units over the next decade.

There is also an urgent need to expand the activities of savings and credit cooperatives. Previous studies showed the magnitude of financing needs of small businesses. The same apply to consumer cooperatives due to the enormity of what the Palestinian household spends on consumption and the savings which can be achieved.

Recently, two types of cooperatives were established. One craftsmen cooperative is established in Hebron for repairing of house and office appliances including mobiles, computers, cameras, office equipments ... and washing machines. Another cooperative was established by graduates of vocational training centre for electrical wiring, refrigeration and air conditioning. Bothe cooperatives have a promising future.

Experience worldwide showed also good chances for cooperation in other fields such as water users associations, internet users, health services, transportation ... and others.