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# **Cooperative Enterprises and Agricultural Development – The Case of Lebanon**

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Thesis submitted for the degree of PhD in Development Studies

2013

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## **Abstract**

This research aims at assessing the extent to which the political rhetoric related to the role of cooperatives in agricultural development in Lebanon corresponds to the producers' own view of benefits and problems in their cooperatives. It explores the role and impacts attributed to producers' cooperatives in agriculture by the Lebanese government and development agencies. The thesis is based on text analysis and semi-structured interviews with the government, development agencies, directors and members of producers' cooperatives. Active cooperatives, identified as such by the Lebanese Directorate General of Cooperatives, were examined under five dimensions: initiation phase and progress, organisational structure, partnership and environment, services supply and participation, and problems and benefits. The investigation results are quantified through 22 components and 89 indicators. Special attention is given to differences between agricultural regions and agricultural sub-sectors, the impact of gender on cooperation, and membership practices at the producers' level. The findings reveal that the official rhetoric on the role of producers' cooperatives in inducing socio-economic development in Lebanon does not match the empirical reality of how the producers evaluate the benefits and challenges resulting from the cooperatives. Producers' cooperatives in Lebanon are tools of political influence and corruption, formally legalized under the cooperative law and occasionally sustained by development aid offered by development agencies. They are generally wasteful, failing to reduce the cost of production or to increase income. This research argues that under the Lebanese neoliberal environment, agricultural cooperatives did not carry adaptation, hybridization, or degeneration to increase their performance, but have instead wasted development aid, fostered corruption, and increased political control. Neoliberal post-war reconstruction and development policies in Lebanon have produced a weak cooperative sector with funding-dependent enterprises characterised by corruption and mismanagement.

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## Abbreviations

ACDI/VOCA	Agriculture Cooperative Development International/Volunteers in Overseas Cooperative Assistance
ADA	Amal Development Association (Part of Amal political Movement)
aec	Arcenciel
AMEEN	Access to microfinance and enhanced enterprise niches
AR	Agencies' Role
BCAIF	Bank of Agricultural, Industrial, and Real Estate Credit
BM	Benefits from Membership
CDR	The Council for Development and Reconstruction
CHF	Cooperative Housing Foundation
CP	Coordination and Planning
DC	Dormant Cooperatives
DGC	The Directorate General of Cooperatives
DP	Description of Producers
EAM	Economic Accounts Mission
EC	European Commission in Lebanon
EP	Encountered Problems
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
Ha	Hectare

I	Impacts
ICA	International Cooperative Alliance
ICU	Institute for University Cooperation, Istituto per la Cooperazione Universitaria
IDAL	The Investment Development Agency in Lebanon
IFAD	The International Fund for Agricultural Development
IGO	Intergovernmental Organization
ILO	International Labor Organization
IMF	International Monetary Fund
INGO	International non-governmental organizations
IP	Initiation Phase and Progress
JBDA	Jehad <i>AL</i> Bena Developmental Association
LL	Lebanese Lira
MDG	Millennium Development Goals
MOA	Ministry of Agriculture, Republic of Lebanon
MOF	Ministry of Finance, Republic of Lebanon
MP	Members of the Parliament
National NGO	National-Non Governmental organization
NBDA	National Bank for Agricultural Development
NERP	National Emergency Reconstruction plan
NGO	Non-governmental Organization

NUCC	National Union of Cooperative Credit
OS	Organizational Structure
PB	Problems and Benefits
PI	Process I-Initiation phase
PII	Process II-coordination and partnership
PC	Practices of Cooperation
PE	Partnership and Environment
PM	Producers' Membership
PPRD	Parallel Program for Recovery and Development
R	Role of cooperatives
RMF	René Moawad Foundation
SF	Safadi Foundation
SSP	Services Supply and Participation
UAS	Useful Agricultural Surface
UN	United Nations
UNDP/Art Gold	United Nations Development Program Art Gold
USAID	US. Agency for International Development
VAT	Value Added Tax
WB	The World Bank
WV	Worldvision International
YMCA	Young Men's Christian Association

# Chapter 1- Theoretical Framework and Research Method

## 1.1. Introduction

Throughout the long civil conflict that lasted for around fifteen years, the agricultural sector has accounted for a significant share in the Lebanese economy and has played a crucial role in rural food security. Yet, serious physical and non-physical damages have impaired the development of Lebanese agriculture. In the regions that witnessed heavy conflicts, the majority of producers have suffered from a severe destruction of main infrastructure such as irrigation canals, storage facilities, road, terraces, etc. The internal and external marketing channels have been ruptured. The services delivered by the Ministry of Agriculture (MOA) have been reduced to minimal ineffective interventions after the breakdown of regional extension offices and research institutions. Moreover, the general crisis of the national economy, expressed by the depreciation of the local currency, has restricted large investments in the agricultural sector characterized by high environmental, technical, and marketing risks (UNDP, 1992).

After the end of the civil war and with the first parliamentary election, in 1992, the government designed a ten-year plan for reconstruction and development (Najem 1998). In the agricultural sector, the plan aimed to modernize, expand, and revive the basic production components that will contribute in the long-term to reduce poverty in rural areas. The Council for Development and Reconstruction (CDR), an independent public institution carrying out reconstruction tasks across Lebanon, the MOA, and other local and international non-governmental organizations, were the key players involved in the rehabilitation of the agricultural sector. Overall, no specific policies were developed in opposition to the general liberal and non-interventionist Lebanese economic policy (Kubursi 2001). The first phase of the agricultural development plan has focused on strengthening institutional support, increasing producers' income and productivity, opening new marketing channels, and preserving the environment (UNDP 1992). Producers' cooperatives, which have the potential role of fostering democratic and equitable economic share of resources and benefits (FAO 1998, UN/DESA 2005, Tchami 2007), have been considered a major tool to implement the designed interventions, in particular in rural areas. All subsequent plans have continued to use producers' cooperatives as a strategic tool to resolve the prevailing

agricultural problems. In 1999, the MOA identified cooperative enterprises as an essential element capable of solving the main production and marketing challenges. Cooperatives can increase the efficiency of production, develop solid and direct marketing channels, and introduce mechanization and new technologies for the dominant small scale farming in Lebanon (MOA 1999). In the 2005-2009 strategic agricultural development plan, cooperatives were given a basic role in empowering farmers, increasing the competitiveness of some selected crops (olive oil, potato, strawberry, etc.), implementing efficient irrigation methods/technologies, increasing marketing channels, and producing certified plant resources. Furthermore, the government planned to offer technical training on the cooperative enterprise tool and its management as well as business development training for small collective projects (MOA 2005). In all agricultural strategies, a budget has been allocated to support cooperatives (MOA 2004). Recently, in the last agricultural strategy (2010-2014), the new government continued to support cooperatives as a tool to improve marketing and processing opportunities (MOA 2009). Accordingly, the MOA encouraged producers to initiate cooperatives as a key for their socio-economic development (MOA 2011, Al Balad 2011, Al Joumhouria 2011, Al Markaziya, 2011). Besides the government, development planners (Donors and NGOs) have supported cooperative enterprises, facilitated their initiations, and worked to resolve their internal and external challenges (WRF 2008, CHF 2006, IFAD 2007, ADP 2003, USAID 2008).

Indeed, producers' cooperatives can play a key role vis-à-vis the characteristics of the Lebanese agricultural sector and the Lebanese economy. Lebanon has admitted a liberal economic policy since independence in 1943 (Makdisi 1979), which offers a suitable environment for investment and facilitates the development of cooperatives. In a liberal environment, cooperatives are considered as a distinct form of autonomous economic organizations. They have the freedom to pursue business operations with all the facilities applied to capitalist enterprises. Also, they are capable of merging activities and encouraging investment across boundaries. The cooperative principles, in particular Voluntary and Open Membership, Democratic Member Control, and Autonomy and Independence, are seen by international institutions as more compatible with a liberal cooperative sector than with state-driven controlled cooperative enterprises (FAO 1996, COPAC 1999). The agricultural sector is the weakest sector of the Lebanese economy, generating 5.7% of GDP as an average from 2002 to 2007 compared to 10.8% and 73% for the industry and services' sectors respectively (MOF 2009). The majority of farmers are small.

Seventy-five percent of farmers cultivate less than 1 ha Useful Agricultural Surface (UAS) and work only twenty percent of the national UAS. Two percent of farmers have more than 10 ha UAS and plant thirty percent of the national UAS (MOA 2007). This division reflects a dominant class difference in the sector. Sixty-six percent of farmers are involved in non-agricultural jobs (MOA 2007), making agriculture a secondary source of income. Moreover, the agriculture sector has been neglected by the government since the end of the civil war. The average budget allocated to the MOA accounted for 0.64% of total government expenditure from 1997 to 2006 (MOF 2007). The agriculture and irrigation sector received 1.5% of total government spending on the reconstruction and development plan implemented by the CDR between 1992 and 2004 (CDR 2005). Accordingly, these components and characteristics theoretically offer producers' cooperatives an important strategic role in developing the agricultural sector in Lebanon.

However, several reports issued by MOA and various development agencies have described the weaknesses of Lebanese producers' cooperatives and highlighted their failure to achieve tangible impacts on socio-economic development. In 1992, The United Nations Development Program (UNDP) mentioned that the agricultural cooperative movement, which was highly supported by the government in the 1970s, was stagnating and far from delivering services for small farmers (UNDP 1992). In 2001, the MOA studied the efficiency of agricultural cooperatives in Lebanon. Findings showed high percentage of dormant cooperatives which rarely responded to their members' need, rarely offered efficient services, and were mainly established for vested interest (MOA 2001). In 2004, Charles Adwan, who carried out a study about post-war corruption in Lebanon, stated that the re-emergence of cooperatives was mainly driven by political parties and donor initiatives. This situation has strongly damaged their reputation and accordingly their potential role (Adwan 2004). In 2007, the UNDP and the Institute for University Cooperation (ICU) assessed the condition of agricultural cooperatives in South Lebanon. Results revealed that most cooperatives were not based on the common needs of members and had been mainly established for a political aim and for the arrangement of development funds (UNDP/ICU 2007). In 2010, The Agriculture Minister, Dr. Hussein el Hajj Hasan, stated that there are only fifteen active cooperatives from a total of 1200 registered cooperatives in Lebanon. The remaining cooperatives have the cooperative institutional structure in-name only and not in terms of services and benefits for members. All cooperatives were given a deadline to show proper

effectiveness in their activities, or risk being dissolved by the Directorate General of Cooperatives (DGC) (MOA 2010).

Therefore, there is a paradox between the given strategic role and the continued support for agricultural cooperatives on the one hand and a reported highly significant failure on the other hand. This paradox is marked from the end of the civil war up to today and essentially by the same actors: the government and development agencies. It reflects a degree of doubt about the relevance and efficiency of actors' policies and programs while relying on the cooperative enterprise model to develop the agricultural sector in Lebanon. Further, the opinion of producers' members regarding the efficiency of their own enterprises in fostering socio-economic development is absent from the listed studies and reports. Another gap in the literature is the root causes of failure of cooperatives. Why cooperatives were not delivering services and benefits for members especially because they are supported by the government and development agencies. No in-depth studies have been found to show the structural or practical reasons for the failure of cooperatives in Lebanon. For instance, stating that cooperatives were initiated with the interest of receiving development funds from politicians or development agencies cannot be considered a root cause of failure. Sometimes, development funds could represent a real chance for cooperatives to initiate services that members were not able to supply due to a lack in their financial resources. Root causes might be a weakness in democratic members' control, absence of members' economic participation, inefficient organizational structure, internal corruption, etc. that lead to mismanagement or failure to generate beneficial outcomes from development funds. In other cases, the failure might derive from development agencies themselves proposing and implementing inappropriate interventions. Therefore, it is interesting to explore in-depth empirical evidence to support or reject the reasons for the reported failure by both actors.

## **1.2. Study aim and research questions**

This research will study and analyze the political rhetoric surrounding the role of cooperatives in agricultural sector development after the end of the civil war in Lebanon and measure the extent to which it corresponds with how producers view the benefits and problems in their cooperatives. On the one hand, it assesses the role and performance of producers' cooperatives under the

government post war agricultural development policies and the complementary initiatives of development agencies. On the other hand, it examines the performance of producers' cooperatives by checking their adherence to normative cooperatives practices through five dimensions detailing the initiation process, the organizational structure, partnership and environment, services' supply, challenges, and benefits received by members. Findings of both parts will be compared together to evaluate the coherence of policies, initiatives, and their associated impacts with the empirical achievements of cooperatives in terms of socio-economic benefits.

This research begins by outlining the characteristics of the Lebanese economy and the status of the agricultural sector. Then, it presents an in-depth analysis of the roles, activities, and outcomes attributed to producers' cooperatives in the policies adopted by the government and development agencies. Finally, it explores the status of cooperatives in the different agricultural regions of Lebanon from the perspective of the board of directors and the producers' members.

The overall goal of this research is to assess and evaluate the strategic role of cooperatives in developing the agricultural sector in Lebanon under a neoliberal policy since the end of the civil war. It aims to increase the efficiency of producers' cooperatives by assessing their main advantages and identifying their main challenges. Findings will constitute a general database review of cooperatives that would be essential for the government and development agencies in their elaboration of further strategies and interventions. By exploring the case of the Lebanese agricultural cooperatives and by outlining the views and interpretations of producers' members, this work will contribute to the existing body of literature on the use of cooperative enterprises as a strategic socio-economic development tool.

The research will address the following questions:

1. What is the nature of post-1992 Lebanese agricultural development policies and how does the support of agricultural cooperatives fit into it? How far does this support benefit the development of the agricultural sector?
2. Are producers, who are the ultimate target of policies, getting benefits of their membership in cooperatives and recognizing the positive impacts of coops? Or to what extent are cooperatives improving the socio-economic conditions of producers?

These research questions reflect two main interests. The first one is a post-war agricultural policy analysis supporting cooperatives under a neo-liberal policy agenda – an ideology granting cooperatives an essential role in rural development; however, due to increased market competition, cooperatives may perform worse or may degenerate into capitalist enterprises (Isomorphism-defined later in this chapter). The second interest is to analyze the status and role of producers' cooperatives in post-war reconstruction and development phases under a minimalist state government (since independence in 1943) and where cooperatives have never been controlled or considered a state-driven institution as they were in the African continent.

### **1.3. Theory of cooperative enterprises**

This section explores the theory of cooperatives as a different form of market enterprises. It starts by defining cooperatives and their ideologies. Then, it details the principles and values of cooperatives, which represent the identity of the cooperative enterprise model. Finally, it examines the different classifications of cooperatives and presents their special organizational structure in primary cooperatives and between cooperatives.

#### **1.3.1. Definition**

In literature, several definitions are used to describe cooperative enterprises. Some definitions are theoretical describing the characteristics that distinguish cooperatives from the other types of enterprises, while others are comprehensive dealing with the planned objectives behind cooperation.

To define cooperative enterprises, it is first essential to understand the term "cooperation" from which the cooperative word derives. Cooperation is "The action or process of working together toward the same end" (Oxford Dictionary 2005). Sometimes the benefit sense is added as follows: "A situation in which people or organizations work together to achieve a result that will benefit all of them" (Halsey 1973). Both definitions have the common notion of plural, not individual, action in addition to the idea of same objectives and benefits. Indeed, cooperation is a

social behavior in which individuals group together to realize a common goal (Graig 1994). It is an undertaking together and on equal terms (Barberini 2003). Richard Williams simplified this approach by comparing cooperation with a game in which all players work to accumulate points for the entire group while using their unique potential and building on process orientation (interaction) rather than rule orientation (Williams 2007). Cooperation requires an action of separate people or organizations that were not in a previous harmony and were brought together through a clear process (Little & Smith 2006). When it is compared to other behaviors, scholars define cooperation as opposite to competition and selfishness (Tuomela 2000). It generates higher level of productivity and better achievements (Johnson & Johnson 1981). Therefore, cooperation can be a simple sharing of information between two co-workers to accomplish an action, i.e. teamwork, and can go as far as forming an economic business enterprise between people sharing the same objectives; such is the case of producers' cooperatives.

Scholars draw on the cooperative behavior to define the cooperative movement and the cooperative enterprise. Patrick Develtere defined the cooperative movement as "A social movement which uses some forms of economic cooperation (organization) aiming to deliver the common interests of a social group through the active involvement of all members. These common interests will be endangered if members of the social group do not react through cooperatives" (Develtere 1994). When it comes to a cooperative enterprise, most definitions add the basic elements of principles and values to the definition of cooperation. "It is a user owned and controlled business in which benefits are distributed according to the members' use of the association" (USDA 1995). This definition reflects the two main principles of cooperatives: democratic member control and members' economic participation. Its highlights the three features of the cooperatives' users in terms of "User-owner, User-control, and User-benefit". Similarly, Gurmukh Madan and Richard Williams defined cooperative enterprises by relying on the characteristics that distinguish them from other types of corporation such as members' participation and control requirement (one member-one vote), equitable distribution of resources, self-help, and mutual aid enterprise (Williams 2007, Madan 2007). Alexander Laidlaw defined cooperatives by their objectives. They reduce the cost of production, prevent exploitation of weaker members, protect the right of each member, and promote mutual understanding and education (Laidlaw 1962).

In general, most descriptions of cooperatives are embedded in the universal definition adopted in 1995 by the International Cooperative Alliance (ICA), which is an independent non-governmental organization uniting, representing, and strengthening cooperatives worldwide through awareness, technical assistance, and right policy environment, etc. The ICA defines cooperatives as follows (ICA 2007):

*"A co-operative is 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"*

The ICA definition is also adopted by the highest international bodies promoting cooperatives such as the International Labor Organization (ILO), the Committee for the Promotion and Advancement of Cooperatives (COPAC), the United Nations (UN), etc. In this definition, the principles and values of cooperatives are grafted to the characteristics of a business enterprise. The cooperative enterprise is an autonomous association, which reveals the independence in control. It is a gathering of persons who are united voluntarily; meaning that membership cannot be compulsory. It is built not only to meet the common economic needs of members, but also their social and cultural needs. It is jointly owned and democratically controlled; making clear the distinction from other public and private enterprises (Taimni 2001).

### **1.3.2. Cooperative ideologies and schools of thought**

Cooperatives are not understood by a single ideology upon which all the cooperators agree. They are promoted differently in countries depending on the nature of the existing political and economic system, which usually designs the objectives envisaged from the cooperative enterprise model. Alexander Laidlaw and Vishnu Borkar distinguished between four different schools of thought (Laidlaw 1974, Borkar 1989):

First, the **Cooperative Commonwealth School** in which all important economic and social instruments of production in the state have been taken under collective control until it becomes

an-all inclusive system (Gronlund 2009). It places cooperatives as the only defining form of economic organizations for all activities in life (Keillor 2000). Robert Owen and Charles Fourier led to the basic framework of the cooperative commonwealth (Dutta 1991).

The second is the **School of Modified Capitalism** which is originally a North American ideology that considers cooperatives as a capitalist business with a slight modification in a set of rules (Archerd 2007). In this school cooperatives are most useful in sectors not attractive to capitalists or where profit is risky or marginal. It was rarely supported outside North America (Laidlaw 1974).

Third, the **Socialist School** of thought in which followers consider cooperatives as a socialist institution driven by the left-wing ideology. This derives from the belief that "cooperation is socialism" (Lenin 1923). Some adherents to this school see cooperatives as state public or social organizations, while others consider them as partners of the state in a centrally planned socialist economy (Borkar 1989). This ideology was dominant in all communist countries, some countries of Western Europe, and developing countries including India (Laidlaw 1974).

Finally, **the Cooperative Sector School** considers cooperatives as distinct economic enterprises different from public and private enterprises but with some features in common (ICA 1970). This ideology, in contrast to the Socialist and Commonwealth schools that place cooperatives as state-driven enterprises, considers other types of enterprises and their importance alongside cooperative enterprises in building a strong economy. It was developed by the French scholar Georges Fauquet and was widespread in Europe and the Scandinavian countries (Clemente 1977).

### **1.3.3. Cooperative principles and values**

Principles and values are the essential features that distinguish cooperatives from other economic enterprises.

### 1.3.3.1. Values of cooperation

In the statement of the cooperative identity, the ICA identified and specified the cooperatives values as follows (ICA 2007).

*"Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others"*

Cooperatives' values were figured out from the belief of the first cooperative pioneers (Lee 2003). They provide the basics of a culture approach in defining the role of members inside their cooperatives (Davis 1999; Jerker 1996).

The first set of values reflects the real cooperation character. **Self-help** means that all members should struggle to meet their common needs. It highlights the responsibility of each member in achieving the goals planned by the cooperative. **Democracy** gives members the opportunity to manage their objectives on the basis of "one member-one vote" (Taimni 2001). **Equality** means that all members are equal in participation, decisions making, and opportunities. This is one of the major characteristics differentiating a cooperative enterprise from a capitalist firm. **Equity** refers to the fair contribution in capital and distribution of rewards for active members.

**Solidarity** is the strength of achieving goals through a collective action in which the financial and social assets belong to the group (Diwana 2008). The second set of ethical values "**honesty, openness, social responsibility and caring for others**" describes the purpose for which founders set up cooperatives. These values outline the relation between members in fulfilling their needs and developing their communities (Taimni 2001, Lewis 2006). They grant cooperatives with an increased social capital that would be a strong instrument in managing the challenges that usually arise between members (Behera 2006).

### 1.3.3.2. Principles guiding cooperatives

The principles of cooperatives are the life of the movement. They represent the nature of operating rules in cooperative enterprises. They are guidelines on which members should rely to

succeed internally with one another and externally within their environment. They include business and social principles; therefore, merging the social and economic aspects of production.

The new statement of the cooperative identity has embodied the essential arguments that make cooperatives more effective and distinct in the 21<sup>st</sup> century. Cooperatives should rely on principles in order to be differentiated from other economic enterprises (Taimni 2001). Principles should be viewed as guideposts or goals and the flexibility in their application is necessary without compromising their basic sense (Dunn 1986).

The first principle, **Voluntary and Open Membership**, reveals that membership should be voluntary, available to all people in need of the coop services and willing to accept related risks and responsibilities without gender, social, racial, political, or religious discrimination (O'Connor 2003, ICA 2007, Diwana 2008, Abell 1988). Whenever members feel dissatisfied with the services offered, or no longer in need of them, they have the freedom to leave and collect back their initial shares (Tchami 2007). Open membership for all people does not mean an unrestricted number of members, but cooperatives can only accept a determined number of members depending on their capacity to serve, and so, may impose a limit on membership (Taimni 2001). This principle reflects the equity and equality values in declaring the equal chance of members to benefit from the services offered by their cooperative (Birchall 1997).

The second principle is **Democratic Member Control**. It ensures that cooperatives are democratic organizations only controlled by their members (Abell 1988). No member has a greater voice in decisions and operations than any other member (Williams 2007). Cooperatives fail in the long term without efficient ways of consulting members and enabling them to express their hopes (ICA 2004). Members of primary cooperatives elect their representatives by relying on the basic principle of "one share-one member-one vote" and participate equally in planning their objectives (Diwana 2008, O'Connor 2003). Democracy becomes meaningful through members' participation which is not necessary in management, but can be in proposing, pushing, demanding, and defending common objectives (Marcus 1988). Democratic participation creates leadership among members who become more active at local level in civic and political organizations (Nembhard 2004). Board members are responsible of the equitable delivery of benefits to members and are accountable, at election time and throughout their mandate, for their actions toward the membership (Taimni 2001, Tchami 2007). Decisions in secondary level

cooperatives such as cooperative unions or federal cooperatives are also taken in a democratic manner (ICA 2007). The equality and liberty (self-help and self-responsibility) values appear behind this principle (Birchall 1997).

**Member Economic Participation** is the third principle. As cited in the cooperative statement, *"members should contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Moreover, members usually receive limited compensation, if any, on capital subscribed as a condition of membership. They allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership"* (ICA 2007). Limited compensation and equitable contribution indicate that capital is the servant and not the master of cooperatives. In general, the capital shared by members should only receive limited bank interest rate, if any (Madan 2007). Members decide how to spend surpluses, but a part of them should be kept to a common, indivisible fund (Taimni 2001, Tchami 2007). This principle is linked to the solidarity value emphasizing the common ownership in cooperative enterprises (Birchall 1997, Williams 2007).

The fourth principle is **Autonomy and Independence**. *"Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy"* (ICA 2007). This principle describes the partnership strategy that cooperatives should adopt in the new condition of the global market economy vis-à-vis governments, development planners, and other capital resources (Birchall 1997a). It does not forbid mutual agreements, but it reminds members to keep their autonomy and independence (Tchami 2007).

The fifth principle, **Education, Training and Information**, calls *"cooperatives to provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They have to inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation"* (ICA 2007). It underlines the cooperative movement in its long-standing and

distinguished devotion to education (Taimni 2001, Tchami 2007). Cooperative societies should regularly educate their members, officers, and employees about the techniques and spirit of cooperation (Abell 1988, Nembhard 2004). New members should know the cooperative enterprise difference in its principles and values and should be offered guidance to experience their roles and responsibilities inside their cooperative. Members need to understand on which basis they should work together by putting the individual interest in favor of the group interest and how the cooperative should be run democratically (Tchami 2007). In this principle, communication plays a vital role for the success of any cooperative enterprise in delivering messages and informing rights and roles (Parnell 1999, McCarthy & Ward 2001).

**Cooperation among cooperatives** is the sixth principle. This principle encourages cooperatives to bind their power at local, national, regional, and international levels to better serve their members. Essentially, they need to cooperate in a strategic approach to survive in the competitive global economy (Treacy 2000, Diwana 2008). This principle recognizes the fundamental role of pooling resources, strengthening solidarity, and increasing power. For example, a small primary cooperative can cooperate with a large scale cooperative or union with the aim of providing better services to members. In addition, cooperatives in different sectors can diversify their services, such as, an agricultural coop getting a loan from a credit union to add multiple services requested by members (Tchami 2007). This principle highlights the awareness of the global opportunity; thus, by working together, cooperatives can secure a greater expansion and increased benefits for the movement than by working separately (Green 2002).

The last principle, **Concern for Community**, links cooperatives to the community they belong to. "*Cooperatives work for the sustainable development of their communities through policies approved by their members*" (ICA 2007). This principle, going beyond the social corporate responsibility with charitable causes (Novkovic 2006), states that members are responsible for developing their communities (ILO 2000). Although cooperatives need to primarily serve their members, the wellbeing of cooperative members according to the cooperative ideal could lead to that of the community (Hagen 2005). This principle includes a concern for the environment and the sustainable livelihood of communities (Williams 2007).

The analysis of principles reveals how they are inter-linked. If one is ignored, all will be diminished. Principles are linked to the values embedded in them. The first four principles are internal core principles and without them cooperatives would lose their identity. They assure a good environment for members to join, control, and receive benefits (UN/DESA 2009). However, the remaining three principles and a part of the fourth principle, define the rules for external relations in cooperatives. The education principle fosters active membership and spreads the cooperative idea, while cooperation among cooperatives is a business strategy to assure a degree of economic viability. Concern for community combines the social and economic objectives of cooperative enterprises (Birchall and Ketilson 2009). All principles should be understood as an empowering framework to increase the competitiveness of cooperatives in the global economy. They must be applied in the daily activities of all members and workers (Taimni 2001). In evaluating the performance of enterprises, cooperatives should be judged on their adherence to all principles and not on the basis of any single principle (Birchall 1997a).

#### **1.3.4. Classification of cooperatives**

Today, cooperatives can be found in any business activity. They initially started in traditional economic sectors such as agriculture, finance, etc. and progressively spread to almost all other sectors including health, funeral, schools, sports, etc (ICA 2009). They are classified in categories in which sectors could be also subject of classification. The different types of agricultural cooperatives are elaborated in this research.

##### **1.3.4.1. Categories of cooperatives**

The easiest way to classify cooperatives is by answering the questions: "who owns cooperatives? And who are their members?" (Lewis 2006). Accordingly, four categories could be distinguished as follows (NCBA 2009, ICDC 2004, nz.coop 2009):

**First, consumers' cooperatives** in which consumers, buying services or products, own the cooperative. This category includes credit unions, electric and telecommunications, health care, housing, food store coops and many more.

**Second, producers' cooperatives** in which producers, delivering/selling products or using services during production, own the cooperative. Under this category, farming, handcraft, fishing, beekeeping, and artisans' cooperatives are found. They pool their resources to increase production, reduce cost, and develop new marketing opportunities.

**Third, workers' cooperatives** in which workers of the business collectively own their cooperative and democratically control it. Cooperatives provide workers-members an employment and a parallel ownership opportunity. Restaurants, processing companies, food stores, and so on are under this category.

**Fourth, purchasing/shared services' cooperatives** in which cooperatives are owned by independent small business owners such as small municipalities, restaurants and many others which cooperate to enhance their purchasing power, reduce their running costs, and improve their services.

Most sources categorize cooperatives in this way; however, other kinds of classifications exist and differ slightly. Cooperatives may be classified by taking the purpose of their establishment as a criterion. Therefore, consumers, producers, and purchasing services' cooperatives in which members seek to receive new services could be grouped together as a first category. Workers' cooperatives constitute the second category in which members aim to establish an economic enterprise and work together in it to supply multiple services (Tchami 2007). Other literature uses the same criterion of who owns cooperatives, but only lists three categories by combining consumers' cooperatives with purchasing services' cooperatives (UN/DESA 2009, Lewis 2006).

#### **1.3.4.2. Types of agricultural/producers cooperatives**

Agricultural cooperatives can be organized on the basis of the three major functions they could perform (USDA 2002, Onuoha 1988, Cobia 1989):

1. Supply cooperatives include the wholesale buying and retail selling of farm inputs (seeds, fertilizers, etc.), credits supply, or any other services before production
2. Service cooperatives perform pesticide applications, fertilizer spreading, artificial insemination, irrigation, insurance, or any other services during production
3. Marketing cooperatives sell and process products or any other services after production

Given the interdependence of services in agriculture, the majority of cooperatives are mainly involved with two types of functions.

### **1.3.5. Organizational structure**

As defined in the principles and values, members should manage their cooperatives based on democracy, equity, equality, and solidarity. Therefore, a particular kind of organizational structure is applied. Most often, the structure is detailed in the cooperatives' law. It slightly differs between countries. It usually defines the role and the power of each member in pursuing the common objectives either in primary cooperatives or between several cooperatives.

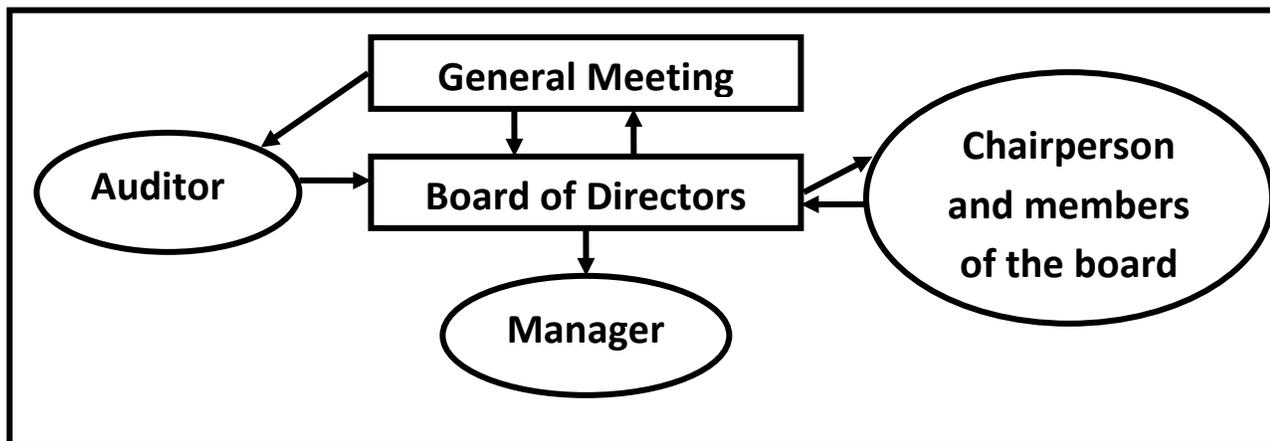
#### **1.3.5.1. In primary cooperatives**

Members unite together to establish their primary cooperative society in which all of them have roles, benefits, and responsibilities. The common organizational structure of cooperatives includes the following four actors: general meeting (all members), board of directors (management committee elected by all members), manager, and auditors (Tachmi 2007). Diagram 1 represents the prevalent internal connections between these actors.

The **general meeting** is the highest body of the cooperative. It gathers all members. It is responsible for the direct expression of the cooperative democracy difference. It assures the participation of all members in the decision-making process based on the principle of democratic members' control. All members decide and vote on work strategies, the cooperative's dissolution,

the division of surpluses, the annual balance sheet (Borzaga and Defourny 2004), and the membership in a cooperative union or a federal cooperative (Co-operatives Secretariat 2009). The key role of the general meeting is to elect the board of directors and auditors who represent all members and monitor the progress toward the achievement of members' common interests (USDA 1988, Rapp & Ely 1996). The **board of directors** is the policy-making body representing all members in managing the coop's business affairs. Board members are not paid for their management activities (Borzaga and Defourny 2004) and their family relatives are generally not allowed to be employed in the cooperative (Abrahamsen and Scroggs 1957). They elect a board chairman who represents the cooperative vis-à-vis court and third parties, but he/she cannot separately take decisions (Tchami 2007). Board members report to the general meeting on the progress of activities and achievements and give direction to the manager without going into details of the day-to-day operations (Gamble 2002). They keep handling the strict role of the manager in implementing decisions and strategies taken by the general meeting (Abrahamsen and Scroggs 1957). The **manager**, along with the employees, takes care of the day-to-day management of the cooperative. He/she has the same responsibilities and power as a manager in an investor-owned enterprise i.e. organizing, planning, and controlling on a daily basis (Co-operatives Secretariat 2009). The role of the manager is to put into effect the policies of the general meeting. Regular contact is kept with board members by reporting and seeking advice (Abrahamsen and Scroggs 1957). **Auditors** elected by the general meeting are an independent permanent body that temporarily controls the financial aspect of the cooperative. Their role is to audit rather than to manage by presenting reports directly to the general meeting (Tchami 2007).

**Diagram 1:** Classical inter-connections in a primary cooperative



### 1.3.5.2. Between cooperatives – cooperative movement structure

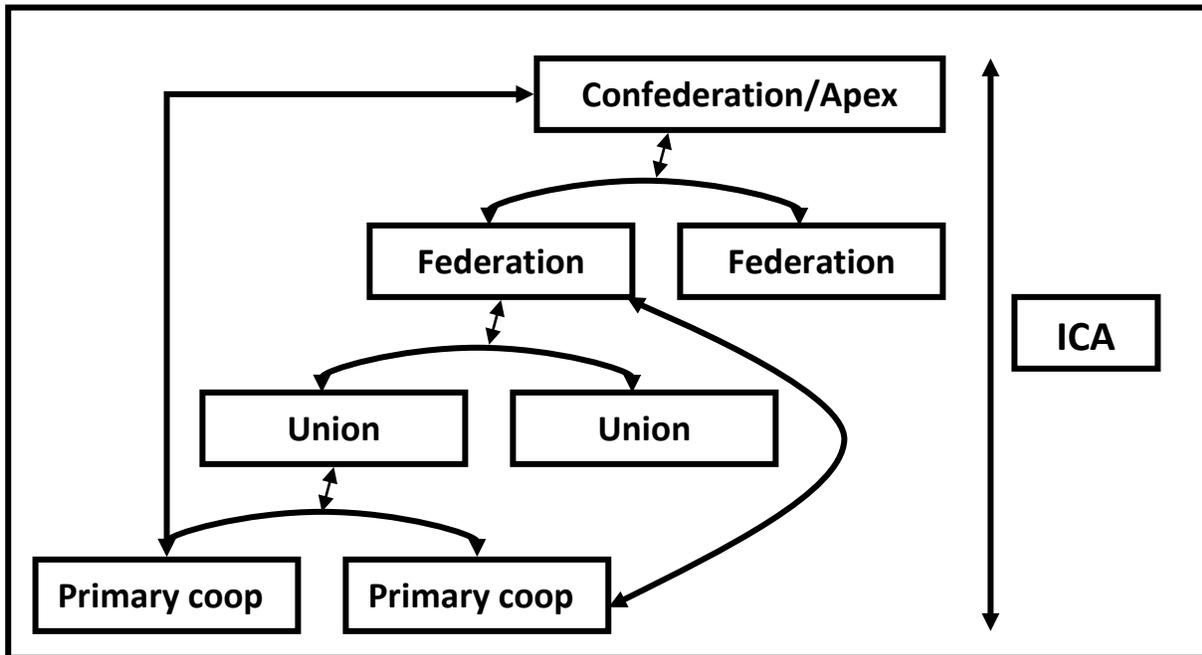
Encouraging cooperation between cooperatives is a main principle included in the statement on the cooperative identity to strengthen their survival in today's competitive environment through increased services, power, and representation. The cooperative movement is constituted by a bottom-up structure that works as a strong web to secure the common needs of members in primary cooperative societies. Four different levels are identified at a national basis in addition to the ICA as an international holding body (Diagram 2) (Cracknell 1996).

A cooperative **union** is an association of at least two primary cooperatives having similar interests or complementary functions (Lewis 2006). In general, cooperatives group their efforts to achieve some objectives that are difficult to be realized individually. Therefore, cooperative unions should be able to achieve a better economy of scale compared to primary cooperatives and should also be able to offer particular services for cooperative enterprises such as accounting, strategies' development, and many others (Hagen 2005). At the third level, and also with the aim of representing and defending their common interests, at least two cooperative unions cooperate together to initiate a **federation**. Federal cooperatives have their own structure with an independent manager, staff, and a board of directors elected by members, which are unions in this case (USDA 1994). Primary cooperatives can directly join a federation even if they are not represented at the second level in a cooperative union (Tchami 2007). Members in

primary cooperatives agree to give some of their autonomy to the federal structure in exchange for support and benefits (Taimni 2001). The majority of federal cooperatives provide banking and international marketing services (Cracknell 1996). At the fourth level, at least two federations join together to form a cooperative confederation or an apex organization of the national cooperative movement. Federal cooperatives in a confederation should differ in the economic sector in which their unions or primary cooperatives operate (Harvold and Mitchell 1979). Confederations represent the cooperative movement in front of the government and related authorities at both regional and international levels. They provide information about the size and the performance of the cooperative movement by carrying out research and publishing essential statistics (Tchami 2007, Taimni 2001).

Finally, the ICA represents and promotes the cooperative movement at an international level. It is the official body responsible for the protection and renewal of the cooperative identity. One of its main duties is to show the contribution that cooperatives make to socio-economic development at national, regional, and global levels (ICA 1995).

**Diagram 2:** The structure of the cooperative movement



## 1.4. Theory and practice of cooperative enterprises

This section explores the different aspects of producers' cooperatives. It details their potential/normative role in production, marketing, and services at the enterprise level. It examines their socio-economic development role from empirical and theoretical perspectives. It highlights their major internal and external challenges and accordingly, it proposes a list of pre-requisites for success. It ends by assessing the performance of cooperative enterprises under Neoliberalism and exploring corruption practices while relying on cooperatives as a development tool. My field work and data analysis will be based on the theories elaborated in this section.

### 1.4.1. Potential role of producers' cooperatives at the enterprise level

By applying the economy of scale concept, producers' cooperatives can **decrease the cost of production and can consequently increase the members' income**. When small producers group their efforts and resources in the supply of inputs, marketing, handling, and other activities, cooperative enterprises can assure a lower price per unit of production or per service than individual producers try to get separately (Mather and Preston 1980, UN/DESA 2005, Wanyama et al. 2009). Empirical findings have demonstrated that a group of producers, joined together under a cooperative enterprise, can in the long term achieve an increased efficiency per unit cost (Ariyaratne et al. 2000). Cooperatives represent a practical tool to reduce transaction costs for both producers and buyers (Penrose-Buckley 2007, Nilsson 2001). For instance, a study of dairy marketing cooperatives in the Rift Valley of Kenya, showed how the cost of marketing services decreased by 0.07 percent with each one percent increase in the quantity of marketed milk. Accordingly, there is potential for further reduction in the unit cost by expanding the volume of milk collected from several producers (Kebede and Schreiner 1996).

Furthermore, producers' cooperatives can **improve access to markets** by arranging multiple marketing outlets. It was estimated that fifty percent of the global agricultural outputs were marketed through cooperatives (Billy and Shaw 2005). While small farmers are the greatest victims of marketing inefficiency, marketing cooperatives can be an effective way of developing

new marketing channels, reducing market margins by eliminating middlemen, and improving prices received by members (Lele 1981). For instance, the Indian dairy cooperative network, supplies large marketing services to twenty-two state federations covering nearly 101,000 primary cooperatives and serving eleven million members (Kurein 2004). Cooperatives can offer an efficient transport service by delivering products to distant markets that are not accessible individually by small farmers (Markelova et al. 2009). *Asprepatia*, a marketing cooperative in Colombia, has enabled members to sell their crops in a distant wholesale market with better prices compared to selling them to local traders (Penrose-Buckley 2007). The major contribution of cooperatives is in the marketing of perishable commodities, which cannot wait to get a fair price at the local village level (Empson 1984). Usually, offering sufficient quantities of good quality products via cooperatives can attract more buyers and open many outlets (USDA 1995, Vorley et al. 2007) such as supermarkets, which prefer to deal with big and medium farmers and discard small farmers lacking a stable supply (Weatherspoon and Reardon 2003). In addition, cooperatives can reach international markets through the fair trade initiative. "Thousands of farmers in coffee cooperatives in Ethiopia, Rwanda, Timor-leste, and central America are benefiting from North-South fair trade arrangements" (UN/DESA 2009) . New innovations through packing and processing in the existing value chain can also offer members an efficient entry into new markets (IFAD 2001).

What is most important under the marketing aspect is that cooperatives can present an essential tool to **increase producers' bargaining power** vis-à-vis buyers and traders (Bhuleshkar 1973, World Bank 2007). By investing in storage, transport, and communication in addition to the economy of scale concept, cooperatives enable producers to eliminate the factors decreasing their power in various marketing channels (O'Connor 2003). They can guarantee a fair price that is hardly obtained by individual farmers (Deininger 1995). For instance, in a survey carried out in Ethiopia, findings showed that cooperative members have been able to sell their products at a higher price than non-members (Veerakumaran 2007). Moreover, cooperatives can reduce excessive margins taken by the handlers of food products (Mather & Preston 1980). By supplying bulk quantities with improved quality, they can meet the precise demands of big customers and accordingly negotiate to receive better prices (Penrose-Buckley 2007).

Cooperatives can **improve and increase access to services** as requested by members. The increased economy of scale in addition to the lower transaction costs allows the possibility of supplying feasible services and encourages producers to take the risk of diversifying services. The latter includes machinery for fieldwork and processing, testing soil, spreading fertilizer, applying pesticide and more (Mather and Preston 1980). For example, an agricultural cooperative enterprise in Mozambique has managed to offer extension and input supply services that are more expensive when farmers try to obtain them at an individual level (Penrose-Buckley 2007). Likewise, new services can be added because cooperatives, due to their credibility and legal function, have better access to the credit market than individual producers or any other producers' group (Birchall 1994, Deininger 1995). All listed advantages, from access to new markets to increased income and new services, encourage members to diversify their production, increase quality, and add value to their products; and accordingly, get a better price too.

On a technical/scientific level, **increasing producers' skills** can be a major role for cooperative enterprises. They facilitate the dissemination and adoption of relevant innovations between members, such as new fertilizing techniques, processing methods, etc. (Deininger 1995). For example, in Guatemala, the *Federación de Cooperativas Agrícolas de Productores de Café* has transferred and applied appropriate technologies and good agricultural practices which have increased farm productivity as well as the quality of coffee (UN/DESA 2009). Cooperatives can increase the competitiveness and efficiency of members (UN/DESA 2007) and offer them social recognition through the creation of new networks (Ravensburg 2009). Members rely more on solidarity to confront the risks of the markets. Cooperatives are becoming more aware of developing human and social capital (Nembhard 2004). They are described as a catalyst for entrepreneurial growth, which can develop the community in which they are present (UN 1996).

Finally, cooperatives can **enhance the power of producers to influence their policies** at local and regional levels through their union and federal structures (Empson 1984, Birchall 2004). For instance, by representing 100.000 members, the National Association of Farmers in Malawi has lobbied the government to withdraw a decision imposing a seven percent income tax on tobacco cultivation (NASFAM 2010). In many countries, the advantages and power of cooperatives are legally offered under the cooperatives' law and regulation through certain forms of exemption and tax arrangements (O'Connor 2003).

All potential roles show that producers' cooperatives can offer various socio-economic benefits for members. However, many cooperatives fail to achieve these benefits for many reasons that are going to be explored below.

#### **1.4.2. Cooperatives' tool in socio-economic development**

Cooperatives are widely cited by development planners in the discourses on rural development, poverty alleviation, and social empowerment. The effect of cooperatives in improving the living and working conditions of men and women was proclaimed long ago. Before liberalization, cooperatives were used by governments as a state-driven instrument for growth in most economic sectors. They have received public funds under national and regional development programs. This approach has limited their autonomy and reduced their impact due to a widespread political control, mismanagement, and corruption. After bringing state control to an end, international development agencies set up strategies and programs to help governments - directly or indirectly- to create a favorable environment for the development of democratic bottom-up cooperatives. The self-administration system and the participatory development component, incorporated in the cooperative model, are increasingly used by development agencies to reach local communities and enhance their living conditions. It is assumed that cooperatives have positive effects at the micro, meso, and macro-levels. At the micro-level, cooperatives can initially enhance the living conditions of their members. They can produce economic and social changes for the surrounding community at the meso-level. And finally, they play a key role in national and international development at the macro-level (ICA 2012). In fact, the plurality, equality, and solidarity that are embedded in the cooperative model protect better the interest of poor people and offer an acceptable alternative income in the market economy. The achievements of poverty alleviation, social cohesion, sustainable employment, fair globalization, and Millennium Development Goals are attributed to the cooperative enterprise model. They are widely used by development planners in the normative discourses on the potential role of cooperatives in socio-economic development.

### **1.4.2.1. Poverty alleviation**

Cooperatives offer a strategic tool to fight global poverty due to their ability to reach out to the majority of poor people in rural and urban areas (ILO 2009). In 1994, the UN estimated that cooperatives secure the livelihood of nearly three billion people, or half the world's population at that time (COPAC 1999, ILO 2000). The Asia-Pacific office of the ICA served 530 million members who benefit from services offered by cooperatives (ICA-Asia and Pacific 2008). Cooperatives are considered major contributors to the food security of poor people. In 1997, nearly one-third of all food stuffs and drinks were provided and marketed through cooperatives (Groppo 1997). For example, cooperatives were responsible for fifteen percent of national food production in Hungary, for seventy-six percent of dairy market and seventy percent of coffee market in Kenya, for seventy-five percent of fresh green vegetable production in Mauritius, for thirteen percent of the food industry's market in Latvia, for seventy-five percent of dairy production in Poland, etc (ICA 2012). The participation and inclusion found in the cooperative model are key fundamental approaches used by development planners in reducing poverty (Tchami 2007). Principles and values develop strong argument for cooperatives as a tool for poverty alleviation (Birchall 2003).

Cooperatives eradicate poverty directly by improving the socio-economic conditions of members, and indirectly by stimulating the economy and enhancing the social fabric of the communities in which they are found (UN/DESA 2005). For instance, cooperatives were responsible for nine percent of GDP in Vietnam, for six percent of GDP in Iran, for six percent of GDP in Colombia, for forty percent of agricultural GDP in Brazil, for forty-five percent of GDP in Kenya, etc. (ICA 2012). No real progress in reducing poverty can be made without the poor themselves participating in empowering and influencing their policy and productivity. In view of this, cooperatives offer an economic system in which the poor can make choices as how to improve their economic situation (Johnson 2003). They offer the institutional framework that enables members to manage the productive activities on which they rely for their livelihoods (Wanyama et al. 2009). In other words, cooperatives increase the opportunity, empowerment, and security of individual poor people to create growth and find a way to reduce their risks (World Bank 2001). "Cooperating out of poverty" fits more in local economies where the poor

live and need to transmit their voices to improve their daily working and living conditions (ILO and ICA 2005). Cooperatives sustain income and employment opportunities in remote areas where public and private initiatives are weak or absent (UN/DESA 2007). For example, in Colombia, when banks ceased to operate in conflict zones, credit unions were able to survive and provide financial service. The added value of cooperatives is found in the efficiency of getting services and using resources that are difficult to obtain, especially for the poor (UN/DESA 2005). Credit cooperatives mobilize capital for entrepreneurial activities and productive investment at a non-exploitative interest rate which avoids members' indebtedness. Globally, credit cooperatives reached seventy-eight million clients living below a poverty line of USD 2 per day. In South Africa, fifty-four percent of borrowers living below USD 2 per day were served by cooperatives (UN/DESA 2009). In Bolivia, credit cooperatives provided eighty-seven percent of all micro-credits and in Asia forty-five million people are members benefiting from a credit union (ICA 2012). For the seven member countries of the West African monetary union, cooperatives accumulated nine-six percent of mobilized savings and sixty-four percent of disbursed loans in the microfinance sector (World Bank 2007). The World Council of Credit Union served 185 million members in 53,639 credit unions (WOCCU 2008). Insurance cooperatives reduce the vulnerability of poor to economic shocks by protecting their assets and reducing risks (UN 1994, UN 1996, UN/DESA 2005, UN/DESA 2009, COPAC 1999). The International Cooperative and Mutual Insurance Federation had 216 insurance cooperatives in membership from seventy countries with an asset approaching USD 1 trillion (ICMIF 2009). In India, for instance, the integrated insurance scheme of the Self Employed Women's Association provided insurance coverage for 32,000 women workers (UN/DESA 2005). La Equidad, an insurance cooperative in Colombia, served more than 3.3 million people as members and customers (Billy and Shaw 2005). Agriculture cooperatives- by applying the economy of scale in pooling resources, by increasing exchange of services and goods, by offering technology transfer (Randriamamonjy 2002), by improving market access and bargaining power, and by decreasing the cost of production- enable poor farmers to improve their earning and productive capacities (UN/DESA 2009). Consumer Cooperatives enable poor people to purchase goods at lower prices and in case of any profits they get a share (UN/DESA 2005). In India, there were more than 25,000 consumers' cooperatives with around 700 central wholesale warehouses (Birchall 2003). In Singapore, consumers' cooperatives held fifty-five percent of the market from

supermarket purchases. In Moldova, the Central Union of Consumer Co-operatives was responsible for seven percent of consumers' market (ICA 2012). From all above we can conclude that the economic security assured by cooperatives enables the alleviation of poverty for millions of people and safeguards many millions more against falling into poverty (UN 1994).

#### **1.4.2.2. Social cohesion & integration**

From the general point of view that democratic, self-help, and voluntary organizations could increase the social capital (Fukuyama 1995, Randriamamonjy 2002), the cooperative model is used as an instrument to promote social cohesion and integration based on equality in social capabilities, increased empowerment and rights, and enhancement of access to diverse services (UN/DESA 2005). Cooperatives have demonstrated the ability to facilitate the social unity in a variety of cultural and multi-cultural environments (COPAC 1999). They are called the "*Schools of Democracy*" when they are not directly controlled (FAO 1998). They offer their members the chance to recapture authority, as they are uniquely positioned between public and private institutions. Members and non-members trust more cooperatives due to their democratic structure and the principle of concern for the community. Cooperatives are not seen as vested interest organizations that work for profit maximization (Dobrohoczki 2006). They are participatory, answer local and common needs, and help particularly vulnerable groups of people (ILO & ICA 2005) to become market actors in a context in which they have been excluded from the economy in rural markets (FAO 2009). Accordingly, cooperatives constitute the essential framework of social capital in the countryside (FAO 1996). They empower, set effective representation, and raise the voice of poor people by allowing them to organize into federations and alliances (World Bank 2001). The principle of training and education promotes capacity building and human capital investment for the development of organizational and communication skills (UN/DESA 2005). Cooperatives have proved to be a unique organizational form in building new models to combat social exclusion (ICA 2000). Child and elderly care, disabled, immigrant, health, and other social cooperatives have flourished throughout the world by responding to social challenges (UN/DESA 2002, UN/DESA 2005, UN 1996). In Colombia, for example, health cooperatives provide 30% of Colombian health services (ICA 2012). In

Burkina Faso, the Réseau de Caisses Populaires du Burkina grants loans for weddings and funerals (UN/DESA 2009). Brazil's Unimed, a cooperative health-care provider, had one third of the country's medical practitioners as members (UN/DESA 2005). Gender equality is well represented in the principles and values of cooperatives. Women, through cooperatives, are assured better economic empowerment and employment opportunities (UN/DESA 2006). In a study carried in Nigeria to assess women's participation in cooperatives, findings showed that women engaged in cooperative activities were better, in terms of productivity and economic well-being, than non-member women (Amaza et al. 2009). In India, for instance, women ran 2500 dairy cooperatives and represented eighteen percent of membership from the total dairy coop members (Ganju 2005). Credit unions allow women to manage a business and participate in the rural economy (Hussi et al. 1993, UN 1994, UN 1996, UN/DESA 2005, UN/DESA 2007).

The characteristics prove the significant role that the cooperative model could play in supporting poor members to overcome the current tendencies of social disintegration in today's market economy.

#### **1.4.2.3. Sustainable employment**

Cooperatives are significant economic actors, providing more than 100 million jobs around the world (ICA 2012, Cronan 2006, ICA 2005, Lewis 2006, ILO 2009). For example, they generated 233,000 jobs in Argentina in 2007, 160,503 in Bolivia in 2006, 123,643 in Colombia in 2009, 288,589 in Indonesia in 2004, 1.5 million in Iran in 2007, 250,000 in Kenya in 2009, 75,000 in Slovakia in 2008, etc. (ICA 2012). The ILO recognizes the fundamental role of cooperatives in generating employment in regions neglected by public and private enterprises and declares that cooperatives meet all the requirements of decent job by providing basic social protection and enabling members' voice to be heard in a democratic environment (Tchami 2007, Lewis 2006). Cooperatives' principles and values translate the role of cooperatives in delivering fair incomes, security in workplace, personal development, social protection and integration, freedom of members to participate in decisions affecting their lives, equality of opportunity, and gender equality in employment (Hertig 2008). Therefore, cooperatives place more emphasis on job

security for employee-members and employees' family members and on promoting additional income through profit sharing (UN/DESA 2006). People that faced unemployment resulting from company shutdown have succeeded in securing productive jobs by initiating their cooperatives in collaboration with their former management or with the support of local authorities (ILO 2000). In Argentina, for instance, after a severe economic adjustment in 2001, workers' cooperatives took over about 100 shuttered factories and shops keeping the businesses operating and saving more than 10,000 jobs (Jeter 2003). Cooperatives directly affect employment by jobs generated within the cooperative enterprises and indirectly by jobs that complement all cooperatives' activities such as the suppliers of inputs for cooperatives (UN/DESA 2007, COPAC 1999). Moreover, cooperatives provide an effective tool for the informal economy workers to form a legal association that could promote and enhance their employment towards the decent work that ILO calls for (UN/DESA 2008, UN/DESA 2009). One of the most successful informal sector workers' cooperative is the Self Employed Women's Association in India, which organized over 500,000 women members in a number of different ways – including trade unions and cooperatives (Billy & Shaw 2005). Through cooperatives, informal workers overcome the lack of skills offered in the education, information, and training programs implemented by governments and federal cooperatives (Hertig 2008). In Rwanda, for example, the ILO SYNDICOOP program helped informal motorbike transportation workers to organize themselves into a cooperative that provides credit, training, crime protection, and local government lobbying (Smith and Ross 2006). By offering stable jobs to local people, cooperatives decrease migration and attach members to their communities (UN/DESA 2007). Their benefits allow members to continue generating income from their self-employment such as farmers who continue growing crops due to services assured by cooperatives, and therefore, this self-employment contributes to rural community development (Hertig 2008). Finally, cooperatives can generate employment in all sectors. Financial cooperatives provide members with credit services helping to finance new projects that can also promote job creation (UN/DESA 2007). The Komak cooperative in Azerbaijan, for example, offered credits to small and medium enterprises with an average loan size of \$1,089 to expand their activities. In Uruguay, the *Cooperativa Nacional de Ahorro y Crédito* offered financial services to enterprises as they grew from marginal informal enterprises to sizable formalized companies (UN/DESA 2009). Producers' and consumers' cooperatives generate jobs in marketing, sales, transportation,

and distribution (UN/DESA 2007). In India, dairy cooperatives generated employment opportunities for around 13.9 million farm families (NDDDB 2009). Workers' cooperatives promote employment by enabling skilled members to start a common business (UN/DESA 2007). In Colombia, for instance, workers' cooperatives provided 537,859 jobs as workers-owners (ICA 2012).

#### **1.4.2.4. Contribution to millennium development goals (MDGs)**

The crucial roles of cooperatives in poverty alleviation, social cohesion and integration, and sustainable employment are well positioned to meet the MDGs - aiming to solve the problems of poverty, hunger, disease, illiteracy, environmental degradation, and discrimination of women - which were admitted in the United Nations Millennium Summit in 2000 (UN/DESA 2008). The United Nations cannot achieve their planned eight goals, by 2015, without a massive effort in participatory development through cooperatives or similar self-help groups (Birchall 2004).

For the first goal, *eradicate extreme poverty and hunger*; it was mentioned in the poverty alleviation role how cooperative enterprises get people out of poverty. Decent employment generation and food security offered by cooperatives could also help in achieving this goal. The second goal, *achieve universal primary education*, is part of the principle of education, training, and information that cooperatives are committed to applying (ICA 2007). By increasing family income, cooperatives enable children to get more access to primary schools. Moreover, where local government fails to provide primary schools, they fill the gap by using their own funds to build local schools by applying the principle of concern for community (Birchall 2004). For the third goal, *promote gender equity and empower women*, the first two cooperative principles - voluntary and open membership and democratic member control - in addition to the equality and solidarity values, offer the equal right for women to participate in the control of their organization and empower them to enroll an economic activity that ensures better living conditions. Women cooperatives in the dairy sector in India are a good example (Ganju 2005). Increasing income, providing decent jobs, women's empowerment, and the participation in food security could contribute to the fourth and fifth stated goals: *reduction of child mortality and*

*improve maternal health*. Specialized health care cooperatives are well equipped in deprived areas to provide services for children and their mothers. For example, in Colombia, twenty-four percent of all health sector jobs were provided by cooperatives that insured thirty percent of Colombian people (ICA 2007). The sixth goal, *combat HIV/AIDS, malaria and other diseases*, goes also under the health care cooperatives' services and the education principles. For instance, the Kenya Rural Savings and Credit Societies Union offered credit loans to cover medical bills and hospital fees for HIV/AIDS sufferers (Billy and Shaw 2005). In 2005, the ICA adopted a regional strategy to combat HIV/AIDS given its increased impact on workers' cooperatives that leads to lower productivity and social problems. Prevention, capacity building, and awareness were key elements in the strategy (Bibby 2006). For the seventh goal, *ensure environmental sustainability*, the main objectives are to improve the lives of 100 million slum dwellers by 2020 and to halve, by 2015, the number of people without access to safe drinking water (UN 2000). Here, cooperatives are able to rely on the solidarity value to assure safe water. Housing cooperatives that proved to be an alternative to slum clearance in the USA, UK, and Scotland could be a key tool in achieving this goal (Birchall 2004). For slum-dwellers in Central and South America, housing alternatives are being developed through the promotion of sustainable housing cooperatives with the support of the Swedish Cooperative Centre (UN/DESA 2005). Finally, the goal of developing a *global partnership for development* is well established in the principle of cooperation between cooperatives. Indeed, the cooperation between federal cooperatives in developing countries and cooperative development agencies in developed countries could achieve this aim (Birchall 2004).

In addition to the MDGs, by increasing opportunity, empowerment, and security, cooperatives could also play a major role in achieving the World Bank Poverty Reduction Strategies (World Bank 2001).

#### **1.4.2.5. Fairer globalization**

Since the 1980s, widening inequalities have been developed between the South and the North. Twenty percent of the world's population in developed countries receives eighty-two percent of

the total world income, while twenty percent of the population in developing countries only gets 1.4 percent (Panitchpakdi 2001, Culpeper 2005). Today, producers in the South have to compete with heavily subsidized food transnational companies and highly capitalized agricultural producers working in the North (Akram-Lodhi and Kay 2008).

With 1.02 billion people undernourished worldwide (FAO 2009b), globalization has not yet met its goals either for poverty reduction nor for the creation of decent jobs (ILO 2004). Any economic development unaccompanied by a sense of justice and responsibility cannot solve social exclusion problems. Instead, it may create more inequality in society (Barberini 2003). In this context, cooperatives, based on the equitable distribution of goods for members and concern for communities, could enable a fairer globalization or what is called a "globalization from below" (Williams 2007). In fact, the values, the principles, and the organizational structure of cooperatives deliver more balanced global and local interests and provide a globalization with a human face (Salazar 2005). The latest modification of cooperative principles by the ICA in 1995 strengthened the cooperative model with a new outward oriented policy offering cooperatives the opportunities to compete and prosper in their environment (Levi 2001). Combating exploitation, increasing social cohesion and integration, and alleviating poverty help in creating a more just society in the dominant global economy (Taimni 1998). Cooperatives connect the local to the national and the global, building the bridge to reduce marginalization and deprivation and the side effects of globalization (Green 2002, Salazar 2005). Under the fair trade movement, cooperatives are called vehicles for exchanging producers' goods and consumers' needs between the North and the South. They expand market opportunities and secure more income for members (UN/DESA 2007, Salazar 2005, COPAC 1995, Milford 2004, Develtere & Pollet 2005, Pirotte 2005). When it comes to corporate social responsibility, cooperatives, which only represent their members and respond to their needs with no-profit objectives, are well positioned for social involvement compared to capitalist enterprises (Cid 2004, Lewis 2006, Barberini 2005). In reality, cooperatives generate trust which is the most functional asset that private enterprises over the world try to build (Somavia 2003). In the last financial crisis, cooperatives proved to be a more resilient form of enterprise to shocks because they are not based on charity but on self-help. They increased in number, while other enterprises had to cut back (Hagen 2009; Birchall & Ketilson 2009). Credit cooperative unions experienced a rapid increase in membership and in the deposit of savings (UN/DESA 2009, UN/DESA 2008, Hagen 2009,

Birchall & Ketilson 2009). In conclusion, cooperatives offer more justice and stability in their approach to development problems in the current global economy and offer a fairer future at local, national, and global levels.

### **1.4.3. Why do producers' coops fail?**

Producers' cooperatives are facing various internal and external challenges that should be overcome in order to be able to deliver their socio-economic benefits at the enterprise level. Challenges are widespread in developing countries and can be observed in other cooperatives' categories.

#### **1.4.3.1. Internal challenges**

Capital formation and its management, known as the **horizon problem or undercapitalization**, challenge the growth of producers' cooperatives in local markets (Ferrier and Porter 1991). “The horizon problem concerns the impossibility for members to recoup the self-financed capital invested in the cooperative when their expected tenure in the cooperative is shorter than the time it takes for the stream of discounted net returns from the project to equal the initial cost of the investment” (Gagliardi, 2009). It arises when members try to raise the capital needed to invest in new services and apply the economy of scale concept. Some non-active/old members, who will not benefit directly or in the long-term, reject new investments and sometimes withdraw their initial contributed capital (Cook 1995). Other than that, low resource mobilization from members is attributed to the limited return on capital principle, the subsidized notion of producers' cooperatives in developing countries through previous governments' direct support (Von Pischke and Rouse 2004), and the limited means of poor members in contributing to capital formation (Taimni 2001). In fact, members tend to under-invest in opportunities because the received returns are less than the generated ones through the collective asset (Ortmann and King 2007). Furthermore, the complexity increases with the heterogeneity element among members who set different priorities and tend to seek their self- interest instead of their common interest (Fahlbeck

2007). This is the **portfolio problem** in which members differ in their preference for investment with various levels of risks. This point creates different perspectives regarding the purpose of the cooperative initiative and results in sub-group conflict (Nilsson 2001). For example, members focusing on a differentiated singular production prefer their cooperative to invest in one specific product, while members seeking diversified production desire that new investments reflect their on-farm diversification. The same goes for members proposing a high growth strategy which could meet new technologies and be capable of reaching out to new markets, or others suggesting a low growth strategy aiming progressively to increase product prices over a long-term objective (Plunkett 2005). The portfolio problem mostly arises when there are different generations in the cooperative. Older producers, who are mainly elected in the board of directors, tend to influence the manager to implement their own short-term objectives without being honest or accountable to the members they represent in the general meeting (Fulton and Hueth 2009).

Producers' cooperatives also face a **control problem** represented by poor governance and lack of trust between members, the board of directors, and managers. It is a widely acknowledged factor leading to cooperative dissolution (Penrose-Buckley 2007, Deininger 1995). In general, managing a group of producers with multiple backgrounds and sometimes different priorities is more difficult than managing a public or investor-owned firm. The principle of democratic member control legally gives non-active members or members with minor supplies/responsibilities the role and equal rights in decision-making that members, who are responsible for the main surpluses in the cooperative, do have. This point creates a control problem in management (Cook 1995). Moreover, managers in cooperatives have less incentive than those in private companies to implement effective governance due to the shared ownership, the heterogeneous membership (Ortmann and King 2007), their limited skills, and in general, due to low wages that result from undercapitalization (Poter and Scully 1987, Davis 1999). The most important aspect of the control problem is the use of cooperatives by local elites, rich farmers, and politicians who promote their interests and increase their power over poor members. This is a prevalent aspect that can destroy efficient membership and the potential behind the cooperative model (Lele 1981, Penrose-Buckley 2007).

**The free rider or common property problem** is also a common challenge for producers' cooperatives. Free riders are new cooperative members who receive the same benefits as initial

members without having shared in the initial investment capital (Olson and Cook 2007). The free rider problem can also happen when new members do not effectively contribute to the capital in the economy of scale approach. Therefore, this problem is a free ride on investment and benefit that affects initial members and dilutes their returns (Von Pischke and Rouse 2004). It causes the horizon problem by allowing members to avoid investing in capital for new services (Fulton and Hueth 2009). It can lead to members withdrawing when free riders join the cooperative to get higher prices for their low quality products, associated with low cost of production, at the expense of high quality products offered by old members (Penrose-Buckley 2007).

Finally, **the influence cost problem** is a cost associated with inefficient activities in which cooperatives engage to better distribute wealth or services among members (Ortmann and King 2007). Such cooperatives pay high influence and transaction costs that include the direct cost of influence and the cost of poor decisions in terms of misallocation of resources (O'Connor 2001). Accordingly, high transaction costs reduce the potential of cooperatives and could lead to a loss of confidence and members' withdrawal when an external trader, having lower transaction costs, pays more to members (Penrose-Buckley 2007).

#### **1.4.3.2. External challenges**

Since the 1980s, and mostly in developing countries, producers' cooperatives are facing the challenges of a **highly competitive liberal market economy**. Cooperatives are forced to compete with large international producers on the basis of quality and safety standards that are requested by buyers (Von Pischke and Rouse 2004). For instance, farmers' cooperatives in Latin America were urged to retreat to shrinking rural markets when changes in the food retailing systems in the 1980s put them in competition with supermarkets selling produce from highly subsidized American and European farmers (Dugger 2004). Moreover, governments that were directly controlling cooperatives before liberalization have stopped their support and subsidies under the market economy (Bosc et al. 2002). Therefore, producers' cooperatives found themselves having lower levels of support and were urged to participate in a global economy. They are challenged to take more pro-active roles in marketing, upgrade their organizational

structure, and increase their integration within the value chain (Cook and Plunkett 2006). From an alternative point of view which supports the liberal environment, the market economy could be seen as an advantage to locate new niches or new marketing channels and more innovations in production and distribution from which cooperatives could benefit and provide more feasible services (UN/DESA 2007, Dash & Sen 1998, Davis 1999). In fact, this is the objective of fair trade agreements that try to remove international market challenges by favoring North-South opportunities (Hiscox 2007). For example, Green and Black's chocolate company in the UK signed a fair trade agreement with Toledo Cacao Growers Association, a farmers' cooperative in Belize, to buy the entire cacao that members can produce at a price higher than average market prices (Global Exchange 2007). Furthermore, globalization can rapidly disseminate the message of cooperation and increases cooperatives' power, but members need to ensure that principles are applied on the basics of democracy, equality, and equity (Rodrigues 2001).

Next to the market competition, an **unsuitable national environment** in terms of legislation and roles that cooperatives could play also presents a real challenge for producers' cooperatives. They cannot deliver their benefits without an enabling legal, regulatory, and policy environment that assures their autonomy. Governments must see cooperatives as productive actors and not an instrument of policy or a tool to implement donors' agendas (World Bank 2007). In many situations, the support of governments has not been productive and has been mainly for political reason rather than the aim of enhancing cooperatives' performance in the market economy (Hussi et al. 1993).

The question that arises now is how could these internal and external challenges be overcome? The following section explores how members could plan and act to achieve their objectives while respecting the principles and values of cooperatives.

#### **1.4.4. Prerequisites for success**

Despite the low support for cooperatives and the increased market competition of globalization, as well as the internal challenges, cooperatives are still offering considerable benefits for members and the cooperative movement continues to play an economic and social role at the

global level. Applying the pre-requisites for success is essential to cope with the challenges of cooperatives. The pre-requisites are classified according to the challenges they could resolve. Hence, internal and external pre-requisites are distinguished.

#### **1.4.4.1. Internal success**

Internal challenges are mainly constituted by members seeking different interests inside an enterprise that should represent all of them, as well as a control problem of dealing with a heterogeneous membership and a widespread ownership. Internal pre-requisites for success emphasize the original objective of cooperatives, the importance of principles and values, and the necessity of good governance.

First, cooperatives are established to respond to common needs as described in their definition. Therefore, **answering producers' needs** in an efficient way is an essential key for success. If cooperatives offer services that do not address the purpose of initiation, there will be no need for cooperation and the initiation of an economic productive enterprise. Internal and external challenges will certainly lead to a failure. From this point, sharing a common problem in addition to identifying a common future in the initial phase of cooperation can lead to a success among a group of motivated producers (Jones 2004, FAO 1998). What follows is the generation of capital that should be also based on common needs (COPAC 1995) and the ability to offer members a better economic situation by supplying feasible services and goods (Hanel 1992, USDA 2002). A precondition of potential benefits for producers is a clear indication for successful cooperation either by increasing production or by improving market access (Shepherd 2007). Accordingly, the early achievement of economies of scale is a key factor in the initiation phase (Brazda and Schediwy 2001). Homogenous groups are more likely to succeed in cooperation if they share common needs (IFAD 2001). Cooperation between poor and rich producers tends to fail because the latter are more likely to receive the benefits of the coop (Coulter 2006, Baland and Platteau 1999). Cultural homogeneity presents successful conditions for a cooperative initiative (Becker and Ostrom 1995). Relying on members' own financial resources is crucial to activate membership and accordingly, to select producers' essential needs (Stringfellow et al. 1997).

Cooperative entrepreneurship in answering common needs increases the spirit of economic cooperation and the chances for success (Tchami 2007).

Second, **applying the principles and values of cooperatives** can enhance the relationship between members and their environment and can lead to success. The growth of producers' cooperatives is linked up with the values of solidarity, self-help, equality, and equity, and with the principles of democratic control, member economic participation, etc (UN/DESA 2001). The right of members to control ensures that capital is only utilized to achieve the enterprise goal (UN 1996). Ignoring principles and values due to a lack of awareness is one of the main obstacles toward the development of cooperatives (Tchami 2007). Consequently, the education and training of members around cooperative principles and values - indispensable in the statement on the cooperative identity - is essential for cooperatives to thrive (UN/DESA 2005). This is mostly needed in developing countries to fill the gap left by the government withdrawal after liberalization (FAO 1996). Principles initiate trust and confidence among members and help to develop interpersonal relationships that enhance social capital and put away the vested interests of individual members (Jones 2004).

Third, initiatives for **strong members' participation** are considered an important stimulant for cooperatives' success (Tchami 2007). No membership organization is sustained for a long time without the strong participation of its members (UN/DESA 2005). Developing a sense of ownership, adopting good communication skills, and linking participation directly to members' livelihoods are effective approaches (Williams 2007). Moreover, participation should be encouraged by the necessity of making a financial contribution to investments, by having a decision making role in the general meeting, and by sharing the benefits generated in terms of surpluses and joint services (FAO 1998). A positive correlation is demonstrated between capital contribution, member control and participation on the one hand, and the success of cooperatives in the market and their growth on the other hand (COPAC 1995).

Finally, an **efficient organizational structure** is essential for good governance in producers' cooperatives. The board of directors should be fully accountable and committed to the vision of the cooperative's social and economic purposes selected by the general meeting (UN/DESA 2005). At least one member of the board should have leadership skills and the ability to represent the remaining members. Cooperatives' managers should be motivated, dynamic, and able to plan

and implement the policies of members (FAO 1998). They must at least apply what other business managers do i.e. in terms of strategic management plans (Tchami 2007) that enable cooperatives to compete in their environment and better serve their members (Trewin 2003). Strong workers-members interaction in addition to a sense of ownership increases the potential of success (Williams 2007). Managers and workers must know what is affecting member's ownership interests and try to protect it (USDA 2002). They should be familiar with the principles and values of cooperatives. This will facilitate their dealings with members who are users and owners in the same time. Cooperatives can thrive more if they are led by entrepreneurial cooperators and managers with an understanding of cooperation and the ability to create innovative services (Tchami 2007). External assistance in the form of leadership management and finance training are needed as a step toward voluntary and self-reliant cooperatives in developing countries (Lele 1981, Barham 2006).

#### **1.4.4.2. External success**

To compete and prosper in today's market-based economy; producers' cooperatives should adopt and implement innovative strategies targeting their external interaction within their environment. Otherwise, it is difficult to continue delivering feasible services. A suitable environment is necessary to achieve these strategies.

First of all, the initial success of cooperatives requires a great deal of **support from the community**. It is impossible to operate a cooperative without involvement and inclusion within the community in which it works (Williams 2007). In order to survive, cooperatives, which reflect the cultural and political backgrounds of members, must build good networks and relationships with their societies (Laidlaw 1987, UN/DESA 2005). Successful cooperatives have ensured good communication through the formation of advisory committees, communication centers, and ordinary publicity (Williams 2007). The most important is that cooperatives should avoid political or any external influence that threatens their democratic control and makes them dependent. Otherwise, they might end up realizing the aims of the controlling agent and not their own common interests (UN/DESA 2005).

Second, cooperatives need a **supportive environment** in order to thrive. They can only induce members' socio-economic development if provided with an appropriate legal and policy environment in which genuine cooperatives can work (COPAC 1999, FAO 1996). Freedom to operate without undue restrictions on management and business activities should be ensured (Hussi et al. 1993). A positive government policy is needed by detailing the role of cooperatives in their societies and recognizing them as a legal and distinct form of economic enterprise that has the flexibility to act as any other autonomous organizations (UN/DESA 2005). International development organizations advise governments to stop seeing cooperatives as vehicles for the injection of financial political aid, to promote their growth by removing legislation that limits their operations, and to allow them to merge activities and invest across national boundaries (FAO 1996, UN/DESA 2005). Furthermore, governments should provide an adequate physical infrastructure in terms of pricing policies, storage facilities, technology development, investment in infrastructures, and improved market intelligence (Lele 1981). Accordingly, it is very effective to build a strong partnership between the government and cooperatives, such as a special unit designed to promote cooperatives while respecting their autonomy and democracy (Tchami 2007, UN/DESA 2005).

Finally, **increasing unity between cooperatives**, as cited in the statement on the cooperative identity, plays a significant role in achieving external success. A network of homogenous cooperatives can drive higher member benefits and enhance the spirit of belonging to a movement (Brazda and Schediwy 2001). A strong umbrella organization (apex or federal) that actively cooperates with international apex organizations is a fundamental element capable of decreasing or removing the higher transaction costs of newly established cooperatives (UN/DESA 2005).

#### **1.4.5. Performance of cooperative enterprises under Neoliberalism**

In the earlier parts of this section, the normative potential roles of cooperatives and their challenges at internal and external levels were presented. In addition, the key theoretical prerequisites for success were highlighted under perfect markets. This part explores the general performance of cooperative enterprises under Neoliberalism. It relies on empirical literature to

analyze how cooperatives in today's neoliberal conditions are capable of doing business, similar to their capitalist counterparts, and also capable of keeping a balance between their economic and social identity. It starts by locating their market position compared to other firms and detailing the main differences that affect their performance. Then, it explores the persistent challenges preventing cooperative enterprises from active competition in today's market economy and concludes by presenting proposed solutions and current adaptations.

Under Neoliberalism, cooperatives are considered private organizations involved in businesses that fall under the social economy. They are part of the third sector or non-profit sector addressing socio-economic initiatives that the private and public sectors do not appropriately address. Cooperatives provide a vital model for rural development. They are needed to group small producers in order to increase their power in a highly competitive market (Kangayi et al 2009, Hudson 2009). The roles designed for cooperative enterprises under Neoliberalism are included under the two liberal cooperative ideologies: the School of Modified Capitalism and the Cooperative Sector School. The question that arises is why cooperatives under Neoliberalism are seen as different third sector private enterprises. It is because, unlike their capitalist counterparts which aim to maximize profit that is equivalent to the enterprise's values, the goal of cooperatives is the maximization of profit by members and not the overall wealth of the cooperative unless it is reflected in increasing income for members (Miller 1990). Moreover, it is because of the difference between common good and total good. The common good is the aim of the social market economy, while the total good is the aim of the capitalist market economy, i.e. the profit motive. "While the total good is the largest benefit for a limited number of individuals on the basis of their share in capital, the common good in cooperatives is like a product in which the multipliers are the good of individuals or groups" (Zamagni and Zamagni 2010 p.9). This point highlights the socio-economic difference in identity for cooperatives- the social side of an enterprise that seeks meta-economic aims and generates benefits for members and for the community, and the economic side of an enterprise that should be viable within the market and accept its logic. These differences or characteristics and what they generate in terms of difference in ideologies are challenging the competitiveness of cooperative enterprises under Neoliberalism. In fact, underinvestment or undercapitalization, mentioned above as the horizon problem, is the main persistent challenge affecting the priority for growth that is considered a main pillar of the market economy. Whenever the time horizon of the majority of coop members

is shorter than the economic horizon of the investment, the democratic member control principle produce sub-optimal investment strategies and progressively contribute to the exclusion from the market (Gagliardi 2009). Moreover, investment in cooperatives is less attractive to members due to its inflexibility and its inability to spread the risk that, in the event of bankruptcy, members lose their income/benefits as well as their capital. When external financing solutions are proposed, private banks have no incentive to lend to cooperatives. By themselves seeking profit maximization, banks consider cooperatives a bad investment and prefer lending to capitalist firms (Miller 1990). Peter Lindsay mentioned that the market itself has not provided a feasible solution to the investment problem of cooperatives. And when no investment is secured for growth, it is extremely difficult for them to compete with their counterparts and produce similar or higher efficiency (Lindsay 2005). Accordingly, when cooperatives are analyzed in comparison with capitalist enterprises, most empirical evidence shows a lower profitability rate, lower growth rate, and lower efficiency. Cooperatives have lower return on equity, lower leverage, lower effective capital structure, and lower market share. They are technically less efficient due to the horizon, portfolio, free-rider, non-transferability, and control problems. In a study of the US milk processing plants, cooperatives were only seventy-five percent as efficient as capitalist enterprises and they could increase their output by thirty-two percent without the need to add extra inputs. Under optimal situations, most studies have outlined similar return on equity, a high level of technical efficiency, and significant higher asset efficiency than capitalist enterprises (Soboh et al 2009, Putterman 1993).

Given this lower performance, technical suggestions as well as adaptations provide solutions to the current status of cooperatives under Neoliberalism. For the underinvestment challenge, Stefano Zamagni and Vera Zamagni proposed a market for membership rights. The ability to invest would increase and be more attractive when retiring members could receive the current value of future earnings by selling their membership to a new member or to current cooperative members. Likewise, they suggested increasing members' shares in cooperatives for further group investments instead of distributing surpluses for individual investments. On the other hand, a better communication line between workers and members, in addition to a commitment to practice equity to prevent exploitation, were recommended to manage the control problem in cooperatives (Zamagni and Zamagni 2010). Francesca Gagliardi proposed external financing sources via financial institutions as a measure that allows cooperatives to flourish and succeed.

These institutions can regulate the problem arising from the credit market failure and open more opportunities by convincing other financial institutions that have scarce experience to lend to cooperatives (Gagliardi 2009). Other suggestions that favor the position of cooperatives in the social economy sector consider the social rationality of members seeking non-commodity base benefits in parallel to economic benefits. The charge of lower efficiency is compensated in cooperatives by the democratic control and equity base (Miller 1990). Some cooperatives have chosen an adaptation reform in order to withstand local and external competition favored by today's market economy. The process of adaptation is called isomorphism or de-cooperativization. It is the tendency of large cooperatives to modify or adopt different institutional structures or practices in order to increase their efficiency via their capitalist counterparts (Fernandez 2006). Roger Spear has identified four main trends (Spear 2004):

1. Adaptation of the cooperative model: they are legislative reforms opening doors to facilitate market operations, for example, non-voting shares for a financial member, voting rights counted according to members' investment capacity, and altered membership rights to include financial partners as members.
2. Separating the economic and social identity: in this adaptation, the aim is to create separate objectives for users and members. For instance in consumer cooperatives, coop members receive the benefits of the social identity in addition to the benefits of the economic identity, while non-members' consumers (users) only receive the benefits of the economic identity. .
3. Hybridization: a new trend to utilize capitalist structures as a form of owning share based subsidiaries (commercial corporations as a flexible form of growth) or to merge economic activities via a joint venture with capitalist enterprises.
4. Degeneration of the cooperative model in three different ways:
  - a. Principal degeneration: where membership becomes restricted and employees are hired to maintain a higher income for members
  - b. Goal degeneration: where the goal of the cooperative becomes similar to any small capitalist enterprise
  - c. Organizational degeneration: where the democratic control becomes dominated by few members.

As a result of these trends, Ray Hudson has indicated that cooperative enterprises increasingly look like and behave like capitalist enterprises. Large cooperatives are shifting from democratic decentralized decision-making to centralized decision-making dominated by professionals and market analysts and accompanied by a reduction in members' participation as well as their rights and obligations (Hudson 2009). The relationship of members in cooperatives starts to resemble a simple clients/suppliers relation. Accordingly, democracy is often changed into bureaucracy (Corby 2010).

In conclusion, Neoliberalism has produced two distinct cooperative models where the choice is left for cooperators. Members either choose to accept a reduced efficiency with non-commodity base benefits or otherwise to progressively lose the social side via the new updated structures that very closely resemble capitalist enterprises.

#### **1.4.6. Corruption, development, and cooperatives**

Despite the useful role of cooperatives in inducing socio-economic development as analyzed in the different parts of this section, there is evidence, mainly in developing countries (Wanyama 2012, Shaw 2006, Develtere et al 2008), that cooperatives did not contribute to local development and hence creating less production, lower economic growth, less equality and equity, and increased poverty. The potential of cooperatives and their key role in development has, in many cases, showed serious imperfections and lower expectations. Corruption, being expressed in mismanagement, misuse of development funds, self-interest replacing the common interest, and use of cooperatives for political ends, etc., has been a common aspect for cooperatives. In critical literature, cooperatives are described as organizations that have been effectively taken for the benefit of few individuals with a high level of corruption and a lack of trust among members and between members and the board of directors (Fulton et al. 2003).

Assuming that corruption tends to be minimal in cooperatives where members rely on their own economic participation and their democratic control in achieving their common interests, this part explores the corruption in cooperatives that have received development aid donated either by local governments or by development agencies. Controlling corruption at the enterprise level

would offer cooperatives a real chance to survive in today's market economy and make the aid intended for the development of cooperatives more efficient and sustainable. The degree of aid corruption via producers' cooperatives would be significant unless corruption practices were controlled in agricultural development projects. Agricultural cooperatives received one percent of the global agricultural aid between 2005 and 2008. Veterinary services, financial services, and agrarian reform received the same percentage during the same period (Islam 2011).

This part starts by defining corruption and how it could be manifested inside cooperatives. Then, it relies on empirical literature to show cases and types of corruption in cooperatives around the world and ends by listing measures taken by development agencies to restrict corruption in development initiatives.

No single definition of corruption seems to cover the perspective of different disciplines or the context in which it happens (Ware and Noone 2003). The globally adopted definition is the one developed by the Transparency International, the organization leading the global coalition against corruption. It defines corruption as "the abuse of entrusted power for private gain" (Transparency International 2012). Other definitions reflect the same meaning such as "the abuse of public power for private benefit or profit" (Webster 2008); "use of public office for private gain" (Ware and Noone 2003); "the abuse of entrusted authority (public or private) for illegitimate private gain" (Boucher et al. 2007). In the context of corruption in cooperative enterprises, "the violation of common interest for the sake of special interest" (Hamer 1981), as a definition, reveals the self-benefit of individual members in pursuing their self-interest at the expense of group interest. For the corruption in development aid while relying on the cooperative tool, a practical definition is adopted by the International Fund for Agricultural Development (IFAD) as follows: "Offering, giving, receiving, or soliciting directly or indirectly of anything of value to improperly influence the actions of another party" (IFAD 2005). This definition broadly differs from others in the sense that it covers all the activities carried out under development projects such as the selection of beneficiaries, procurement, design of efficient interventions, etc. Therefore, a cooperative which accepts to receive any support that will not influence properly its activities in terms of direct members' benefits is considered to commit a corrupt practice that would result in money wastage and inefficient impacts. Equally, if development agencies support

cooperatives to apply inappropriate activities that would not contribute to members' socio-economic development, they will also be considered as committing a corrupt practice.

Moving to the empirical literature, the corruption of cooperative enterprises has been widely reported. After the liberalization of cooperatives in the African continent, most cooperatives collapsed in a short time period due to corruption and associated mismanagement. In Zimbabwe, corruption, embezzlement, misuse and sabotage of collective properties were the prevailing culture in the day-to-day operations of most cooperatives. Chairmen and committee members, who controlled funds, have replaced common public support into family and personal use (Bernard et al. 2008). In Sierra Leone, like other initiatives implemented under the agricultural development strategy before and after the end of the civil war, cooperative enterprises, have mismanaged development funds due to rampant corruption. Attempts by the government and development agencies in mobilizing cooperatives to induce rural development have not worked out. Cooperatives have proved to be ineffective as a tool for rural development and income generation (Osusu and Iyede 2008). In Kenya and Uganda, a large scale of corruption after the complete withdrawal of the state control has paralyzed cooperatives. Most of them have failed to hold board members' elections, have issued illegal payments, etc. (Shaw 2006). In Tanzania, the image of cooperatives has become negative. They are stuck in the past, unable to stand out in modern economic realities. Their image is dominated by corruption, poor administration, and weak business practices (Bibby 2006). In the Tigray region in Ethiopia, cooperatives have witnessed a considerable crisis. Members have become doubtful about the potential of cooperatives in inducing socio-economic development. Corruption has inhibited the development of cooperatives and negatively affected their performance (Mahmud 2008). There is a general consensus that cooperatives across all Africa have mainly collapsed after state withdrawal due to corruption (Wanyama 2012). Moreover, another consensus across developing countries is that credit cooperatives, which were used as credit channels in rural areas, showed after liberalization a wide inefficiency, corruption, and the breakdown of the whole credit network (Seibel et al 2005, Shaw 2006).

The examination of corruption practices has shown multiple aspects reflecting the abuse of common interest for individual private gain. The main reported practices are the following:

- Misuse to pursue political aims: the control of cooperatives by local political elites or board members (Lele 1981, Throp et al. 2005, Bernard et al. 2008, Kwapong and Korugyando 2010). This challenge has created a patronage based corruption. The scarcity of resources has been manifested in a patron-client relationship as a mean of socio-economic survival (Satgar 2011, Hamer 1981). Factional conflict among members distracts them from the achievement of their economic objectives (Crawford 1997). In Gujarat, in western India, factions in cotton cooperatives have subordinated their political interests to cooperatives' business interests. The distribution of dividends tends to become a "bone of inter-faction contention". This situation has increased the role and impact of the state government in cotton cooperatives politics (Rajaram 1999).
- A tool to receive government/donors support: instead of initiating private companies, cooperatives were largely preferred by members having family ties to take advantage of special benefits granted by the government such as tax exemptions and preferential treatment in awarding contracts or the advantage of available funds for local non-profit organizations donated by development agencies (Ellner 2010).
- Benefit to non-members and restriction of membership: a common practice in cooperatives is the tendency to market from non-members who can offer lower prices than members for several reasons, in particular the scale of production and the use of agricultural machineries. These cooperatives shift to answer traders' needs seeking a lower price and not members' needs aiming to receive a better price. Also, one common feature is the restriction of membership after receiving development aid. It is related to the fear that more members will lead to the dilution of the value of each member's share (Holtland 2011).

Empirical literature lacks in-depth detailed descriptions or examples of corruption practices that may happen when cooperatives receive development aid. The limitation of the literature is not only at the level of internal practices between members, but also at the external level when building partnerships with the government and development agencies. Examples of corruption practices are the following: unpaid use of cooperative services for some members, privatization of coop donated projects (ex: a cold storage facility) for one member at a very low cost that will not even generate the return on investment, receiving financial support from politicians during

elections, private use of donations and control over resources by the coop chairmen, coop members getting no direct benefits from coop services (a teacher in an agricultural coop), government intervention in selecting affiliated coops to receive development aid, direct management by development agencies of projects donated to cooperatives and for their own financial benefits, bilateral organizations asking politically affiliated NGOs to support cooperatives for politically affiliated groups, etc. What is also still a gap in the empirical literature is the increased tendency of cooperatives to commit corrupt practices when they are heavily promoted during post-war reconstruction and development phases such as the case of Lebanon and Sierra Leone.

Corruption practices in cooperatives are being progressively managed by local governments and development organizations. Anti-corruption measures are taken into consideration in the different phases of agricultural development projects. For instance, in 2005, the IFAD issued a new policy to prevent and combat fraud and corruption in its activities and operations (IFAD 2005). Preventing corruption in cooperatives goes also under the United Nations Convention against Corruption which came into force in 2005 and is the first international cooperative initiative to prevent and combat corruption based on a broad international consensus (Argandona 2007).

### **1.5. Importance of studying producers' cooperatives in Lebanon**

Studying the performance of producers' cooperatives in Lebanon presents a unique model that would be hard, with all its combined characteristics, to find elsewhere in the world. These characteristics may challenge the development of producers' cooperatives or offer them appropriate opportunities for growth and increased performance. The main characteristics are the following:

- Liberal or ultra-liberal economic policy: cooperatives in Lebanon have never been controlled or operated by the government such as in African states. Since independence, the *laissez-faire* Lebanese economic policy has enabled cooperatives to operate in the market without restrictions, similar to capitalist enterprises. The minimalist state role,

which favors the development of private initiatives, necessitates the availability of alternative economic enterprises that can group small producers under a common interest concept and progressively improve their socio-economic conditions.

- Weak agricultural sector: agriculture is the weakest sector of the Lebanese economy. Its contribution to GDP growth is progressively decreasing. It has also the lowest generation of job opportunities. It has several structural challenges including the small size of holdings, part-time farming, and land fragmentation. Other challenges include technical difficulties, low marketing efficiency, and credit availability for small producers. These challenges coincide with a liberal agricultural policy, low public investment, and high trade deficits. All these characteristics make cooperative initiatives an interesting tool for agricultural development. In fact, cooperatives in Lebanon are the only legal institutions through which producers' can group their efforts.
- Civil war and Post-war reconstruction: the cooperative sector in Lebanon has survived a peace period after independence, the fifteen-year civil war, and the post-war reconstruction. These different phases have affected positively and negatively the performance of cooperatives. The role of cooperatives is essential in the production sector that received the lowest budget in the government reconstruction plan.
- Extensive support from development agencies: the minimal role of the government in the agricultural sector is compensated by an extensive support from development agencies. The impact of development aid on the performance of cooperatives is an important aspect to be explored for further interventions.
- Highly political influence: the nature of the sectarian policy in Lebanon gives politicians and local elites control over major public resources and power to direct support to their affiliated groups. Moreover, the initiation of non-governmental organizations by political leaders legalized their role in socio-economic development and accordingly their reliance on legal tools such as producers' cooperatives. The effect of such practice in favoring corruption in producers' cooperatives is also an interesting aspect to explore.

Findings of this research will show the combined effects of all these characteristics on the performance of producers' cooperatives in Lebanon.

## 1.6. Research design and methodology

In order to understand whether the political rhetoric surrounding the role of cooperatives in agricultural sector development after the end of the civil war in Lebanon corresponds with how producers view the benefits and problems in their cooperatives, this section outlines the chosen methods to answer the following research questions:

1. What is the nature of post-1992 Lebanese agricultural development policies and how does the support of producers' cooperatives fit into it? How far does this support benefit the development of the agricultural sector?
2. Are producers, who are the ultimate target of policies, getting benefits of their membership in cooperatives and recognizing the positive impacts of cooperatives? Or, to what extent are cooperatives improving the socio-economic conditions of producers?

These research questions are targeting two main populations. The first population represents development planners, the government and development agencies, which rely on the cooperative model to develop the agricultural sector in Lebanon. The second population is the producers' cooperatives represented by the board of directors and individual members in the general meeting. Accordingly, the data for this research will be generated from different agricultural policies and project documents that were planned and implemented after the end of the civil war and will be coupled with semi-structured interviews for both populations.

The overall approach of the thesis is to compare the performance of producers' cooperatives from the perspective of these two populations. For the first population, the role attributed to cooperatives in agricultural policies and the role of the government in enabling cooperatives to meet their objectives will be analyzed. The outcomes of the selected cooperatives' development policies after the end of the civil war will be elaborated. Moreover, the role of cooperatives in development agencies agenda, the activities of development agencies in promoting the development of cooperatives, and the impacts of the projects implemented with cooperatives will be examined to reveal the effectiveness of producers' cooperatives in Lebanon from the perspectives of development agencies. For the second population, cooperatives represented by the board of directors and their members will be studied by looking to their adherence to the

normative practices of cooperatives, in particular the initiation process, the source of owned assets, the application of principles and values, the application of the specific organizational structure of cooperatives, the existence of the pre-requisites for success, the avoidance of common challenges, and the supply of potential role/benefits.

The empirical research was conducted across Lebanon where I have interviewed respondents from both populations over one year period extending from September 2010 to September 2011. After detailing the methods used for fieldwork, I explore in this section my adjustment to the field in addition to the issues of access and trust within the field.

### **1.6.1. Policy study**

To answer the first research question, a macro study was carried out to analyze the main discourses and political rhetoric on agriculture, development, and cooperatives after the end of the civil war in Lebanon. Several units of analysis have constituted the baseline for the main secondary data that were published by the key actors of the first population, in particular the MOA, the Directorate General of Cooperatives (DGC), donors (multinational and bilateral), and non-governmental organizations (international and local). Units included the following: newsletters and websites, statements, project reports and their evaluations, development strategies for reviving the agricultural sector. A snowballing sampling method was used to find related documents. Materials were checked to locate statements and arguments related to economic and agricultural development interlinked with the producers' cooperatives theme. This was the coding frame in the policy study. The strategic plans for the development of the agricultural sector after the end of the civil war were the key documents used to evaluate the role attributed to producers' cooperatives by the government. A significant number of documents were accessed through the internet. They were collected from the homepages of government institutions, development agencies, and internationally acknowledged institutions such as the UN and the WB.

Materials were coupled with semi-structured interviews that were carried out with different actors when it was possible and useful. By relying on the semi-structured interviews, I was able

to focus on the interest of my research and at the same time on issues that my respondents considered to be more interesting or important. I did not use a specific order for my questions. Instead, I always tried to start with simple and introductory questions and then moved to more complex ones. I interviewed all regional managers of the DGC and the Minister Consultant for the development of the cooperative sector (in particular producers' cooperatives). For development organizations (donors and NGOs), I selected my respondents on the basis of their level of influence on the public sector in accordance with the size of their budget allocated for interventions through cooperatives. I intended to cover multinational and bilateral donors, intergovernmental organizations (IGOs), as well as international and national NGOs. My personal experience in agricultural development across Lebanon and my field networks facilitated the selection procedure. During interviews, questions which are detailed in Annex I and II for different actors were indirectly asked. Questions were divided into two major themes: the support of cooperatives by different actors and the associated development policies. In concrete terms I wanted to know where, why, and how cooperatives serve different actors in their intentions to develop the agricultural sector in Lebanon. What problems could cooperatives solve and what problems they were not likely to solve? What do the government and development agencies hope to achieve by promoting the cooperative tool?

The snowballing method offers the possibility to reach the most related information with the least cost and time. One respondent or document led to other related respondents or documents and so on. Snowball sampling is set within the link-tracing sampling methodologies (Spreen 1992) which take advantage of relations of identified interviewees or documents to provide the surveyor with a good set of potentially related information (Thomson 1997). Content analysis methodology was used to analyze interviews. Discourse analysis methodology was used to study the secondary collected data. Content analysis is defined as a research technique for the objective, systematic, and quantitative descriptions of the manifest content of communication (Rubin and Babbie 2009). It is a technique for making inferences from a local text to its social context in an objectified manner (Bauer 2000). However, discourse analysis is nothing more than a deconstructive reading and interpretation of a problem or a text (Powers 2001). In this technique, discourse analysts are interested in texts in their own right, rather than seeing them as a mean of "getting at" some reality which is deemed to lie behind the discourse –whether social, psychological or material. Therefore, instead of seeing discourse as a pathway to some other

reality, discourse analysts are interested in the content and organization of texts (Gill 2000). Simple descriptive statistics, in the form of percentage and correlations, were used to present and quantify the collected data.

### **1.6.2. Study on cooperatives' status and producers' opinions**

To analyze the status of cooperatives in inducing the socio-economic development of producers, ten cooperatives from each of the four different agricultural regions in Lebanon were studied. To select these cooperatives, I used the last index published in 2008 by Partners for Development in coordination with the DGC (PFD 2008). Eighty-eight percent of producers' cooperatives were classified under the production/agricultural sub-sector (plant, animal, and processing) and the remaining twelve percent under the fishery and beekeeping sub-sectors. Therefore, my sampling strategy was saturated by randomly selecting eight production/agricultural cooperatives, one fishery, and one beekeeping cooperative from each of the four agricultural regions. In total, forty producers' cooperatives were surveyed in this thesis.

The sample frame of my study is constituted of all producers' cooperatives that were established after 1990 by the DGC. A first stratification, on the basis of different agricultural regions, was carried out to ensure covering Lebanon and to check if there is a difference between the regions due to the involvement of different actors or due to any agro-ecological variables. Then, in each region, a second stratification at the sub-sector level (production, fishery, and beekeeping) was conducted to explore producers' cooperation regarding the characteristics of their agricultural systems. Random sampling at the sub-sector level was performed.

Semi-structured interviews were used to collect the data in this part of the study. Instead of giving my respondents a list of standardized questions, I tried to consider, rephrase, and re-order the questions so that I could get the most information related to my subject. Interviews with the board of directors of each cooperative were performed to explore the reasons for cooperation, services offered, problems, activities, and the relationship with members. Questions detailed in Annex III were explored. In concrete terms, I wanted to know if the selected cooperatives were real coops or in name only, established to seek development and political aid.

To explore different producers' opinions, a deeper study for each cooperative at the producers' level was conducted to capture the reasons behind membership and the benefits of cooperation. Three producers, selected randomly from the list of members of each cooperative, were interviewed. Questions detailed in Annex IV were explored. Moreover, in the same working area of each cooperative, one or two producers who were not members and chose not to join cooperatives were interviewed. I wanted to discuss their decision not to join a local cooperative. Questions are detailed in Annex V.

Content analysis method was used to analyze interviews in each region. Simple descriptive statistics, in the form of percentage, correlations, etc., were used to quantify the role of producers' cooperatives in different regions, sectors, and across Lebanon.

### **1.6.3. Getting in the field**

My access to the field was not difficult. I am a Lebanese citizen familiar with the different agricultural regions in Lebanon and an agricultural engineer with a scientific experience in agricultural extension and cooperative enterprises' development. My eight years technical experience in agricultural development projects across Lebanon also facilitated my fieldwork. My scientific and technical experience encouraged my respondents to detail and specify their answers. Moreover, having a good network in the agricultural sector, i.e. the MOA, fellow agricultural engineers, farmers, and development agents, allowed me to reach easily all my respondents. I did not put too much effort to cultivate trust with my respondents. Respondents have clearly shared their problems, challenges, failures, as well as their achievements. They did not exaggerate their answers and views whether in success or in failure in front of someone knowing essential issues related to the field. Indeed, without being Lebanese and having such experience and personal connections it would have been very difficult to carry out this research.

Most of my interviews were previously fixed through phone calls or emails. First, I introduced myself as a research student and then explained the reason for carrying out my interviews. When the person in charge, either the cooperative chairman or program manager, showed no interest due to lack of time, I asked them to recommend someone linked to the subject and well informed

about the situation of the cooperative or the program activities. Sometimes, friends working for the development agencies that I wanted to interview introduced me to the person in charge of the agricultural department. In two cases, agencies refused to receive me even after being introduced by a friend. In this case, I relied on the available secondary data to explore the work of these agencies with producers' cooperatives.

Once the appointment was fixed, I arrived on time as decided. In many cases with cooperatives, a friend, originating from the area where I carried out my interview, joined to help break the ice of the first contact and assure trust. With producers, I also planned to wear something similar to what they wear so they would feel comfortable to exchange information. When some respondents were not ready, I proposed the choice of delaying the meeting or rescheduling it. Only one meeting was rescheduled. For board members and individual producers, I started with a general discussion about agriculture such as the previous harvest and its profitability, the problems encountered during the season, etc. I intended first to exchange interest in the sector. Sometimes I gave farmers technical extension recommendations; for instance the control of diseases and insects or processing methods. This helped me collect from my respondents the main problems they have encountered because they believed I might be able to offer solutions later. However, I faced one major challenge with my board members' respondents. During my fieldwork, the MOA declared its intention to dissolve non-active/dormant cooperatives. Therefore, members in the board of directors thought that I may be gathering data for the ministry. In this situation, I induced trust by explaining that the ministry would only inform these cooperatives to revise their annual balance sheets and update their status and that my visit was not linked at all to the ministry work. I even showed my university ID as a proof. With development planners, I shared a short history about my scientific background, my employment history, and my decision to go for a PhD. This information reflected an internal position in the sector. Respondents went directly to the description of their interventions with cooperatives and elaborated the role of cooperatives in socio-economic development.

Although I prepared semi-structured interviews, I intended not to impose a questions-answers atmosphere. After presenting a general description of my study, I gave the floor to respondents to express their points of view about their cooperatives or their activities with cooperatives. I listened to them carefully and showed respect for their opinions and views, even if I disagreed

with them. I tried to show them that my experience in the sector was in no way superior to their own. I also avoided interrupting my respondents when they were developing their stories, even when these stories were perhaps irrelevant to my research. I waited for them to finish and then redirected the discussion to the purpose of the study. My questions were short and clearly directed to the information I am interested in. After finalizing all my questions, I asked the participants if they would like to add any issues or stories. When nothing was added, I showed appreciation for their time and valuable information. This is the way all my interviews were performed.

#### **1.6.4. Method modifications based on field findings**

From the index of cooperatives, I stratified cooperatives upon regions and the three selected sub-sectors (production/agriculture, fishery, and beekeeping). Then, I carried out a random sampling and selected cooperatives to be interviewed. I started my fieldwork in the Bekaa region.

However, after interviewing several cooperatives, I found myself facing a real problem. Many cooperatives were dormant and had nothing to report in terms of services or any benefits delivered for members. Most of them mentioned that they were not able to start a common project due to the lack of investment (the horizon problem) and that they did not receive any support either from the government or development agencies to help them financing a part of their common project. In this case, I would have ended up by reporting a dominant dormancy of producers' cooperatives without assessing their performance when they offered services to members and when they received support from the government or development agencies.

Therefore, I decided to carry an additional stratification for dormant and active cooperatives. I wrote a letter to the Agriculture Minister, Dr. Hussein el Hajj Hasan, explaining my field challenge and asking to receive a list of cooperatives that the DGC identifies as active and having the minimum characteristics to be classified as an economic cooperative enterprise. The minister accepted my request and asked the regional offices of the DGC to prepare a list of active cooperatives in the three different sub-sectors. From this list, I carried out a random sampling and started my fieldwork again.

With this modification, I redirected my research to assess the most active cooperatives in the agricultural sector across Lebanon. I can show what cooperatives could offer to

members/producers within the Lebanese context that combines, as described before, several characteristics affecting the performance of cooperative enterprises.

Even though, I have changed my initial random sampling, I assessed in the different agricultural regions several dormant cooperatives (the number dependent on the saturation of data) that were not recommended by the DGC. My objective was to explore the reasons that prohibited these cooperatives from being active and delivering common benefits for their members.

## **1.7. Thesis structure**

This research has been divided into two different parts. The first part (Chapters 2, 3, and 4) explores the strategic use of producers' cooperatives as a development tool by the Lebanese government and development agencies, while the second part (Chapters 5, and 6,) describes the status and performance of producers' cooperatives and their effectiveness from their members' perspective.

Chapter 2 explores the status of the Lebanese agricultural sector within the neoliberal economic development policy. My aim is to analyze the effect of post-war policies on the development of the agricultural sector in Lebanon. This chapter details the structure of the Lebanese economy and the weight of the agricultural sector in it. It highlights the major characteristics and challenges of the Lebanese agricultural sector. Finally, it explores the nature of post-war agricultural policies and their effect on the socio-economic development of farmers.

Chapter 3 analyzes the role of cooperatives in the government agricultural development policies. My objective is to explore where, how, and why the government used cooperatives in developing the agricultural sector. This chapter details the potential theoretical role of cooperatives in the Lebanese context by relying on the analysis from Chapter 1 and Chapter 2. Then, it studies the role of government in facilitating the development of cooperatives. Finally, it discusses the cooperation of the government with different actors to develop the cooperative sector.

In Chapter 4, I study the role of cooperatives in development agencies' agenda. My aim is to explore how and why development agencies used producers' cooperatives and what cooperatives contributed to their development plans. Chapter 4 analyzes the nature and the process of projects

implemented while using the cooperative tool. Then, it examines the outputs of these projects and their long term development effect. It concludes by exploring the coordination with the government to support the development of cooperatives.

Chapter 5 explores the empirical status of the Lebanese producers' cooperatives. Are we talking about real or ghost cooperatives? This chapter draws the empirical findings from the board of directors' interviews. It analyzes whether the surveyed cooperatives are offering feasible services and other benefits to members or are just a tool to receive political aid and foster corruption. It explores the status of cooperatives in the different agricultural regions and agricultural sub-sectors and examines the effect of gender on the success or failure of cooperatives.

Chapter 6 examines the membership of producers in their cooperatives. It draws the empirical findings of producers' interviews. My aim is to analyze what role cooperatives have played in the socio-economic development of producers. I start by studying the original idea behind cooperation. Then, I explore the practices of cooperation between producers; their roles and their rights. Finally, I detail the benefits from cooperation and the reasons preventing other producers from joining cooperatives.

Chapter 7 summarizes the findings and conclusions of the study in relation to the research questions that this thesis aims to address. It shows the contribution of the study to the existing body of literature and proposes recommendations for the main stakeholders to develop cooperative enterprises in Lebanon.

## **Chapter 2- Lebanon: Background, Economy, Post-1992 Policies, and Detailed Agricultural Sector**

This chapter examines the specific characteristics of the Lebanese political and economic system and elaborates the different subjects that help to answer my research questions. It constitutes the Lebanese analytical framework that identifies, in addition to the producers' cooperatives theoretical framework detailed in Chapter 1, the main features that are essential to analyze the empirical findings of this study. It starts by a short description of the Lebanese background that defines the major development phases since independence. Then, it presents the structure of the Lebanese economy and the main elements of post-1992 economic and reconstruction policies. It ends by a detailed description of the Lebanese agricultural sector and the nature of post-war agricultural policies. The aim of this chapter is to summarize the political and economic environment in which producers' cooperatives have developed since the independence of Lebanon and to explore in depth the main characteristics of the agricultural sector and post-war agricultural policies that either challenge or facilitate the development of cooperatives.

### **2.1. The Lebanese background**

Three major phases can be distinguished to describe the development of Lebanon since its independence in 1943. The first phase is the progress from the independence to the eruption of the civil war in 1975. The second phase represents the civil war itself (1975-1990). It ended officially with the signing of the Taif Accord in October 1989. The third phase is the application of the Taif Accord and the post-war period that focused on the reconstruction of the economy and infrastructure.

The aim of this section is to give the reader a rapid overview about the evolution of the main circumstances on the Lebanese arena since independence.

### **2.1.1. Phase I: Independence, economic development, and main challenges: 1943-1975**

In 1943, The Lebanese National Pact, an informal Maronite-Sunni agreement, signed the independence of Lebanon from the French colonial power and governed the nature of its political power sharing (Harris 1997). According to the dominant religious communities in the population in the first census of 1932, the president was to be reserved for a Maronite-Christian, the prime minister for a Sunni-Muslim, and the speaker of the parliament for a Shiite-Muslim. Six Christian members of the parliament (MPs) for every five Muslim MPs was the agreed representation ratio safeguarding a Christian majority (Zisser 2000, Beshara 2005). Public jobs were distributed along sectarian lines. They were mainly given as a political favor to strengthen the power of politicians (Gaspard 2004, Dagher 2002). The National Pact legalized sects to become the main social organizations through which political power and resources could be secured (Faour 2007, Harik 1998). In the economy, independent Lebanon has adopted a service-oriented laissez faire system that has favored a totally free foreign exchange market and the freedom of transfer of capital with the rest of the world (Aris 2008). The government has maintained a private initiative environment with little intervention in the market process, has worked to provide adequate infrastructure necessary for business activities (electricity, roads, communications, etc.), and has safeguarded a monetary stability essential for the flow of private capital (Gaspard 2004, Makdisi 2004).

Despite the sectarian nature and the minimalist state, associated with fragile administrative reform, post-independent Lebanon has experienced a stable economic development generally expressed by high growth rates and relative financial stability. In real terms, in the 1950s, the average annual GDP growth rate was about 7.5 percent (Makdisi 2004). The free economy has facilitated the interaction of the private sector with the outside world and has encouraged the inflow of capital which has generated balance of payments surpluses and maintained the stability of the Lebanese pound (Gaspard 2004). The services sector dominated the economy. It accounted for more than sixty percent of Lebanon's GDP (Kubursi 1999). The share of the production sectors - agriculture and industry- hardly passed thirty percent of GDP (Nasr 1978). Nevertheless, essential socio-economic aspects of development lagged behind. Two broad headings have been highlighted: (i) prominent unevenness of development between different

regions with the concentration of major economic activities in Beirut, and (ii) limited progress in decreasing the gap between high-income and low-income groups (Makdisi 2004). In addition, the political stability induced by the unity of religious communities under the National pact was challenged by multiple sources. Muslims were concerned about the political power sharing formula as being unrepresentative of the population. When the Maronite president refused to recognize the new entity of the United Arab Republic (Egypt and Syria), a civil war broke out in 1958 between the president's supporters and his rivals; most of them were from the Muslim community (Beshara 2005). The fighting ended with the election of General Fouad Chehab as a new president (1958-1964). General Fouad Chehab re-stabilized the political system and maintained the power sharing formula. He focused on building and consolidating state institutions in order to promote social and economic development. His mandate was described as the only developmental period in modern Lebanon, where the government set social and economic development as its primary objectives (Chami 2002, Gaspard 2004).

### **2.1.2. Phase II: Civil war – causes and effects: 1975-1990**

A mutual interaction of domestic and external factors led to the collapse of the Lebanese political system and consequently to the outbreak of the Lebanese civil war that lasted for around 15 years.

The disagreement over Lebanon's identity and role in the region, the unresolved sectarian tension, the uneven socio-economic development between different regions, and the wide gap in income distribution were the main domestic factors (Makdisi 2004, Salibi 1967). The sectarian factor, raised by the two major Muslim communities, has increasingly become uncontrolled (Khazen 2000). More important was the rising military power of Palestinian organizations acting from Lebanon, especially after the Arab Israeli war in 1967. Their power has significantly clashed with the interests of the state from the perspective of Christian leaderships (Haddad 2003). In April 1975, twenty-six Palestinians were killed in relation to an attempt of assassination against Pierre Gemayel, the leader of the Christian Phalangist Party. This incident ignited the civil war. The two warring groups were often labeled Christian versus Muslim (Stedman 2002). External interventions played a major role in the duration and severity of the civil war. Apart from the supply of arms and substantial financing, most important were the

military interventions from the two neighboring countries - Syria and Israel. Both supported one of the two warring parties to protect their interests in the region (O'Balance 1998, Carter et al. 2008).

Given its long duration, the civil war progressively witnessed deteriorating economic and social conditions along with increased emigration, massive human losses, and the depreciation of the financial situation. It is estimated that the total number of battle deaths was 131,000 (Dibeh 2007, Gebara 2007). Around 740,000 Lebanese left the country between 1975 and 1987 (Labaki 1989). For the economic output, real GDP has sharply fallen. Over the whole civil war period, it is estimated to have fallen to one third of its 1974 level (Gaspard 2004). Trade and services continued to dominate the Lebanese economy. However, their share declined from about sixty-four percent in 1974 to about fifty-two percent in 1990 in favor of the agricultural and industry sectors (Kubursi 2001). Financially, the Lebanese pound has rapidly depreciated. By comparing annual averages (Lebanese Lira (LL) in terms of the USD), the Lebanese pound started depreciating by about thirty percent in 1984, 134 percent in 1986, and reached a peak of 485 percent in 1987. The exchange rate averaged about LL 702 per USD in 1990 compared to an average of LL 6.5 per USD in 1984 (Makdisi 2004). In addition, inflation, which was characterized by one-digit rates in the 1960s and 1970s, increased to fourteen percent in 1984 and peaked to 487 percent in 1987 (Al-Khalil 1991). In terms of government performance during the war, expenditures increased while revenues have decreased. The government lost control over public revenues (Kubursi 1999). As a result, budget deficits increased from twenty-eight percent of total expenditures in 1978 to ninety percent in 1988 and then falling back to eighty-four percent in 1990. Accordingly, internal public debt increased from LL 22 billion in 1983 to LL 1483 billion at the end of 1990. In dollar equivalents for the same period, internal public debt declined from USD 3.96 billion to USD 1.76 billion. Foreign debts were almost insignificant during the whole war (Makdisi 2004).

There were many attempts to rebuild the country during short peace intervals. In 1977, the government established the Council for Reconstruction and Development (CDR) to prepare and implement reconstruction plans. Attempts were interrupted by the renewal of violence over the long duration of the Lebanese civil war (Gebara 2007, Najem 1998).

### 2.1.3. Phase III: Taif Accord and post war

With the signing of the Taif Accord, in autumn 1989, Lebanon phased out the war. Sponsored by Saudi Arabia, Syria, and backed by the United States of America, the remaining members of the last parliamentary election in 1972 met in Taif, Saudi Arabia, to draft and agree on a new scenario on which warring parties/militias would accept to stop fighting (Nizameddin 2006). The new Taif Accord changed the power sharing formula into a balanced representation between Christians and Muslims (Hudson 1999). The pre-war presidential system was changed to a system of government dominated by the Council of Ministers (Adwan 2004). In addition, the Taif Accord formally induced a new power in Lebanon. The Syrian presence was legitimized by offering it a privileged position on different matters linked to national security (Najem 1998, Haddad 2002). The new government, led by Omar Karami, had engaged with the assistance of Syrian troops in the disarming and dissolution of Lebanon's militias (Norton 1991). In 1992, the parliamentary election was resumed. Most of the members of the new parliament had been affiliated to the dominant militias of the war (Hudson 1999).

Subsequently, Rafic Hariri, a Lebanese-Saudi billionaire and building contractor, was elected as Prime Minister (Nizameddin 2006). He envisaged that rapid economic growth resulting from reconstruction and financial stabilization would certainly reduce poverty and unemployment (World Bank 1994). The Lebanese pound progressively appreciated against the dollar (Gaspard 2004). The task to design a plan for reconstruction and development was entrusted to the CDR. "Horizon 2000", a ten year plan (1993-2002), set public investment goals in all economic sectors (Najem 1998). Privatization, centralization, and the lack of public participation were the three main political attitudes that characterized the overall approach of reconstruction. The policy of the new government assumed that public institutions were not equipped to carry and manage such diverse and massive projects (Kabbani 1992). The prominent example of post-war neo-liberal approach for privatizing urban reconstruction is *SOLIDERE*, the private real estate holding company initiated in 1992 by the Prime Minister Hariri to oversee the reconstruction of Beirut's central district (Becherer 2005, Schmid 2006, Norton 1999).

The government expected funding Horizon 2000 from there major sources. A significant part was projected to be allocated from government budget surpluses (around 47%). The second part was supposed to be foreign currency borrowing (around 34%). The third part was foreign grants

which were assumed to account for six percent of financing requirements (Najem 1998). Since Lebanon had almost no foreign debt, the government had started to borrow on international financial markets without the burden of previous debts (Kubursi 1999). When the implementation of the project started, the economy showed a significant growth but not as expected in order to finance the project from budget surpluses. In 1994, the economy grew at a rate of eight percent. However, in 1997, the economy grew at three percent and the country entered a recession by early 2000s. Accordingly, the government changed its initial plan and started to rely more on borrowing from domestic markets at high interest rates and from grants and soft loans (Gebara 2007). The foreign debt increased from USD150 million in 1992 to over USD 2.7 billion in 1998. The sum of external and internal debt accounted for USD 17 billion in 1998 (Kubursi 1999). It reached USD 34.8 billion or 158 percent of GDP in December 2005 (the year of Hariri assassination) and quickly increased after the 2006 Israel-Hezbollah war, reaching over USD 40 billion or 185 percent of GDP (Hockel 2007, Quilty and Ohrstrom 2007).

## **2.2. Structure of the Lebanese economy**

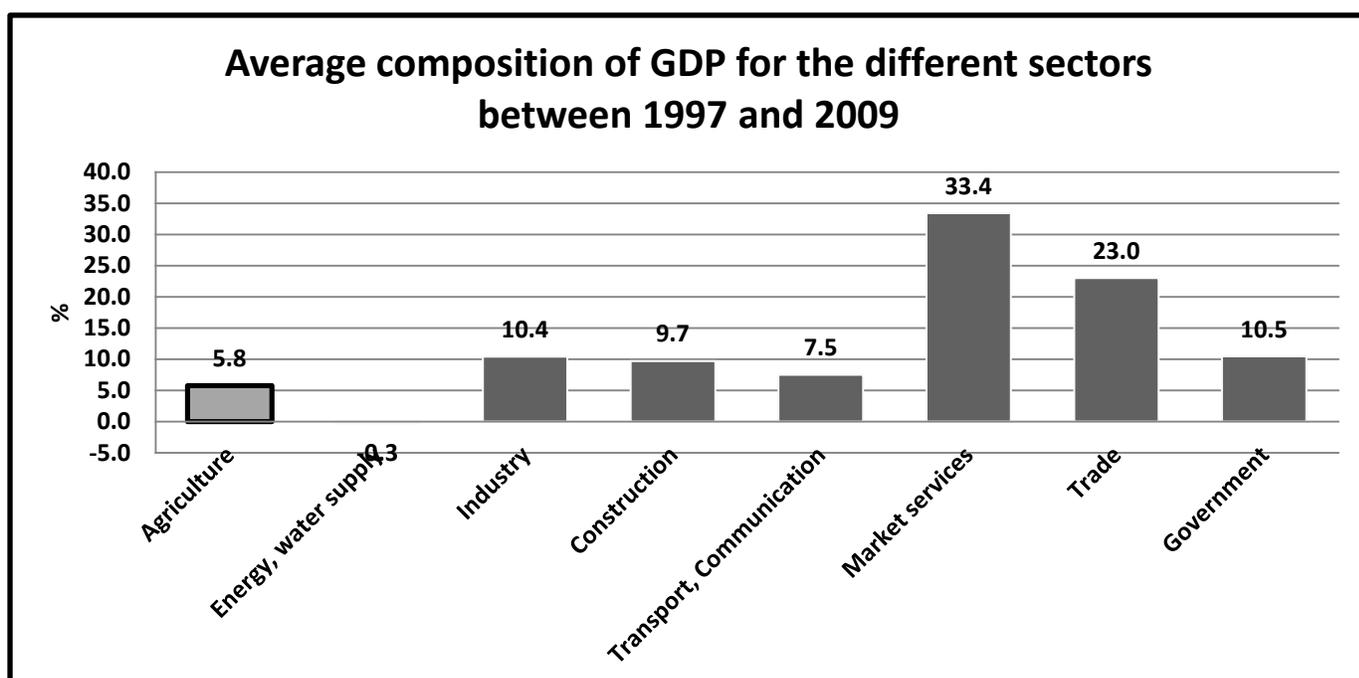
### **2.2.1. Introduction**

Without interruption since independence, Lebanon has adopted a free open-market economy with a strong laissez-faire commercial tradition. Commodities, in particular capital and foreign currencies, have been exchanged and transferred without restriction (Gaspard 2004). The Lebanese government has succeeded in maintaining a non-interventionist stance towards private investment and has limited public ownership to infrastructure and some utilities such as electricity and water. Historically, the private sector accounted for more than eighty-five percent of national expenditures (MOF 2010). In 2000, in order to reduce public ownership and increase market freedom, the government enacted a privatization law that sets the parameters for the privatization of state-owned enterprises. This law initiated the Higher Council for Privatization which is responsible for the planning and implementation of privatization programs and their associated operations (HCP 2012).

## 2.2.2. GDP: composition and real growth

A lack of natural resources and a largely urbanized population have contributed to the development of economic activities based on a strong services sector and commercial interests. Official statistics, published first in 1997 by the Economic Account Mission (EAM), showed that services sector, in particular market services, trade, transport and communication, formed an average of sixty-four percent of GDP from 1997 to 2009 (Chart 1). The size of the government was significant; it generated 10.5 percent of GDP which is just above the size of the industrial sector (10.4 percent). Agriculture has constituted the weakest sector of the economy; it generated an average of 5.8 percent of GDP over the whole period (EAM 2007, 2008, 2009).

Chart 1: Composition of GDP in Lebanon between 1997 and 2009



Source: EAM 2007, 2008, 2009

The percentage of employment in 2011 reflected the average composition of GDP over 1997-2009. Market services and trade contributed to sixty-six percent of total employment. Agriculture accounted for six percent of employment, just below transport and communication (Yaacoub and Bader 2011).

GDP registered high growth rates in 2004 and over 2007-2009. The average real growth rate for 1998-2009 periods was 4.1 percent. It is slightly lower than the average of MENA region (4.5 percent) and all merging and developing countries (5.5 percent) for the same period. Services were the main contributors to growth on a cumulative basis. For a sixty-one percent cumulative growth between 1998 and 2009, they contributed a total of forty-six percentage points. Agriculture had almost no contribution, while the industry sector presented a small contribution (IMF 2011).

### 2.2.3. Balance of payments and trade

Large trade deficits characterize the predominant importing nature of Lebanon; however, these deficits are almost covered by capital account inflows in addition to inflows from tourism and other services. The average inward remittance flows was USD 6143 million over 2003-2010. On the other hand, Lebanon also has high outward remittance flows. They accounted for USD 5749 million in 2009 (World Bank 2011). But the balance of payment surpluses is always positive with an average of USD 2258 million over 1999-2010. In 2010, trade deficits had reached USD 12257 million. They have approximately doubled as compared to 2001 trade deficits (USD 5919 million) (MOF 2004, 2011). The average percentage value of exports over imports accounted for twenty percent over 1997-2010. It increased from 8.6 percent in 1997 to 23.7 percent in 2010 (Lebanese Customs 2010). Middle East countries accounted for an average of thirty-one percent of total Lebanese exports over 1999-2010; however, they only represented 5.6 percent of total Lebanese imports (Table 1). Most imports were from industrialized countries and in particular from the European Union (MOF 2004, 2011).

Table 1: Percentage share of countries in total exports and imports in Lebanon between 1999 and 2010

Countries	% of total exports				% of total Imports			
	1999	2005	2010	1999-2010	1999	2005	2010	1999-2010
<b>Industrialized countries</b>	40.4	20.2	25.2	31.3	66.4	52.7	50.1	55.4
<b>Middle East</b>	25.7	41.3	32.3	<b>31.4</b>	3.2	6.2	6.1	<b>5.6</b>
<b>Other developing countries</b>	33.9	38.5	42.5	37.3	30.4	41.1	43.8	38.9

Source: MOF 2004, 2011

The participation of Lebanon in the global economy is based on several trade agreements and various treaties. The main regional agreements are the Euro-Mediterranean Association agreement, the European Free trade Association-Lebanon, and the Greater Arab Free Trade agreement. In 1999, Lebanon was granted an observer status in the World Trade Organization; however, to date no full membership has been offered (Lucke et al. 2007).

#### **2.2.4. Foreign Direct Investment (FDI)**

The characteristics of the Lebanese economy favor the development of FDI. In 1994, the government established the Investment Development Agency in Lebanon (IDAL), which aims to facilitate and retain FDI.

In 2009, Lebanon received USD 4.8 billion of net FDI inflows, approximately twice as much as 2006. The average annual growth rate was twenty-six percent over the period 2006-2009. The share of FDI inflows in GDP accounted for fifteen percent in 2009 (IDAL 2010, MOF 2010).

FDIs were mainly concentrated in the real estate and residential sectors. In 2009, both sectors received seventy-one percent of total FDI inflows. The second interest was in the tourism sector which attracted twenty-two percent of FDIs during the same year. Trade amounted to 2.5% of total FDI inflows. In general, the share of industry and agricultural sectors continue to be negligible (IDAL 2010).

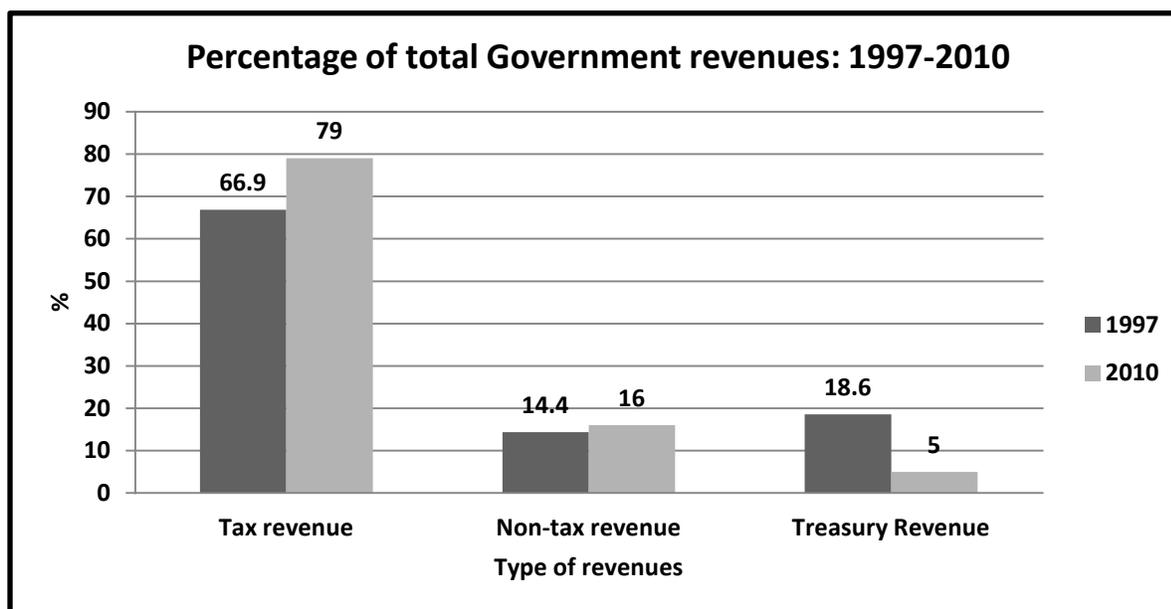
#### **2.2.5. Public finance**

##### **2.2.5.1. Revenues**

Tax revenues represented seventy percent of total government revenues in 1997 and increased to seventy-nine percent in 2010. Domestic taxes on goods and services, in particular Value Added Tax (VAT), constituted the main tax revenue and accounted for thirty-six percent in 2010. In addition, non-tax revenues increased from 14.4 percent to sixteen percent between 1997 and 2010 respectively. Income from public institutions and government properties, mainly telecom

surpluses and revenues from Casino de Liban, represented 67.6 percent of total non-tax revenues in 2010. In contrast, treasury revenues decreased from eighteen percent in 1997 to five percent in 2010 of the total government revenues (Chart 2 and Table 2) (BDL 2010).

Chart 2: Average government revenues in Lebanon between 1997 and 2010



Source: BDL 2010

Table 2: Details of government revenues in Lebanon in 2010

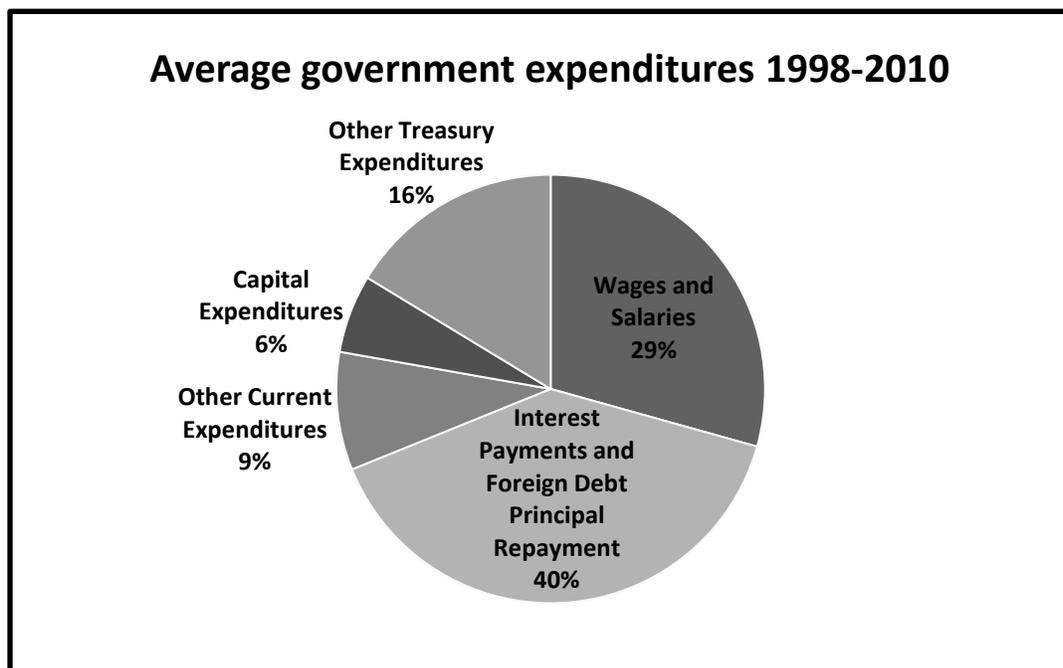
Government revenues in 2010	L.L. in billion	%
<b>Non-tax revenues</b>	2043	100
• Income from Public institutions, government properties	1382	<b>67.65</b>
• Administrative fees and charges	535	26.19
• Penalties and confiscations	8	0.39
• Other non-tax	118	5.78
<b>Tax Revenues</b>	9973	100
• Taxes on income, profit, and capital gains	2050	20.55
• Taxes on property	1088	10.91
• Domestic taxes on goods and services	3583	<b>35.92</b>
• Taxes on international trade	2802	28.09
• Other tax	453	4.54
<b>Treasury revenues</b>	666	100
<b>Total revenues</b>	12684	

Source: MOF 2010

### 2.2.5.2. Expenditures

Interest payments and foreign debt principal repayment has constituted the main element of government expenditures. Forty percent of expenditures were allocated for debt services as an average between 1998 and 2010. Wages and salaries accounted for an average of thirty percent. Capital expenditures, acquisitions of land and building, equipments, and constitution in progress received the lowest average of expenditure with a total of 5.9 percent (Chart 3) (BDL 2010).

Chart 3: Average government expenditures in Lebanon between 1998 and 2010



Source: BDL 2010

### 2.2.6. Connections between Lebanese economy and producers' cooperatives

The first section of this chapter revealed that producers' cooperatives in Lebanon are developing under a free market environment that enables them to perform and merge economic activities similar to other market enterprises without any restrictions. However, this environment may challenge their performance due to the increased external competition generated by the openness of the Lebanese economy through the involvement of the government in several trade agreements aiming to facilitate the free exchange of goods, in particular agricultural products. In

view of the weak agricultural economy, expressed by the lowest share in GDP, the negligible contribution to GDP growth, and the lowest percentage of employment, producers' cooperatives are found in a sector that is neither considered as a priority for the government nor the private sector or foreign investor due to its riskier nature. This status affects the role that producers' cooperatives might play in the development and economic policies.

### **2.3. Post 1992- economic and reconstruction policies**

After signing the Taif Accord and while moving ahead in its implementation in the first post-war parliamentary election in 1992, there were sufficient reasons for the government to believe that with the creation of economic stability and the reconstruction of basic public and social infrastructures, the economy could resume its growth and a suitable environment for private sector development could be re-established.

There were many challenges to overcome. The huge destruction of basic infrastructure had to be resolved. Rampant inflation had to be arrested and the depreciation of the Lebanese pound had to be slowed down. The outflow of Lebanese talents had to be turned into an inflow. The fiscal order had to be restored. And finally, the social and economic imbalances between sects, regions, and economic sectors had to be addressed (ESCWA 1999)

Prime Minister Hariri came to power with an economic plan that has specific targets: cutting inflation, strengthening the Lebanese pound exchange rate versus foreign currencies, and carrying out a massive reconstruction and rehabilitation program (Baroudi 1998)

Post-1992 economic and reconstruction policies are detailed in this section. In the first part, the reconstruction policy with a specific focus on the adopted economic reconstruction plan "Horizon 2000 for Reconstruction and Development" is examined. The second part explores the macro-economic policies adopted for adjustment and stabilization.

#### **2.3.1. Public reconstruction plan: Horizon 2000**

In 1993, the CDR formulated "Horizon 2000 for Reconstruction and Development". The CDR took into consideration the particular characteristics of the Lebanese economy to prepare and

design the reconstruction plan. First, since Lebanon is a small country with limited natural resources but with an exceptional geographic location and human resources, an efficient investment in infrastructure with the re-activation of productive sectors would generate a rapid growth and high public revenues. Second, there was a high financial credibility for Lebanon after the war. The government can rely on domestic and external borrowing to secure funds required for the reconstruction plan. Third, the economy would not resume its activity unless the private sector restarts investing with vigor and intensity. Therefore, the main objectives of the reconstruction plan were to rehabilitate the essential physical and social infrastructure, to achieve balanced development at sector and regional levels, and to strengthen the investment environment essential for the development of the private sector (CDR 1993).

Initially, Horizon 2000 was spread over a ten-year period (1992-2002) and later on, it was revised and extended to thirteen-year spending on public and social infrastructure (1995-2007) (Dibeh 2005).

### **2.3.1.1. Objectives and achievements**

#### **2.3.1.1.1. GDP growth**

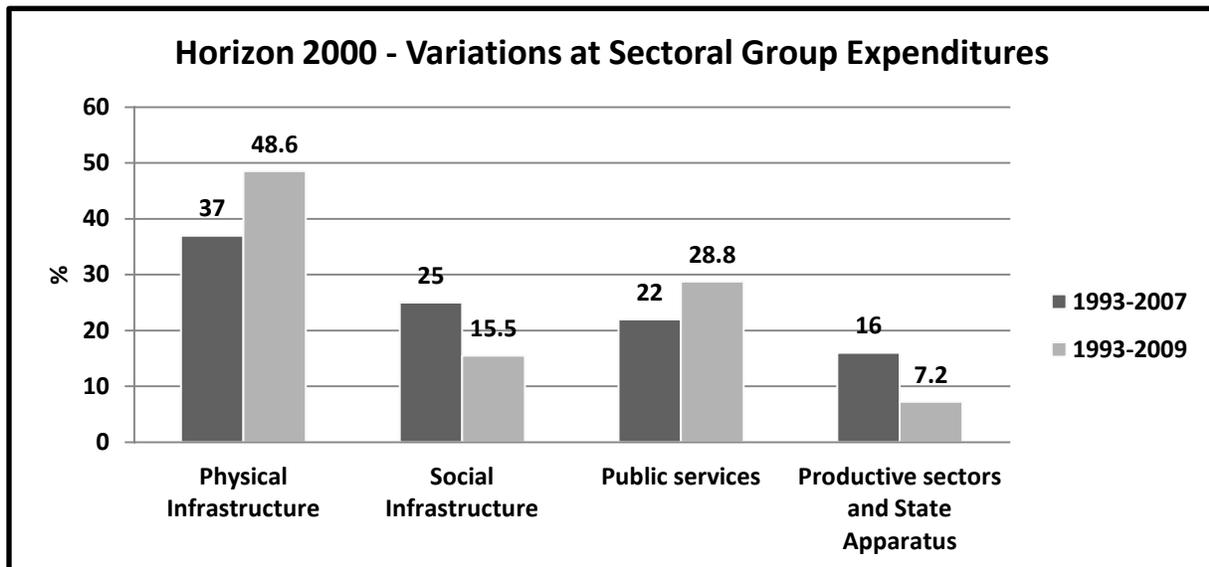
The initial plan envisaged an average real GDP growth rate per annum ranking between eight and nine percent over 1992-2007. However, the real situation registered much inferior rates averaging 4.2 percent until 2007. The average annual growth rate between 1992 and 1997 was around six percent which was mainly generated by the public investment in physical infrastructure. From 1998 to 2002, the real GDP growth rate registered a significant decrease induced by the growing burden of public debt and fiscal imbalances. After the inflow of financial commitments agreed in 2002 under Paris I and II donors' conferences- explored later under the economic policy part- real rates of GDP growth started to show a significant increase that fell sharply with the assassination of Prime Minister Hariri in 2005 and the summer war of 2006 (MOF 2004, 2010).

### 2.3.1.1.2. Distribution of expenditures among sectoral groups and sectors

Horizon 2000 was established on a sector basis. Nineteen sectors, classified under four major sectoral groups, have been distinguished. Physical infrastructure sectoral group (water, roads, electricity, etc.) received thirty-seven percent of expenditures, the highest percentage from total expenditures. The productive and the state apparatus sectoral group received the lowest percentage: sixteen percent the total equally divided for the productive sectors and the state apparatus (CDR 1993).

Until 2009, physical infrastructure (electricity, telecommunication and transport) received forty-eight percent of total CDR expenditures. The productive sectors –Agriculture and Industry- and the state apparatus accounted for the lowest percentage (7.2 percent). Half of their initially planned expenditures have been re-allocated for public services and mainly for physical infrastructure (Chart 4) (CDR 2009).

Chart 4: Horizon 2000 – Variations at sectoral group expenditures between 1993 and 2009



Source: CDR 1993, 2009, 2010

The variations of expenditures' distribution among sectoral groups have produced major changes at the sector level. Higher investments in electricity, telecommunication, water supply and solid waste have been significant; in parallel, less investments were marked in education, agriculture and irrigation, and other sectors (CDR 2009).

#### 2.3.1.1.3. Regional distribution

In all published CDR annual reports, no updates exist for the allocation of distributed expenditures over Mohafazat (plural of Mohafazah: it is an administrative division equivalent in France to a region and is generally divided into several Caza). In 1997, after five years of implementation, UNDP revised per capita planned and real expenditures over Mohafazat and reported an increase in the allocated expenditures for Beirut and Mount Lebanon with a significant reduction for all the other Mohafazat, in particular in the Bekaa where agriculture is the main economic sector (UNDP 2004).

#### 2.3.1.1.4. Budget deficit

The initial plan predicted to reduce the government budget deficit to 0.4 percent of GDP in 2000 and then to reach 4.1 percent of budget surpluses in 2007. Instead, the expansion of government expenditures and the slow recovery of revenues produced serious fiscal imbalances. Public finance showed that budget deficits accounted for twenty-four percent of GDP in 2000 and decreased progressively to ten percent in 2007. The average budget deficit between 1999 and 2007 represented fourteen percent of GDP (MOF 2004, 2010).

#### 2.3.1.1.5. Public debt

The government expected an increase of the net public debt to reach ninety-one percent of GDP by 1999 and then a gradual decrease to forty-two percent of GDP by 2007. However, in order to finance the increased budget deficits, the government was forced to expand foreign and domestic borrowing. Accordingly, the net public debt reached 120 percent of GDP in 1999 and increased to 166 percent and 155 percent for 2006 and 2007 respectively (MOF 2004, 2010).

#### 2.3.1.1.6. Debt servicing

Instead of reducing the debt interest payment to thirteen percent of government revenues as planned for 2007, the debt servicing increased to ninety-three percent of revenues in 2001 and later decreased to fifty-six percent in 2007, amounting to more than four times the expected percentage (MOF 2004, 2010).

### **2.3.2. Economic policies**

In addition to the reconstruction plan, the government planned specific policies to ensure macro-economic and financial stability aiming to curtail rampant inflation and to stabilize the Lebanese currency. The government adopted a restrictive monetary policy that controlled money supply, stabilized the Lebanese pound and gradually tried to reduce interest rates. The exchange rate based on the nominal anchor policy was implemented by means of a supportive high interest rate policy. The government has borrowed from the domestic market at rates that were much higher than the prevailing rates on dollar accounts. Higher interest rates have been essential to stabilize the foreign exchange value of the Lebanese pound and were required to attract foreign capital and finance the government budget deficits. However, interest rates continued to be significantly higher than normal rates. They increased government budget deficits and borrowing requirements, crowded-out private credit for investment, and consequently appreciated the Lebanese pound far above its true equilibrium (ESCWA 1999, Dibbeh 2005).

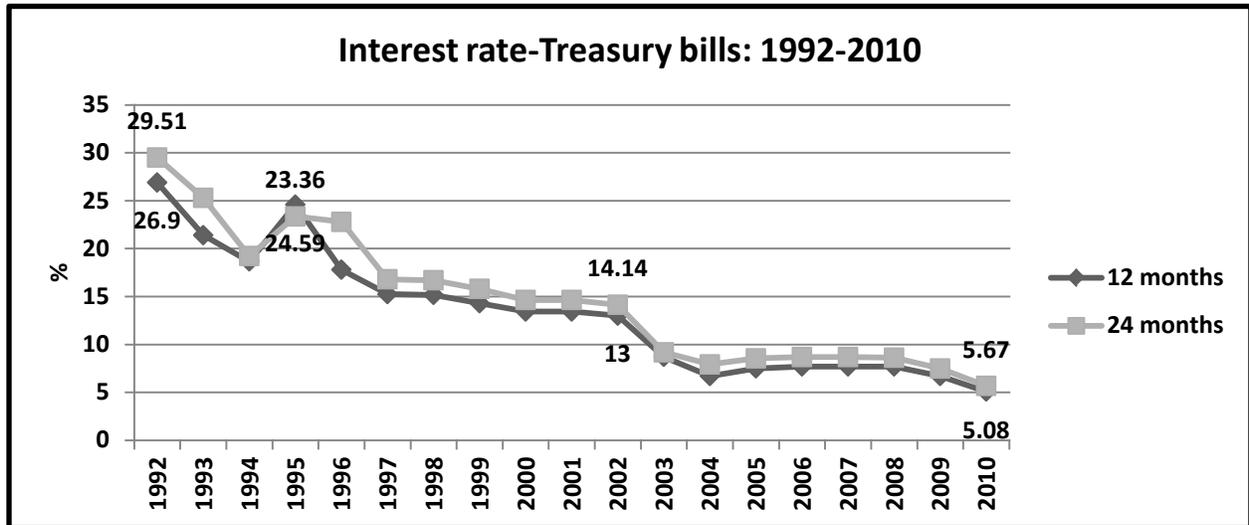
#### **2.3.2.1. Monetary stability**

With the new monetary policy, the government succeeded in maintaining low inflation rates and a steady appreciation of the Lebanese pound versus the USD. The annual average inflation rate, which reached 120 percent in 1992, declined gradually and accounted for 3 percent in 1998. After the summer war in July 2006, the inflation rate increased to 9.3 percent; however, it decreased again to 4.6 percent in 2010. The pound depreciated by thirteen percent between 1992 and 1998; going against USD from 1721 LL in 1992 to 1507.5 LL in 1998. Extraordinary exchange rate stability kept a constant rate over 1998-2010. Both achievements contributed to the replenishment of foreign exchange rate reserves with gross reserves (excluding gold) at the central bank increasing by eighty-one percent (BDL 2010).

On the other hand, high stable interest rates favored by government policy encouraged the banking sector to invest in safe treasury bills. This has negatively affected GDP growth rates. Interest rates for 12-month and 24-month T-Bills remained higher than twelve percent until 2003. Twelve-month T-bills interest rates declined from twenty-seven percent to thirteen percent

between 1992 and 2002. Also, 24-month T-bills interest rates decreased from 29.5 percent to 14.1 percent between 1992 and 2002 respectively (Chart 5) (BDL 2010).

Chart 5: Interest rate of 12 and 24-month treasury bills between 1992 and 2010



The ratio of the net domestic public debt over foreign debt accounted for 3.8 and 2.7 between 1999 and 2001 respectively. From 2002, the government began a financial reform to restructure public debt and succeeded in converting its high interest domestic debt into lower interest external debt. In 2007, the ratio of domestic debt over foreign debt amounted to 0.98 percent (MOF 2009).

### 2.3.2.2. Fiscal imbalances

By relying on high interest rates that have been instrumental in decreasing inflation and stabilizing the exchange rate, public expenditures have shown lower returns on investment and have been challenged by the increased burden of public debt and debt service (UNDP 2004). As detailed in the public expenditures of the Lebanese government over 1998-2010, interest payments and foreign debt principal repayment had accounted for forty percent of total payments. Wages and salaries amounted to twenty-nine percent of total payments. Accordingly, seventy percent of public expenditures have been only allocated for interest payment and salaries. Only six percent were allocated for capital investment expenditures by the government (MOF 2004, 2008, 2010).

It is also clear from the results of specific indicators for the reconstruction plan -in particular the percentage of public debt from GDP, the percentage of interest payment from GDP, the budget deficit percentage of GDP, and GDP real growth rates- that the government has been unable to curtail public debts over time and has been completely dependent on the financial banking system to safeguard the collapse of the economy.

### 2.3.2.3. Credit sector development

When the government started the high interest rate policy, commercial banks preferred to invest in T-bills and accordingly the fraction of private sector credits from total credits declined. The ratio of public over private loans has rarely gone below one over 1999-2010. This situation has negatively affected the availability of low interest rate loans for the private sector (EAM 2007, 2008, 2009). Moreover, due to the traditional dominance of the services sector over the production sector and the neo-liberal policy for reconstruction that has neglected the production sector, the trade and services sectors amounted to forty-four percent of bank credits over 1997-2007. The agricultural sector and the industry sector accounted for 1.3 percent and thirteen percent respectively of bank credits over the same period. The dominance of services and construction sectors has created unbalanced employment in economic sectors and has concentrated job opportunities in urban areas (EAM 2007). In fact, Beirut and Mount Lebanon received ninety percent of private sector loans in 2000. Bekaa and North Lebanon, the main agricultural regions, received four percent and three percent respectively (Table 3) (ABL 2000).

Table 3: Distribution of private sector loans across Lebanon in 2000

<b>Private sector loans distribution by Mohafazah (%)</b>	
<b>Bekaa</b>	4
<b>South Lebanon</b>	3
<b>North Lebanon</b>	3
<b>Mount Lebanon</b>	9
<b>Beirut</b>	<b>81</b>
<b>Total</b>	<b>100</b>

Source: ABL 2000

#### **2.3.2.4. Tax reform**

In post-war period, the government reformed the taxation structure in a typical supply side mode. It decreased the income and the profit marginal tax rates. In order to encourage business activities and make investment an attractive proposition for foreigners, the Lebanese Parliament passed the DL 282/93 law in which the top marginal profit tax rate was reduced from fifty percent to ten percent and the top marginal wages tax rate was reduced from thirty-two percent to ten percent. Corporation tax rate was reduced from thirty-two percent to a ten percent flat fixed rate. Accordingly, indirect taxes became the major source of government revenues. The government progressively increased gasoline tax and introduced in 2002 the VAT which imposed a ten percent tax on all goods and services (Dibeh 2005, 2007). Post-war tax reforms have been highly regressive and have imposed a greater burden on poor people. Indirect taxation has affected the poor and rich equally. Taxes have been increasingly used for revenues' generation without any regard to their regional impact.

#### **2.3.2.5. Paris I, II- fiscal, financial, and privatization reforms**

In 2001 and 2002, with a stagnated economic growth and a public debt reaching 170 percent of GDP, Prime Minister Hariri sought a foreign aid solution to prevent the collapse of the economy. Two international donors' conferences, Paris I and II, were held to seek external borrowing with low interest rates and long-term maturity. The government presented an economic program of fiscal, financial, and privatization reforms that would be able to preserve monetary and financial stability and manage the burden of public debt. The strategy of the government was to reduce high interest rates paid on domestic debt. Accordingly, it would favor and encourage private sector investment and growth. Also, lower interest rates would increase public savings in bringing down the overall fiscal deficit (UNDP 2004, Nasnas 2007).

In Paris I, the World Bank and the European Investment Bank provided Lebanon with Euros 500 million. Paris II conference pledged around USD 3.1 billion from international participants namely Malaysia, Oman, United Arab Emirates, Kuwait, Saudi Arabia, Qatar and France. In 2003, the Lebanese economy showed a recovery period and registered a high level of real GDP

growth. However, public debt has continued to increase because various parts of reforms did not take place in addition to several political crises- in particular Hariri assassination in 2005 and July 2006 war- which produced a reduction in growth and increase in expenditures (MOF 2010).

### **2.3.3. Connections between reconstruction policies and producers' cooperatives**

Post-1992 reconstruction policies revealed that the agricultural sector has been neglected by the government. Although the budget allocated for agriculture and irrigation in the initial plan was very low compared to the transport and electricity sectors, the real expenditures in 2009 were seventy-five percent lower for agriculture and irrigation and equal to the initial plan for transport and electricity. Moreover, real expenditures in the main agricultural regions (Bekaa, Nabatiyeh, North Lebanon, and South Lebanon) were much lower than the initial plan and in contrast were higher for Beirut and Mount Lebanon where the main activities of the service sector are centered. This negligible interest for agriculture goes in parallel with the structure of the Lebanese economy in which agriculture represents the weakest sector. Therefore, producers' cooperatives faced the challenge of self-recovery under post-1992 reconstruction policies. They are negatively affected by the low investment capacity of the government due to the increased public debt and budget deficits. This situation has turned up the majority of government expenditures into debt services and salaries, while reducing in parallel capital expenditures from which producers' cooperatives could benefit. On the other hand, the investment in the physical infrastructure would facilitate the development of cooperatives by assuring the basic requirements for the private sector development. Regarding the economic policies, producers' cooperatives and the agricultural sector in general have benefited from the increased financial security associated with a normal inflation rate and a stable exchange rate. However, high interest rate policies have made difficult the potential of cooperatives to secure credits required for growth. The whole agricultural sector received only 1.3 percent of the totality of credits between 1997 and 2007. Finally, the indirect tax strategy affected negatively the producer-members in a similar way to low and medium income societies; especially because cooperative enterprises, which do not seek profit maximization, would not benefit from the reduction of tax on profit.

## **2.4. Agricultural sector in Lebanon: a detailed description**

Agriculture continues to play an important role in the Lebanese economy and constitutes a major source of income in rural areas. The diversity of agro-ecological zones, with adequate soil and sufficient water resources, enables Lebanese farmers to grow a variety of agricultural products. Agriculture is considered a key sector for socio-economic development in Lebanon and a strategic element for food security. Agricultural exports bring in foreign currencies and reduce trade deficits. The government, consistently with the liberal market-based economy, has given the private sector the main role for agricultural sector development. It has been involved in the infrastructural development projects and major public services essential for market regulation; however, the private sector has mainly invested in the upstream and downstream agricultural services that are characterized by a lower risk in investment compared to farming activities.

This part of the chapter describes the agricultural sector in Lebanon by exploring its main strengths and weaknesses that affect the potential role and performance of producers' cooperatives.

### **2.4.1. Agriculture in the Lebanese economy**

Progressively, the contribution of Lebanese agriculture to GDP has been declining during the last twenty years. After the end of the civil war, in 1990, agriculture accounted for twenty-three percent of GDP. In 2009, its share had decreased to 4.9 percent of GDP (MOF 2004, 2011). In parallel, the agricultural labor force has been decreasing. The share of the agricultural labor force has declined from ten percent to 6.3 percent between 1990 and 2009 respectively (UNDP 1992, Jaber 1997, CAS 2007, CAS 2009). In 2007, the North Lebanon region accounted for the highest percentage (42.3 percent) of population employed in agriculture. The Bekaa and South Lebanon regions accounted for 19.1 percent and 29.7 percent respectively. Forty-one percent of the agricultural labor force had a self employed work status in 2007. Twenty-one percent were employees at daily or weekly based wages. However, only thirteen percent of agriculture employment was made up of employers (CAS 2007). In 2009, employment in agriculture was equally distributed over gender: six percent of the total female labor force and seven percent of

the total male labor force were working in the agricultural sector (CAS 2009, Yaacoub and Bader 2011).

## **2.4.2. Agricultural production and trade**

### **2.4.2.1. Value of production**

The production surveys, carried out by the Lebanese Observatory for Agricultural Development in partnership with the MOA and with the support of FAO, were published from 1997 until 2007. Therefore, the figures in this part will be limited to this interval period.

Plant production represented an average of seventy-three percent of agricultural production between 1997 and 2007. Animal production accounted for the remaining twenty-seven percent over the same period. Compared to 1997, agricultural production increased by thirty-one percent in 2007 at constant prices. Fruit trees (excluding olives) contributed an average of forty percent of plant production values between 1997 and 2007. Vegetables accounted for an average of twenty-nine percent. Olives represented a significant percentage of total plant production values and amounted to an average of eleven percent between 1997 and 2007. Poultry represented the highest average of animal production value by amounting to a total of thirty-seven percent between 1997 and 2007. Milk production ranked the second and accounted for an average of twenty-five percent for the same period (MOA 2007, 2007a, and CAS 2009a).

### **2.4.3.2. Agricultural trade and self-sufficiency**

Agricultural production is amounting to a significant part of trade. In 2003, it accounted for nineteen percent of total imports and sixteen percent of total exports. Its total share was progressively decreasing. In 2007, it amounted to sixteen percent of total imports and thirteen percent of total exports. The value of agricultural imports decreased between 1997 and 2000. It gradually resumed its 1997 value in 2004. It sharply increased after the summer war of 2006 and registered a thirty-two percent increase in 2007 compared to 1997. However, the value of agricultural exports has been steadily increasing with time and amounted to a 130 percent increase in 2005 and a 206 percent increase in 2007 compared to 1997. The value of increased

exports and stable imports has both narrowed the value of agricultural deficits by twenty-five percent in 2006 compared to 1997. Accordingly, the ratio of agricultural exports to imports increased from eight percent to twenty percent over the same period (Table 4) (MOA 2007, 2007a, CAS 2009a).

Table 4: Value of foreign trade of agricultural products in Lebanon between 1997 and 2007

Year	Foreign trade of agricultural products (LL billion)			Ratio (E/I) %
	Value of Imports (I)	Value of Exports (E)	Agricultural deficit (I-E)	
1997	2208.9	189	-2019.9	8.6
1998	2120.3	208.1	-1912.2	9.8
1999	1859.6	239.4	-1620.2	12.9
2000	1707	197.7	-1509.3	11.6
2001	1912	243	-1669	12.7
2002	1898	268	-1630	14.1
2003	2027	360	-1667	17.8
2004	2249	379	-1870	16.9
2005	2144	435	-1709	20.3
2006	2165	436	-1729	20.1
2007	2914	580	-2334	19.9

Source: MOA 2007, 2007a, CAS 2009a

Processed and semi-processed agricultural products have represented the highest percentage in value of imports and exports and accounted for forty-one percent and fifty-four percent respectively between 1997 and 2007. The large difference has been in the value of imports and exports of animal substances and derivatives. They only amounted to 2.1 percent of total exports value, however, they represented twenty-nine percent of total imports value (MOA 2007, 2007a, CAS 2009a).

In terms of quantity of plant products, Lebanon exports fruits more than it imports. For vegetables, imports are higher than exports; however, the deficit is considered low compared to other crops. In 2007, it amounted to twenty-four percent. The deficit for cereals is extremely high. Lebanon imported in 2007 a total of 823.984 tons of cereals compared to a total export of 18.350 tons. In animal production, poultry exceeded local consumption and substantially

contributed to exports. About eighty-two percent of red meat, thirty-seven percent of raw milk, and seventy-five percent of fish were imported to cover domestic consumption deficits (MOA 2007).

### **2.4.3. Natural resources and agricultural production**

#### **2.4.3.1. Main agricultural regions**

The topography and geography of Lebanon offers favorable conditions for agricultural production in comparison to other Arab countries. Lebanon stretches over a length of 225 km and a width extending from 48 to 80 km inland, from north-east to south-east along the eastern coast of the Mediterranean Sea. It is constituted of two mountain chains: the Mount Lebanon chain near the sea and the Anti-Lebanon Hermon chain in the east. The fertile Bekaa valley stands in between at an altitude of about 1000 m. The distribution of precipitation widely varies from less than 200 mm/year in the Northern Bekaa and Akkar to more than 1400 mm/year in Mount Lebanon (UNDP 1992).

The following agricultural regions can be distinguished (ESCWA 1999, Tatyán 2000, UNDP 1992, Baalbaki 1985, Iskandar 1995, Asmar 2011):

- a- The coastal strip – parallel to the sea: it stretches from North to South with a narrow width averaging around 7 km.
- b- Akkar Plains: in Northern Lebanon with small to medium farm size mainly cultivated with cereals and vegetables.
- c- Mount Lebanon: large mountains with deep valleys and steep slopes stretching from the Akkar plain to Awali River in the South. Abundant water resources allow irrigated production.
- d- Bekaa valley: situated at an average altitude of 1000 m east of Mount Lebanon. Its length is 120 km and its width varies from 8 to 12 km and reaches 25 km in Hermel area. It is divided into three production areas: Central, Northern, and Southern. The central and the Southern areas are the main agricultural areas in Lebanon.

- e- South Lebanon: a hilly land, where rainfed or mainly poorly irrigated crops, in particular tobacco, cereals, olives and grapes, are cultivated.
- f- Anti-Lebanon: a mountain range that has similar features to Mount Lebanon, however, classified as an arid area with low agricultural potential.

These different regions are grouped based on the cropping pattern and water availability. However, when linking the decentralized public activities to the agricultural sector, the government distinguishes four agricultural regions that group different parts of the divisions elaborated above. They are the following:

- Bekaa valley: groups the Bekaa valley and Anti-Lebanon
- North Lebanon: covers the northern part of the coastal strip, Akkar plain, and the northern part of Mount Lebanon
- South Lebanon: groups the southern part of coastal strip and the South Lebanon part. Sometimes Nabatiyeh, a Mohafazat in Lebanon, is excluded from South Lebanon and mentioned as a separate agricultural area
- Mount Lebanon: the same as the division above but lacking the Northern part

To study the performance of producers' cooperatives across Lebanon, these four agricultural regions were used as a stratification criterion to select cooperatives interviewed in this research.

#### **2.4.3.2. Land cover and land use**

The total land area of Lebanon is 1,017,000 Ha, of which around thirty-five percent (360,000 ha) is cultivable (UNDP 1992). Forests cover around 136,900 ha (13.4 percent of total land) and other wooded lands account for 106,000 ha. Together, forests and other wooded lands represent 23.5 percent of Lebanon (FAO 2010a). About thirty-six percent of total land area is classified as pasture land. Cultivated areas increased from 266,000 ha in 1997 to 277,100 ha in 2007 (MOA 2007, 2007a).

Bekaa is the largest agricultural area in Lebanon. In 2006 and 2007, it represented thirty-eight percent of total cultivated areas. North Lebanon ranked second in terms of cultivation and

amounted to twenty-nine percent of cultivated areas in 2007. The remaining was equally divided between the other three Mohafazat (Mount Lebanon, South Lebanon, and Nabatiyeh). On average, fifty percent of cultivated areas were irrigated in 2006 and 2007. The highest percentage of irrigated land is situated in the Bekaa (sixty-six percent of cultivated areas in the Bekaa were irrigated in 2007) (MOA 2007). Population growth has endangered agricultural land in most fertile areas. Uncontrolled urbanization and the horizontal expansion of cities around the coastal strip and the central Bekaa are happening at the expense of agricultural fields, forested areas, and other natural areas of unique environmental significance (Asmar 2011, MOE/UNDP/ECODIT 2011).

#### **2.4.3.3. Water resources and irrigation**

Lebanon has abundant water resources. In terms of annual water availability, it is third in the region after Iraq and Iran (World Bank 2010). Precipitation results in an average annual flow of 8600 million cubic meters (Mm<sup>3</sup>), feeding forty major streams and rivers (seventeen perennial rivers) and more than 2000 springs. Up to ninety percent of precipitation falls between November and April in the form of heavy showers. Annual precipitation may vary from 2000 mm in some areas located in the western mountain range to 200 mm in areas located in the eastern mountain range (Northern plain). Coastal areas receive an average of 600-1000 mm annual precipitation (MOE/LEDO/ECODIT 2001). In 2010, annual available water resources accounted for 2700 Mm<sup>3</sup> from which 2200 Mm<sup>3</sup> are in the form of surface water and 500 Mm<sup>3</sup> as exploitable ground water (MOE/UNDP/ECODIT 2011). Nevertheless, Lebanon may face chronic water shortages starting in 2020, unless measures are taken to increase supply and manage demand. On the one hand, water demand will be largely driven by the increase of industrial and domestic demand; on the other hand, low water storage capacity, the large amount of water lost to the sea, the deficiency of the existing water networks will increase the seasonal water imbalance (World Bank 2010).

In terms of water use, the agricultural sector is the largest consumer of water in Lebanon, followed by domestic and industrial use. In the 2010 State and Trends of the Lebanese Environment report, several references were presented to explore the quantity of water use per sector. On average, in the three presented references, the agricultural sector accounted for fifty-

eight percent of total water use (MOE/UNDP/ECODIT 2011). The main irrigation problems in agriculture are summarized as follows (IRWA 2010, UNDP 1992, Karam and Karaa 2000, Karaa et al. 2009, AFIAL 2001, Mallat 2002):

- Reduced efficiency of irrigation networks and inadequate management/development of individual initiatives on networks
- Uncontrolled and unauthorized water pumping from private wells
- Traditional water schemes, open channels with low efficiency
- Low technical know-how of farmers for modern irrigation techniques. Low water use efficiency
- Use of contaminated water in irrigation
- High cost of irrigation due to deep water pumping
- Complex legislative framework for water use and preservation

#### **2.4.3.4. Cropping patterns and livestock**

In 2007, fruits trees accounted for 27.8 percent of the total cultivated surface and were followed by cereals and olives which accounted for 25.1 percent and 21.1 percent of the total surface respectively. Seventy percent of fruit trees were irrigated. Olives were mainly produced under rainfed systems. Ninety-four percent of olives were not receiving additional water. For cereals, wheat represented the major production. It occupied 52,800 ha from the total surface. In vegetables, tomato and cucumber were the major crops in terms of surface. They represented 4060 ha and 3100 ha from the total surface respectively. Eighty-seven percent of vegetables were subjected to irrigation (MOA, 2007).

Most crops are cultivated in the Bekaa Valley. In 2007, the largest production of cereals, legumes, vegetables, fruit trees, and other crops was found in the Bekaa. Industrial crops and olives were concentrated in the Nabatiyeh (thirty-seven percent) and North Lebanon (forty-two percent) respectively. Moreover, the majority of livestock production was located in the Bekaa valley. The total number of livestock accounted for 836,500 heads in 2007. Goats were the largest stock with 434,700 heads. Fifty-seven percent of goats were found in the Bekaa valley.

Cows were the smallest stock with 77,400 heads, from which 38.6 percent and 31.7 percent were located in the Bekaa valley and North Lebanon respectively (MOA 2007).

#### **2.4.3.5. Poultry, fishery and beekeeping**

The data published for white meat, eggs, fish, and honey production goes back to 2005. The introduction of modern techniques in poultry production has saturated market needs and covered through export a part of the shortfall in red meat. In 2005, Lebanon produced 131 thousand tons live weight of white meat and 758 million eggs and exported 681 tons and 3,667 tons respectively (MOA 2005b). In 2005, the estimated quantity of fish capture (marine) accounted for 8,000 tons distributed over four seasons (forty-two percent in the summer). In aquaculture, 200 units of trout production took place, mainly situated in the Bekaa in four areas: Hermel, Anjar, Zahle, and Yammouneh. Total production reached 700 tons in 2005 (FAO 2005). The same production quantity was published by FAO up to 2010 (FAO 2012). In beekeeping, honey production amounted for 1,095 tons produced by 132 thousands beehives (MOA 2005b).

#### **2.4.4. Farms**

##### **2.4.4.1. Land tenure**

Land tenure in Lebanon is constituted of different systems/categories (MOE/UNDP/ECODIT 2011)

- Waqf: lands owned by religious communities and managed by individuals from the same community
- Macha'a: lands owned by the state and managed by municipality councils
- Amiri: lands owned by the state and mainly managed by the MOA or the MOF
- Mulk: private land, owned and managed by individuals

In 1998, Mulk accounted for 84.6 percent of total UAS. It represented ninety-five percent of small holdings. Amiri amounted for 12.1 percent of UAS and Waqf for 1.3 percent (Choueiri 2002). In terms of land tenure arrangements, four different types have been identified (Hamadeh et al 2003):

- Owner-operator: owners manage their lands. They supply productive resources and receive production outputs
- Renting: tenants rent land from landlords by oral or specific agreement. They pay rent costs and productive resources and then receive all production outputs
- Sharecropping: producers supplying their labor force and landlords share the cost of productive resources and divide, upon pre-plantation agreement, the production outputs
- Mixed: represent the case of many tenants who hold more than one type of arrangement to increase their income

In 2010, eighty-seven percent of producers owned their lands and were exploiting them. They accounted for sixty-eight percent of total UAS. Six percent of farmers were tenants renting the land they were operating. They cultivated eighteen percent of total UAS. The remaining eleven percent was mixed and sharecropping production, working fourteen percent of total UAS (Asmar 2011). These figures reflect the significant role of land tenancy and sharecropping in the Lebanese agriculture. They represented seventeen percent of farmers who were cultivating thirty-two percent of total UAS.

#### **2.4.4.2. Small holdings and part-time farming**

The small size of farm holdings (either for plant or for animal production) in Lebanon is considered to be a major barrier for producers' socio-economic development (Baalbaki 1985, Gaspard 2004). Holdings, as technically identified in the agricultural census of Lebanon, are economic units with single management including all livestock kept and all land used with minimum production thresholds of a value of 0.1 ha open field, 0.05 ha greenhouses, 7 goats, and 1 cow (FAO 2010).

The number of holdings in Lebanon had increased by thirty-four percent between 1961 and 1998. Accordingly, the percentage of holdings having less than 0.5 ha surface increased from thirty-five percent of the total number of holdings in 1961 to fifty-three percent in 1998 (Baalbaki 1985, FAO 1999). In 1998, two percent of holdings had no UAS. They mainly represented small ruminants' producers. Seventy-five percent of holdings were cultivating less

than one ha UAS and representing only twenty percent from the total UAS. Ninety-five percent of holdings were cultivating less than four ha UAS and accounting for fifty-one percent of total UAS. Only 1.6 percent of holdings were cultivating more than ten ha UAS and representing thirty percent from total UAS. This means that 3,117 producers in Lebanon were cultivating, in terms of UAS, ten percent more than 146,121 producers (FAO 1999). Large holdings are mainly owned by traditional “feudal” landowners, religious communities (The Waqf), or by extended families (Baalbaki 1985). For the distribution of holdings among Mohafazat, North Lebanon accounted for 29.4 percent of the total number of holdings and was followed by Mount-Lebanon (21.6 percent) and Bekaa (18 percent). In terms of farm size distribution, Bekaa holds the largest farms in Lebanon. The average farm size in the Bekaa amounted to 2.9 ha in 1998 compared to 0.6 ha in Mount Lebanon. The average farm size in Lebanon amounted to 1.27 ha in 1998 (FAO 1999). The dominance of small holdings would not allow the application of economy of scale and would impose higher costs of production for farmers with lower efficiency on the production side (UN 2007). Small holdings could hardly succeed in using modern techniques, in particular for machinery, and therefore constitute a handicap in increasing producers’ competitiveness. Small producers have low opportunities to get credits and difficult access to distant markets unless they rely on middlemen (UNDP 1992).

The small holding factor has led to the dominance of part-time farming in Lebanon. A large number of farmers depend mostly on non-agricultural incomes. The available data indicates that in the 1960s more than half of Lebanese farmers have worked in a secondary, usually non-agricultural job (Gaspard 2004). In the last agricultural census published in 1998, sixty-six percent of farmers/producers have an income from a secondary initial job (FAO 1999). The alternative secondary income explains how small producers were able to survive. They partially rely on their agricultural income and do transfer a part of their non-agricultural earnings to cover production costs that will be reimbursed at the end of the season. That is how small producers have been able to sustain their production units and have generated enough income for their own subsistence (UNDP 1992).

#### **2.4.4.3. Land fragmentation**

In addition to small holdings, land fragmentation constitutes another challenge for agriculture at farm level (Tatyan 2000). In 1970, small holdings were widely scattered into small plots ranging

between five and twenty-four plots (Andreou et al. 1979). In 1998, the total number of holdings, accounting for 194,829, was sub-divided into 491,700 plots. On average, exploitations in Lebanon were split into 2.5 plots (Choueiri 2002). The rapid development of urbanization (Thomas 2000) and the process of land inheritance intensify land fragmentation (Asmar 2006). Accordingly, production costs are increasing due to higher costs of irrigation, mechanization, and land reclamation. In fact, by increasing the number of small holdings over time, land inheritance and fragmentation makes agricultural production a cost ineffective activity, and therefore, the reliance on agriculture as a secondary income would accelerate.

#### **2.4.5. Producers**

The Atlas of Lebanese Agriculture is the last published reference describing producers in Lebanon. It goes back to 2005. Data showed that only thirteen percent of producers who were cultivating twelve percent of UAS were aged below 35 years old. However, twenty-three percent of producers, who were cultivating twenty-four percent of UAS, were aged above 65 years old. The remaining sixty-four percent of producers were aged between 35 and 65 years old. In gender distribution, female producers represented seven percent of total producers. Only six percent of female producers were aged below 35 years. In terms of education, it appeared that sixteen percent of producers are illiterate and were exploiting sixteen percent of UAS. Sixty-one percent of producers received basic primary education and were exploiting sixty percent of UAS (MOA 2005a). Producers' education constitutes another challenge for Lebanese agriculture at a holders' level. Education is necessary to increase the production efficiency and competitiveness, to adopt new technologies, to implement extension recommendation, and finally to reach diverse markets without intermediaries (Yasmeen et al. 2011).

With the dominance of small holdings, self consumption was the destination of production for thirty-seven percent of producers who cultivated around nine percent of the total UAS. The remaining sixty-three percent of producers have marketed their production at local and external market levels (MOA 2005a).

#### **2.4.6. Mechanization and agricultural inputs**

Mechanization and production resources are the main elements for high agricultural productivity. In Lebanon, the private sector is mainly responsible for the upstream agriculture, in particular these two elements. The public sector limits its intervention in providing appropriate extension, information, research, and the promotion of group work through cooperatives.

The last official findings published in 2002 by the Lebanese Observatory for Agricultural Development showed that eighty-three percent of holdings relied on agricultural machinery (tractors, seeders, sprayers, milking machines, etc). These holdings were exploiting ninety-four percent of total UAS. The remaining seventeen percent were small holdings exploiting only six percent of total UAS. Ninety-five percent of producers cultivating a UAS higher than two ha have reported the use of agricultural machineries (Choueiri 2002).

In 1999, Moatasim Sidahmad and Teffera Betru assessed the status of agriculture mechanization in Lebanon. They reported that sixty-eight percent of mechanized farming was based on custom hiring from neighboring farmers on the basis of availability. They indicated that agricultural machinery was small, over-utilized, and relatively old. Moreover, they highlighted the lack of mechanization in several agricultural operations such as weeding, seeding, and harvesting except for potatoes and wheat (Sidahmad and Betru 1999). In parallel, Chami Saade and Imad Chatila underlined that the low access of farmers to credit, land tenure and sharecropping, poor access to land, and the limited number of agriculture cooperatives supplying machinery services were the major constraints to achieve the level of mechanization required in Lebanon (Saade and Chatila 1994).

In the use of production resources, in particular fertilizers and pesticides, intensive application is reported in Lebanon despite the fact that the government has banned the use of some dangerous pesticides and issued appropriate rules and regulations to control customs, safe handlings, and reduce pressure on the environment (MOE/LEDO 2001). Compared to the Arab world, Lebanon uses the highest rate of pesticides per hectare, approximately 2 to 3 times the rate used in Egypt, Jordan, and Amman. In 2006, it was classified fourth after UAE, Egypt, and Oman in terms of kilos of fertilizer usage per hectare. The average use was 414 kg/ha. These excessive applications tend to reduce the quality of food and may contribute to diverse side effects (Bashour 2008).

The overuse of fertilizers and pesticides is mainly promoted by private input suppliers who control the distribution of agricultural inputs across Lebanon. Large monopolies over supplies of veterinary products, seeds, fertilizers, and pesticides characterize the input supply system in agriculture (Saade and Chatila 1994).

## **2.4.7. Education, research, and extension**

### **2.4.7.1. Agricultural education**

Education is essential to improve agriculture as a business unit and as an instrument for rural development. It reduces agricultural risk and increases marketing opportunities. In Lebanon, agricultural education is offered by both public and private sectors at different levels as follows:

a- University level:

1. The Lebanese University, Faculty of Agricultural Engineering and Veterinary Medicine: offers BSc and MSc degrees in agricultural engineering and veterinary medicine (LU, 2009). No appropriate technical field trainings were offered to students up to 2010.
2. The American University of Beirut, Faculty of Agricultural and Food Sciences: offers BSc and MSc degrees in agricultural engineering, food technology and nutrition. The faculty manages the Agricultural Research and Education Center (AREC), which is devoted to improving rural livelihoods in dry lands (AUB 2012).
3. Holy Spirit University of Kaslik, Faculty of Agricultural Sciences: offers BSc and MSc degrees in agricultural sciences, human nutrition and dietetics, and agro-food sciences. Students receive appropriate technical trainings (USEK 2012).
4. Saint Joseph University, Higher Institute for Agricultural Engineering for Mediterranean Countries: offers BSc and MSc degrees in agricultural engineering (USJ 2007).

b- Secondary education level:

Schools are managed by the MOA. They offer high school certificates in agricultural and livestock technicians (MEHE, 2012).

c- Vocational Training level:

It is mainly provided by local and international NGOs working in the agricultural sector such as RMF, arcenciel, YMCA, etc. The government, through the CDR, has initiated several vocational training centers across Lebanon (CDR 2010).

The university level in agricultural education in Lebanon is much more developed than the secondary and vocational training levels, revealing a serious imbalance between theory and technical experience. Technicians, more than engineers, are needed in rural areas to provide close technical support for farmers. In general, students at the secondary level prefer to continue their education to the university level (UNDP 1992) so they might be more paid and find better working conditions. There is no official number of agricultural technicians in Lebanon; however, it is certain that the number of agricultural engineers is much higher than agricultural technicians.

#### **2.4.7.2. Agricultural research**

Because research is considered a primary factor for economic development, Lebanon has promoted agricultural research through various organizations.

In 1957, the government established the first research station in the Bekaa Valley. This station became the agricultural scientific research center of the MOA. Few years after, several stations were also established across the country. In 1964, all stations were organized as an autonomous public institution in the “Lebanese Agricultural Research Institute” (LARI) under the direction of the MOA. LARI carries out research, offers some services to farmers (soil test, water test, etc) and manages demonstration plots in the four different agricultural regions. It maintains close bilateral cooperation with agricultural research centers in the region and developed countries. It coordinates with local and international NGOs to transfer to farmers the results of scientific research (LARI 2009).

Besides LARI, several organizations, either governmental or non-governmental, conduct agricultural research in Lebanon. The National Council for Scientific Research (CNRS), a public institution established in 1962, performs agricultural research on water, land use, land cover, land degradation, etc. (CNRS 2012). The Litani River Authority (LRA), a public association

established in 1954, conducts research on irrigation in agriculture, in particular water use, irrigation systems, irrigation policy (LRA 2009). In addition, the Green Plan (GP), an autonomous public association established in 1963, carries out agricultural research on a limited scale, in particular land degradation (Green Plan 2010). In the non-governmental sector, AUB, through the AREC, conducts agricultural research in the Bekaa (AUB 2012). The International Center for Agricultural Research in Dry Areas (ICARDA) established many centers across the Bekaa valley. ICARDA conducts research on agricultural productivity to ensure the efficient and equitable use of natural resources (ICARDA 2011). The Chambers of Commerce, Industry, and Agriculture in Lebanon carry out some agricultural research in the field of food packing and processing (FCCIAL 2007). Local and international NGOs such as World Vision (WV), Instituto per la Cooperazione Universitaria (ICU), FAO, Rene Moawad Foundation (RMF), etc. conduct agricultural research that is mainly related to the projects or programs they are implementing. For instance, GIZ promotes conservative agriculture in Lebanon. It carries research on no-till practices and then disseminates it to farmers across Lebanon (GIZ 2012).

All agricultural research initiatives are crucial for the development of agriculture in Lebanon. For the time being, few big producers benefit from these initiatives. A solid cooperation should tie all stakeholders involved in agricultural research with producers' organizations in order to disseminate research results and applications for small producers on the one hand and to conduct research based on empirical needs on the other hand.

#### **2.4.7.3. Agricultural extension**

Agriculture extension transfers agricultural research and modern technologies to the practical field application through the proper education and training of producers. It aims to increase productivity and efficiency by ameliorating producers' skills at the production and marketing levels. In developing countries, agricultural extension is perceived as a public policy service and has received large financial support from international development agencies (Swanson et al. 1997). In Lebanon, it was identified as a major policy instrument essential to stimulate rural development during the post-war reconstruction phase (Betru and Long 1996).

The government and NGOs, in addition to the private sector offer extension services across Lebanon. In 1957, the MOA initiated the extension department in the Studies and Coordination Office. It offers extension services through twenty-eight centers scattered across the twenty-six Lebanese Caza. The webpage of the extension department is not developed; it only displays one study for vegetable production under greenhouses. It clearly mentions that the performance of public extension services is very weak today. There is no independent budget line for extension services in the ministry budget (MOA 2012a). The CDR, during the reconstruction phase, rehabilitated some extension centers and granted many contracts for NGOs to offer extension services (CDR 2009). The current agricultural minister, Dr. Hussein el Hajj Hasan, is intending to activate public extension services across the country. He recruited several agricultural engineers to lead the main offices at District and Caza levels. He signed a grant agreement with the EU to equip all extension offices (NNA 2011). The current number of extension agents is 115. It was forty-five in 1968 when the number of holdings was close to 143,000; approximately one extension agent for 3,177 farmers (Baalbaki 1985). In a recent study for the status of agricultural extension in part of the Bekaa valley, results revealed that extension services are weak varying from office support to few field visits. In one office (Douris village), extension agents had no facilities to reach farmers and during an 8-month period they have only received 100 farmers. In Hermel office (a Caza), there was only one agricultural engineer who carries field visits twice a week for an average of ten farmers (Moses 2011). The total number of holdings in Hermel is 2335 (MOA 2006).

Next to the government, local and international NGOs provide extension services in rural areas. The main actors are Young Men's Christian Association, Safadi foundation, Hariri Foundation, arcenciel, ICU, IFAD, George Frem Foundation, Action against Hunger, Rene Moawad Foundation, Jihad el Bina Development Association, Cooperative Housing Foundation, etc. In most agricultural development projects, a small budget has been allocated for extension services. Legally, these organizations are not obliged to coordinate with the MOA because they are registered under the Ministry of Interior Affairs and have the freedom to work in the agricultural sector. However, the extension department in the MOA has managed to coordinate with most of them and sometimes it has itself received direct support in terms of new extension techniques and updated technical leaflets and trainings (Moses 2011).

Finally, private enterprises such as agricultural supply companies play the main role in the field of agricultural extension. First they have the tool, i.e. agricultural engineers, and second they have the products/machines. They give recommendations to farmers and directly sell them products to apply. These enterprises are regulated by the MOA, which urges them to register all products displayed in the market. In comparison to the government and NGOs, private enterprises have the advantage of product supply with credit facilities; however, they have the disadvantage of marketing orientation that is mainly associated with a lack of trust. Because agricultural engineers get a percentage on sale, they mainly recommend higher application rates or additional numbers of applications (Jaber 1997, Betru and Long 1998). On the other hand, NGOs that have religious or political ties may target specific farmers. Their activities are selective and tend to be project driven for a short-term period and according to budget availability (Moses 2011).

## **2.4.8. Rural institutions and marketing**

### **2.4.8.1. Agricultural credit**

Credit plays a crucial role in agriculture development. For small and big holdings, it enables producers to carry out new investments essential to adopt new technologies, expand production, and reduce agricultural costs. In Lebanon, agricultural credits are either offered through the formal banking system or through the informal micro-credit institutions, input suppliers, and wholesale traders. The government has provided guarantees for banks to offer agricultural loans, has subsidized credits to producers, and has initiated special credit institutions for the agricultural sector.

Three specialized agriculture credit institutions exist in Lebanon (UNDP1992):

- Bank of Agricultural, Industrial, and Real Estate Credit (BCAIF)
- National Union of Cooperative Credit (NUCC)
- National Bank for Agricultural Development (NBDA)

Due to the effect of rampant inflation during the war, the BCAIF stopped its activities in 1984 without being liquidated (Choueiri 2002). Due to the cessation of budgetary support under new post war policies in 1992, The NUCC stopped credit allocation to cooperatives and ran short of

financial and human resources (Assaf 2010). The NBDA, which was initiated by the Lebanese government in 1977, has never practically become operational (Choueiri 2002). Therefore, specific agricultural credit institutions in Lebanon exist, however none of them is functional.

In the formal sector, Commercial banks either offer agricultural credits from their resources or facilitate logistically the guaranteed government loans or micro-credit institution loans.

Agricultural credits from commercial banks accounted for 1.3 percent of the total credits offered between 1997 and 2007. Banks prefer to provide low risk credits to the service sector characterized with high profitability. The share of the service sector from commercial bank credits amounted to forty-four percent over the same period (EAM 2007). In fact, credit requirements of banks are difficult to be secured by small producers. Always, banks ask for collateral in addition to property mortgage asset amounting for a sum higher than that of the loan (Choueiri 2002). Accordingly, the majority of commercial loans are received by big holdings averaging for more than 20 ha (Iskandar 2000). In addition to this logistical challenge, high interest rates ranging between sixteen and twenty-two percent are a major handicap for credit efficiency in the agricultural sector (Choueiri 2002). The government, by offering subsidized guaranteed loans through commercial banks, has worked to reduce interest rates and assure specific guarantees. “KAFALAT” program is the most efficient financial instrument for small and big producers in Lebanon. Loans, reaching maximum L.L. 300 million (equivalent to USD 200,000) for individuals, are offered with a subsidized five to seven percent interest rate over a 7-year maturity period and with a 1-year grace period (Markou and Stavri 2005, KAFALAT 2012). Other schemes are elaborated by the government. They are agreements with individual commercial banks to offer more agricultural loans backed by the government subsidized guarantee. Recently, in 2010, the MOA signed an agreement with Fransabank, a local Lebanese bank, to offer government subsidized agricultural credits (ABL 2012).

Alternative credit services are offered in the informal sector through micro-credit institutions. Born in the late nineties, the micro-finance sector in Lebanon is concentrated in the hands of two big institutions: Al Majmoua and Access to Microfinance and Enhanced Enterprise Niches (AMEEN). Most micro-credit institutions are supported and sometimes initiated by international donors, such as the WB and EU, to increase the distribution of credits over regions and sectors

(Assaf 2010). The main concern in the informal sector is the high interest rate. Al-Majmoua, initiated by a USAID project in 1994, offers credits at a 2.98 percent effective monthly interest rate (annual rate is 35.76 percent) and AMEEN, initiated as well by USAID in 1998, provides loans at a 2.42 percent effective monthly interest rate (annual rate is 29.04 percent). Interest rates offered by both institutions are four times higher than interest rates offered by the government guaranteed loans (IFC 2008). In addition, several NGOs (local or international) have a micro-credit component in their projects. Credit amounts vary between NGOs as well as interest rates; however the latter tend to be higher for big amounts (Grace and Saad 1997).

Finally, input suppliers and wholesale traders offer informal credit support for the majority of big and small producers. Input suppliers provide credits in the form of production resources such as fertilizers, seeds, pesticides, machinery, etc. with a due date after harvest for annual and perennial crops. However, wholesale traders offer cash money for producers with due date at the beginning of harvest by receiving the production. In fact, producers, who go to wholesale traders, need credits to pay in cash the cost of production resources secured with higher costs from input suppliers if received in terms of credit as above. However, such producers do not escape the negative side of wholesale traders who in their turn impose lower product prices. Therefore, with informal credits either from input suppliers or from wholesale traders, producers' are somehow exploited in the selling prices, in the cost of inputs, or in the quantities of delivered products (wholesale traders register lower quantities: explained later in this chapter) (Choueiri 2002, UNDP 1992, Jaber 1997, Baalbaki 1985, International Bechtel and Dar el Handasah Consultants 1992, Thomas 2000).

#### **2.4.8.2. Producers' cooperatives**

Although cooperation between producers has existed under several agricultural activities such as threshing of grain, assigning of water rights, and sharing of draft animals, it was not until 1937 that a successful cooperative model, based on principles and values, was initiated in Abadiyeh village, close to the capital Beirut. It was founded by a native from the village in coordination with the Near East Foundation of New York and the American University of Beirut. It was an agricultural cooperative supplying credit at low rates and marketing services. It succeeded in packaging and delivered higher returns for members compared to non-member producers.

Members learned only to borrow money based on productive purposes and were able to expand and diversify their production. After this success, the country leaders saw the cooperative model as a useful tool to solve most agricultural challenges in Lebanon (Tannous 1949). During the Second World War, similar initiatives were founded in nearby villages. In fact, the policy of the British government, which directed the pre-war export agricultural strategy to an inward self-sufficiency aiming to fulfill military needs, encouraged the establishment of cooperatives. However, little tangible progress has been made (Gates 1998). In 1941, a law regulating the initiation of agricultural cooperatives was enacted. It did not contribute to the development of cooperatives in other sub-sectors (Graindorge and Waisfisz 1972). Later in the 1950s, Lebanon witnessed an expansion in the number of agricultural cooperatives initiated by small producers. Most of these cooperatives were inactive and were only initiated to benefit from the production resources support, mainly fertilizers, donated by the United Nations and the financial support of the MOA which was only limited to cooperative enterprises. As such, from the 130 registered cooperatives in 1952, only eleven cooperatives were offering marketing and processing services. These cooperatives were generally classical dealing in common services and not specialized to certain crops or value chain. In 1964, after ending the fertilizer distribution program, the MOA dissolved 130 dormant cooperatives and enacted a new cooperative law covering cooperative societies in different sub-sectors and imposing additional monitoring on them through the DGC (Baalbaki 1985). This law defined everything needed for cooperatives to work as autonomous organizations. Facilities in the form of tax exemptions have been offered to cooperatives in comparison to other economic enterprises. Cooperatives are not required to pay taxes on building permits, on rental values, and on wages, are exempted from electricity and water charges, and benefit from fifty percent reduction on export customs (Lebanese Republic 1964). It should be noted here that such progress happened during the Chehabist period (1958-1964), the only developmental period in the modern history of Lebanon characterized by the promotion of socio-economic development through public institutions and infrastructure modernization (Gaspard 2004). In 1968, cooperatives were united under a federal national cooperative promoting the cooperative movement as follows (MOA 2012).

- Accounting services: a new accounting system was adopted
- In depth studies of most important cooperatives
- Research detailing the challenges of cooperatives

- Education service: mobile workshops to educate the cooperative advantage

In 1972, only thirty-nine agriculture cooperatives existed. Six of them were specialized and thirty-three classical. At this stage, the cooperative sector succeeded under specialization to offer a proper progress in agricultural development (Baalbaki 1985). For instance, the Cooperative of Sugar Beet Growers marketed all sugar beets produced in Lebanon, the Bekaa Cooperative for the Production and Distribution of Eggs marketed forty-seven percent of the Lebanese egg production, the Potato Cooperative was responsible for fifty-five percent of the Lebanese potato production, etc. (Andreou et al. 1979). However, these specialized cooperatives, which were initially established by big farmers and accordingly were controlled by them, marginalized small farmers and deprived them the chance of overcoming their socio-economic challenges (Baalbaki 1985). In 1973, the government initiated the Ministry of Housing and Cooperatives, expressing the essential socio-economic role of cooperatives in the Lebanese context and the need to manage and promote their activities independently from other ministries, in particular the MOA. In 1975, there were 115 cooperatives (from which 67 agricultural) and the number of members was 29,999 (Andreou et al. 1979).

During the civil war, no progress was reported on the cooperative movement development (UNDP 1992). In 1987, the Committee for the Promotion and Advancement of Cooperatives, while studying cooperatives' membership in different countries, reported that Lebanon accounted for five percent in the percentage of cooperative members/total population (COPAC, 1987). After the end of the war and with the aim of reducing poverty, cooperatives were used as an instrument for rural development. In fact, the government, politicians, and development agencies encouraged producers to join together in cooperatives that partially collapsed during the war (Kubursi 2001). In 2000, this Ministry of Housing and Cooperatives was abolished and the DGC was merged within the MOA. The DGC supplies the following services (MOA 2012)

- Registration of cooperative societies based on a socio-economic feasibility study
- Provision of technical assistance in business management
- Encouraging cooperation between cooperatives
- Planning and organizing cooperative education and training

In 2011, The MOA reported that 1,636 cooperatives has been the total number of officially initiated cooperatives in Lebanon since independence. 445 of them have been dissolved. Table 5 shows the distribution of 1,191 cooperatives across Mohafazat.

Table 5: Distribution of cooperatives across Lebanon in 2011

<b>Mohafazat</b>	<b>Number of cooperatives societies</b>	<b>Percent of total</b>
<b>Bekaa</b>	209	17.5
<b>Nabatiyeh</b>	208	17.5
<b>Beirut</b>	42	2.5
<b>South Lebanon</b>	164	12.7
<b>Mount Lebanon</b>	252	21.2
<b>North Lebanon</b>	315	26.4

Source: MOA 2012

Sixty-six percent of cooperatives societies are classified under the agricultural sector (plant, animal, processing, fishery, and beekeeping). They are distributed among the Mohafazat as follows:

- North Lebanon: 32.97 percent
- Bekaa: 30.9 percent
- Nabatiyeh: 20.25 percent
- Mount Lebanon: 15.5 percent
- South Lebanon: 14.35 percent

Financial support for cooperative societies has been a key policy in post-war agricultural policies. It increased from LL 512 million in 1998 to LL 812 million in 2001, when 100 cooperatives societies benefited. Then, it was reduced to LL 45 million in 2004, the last year of direct financial support to cooperatives. In 2009, the DGC received four percent from the total budget allocated for the MOA (MOF 2009a).

As detailed in the introductory section of Chapter 1, the Lebanese government acknowledges a failure of coop societies. However, no arguments were given to reveal what were the root causes behind this failure. Why were cooperatives not based on common members' needs? Why were they initiated to channel donors' support? And why do members not benefit from such support to implement sustainable services? No statistics were reported about the size of failure or the size of the survey carried to publish such data. In addition, why the government and development agencies continue to consider the role of cooperatives in agriculture development after declaring their failure was not elaborated. What is mostly lacking is the opinion of producers who are the target from relying on the cooperative tool in socio-economic development and might be the cause of failure.

### **2.4.8.3. Agricultural marketing**

In the Lebanese market-based economic policy, the private sector is concerned with the marketing of agricultural products. The government has interfered in the marketing of some strategic crops and has established trade agreements in addition to norms and regulations which have mostly facilitated and fostered the development of agricultural exports.

#### **2.4.8.3.1. Marketing institutions: public and private**

Specific public and private marketing institutions have been initiated to help producers and traders in increasing their marketing opportunities and strengthening their competitiveness in the market economy.

The “Regie Libanaise des Tabacs et Tombacs” is a state monopoly initiated in 1936 and is responsible for controlling the production, manufacturing, and trade of tobacco under the guidance of the MOF. This institution issues production permits and determines the yearly fixed quantities that can market for individual producers (RLTT 2003).

The National Office of Cereals and Sugar Beets was initiated in 1959 to regulate the supply of cereals (wheat, barley, corn) and sugar beet in Lebanon. It is directed by the Ministry of Economy and Trade. It aims to secure the stability and safety of bread supply and to increase

local cereals production. In 2010, the office purchased 10,893 tons of wheat from local producers at a forty percent higher price than the global market and included barley in a new subsidy plan. The activities related to sugar beet were completely canceled by the government decision to stop subsidizing sugar beet production in 2008 (MOET 2011).

The intervention of the MOA is indirect through policies and standardizations. It is mainly reflected through the yearly formulation of an agricultural calendar which restricts the import of certain agricultural products during the production season. Moreover, the MOA, through the agricultural resource management unit, disseminates norms and standards for classifying, sorting, and grading agricultural products (Choueiri 2002). Standards and norms are defined in collaboration with LIBNOR (the Lebanese Standards Institution), which is a public institution attached to the Ministry of Industry for setting national standards for all products falling under the agro-food sector (LIBNOR 2008). They have contributed to the improvement of exports through increased uniformity and labeling; however, at the local market level, there was no efficient mechanism to apply them among producers and wholesale markets.

IDAL, a government institution under the guidance of the Prime Minister, promotes agricultural marketing by subsidizing exports and assisting traders in accessing new markets through technical capacity building and promotional support programs. IDAL's system is to subsidize kilos of exports based on the application of norms and standards (IDAL 2006).

As a private institution, the four Chambers of Commerce, Industry, and Agriculture, which are located in Beirut, Tripoli, Saida, and Zahle, provide different marketing services to agricultural stakeholders; mainly technical advice on quality norms, market access requirements, market prices, trade agreements, trade statistics, contact details of importers and exporters in Lebanon and abroad (FCCIAL 2007).

NGOs work to establish or facilitate post-harvest and processing services. Several interventions were applied. They could be either infrastructural work such as agricultural roads, processing, storage, and packaging units, or product design and development such as labeling and branding. For instance, USAID has granted several packing and post-harvest units across the country. With Rene Moawad Foundation, it implemented a project to sort, grade and pack apples; with World Vision Lebanon to pack and market organic agriculture products; etc (USAID 2012). The EU has also funded several packing units through the Agricultural Development project (ADP) that was implemented with cooperatives across Lebanon (EU 2008).

#### 2.4.8.3.2. Description of marketing channels

Producers in Lebanon have limited direct market access at local and external levels. Few big producers have been able to reach distant markets without the intervention of middlemen.

##### 2.4.8.3.2.1. *Big holdings*

This category is mostly concerned with the export of fruits, in particular citrus, apples, grapes, bananas, and pears, with some vegetables, mainly potatoes, to nearby Gulf markets. Up to four intermediaries can intervene in the export process as follows:

- From producers, a middleman (1) purchases the crop before harvest (prediction of production) or at harvest
- From middlemen, wholesale traders (2), owning logistical tools such as transport vehicles, sell crops to exporters.
- Exporters (3), usually operating in a packing unit, sort and pack crops and export them to external markets where a commission agent (3)- commission up to 6%- or representative sells the crop in wholesale markets.

Few large holders are exporters at the same time without any intermediaries. In addition to marketing their production, such holders purchase directly from other small and medium producers to cover their export requests (Jaber 1997, Baalbaki 1985, Choueiri 2002). Exporters usually apply LIBNOR norms and standards and sometimes have received financial subsidies from the government through the export promotion program. Ninety-eight percent of exports are directed to Arab countries by land transport via Syria (IDAL 2010). Under several political challenges with Syria, the transit problem has paralyzed the export market and has made marketing under this category dependent on regional political circumstances (Habib 2007).

##### 2.4.8.3.2.2. *Small holdings*

Representing the majority of the Lebanese producers, this category is concerned with the local marketing channels for varied agricultural produce. It involves several intermediaries to reach

the Lebanese consumers. From producers, middlemen (first intermediary) purchase the production on field. They pay transport costs to deliver it to wholesale markets or otherwise sell it to wholesale traders (second intermediary). The latter distributes production to wholesale dealers owning small units in wholesale markets (third intermediary). At this level, retailers (fourth intermediary), either supermarkets, small shops, or mobile sellers, purchase the produce and sell it to individual consumers. For processed food, processors (fifth intermediary) usually buy from wholesale dealers, transform the product (jam, pickles, etc), and then sell it again to retailers. Most producers can directly reach wholesale dealers but few of them sell to retailers, who prefer to work with wholesale dealers that offer increased homogeneity and supply stability. In fact, medium sized producers prefer also wholesale dealers because they pay weekly, compared to retailers who pay quarterly. Dealers take a commission of ten percent on sale. The price is neither fixed between producers and dealers nor displayed on products. Producers allow dealers to sell their production based on trust. Every week on a fixed day, the dealers give a statement to producers detailing the selling prices. No accounting system monitors all the selling activity either for weight or for price. This dealing system is highly vulnerable to corruption. Producers cannot know if they are getting what retailers have paid. Dealers could register any price on the statement and then deduct ten percent from the total amount. This is the current system, no other choices, and producers are the weak part of it. Sometimes, when the loss in weight and waste are counted, the commission could reach thirty percent of the selling amount (Jaber 1997, Baalbaki 1985, Choueiri 2002). For instance, being a farmer, when I was receiving USD 0.6/kg of apples as return from wholesale dealers, consumers were paying USD 1.6/kg. There is 177 percent additional sum between what farmers get and consumers pay. Retailers are the main beneficiaries of the local marketing system. They get in one day, by selling products to consumers, more than producers can get from these crops during the whole production season. Producers get an even lower return when the cost of production is counted. Moreover, retailers have no risk compared to producers who are threatened by diverse natural challenges. When dealers get involved in supplying credits to producers, they force them to accept lower prices by being urged to sell them. In this case, producers face additional restricted marketing channels (Thomas 2000). At local markets, producers do not apply LIBNOR norms and standards. Different grades are packed in the same container, which may lower the total average price. No

conditioning for products is applied. Dealers try to sell products as soon as they reach the market. Otherwise, increased waste would occur.

#### 2.4.8.3.3. General marketing challenges

Producers' marketing challenges can be summarized as follows:

- High market risks and the volatility of prices: the weak implementation of the agricultural calendar allows the dumping of subsidized products exported from other countries and accordingly affects market prices. It is a lack of market information and production strategies which generate over production without appropriate marketing channels (Iskandar 2000).
- Lack of trust and abuse of small and medium producers by wholesale dealers. Local marketing channels are not transparent and based on considerations vulnerable to corruption. Several intermediaries reduce producers' income and make available local marketing channels inefficient (Jaber 1997, Baalbaki 1985).
- The weaknesses of producers' marketing institutions such as cooperatives, which can reduce intermediaries, increase bargaining power, and open direct marketing channels. Also, unsuitable infrastructure going from transportation, packaging, cold storage, to distribution reduces the performance of agricultural marketing in addition to the quality of products. The development of fruit production in neighboring countries has reduced the export market of big holdings and has imposed further adoption of norms and standards that many small producers are not able to meet without proper government technical and financial assistance (Tatyan 2000).
- Lack of agricultural credits with low interest rates makes producers dependent on input suppliers and market dealers who assure these credits, but control marketing opportunities or increase production costs. The lack of extension services to apply new marketing techniques is also considered a main challenge for Lebanese producers (Choueiri 2002).

#### **2.4.8.4. Vocational associations**

In addition to cooperatives, unions and producers' associations could play an essential role in increasing the power of small producers to influence and lobby decision makers at policy level. Such associations are crucial in the Lebanese context dominated by small and marginal producers. Their main objectives are to enhance the living conditions of producers' members and protect their interests.

In Lebanon, the unions of farmers have started at sub-sector and regional levels such as the Union of Grape Farmers in North Lebanon (1934), the Union of Dairy Cows in the Bekaa (1961), the Union of Apples and Fruit Trees in Lebanon (1972), and the Union of Tobacco Farmers (1973). Accordingly, the work of these unions differed upon crop needs and usually was limited to seasonal activities. For instance, the Tobacco Union asked higher prices from the MOF; however, the Dairy Cows Union asked to control the monopoly of forages supply and the need to initiate milk collection centers directly controlled by the Ministry of Economy and Trade. In 1975, all unions joined together to initiate the National Alliance of Farmers Unions in Lebanon. This union has formulated needs at sector level and has tried to influence decision makers to implement them across the country. For instance, it worked to cover producers by a specialized health and social insurance system, to import production resources directly from external markets without relying on input supply companies, to restore the supply of agricultural credits for small producers at low interest rates, to force the proper application of the agricultural calendar policy, to initiate a national fund for crop insurance against natural disasters, etc. (Baalbaki 1985). After the war, the UNDP mentioned that the influence of farmers' unions is restricted for several reasons, in particular political control (UNDP 1992). There are no recent references updating the activity of the National Farmers Unions across the country.

Sub-sector unions continue today to coordinate with the government their sectors' needs at national level. For example, in 2011, the head of the tobacco farmers' union requested a thirty percent increase in tobacco prices paid by the government and called on members to join a strike organized by the General Labor Organization to seek equitable salaries (The Daily Star 2011). In 2003-2004, the Union of Apple Growers asked the government to raise compensation for crop losses caused by a natural hailstones disaster (El Ghouli 2004). Nowadays, the Lebanese Farmers' Association is the most active farmers group at sector level. For example, in 2008, it

urged the government to maintain the agricultural calendar policy when the Minister of Economy and Trade decided to open the Lebanese market without any restrictions (The Daily Star 2008). There is no reference describing the internal problems of farmers' unions and associations in Lebanon. However, similarly to all other vocational associations in other sectors, such groups are facing serious sectarian and political challenges that are imbedded in the Lebanese system.

## **2.4.9. Nature of post-war agricultural policies in Lebanon**

### **2.4.9.1. General framework**

In parallel to the adopted neo-liberal economic policies, post-war agricultural policies did not contradict or deviate from the general framework of a non-interventionist state, except for some distinct supports targeting rural development and natural resource protection. This policy has limited government intervention to the development of required physical and social infrastructure; the formulation of legal and regulatory frameworks facilitating competition and increasing transparency; and the supply of essential public services covering market imbalances and reducing risks (ESCWA 1999, MOA 2005, Jaber 1997, Thomas 2000, Tatyán 2000, Nasnas et al. 2007). Similar to other economic sectors, the government has seen that agricultural development can only take place through private sector initiatives. Accordingly, subsidy programs were used to increase the private sector participation and secure benefits through minimum efficiency, in particular price support for tobacco, wheat, sugar beet; credit support through KAFALAT credit program; and export support through Export plus and Agri-plus programs (Markou and Stavri, 2005, Hunter 2006, Iskandar 2000).

Since 1992, Lebanon has been increasingly taking part of the globalized movement toward freer trade with a low focus on national food security compared to neighboring countries such as Syria and Egypt (Hunter 2006). Food products represented the largest simple group of imports at an average rate of sixteen percent from 2003 to 2007. The value of agricultural exports over agricultural imports reached twenty percent in 2007 (MOA 2007). Apart from the agricultural calendar, trade restrictions have been gradually disappearing and bilateral and multilateral free trade agreements are being ratified in order to decrease tariffs and subsidies (Hunter 2006). The

liberal agricultural policy is mainly expressed by the post-war low budget allocated for the MOA, which received an average of 0.87 percent from the total budget between 1992 and 2006 (MOF 2007). Even when other budgets linked to the agricultural sector policy are counted, such as the tobacco subsidy through the MOF, the cereals subsidy through the Ministry of Economy and Trade, the export subsidy through IDAL, and reconstruction activities through the CDR, the agricultural share from the total budget did not surpass the one percent amount (Markou and Stavri 2005). The support allocated for the agricultural sector by various international donors (such as EU, USAID, Japan, several Arab countries etc.) has exceeded the government budget and in 2003 was more than the double (Hunter 2006).

#### **2.4.9.2. Agricultural and trade policies**

Post-war governments have planned to target small and big holders to regain competitiveness in a global market economy. They have been undertaking reforms that promote market liberalization by minimizing restrictions, modernizing laws, and simplifying measurements that facilitate the growth of the private sector and increase the productivity of public services. In addition, they kept on and updated the major components of the Lebanese agricultural policies such as the Green Plan and the agricultural calendar.

##### **2.4.9.2.1. Subsidies or price support**

Subsidies were allocated directly to selected crops in order to maintain a certain strategic production in the country or indirectly through the support on export.

###### *2.4.9.2.1.1. Selected crops*

Wheat: The government, through the Office of Cereals and Sugar Beet in the Ministry of Economy and Trade, has assured the purchase of wheat production at a subsidized price and has provided farmers with selected seeds. Wheat subsidy is not a new policy; the office has been purchasing the total local wheat production since 1963. What has changed since 1991 is that the government has urged flour mills to purchase locally produced wheat at the subsidized rate in

order to allow them to import the remaining market needs at global rate prices (Nasnas et al. 2007, Hunter 2006, Tatyán 2000). In 2005, the government purchased 72,900 tons of wheat and paid a forty percent additional price compared to market prices (MOET 2011).

Sugar beet: Likewise, the production of sugar beet and its transformation has been subsidized by the government through the same office. The difference with wheat is that subsidies of sugar beet were not on production quantities but on cultivated areas and on farmers' size. Small farmers get a higher subsidy rate per unit area compared to big farmers. Moreover, sugar beet production has only started to be subsidized under post-war governments since 1991. The number of sugar beet farmers increased from 750 to 1,250 in 1999 and land surface planted by sugar beet increased from 1,062 ha to 7,221 ha in 1998 (Iskandar 1999). In 2001, the government stopped the sugar beet subsidy. Then, it renewed it in 2004 for only three years when the priority was given to small farmers with a maximum 5 ha receiving subsidy per farmer (MOET 2011, Markou and Stavri 2005).

Tobacco: The National Office for Tobacco and Tombacs in the MOF oversees the subsidy program for tobacco farmers. The office subsidizes farmers by buying their production at higher market prices. The rate of subsidies differs between agricultural regions, which are able to produce different qualities. The subsidy rate is fifty percent in South Lebanon- very good quality demanded in the international market such as USA; 600 percent in the Bekaa- low quality due to soil conditions and irrigation requirements; and 800 percent in North Lebanon- very low quality (ESCWA 1999). The production of tobacco has increased from two million kg in 1992 to around eight million kg in 1999 (Iskandar 1999).

Other crops: The MOA subsidizes the cost of vaccinations and drugs for livestock breeders (Markou and Stavri 2005). Fruit and vegetable farmers have no direct financial support on production similar to wheat and tobacco farmers. Instead, on occasion of natural disasters or over production, fruit and vegetable crops have benefited from a subsidized marketing program to cover the need of the Lebanese Army or other public institutions (Hunter 2006). Olive farmers have also received occasional subsidized marketing support from the Higher Commission for Relief under the authority of the Council of Ministers. In 2003, 1500 olive oil tons were marketed from farmers across Lebanon and then sold at subsidized prices for the Lebanese Army and social organizations (Markou and Stavri 2005).

#### *2.4.9.2.1.2. Support on export*

The government, after stopping the sugar beet subsidy in 2001, launched the Export Plus program which technically and financially supports Lebanese traders to export agricultural products into regional and international markets. The program has targeted exporters, producers, and agricultural cooperatives. IDAL prepared this program at an estimated cost of USD 33 million. Until 2010, 144 Lebanese exporters benefited from the support of Export Plus. Unlike the support of selected crops for local consumption, the Export Plus program has subsidized the export of fruits, vegetables, flowers, and eggs. Cash subsidies were paid to exporters in order to cover a part of the transportation cost. Therefore, subsidies have differed according to market destination. Only exporters meeting specific LIBNOR norms and standards have received financial support (IDAL 2006). From 2002 till 2007, total exports through the program increased by 224 percent, going from 144,745 tons to 469,336 tons respectively. Non-Arab countries only accounted for three percent of the total export in 2007. Syria accounted for twenty-three percent in the same period (IDAL 2007).

#### *2.4.9.2.2. Agricultural calendar*

Since Lebanon has always been able to meet self sufficiency in fruits and vegetables, agricultural policy makers have put special concern to protect these products and export their surpluses through the the application of the agricultural calendar policy or import restriction since the 1960s. The post-war government kept this policy and amended it in 1992 and 1995. This policy restricts the imports of citrus, apples, olives, grapes, and potatoes. Other crops may be imported but need a special permission from the MOA, including cucumbers, tomatoes, and onions. As well, some crops such as squash, eggplants, watermelons, garlic, apricots, peaches, and pears can be imported without permission from the MOA but in restricted times when the same local crops are in short supply (Jaber 1997, ESCWA 1999). Animal product imports, especially milk, are also restricted during a certain periods of the year (Hunter 2006). Under the Greater Arab free Trade Agreement, a maximum of nine agricultural products can be included in the agricultural calendar and for a maximum of thirty-five weeks. This restriction does not authorize

prohibitions. Products listed in the calendar are allowed to enter into the Lebanese market; however they do not receive the reduction in tariff rates during the restriction period (MOET 2011a).

#### 2.4.9.2.3. Trade policies

Since the Lebanese government policy has historically favored an open market economy, agricultural trade has been promoted and expanded with post-war governments. The main agricultural trade agreements effective today were signed after the end of the civil war. Lebanon has signed various bilateral trade agreements including one with Syria, Kuwait, UAE, and Egypt, etc. In 1997, new tariffs and bans on food imports were forced with the aim of cutting trade deficit and increasing government revenues. However, in 2000, following a pressure from the EU and other trading partners, the government replaced import bans and administrative regulations by import tariffs which were to be cut from an average of twenty percent to an average of fifteen percent and rates over 100 percent were reduced to seventy percent (Hunter 2006). Under the seventy percent tariffs category, the self-sufficient agricultural products in Lebanon such as chicken, honey, yogurt, and various fruits and vegetables are included (Markou and Stavri 2005).

In 1998, Lebanon signed the Great Arab Free Trade Agreement which governs trade relations with most Arab countries receiving more than ninety-five percent of Lebanese agricultural exports. Under this agreement, tariffs on all agricultural products were gradually decreased and subsequently eliminated by 2005. Some products are forbidden to enter some Arab countries for religious and sanitary reasons (MOF 2009, 2010, 2011). In 1999, the government allowed the free trade of Syrian agricultural products (Markou and Stavri 2005). In 2002, an association agreement was signed with the EU as a part of the Euro-Mediterranean Partnership Initiative. Under this agreement, most agricultural Lebanese products enjoy zero tariffs access to EU market, while the progressive elimination of tariffs on EU products is to occur between 2008 and 2014. In 1999, Lebanon applied for membership in the WTO and was granted an observer status. In 2001, the Memorandum of Foreign Trade Region was submitted to the WTO as a second step toward full membership. To date, several working party meetings have reviewed the government

responses to the issues raised by the WTO members; however, Lebanon has not yet been granted a full membership. In 2004, the government has signed a free trade agreement with the European Free Trade Association grouping Switzerland, Liechtenstein, Norway, and Iceland. The agreement became applicable in 2007. It only covers processed agricultural products (MOF 2009, 2010, 2011).

#### **2.4.9.3. Infrastructure policies: Green Plan (GP) and Irrigation**

Post-war governments have continued to promote the policy of land reclamation and irrigation modernization led by the GP, which provides financial support for farmers undertaking the following activities:

- Land rehabilitation
- Agricultural road initiation (group of farmers)
- Water storage initiation: concrete water tanks, earthen ponds, irrigation canals, etc
- Reforestation
- Production resources: seeds, trees, etc.
- Complementary works: fences, irrigation pumps, trellis for table grapes, support walls in hilly areas, etc.

Until 2008, around 62,000 farmers benefited from the GP support. Thirty-four thousand hectares were rehabilitated, 1100 ha were irrigated, and 740 km of agricultural roads were initiated (Green Plan 2010a).

Since irrigation water is a decisive factor for agricultural development and productivity, post-war governments have invested in the rehabilitation and expansion of water resources. Legal frameworks for the management of irrigation and groundwater resources has been revised and updated. The government has planned to increase irrigation capacity by thirty to fifty percent over the period 2003-2030. The government investment was managed by the Ministry of Energy and Water Resources, The Litani River Authority, and the CDR. Sixty percent of the Ministry of Energy and Water investment programs were allocated for the initiation of new dams and the remaining forty percent for the modernization of irrigation networks. Since 1994, irrigation has

received nine percent from the total public capital expenditure in the water sector. Public irrigation services have been differently charged upon area and volumetric consumption though the use of pressurized networks. Tariffs have ranged from very low levels up to USD 450/ha (World Bank 2010).

#### **2.4.9.4. Public services**

Because agriculture in Lebanon is the weakest sector of the economy and has received low investments compared to other sectors, public services were highly essential in order to ensure fair distribution and equitable access to essential resources. The post-war government has continued to offer a variety of public services aiming to reduce market imbalances, shortages and to regulate the general legal framework of various components in the sector, such as water, soil, market, prices, etc. As detailed above in the earlier sections describing the agricultural sector, the government has been engaged in the following services: laws and regulations for farm holdings and farm structure (land fragmentation, land tenure, small holdings, etc.), regulation of input supply, education, extension, credit supply, research, studies and strategies, cooperative enterprise management, market regulation (domestic and foreign), food security, forest protection, etc. (UNDP 1992, International Bechtel Inc and Dar el Handasah Consultants 1992, MOA 2005).

This part is limited to the type of public services and not to their efficiency. Since the government strategy has promoted the private sector, it is clear from the agriculture descriptions above that private initiatives, in addition to the involvement of non-governmental organizations, have offered similar and more relevant agricultural services and have effectively participated in the formulation of regulatory and legal frameworks.

#### **2.4.9.5. Reconstruction policies**

In the post-war reconstruction period, agriculture has received little support from the government in comparison with other sectors of the economy and in particular under the Horizon 2000 plan for reconstruction and development. Initiatives were left to the private sector to carry out the needed investments.

Only 4.8 percent of the total Horizon 2000 budget were allocated to the agriculture and irrigation sector. Physical investments were divided 40 to 60 between agricultural and irrigation respectively. The budget in agriculture was mainly directed to the rehabilitation and development of agricultural roads, land preservation and reclamation, increasing access to credits, reforestation, and the rehabilitation and extension of the ministry services, agricultural schools, and training centers. Agriculture credits and construction of roads have received 44.6 percent of the budget. Studies have received 27.3 percent. In irrigation, physical investments targeted the rehabilitation of all existing irrigated networks and the development of newly irrigated land (CDR 1993). For the distribution of agricultural and irrigation expenditures among Mohafazat, South Lebanon received the highest percentage (37%), followed by the Bekaa (33%), North Lebanon (19.3%), while Mount Lebanon received the lowest percentage (10.6%).

#### **2.4.9.6. Evaluation of post-war agricultural policies**

This overview of the main agricultural and trade policies reveals that agriculture was a low priority sector for post-war governments. Associated policies were carried out in a highly fragmented and disconnected manner (Hunter 2006, AFIAL 2001, ESCWA 1999). Low government expenditures and the reconstruction budget in agriculture explain the minimalist role of the state in agricultural development compared to other sectors (Hunter 2006). Unfavorable macro-economic conditions expressed by the over-valued Lebanese currency and high interest rates have promoted imports over exports and have reduced domestic production. The trade balance has been decreasing and free trade has been increasing through various trade agreements (ESCWA 1999). Export subsidies were limited to 144 exporters across Lebanon and small farmers have complained that traders and intermediaries were only benefiting from such export

programs (Hunter 2006). Subsidies for specific crops were based on a societal cost (for instance to replace illegal crops) and not as a part of an overall strategy for agricultural development or specific economic or environmental justifications. There were no specific criteria for farmers' eligibility for these subsidies. The price support did not help farmers to invest in increasing production but was offered as short term solution to cover the price difference compared to similar crops when imported from foreign markets. It is also noted that specific subsidies have benefited large producers at the expense of small producers and poor consumers. The composition of the population over ethnic lines has also made the process more complex and allowed room for favoritism. Cutting subsidies on sugar beet was driven by budget deficit and public debt and not by the inefficiency of such subsidies on the long-term (Hunter 2006, ESCWA 1999, AFIAL 2001). The weak implementation of the agricultural calendar by the government has allowed the dumping of subsidized agricultural crops from neighboring countries (Iskandar 1999, 2000). The Green Plan was only able to respond yearly to 15-20 percent of total submitted requests for land reclamation and other services (Green Plan 2010a).

Therefore, it appears that post-war agricultural policies have increased food dependency and reduced food security under a general neo-liberal environment. Adopted policies and related budgets have left local markets to be dominated by private sector initiatives which were directly supported through credits and subsidies. Policies have targeted big producers and exporters more than small producers that have been progressively moving out of the sector due to several structural challenges, especially that sixty-six percent of them were classified as part-time producers. The low government involvement will certainly leave room for NGOs that appeared to be investing twice the amount of the government in 2003. Knowing that there are several political NGOs working in the agricultural sector, small producers' control for a political aim will increase on the long-term.

#### **2.4.10. Connections between agricultural characteristics and producers' cooperatives**

Multiple connections can be outlined to show the close relationship between agricultural characteristics in Lebanon and producers' cooperatives.

The following specific agricultural characteristics highlight, when combined together, the importance of cooperation between producers aiming to increase their production efficiency:

- Dominance of self-employment
- Small size of holdings, part-time farming, and land fragmentation
- Importance of share cropping and renting
- The low percentage of youth farmers
- Dominance of Mulk ownership

Producers' cooperatives, by their potential role in increasing income and access to markets, improving producers' skills, increasing access to services and power to influence their policies, and increasing bargaining power, could be an important tool to resolve the main Lebanese agricultural challenges and induce rural development. In particular, they could address the following challenges:

- The low education level of producers
- Lack of mechanization in some agricultural operations
- The inefficient link between producers and research institutions
- Weak extension services
- Low irrigation efficiency
- Lack of specific agricultural credit facilities, high interest rates for agricultural credits from commercial banks
- Fragile marketing channels and the presence of several intermediaries between producers and consumers
- Weak vocational associations
- And finally, the fragmented agricultural policies that only benefit large producers

Accordingly, successful cooperatives initiatives could be classified strategic while aiming to develop the agricultural sector and increasing its contribution to GDP, to employment, and to exports.

## **Chapter 3- Role of Cooperatives in Government Agricultural Development Policies**

This chapter examines the potential role of cooperatives assigned by the government in the main agricultural policies that were developed after the civil war. First, it elaborates the potential normative role of producers' cooperatives in the Lebanese context by matching their characteristics in theory and practice, outlined in Chapter 1, with the detailed features of the Lebanese economy and agricultural sector, elaborated in Chapter 2. Then, it analyses the main agricultural development policies and identifies what were the objectives and impacts planned by using the cooperative enterprise tool. It continues by showing what the government has undertaken in order to facilitate the development of cooperatives and ends by examining its cooperation with other actors (NGOs, coops, etc) for sustainable interventions.

This chapter relies on available secondary data such as agricultural development policies and agricultural sector analysis and on other primary data gathered during interviews with the Minister Consultant for cooperatives' development in the MOA, Eng. Hasan Atwe, and the office managers of the DGC across the different agricultural regions.

### **3.1. Potential normative role of producers' cooperatives in the Lebanese context**

In this section, the theory of cooperatives and agricultural development elaborated in Chapter 1 are analyzed in conjunction with the structure of the Lebanese economy, the post 1992-economic and reconstruction policies, and the in-depth description of the Lebanese agricultural sector that were detailed in Chapter 2. This section explores and evaluates the normative role that producers' cooperatives could play in the Lebanese agricultural context. It aims to show how producers' cooperatives could, whenever internal and external constraints are avoided under optimal conditions, induce producers' socio-economic development in Lebanon.

### **3.1.1. The Lebanese economy**

As a pre-requisite for external success, the laissez-faire liberal market-based economic policy that has been adopted in Lebanon since independence supports the development of cooperative enterprises. Producers' initiatives, legalized as cooperative enterprises, are considered an autonomous organization free to work in Lebanon and invest in what members see as important for their socio-economic development. Cooperatives can operate without limitations on management and agri-business activities; also the government has enacted laws and regulations that assure their autonomy and independence. The restriction of public ownership to infrastructure and some main utilities has favored the private sector role under which producers' cooperatives have the legal authority to offer goods and services for members and surrounding non-members asking for cooperative services. In addition, the government has promoted cooperative enterprises by giving them special arrangements in terms of tax reduction or cancellation. Therefore, Lebanese economic policy facilitates cooperatives' initiatives and favors their external principles that are described by the ICA as the life of the movement in the global economy. In particular, the principles of autonomy and independence of cooperatives, voluntary and open membership, and cooperation between cooperatives are highly advocated in Lebanese cooperative law. Cooperatives are allowed to cooperate democratically with each other at regional, national, and international levels in order to bind their power against the external challenge of highly competitive markets. On the other hand, a main theoretical disadvantage for cooperatives under the free Lebanese economy is the increased competition with capitalist enterprises that showed a better performance under Neoliberalism as previously detailed in Chapter 1. But, since the agricultural sector in Lebanon is unattractive to private investments compared to the service sector; producers' cooperatives could be the main economic enterprise solution in the context of low market competition especially in rural areas where agriculture is mostly located.

Looking to the structure of GDP composition and the status of the agricultural sector as the weakest sector in the Lebanese economy, producers' cooperatives could be identified as a strategic tool to increase the share of agriculture in the total GDP. By theoretically having the potential role of expanding production and increasing its efficiency, enhancing market access

and reaching regional and international markets, and increasing producers' income and power, producers' cooperatives could expand the output of the agricultural sector at national level or at least maintain its size. In parallel, cooperatives may then increase the contribution of agriculture to GDP growth. In fact, this role is highly essential in the Lebanese economy where agriculture had approximately showed no contribution (0.7 percent points) to GDP growth between 1998 and 2009. Both effects, the increased size of agriculture in GDP and its growth, would generate agricultural job opportunities especially in rural areas. Accordingly, the lowest share of the agricultural sector in employment (6 percent) in Lebanon could be increased. What is important is that cooperatives can help not only in creating permanent or seasonal jobs but also in ensuring decent jobs and reducing rural migration without gender preference as expressed in the open membership principle, cooperative values, and the sustainable employment potential role of cooperatives.

Moreover, producers' cooperatives, by their potential role at enterprise level and as a socio-economic development tool, can offer an effective solution to reduce trade deficits in Lebanon. In 2007, agriculture accounted for sixteen percent of total imports and thirteen percent of total exports. The ratio of agricultural exports to imports has been accelerating. It increased from eight percent to twenty percent between 1997 and 2007. Accordingly, federal and confederation cooperatives at national level can design long term strategic plans to decrease imports of crops that could be produced locally and increase the exports of other crops that register self-sufficiency in Lebanon. The percentage of exports to imports is still low and could be increased. Already, Lebanon exports more fruits than it imports and has self-sufficiency in poultry produce. However, eighty-two percent of red meat, thirty-seven percent of raw milk, and seventy-five percent of fish consumption are imported. Here, cooperatives have the potential to develop these sub-sectors and progressively cover domestic consumption. Indeed, the government policy facilitates such an approach by preparing land for exchange through trade agreements and treaties such as the Grater Arab Free Trade Agreement, Euro-Mediterranean, and diverse bilateral agreements. Likewise, trade is encouraged through the export support policy under which cooperatives are authorized bodies to receive government financial support. The three percent export gap to non-Arab countries in the Export Plus Program, which supported traders by subsidizing exports, could be enhanced through cooperatives which can offer technical support

and new technologies to meet the quality requirements of European markets and post-harvest facilities and services to reach these markets.

Members, through the principle of member economic participation, can overcome together the negligible foreign direct investment in the agricultural sector. They can share in investment and offer services essential for their production. Also, this principle helps covering the low capital expenditure in public finance which only accounted for six percent from 1998 to 2010 compared to forty percent of interest payment and foreign debt principal repayment.

In conclusion, producers' cooperatives can theoretically improve the role of the agricultural sector in the Lebanese economy by increasing the contribution of agriculture to GDP and its growth, reducing trade deficits, and carrying out collective investments.

### **3.1.2. Post-1992 economic and reconstruction policies**

The contribution of the agriculture sector to GDP during post-1992 economic and reconstruction policies has been gradually depreciating in favor of the service sector for which macro-economic policies have been far more accommodating. The share of agriculture to total GDP declined from eight percent in 1994 to five percent in 2009. In fact, the stable exchange rate based nominal anchor policy, which was implemented by means of a supportive high interest rate policy, has had a major negative impact on the competitiveness and health of the agricultural sector. High interest rates, which were essential to attract foreign capital and stem out the domestic liquidity required to finance the government Horizon 2000 project as well as to cover budget deficits, have appreciated the Lebanese pound far above its true equilibrium and have crowded-out private credits for investment, in particular for the agricultural sector. This appreciation has limited the growth in agricultural exports compared to the growth in agricultural imports.

Agricultural exports increased by L.L. 391 billion; however agricultural imports increased by L.L. 705 billion between 1997 and 2007. Accordingly, agricultural trade deficits increased by fifteen percent over the same period. For the availability of credits, the ration of public over private bank loans rarely went over one between 1999 and 2010, with an average of 1.12 over the same period. The lack of liquidity has increased the overall production costs and has reduced

the capacity of expanding and sustaining production operations by means of credits. This fact is well articulated through the lowest percentage share of the agricultural sector from banking credits. Agricultural credits have amounted to 1.3 percent of total banking credits between 1997 and 2007 compared to thirty percent for the trade sector over the same period. Likewise, Bekaa, the largest agricultural region in Lebanon, received four percent of private sector loans between 1997 and 2007 compared to eighty-one percent of loans concentrated in Beirut where no significant agricultural production is being carried out.

Under the Horizon 2000 reconstruction plan, the production sector received the lowest percentage of total budget expenditures. Its budget amounted to a total of eight percent compared to thirty-seven percent for physical infrastructure and twenty-five percent for social infrastructure. In the production sector, around five percent was allocated for agriculture and irrigation. However until 2009, only 1.2 percent of the total budget was spent on both sub-sectors compared to fourteen percent on electricity and twenty-five percent on transport. In terms of budget regional distribution and what was achieved until 2009, it is noticed that where agriculture is concentrated, e.g. in the Bekaa, Nabatiyeh, south and north Lebanon, real expenditures have been lower than planned expenditures. However, in Beirut, where there is no agricultural production, real expenditures have been higher than what was planned.

Post-1992 regressive tax reforms have imposed a greater burden on small producers when the government has relied on indirect taxes such as gasoline tax and VAT. In general, the agricultural sector was severely affected by the increased public debt, budget deficits, and debt services which have expanded under post-1992 economic and reconstruction policies. The government has limited capital expenditures as a whole and in particular in agricultural rural areas and has focused on infrastructure development and rehabilitation essential for private sector initiatives that rarely invest in agriculture.

Therefore, individual producers under post-1992 agricultural challenges have low potential to sustain production and compete at local and international markets without government direct support and more importantly without pooling their efforts and resources.

The cooperative enterprise model could have a high potential for alleviating these challenges and developing the agricultural sector in general.

The values of cooperation, the cooperation among cooperatives principle, and the potential role of cooperatives in enhancing the power of their members to influence government policies through unions, federals, and apex structures are well located to lobby government agricultural policy in Lebanon. All agricultural challenges reported under post-1992 economic and reconstruction policies- either for the percentage share of total expenditures in the reconstruction project, for the distribution of expenditures among Mohafazat, or for macro-economic policies of stable exchange rate and high interest rates- can be overcome through the increased power of cooperatives. Producers' cooperatives, which already get tax exemption by-law, can ask the government to reform the regressive tax structure in coordination with the community and other civil society organizations. By their potential role in decreasing the cost of production and increasing market access, cooperatives can help members to surmount the side effects of the over-valued currency and reduced exports. Likewise, credit cooperatives, offering lower non-exploitable interest rates for members, can offer a solution to the high interest rate policy. Cooperatives can also guarantee better access to credit institutions because they are more trusted than individual producers. Finally, for the challenges of debt and budget deficits that limit the government capital expenditures, producers' cooperatives, through the principle of members' economic participation and their normative role at enterprise level, are highly effective at overcoming the reduced government intervention in the agricultural sector under Lebanese liberal market policy.

The potential of producers' cooperatives under post-1992 economic and reconstruction policies may reflect a theoretical overestimation about the capacity of cooperative enterprises. But if not cooperatives, what other type of enterprises could be equitable and offer equal opportunities for small producers? It is difficult to answer this question and give convincing alternatives comparable to the potential role of cooperative enterprises.

### **3.1.3. Lebanese agricultural characteristics**

In Chapter 2, the major challenges of Lebanese agriculture could be mainly classified under the following interdependent components:

- a. Structural (small producers, part-time farming, land fragmentation, etc.)
- b. Technical (education, irrigation, etc.)
- c. Services supply (mechanization, production resources, etc.)
- d. Marketing
- e. Credits (availability, access, and interest rates)

On first impressions, producers' cooperatives appear to be a strategic tool to resolve the main challenges of Lebanese agriculture.

Starting by the definition of cooperative enterprises -organizations that aim to meet the common economic, social, and cultural needs of a group through a jointly owned and democratically controlled enterprise- producers' cooperatives are well positioned to manage the small and part-time structural challenges of Lebanese producers. When small producers, accounting for seventy-five percent of the total number of producers, invest together to supply and manage their common needs through their cooperatives, they can decrease their cost of production by applying the economy of scale principle and accordingly their production efficiency can increase.

Likewise, cooperatives can help part-time producers, representing sixty-six percent of Lebanese producers, to maintain production without being challenged by the lack of production and marketing services. By managing these structural weaknesses, the challenge of land fragmentation and its associated low efficiency could be overcome. Regarding the limitation of land tenure under renting and sharecropping- significant in Lebanon by accounting for thirty-four percent of UAS- cooperation can overcome the lack of investment caused by short term contracts and, through the increased power of members, can demand longer term contracts assuring minimum production efficiency. This way, cooperatives can undertake themselves renting and sharecropping contracts and then distribute land to members.

By their apex organization, producers can influence the government to control the degradation of agricultural fields caused by uncontrolled urbanization that was accelerated with the reconstruction boom after 1992. They can ask the government to protect lands which were classified for agricultural use and limit construction permits to rainfed or less fertile hilly lands.

The education principle and the potential role of increasing producers' skills give producers' cooperatives an essential role in managing technical weaknesses. Cooperatives can be effective

in facilitating public extension services by helping government agents to reach a group of producers instead of individual producers and to carry out farmers' field school. Likewise, in coordination with the input supply companies, cooperatives can ask private extension agents to reach producers' members through their centers on condition to homogenize application rates and costs of production resources. With NGOs, cooperatives can seek funds to implement demonstration plots and deliver extension services to non-members too by applying the principle of concern for community. Moreover, they can lobby the government to allocate more financial resources for extension services under the public services policy. Ensuring proper extension services for members helps overcoming soil and water pollution caused by the overuse of pesticides and fertilizers. In addition, since agriculture is the largest sector in Lebanon in terms of water demand, efficient extension services on new irrigation techniques and sustainable water management can be effective in delaying the expected water shortage in Lebanon. In the agricultural research, cooperatives can transfer field problems to research institutions and can work to initiate a solid link between students, producers, and researchers. Technical issues are crucial for the majority of Lebanese producers who did not pass the primary education level.

For the lack of services challenge, producers' cooperatives can apply economies of scale and initiate, by relying on the principle of members' economic participation, service centers to offer mechanization in multiple agricultural operations, post-harvest activities (packing, storing, processing, etc.), input supply, etc. By offering mechanization services, cooperatives can enhance the low distribution across Lebanon and improve the limited availability in different agricultural operations and during peak season demand. For input supply, cooperatives can either cooperate with input suppliers to homogenize application rates and costs as elaborated above or offer input supply services themselves to break the monopoly of suppliers.

In terms of marketing, producers' cooperatives could be highly effective in Lebanon. First of all, for the link with marketing institutions, cooperatives can help logistically small producers to reach these institutions and vice-versa. With the aim of targeting the majority of producers, it would be more efficient for the Chamber of Commerce, Industry and Agriculture, for LIBNOR (the Lebanese Standards Institution), for NGOs, and related ministries to deal with groups of producers working together through an economic enterprise controlled internally by members and can be legally involved in financial partnerships. Second, in terms of marketing channels,

producers' cooperatives are well located under big and small holdings to reduce the number of intermediaries and reach distant outlets across the country as well as export markets. For big holdings, several producers can invest together to own logistical and post-harvest facilities as well as employ their representatives in export markets. This way, they can decrease operation costs and commissions taken by different intermediaries. Moreover, producers selling their production to exporters can also bind their efforts to increase their bargaining power. For small holdings, cooperatives are much more needed in Lebanon. Small producers have irregular supply and small quantities limiting their negotiation capacity. They have only one choice to sell their production to wholesale traders or through wholesale dealers. As detailed in Chapter 2, the commission of dealers can reach thirty to forty percent. Therefore, cooperatives can provide an important solution by operating their outlets in wholesale markets or by selling directly to consumers through big farmers markets. Here also, producers can increase together their bargaining power with traders in case they did not manage to run their own outlets.

The norms of LIBNOR can be applied by coordinating with cooperatives. Credits offered by cooperatives can help small farmers to cover the cost of needed production resources and avoid the exploitation of wholesale traders and dealers who lend money to producers on condition that they restrict their marketing opportunities. Extension services for new marketing techniques (packing, labeling, etc) can be assured by coops as detailed above. Branding products is more applicable for a group of small producers than individual small producers.

To improve the access of small producers to credits within the latent status of specialized agricultural credit institutions in Lebanon, credit cooperatives can normatively supply members with credits at non-exploitable interest rates and with minimum guarantee requirements. Accordingly, the challenges of high interest rate credits and producers' exploitation through informal credits would be managed. In addition, the cooperative confederation can lobby the government to activate specialized credit institutions and allocate enough financial resources for them.

Finally, the political, sectarian and organizational weaknesses of the national farmers' union and sub-sector unions could be overcome by the essential role of cooperative unions and the cooperative confederation in increasing the power of producers and fostering their objectives. The values of cooperation and the principles of voluntary and open membership, cooperation

between cooperatives, autonomy and independence, and concern for community could be highly effective in managing these weaknesses.

#### **3.1.4. Post-war Lebanese agricultural policies**

Neoliberal post-war Lebanese agricultural policies have mainly supported big producers either in the subsidies' programs, the agricultural calendar, trade measurements, or infrastructure and reconstruction policies. Therefore, by increasing the power of small producers to influence government agricultural policies and by being themselves enterprises that could supply efficient services based on a set of principles and values, producers' cooperatives could be normatively identified as an essential tool for small producers' socio-economic development under post-war Lebanese agricultural policies.

The cooperative confederation can push the government to increase investment in the agricultural sector, reflected in post-war period by the low budget allocated for the MOA which mainly covered public services' expenditures. The private sector's lack of interest in agriculture compared to the service sector would be overcome if producers in cooperatives rely on the principle of members' economic participation to assure the initial investment cost needed to start a new project or initiate new services. For trade policies, the cooperative confederation can ask the government to participate in designing the main trade agreements. Likewise, it uses its power to increase tariff rates on imported products during their local production season. For special crop support, cooperatives can decrease favoritism by the equality and equity coop values and can help the government to set clear criteria for the financial support selection and to include this support under an overall agricultural development strategy not as a societal cost lacking sustainability and credibility.

For the export support policy that benefits a few exporters at the expense of producers, cooperatives can group small producers to export their products directly through collective investments in post-harvest services. Under reconstruction policies, the cooperative confederation can lobby the government to invest in collective assets such as post-harvest or processing units directly managed by cooperatives, instead of commissioning technical and

project studies that have received twenty-seven percent of the total budget allocated for agriculture in Horizon 2000 plan. Moreover, the cooperative confederation can push the government to effectively implement the agricultural calendar and reduce smuggling on borders. It can seek more investment to be allocated for the Green Plan which only addressed fifteen to twenty percent of land rehabilitation requests. What is more important is that producers' cooperatives, being legally authorized to carry out economic activities and accept donations, are well positioned to support international donors in implementing development projects. Development agencies have invested in agriculture more than the Lebanese government since the end of the civil war.

In conclusion, all analyses provide a theoretical account of the usefulness of producers' cooperatives in the Lebanese context. The main economic and agricultural challenges could be overcome through collective economic initiatives legalized in terms of cooperative enterprises. Indeed, producers' cooperatives could be normatively named strategic for producers' socio-economic development in Lebanon.

### **3.2. Using cooperatives in government agricultural policies**

This section considers the way the Lebanese government has used and relied on producers' cooperatives in post-1992 agricultural policies. Agricultural reconstruction and rehabilitation studies, agricultural strategies, and related studies developed by the MOA, the Lebanese Parliament, and other institutions, which have supported the government to elaborate agricultural strategies (such as UNDP, FAO, etc) or have been commissioned to undertake related studies (such as International Bechtel Inc and Dar el Handasah consultants), are the key documents used to evaluate the role attributed by the government to producers' cooperatives. Accessing agricultural strategies in the archives of the MOA was the most challenging part. Two strategies developed in 1992 and 1998 were not found. They were not archived. They were not even saved in the library where there is no index to search or locate available documents. The library is very small and almost closed, reflecting a weakness in documenting and updating agricultural development. I checked all available documents. I did not succeed in finding the two strategies.

Instead, I was lucky to locate two documents that are directly related to them. One was the preparatory document to develop the 1992 strategy and the second was a yearly report for the achievements of the MOA in which the 1998 strategy was summarized.

Secondary data were complemented with semi-structured interviews with the MOA and The DGC (Questionnaire in Annex II) to assess why such roles have been given to producers' cooperatives and to analyze their associated achievements.

All the documents analyzed have in common a concern regarding the weakness and inefficiency of cooperatives in Lebanon for producers' socio-economic development. The following statements elaborate this point:

- “At present, the agricultural cooperative movement is stagnating, especially as far as smallholder farmers are concerned. Severely set-backs during the long term period of internal conflict, the weakness of the agricultural cooperatives movement is another serious constraint of agricultural rehabilitation and development” (UNDP 1992).
- “Poor performance of agricultural cooperatives has been seriously affected by the long period of hostilities and by social and political fragmentation. Cooperation among farmers and agricultural cooperatives has attained only moderate success in Lebanon” (International Bechtel Inc and Dar el Handasah Consultants 1992).
- “The high fragmentation of agricultural holdings represents a main constraint as to the efficient use of irrigation and machinery. Consequently, this leads to an increase in the cost of agricultural production. In addition, the absence of agricultural extension services and the weak performance of agricultural cooperatives along with their restrictive authorities and the absence of any coordination with the Ministry of Agriculture, increase the intensity of this problem. Challenges of agricultural markets reside in the following: random distribution, lack of organization of domestic markets, and the absence of a role for cooperatives in market operations; thus, enforcing the role of middlemen, increasing their profits at the expense of farmers” (MOA 1998).
- “Farmers have low market access and direct sale in Lebanon because marketing cooperatives are not playing their role. The agriculture sector and small producers are facing several challenges due to the weakness of agricultural cooperatives and their inefficiency” (Tatyan 2000).

- “The weakness of the cooperative movement is challenging the sustainability of the agricultural sector in Lebanon” (LP 2001).
- “Pre-requisites for success do not exist in most agricultural cooperatives in Lebanon. Most cooperatives have financial shortage to invest in services and show low equality if they deliver services to members. Moreover, members went away consider cooperative associations as capitalist enterprises directed toward fund seeking from international organizations. This situation threatens the development of the cooperative movement which is now considered as a control tool for self-interest objectives” (MOA 2001).
- “In agriculture, Lebanon has recently seen a proliferation of cooperatives that are supposed to involve farmers in structures acting for the benefit of members and deciding on democratic procedures. It is clear that most of the existing cooperatives are fictitious and meet objectives that have nothing to do with the spirit of cooperation and the cooperative law. This falsification of objectives and motivations is more close to the willingness of tax evasion or the capture of subsidies for mutual interest. It should also be noted that in general, cooperatives do not have sufficient credibility to attract the banking system and generally have great difficulty in raising finance and increasing their capitalization” (Franklin - AHT Consortium, MOA 2003).
- “High cost of agricultural production in Lebanon is associated with the declining role of cooperative enterprises and trade unions. The absence or weakness of institutional structures in the private and public sectors constitutes a major obstacle for the development of the agricultural sector, including the agricultural credit, the role of cooperatives or trade unions or networks of packaging and cooling, manufacturing, marketing, and exportation” (MOA 2009).

After declaring these weaknesses and inefficiencies, almost all studies and strategies highlighted the necessity of initiating, encouraging, and supporting agricultural/producers’ cooperatives that are essential and key for the Lebanese agricultural development. Some strategies listed the support and development of agricultural cooperatives as a primary objective. The following statements explain the government and other institutions’ perception about the strategic role of agricultural/producers’ cooperatives:

- “Individual farmers may not be able to stand the challenge of competition alone, especially with respect to their market position. The government policy should be to promote agricultural cooperatives that are founded and managed by farmers without direct interference of public administration and services” (International Bechtel Inc and Dar el Handasah Consultants 1992).
- “The present situation of input supply, product marketing, packing and storage, farm mechanization, etc. can scarcely be improved for the majority of small and even medium farmers without mutual cooperation” (UNDP 1992).
- “One of the basic factors for the success of the agricultural plan is the encouragement of initiating agricultural production and marketing cooperatives in the different regions of Lebanon. In addition, the plan recommends the supervision of agricultural cooperatives by the Ministry of Agriculture and their reintegration within its structure (previously under the Ministry of Housing and Cooperatives) in order to facilitate their orientation, to monitor their activities, and to provide them with the necessary support” (MOA 1998).
- “Re-activating agricultural cooperatives to resolve agricultural challenges at institutional level” (Tatyan 2000)
- “Supporting and encouraging agricultural cooperatives in rural areas is crucial for agricultural development. The availability of human and natural resources is not sufficient for agricultural development. Credits, marketing, and extension services are necessary. These services could be delivered more effectively under transparent cooperative enterprise initiatives” (MOA 2001).
- “The revitalization of the voluntary cooperative sector appears to be essential to modernize agriculture, mainly for small and medium-sized farms. These organizations are not an end in itself but a means for small farms to access the factors of modernity and accordingly increase performance. By grouping together, farmers can solve many problems they would have great difficulty to solve at individual level. This is, in particular, for the access to the means of production, market access, the improvement of quality, etc.” (Franklin - AHT Consortium, MOA 2003).
- “Agricultural cooperatives play a fundamental role in fostering farmers’ rights and the development of the agricultural sector. It is necessary to activate agricultural cooperatives

and to demonstrate their important role in developing the Lebanese agriculture” (MOA 2001).

- “Activating and monitoring the progress of the cooperative movement is highly essential in the Lebanese context. It can provide a suitable solution for land fragmentation, part-time farming, and the low percentage of employment in the agricultural sector in particular for the youth generation” (MOA 2005).

By stating first the weaknesses of agricultural/producers’ cooperatives in Lebanon and then listing their potential strategic role in the Lebanese context and relying on them to develop the agricultural sector, this approach demonstrates that the government has planned to use cooperatives to induce agricultural development based on their normative roles at the enterprise level and in socio-economic development.

In the strategies and policy papers under consideration, the government specified various roles for producers’ cooperatives. Table 6 lists all the roles attributed to cooperatives, their objectives, and respective sources.

Table 6: Roles attributed to cooperatives and their associated objectives in the strategies and policy papers considered

References	Roles Attributed to Cooperatives	Specific Objectives
<b>UNDP 1992</b>	<ul style="list-style-type: none"> <li>• Participate in setting market policy for a competitive agriculture</li> <li>• Supply agricultural inputs and marketing services to break monopolies</li> <li>• Introducing modern equipment (mechanization, etc)</li> <li>• Supply credits to small producers</li> <li>• Facilitating extension services and research in collaboration with the MOA</li> <li>• Institutional cooperation with different stakeholders</li> <li>• Rehabilitation and development of agricultural production: potato seed production, aquaculture and marine fisheries (input supply, marketing, processing, etc)</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce the cost of production and accordingly increase income</li> <li>• Increase access to markets</li> <li>• Improve the quality and diversity of production</li> <li>• Increase access to production services and resources</li> <li>• Increase investment opportunities</li> <li>• Increase members' power</li> </ul>
<b>International Bechtel Inc and Dar el Handasah Consultants 1992</b>	<ul style="list-style-type: none"> <li>• Input supplies, collection, storage, grading, packing, and marketing of products</li> <li>• Managing processing facilities for fishermen</li> <li>• Supply credits at low interest rates</li> <li>• Common use of equipments and machineries</li> <li>• Disseminate quality standards of crop production</li> <li>• Introduce modern systems of common/cooperative ownership to resolve land tenure problem</li> <li>• Link farmers to extension agents of the MOA</li> </ul>	<ul style="list-style-type: none"> <li>• Increase access to services</li> <li>• Reduce the cost of production and accordingly increase income</li> <li>• Increase access to markets</li> <li>• Increase producers' technical skills</li> <li>• Increase investment opportunities</li> </ul>
<b>Lebanese Parliament</b>	<ul style="list-style-type: none"> <li>• Cooperatives to import directly pesticides and fertilizers</li> <li>• Supply credits at low interest rates</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce the cost of production and accordingly increase income</li> </ul>

<b>2001</b>	<ul style="list-style-type: none"> <li>• Technical support for plant, animal, fishery, beekeeping</li> <li>• Supply machinery services for cereals production</li> <li>• Supply storage services for potato production; transport and storage services for milk production; processing for beekeepers</li> <li>• Manage packaging centers, transmit farmers' opinions on trade agreement, monitor subsidized export</li> <li>• Operate marketing outlets, represent producers in the discussion of bilateral trade agreements</li> <li>• Link farmers to research and extension institutions</li> <li>• Facilitate the registration of producers in public health insurance</li> </ul>	<ul style="list-style-type: none"> <li>• Improve access to services and introduce new services</li> <li>• Increase producers' technical skills</li> <li>• Improve access to local markets</li> <li>• Increase product competitiveness to reach new markets</li> <li>• Increase producers' health</li> </ul>
<b>MOA 1998</b>	<ul style="list-style-type: none"> <li>• Marketing animal products (collection centers)</li> <li>• Supply agricultural machineries</li> <li>• Develop the fishery sector (production resources, fishing boats)</li> </ul>	<ul style="list-style-type: none"> <li>• Improve access to local markets</li> <li>• Improve access to services</li> <li>• Reduce the cost of production and accordingly increase income</li> </ul>
<b>MOA 2001</b>	<ul style="list-style-type: none"> <li>• Import necessary production resources</li> <li>• Marketing agricultural production: plant and animal</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce the cost of production and accordingly increase income</li> <li>• Improve access to markets</li> <li>• Increase producers' bargaining power</li> </ul>
<b>Franklin - AHT</b>	<ul style="list-style-type: none"> <li>• Supply credits at low interest rates</li> <li>• Mutual health insurance for producers</li> </ul>	<ul style="list-style-type: none"> <li>• Increase investment opportunities</li> <li>• Increase producers' health security</li> </ul>

<b>Consortium, MOA 2003</b>	<ul style="list-style-type: none"> <li>• Link producers to service centers</li> </ul>	<ul style="list-style-type: none"> <li>• Increase access to services</li> </ul>
<b>MOA 2005</b>	<ul style="list-style-type: none"> <li>• Information dissemination for the proper use of pesticides and fertilizers</li> <li>• Promote animal health and nutrition</li> <li>• Dissemination of new production techniques</li> <li>• Activate internal and external markets through packing and processing services</li> <li>• Update and develop fruit trees species</li> <li>• Develop fruit and vegetables sector through proper services: storage, packaging, export</li> <li>• Develop cereals sector through proper mechanization and agricultural inputs</li> <li>• Increase olive oil production through marketing and production resources</li> <li>• Develop medicinal and aromatic plant sector (production, marketing, packing)</li> <li>• Develop tobacco production (including post-harvest)</li> <li>• Develop viticulture and wine sector through packing and marketing</li> <li>• Develop and regulate beekeeping sector (production, packing and marketing)</li> <li>• Adopt efficient production techniques</li> <li>• Develop the quality of milk production (packing and processing)</li> </ul>	<ul style="list-style-type: none"> <li>• Increase production efficiency</li> <li>• Reduce pollution and increase public health</li> <li>• Reduce the cost of production and accordingly increase income</li> <li>• Increase products' quality and competitiveness</li> <li>• Increase access to local and export markets</li> <li>• Increase bargaining power</li> <li>• Increases access to services</li> <li>• Improve producers' skills</li> </ul>
<b>MOA 2009</b>	<ul style="list-style-type: none"> <li>• Activate and develop quality systems (labeling, certification, etc.)</li> <li>• Implement and facilitate processing activities</li> <li>• Develop internal (wholesale markets and popular markets) and external</li> </ul>	<ul style="list-style-type: none"> <li>• Increase products' quality and competitiveness</li> <li>• Increase access to services</li> </ul>

	markets	<ul style="list-style-type: none"><li>• Increase access to new markets and improve direct sale</li><li>• Reduce the cost of production and accordingly increase income</li></ul>
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The roles attributed to cooperatives in post-1992 agricultural development strategies and policies reveal that the government has relied on cooperatives in the supply (inputs, credits, machineries for land preparation, etc), services (various machinery used during production, insurance, extension, quality control, etc), and marketing (post-harvest, processing, transport, etc) aspects of the production cycle. Granting cooperatives this diversity of production activities is strategic in the Lebanese context being dominated by small and part-time producers. Cooperatives are an essential tool for local economic development where agriculture is the main economic activity. Therefore, it appears that the government has used producers' cooperatives to perform all normative objectives that could be delivered via the cooperative enterprise model. These objectives were detailed in Chapter 1 under the theoretical role of cooperatives, and namely:

- Decrease the cost of production
- Improve access to market
- Improve and increase access to services
- Increase bargaining power
- Enhance the power of producers to influence their policies
- Increase producers' skills

Once these specific objectives are achieved, the government assumes that development objectives, in particular poverty reduction, social cohesion, and sustainable employment, would be attained in the agricultural sector.

In combination with these roles, producers have been encouraged themselves or by the government to initiate new cooperatives. Accordingly, the number of producers' cooperatives have more than doubled in a 10-year interval period and increased from 162 in 1990 to 431 in 2000 and then to 890 in 2010. It increased by 450 percent between 1990 and 2010. During this period, no cooperatives were dissolved (MOA 2012).

In fact, in the semi-structured interview carried out on July 29, 2011 with the Minister Advisor for the cooperative sector development, Eng. Hasan Atwe, it was confirmed that the roles attributed to agricultural/producers' cooperatives in all documents explored above were only normative, and not linked to real field facts or previous successful experiences. The advisor added that post-1992 producers' cooperatives (around eighty-two percent of current registered

cooperatives) have played no role in terms of agricultural sector development. Indeed, most cooperatives have shown a low capacity to offer feasible services to their members. Even though encouraged and supported to perform diverse activities in all strategies and policies, cooperatives have been mainly used by the government to legalize the political support offered to producers. In fact, cooperatives are the main institutions representing producers in rural areas and thus essential to facilitate the communication with the government. By-law, the board of directors in cooperatives can accept donations from different stakeholders (government, politicians, individuals, NGO's, etc) without needing a prior approval from the general meeting. The advisor mentioned that most cooperatives have been established through a top-down approach either by the government or NGOs, but not by producers themselves. Cooperatives were initiated to channel political and development aid in the recovery, reconstruction, and development phases after the civil war and were not based on clear common projects to alleviate producers' needs.

The advisor highlighted the decision of the minister to dissolve, in a first round, 200-250 producers' cooperatives across Lebanon. Indicators were the following:

- The general meeting did not convene for the last three to four years not even for the election of the board of directors
- The cooperative did not submit the annual balance sheet to the DGC
- The cooperative did not communicate as required by-law with the DGC

This decision was the first step taken in 2010 by the Minister, Dr. Hussein el Hajj Hasan, to rehabilitate the cooperative sector in Lebanon. At that time, the rehabilitation plan was not published yet for further revisions. The Minister, backed by Hezbollah Shiite party, has opposed post-1992 liberal policies that did not favor agricultural sector development and accordingly, the development of the cooperative sector. He planned to restructure the cooperative sector that was facing serious challenges going from low performance to corruption and mismanagement. In fact, using cooperatives as a tool for rural development is a strategy for Jihad el Binaa Development Association, a political non-governmental organization managed by Hezbollah.

Cooperatives that were selected for the first round dissolution were given a short time period to update their status. Some of them have been dissolved, but the majority carried out elections, submitted accounts, and sent communications to the DGC- mainly because the Minister declared

his intention to offer financial support to cooperatives. Therefore, the first stage of the selection of active cooperatives and the dissolution of dormant ones could not be considered effective. First, cooperatives can carry out elections and submit communications and annual balance sheets to the DGC without offering services to members. In this case, they would be classified legal enterprises applying by-law requirements without delivering benefits to members. Second, active cooperatives could not be selected by using such indicators. Cooperatives should be assessed on the basis of the efficiency of their services and socio-economic benefits assured for members. A detailed study for individual cooperatives should be undertaken in order to identify their real status and accordingly take an appropriate decision either to support or dissolve them.

### **3.3. Role of government in developing producers' cooperatives**

This part details what the government has planned to implement, in the strategies considered, in order to facilitate and encourage the development of producers' cooperatives in Lebanon. In particular, this part examines the measures that have been taken by the government to reduce the external and internal challenges facing producers' cooperative enterprises. Then, by relying on the semi-structured interviews with the MOA (The Minister Advisor, the central office of the DGC, and the office managers of the regional departments of the DGC), previous and current achievements of strategies are elaborated.

The DGC in the MOA, which is the only institution supervising and monitoring the cooperative movement in Lebanon, was interviewed at the central and regional offices to study the way it has supported cooperative enterprises and what type of services it has offered them. Before and during the civil war, the DGC was under the supervision of the Ministry of Housing and Cooperatives. It was in 2000 that it came under the supervision of the MOA; reflecting the dominance of cooperation in the agricultural sector (eighty-one percent of total number of cooperatives) compared to other sectors (handcraft, housing, credits, etc.). The DGC is in charge of the following activities:

- Initiating cooperative enterprises: based on a project proposal that should be able to deliver technically economic and social benefits for at least ten members. Regional

offices do not check whether members are producers or not related to the agricultural sector. Only the IDs of members are required as official documents. There is no restriction on kin-based relationships between members even if they belong to the same family. After submitting the file, regional offices and the central unit study the project proposal, suggest some modifications, and usually recommend the initiation of cooperatives to the Agriculture Minister. Once accepted/signed, members should deposit in any bank their initial financial share to collectively implement their project. However, it is not required to guarantee the availability of the total investment cost that is detailed in the project proposal.

- Supplying training on the cooperative model: directly after initiation or upon request, members receive one session training in order to understand better how cooperative enterprises work. The training session mainly covers the following topics: financial issues, the role and responsibilities of different actors, boards of directors' meetings, general meetings, elections, and coop dissolution, etc. In some cases, when trainings were carried out in the central office in Beirut before 2009, the DGC did pay transportation fees for members to attend.
- Monitoring cooperatives: by requesting by-law the annual balance sheet of all cooperatives and checking the minutes of meetings of the board of directors and the general meeting. In special cases, when large cooperatives are involved, regional offices attend elections to monitor and assure the democratic procedure.
- Dissolving cooperatives: in case members have decided to stop their cooperation after achieving their common objectives, or in case the DGC has identified dormant/ghost cooperatives after long-term monitoring.
- Providing financial support to cooperatives and their unions: within the scope of its support and encouragement for the cooperative work, the DGC was distributing financial support for individual cooperatives from the budget allocated to non-public sector aids. In 2004, the DGC disbursed USD 300 thousand to fifty-seven cooperatives from a total of 976 cooperatives across Lebanon (MOA 2012). The financial support is based on a project proposal; however, no monitoring was carried out to check whether the grant was spent according to the project proposal or on other not related activities.

Several weaknesses could be identified in the services of the DGC. Accepting the establishment of a cooperative based on any ten names could open the door for ghost cooperatives that are set up to distribute development aid and not to achieve common needs. Likewise, establishing cooperatives without assuring the total start-up investment cost of the proposed project allows ghost cooperatives to submit any feasible project proposal irrelevant to needs and start later seeking development aid. Developing the capacity of members about the cooperative enterprise model in one training session is impossible. Paying for members the transportation cost to attend training sessions shows that the DGC was having difficulties in delivering this service and in showing its value for the proper management of cooperative enterprises. Monitoring cooperative enterprises by only checking the annual balance sheet and minutes of meetings without carrying out regular field visits to evaluate the services offered to members may facilitate corruption practices. Few members can manage to receive donations based on their cooperative initiative and then employ benefits for their individual self-interest. It should be noted here that the DGC faces a shortage in human resources and equipments such as computers or vehicles necessary to offer the services listed above. When the number of staff positions in the DGC was set, there were sixty-three cooperatives. Nowadays (before the last dissolution) there are around 1,200 cooperatives and the number of staff remains unchanged (MOA 2012). When I carried out my semi-structured interview, the Minister of Agricultural Dr. Hussein el Hajj Hasan issued a decree to appoint new civil servants in several vacant positions in the central and regional offices. Finally, the financial support offered by the DGC can achieve low impacts. It is based on a project proposal that is not monitored by regional offices and its amount is relatively small (around USD 5000) not even enough to implement a small agricultural project. It could be classified as political support for cooperatives affiliated to different political ruling parties. It should be noted that the DGC stopped its financial support in 2005 and re-activated it in 2010 when the Agriculture Minister issued a new plan to restructure the cooperative sector.

The services of the DGC can play a limited role in the development of cooperative enterprises. They go in parallel to the adopted liberal agricultural policy and can offer few opportunities to resolve the internal and external challenges of cooperatives. More importantly, these services cannot help controlling corruption practices at the cooperative enterprise level, in particular when cooperatives receive donations from NGOs. The allocated budget for the DGC is relatively low compared to the detailed functions that cooperatives can have in government agricultural

strategies. It amounted to four percent in 2008 and 2009 of the total agricultural budget (MOA 2009). During the semi-structured interview, Eng. Hasan Atwe criticized the way financial support has been offered by the DGC and classified it as a political support linked to the whims of previous ministers. He added that the commissioned studies by the DGC to explore the efficiency of cooperative initiatives in Lebanon have also been a kind of political financial benefit for some minister consultants. He mentioned that the DGC is aware of the UN 2001 guidelines (UN/DESA 2001) and ILO recommendation R 193 (ILO 2002) to create a supportive environment for cooperatives development and is trying, through the government policies, to foster these mandates.

In the studied strategies and policy papers, post-war governments have planned to undertake diverse interventions to facilitate the development of agricultural cooperatives across Lebanon. All interventions have been structured in a way to reflect a liberal open market agricultural policy. Post-war governments have concentrated their activities on the following:

1. Establishing and developing general public infrastructure and services in rural areas which were detailed in Chapter 2, i.e. roads, communications, education, etc
2. Providing the necessary public services to target the development of agricultural cooperatives:
  - Training and education: on business development, monitoring and evaluation (Franklin - AHT Consortium, MOA 2003), update the services of the DGC (MOA 2005), train agricultural extension agents on cooperative legislation (UNDP 1992, MOA 2001)
  - Extension: disseminate new technologies (MOA 2005, UNDP 1992)
  - Research: install demonstration plot, fertilization procedures, rehabilitate laboratories (MOA 2005), develop a database on cooperative enterprises and related development projects, information dissemination (Franklin - AHT Consortium, MOA 2003; MOA 2005)
3. Establishing and updating the legal framework of cooperative enterprises and issuing appropriate norms and regulations
  - Revise and update the cooperative law (MOA 2005; Franklin - AHT Consortium, MOA 2003, LP 2001, MOA 2009)

- Issue new rules and regulations for coop initiation and dissolution (MOA 2005)
  - Establish quality norms and standards for agricultural produces and a control system for their observance (UNDP 1992)
  - Establish binding quality, sanitary, and hygienic norms and standards for agricultural supplies and products and enforce their application (UNDP 1992)
  - Update laws on the structure of DGC (MOA 2009)
4. Setting up and implementing appropriate measures for the regulation and stabilization of agricultural markets that directly affect cooperatives:
- Facilitate access to market information (MOA 2005)
  - Encourage export through cooperatives and find appropriate subsidy measures (MOA 2005, LP 2001)
  - Establishment of a market study and statistics service for production, consumption, offer and demand of food commodities (UNDP 1992)
  - Establishment of a market orientation service for price quotations on farm gates and wholesale levels of agricultural commodities on internal and external markets (UNDP 1992)
  - Protection against the unrestricted entry of subsidized agricultural products from neighboring countries (agricultural calendar) (UNDP 1992)
  - Set up and revise bilateral trade agreements (LP 2001), initiate new wholesale markets (LP 2001), organization and development of popular and wholesale markets and farmers markets (MOA 2009)
5. Ensuring access to finance for cooperative enterprises
- Restructure the National Union of Cooperative credits (Franklin - AHT Consortium, MOA 2003, UNDP 1992)
  - Facilitate access to low interest rate credits based on a specific project proposal (MOA 2005, LP 2001)
6. Providing distinct financial support (subsidized project) targeting rural development for cooperatives and their unions (MOA 2005, UNDP 1992, International Bechtel Inc and Dar el Handasah Consultants 1992, LP 2001, Franklin - AHT Consortium, MOA 2003)

There is no doubt that if these interventions had been implemented under the liberal agricultural environment, the government would have actively contributed to the development of the cooperative sector by alleviating the internal and external challenges of cooperative enterprises. Specifically, external challenges, related to the highly competitive liberal environment and the difficult national environment, are directly targeted by post-war government strategies. However, these strategies have been rarely implemented for various political and financial barriers. Since 1972, no amendments have been introduced to the cooperative laws and regulations in Lebanon. The DGC, as explained earlier, faces a shortage in human resources and equipment to provide necessary training and carry out appropriate research and extension work (MOA 2012). The NUCC was never restructured and since 1992 has been challenged by the shortage of financial and human resources after the cessation of government budgetary support (Assaf 2010). The weak implementation of the agricultural calendar by the government has allowed the dumping of subsidized agricultural crops from neighboring countries (Iskandar 1999-2000). Subsidized projects are mainly political showing no impacts on members' socio-economic development. The Minister Advisor criticized previous strategies by being normative and having modest tangible results in the development of the cooperative sector.

### **3.4. Government cooperation with different stakeholders for sustainable interventions**

Post-war governments have planned as mentioned in the studied agricultural strategies and policy papers to cooperate with different stakeholders, either NGOs or federal and unions' cooperatives, involved in the development of the agricultural cooperative sector. For instance:

- In 1992, the government highlighted the participation of stakeholders in the development of agricultural strategies as an essential requirement for sustainable interventions. It proposed the establishment of regional commissions for agricultural and rural development within which members should undertake the following actions (UNDP 1992):
  - Make an inventory of regional needs and development constraints
  - Identify development actions and available means in the region

- Establish regional priority development programs and phasing
- Identify problems to be solved at a higher level and propose appropriate action to the respective authorities
- In 2001, the government stressed the necessity of making producers' groups at national level decide what solutions were more suitable to resolve their challenges. It also noted the importance of giving an active role for NGOs in designing agricultural development strategies (LB 2001).
- In 2003, the government mentioned in the methodology used to prepare the agricultural strategy that it has involved producers' groups and NGOs in the identification of interventions and their evaluation (Franklin - AHT Consortium, MOA 2003).
- In 2005, the government identified the lack of communication and planning with NGOs as a major weakness in the agricultural sector at the level of institutional cooperation and guidance. Therefore, it planned to involve NGOs in the design and implementation of appropriate interventions at national and regional levels through the following measures (MOA 2005):
  - Apply the principle of discussion and communication with NGOs at field level
  - Facilitate their activities through the decentralized regional offices of the MOA
- In 2009, one axis of the strategy specifically stressed on the need for coordination with NGOs and producers' groups in order to contextualize programs and projects in an integrated strategy for agricultural development. Their participation in policy formulation and programs development is essential for long term impacts.

All these measures explain that until the last strategy developed in 2009, the cooperation of the government with different stakeholders to develop the cooperative sector was very limited and thus requires further systematization and regulation. This challenge was highlighted during the interviews carried out with the Minister Advisor and the regional offices of the DGC. In fact, the Lebanese Federal Cooperative, which groups all cooperative associations and unions and represents them in front of the DGC and the government, is almost in a situation of work cessation and has not received any financial support since 1996 (MOA 2012). Under these conditions, the only federal cooperative in the country did not play a role in the formulation of

appropriate strategies for cooperative development and has effectively no power to lobby the government to adopt and implement projects responding to members' needs. The Minister Advisor added that the seven existing cooperative unions across the country have not also played a role in designing the government agricultural cooperative policy. For NGOs, the situation is different. NGOs are not legally urged to communicate with the MOA for their agricultural interventions because they are registered in the Ministry of Interior Affairs. For instance, if an NGO, either local or international, decides to implement an agricultural project not in conjunction with the government strategy, the MOA will have no authority to modify any interventions. It can only recommend modifications. Previous cooperation between the DGC and NGOs was mainly in the dissemination of databases on cooperatives or the facilitation of setting up cooperatives for certain agricultural projects. Moreover, monitoring NGOs' activities was only possible through the legal authority over cooperatives. Therefore, the DGC knew what NGOs were implementing with cooperatives through the minutes of meeting of the board of directors. If board members do not report their activities with NGOs, the DGC will not be able to know what is being done with cooperatives. The manager of the regional office of DGC in North Lebanon mentioned that some cooperatives which have received more than USD 300 thousand as donations from NGOs were selected for the first round dissolution in 2010. In some cases, NGOs were seeking the support of the DGC to select active cooperatives and to receive legal consultations for internal cooperative management.

### **3.5. Conclusion**

Theoretically, cooperative enterprises could represent a strategic tool to manage the main agricultural and economic challenges of small producers in Lebanon. Under appropriate conditions, in particular where internal cooperative challenges are controlled, findings revealed their essential role under the structure of the Lebanese economy, post-1992 economic and reconstruction policies, the Lebanese agricultural context, and the nature of post-war agricultural policies. Accordingly, post-war governments have relied on the normative role of cooperative enterprises to induce agricultural development but not on field evidence or previous successful experiences. They intended to use cooperatives to increase market access, decrease the cost of

production, improve access to services, etc. The findings from the interviews showed that such roles were not achieved and cooperatives did not significantly contribute to agricultural sector development. In parallel to the role attributed to cooperatives, findings showed that post-war governments have planned appropriate strategies and policies to support the cooperative model as well as to cooperate with other stakeholders for sustainable interventions; however, few of them have been implemented. Here, a link could be traced, on the one hand, between the lack of implementation and the weak management of strategies that are essential for the good performance of cooperatives; and on the other hand, the inefficiency of producers' cooperatives after the end of the civil war. In fact, the weakest point in the government's activities is in the role of DGC which is the only institution monitoring cooperatives' activities on field. The processes of initiation, monitoring, support, reporting, etc., are all susceptible to corruption by producers seeking self-interest or political benefits.

# **Chapter 4- Cooperatives and Development Agencies: Role, Support, Impact, and Coordination**

## **4.1. Introduction**

After exploring the role of producers' cooperatives in post-war government agriculture development strategies in Chapter 3, this chapter analyzes why and how development agencies have relied on the producers' cooperatives tool to induce agricultural development in Lebanon and what impacts the implemented interventions have had. In this research, by "development agencies" I refer to the combination of non-governmental organizations (International non-governmental organizations (INGOs), Intergovernmental organizations (IGOs), and National non-governmental organizations (National NGOs)) and donors (bilateral and multilateral) that have been active in the field of agricultural development in Lebanon since the end of the civil war. This chapter starts by examining the strategic role that development agencies have attributed to producers' cooperatives. It details how these agencies have supported and facilitated the development of producers' cooperatives. It also explores the main projects implemented with cooperatives and their impacts, from the perspective of development agencies. Finally, it assesses the coordination of agencies with the government to develop the cooperative movement.

## **4.2. Selection of development agencies**

### **4.2.1. Used indicators**

Several indicators or baselines were used to select the development agencies that were interviewed in this study. First, my survey of producers' cooperatives, which is explored in Chapter 5, was carried out before starting my field work for this chapter. During this survey, I was investigating projects that were funded by development agencies as a part of the assessment. Accordingly, I prepared an initial general list of development agencies that have supported producers' cooperatives across the country. Second, I conducted a rapid secondary review of the development projects implemented with producers' cooperatives after the civil war. The majority

of these projects were implemented by active development agencies previously listed. This second step allowed me to identify the weight of interventions of various development agencies and accordingly the level of influence they can have on the public sector. Third, I classified agencies based on their categories: Multilateral donors, Bilateral donors, INGOs, IGOs, and National NGOs and selected those with the largest interventions in terms of budget and activities implemented with producers' cooperatives. Finally, based on my personal field experience (around eight years) in agricultural development projects across Lebanon as well as my field network, I verified and confirmed my first selection and developed a final list of development agencies to be interviewed. However, I was not able to interview all selected agencies either because they showed no interest in giving information about their projects implemented with producers' cooperatives, or because they had stopped working in the agricultural sector and most of the staff involved in previous projects had left the agency. Therefore, to study agencies that I was not able to interview, I have relied on project reports, evaluation and monitoring reports, strategies, and policies for agricultural development. Table 7 lists the selected development agencies, their level of assessment, and their categories.

Table 7: Selected development agencies, their level of assessment, and their categories

<b>Level of assessment</b>	<b>Development Agencies</b>	<b>Categories</b>
<b>Interviewed</b>	US. Agency for International Development (USAID)	Bilateral Donor
	Agriculture Cooperative Development International/Volunteers in Overseas Cooperative Assistance (ACDI/VOCA)	INGO (American)
	Cooperative Housing Foundation (CHF)	INGO (American)
	Young Men's Christian Association (YMCA)	INGO (American)
	International Labor Organization (ILO)	IGO
	United Nations Development Program (UNDP)/Art Gold	IGO
	Istituto per la Cooperazione Universitaria (ICU)	INGO (Italian)
	Arcenciel (aec)	National NGO
	René Moawad Foundation (RMF)	National NGO
	Amal Development Association (ADA) (Part of Amal political Movement)	National NGO

<b>Studied only</b>	European Commission in Lebanon (EC)	Multilateral donor
	Worldvision International (WV)	INGO (American)
	International Fund for Agricultural Development (IFAD)	IGO
	Safadi Foundation (SF)	National NGO
	Jehad <i>AL</i> Bena Developmental Association (JBDA)	National NGO
<b>Total number of development agencies = 15</b>		

#### 4.2.2. Description of selected development agencies

This section elaborates a short description of the development agencies interviewed and studied. It highlights the following information:

- Date of starting activities or initiation in Lebanon
- Programs of work in Lebanon
- Main partners
- Main projects implemented with producers' cooperatives
- Political background

Table 8 details this information for the 15 selected development agencies

Table 8: Description of selected development agencies

Agencies (Date of initiation in Lebanon)	Main Programs of work	Main Partners In Lebanon	Main projects with coops in Lebanon	Political Background
<b>USAID</b> (1951)	<ul style="list-style-type: none"> <li>▪ Governing justly and democratically</li> <li>▪ Investing in people</li> <li>▪ Economic growth</li> </ul>	<ul style="list-style-type: none"> <li>▪ American NGOs (ACDI/VOCA, CHF, YMCA, World Rehabilitation Fund, etc)</li> <li>▪ International development consulting enterprises (social impact, Development Alternatives Inc., etc)</li> <li>▪ Universities (American university of Beirut, Lebanese American university, etc)</li> </ul>	USAID is a bilateral donor, projects implemented with cooperatives are detailed under various INGOs	Fosters US foreign policy interest. Accordingly it supports INGOs and National NGOs fostering US policy.
<b>ACDI – VOCA</b> (2006)	<ul style="list-style-type: none"> <li>▪ Agribusiness</li> <li>▪ Enterprise development</li> <li>▪ Financial services</li> <li>▪ Community development</li> <li>▪ Food security</li> </ul>	<ul style="list-style-type: none"> <li>▪ Several National NGOs (SF, aec, Hariri foundation, etc)</li> <li>▪ Trade associations</li> <li>▪ Local cooperatives</li> <li>▪ Chamber of commerce, industry and agriculture</li> <li>▪ Universities and local consulting firms</li> </ul>	<ul style="list-style-type: none"> <li>▪ Action for sustainable agro-industry in Lebanon</li> <li>▪ Lebanese business linkages initiative</li> <li>▪ Agricultural quality control and certification program</li> <li>▪ Farmer to Farmer program</li> </ul>	Main donors are USAID and USDA. It fosters US foreign policy interest.
<b>CHF</b> (1997)	<ul style="list-style-type: none"> <li>▪ Economic development</li> <li>▪ Civil society and</li> </ul>	<ul style="list-style-type: none"> <li>▪ Several National NGOs (RMF, Hariri foundation, Ameen (micro-credit),</li> </ul>	<ul style="list-style-type: none"> <li>▪ Rural economic development initiative (1997-2002)</li> </ul>	Main donors are USAID and

	<ul style="list-style-type: none"> <li>capacity development</li> <li>▪ Emergency response</li> <li>▪ Global health</li> </ul>	<ul style="list-style-type: none"> <li>Injaz Lebanon, etc)</li> <li>▪ Municipalities (more than 40)</li> <li>▪ Universities (Balamand and USEK)</li> <li>▪ Cooperatives (Liban village, several fishermen coops, etc)</li> <li>▪ Ministry of Finance</li> <li>▪ Ministry of Education</li> </ul>	<ul style="list-style-type: none"> <li>▪ Agro-business and community infrastructure (2001-2003)</li> <li>▪ Clustering for economic development (2002-2005)</li> <li>▪ Humanitarian assistance in Lebanon (2006-2007)</li> <li>▪ Lebanon apple production improvement (2009-2010)</li> </ul>	<p>USDA, therefore it fosters US foreign policy interest.</p>
<p><b>YMCA</b> (very early roots in Lebanon since 1890, started agricultural support 1990)</p>	<ul style="list-style-type: none"> <li>▪ Agriculture</li> <li>▪ Children’s rights</li> <li>▪ Environment</li> <li>▪ Good governance</li> <li>▪ Health</li> <li>▪ ICT</li> <li>▪ Women’s empowerment</li> <li>▪ Youth</li> <li>▪ Vocational training - entrepreneurship</li> </ul>	<ul style="list-style-type: none"> <li>▪ Over 400 local organizations and municipalities</li> <li>▪ Ministry of Agriculture, Tourism, Environment, Health</li> <li>▪ Donors in Lebanon (USAID, World Bank, AECID (Spanish gov.), UN organizations, UK aid form the department of international development (DFID) , ANERA (American), etc)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Development and marketing of small farmers’ products in areas prone to desertification</li> <li>▪ Support to women agricultural cooperatives</li> <li>▪ Stimulating markets and rural transformation program</li> </ul>	<p>Accepts donations from various donors. Politically neutral in its activities.</p>
<p><b>ILO</b> (1976 the regional office)</p>	<ul style="list-style-type: none"> <li>▪ Enterprise development</li> <li>▪ Social protection</li> </ul>	<ul style="list-style-type: none"> <li>▪ Other UN agencies</li> <li>▪ Arab Labor Organization</li> </ul>	<ul style="list-style-type: none"> <li>▪ Local socio-economic development in war-affected</li> </ul>	<p>As a UN-IGO, ILO is</p>

<p>in Beirut, closed during the war, re-opened in 1995)</p>	<ul style="list-style-type: none"> <li>▪ Social dialogue</li> <li>▪ Employment</li> <li>▪ Skills and employability</li> <li>▪ International Labor standards</li> </ul>	<ul style="list-style-type: none"> <li>▪ The international federation of Arab trade unions</li> <li>▪ General union of chambers of commerce, industry and agriculture in the Arab states</li> <li>▪ Ministry of Labor</li> <li>▪ Municipalities and cooperatives</li> </ul>	<p>areas in south Lebanon</p> <ul style="list-style-type: none"> <li>▪ Recovery of Nahr el Bared surrounding Lebanese communities affected by 2006 and 2007 conflicts</li> <li>▪ Conflict prevention and peace building in North Lebanon</li> </ul>	<p>politically neutral and works with different groups/sects across Lebanon.</p>
<p><b>UNDP (1960)</b></p>	<ul style="list-style-type: none"> <li>▪ Democratic governance</li> <li>▪ Poverty reduction</li> <li>▪ Environmental and sustainable development</li> <li>▪ Crisis prevention and recovery</li> </ul>	<ul style="list-style-type: none"> <li>▪ Other UN agencies</li> <li>▪ Most ministries and government institutions such as CDR</li> <li>▪ Universities</li> <li>▪ Municipalities and cooperatives</li> </ul>	<ul style="list-style-type: none"> <li>▪ Artgold initiative: implemented across Lebanon under the poverty reduction program/social and economic development portfolio</li> </ul>	<p>As a UN-IGO, UNDP is politically neutral and works with different groups/sects across Lebanon.</p>
<p><b>ICU (1994)</b></p>	<ul style="list-style-type: none"> <li>▪ Rural development</li> <li>▪ Social development</li> <li>▪ Hygiene and health</li> <li>▪ University cooperation</li> <li>▪ Education and training</li> <li>▪ Advancement of women</li> </ul>	<ul style="list-style-type: none"> <li>▪ Other Italian INGOs</li> <li>▪ Several ministries, in particular the Ministry of Agriculture</li> <li>▪ Several national NGOs</li> <li>▪ Municipalities and cooperatives</li> </ul>	<ul style="list-style-type: none"> <li>▪ Rural development in the region of Mount Lebanon</li> <li>▪ Economic support to Internally Displaced People in the agricultural and agro-industrial region of Shouf area (Phase I and II)</li> </ul>	<p>Mainly subsidized by the Italian government. Accordingly, it fosters Italian foreign policy.</p>

	<ul style="list-style-type: none"> <li>▪ Emergencies</li> </ul>		<ul style="list-style-type: none"> <li>▪ Business development services in North and South Lebanon</li> <li>▪ Improving the environmental sustainability of irrigated agricultural production in Lebanon and Jordan</li> </ul>	Neutral on field by implementing projects with different groups/sects across Lebanon.
<b>Aec</b> (initiated in 1985, officially authorized in 1995)	<ul style="list-style-type: none"> <li>▪ Agriculture</li> <li>▪ Employment</li> <li>▪ Youth</li> <li>▪ Social</li> <li>▪ Health</li> <li>▪ Environment</li> <li>▪ Rehabilitation for disabled people</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Spanish Agency for International Development Cooperation (AECID), public body of the Ministry of foreign Affairs of the Spanish government</li> <li>▪ Several INGOs: The Foundation for the Social Promotion of Culture (FPSC) – Spanish NGO, Diakonia – Swedish NGO, etc</li> <li>▪ Several ministries (Social Affairs, Environment, etc)</li> <li>▪ Municipalities and cooperatives</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increasing Lebanese agricultural competitiveness</li> <li>▪ Support of Kab Elias agricultural cooperative</li> <li>▪ Support of Kawkaba agricultural cooperative</li> <li>▪ Wataneh program</li> </ul>	Non-political, implements projects with different groups/sects across Lebanon.
<b>RMF</b> (1991)	<ul style="list-style-type: none"> <li>▪ Agriculture</li> <li>▪ Education</li> <li>▪ Health</li> <li>▪ Human rights</li> </ul>	<ul style="list-style-type: none"> <li>▪ Several American NGOs, in particular CHF</li> <li>▪ Several ministries, in particular the Ministry of Education, Social affairs,</li> </ul>	<ul style="list-style-type: none"> <li>▪ Network for women cooperatives to build marketing opportunities</li> <li>▪ Rural women income</li> </ul>	A political-family NGO. Initiated two years after the

	<ul style="list-style-type: none"> <li>▪ Economy</li> </ul>	<p>etc.</p> <ul style="list-style-type: none"> <li>▪ Municipalities and cooperatives, mainly located in North Lebanon</li> </ul>	<p>generating activities and training programs</p> <ul style="list-style-type: none"> <li>▪ Olive oil development project</li> <li>▪ Promoting women's participation in the economic and public sectors in North Lebanon</li> <li>▪ Professional training and integrated rural development in North Lebanon</li> </ul>	<p>association of President Rene Moawad, originated from North Lebanon. It fosters the general policy of Mouawad family Who mainly supports US foreign policy.</p>
<b>ADA(1975)</b>	<ul style="list-style-type: none"> <li>▪ Agriculture</li> <li>▪ Education</li> </ul>	<ul style="list-style-type: none"> <li>▪ Several UN organizations, mainly ILO and UNDP</li> <li>▪ Municipalities and cooperatives in South Lebanon and Bekaa where the majority of Shiite community is living</li> </ul>	<ul style="list-style-type: none"> <li>▪ Federal Coop in South Lebanon</li> <li>▪ Olive growers support</li> </ul>	<p>Part of Amal Shiite political movement, it fosters anti-American foreign policies</p>
<b>EC in Lebanon</b> (partnership agreement in 1977- European	<ul style="list-style-type: none"> <li>▪ Socio-economic reforms</li> <li>▪ Recovery and reinvigoration of the</li> </ul>	<ul style="list-style-type: none"> <li>▪ Government institutions such as the Office of the Minister of State for Administrative Reform (OMSAR), Environmental and Social Fund for</li> </ul>	<ul style="list-style-type: none"> <li>▪ Agriculture development project (in coordination with the MOA)</li> </ul>	<p>Fosters European Union Foreign policy. Works via</p>

Neighborhood policy in 2006)	economy <ul style="list-style-type: none"> <li>Political reforms</li> </ul>	Development (ESFD) under CDR <ul style="list-style-type: none"> <li>Several ministries and municipalities</li> </ul>		government institutions with different groups/sets across Lebanon
WV-Lebanon office (1975)	<ul style="list-style-type: none"> <li>Advocacy, peace building, and dialogue</li> <li>Development (general)</li> <li>Emergency response and disaster mitigation</li> <li>Ending human trafficking</li> </ul>	<ul style="list-style-type: none"> <li>Several academic institutions</li> <li>Other American NGOs</li> <li>Several ministries, in particular Ministry of Social Affairs</li> <li>National NGOs</li> <li>Municipalities and cooperatives</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable Agriculture and Rural Development</li> <li>Sustainable Agri-business initiatives in Lebanon</li> </ul>	Non-political. Even though a Christian NGO, it works with different sects across Lebanon
IFAD (1992)	<ul style="list-style-type: none"> <li>Rural development in Agriculture – financial services, rural infrastructure, research, storage</li> </ul>	<ul style="list-style-type: none"> <li>All projects implemented in coordination with the Ministry of Agriculture</li> <li>Municipalities and cooperatives</li> </ul>	<ul style="list-style-type: none"> <li>Smallholder livestock rehabilitation project</li> <li>Hilly areas sustainable agriculture development</li> </ul>	As a UN-IGO, IFAD is non-political and works with different sects across Lebanon
SF (2001)	<ul style="list-style-type: none"> <li>Social development</li> <li>Agriculture</li> <li>Cultural</li> <li>Health</li> </ul>	<ul style="list-style-type: none"> <li>Several donors, IGO, and INGO</li> <li>Local organizations such as CDR</li> <li>Academic institutions (Balamand, American University of Beirut, etc)</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening bee husbandry in Akkar-North Lebanon</li> <li>Support to cow breeders in North Lebanon</li> </ul>	A political-family NGO. It fosters the policy of its

	<ul style="list-style-type: none"> <li>▪ Youth and education</li> <li>▪ ICT</li> <li>▪ Sports</li> <li>▪ Environment</li> </ul>	<ul style="list-style-type: none"> <li>▪ Municipalities and cooperatives in North Lebanon</li> </ul>	<ul style="list-style-type: none"> <li>▪ Creating the Minah market for fishermen cooperative in North Lebanon</li> </ul>	<p>founder the Sunni Minister Mohammad el-Safadi, originated from North Lebanon. The Minister is mainly supporting US foreign policy</p>
<b>JBDA (1998)</b>	<ul style="list-style-type: none"> <li>▪ Environment</li> <li>▪ Cooperative work</li> <li>▪ Sustainable development</li> <li>▪ Voluntary work</li> <li>▪ Human development (reduce the effect of Israeli aggression)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Municipalities and cooperatives in South Lebanon, Bekaa, Beirut sub-urban where the majority of Shiite community is living</li> <li>▪ Several ministries in particular the Ministry of Agriculture</li> <li>▪ Lebanese universities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Network of cooperatives for crop marketing</li> <li>▪ Let's cooperate (capacity building project)</li> <li>▪ Coop service centers</li> <li>▪ Coop capacity building and strategic planning</li> </ul>	<p>Managed by Hezbollah Shiite political movement. Mainly funded by the Iranian Government. It fosters anti-American foreign policies</p>

### **4.3. Role of cooperatives in development agencies' agenda**

This part of the chapter explores what cooperative enterprises could ordinarily achieve in the agendas of development agencies. Semi-structured interviews and internet based secondary data, in particular development agencies' web pages, have constituted the units of analysis in this part. In web pages, I focused on general information detailing agencies' development objectives without going into the programs or projects levels which were analyzed while studying the nature and process of projects implemented with coops. For instance, I checked the development objectives listed under such titles: "Our work" (ACDI/VOCA)", "What We Do (USAID)", "Our Expertise (CHF)", "Areas of Work (ILO)", "objectives of Work (JBDA, SF)", "Strategic Frameworks (IFAD)", etc. In those development objectives that reflect a general interest, for instance agriculture and food security, economic growth, enterprise development, community development, gender equality and women's empowerment, etc., I explored where cooperative enterprises were given a role or listed as a tool to achieve these objectives. In fact, semi-structured interviews and internet secondary reviews were somehow complementary. For some information that is rarely listed in web pages or even in program and project reports, interviews were essential. For instance, in secondary data, agencies would not mention "answering donors' requests" or "responding to government development plans" as a justification for using cooperatives. On the other hand, the macro level development objectives such as poverty reduction or social cohesion, which could be cited by respondents as an ipso facto long term role of cooperatives, were double checked in agencies' web pages as development objectives facilitated by cooperative enterprises.

To quantify the data collected and reviewed in this section, I grouped the role of cooperatives into two main categories distinguished by the level of their impacts: micro and macro level development objectives. Micro objectives were divided into two main sub-categories differentiating between socio-economic indicators and other unspecific indicators or reasons for selecting cooperative enterprises as a development tool. In table 12 in Annex VI, agencies received "YES-(Y)", if they consider cooperatives having such roles or are used as a tool to reach micro or macro development objectives, or "No-(N)" if they do not consider that cooperatives have such roles in their development agenda. Chart 6 shows the number of agencies

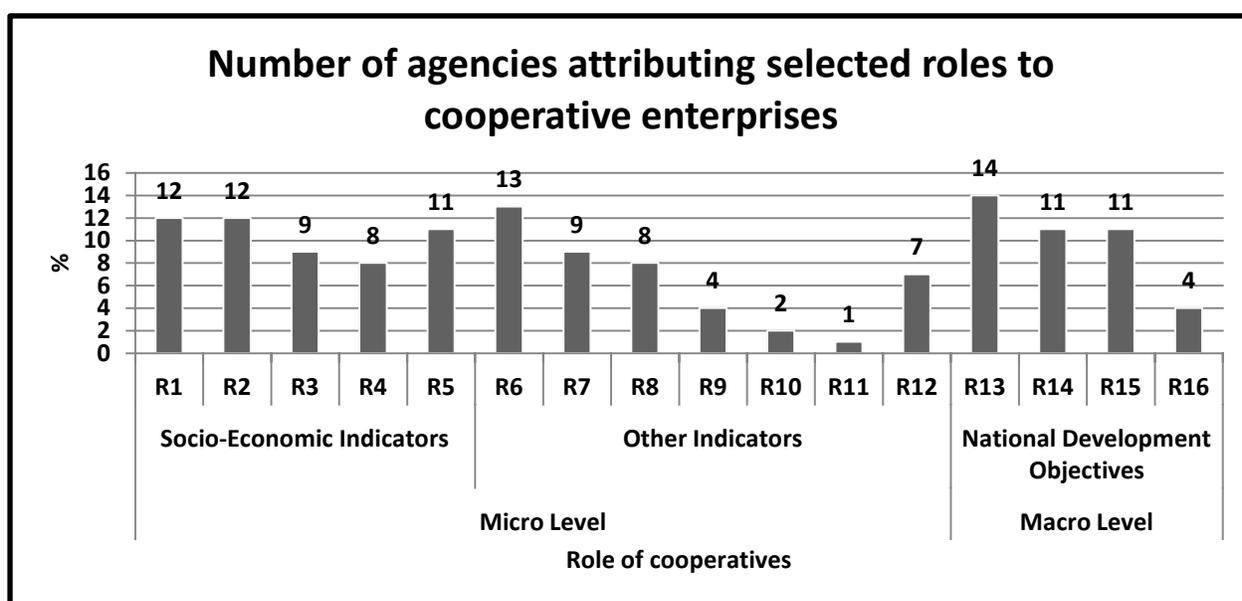
(over a total of 15) attributing the roles listed to cooperative enterprises (R1 to R16) in their development agenda.

At micro-level, for the socio-economic development indicators, results showed that twelve agencies have ascribed the role of decreasing the cost of production (R1) and improving access to market (R2) to cooperative enterprises. Increasing members' skills (R5) was also a main role cited by eleven agencies. Moreover, at a micro-level, for the sub-category of other indicators, thirteen agencies justified their reliance on the cooperative enterprise tool for the reason of being a main legal institutional framework (R6) in rural areas. Seven agencies set the support of cooperatives as a direct target aiming to induce socio-economic development (R12). The use of cooperatives as a pre-set condition by donors (R9), to respond to government plans (R10), and as a tool for group control for political reasons (R11) were listed by few agencies. Certainly, agencies having political interest, in particular National NGOs, would not state their activities with cooperatives as a political control tool. Only the respondent of ADA mentioned that the association organizes affiliated groups in rural areas in a cooperative enterprise structure in order to logistically control them during election and to legalize their financial support. Probably, if I were able to interview JBDA and SF, they would have reported the same answer. RMF respondent denied the use of cooperatives for a political aim and mentioned that the foundation did not ask cooperatives' members to vote for its candidates during election. However, knowing the structure of the Lebanese sectarian political system, RMF, by having a political aim in particular in North Lebanon, mainly supports affiliated groups, villages, cooperatives, etc. that vote for its policy. Accordingly, using cooperatives by politically oriented agencies would certainly have a political control aim. At national level, the majority of active NGOs have either political or religious backgrounds that are interconnected in the Lebanese context. This means that the political support of cooperative enterprises is a common practice applied through the implementation of development projects.

At macro-level, fourteen agencies listed poverty alleviation (R13) as a major role of cooperatives. Eleven agencies planned to use cooperatives to induce social cohesion and integration (R14) and to create job opportunities (R15). Only four agencies identified fairer globalization (R16) as a development role attributed to cooperatives.

At macro and micro levels, poverty alleviation (R13) and the use of cooperatives as a main legal institutional framework in rural areas (R6) were the major identified reasons for using cooperatives in the development agencies' agenda. Accordingly, the role of cooperatives as alternative market enterprises capable of alleviating the poverty of small and marginalized producers was mainly attributed to cooperative enterprises in Lebanon. Cooperatives can include poor people in the market economy but they do not necessarily produce a comparable performance to capitalist enterprises. In fact, this is the main role of cooperative enterprises under Neoliberalism. Cooperatives are seen as alternative private enterprises in the third non-profit sector. They are effective in meeting the socio-economic needs that are not addressed by the private and public sectors.

Chart 6: Number of agencies (over a total of 15) attributing selected roles (R1 to R16) to cooperative enterprises in their development agenda.



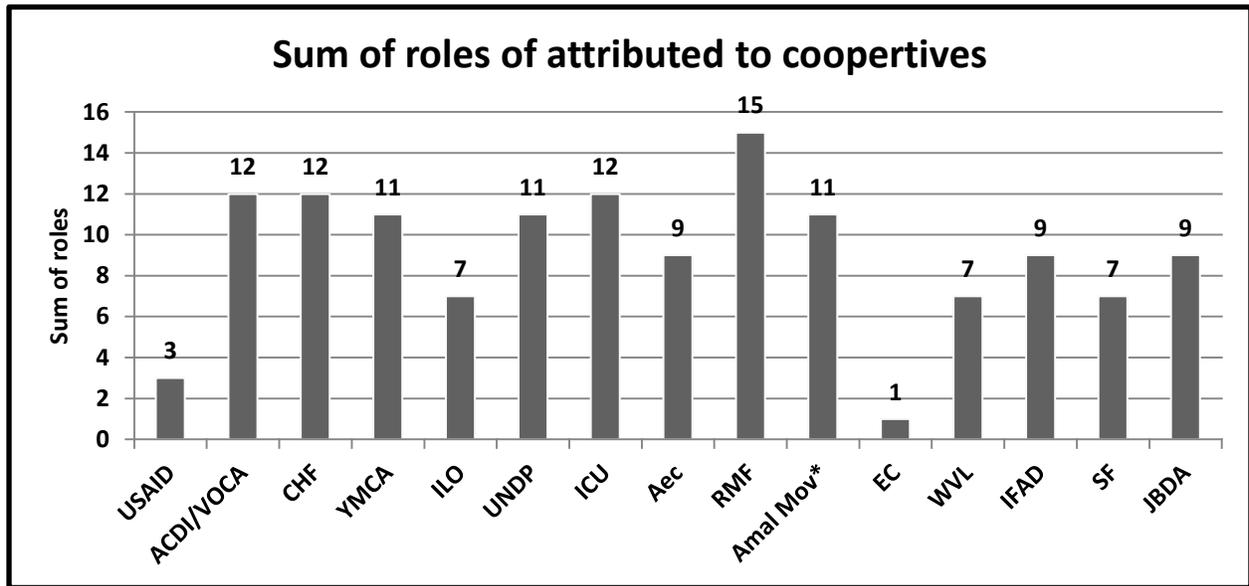
- **R1:** Decrease the cost of production and increase income
- **R2:** Improve access to markets – eliminate middlemen
- **R3:** Improve and increase access to services
- **R4:** Increase producers' bargaining power – group empowerment
- **R5:** Increase members' skills
- **R6:** Coop as a legal institution framework
- **R7:** Grouping similar needs and having multi-dimensional impacts
- **R8:** Equitable and sustainable support (principles and values)
- **R9:** To answer donors' request

- **R10:** Responding to government development plans
- **R11:** Group control for a political reason
- **R12:** Agencies have a mission to support cooperatives
- **R13:** Poverty alleviation – food security, increase access to credit, improving economic and social conditions
- **R14:** Social cohesion and integration – gender equality, increased empowerment and rights, facilitate social unity, key framework for social capital
- **R15:** Job creation
- **R16:** Fairer globalization – equitable distribution

Most INGOs and IGOs ascribed a high number of roles to cooperative enterprises at micro and macro-levels (Chart 7). For ACIDI/VOCA, this goes in parallel to its mission of fostering economic opportunities through cooperative enterprises. It is clearly stated in its name: “Cooperative Development and Assistance”. CHF has started implementing development interventions only by relying on cooperatives. Moreover, ACIDI/VOCA and CHF are both members in the US Overseas Cooperative Development Council which brings together organizations aiming “to build a more prosperous world through cooperative enterprises” (OCDC 2012). ICU, YMCA, and UNDP respondents clearly stated that they only implement interventions through cooperative enterprises. This ensures long-term sustainable impacts. The remaining INGOs and IGOs (ILO, WV, and IFAD) have given a reduced number of roles to cooperatives in their development agendas. For WV and IFAD, because they were not interviewed, other indicators for selecting the cooperative enterprise were not identified. Secondary data do not list such indicators. This is the main reason for the reduced number of roles. For the ILO, it usually focuses on job creation and security and does not specify socio-economic indicators at micro-level.

All national NGOs except for RMF approximately attributed an equal number of roles to cooperative enterprises. RMF listed 15 roles out of 16 associated to cooperative enterprises. During the interview, RMF respondent mentioned that the organization only implements projects through local cooperative enterprises. In several interventions, RMF has supported producers to establish new cooperatives. In addition, most projects implemented by RMF were funded by CHF. In this case, it is not surprising to rely on the cooperative tool promoted by the main donor.

Chart 7: Sum of roles attributed to cooperatives by development agencies



The findings of this part revealed that the development agencies interviewed and studied consider cooperatives as an essential tool to foster development in Lebanon at micro and macro levels in their development agendas. The following parts of this chapter examine the roles attributed to cooperatives at project level in terms of activities and impacts. Accordingly, further findings will help to identify if the attributed roles to cooperative enterprises in Lebanon were only theoretical or based on empirical achievements and previous successful interventions.

#### 4.4. Supporting cooperatives: role of agencies, projects, and impacts

This part explores the role of development agencies in supporting producers' cooperatives in Lebanon. It analyses the main activities and projects implemented with producers' cooperatives and examines their impacts from the perspective of agencies studied and interviewed. This part will be matched with the impacts of cooperatives assessed from the perspective of producers' members in Chapter 5 and Chapter 6 of this research. Secondary reviews, mainly final project reports or project evaluation reports, were complemented by semi-structured interviews carried out with ten development agencies. By relying on both sources, I was able to:

- Report minor activities implemented in projects
- Cover what agencies declare about their interventions with cooperatives and what they report in parallel
- Collect what could not be stated in reports such as failure, vested interest, political interest, etc.
- Verify either what has been expressed during interviews or what has been reported in secondary data
- Expand the database and timeframe of my study

The most important two to three projects, which were implemented with cooperative enterprises by each agency, in addition to the interviews, constituted the main units of analysis in this part. Projects were either identified during interviews or reported by agencies as main projects relying on the cooperative enterprise tool to induce socio-economic development. For USAID, being a bilateral donor, data of projects implemented through cooperative enterprises were explored alongside funded projects implemented by American NGOs such as CHF and ACDI/VOCA. However, for the EC, despite being a multilateral donor, one main project is assessed because it was implemented in coordination with the MOA and not through a NGO. For UNDP, I studied a program (Artgold) and not a project. For ILO, WV, IFAD, and ADA, only one project was identified as a main intervention implemented through cooperative enterprises. In total, twenty-four projects formed the baseline of my data (Table 9).

Table 9: List of studied projects implemented by different agencies

Agency	Projects
USAID	<ul style="list-style-type: none"> <li>• Data will be expressed through USAID funded projects</li> </ul>
ACDI/VOCA	<ul style="list-style-type: none"> <li>• <b><u>P1:</u></b> Action for sustainable agro-industry in Lebanon</li> <li>• <b><u>P2:</u></b> Lebanon business linkages initiative</li> <li>• <b><u>P3:</u></b> Middle East and North Africa: Lebanon farmer to farmer program</li> </ul>
CHF	<ul style="list-style-type: none"> <li>• <b><u>P4:</u></b> Lebanon apple production improvement</li> <li>• <b><u>P5:</u></b> Humanitarian assistance to Lebanon</li> <li>• <b><u>P6:</u></b> Clustering for economic development and revitalization of</li> </ul>

	industry sectors (phase I: 2002-2005)
<b>YMCA</b>	<ul style="list-style-type: none"> <li>• <b>P7:</b> Stimulating markets and rural transformation program</li> <li>• <b>P8:</b> Support to women's agricultural cooperative</li> </ul>
<b>ILO</b>	<ul style="list-style-type: none"> <li>• <b>P9:</b> Local socio-economic development in war-affected areas in South Lebanon</li> </ul>
<b>UNDP</b>	<ul style="list-style-type: none"> <li>• <b>P10:</b> Artgold program</li> </ul>
<b>ICU</b>	<ul style="list-style-type: none"> <li>• <b>P11:</b> Support for agricultural cooperatives in Baalbeck/Hermel (Ross Program)</li> <li>• <b>P12:</b> Rehabilitation of the olive sector in the areas most affected by the South Lebanon conflict</li> </ul>
<b>Aec</b>	<ul style="list-style-type: none"> <li>• <b>P13:</b> Support for Kab-Elias cooperative</li> <li>• <b>P14:</b> Increasing Lebanese agricultural competitiveness</li> </ul>
<b>RMF</b>	<ul style="list-style-type: none"> <li>• <b>P15:</b> Olive Oil development project</li> <li>• <b>P16:</b> Professional training and integrated rural development - North Lebanon</li> </ul>
<b>Amal Mov*</b>	<ul style="list-style-type: none"> <li>• <b>P17:</b> Empowering women cooperatives and olive growers in South Lebanon</li> </ul>
<b>EC</b>	<ul style="list-style-type: none"> <li>• <b>P18:</b> Agricultural development project</li> </ul>
<b>WVL</b>	<ul style="list-style-type: none"> <li>• <b>P19:</b> Sustainable agri-business initiatives in Lebanon (SABIL)</li> </ul>
<b>IFAD</b>	<ul style="list-style-type: none"> <li>• <b>P20:</b> Smallholder livestock rehabilitation project</li> </ul>
<b>SF</b>	<ul style="list-style-type: none"> <li>• <b>P21:</b> Strengthening bee husbandry in Akkar</li> <li>• <b>P22:</b> Support for cow breeders</li> </ul>
<b>JBDA</b>	<ul style="list-style-type: none"> <li>• <b>P23:</b> Network of six cooperatives for crop marketing</li> <li>• <b>P24:</b> Coop service centers</li> </ul>

#### **4.4.1. The role of agencies in developing producers' cooperatives**

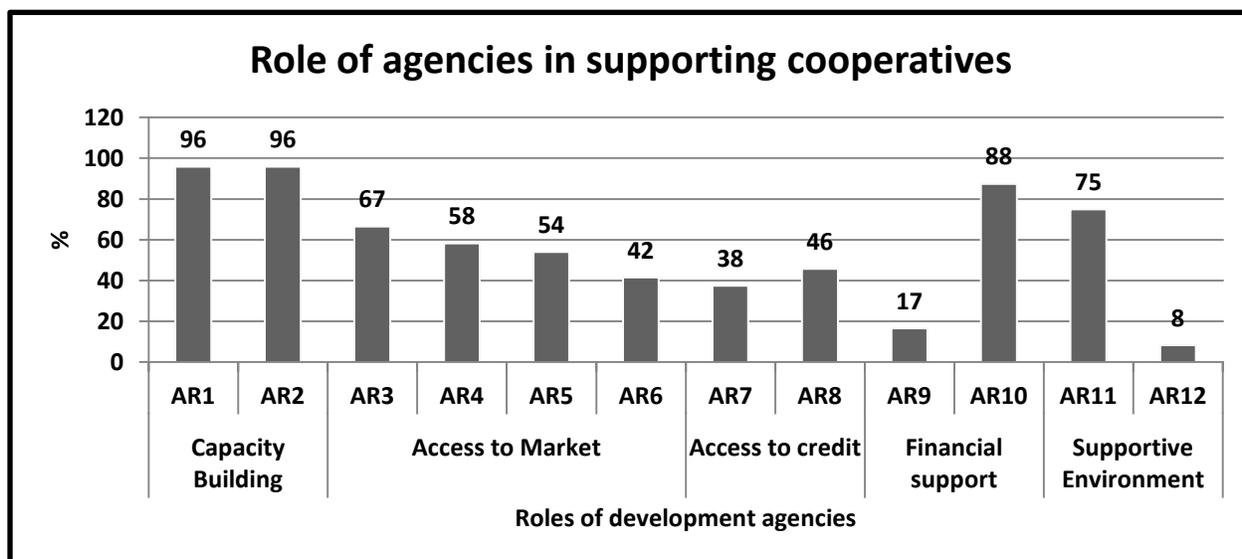
This section details the role of different agencies in developing producers' cooperatives in Lebanon. It shows how development agencies have supported and encouraged producers' cooperatives to deliver their roles, detailed above in the first part of this chapter. It identifies the importance of implemented activities in addressing the challenges of cooperative enterprises and providing the main prerequisites for success.

Similar to the approach that was used to quantify the role of cooperatives in the development agencies' agendas; I grouped the activities carried out by various agencies into five main categories or role of development agencies, as follows:

- Capacity building
- Facilitate access to market
- Facilitate access to credit
- Financial support
- Supportive environment: legal and regulatory framework

These categories were divided into twelve sub-categories detailing the roles of agencies. In Table 13 in Annex VI, for the twenty-four studied projects, agencies received “Yes-(Y)” if they supplied or carried these sub-categories under each separate project, or “No-(N)” if they did not report the implementation of these sub-categories. “Yes” answers were quantified into percentages under each sub-category in order to identify the main role of development agencies in supporting producers' cooperatives in Lebanon. Agencies' role (AR) is detailed in Chart 8.

Chart 8: Role of agencies in supporting producers' cooperatives in Lebanon



- **AR1:** Technical assistance: such as business development (feasibility study, product costing, profitability analysis, etc), quality control, packaging development, extension, field visits etc
- **AR2:** Training: such as coop management, export requirements, international certification, branding, labeling, management, etc
- **AR3:** Market linkages: local, international, between sub-sectors (input, processing, transport, etc)
- **AR4:** Market information and research
- **AR5:** Participation in workshops, local and international shows
- **AR6:** Develop new products
- **AR7:** Elaborate marketing strategies
- **AR8:** Develop special credit facilities with local banks
- **AR9:** Offer micro-credit
- **AR10:** Equipment supply
- **AR11:** Infrastructure
- **AR12:** Supportive regulatory and legal framework

Results showed that offering technical support (AR1) and training (AR2) in addition to equipment supply (AR10) and infrastructure (AR11), under the categories of capacity building and financial support for rural development, were the main activities or role of agencies in

developing producers' cooperatives in Lebanon. Creating a legal and regulatory framework for cooperative development (AR12) was not a priority for development agencies. Only two projects (P7, P24) advocated for a supportive cooperative environment. Under the objective of facilitating access to markets, major activities focused on fostering market linkages (AR3) as well as market information and research (AR4). Participation in workshops, local and international shows (AR5) was also a significant activity in this category. In facilitating access to credits, INGOs and IGOs were the main actors. Only one project (P14) implemented by a National NGO (Arcenciel) supported coops to access credit intuitions (AR8). Four agencies offered micro-credit services to cooperatives as a project component (AR9).

These activities or roles of development agencies have the potential to manage several internal and external challenges, as well as to facilitate the main internal and external pre-requisites for success. Table 10 matches where the main identified activities could play a role vis-à-vis challenges and pre-requisite indicators.

Table 10: Challenges and Pre-requisite indicators facilitated by development agencies

	<b>Indicators</b>	<b>Activities or roles</b>
<b>Internal challenges</b>	Horizon problem	Financial support for rural development, credit facilities
	Portfolio problem	Financial support for rural development
	Control problem	Capacity building
	Free rider	Capacity building
	Influence cost	Capacity building
<b>External challenges</b>	Liberal environment	Market linkages, research and information
	Unsuitable national environment	
<b>Internal Pre-requisites</b>	Answering producers needs	Financial support for rural development
	Applying principles and values	Capacity building
	Strong members participation	Financial support for rural development, capacity building
	Efficient organizational structure	Capacity building
<b>External pre-requisites</b>	Support from the community	Financial support for rural development, capacity building
	Supportive environment	
	Increasing unity between cooperatives	

Findings showed that the activities or roles of development agencies in supporting producers' cooperatives in Lebanon could theoretically address internal challenges and internal pre-requisites for success. External challenges and the main external pre-requisites for success were not a priority for development agencies. During interviews, most respondents linked this weakness to the complementary role that should be played by the government. This is the role of

the DGC that should create and maintain a suitable regulatory and legal framework for the development of cooperatives.

#### **4.4.2. Projects implemented with producers' cooperatives: nature and process**

In this part, I explore the nature of projects implemented with producers' cooperatives and the process used by various development agencies to develop the cooperative enterprise tool. This part ends by detailing the main problems encountered by development agencies during the execution phase.

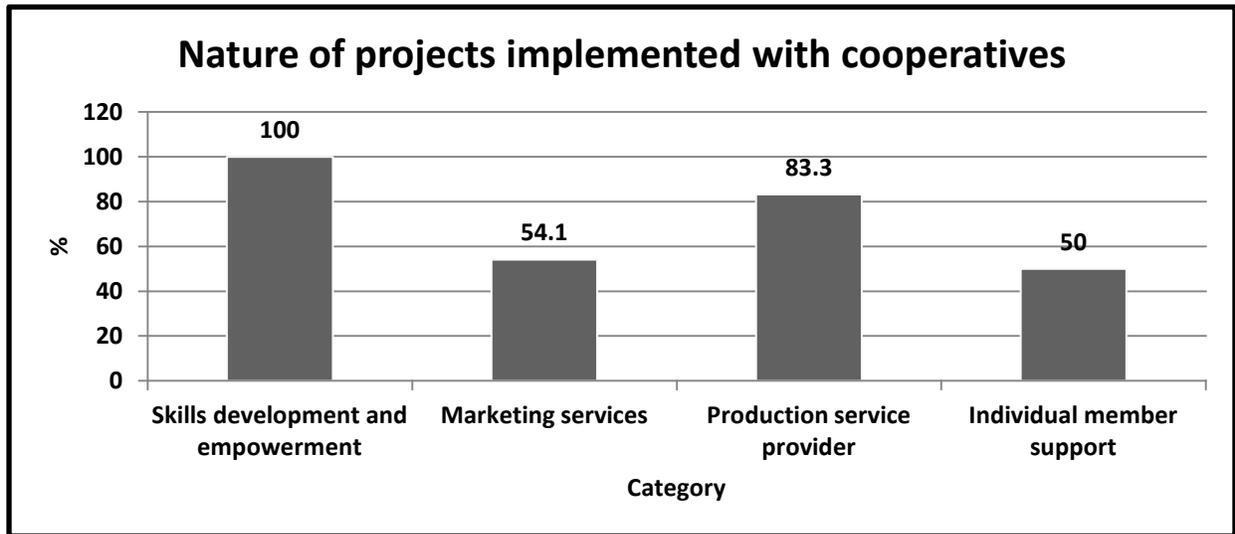
##### **4.4.2.1. Nature of projects**

Four main categories describing the nature of projects were identified based on the data collected from secondary reviews and semi-structured interviews. Categories are the following:

- Skills' development and empowerment
- Marketing services
- Production service provider (machinery, processing, etc.)
- Individual member support

In table 14 in Annex VI, agencies received “Yes-(Y)” if projects offered activities under the selected categories or “No-(N) if they did not implement similar activities with producers' cooperatives. Chart 9 shows the percentage of different selected categories in projects implemented by various development agencies.

Chart 9: Nature of projects implemented with producers' cooperatives by development agencies



In parallel to the role of agencies in developing the cooperative enterprise- capacity building and financial support for rural development- findings showed that agencies have implemented projects related to skills' development and empowerment as a main nature (100 percent) and related to production service provider as a secondary complementary nature (83.3 percent). Indeed, these two natures of projects, which should theoretically be based on members' common needs, contain the sustainability components essential for the development of cooperative enterprises. Agencies have apparently worked to empower members and build their capacities to manage their own production service units which should also theoretically offer feasible services to members. Further findings in Chapter 5 and Chapter 6 will evaluate whether the implemented projects have empirically contributed to skills' development and the initiation of services needed by members.

Coupled by marketing services (54.1 percent) and individual members' support (50 percent), the sustainability of agencies' interventions would also increase and contribute effectively to the development of cooperative enterprises.

#### **4.4.2.2. Process of implementation**

In this section, I examine, in terms of process, how development agencies have implemented the projects studied in this research with producers' cooperatives in Lebanon. I divided the process of implementation into two phases as follows:

- Initiation phase
- Progress of activities phase: coordination and partnership

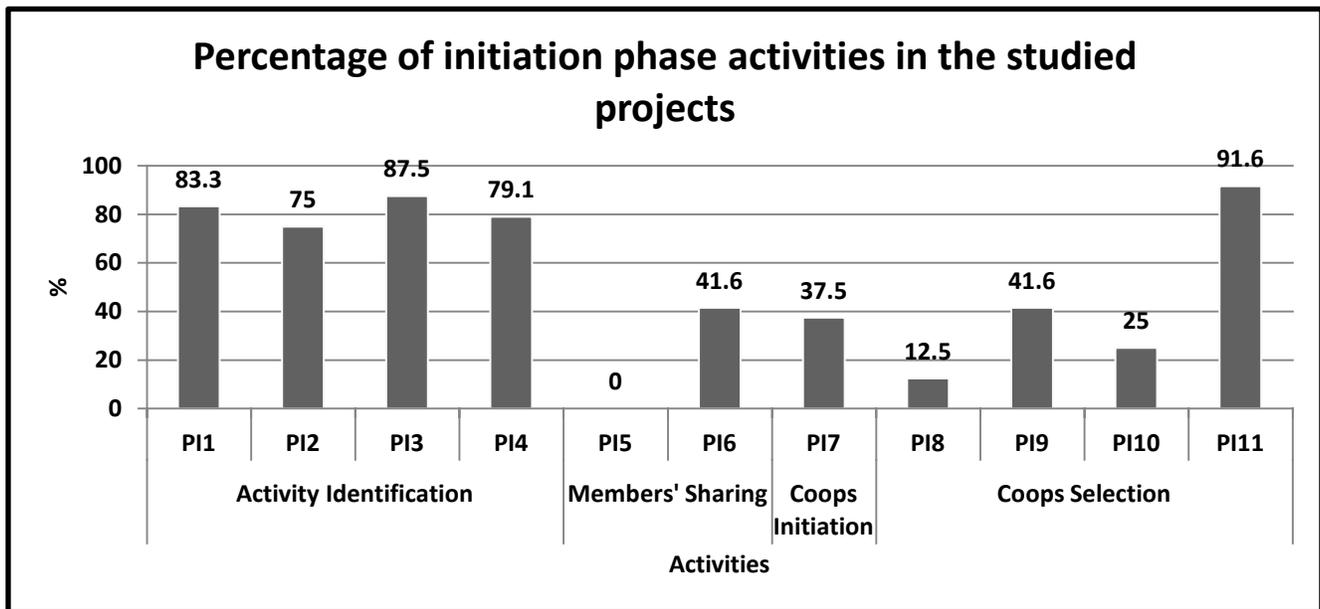
##### 4.4.2.2.1. Initiation phase

Projects during the initiation phase were divided into four categories as follows:

- Activity identification
- Members sharing
- Coop initiation
- Coop selection

These four categories were divided into eleven sub-categories. In table 15 in Annex VI, agencies, similar to the previous approach, received “Yes-(Y)” if they listed sub-categories or activities during the initiation phase of the studied projects or “No-(N)” if they did not rely on such activities. Chart 10 shows the percentage of different sub-categories in the initiation phase.

Chart 10: Initiation phase activities in projects implemented with producers' cooperatives



- **PI1:** Project activities identified based on an agricultural or cooperative surveys
- **PI2:** Project activities identified based on a local development plan
- **PI3:** Project activities identified based on selected sector challenges
- **PI4:** Project activities planned to be income generating without previous assessment
- **PI5:** Members have financially shared in the project
- **PI6:** Members have provided necessary infrastructure
- **PI7:** Cooperatives established during the project
- **PI8:** Cooperatives selected based on the total number of members
- **PI9:** Cooperatives selected based on previous support
- **PI10:** Cooperatives selected based on a gender approach
- **PI11:** Cooperatives selected based on their effectiveness (Select active coop only)

Findings showed that development agencies planned to respond to producers' common needs by relying on cooperative surveys (PI1: 83.3 percent), local development plans (PI2: 75 percent), sector challenges (PI3: 87.5 percent), and income generating activities (PI4: 79.1 percent). Responding to producers' needs is an essential point in facilitating internal pre-requisites for success. Otherwise, short term impacts and low sustainability resulting from the low reliance on answering common members' needs would certainly lead to the failure of cooperative enterprises. In the members sharing category, members limited their contribution to the provision of necessary infrastructure (PI6: 41.6 percent). They did not share financially in all studied

projects (PI5: 0 percent). This point could be considered a weakness in the projects implemented with cooperative enterprises. Members' economic participation in answering their common needs is an essential pre-requisite for success. Usually, members show low accountability for assets in which they do not have a financial stake, in particular when these assets do not directly respond to their needs. Sharing the provision of necessary infrastructure does not imply that members have invested financially together to provide infrastructure in implemented projects. Respondents mentioned that the necessary infrastructure was mainly donated by a powerful member who let the cooperative use his/her premises in order to facilitate the project's implementation. Therefore, infrastructure sharing was not a common property owned by the cooperative. Such practices open doors to corruption and political control. Powerful members who have effectively provided the necessary conditions to receive development projects can control the initiated services and direct the cooperative to achieve their own objectives. Similarly, in some cases, where the cooperative has paid rent costs for members who provided the necessary infrastructure, no financial sharing has taken place. Rent costs were generated by the services that were donated by development agencies.

For the coop initiation category, nine projects (PI7: 37.5 percent) initiated new cooperatives as a separate component while the remaining projects worked with already established cooperatives. Initiating cooperatives by agencies implementing a development project could be considered as a negative or a positive approach. It is positive when agencies support a group of producers that lacks the technical capacity to initiate a cooperative enterprise that could answer production challenges. However, it could be considered negative when producers accept to initiate a new cooperative as a legal institutional condition to receive development aid. The respondent of YMCA mentioned that the organization supports producers who show active participation and real common needs to form cooperative enterprises. However, it rejects the support of producers who aim to initiate a cooperative in order to receive development aid.

Finally for the coop selection procedures, agencies stated active coops (PI11: 91.6 percent) and previously supported coops (PI9: 41.6 percent) as the main indicators for coop selection. These indicators ameliorate the potential of project sustainability and increase efficiency. Most INGO and IGO respondents declared that they have coordinated at field level with political parties to select active coops. This might be a necessary step in development projects. Politicians in

Lebanon may challenge the process of project implementation in the case that they were not given a role in selecting beneficiaries or at least informed about a selection. For national political NGOs, politicians choose cooperatives to receive support from their agencies. It means that political parties were able, through development agencies, to direct funds to their affiliated cooperatives. In fact, a good number of cooperatives might be initiated by political parties as detailed in Chapter 3. Therefore, the interventions of agencies have increased somehow the political control on cooperatives. They gave political parties a decision-making role in selecting cooperatives to receive support. This point contradicts with the principle of autonomy and independence in cooperative enterprises.

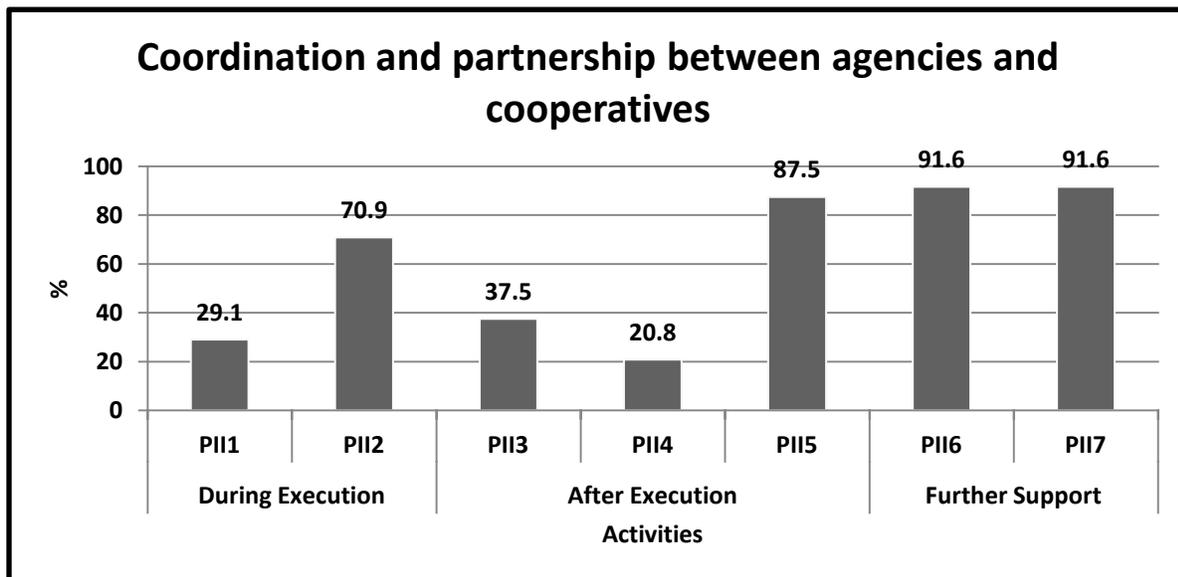
#### 4.4.2.2.2. Progress of activities' phase: coordination and partnership

The coordination and partnership phase was divided into three categories as follows:

- During execution
- After execution
- Further support

These categories were divided into seven sub-categories detailing activities with cooperatives. In Table 16 in Annex VI, agencies received “Yes-(Y)” if they carried out such type of sub-category or “No-(N)” if they did not. Chart 11 shows the percentage of different sub-categories in the second process of projects' implementation (Process II (PII)).

Chart 11: Percentage of coordination and partnership sub-categories between agencies and cooperatives



- **PII1:** Project completely managed by the implementing agencies (in case of service provider)
- **PII2:** Project managed in coordination with the coop manager and the agency
- **PII3:** Cooperation stopped and was limited to the project
- **PII4:** Agency continued to run the project
- **PII5:** Regular meeting for monitoring and to identify possible interventions
- **PII6:** For new projects, coops supported before are priorities
- **PII7:** Have planned to implement new projects with coops

Findings showed that during execution, projects were mainly managed through a solid cooperation and coordination between the implementing agency and the cooperative manager or the board of directors (PII2: 70.9 percent). This process increases the potential of success and projects' sustainability by limiting the top-down approach in management and by building the capacity of cooperatives to run their own projects. However, seven projects were directly managed by five different implementing agencies (PII1: 29.1 percent). I mean here that agencies were offering and managing services themselves, even the financial activities. This process reduces the opportunities of success and increases the dependency of cooperatives. The reasons for direct management differed between agencies. For ACDI/VOCA, the nature of P3 project, which is skills' development and empowerment, does not allow direct management by cooperatives. For Aec and RMF, they planned in their development strategies for rural areas to

play the role of services' provider to cooperatives and individual producers. They coordinated with cooperatives to reach their members and sometimes used their premises. They kept the financial and management structure of the project under their guidance without any significant role for the board of directors. For RMF, a political national NGO, continuing to manage projects donated to cooperatives offers the possibility of permanent political control through the services delivered to members. The control is on day to day basis and not limited to one intervention. For WV, their strategy was to initially run projects in terms of management and finance. Then, at the end of the project, they transferred assets to be managed by the cooperative. The WV approach is practical and efficient. It is close to the coordination and cooperation in management. It builds the capacity of the cooperative to manage assets and then transfer the management authority to the board of directors. For IFAD, their strategy was to build coop centers, employ and operate needed staff, and then transfer the management to the MOA. That is why IFAD did not involve cooperatives in the management.

In after execution-coordination and partnership, results showed in most studied projects that agencies held regular meetings for monitoring and identifying possible interventions (PII5: 87.5 percent). It implies that agencies have planned to cooperate with the cooperatives supported previously to implement further interventions. For EC and IFAD, no regular meetings were held because they usually work through the MOA that takes over the responsibility of coordination and partnership. For WV, the coordination and partnership with cooperatives had stopped. It had decided to stop working in the agricultural sector after finalizing the implementation of two USAID funded projects. Aec and RMF continued to run projects implemented with cooperatives (PII4: 20.4 percent). Both play the role of services' provider in rural areas in place of cooperatives. In nine projects, cooperation was cancelled and limited to the projects' implementation (PII3: 37.5 percent). Several reasons were identified. For WV, IFAD, and EC, they are the same reasons for which they cancelled regular meetings. For Aec, the difficulty in communicating with the board of directors during the implementation had put on hold the coordination. For CHF, the implementation is usually through a local NGO such as RMF which takes over the responsibility of further cooperation.

Finally, in twenty-two projects studied in this research, agencies expressed their intentions to cooperate with the cooperatives previously supported and planned to implement new

interventions with them (PII6 and PII7: 91.6 percent). This result explains the importance of the cooperative enterprise tool to foster socio-economic development from agencies' perspective.

#### **4.4.2.3. Challenges encountered with cooperatives during projects' implementation**

This section explores what development agencies have encountered or identified as problems or challenges in projects implemented with producers' cooperatives.

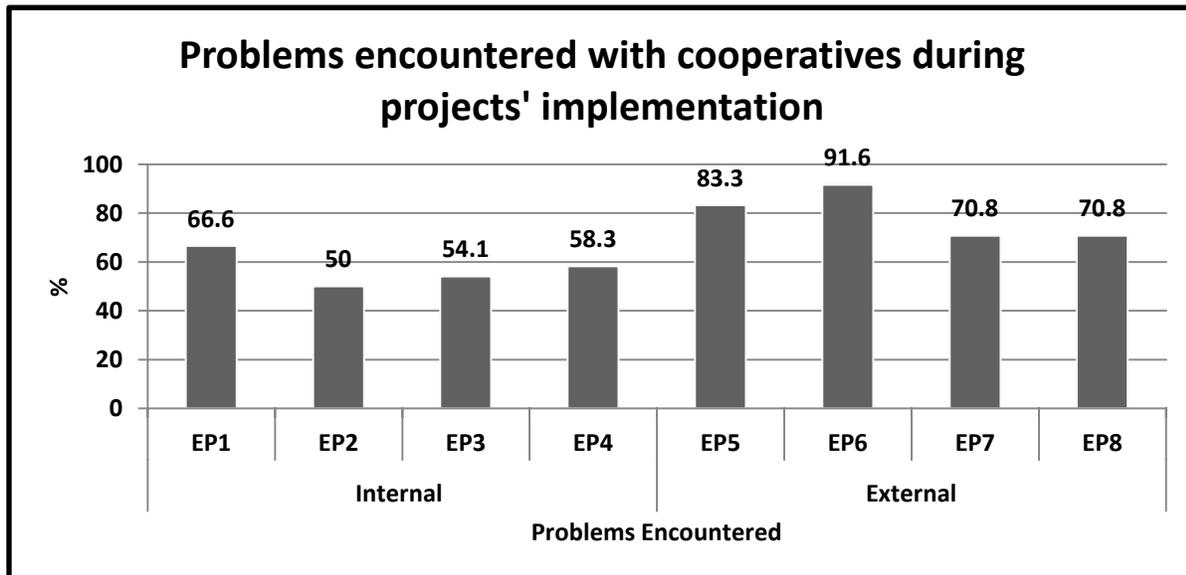
Encountered problems were grouped in two categories:

- Internal between coop members
- External with the implementing agency and the community

Each category was divided into four sub-categories or challenges that appeared during projects' implementation and were classified by development agencies as weaknesses reducing the potential of cooperatives to achieve the objectives set in each project.

In table 17 in Annex VI, agencies received "Yes-(Y)" if they encountered such problems under different projects or "No-(N)" if they did not. Chart 12 shows the percentage of problems encountered by development agencies during projects' implementation.

Chart 12: Internal and external problems encountered with cooperatives during projects' implementation



- **EP1:** Portfolio problem
- **EP2:** Control problem
- **EP3:** Vested interest problem
- **EP4:** Free rider problem
- **EP5:** Communication problem
- **EP6:** Lack of applying principles and values
- **EP7:** Political problem
- **EP8:** Management problem

Results showed that external challenges were identified by development agencies as the main challenges encountered during the implementation of projects with cooperatives. The percentage of occurrence of all sub-categories under external challenges was higher than the percentage of remaining sub-categories under internal challenges. The lack of applying the principles and values of cooperatives (EP6: 91.6 percent) and the communication with the implementing agency and the community (EP5: 83.3 percent) were the main encountered challenges. These two challenges are identified as pre-requisites for success in cooperative enterprises. The percentage of occurrence under political and management challenges (EP7 and EP8: 70.8 percent) would be higher when agencies that responded negatively are analyzed. It is not surprising that the four political national NGOs (RMF, ADA, SF, and JBDA) did not encounter the political challenge. In fact, political control is part of their mission. For the management challenge, agencies managing projects in place of cooperatives did not encounter this challenge.

Therefore, all external challenges listed during projects' implementation constitute a real threat for the development of cooperatives. They limit long-term potential impacts and increase the vulnerability of corruption practices.

Although internal challenges showed lower percentages, the in-depth analysis would generate the same percentages as external challenges. National political NGOs (RMF, ADA, SF, and JBDA) did not report control (EP2) and vested interest (EP3) challenges. By default, the control challenge is incorporated in their political nature. The vested interest challenge is avoided by the increased control of agencies to ensure benefits for all members who should pay back in terms of voting during election. The same case is applicable for the free rider challenge (EP4). Therefore, internal challenges also constitute a major threat for the development of cooperatives, in particular after finalizing the projects' implementation phase and leaving members by themselves to manage and deliver services.

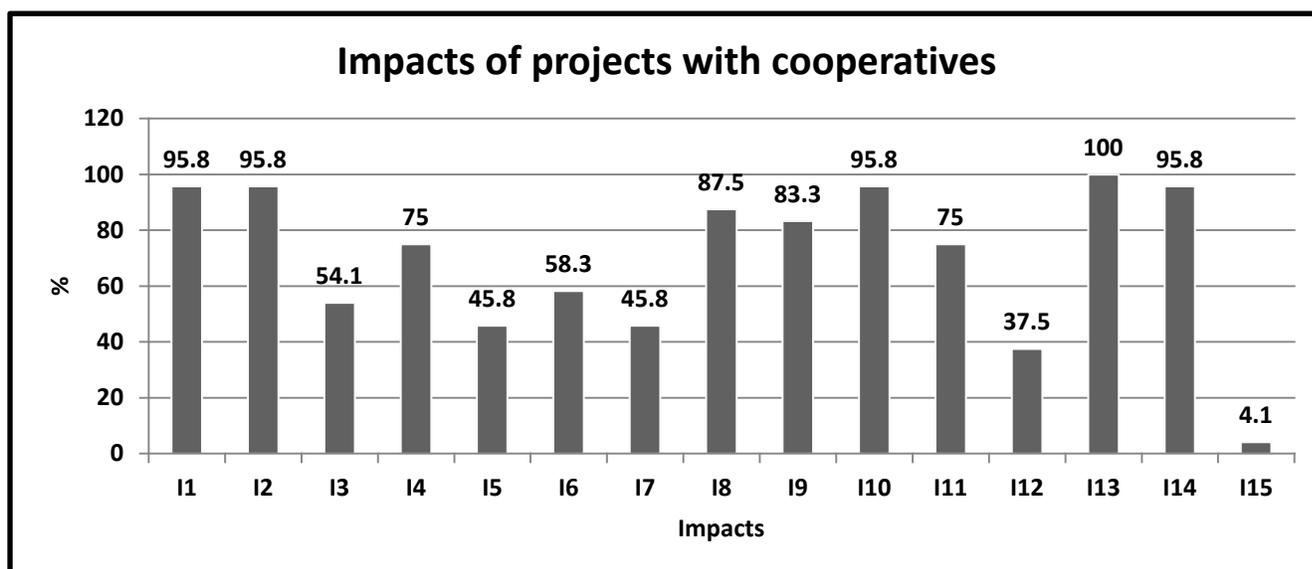
#### **4.4.3. Impacts of projects implemented with cooperatives**

This part examines the main impacts of the studied projects from the perspective of development agencies. Fifteen listed impacts were grouped into eight main categories as following:

1. Decreased the cost of production – increased income (I1-I2-I3)
2. Improved access to market (I4-I5-I6-I7)
3. Improved and increased access to services (I8-I9)
4. Increased and maintained employment (I10-I11)
5. Increased access to credits (I12)
6. Improved skills (I13)
7. Increased social cohesion (I14)
8. Failure (I15)

In table 18 in Annex VI, agencies received “Yes-(Y)” if they mentioned that the related impacts were achieved in the projects implemented with cooperatives or “NO-(N)” if they did not. Chart 13 shows the percentage of different projects' impacts as listed by development agencies

Chart 13: Impacts of projects implemented with cooperatives from the perspective of development agencies



- **I1:** In production
- **I2:** In processing
- **I3:** In marketing
- **I4:** Increase local direct sale
- **I5:** Open export markets
- **I6:** Increase prices
- **I7:** Build solid linkages
- **I8:** Expand services
- **I9:** Better quality of services
- **I10:** Maintain jobs
- **I11:** Create new jobs
- **I12:** Increased access to credit
- **I13:** Improved Skills
- **I14:** Increased social cohesion
- **I15:** Failure

Agencies identified the following impacts in more than seventy-five percent of the projects studied in this research: I1, I2, I4, I8, I9, I10, I11, I13, and I14.

I1, I2, I4, I8, I9, and I13 impacts go in parallel with the role attributed to cooperatives in the agenda of development agencies (micro and macro objectives), the identified roles of agencies in developing the cooperative enterprise (Capacity building and Financial support for rural development) and the nature of implemented projects (Skills development and empowerment and Production service provider). The remaining outcomes (I10, I11, and I14) are the main objectives of development projects. Poverty alleviation is well represented in I1 and I2 by increasing income and I4 by increasing local direct sales. Increasing access to credit (I12) has a relatively low percentage (37.5 percent) and therefore is not considered as a main impact

achieved in the studied projects. Only one agency (Aec) has listed a failure (I15) impact in one project that did not achieve most of the listed impacts.

Accordingly, producers' cooperatives succeeded in delivering socio-economic development impacts in the various projects implemented by development agencies that were interviewed and studied in this research.

#### **4.5. Coordination and planning with the government**

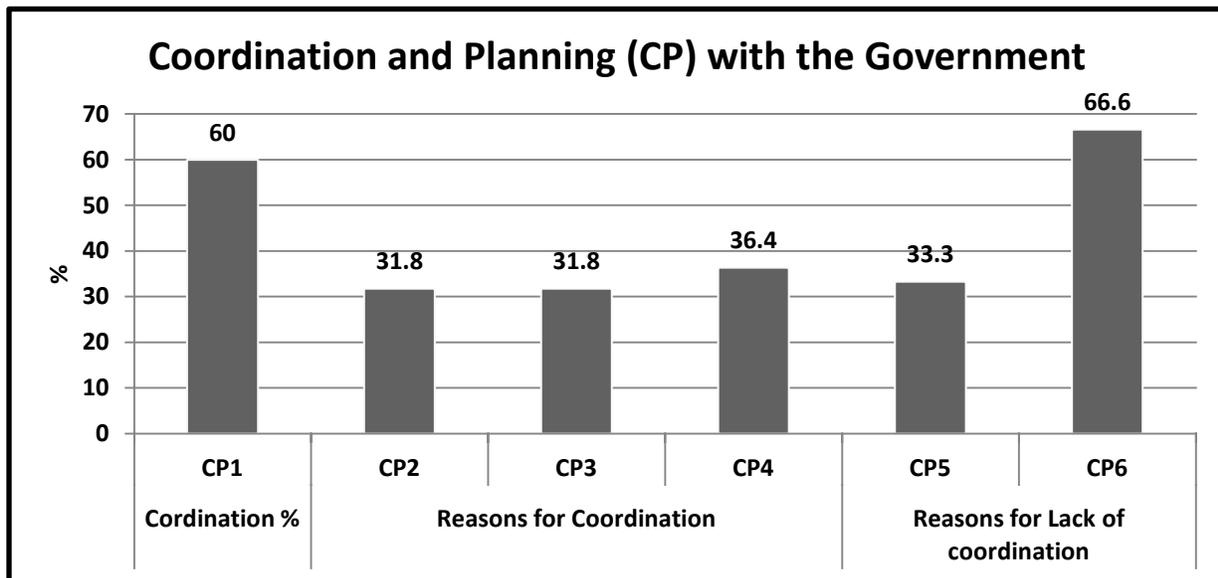
The last part of this chapter analyzes the planning and coordination of various development agencies with the government and in particular with the MOA through the DGC. It aims to explore the nature of coordination with the government and to highlight the reasons reported for the lack of coordination.

Based on the interviews and the available secondary data, it appeared that the coordination between development agencies and the government is limited to the field intervention level during the projects' initiation phase and not to a strategic, intervention designing level. Agencies coordinated with the government to facilitate their interventions and not to support the government in implementing its agricultural development strategy. Few agencies were not even coordinating with the government at the field intervention level.

I grouped the reasons for coordination with the government into three main categories (active coop identification, data verification, and facilitation of coop initiation) and the lack of coordination into two main categories (political and lack of systematic coop enterprise development plan).

In table 19 in Annex VI, agencies received "Yes-(Y)" if they considered the coordination and planning with the government or their absence falls under the category in question and "No-N" if they did not. Chart 14 shows the reasons for coordination and planning or their absence with the government.

Chart 14: Coordination and planning between the government and various development agencies



- **CP1:** Agencies coordinate and plan interventions with the government
- **CP2:** Active coop identification
- **CP3:** Data verification
- **CP4:** Facilitate coop initiation
- **CP5:** Political
- **CP6:** Lack of systematic cooperative enterprise development plan

Results showed that sixty percent of agencies coordinated equally with the government for the three listed specific categories. They sought the government support during the project initiation phase to identify active coops, verify data supplied by cooperatives, and facilitate their initiation. The remaining forty percent of agencies associated their lack of coordination and planning with the government to the lack of systematic cooperative enterprise development plans (CP6: 66.6 percent) essential for long-term, sustainable impacts. The political reason (CP5: 33.3 percent) was also a significant cause for the lack of coordination. Some respondents mentioned that the previous practices of the MOA in selecting cooperative enterprises upon their political affiliation have generated a low credibility for the DGC. Instead, the DGC should be a neutral body guiding development agencies to support active cooperatives. Other respondents coordinated and planned

interventions with the government depending on the political interest of the Agriculture Minister. For instance, all American NGOs were not coordinating with the MOA for the last two years because the Minister, Dr. Hussein el Hajj Hasan, is backed by the Hezbollah party opposing foreign US political interest.

In conclusion, the coordination of agencies with the government could be classified as weak, limited to the initiation phase and not to the achievement of specific planned impacts.

#### **4.6. Conclusion**

A contradiction could be identified in the findings that were elaborated in this chapter.

Development agencies attributed multiple roles to producers' cooperatives at micro and macro levels in their development agendas. Accordingly, they mainly supplied cooperatives, from a neoliberal perspective, with capacity building and financial support for rural development that both facilitate and offer several pre-requisites for success. They planned interventions that promote skills' development and assure the delivery of required services. They have relied on coordination and planning with cooperatives during the initiation and progress of activities phases in order to respond to members' needs. However, multiple challenges in this coordination were highlighted. In particular, the political aim and control of cooperatives initiated or supported by political NGOs were the main challenges. Accordingly, producers' cooperatives, in which producers have not shared in investment, could turn into a tool to channel political and development aid that would not alleviate producers' needs but instead would favor corruption and mismanagement. Moreover, politicians participated in the process of beneficiaries' selection and were able to direct aid to cooperatives supporting their policies. Some political agencies played the role of production services' provider in place of cooperatives in order to offer political benefits for members on a daily basis. In fact, during projects' implementation, development agencies identified several challenges at an external level with the community and at an internal level between members. Most of these challenges are associated with the political aim of cooperatives that subordinates members' socio-economic aims. External and internal challenges could make activities implemented via cooperative enterprises vulnerable to corruption.

Although problems were encountered while implementing projects with producers' cooperatives, development agencies found that cooperatives were able to deliver several impacts, in particular decreasing the cost of production, increasing access to market, improving access to services, increasing skills, increasing social cohesion, and creating job opportunities. Therefore, cooperatives were effective in inducing producers' socio-economic development in Lebanon. All impacts achieved by cooperatives were connected with the nature of implemented projects and the role of agencies in supporting cooperatives.

The contradiction in this chapter is between associating multiple roles to cooperative enterprises by agencies in their development agendas, identifying serious challenges that make difficult the achievement of these roles, and finally stating several impacts achieved in the field through the implemented projects. The stated impacts are normatively associated to cooperative enterprises as previously detailed in Chapter 1.

Chapter 5 and Chapter 6, which assess producers' cooperatives from the perspective of members in terms of effective services and benefits, will evaluate if these impacts identified by development agencies were achieved in the field or were only reported in order to justify the political aim from supporting cooperatives.

## **Chapter 5- Status of Lebanese Producers' Cooperatives**

### **5.1. Introduction**

In Chapters 3 and 4, I examined the role of producers' cooperatives in Lebanon in fostering socio-economic development from the perspective of development planners: the government and the development agencies. I analyzed how both have supported and encouraged the development of producers' cooperatives and what were the impacts of related interventions. Both chapters explored the first research question of this study. This chapter answers the first part of my second research question which explores the role of cooperatives and their associated impacts from the perception of producers' members. It examines, across the four different agricultural regions in Lebanon (previously detailed in Chapter 2), the status of active cooperatives which were selected in coordination with the regional offices of the DGC. Dormant cooperatives, which were not identified as active cooperatives by the DGC, were also studied in order to analyze the reasons that have contributed to their failure. Gender variation in the cooperative sector is also explored in this chapter by examining active women cooperatives. The effect of gender on the success or failure of cooperatives as well as the role of cooperatives in managing gender related problems is analyzed. Then, the status of cooperation in the different agricultural sub-sectors is explored: in the production (covering plant, animal, and related processing), fishery, and beekeeping (apiculture) sub-sectors. In the last part, findings in the different agricultural regions are combined together to reveal the status of active producers' cooperatives across Lebanon. This empirical information is matched with what development planners have expressed in terms of the potential role of cooperatives and impacts achieved in development projects.

### **5.2. Selection of active and dormant cooperatives**

First of all, supported by the DGC, I identified a list of active cooperatives which were initiated after 1990 in the three agricultural sub-sectors. Two main indicators were used to identify active cooperatives: first, delivering services to members, and second, having regular communication

with the DGC to update activities and progress. The second indicator is required by-law for cooperative enterprises in Lebanon. Then, from the list of active cooperatives in each agricultural region, I randomly selected ten producers' cooperatives: eight agricultural (plant, animal, processing), one fishery, and one beekeeping. The size of sub-sectors' representation was previously detailed in the methodology section in Chapter 1. In total, forty producers' cooperatives under the three sub-sectors were interviewed across Lebanon. Table 20 in Annex VII details the list of interviewed active cooperatives, their main services, and their date of initiation. In the selection of dormant cooperatives, I relied on the index of cooperatives in Lebanon to identify cooperatives located in the nearby villages of active cooperatives and were initiated after 1990. Selection on the basis of various agricultural sub-sectors was not considered for dormant cooperatives. The number of interviewed dormant cooperatives differed from region to another based on the saturation of data collection. In total, twenty-four dormant cooperatives were interviewed across Lebanon. Table 21 in Annex VII details the list of interviewed dormant cooperatives, their main planned/offered services, and their date of initiation.

### **5.3. Data collection**

Semi-structured interviews were carried with the board of directors of active and dormant cooperatives. Most interviews were previously fixed through phone calls. Sometimes a friend originated from the village joined to facilitate the first contact and assure trust. When a friend was invited, I made sure that he/she does not have any personal problem with my respondents. I started my interviews by introducing myself and in particular I mentioned the name of the village from where I am originated. This revealed that I have lived in rural areas where the majority of producers' cooperatives are located. Some respondents have visited my village. This opened the door for an easy interaction when they asked about the update of families they know or the details of nearby places. Then, I directed our interaction to the common interest in agriculture. We talked about the previous harvest, the problems encountered during the last season, the updates of markets, etc. My personal experience (being a farmer and an agricultural engineer) often made respondents feel that I am one of them knowing their challenges in the sector and not just a researcher remote from their everyday realities. I created the impression that I had a

firsthand experience of their true problems. Most respondents asked pure technical questions about different production systems or treatment methods. I gave enough time to my respondents to know me and feel comfortable to exchange their experience in their cooperatives. After that, I explained the reasons for carrying out my interview. I presented a general description of the study and then gave respondents the floor to introduce their cooperatives by detailing the initiation process, organizational structure, projects, challenges, benefits, services, partnerships, etc. I showed a respect for their opinions and views without interruption. Previous scholarly literature on producers' cooperatives in Lebanon has not given an attention to producers' thoughts and opinions. I believe that producers' experience could contribute to the existing body of literature by giving a solid proof on the reasons for the failure or success of Lebanese producers' cooperatives. When more info was needed, I asked specific small questions that elaborate the purpose of the study in a way that respondents do not feel a questions-answers atmosphere. It was a kind of an informal conversation interview with causal discussions. Questions were in the form of what do you think? How did you behave in case this specific problem happens? What is the more important? Do you select this answer or the other? Whenever I figured a self-interest or corruption practices, I inquired more about the subject without showing a bad impression or making my respondents feel that they did inappropriate activities. After finalizing my questions and my respondents had nothing to add, I showed appreciation and promised to exchange the results of the study. Few respondents said to me: "Elias we would like to see your work when it is done. Your work might help us to overcome the challenges of our cooperatives and open fruitful opportunities. Come check on us from time to time".

#### **5.4. The status of active producers' cooperatives across the different agricultural regions in Lebanon**

Five main dimensions were identified to evaluate the status of active cooperatives. These dimensions describe the major characteristics of a cooperative enterprise as well as potential activities and practices that could be performed by cooperatives. Cooperatives are analyzed through their process of initiation that should be based on common needs and equal

opportunities, their organizational structure that should engage all members in the decision-making process, their external cooperation/partnership that is essential in today's open market economy, their services, and finally through their benefits and challenges encountered by members. Each dimension was sub-divided into a number of components that are assessed by means of measurable qualitative or quantitative indicators. Data for these indicators were collected during interviews. They were presented in "Yes" or "No" answers when they are qualitative and in numbers when they are quantitative. For some indicators, where the case is not available, such as when there is no manager in the organizational structure dimension, answers to related indicators in the same components were left empty. Positive "Yes" answers, in each region, were converted into percentage and then the average percentage of the four regions was calculated to show the performance of selected indicators across Lebanon. In each dimension, the average performance of indicators across Lebanon is displayed in charts in the text. All collected data ("Yes" or "No" answers and numbers) as well as charts including the percentage of indicators in the different agricultural regions are detailed in Annex VII.

In total, the five identified dimensions were sub-divided into 22 components and 89 indicators.

In Table 11, dimensions and components are presented. Indicators are separately listed while studying each dimension and component in the text.

Table 11: Dimensions and components used to assess active producers' cooperatives

Dimensions	Components
<b>I- Initiation phase and progress (IP)</b>	<ol style="list-style-type: none"> <li>1. Membership</li> <li>2. Type of cooperatives</li> <li>3. Objectives</li> <li>4. Reasons behind initiation</li> <li>5. Assets owned directly after initiation</li> <li>6. Current assets</li> </ol>
<b>II- Organizational structure (OS)</b>	<ol style="list-style-type: none"> <li>7. General meeting</li> <li>8. Board of Directors</li> <li>9. Manager</li> <li>10. Auditors</li> </ol>
<b>III- Partnership and Environment (PE)</b>	<ol style="list-style-type: none"> <li>11. Cooperation between coops</li> <li>12. Cooperation with the community</li> <li>13. Education</li> <li>14. Acceptance of new members</li> <li>15. Cooperation with the government</li> <li>16. Cooperation with NGOs</li> <li>17. Competition with private suppliers</li> <li>18. Cooperation with producers' unions</li> </ol>
<b>IV- Service supply &amp; participation (SSP)</b>	<ol style="list-style-type: none"> <li>19. Nature of services</li> <li>20. Increasing members' participation</li> </ol>
<b>V- Problems and Benefits (PB)</b>	<ol style="list-style-type: none"> <li>21. Internal challenges</li> <li>22. Membership benefits</li> </ol>

#### 5.4.1. First dimension: Initiation Phase and Progress (IP)

The difference in farm size and the distribution of holdings across the four agricultural regions, detailed in Chapter 2, were not expressed in the “initial number of membership” (IP1) in active

cooperatives (Chart 15). Larger farm size and smaller number of holdings in the Bekaa region did not produce smaller cooperatives in terms of initial number of membership, which should reflect to a certain degree the capacity of offering services to all members. Instead, a slightly higher membership in the Bekaa is revealed when the five highlighted outliers in the four regions are excluded. The average initial number of membership in the Bekaa is twenty compared to fourteen in North Lebanon and sixteen in the other two regions.

Sixty-five percent of active cooperatives (26 coops from a total of 40) have an initial membership number below or equal to 20. Mandatory by-law, cooperatives in Lebanon should have minimum ten members in order to be set up. Eighty-seven percent of active cooperatives have an initial membership number below 35. A small membership during initiation could be classified as an advantage or a pre-requisite for success because cooperation tend to be more successful in homogeneous smaller groups (Claudia & Lerman 1991, IFAD 2001) and when all members receive economic benefits at the early stage of cooperation. Only twelve percent (five coops) of active cooperatives had more than 40 members as initial number of membership. Two main reasons produced this increased membership:

- Political: Coop 16 and Coop 25 have both a political background (initiated by a political leader). Both tried to gather as many members as possible from different villages. The respondents of both cooperatives said: “We planned to engage all active supporters from the surrounding villages, so they can receive benefits and donations whenever secured by our political leader”.
- Sectorial: Coop 9 and Coop 19 were both fishery cooperatives grouping all fishermen who own a fishing vessel in the same harbor.

For coop 37, it is a cooperative union gathering four primary cooperatives in the Bekaa valley. On average, each of these four cooperatives grouped 30 members. Therefore, Coop 37 is considered within the normal range (below 35) of initial number of membership in the different agricultural regions.



producers kept their membership in the cooperative. Members who did not receive a direct benefit preferred to leave the cooperative. This is the right decision”.

2. Having zero percentage increase: twenty-five percent of active cooperatives over the four regions had a zero membership increase. They were differently spread across regions. Five were located in North Lebanon, four in South Lebanon, and one in the Bekaa. Eighty percent of these cooperatives had received a support (in terms of assets) directly after initiation. Five women cooperatives (Coop 2, 6, 13, 15, 17) were initiated during the project implementation phase. Women cooperatives were not asked by development agencies to increase membership in order to receive development aid. In general, agencies seek a higher number of members to spread benefits. Three cooperatives, Coop 5, 7, and 8, were initiated by a political or village elite. They restricted new membership in order to control the decision-making process in the cooperative, but they offered services to non-members for the same price. I quote the exact words of the respondents of these three cooperatives: “We want to control activities in the cooperative. We do not want new members to change our aim or the way the cooperative is moving. But, non-members are welcomed whenever they ask to receive the cooperative services”.
3. Percentage increase of membership below or equal to 100: Thirty-two percent of active cooperatives registered below or equal to hundred percent increase of membership. No difference between regions was revealed. This category is classified as a normal progress or even a low increase in membership because most cooperatives have received a support through a development project i.e. they have a potential to serve more members. Some fishery cooperatives, Coop 9 and Coop 19, had already a high number of initial memberships. Accordingly, they showed a reduced percentage increase in membership. In coop 4, low increase in membership is attributed to the type of support received by this cooperative. Individual members were supported and not the cooperative as a whole. Therefore the board of directors only accepted new membership on the basis of individual support availability. Another reason for the low percentage increase in membership is the common property aspect of cooperative enterprises. For instance, in Coop 23, the board of directors rejected few memberships to restrict the ownership in assets donated by development projects. The respondent said to me: “Why should we let new members share the free donated assets with us. Once they become members, they

will own a part of the assets. We always offer them the available services similar to active members. We do not differentiate between them and the cooperative members”.

4. Percentage increase between 100 and 500: Twenty-five percent of active cooperatives have registered a high percentage increase of membership. Reasons were classified as follows:

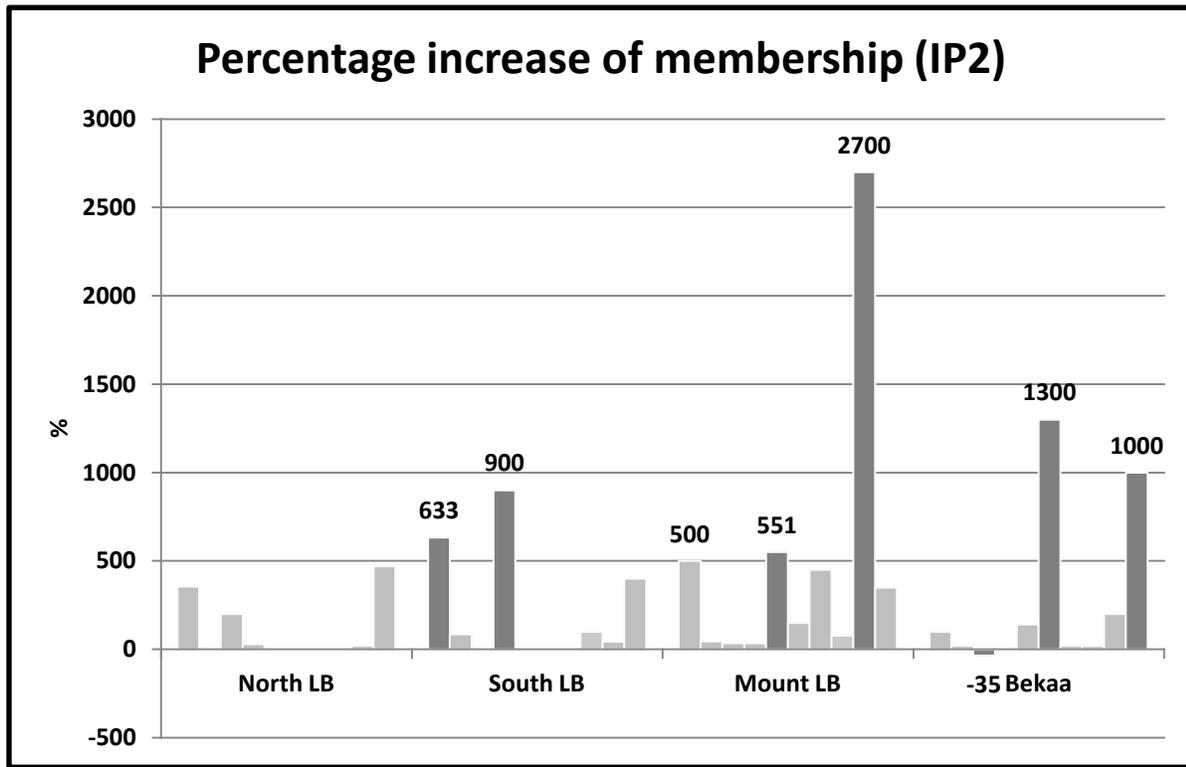
- Sectorial: Coop 10, 20, and 30 are beekeeping cooperatives. In Lebanon the number of beekeepers in the same village is relatively small and would be inefficient to invest in a honey processing unit. Thus, active beekeepers from two to three villages usually start initiating a coop as a preparatory committee. Later on, other beekeepers from the nearby villages join the cooperative initiative. Moreover, a high increase of membership is more attractive to development agencies that aim to support as many beneficiaries as they can. In coop 39, a fishery cooperative, it is also a sectorial reason because fishermen in Hermel area did not join the cooperative in the initiation phase. Instead, they have gradually joined.
- Project condition: Coop 3, 21, and 35 were asked by development agencies to increase membership in order to receive development aid. Coop 3, a plant production cooperative, recruited big-ruminant farmers as a condition to receive a milk processing project. The chairman of Coop 3 said: “A local NGO proposed to offer the cooperative a milk processing plant. Our members were only concerned with plant production. Therefore, we asked animal producers in the surrounding villages to join the cooperative. That is how we were able to receive the donation”. Likewise, Coop 21 increased membership as a condition to receive an olive mill project that requires a high number of members to assure financial sustainability.
- Pre-requisite to seek development aid: Coop 26 and Coop 27 internally decided to increase membership in order to show an increased power in representation while seeking support from development agencies. Respondents of both cooperatives said: “A high number of members attract development agencies. Development agencies want to reach as many producers as they can. We decided to increase

membership, so we can increase the potential of the cooperative to receive development aid”.

5. Above 500 percent increase in membership: fifteen percent (six cooperatives) of active cooperatives were classified as outliers by accounting for higher than 500 percent increase in membership. Three main reasons were identified:
  - Sectorial: Coop 29, a fishery cooperative, registered the highest percentage increase in membership (2700 percent). The preparatory committee has initiated the cooperative and then the fishermen working in the same harbor have joined. Coop 40, a bee cooperative, registered a higher percentage increase of membership than other beekeeping cooperatives because it groups members from a district and not from two to three villages such as for Coop 20 and Coop 30.
  - Political: Coop 11 and Coop 25 received political support. Because cooperatives can legally accept donations, politicians ask supporters to join cooperatives and accordingly to receive political support.
  - Individual support as a project component: Coop 14 received a long term development project supporting individual farmers. Non-member farmers, who want to benefit, should join the cooperative as a condition. The budget of the received project has supported a lot of farmers who later became members in the cooperative. Similarly, Coop 36 was involved in a long term twinning project with a municipality in France. Every year, non-member farmers, who have received support, gradually joined the cooperative.

Findings in the second indicator reveal that the political factor in supporting cooperative enterprises generated either a restriction in membership or an outlier position compared to the average increase in membership. Both effects threaten the real purpose of cooperatives. Instead of meeting the socio-economic objectives of members, cooperatives may appear to be a tool for political control. Accordingly, corruption practices increase and reduce the potential for long term success. Likewise is the effect of the increased percentage in membership as a pre-requisite to receive or direct development aid. Cooperatives end by grouping producers having different objectives that are difficult to be met either by members' own investment or projects donated by development agencies.

Chart 16: Percentage increase of membership in active cooperatives across the four studied regions



Most cooperatives have planned to offer the three *Type of Support* (IP2: 67.5 percent, IP4: 80 percent, IP5: 100 percent) (Chart 17, Chart 29, Table 22) that agricultural/producers' cooperatives can perform as classified in Chapter 1. Only women cooperatives in the production sub-sector (Coop 2, 6, 13, 15, 17, 28, 32, 33) in the four studied regions were more specialized and accordingly planned to limit their activities to the “marketing type” of cooperatives (IP5). Some fishermen (Coop 9, 39) and beekeeping (Coop 10, 20) cooperatives have also planned to limit their activities to the “services” (IP4) and “marketing” (IP5) types of cooperatives. Their action in the “supply type” (IP3) would not generate significant benefits to members. Expanding the intervention under the different types of producers' cooperatives reflects the low reliance on the common need indicator that is considered a pre-requisite in establishing cooperative enterprises. It means that members do not specify the real purposes of cooperation and accordingly reduce the potential for short-term success by expanding their expectations. Several cooperatives mentioned that they decided to undertake diverse activities under the different types

of cooperatives in order to increase the potential of receiving development aid. Respondents mainly said: “To benefit from donations we planned to perform diverse activities falling under the different parts of the value chain. Whatever development agencies suggest, we can link the proposition to the initially planned objectives”. Some cooperatives, specialized in one crop production, such as Coop 16 for olive production, cited targeting olive value chain as a reason to plan interventions in the different types of cooperatives. Nevertheless, such cooperatives did not rely on the common need objective because priorities at the value chain level could be identified to establish specific cooperative initiatives.

All cooperatives in the four studied regions identified the three selected *objectives*, “generate and secure income” (IP6), “job creation” (IP7), and “social cohesion” (IP8), as main outputs to be achieved through cooperatives (Chart 17, Chart 29, Table 22). This normative approach in setting general objectives is consistent with the ICA definition of cooperative enterprises: to meet the common economic, social and cultural needs and aspirations of members.

In the *Reasons behind Initiation* component, “common need” (IP9) of members were the motive behind less than fifty percent of cooperatives in each of the four studied regions and accounted for thirty-five percent of active cooperatives across Lebanon. Bekaa showed the highest performance compared to other regions. North Lebanon registered the lowest percentage (20 percent). Low and medium reliance on common need is associated with the planned expansion of interventions under the different types of cooperatives (IP3, IP4, and IP5). The less cooperatives do not specify their interventions, the less their common need indicator would be identified as the reason behind initiation. Out of the fourteen cooperatives which cited their common need motive for cooperation in all regions, twelve cooperatives also stated the “condition to receive aid” (IP11) as a main reason for initiation. These cooperatives rely on common need reason and seek development aid in parallel. However, all of them have not “owned assets directly after initiation” (IP12). There is a high negative correlation ( $r = -0.92$ ) between the common need reason for initiation and the possibility of owning assets during the initiation phase. It means that after identifying common needs, members did not share financially in order to implement a group project capable of answering their problems. Instead, they planned to seek development aid. For the remaining two cooperatives, both have owned assets directly after initiation: the first

through members' own investment (Coop 27) and the second (Coop 36) through a twinning project with a municipality in France.

More than eighty percent of cooperatives in each region listed "the condition of receiving development aid" (IP10) as the main reason for coop initiation. All cooperatives in Bekaa and South Lebanon (100 percent) cited this reason as the main motive for cooperation. Across Lebanon, ninety-two percent of cooperatives were initiated to receive development aid. Respondents stated directly this reason as an absolute reality. They mainly said: "We initiated our cooperative to receive donations. This is the easiest way to benefit from developing aid. Few cooperatives in Lebanon were practically initiated to respond to a common need. They do not exceed the number of your hands' fingers. If anybody tells you other than that, they are lying and hiding the real purpose behind the establishment of cooperatives". Only three cooperatives located in North and Mount Lebanon responded negatively to this indicator. Two of them, Coop 6 and Coop 25, mentioned that their reason for cooperation was to channel the support of political/village elites but not an identified common need. The third cooperative, Coop 27, has identified a common need and has relied on members' own-investment to assure needed assets after initiation.

For the last indicator in the *Reasons behind Initiation* component, "requested by a political, village elite or philanthropist" (IP11), results showed a similar performance in North, South, and Mount Lebanon regions (40 percent) and a reduced percentage (10 percent) in the Bekaa region. On average, thirty-two percent of active cooperatives across Lebanon cited this reason behind initiation. Three cooperatives out of thirteen were supported by a village elite or philanthropist. The remaining 10 cooperatives were encouraged by a political leader to start their cooperation initiative. "Our political leader asked us to establish cooperatives to improve our socio-economic conditions. He/she can help us to receive donations via our cooperatives", the respondents of these 10 cooperatives said. Eleven cooperatives out of the thirteen under this indicator also mentioned "the condition to receive development aid" as the motive for cooperation (IP10). Here, a link could be traced between political NGOs and cooperatives such as for Coop 5, Coop 12, Coop 13, etc. Political leaders support cooperatives through their political NGOs. The two other cooperatives, Coop 6 and Coop 25, received support either from a village elite/philanthropist or from an NGO that has coordinated with a local political leader during the

selection process. There are no specific reasons for the reduced percentage in the Bekaa. It seems that cooperatives supported by politicians did not show real progress in order to be considered active by the DGC. Moreover, after the end of the civil war, most of the interventions of development agencies in Lebanon have targeted the other three regions: Mount Lebanon in order to support people displaced during the civil war, South Lebanon after Israel's withdrawal, and North Lebanon that is classified as the poorest area in Lebanon (Laithy et al 2008). Therefore, Bekaa received less development aid and accordingly the potential of politicians to direct this aid to affiliated cooperatives was lower than other regions.

Results of the three indicators of the *Reasons behind Initiation* component showed that the majority of cooperatives in the different agricultural regions across Lebanon were initiated as a condition to receive development aid either from development agencies or from politicians. In fact, findings in Chapter 4 revealed that the interventions of development agencies with producers' cooperatives were controlled to a certain degree by political leaders. Development agencies were coordinating with political leaders to select active cooperatives that will benefit from development projects. Specific common needs, which are identified as a pre-condition for success in cooperative enterprises, were not the main reason for members to seek cooperation. Instead, cooperation was linked to the condition of receiving development aid and showed very low performance in terms of members' own investment. These factors increase the potential of corruption practices in cooperatives. Further findings in the *Benefits and Problems* dimension will show whether the condition to receive development aid behind initiation was productive for cooperative enterprises or reduced the efficiency of development projects.

The fifth component under the initiation phase and progress dimension, *Assets Owned Directly after Initiation*, provides further evidence to confirm the previous results of the *Reasons behind Initiation* component. Sixty percent of cooperatives in North Lebanon "owned assets directly after initiation" (IP12) (Chart 17, Chart 31, Table 22). The three other regions showed a lower percentage (30-40 percent). The difference between regions is linked to the poverty indicator based on which development agencies select the priority regions. North Lebanon is classified as the poorest area in Lebanon (Laithy et al 2008). Seventeen cooperatives or forty-two percent of all cooperatives across the four regions "owned assets directly after initiation" (IP12). In the Bekaa, North Lebanon, and South Lebanon regions, these cooperatives mainly received "assets

from development projects” (IP14). However, in Mount Lebanon, assets directly received after initiation, were either donated by a “political party” (IP15) (Coop 22 and Coop 25) or assured through “members’ own investment” (IP13) (Coop 27) without coinciding with a support from development agencies. In North Lebanon, assets received from a political party coincided with assets received through a development project. This is the link between political parties and their political NGOs such as the case for Coop 4 and Coop 10. The Bekaa and South Lebanon regions showed no “political or charity support” (IP15). The interventions of political parties in both regions were limited to the logistical role in facilitating the linkage between cooperatives and development agencies such as for Coop 13, 15, 17, and 36. Only two cooperatives, Coop 27 and Coop 37, owned the first assets directly after initiation through “members’ own investment” (IP13). Coop 27 carried out a small investment and then started to seek support from development agencies. Further results in the indicator IP16 of this dimension showed that new owned assets in Coop 27 were donated by development agencies and not secured through members’ own investment. Members in Coop 37 are mainly big farmers having the capacity to carry out an investment at an individual level. In this case, members have initiated a cooperative to receive development aid and get tax exemptions that are offered by-law to cooperative enterprises.

For the last component under the first dimension, *Current Assets*, results showed that only six cooperatives across the four agricultural regions did not increase their assets since initiation (IP16). The reasons were mainly associated with one of the following:

1. Limited choices to offer new services: Coop 6, Coop 22, and Coop 27 responded to members’ need through the assets owned directly after initiation. Members identified other common needs such as technical support, new markets, etc. However, such services did not require further investment.
2. Lack of human resources to seek development aid: Coop 24 and Coop 26 mentioned that they did not present new proposals to development agencies in order to receive new assets.
3. Control of cooperatives by political NGOs: services in coop 5 were completely managed by a political NGO (RMF) that has initially formed this cooperative and used it as a tool

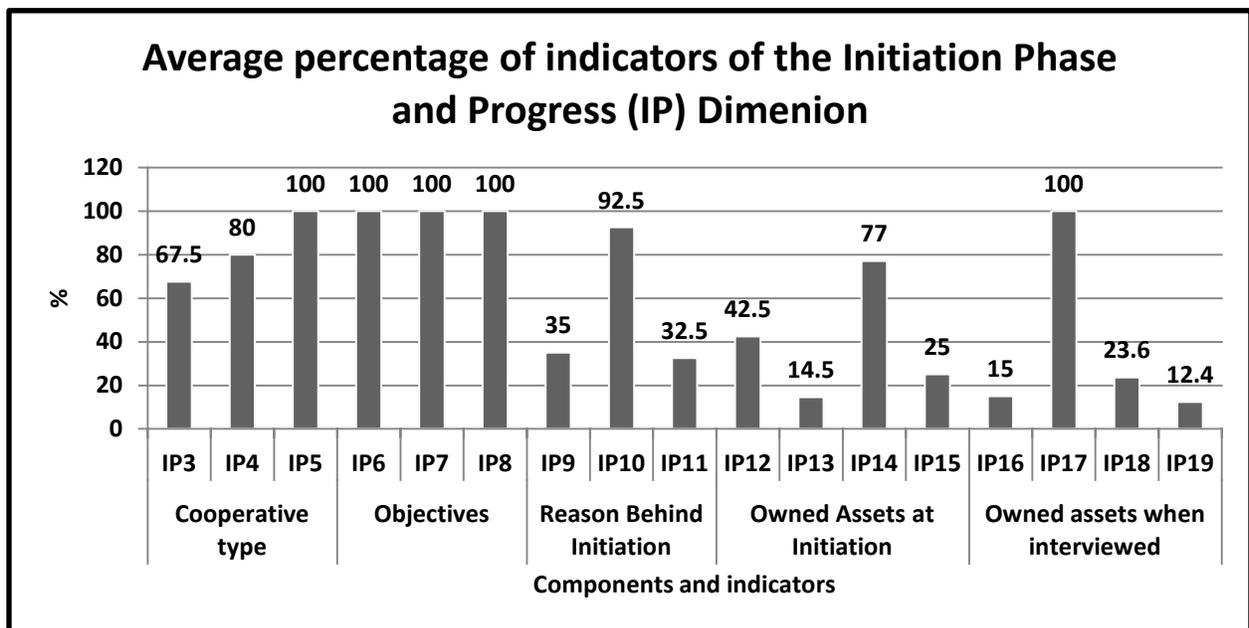
to receive support from INGOs. RMF did not identify new services and accordingly assets did not increase after initiation.

The remaining thirty-four cooperatives, or eighty-five percent of active cooperatives, managed to own “new assets through a development project” (IP17: 100 percent). Most respondents said: “Do you expect members to invest in new assets? We did not establish cooperatives to invest our own money. We deserve to be supported by the government and development agencies. We may share in assets to receive basic services”. In South Lebanon, thirty percent of cooperatives, which have increased their assets since initiation, received direct support from a political party or a charity donor (IP18). This percentage was lower in the Bekaa region and amounted for eleven percent of cooperatives or only one cooperative. In the four studied regions, only 8 cooperatives (23.6 percent) received support from a political party or a charity donor. These cooperatives also received new assets from a development project. Here again is the link between political parties and political NGOs such as the case for Coop 11, Coop 12, Coop 25, etc. For instance, the chairman of Coop 12 in South Lebanon is the regional manager of a local political NGO (JBDA). The chairman said: “My position as a regional manager enabled the cooperative to receive new assets same as other cooperatives enrolled in our programs. I just facilitated the link. All cooperatives are treated in the same way”. Only four cooperatives across the four regions relied on their members’ own investment (IP19:12.4 percent) to obtain new assets. Coop 12 in South Lebanon carried out self-investment from the profit generated by other services. Members in Coop 21 in Mount Lebanon shared in investment as a condition to receive assets from a development project. This is similar to the two remaining cooperatives, Coop 23 and Coop 31. However, in-depth analysis showed that these members’ own investments are not a real economic participation. In Coop 21, few wealthy members guaranteed the needed investment to receive a proposed project from a development agency. These members were not producers and two of them were not even living in Lebanon. Therefore this self-investment could be classified as a charity donation. In Coop 23, the chairman managed to get a loan from KAFALAT (loan guaranteed program detailed in Chapter 2) in order to cover the needed investment to receive a proposed project. Therefore, members did not share and payments for KAFALAT, offering one year grace period, were generated by the project. In Coop 24, members shared in the needed infrastructure to receive a proposed project. This infrastructure was donated by one member for a

short term period. Accordingly, coop members did not share financially. In fact, these three cooperatives (Coop 21, 23, 24) have received new assets from a development project implemented by the same agency (EC). The positive correlation between capital contribution and the success and growth of cooperative enterprises (COPAC 1995) could not be presumed in the Lebanese context. Results in this component correspond with the results of the members' sharing category in the initiation phase of projects implemented by development agencies in Chapter 4. Assessment of projects showed that producers did not effectively share in the assets donated to cooperatives.

As a conclusion for the first dimension, active cooperatives across Lebanon were mostly initiated to receive development and political aid. They are vulnerable to corruption practices and mismanagement. Further findings in the remaining dimensions of this chapter will evaluate their current status.

Chart 17: Average percentage of different indicators of the initiation phase and progress dimension across Lebanon



- **Type of cooperative:** **IP3:** Supply, **IP4:** Services, **IP5:** Marketing,
- **Objectives:** **IP6:** Generate and secure income, **IP7:** Job creation, **IP8:** Social cohesion,
- **Reasons behind initiation:** **IP9:** Common need, **IP10:** Condition to receive aid (government or NGOs), **IP11:** Requested by a political leader, village elite or philanthropist,

- **Assets owned directly after initiation:** **IP12:** Availability of assets directly after initiation, **IP13:** Assets assured through members' own investment, **IP14:** Assets donated through a development project, **IP15:** Assets donated through a political party or a charity donor (philanthropist from the village),
- **Current assets:** **IP16:** Current owned assets are the same as initial owned assets, **IP17:** New assets donated by a development project, **IP18:** New assets donated by a political party or a charity donor, **IP19:** New assets assured by members' own-investment

#### 5.4.2. Second dimension: Organizational Structure (OS)

In this dimension, the four main actors (the general meeting, board of directors, manager, and auditors) in the organizational structure of a cooperative enterprise are evaluated. The aim is to identify if each actor (named here a component) is properly playing its role and is applying meeting minimum requirements that distinguish the cooperative enterprise from a capitalist enterprise. The role and minimum requirements that should be applied by these main actors were previously detailed in Chapter 1.

The data elaborated in this dimension are displayed as follows: Chart 18 shows the average percentage of indicators for cooperatives across Lebanon, Chart 30 in Annex VII shows the average percentage of indicators for cooperatives across the four agricultural regions, and Table 23 in Annex VII details the collected data in this dimension.

For the *General Meeting* component, results showed that only one cooperative (Coop 37) in the Bekaa region set its “policy” (OS1) and “strategy for work” (OS2) based on the decisions taken by the general meeting. It means that members in cooperatives in the four agricultural regions did not practice their power, based on the democratic member control principle, in order to identify their policy and strategy of work. Respondents, I mean here the Boards of Directors, mainly said: “We do not know that the general meeting should participate in designing the strategy and policy of the cooperative or even to vote on it. The general meeting is mainly involved in electing the Board of Directors and clearing the annual balance sheet”. Strong members' participation and efficient organizational structure, identified as internal pre-requisites for success, were not found in active producers' cooperatives. The difference in Coop 37 is that the chairman, who played a major role in establishing the cooperative, planned since the

initiation phase to involve all members in the decision-making process. In fact, the results of “the number of general meeting per year” (OS3) showed that eighty-seven percent of cooperatives across the four regions met only once per year. This yearly meeting was mandatory by-law in order to clear the annual balance sheet and elect the board of directors every two or three years. Outliers in this indicator met more than once per year. They did not meet to design their policies or strategies; however they were either updating their progress of work to the DGC or approving the acceptance of donations when requested by development agencies. In Coop 5, members did not meet at least once per year. As previously detailed, services in this cooperative were logistically and financially managed by the development agency that donated the coop assets. An additional proof of low participation of members is the “percentage of attendance in the general meeting” (OS4). Forty-five percent (18 coops) of cooperatives across the four regions registered less than fifty percent attendance in the only general meeting that took place. Mandatory by-law, the first call for the general meeting should have a minimum fifty percent attendance in order to legally take decisions. If the attendance is lower than fifty percent, a second call for a general meeting will be scheduled within two weeks. In the second meeting, decisions could be taken with less than fifty percent of total attendance. This means that decisions in these 18 cooperatives, mainly clearing the annual balance sheet and elections, were taken by less than fifty percent of total attendance. The majority of members in these cooperatives showed no interest to participate in the decision-making process after a second call for a general meeting. In other terms, more than fifty percent of members in these cooperatives are not interested in what the coop or the board of directors carried out or achieved during the whole year. Accordingly, they are not even interested in what the cooperative is supplying in terms of services. Respondents told me: “We had a difficulty in gathering members to participate in the general meeting. However, when there is an individual benefit, such as receiving equipment after a training program, the majority of members attended. They tell us whenever there is a direct benefit we are interested to come, otherwise you can take the right decision and we will support you when needed”. Coop 3 mentioned that because the first general meeting has always registered less than fifty percent of total attendance, it planned in coordination with the DGC to hold the second meeting after one hour of the first meeting. In fact, if the board of directors delays the second meeting to another date within the coming two weeks, as cited in the cooperative law, the percentage of attendance will be much lower than the first meeting. Only

three cooperatives (Coop 17, Coop 31, and Coop 33) registered more than ninety percent attendance of members in the general meeting. These cooperatives have initially a small number of members and did not show a high percentage increase in membership after initiation. Therefore, these cooperatives succeeded in maintaining a high degree of homogeneity.

In the second component, *Board of Directors*, results showed that board members were mainly developing the “strategy and policy of work” (OS5:95 percent) of active cooperatives across the four agricultural regions. In normal cases, the strategies of work should be developed by the general meeting while the implementing policies should be designed by the board of directors. This procedure is not applied in the organizational structure of active cooperatives. Once elected, board members design strategies and policies of work and do not involve the general meeting in the decision-making process. Producers in cooperatives do not decide or vote on the ways or procedures used to answer their common needs. In fact, this low interest is associated to “members’ own-investment” indicators (IP13, IP19). When members do not invest in their cooperatives, they would have no incentive to practice their role in planning and monitoring. This point is linked to the reasons of initiating cooperatives in Lebanon as revealed in the first dimension. If the aim of cooperatives is to channel development aid (IP10), members will only develop strategies to reach development agencies. Accordingly, it is not surprising that forty-seven percent of active cooperatives across the four regions were “coached by development agencies” (OS6) to design their strategies or policies. North and South Lebanon regions showed higher percentage compared to the Bekaa and Mount Lebanon regions. This difference is associated with the focus of development agencies on South Lebanon after Israel’s withdrawal in 2000 and on North Lebanon by being the poorest region. The positive point is that board members did not describe the support of agencies as a top-down approach in designing coop strategies and policies.

Internally, board members in sixty-seven percent of active cooperatives across the four agricultural regions met less or equal to six times per year, which is the minimum number of meetings required by-law for the board of directors. This result could be analyzed as follows:

- Either the cooperative is not delivering services: there is no need for the board of directors to meet more than once every two months. In this case, board members are applying what is required by-law.

- Or the manager is taking care of all activities carried out in the cooperative. In this case, board members meet every two months to monitor the progress of activities with the manager.

The third component of this dimension, *the Manager*, will help to identify which possibility is more relevant in the Lebanese context.

In Coop 5, board members did not meet at least once a year. As detailed before, this is linked to the direct control of the political NGO (RMF) which logistically and financially manages the project implemented with Coop 5. Here, there are no reasons for the board of directors to meet. In Coop 14, board members met three times per month. Meetings were set as a condition to receive a project donated by a development agency. They were planned to increase the participation of board members and give direction to the coop manager. In terms of election, almost none of the board members and chairmen was elected based on a “clear strategy or work plan” to achieve the common coop objectives (OS8 and OS10). What is more important is that eighty-seven percent of board members in active cooperatives across the four agricultural regions were “elected by acclamation” (OS9). “We do not carry election in the cooperative. It is a kind of a consensual electoral system. We nominate members who represent all sub-groups and could be accepted by all coop members”, respondents said. The reasons for the lack of competition between members could be classified as follows:

- Few members in the general meeting are aware of the role and responsibilities of board members
- Few members, who were the most active in initiating the cooperative, control remaining members
- The membership in the board of directors is a voluntary responsibility that needs a lot of effort and time and in parallel will not give an advantage over other members in receiving the coop benefits

The board members in several cooperatives mentioned that their time availability to monitor services and their expertise in agriculture were the main reasons behind their election through acclamation.

For the *Manager* component, findings showed that only thirty percent of active cooperatives across the four agricultural regions “employed a manager” (OS11) to run the coop services. The percentage in North Lebanon was lower than the other three regions. Sixty-seven percent of managers had a permanent position in cooperatives. The remaining managers were seasonally employed to run services during the production season such as the case in the olive and beekeeping cooperatives. The salaries of four managers, or thirty-three percent of cooperatives that employed a manager, were covered by a development project implemented with the cooperative (Coop 5, Coop 14, Coop 23, and Coop 36). When projects ended, two managers (in Coop 14 and Coop 36) continued to receive their salaries through the income generated from the coop services, while the other two managers (in Coop 5 and Coop 23) were considered staff in the implementing agency and accordingly received their salaries from other projects. The salaries of the remaining eight managers, or sixty-seven percent of cooperatives that employed a manager, were directly covered by the income generated from the coop services. Only four managers across the four regions had a “business management background” (OS12) to run the cooperative services. Three of them (in Coop 14, Coop 23, and Coop 36) were recruited by a development agency during the implementation phase of the project received by the cooperative. The fourth manager (in Coop 37) was employed by a group of big producers who financially invested to initiate the coop services compared to other cooperatives. It means that the development agencies and members who financially shared in their cooperative tend to employ a manager to run the coop services and apply business oriented practices similar to capitalist enterprises. Other managers were mainly producers having an appropriate technical background to offer the coop services, such as the management of an olive mill in Coop 16 and Coop 21. These managers are technical staffs and not business managers capable to develop policies and strategies essential for the implementation of the general meeting objectives. What is positive is that all managers, except the one in Coop 5, “ensured the equal access of members” to the services offered by the cooperative (OS14). Therefore, the equality value was applied in all cooperatives that offered services through a hired manager.

Findings showed, on one hand, the high percentage (67 percent) of board members that “met less than six times per year” (OS7), and on the other hand, the low percentage (thirty percent) of “cooperatives employing a manager” (OS11) with one half of them having met less than 6 times per year. Analyses, from a technical background, may partially demonstrate that a high number

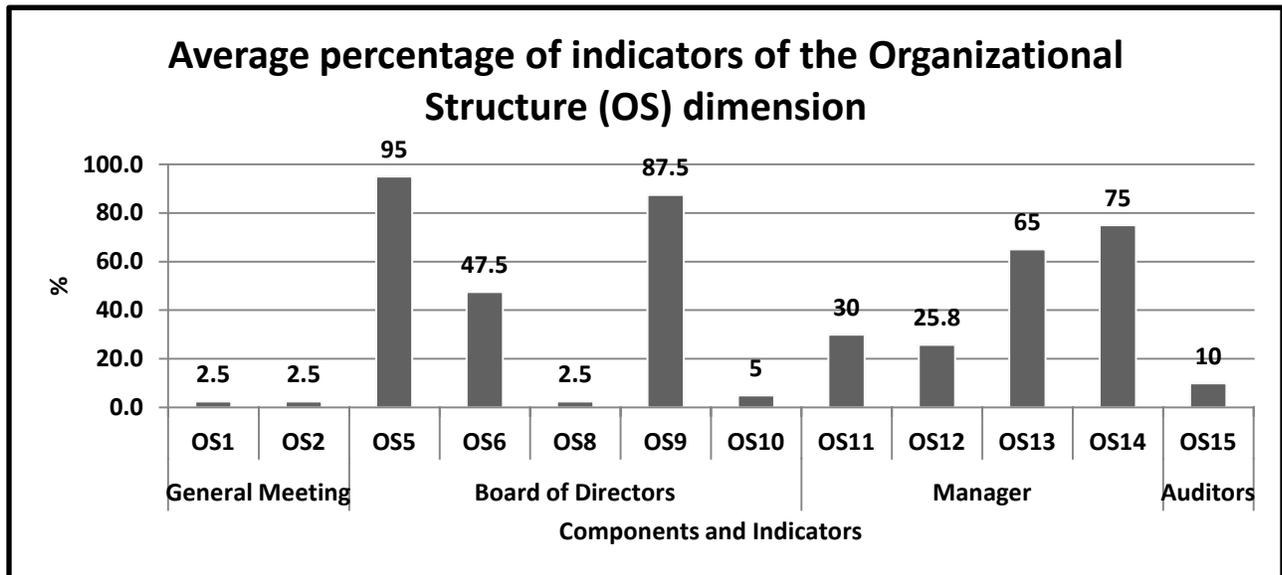
of cooperatives in Lebanon are not delivering permanent services to members and are vulnerable to corruption practices due to the inefficient organizational structure that groups the general meeting, board members, and the manager. It is not clear yet how cooperatives, which often received assets that were donated by development agencies, were able to manage these assets mainly without employing a manager and while having board members met less than the mandatory by-law number of board meetings per year. Findings in the last two dimensions, *Services Supply and Participation* and the *Problems and Benefits of Cooperatives*, will make this situation clear.

For the last component under this dimension, *Auditors*, results showed that the auditors' committees in four active cooperatives (ten percent of coops: Coop 11, Coop 14, Coop 36, Coop 37) across the four agricultural regions were elected based on "their technical background to monitor the activities of board members" (OS15). The remaining ninety percent of cooperatives randomly selected two or three members based mainly on their time availability to form the auditors' committee. For instance, in Coop 3, the president of the auditors' committee was the wife of the coop's Vice President. In such a case, the kin-based relation as well as the non-professional technical background of auditors obstructs the essential role of the auditors' committee. In fact, in all active cooperatives no election was carried out to select auditors. Three out of four cooperatives (Coop 14, Coop 36, Coop 37) having technically experienced auditors, had a permanent manager to run the coop services. Twenty-five percent of the auditors' committees in active cooperatives across the four regions did not "meet on a yearly basis" (OS16). They were located in the North and South Lebanon regions and did not mainly employ a manager to run the coop services except for Coop 5, which is completely managed by a political local NGO, and for Coop 16, where the manager is a technical member employed on a seasonal basis. These cooperatives were not holding the minimum number of meetings required by-law. Minimum two meetings per year are mandated by-law for the auditors' committees. All these cooperatives did not elect auditors based on their technical background. Sixty-two percent of the auditors' committees in active cooperatives (25 coops) across the four regions "met once on a yearly basis" (OS16). The purpose of the meeting was not to monitor the activities of board members, but instead it was to sign, and not to revise or agree, the annual financial presented by board members to the general meeting. Auditors that did not meet for at least one time on a yearly basis were separately signing the annual balance sheet without holding a committee

meeting. Four auditors' committees applied mandatory by-law number of annual meetings. Three of them (In Coop 11, Coop 36, and Coop 37) had the necessary technical background to monitor the activities of board members. Only one auditors' committee, in Coop 14, met four times during the year. Similar to the other three, auditors in this committee had the technical background to monitor board members. Findings revealed that the development agency that implemented a project with Coop 14 asked the auditors' committee to meet for four times per year in association with the biweekly board members' meetings. In this case, the auditors' committee was able to monitor the financial activities of board members on a quarterly basis and has reported the associated progress to the general meeting. As an overall approach for the role of auditors, the majority of respondents said: "Auditors do not have a practical role. They do not know how to monitor the financial activities of the Boards of Directors. They are mainly nominated because it is mandatory by-law to have an auditor committee. They are listed only on papers in the DGC, but effectively they do not play any role in the cooperative".

In conclusion, all actors of the organizational structure of active cooperatives across the four agricultural regions in Lebanon rarely played their essential role in safeguarding the cooperative enterprise difference found in the distinct management process from capitalist enterprises. The inefficient organizational structure revealed in this dimension decreases the probability to achieve the roles attributed to cooperatives and mainly increases the potential occurrence of corruption practices and mismanagement.

Chart 18: Average percentage of different indicators of the organizational structure dimension across Lebanon



- **General meeting:** OS1: Selects the policy of the coop, OS2: Votes on the strategy of work
- **Board of directors:** OS5: Decided the policy and strategy of the coop, OS6: A NGO helped the coop to draft a policy or strategy, OS8: Prepared an action plan on which members of the general meeting have elected them, OS9: Have been elected by acclamation, OS10: Chairperson elected based on a proposed work plan,
- **Manager:** OS11: Operates coop's activities, OS12: Has a Business management background, OS13: Communicates on a weekly basis with the board of directors, OS14: Ensures equal access of members to services whatever they own in terms of shares in the coop,
- **Auditors:** OS15: Were elected based on their technical background allowing them to monitor the work of board members

#### 5.4.3. Third dimension: Partnership and Environment (PE)

The first part of the partnership and environment dimension (PE)-I explores the cooperation of active cooperatives with other primary or federal cooperatives and with the surrounding community through projects, education, and new membership. The second part of the partnership and environment dimension (PE)-II analyzes the cooperation of cooperatives with development planners, the government and development agencies, and with other producers' unions. It

explores the competition of active cooperatives with capitalist enterprises in the supply of the production services. It aims to assess the degree of reliance of active cooperatives on the principles and values of cooperation, in particular the principles of voluntary and open membership, autonomy and independence, Education and training, cooperation among cooperatives, and concern for community. In addition, this dimension analyses the external pre-requisites for the success of active cooperatives within their environment and with their secondary level organizational structure (cooperation between cooperatives).

The data elaborated in PE-I and PE-II are displayed as follows: Chart 19 and Chart 20 shows the average percentage of indicators for cooperatives across Lebanon, Chart 31 and Chart 32 in Annex VII shows the average percentage of indicators for cooperatives across the four agricultural regions, and Table 24 and Table 25 in Annex VII details data collected for both parts of this dimension.

In the *Cooperation between Cooperatives* component, results showed that only twenty-two percent (9 coops) of active cooperatives across the four agricultural regions “cooperated with each other” (PE1). No difference was identified between the four regions. “We did not identify a need to cooperate with other cooperatives. We do not have a problem in building such cooperation if we can succeed in receiving development aid”, most respondents declared. Six cooperatives out of nine cooperatives cooperating with each other were fishery and beekeeping cooperatives (Coop 9, 20, 29, 30, 39, and Coop 40). In total, eight fishery and beekeeping cooperatives were surveyed. Therefore, a positive correlation could be traced between these two sub-sectors and the tendency of cooperatives to cooperate with each other. The reason behind the cooperation of these nine cooperatives was to increase their power in order to “influence the sector related policies” (PE2: 100 percent). Only four cooperatives mentioned the reason to “increase access to services” behind their cooperation (PE3). Three of them (Coop 20, Coop 30, and Coop 40) were beekeeping cooperatives. The beekeeping sub-sector criterion played a role in increasing the cooperation for the purpose of access to the production services. All cooperatives, except three in Mount Lebanon, had a “membership in the cooperative confederation (apex) in Lebanon” (PE4: 92.5 percent). No specific reasons, for these three cooperatives, were identified to justify their decision not to join the cooperative confederation. Most cooperatives across the four regions joined the cooperative confederation because it is

“required by-law” (PE5: 74.3 percent). Seven cooperatives, out of thirty-seven, decided to join the cooperative confederation in order to “increase their power” (PE6: 19.6 percent). Only three cooperatives joined the cooperative confederation to have access to the “education and financial services” (PE7: 8.5 percent) essential for the preparation of the annual balance sheet.

For the second component, *Cooperation with the Community*, findings showed that none of active cooperatives across the four agricultural regions allocated a part of their “surpluses to share in or initiate a community project” (PE8). After discussing with my respondents the principle of concern for the community in cooperatives, they all stated that: “It is difficult to apply this principle in Lebanon. Cooperatives need support from the community”. Knowing that five percent of yearly surpluses should be allocated by-law to a community project, cooperatives may either not generate any surpluses or lack the basic knowledge of Lebanese cooperative law. Only nine cooperatives across the four regions have implemented a “project with the municipality” (PE9: 22.5 percent). In most cases, cooperatives were benefiting from the partnership and not municipalities. In Coop 13, Coop 15, and Coop 33, municipalities provided the infrastructure needed for cooperatives, set as a condition to receive a project proposed by a development agency. Otherwise, cooperatives would not be selected to receive the development project. In coop 10, the municipality had a monitoring role during and after the implementation of the development project. In Coop 4 and Coop 10, the municipality guided and convinced various development agencies to support local cooperatives. In depth analysis showed that the chairmen of both municipalities were also the chairmen of these cooperatives. In Coop 18, the municipality benefited from the cooperative services, in particular the use of machineries to implement various activities in the village. Likewise, in Coop 36, the coop chairman, well connected in the development field, supported the municipality to receive a grant from a development agency. For the last indicator in this component, “implementing a project with a civil society organization” (PE10), none of active cooperatives across the four regions responded positively. All cooperatives preferred, when they have an opportunity to receive a project not directly falling under their objectives, to work the municipality that represents the local authority at the village level.

In the third component, *Education*, thirty-seven cooperatives across the four regions managed to offer members “a proper education about their rights and responsibilities” (PE11: 92.5 percent).

Education was mainly provided by development agencies that reserved a budget for a capacity building element that included the theory and practice of cooperative enterprises. The role of the DGC in education and training, cited in Chapter 1, was not recognized by cooperatives. None of the active cooperatives across the four agricultural regions carried out training sessions in the surrounding community in order to disseminate the advantages of the cooperative enterprise model (PE12). This is considered a weak point when cooperatives are assessed based on their adherence to the education, training, and information principle.

For the last component of the first part of this dimension, *Acceptance of New Members*, results showed that thirty-seven percent of cooperatives across the four agricultural regions accepted new members or will accept them if they “need or ask for the coop services” (PE13). The highest percentage was in Bekaa region. It progressively decreased to reach the lowest in the North Lebanon region. This result is linked to the higher performance of coops in the Bekaa in several indicators elaborated in the first two dimensions, in particular the “common need reason for initiation” (IP9), “assets assured through members’ own-investment” (IP19), “manager running the coop services” (OS11), and “the manager having a business management background” (OS12). The remaining sixty-three percent of cooperatives, which did not rely on the need of services offered as a condition for new membership, mainly accepted new members across the four regions in order to ‘increase their power” (PE14). Most respondents said: “We accepted new members because we need to reflect that the cooperative is representing the majority of producers in the village; therefore we can ask for more development aid”. In fact, cooperatives, seeking to receive development aid, tend to increase the number of members in order to reflect a higher power of representation, set as an important criterion for development agencies. Only nine cooperatives across the four regions set “the share in investment” (PE15) as a condition for new membership. The highest percentage was also in the Bekaa region. The principle of members’ economic participation is an essential pre-requisite for success to avoid free riders and the common property problem. A high perfect positive correlation ( $r = 1$ ) links the condition of sharing in investment for new membership (PE15) with the condition of accepting new membership on the basis of their needs for the coop services (PE13) in the same component.

For the last indicator in the first part of this dimension, only four cooperatives rejected a few membership requests (PE16) for the following reasons:

- Coop 4 and Coop 14: members in both cooperatives have received individual support through a development project. Accordingly, board members decided only to accept new membership on the basis of fund/support availability for individual member.
- Coop 23 and Coop 25: both cooperatives have increased their assets through several projects donated by development agencies. Board members rejected new membership to avoid the common property problem. I quote their exact words: “Why do we need to accept new members. We already secured the assets needed. We do not want anyone to share in the assets we own. Producers are asking for membership to be considered owner of assets and not to receive benefits from the initiated services”. In parallel, board members offered the available services to non-members without any difference in the cost.

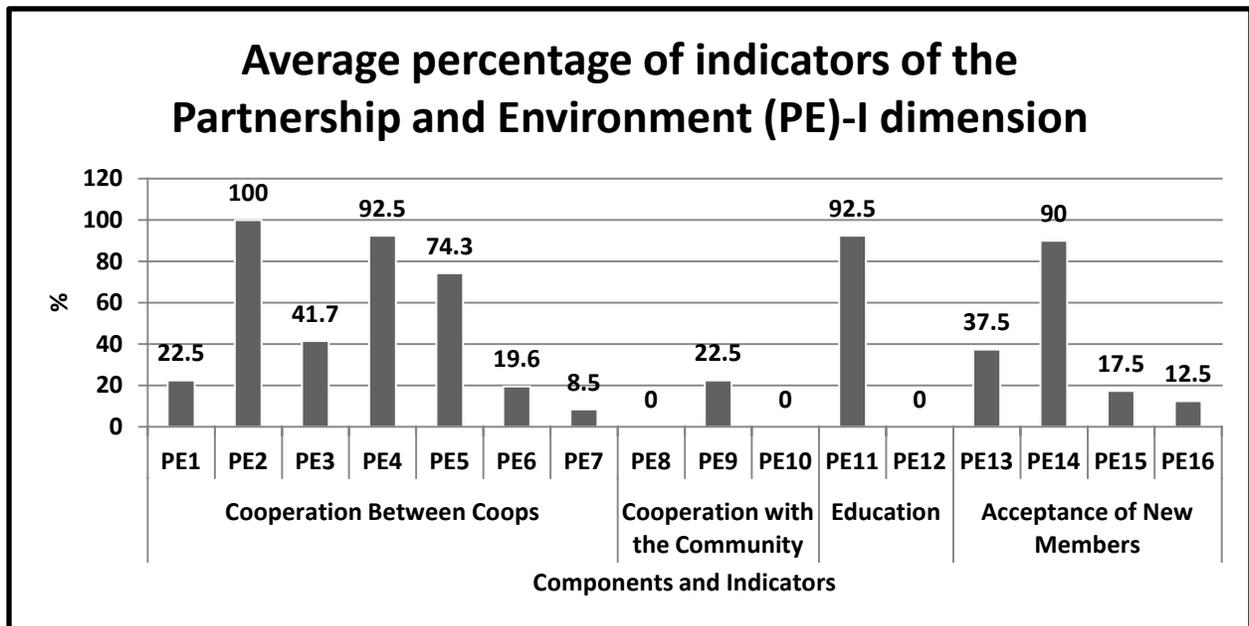
There was a rejection for new membership in all regions except in the Bekaa. This is linked to the conditions of “the need for the coop services” (PE13) and “the share in investment” (PE15) in accepting new membership. Findings in this component reveal the reliance of active cooperatives on the voluntary and open membership principle in delivering the coop services to new members. However, the reason for accepting new membership was not to supply the coop services to new producers having the same common needs, but it was mostly to increase the power of representation to channel development and political aid.

In the first part of *the Partnership and Environment* dimension, the main findings are summarized as follows:

- Low cooperation between cooperatives: when there is cooperation, it is mostly linked to the reason of increasing power and to the sub-sector characteristics (fishery and beekeeping).
- Most cooperatives joined the Lebanese cooperative confederation because it is a mandatory by-law condition. Few cooperatives mentioned the increase in power as a reason for the membership in the cooperative confederation.
- Cooperation with the community aimed to direct benefits to cooperatives through local municipalities. The notion of surpluses allocated by-law for the cooperation with the community was not applied by all cooperatives.

- Education was supplied on a project basis by development agencies. Cooperatives do not disseminate the advantages and practices of cooperation on a village level.
- The acceptance of new membership was mostly linked to the increase in power and representation of cooperatives seeking development and political aid.

Chart 19: Average percentage of different indicators of the partnership and environment dimension (PE)-I across Lebanon



- **Cooperation between cooperative:** **PE1:** Coop has an active cooperation with other cooperatives, **PE2:** Cooperation with other cooperatives in order to increase power, **PE3:** Cooperation with other cooperatives in order to increase access to services, **PE4:** Coop has membership in the cooperative confederation, **PE5:** Coop joined the cooperative confederation because it is mandatory, **PE6:** Coop joined the cooperative confederation to increase power, **PE7:** Coop joined the cooperative confederation to get education and finance services,
- **Cooperation with the community:** **PE8:** Part of surpluses are allocated for a community project, **PE9:** Coop has implemented a project with the municipality, **PE10:** Coop has implemented a project with a local civil society organization,
- **Education:** **PE11:** Proper education to members to know their rights and responsibilities, **PE12:** Carry training sessions within the community to disseminate the advantage of cooperative enterprises,
- **Acceptance of new members:** **PE13:** Accept (or will) new members if they need the coop services, **PE14:** Accept (or will) new members to increase the coop power, **PE15:**

Accept (or will) new members if they would share in investment, **PE16:** Coop has rejected a few membership

In the second part of the *Partnership and Environment* dimension, findings of the *Cooperation with the Government* component showed that twenty-two percent (nine coops) of active cooperatives across the four agricultural regions stated that the government has facilitated their “access to credit and diverse public services” (PE17). Two cooperatives (Coop 23 and Coop 36) received credit from the KAFALAT program, the subsidized government loan. They got a loan either for a collective project in the cooperative or for individual members in the cooperative. The other seven cooperatives mentioned the increased access to public services (trainings, extension, research, etc) as a benefit from their cooperation with the government. All beekeeping cooperatives benefited from public services. The beekeeping sub-sector received continuous support from the government, in particular through the training and extension services. The homogeneity of services, the required high technical knowledge for production, and the relatively small number of cooperatives across Lebanon, as previously detailed in Chapter 1 and Chapter 2, were the main reasons for the support of beekeepers over other producers. Only three production cooperatives (Coop 12, 16, and Coop 27) cited a significant benefit from public services. The remaining cooperatives mentioned that public services were never productive or offered practical solutions to resolve the technical and marketing challenges of Lebanese agriculture. “We did not know that public services are still functional in the MOA. We doubt that the government can make a difference at this level. Do you know if we can benefit from any program?” most respondents said. Through NGOs, main public services, whether efficient or not, were mainly received by producers as an element in the projects implemented with cooperatives. In the facilitation of access to credit, most cooperatives, seeking donations from development agencies without the economic participation of members, did not benefit from the KAFALAT program. Fifty-two percent of active cooperatives across the four agricultural regions received “direct support from the government in terms of financial, equipment, or production resources” such as pesticides, fertilizers, etc. (PE18). In the financial support, cooperatives were asked by the DGC to submit a proposal detailing the cost of activities and assets to be purchased. Most cooperatives rarely implemented what they have proposed. Moreover, the DGC did never carry

out monitoring visits to check how this financial support was spent by cooperatives. Few respondents said: “We did not receive a financial support from the government because we were not supporting the policy of the Agricultural Minister at that time”. Other types of support (equipment, production resources, etc.) had short term impacts and were mainly assured by political parties to affiliated cooperatives. All fishery and beekeeping cooperatives cited that the government succeeded in “maintaining good infrastructure and issuing the appropriate legal and regulatory frameworks” (PE19). The government constantly rehabilitated the main harbors of Lebanese coast in order to protect fishermen’s boats and secure their livelihood. For beekeeping cooperatives, the government protected the local production by imposing a tax on honey imports and issued proper norms and standards to differentiate the quality of honey. The production cooperatives did not benefit from such support for one of the following reasons (detailed in Chapter 2):

- Inappropriate application of the agricultural calendar
- Difficulty in reaching the export market. Accordingly, cooperatives do not rely on norms and regulations developed by LIBNOR
- Norms and regulations are not applied in the local market

For the last two indicators in this component, findings showed that seventy-three percent of cooperatives across the four agricultural regions “coordinated at a regular basis with the government” (i.e. the DGC) (PE20). They were updating the communications required by-law, inquiring and negotiating possible support, and participating in the strategic meetings of sub-sector development. Twenty-three percent of cooperatives limited only their coordination with DGC to the “communications required by-law” (PE21). The remaining four percent (two coops: Coop5 and Coop10) of cooperatives did not coordinate with the government under these two indicators. They were situated in the North Lebanon region. Coop 5 was completely managed by a political local NGO that preferred not to coordinate with the Ministry of Agriculture for a political reason. Coop 10 lacked the basis knowledge of the cooperative enterprise law. The board of directors did not know that it is required by-law to communicate with the DGC. In fact, Coop 10 implemented a project with the same political local NGO that did not put efforts to build the capacity of board members to carry out the necessary coordination with the DGC. It is not surprising that the majority of cooperatives were coordinating with the government on a

regular basis (PE20) because this indicator was used by the DGC to select the active cooperatives that were recommended for this research.

In the second component, *Cooperation with NGOs*, results showed that ninety-two percent of active cooperatives across the four regions “built a partnership” (PE22) with a NGO during the process of a project implementation. All respondents mentioned that “The first aim of cooperatives is to build cooperation with NGOs in order to receive development aid. Cooperatives were established to carry out such cooperation”. Only three cooperatives in the North and Mount Lebanon negatively responded to this indicator. Coop 6 received support from a village philanthropist and did not seek aid from a NGO. Coop 24 and Coop 26 did not manage yet to build any cooperation with a NGO. The finding in this indicator goes in parallel with “the condition to receive aid” (IP10) as a reason for initiation, the assets owned directly after initiation (IP14) and the “current assets” which were mainly donated by a NGO (IP17) in the *Initiation Phase and Progress* dimension. Sixty-two percent of cooperatives that built a partnership with a NGO continued “this coordination after the project ending phase” (PE23). It means that NGOs consider cooperative enterprises as a local development tool to implement sustainable interventions. The remaining cooperatives mentioned that NGOs stopped themselves the coordination after they finalized the implementation phase or cancelled their activities in the agricultural sector. Only three cooperatives across the four regions listed that NGOs used a “top-down approach” (P24) during the project’s implementation phase. In Coop 5, the offered services in the cooperative were totally managed by a local political NGO that controlled internal and external decisions. In Coop 14, the development agency was directly involved in the internal management of the cooperative and did set the main strategies and policies that facilitate the implementation process of the project received by the cooperative. In Coop 40, the NGO did not take into consideration the propositions of the board of directors to modify in the donated assets. Board members were urged to proceed in the implementation despite the low efficiency and sustainability of the proposed intervention. Otherwise, they would lose the donation. Indeed, eighty percent of cooperatives across the four regions accepted “any support from NGOs” (PE25) even if the support does not answer the needs of members. Respondents said: “When we are not asked to share in investment, we accept anything from NGOs. If we do not take the proposed support, other cooperatives will take it and benefit. Anything for free is appreciated. Why not? ” For example, Coop 3, established with the aim of developing cereal production in

North Lebanon, accepted a milk processing unit and olive harvesting machines donated by development agencies. Coop 9, a fishermen's coop, received a project to establish a sea-food restaurant that was completely managed by an independent third party providing a very low yearly return to the coop. In this case, the cooperative accepted a project that would not add any services to members and would generate a very low financial return that is not enough to initiate the services needed by members. In fact, only fifteen percent of cooperatives across the four agricultural regions accepted support responding to the "common needs of members" (PE26) and "having the minimum criteria of sustainability" (PE27). For instance, Coop 36, a viticulture cooperative in the Bekaa, only accepted what was identified by members as difficult to be achieved at an individual level such as the import of certified virus-free grape varieties.

For the third component of this dimension, *Competition with Private Suppliers*, findings showed that eighteen percent of cooperatives across the four agricultural regions were challenged by a "high competition with other private suppliers/producers in the delivery of services or processed food products" (PE28). For instance, Coop 3 faced a competition in the milk processing sector with local suppliers who tend to produce lower quality of similar products offered with a lower market price. Coop 21 found inefficient and difficult to offer the same market price of olive milling compared to other suppliers who already met the depreciation cost of machines and accordingly reduced the cost of milling service. In fact, these cooperatives identified the "competition by price" (PE29) and "not by quality" (PE30) as the main reason challenging the delivery of services in the surrounding villages. It was detailed before in Chapter 1 in the performance of cooperatives under Neoliberalism that competition by price is a common challenge for producers' cooperative due to the higher efficiency of their capitalist counterparts. Cooperatives that did not state a competition with private suppliers across the four regions justified their situation by one of the following reasons:

- No similar services were offered by their capitalist counterparts. For instance, women cooperatives produced traditional food not available in big supermarkets
- The coop services were offered at lower price and better quality and accordingly they regulated the local market
- No continuous supply of services to figure out any market competition

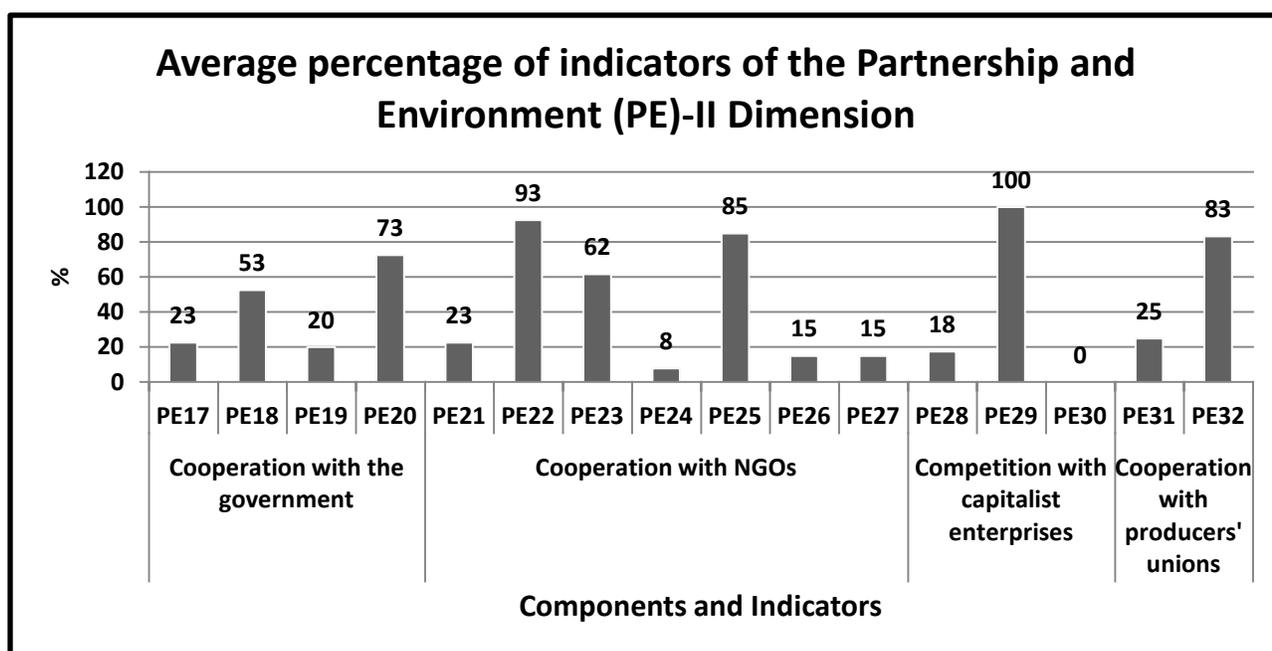
For the last component under the *Partnership and Environment-II* dimension, *cooperation with producers' unions*, results showed that twenty-five percent of cooperatives (ten coops) across the four agricultural regions “cooperated with a farmer/producer union” (PE30). No difference was identified between regions. All fishery and beekeeping cooperatives across the four regions were involved in a union cooperation. The small number of cooperatives under these two sub-sectors compared to the production sub-sector was the main reason for the involvement in a union cooperation. There is a need to group the effort of several cooperatives to establish the services needed by members and influence the government to apply their policies. Indeed, eighty-three percent of beekeeping and fishery cooperatives mentioned that their membership in a union delivered some “kind of benefits” (PE31). Increasing their power to influence sector related policies and asking for more government support were the main benefits delivered through unions.

As a conclusion for the second part of the *Partnership and Environment* dimension, the following findings are noted:

- Very low access of cooperatives to credit and public services offered by the government
- The financial support offered by the government as well as equipments and production resources had short term effects
- The benefits of maintaining and rehabilitating infrastructure in addition to issuing the appropriate legal and regulatory frameworks of different sub-sectors were mainly received by beekeeping and fishery cooperatives
- High coordination with the DGC for active cooperatives in the three sub-sectors
- Most cooperatives built a partnership with a NGO that considered them for further support and with very low top-down approach during the project's implementation phase
- Cooperatives accepted any kind of support from NGOs. The acceptance of support was not based on common needs and long term sustainability
- Cooperatives reported a very low competition with their capitalist counterparts. When there is competition, it is mostly by price and not by quality
- Few cooperatives, mainly in the beekeeping and fishery sub-sectors, cooperated with farmers/producers' unions and always received a positive impact in influencing the related policies at sector level

Findings in both parts of this dimension reveal that active producers' cooperatives in Lebanon are not benefiting from the increased power of the cooperative movement structure. The cooperative confederation is not delivering real benefits. Most cooperatives joined the cooperative confederation because it is required by-law. Cooperatives mainly cooperated with each other in order to increase their power to receive development and political aid and not to deliver new benefits for members. They do not effectively participate in developing the community in which they live and work. Their cooperation with the government had a short term effect and was mainly for a political reason. Their cooperation with NGOs complies with the principle of autonomy and independence; however, cooperatives tend to be a general development tool by accepting any support and not what it responds to the common need of members. At this point, there is a high potential for corruption practices and mismanagement when the support is not effective and not monitored by most members. One more important issue is that the majority of active cooperatives were not facing a competition with their capitalist counterparts. It means that they are generally out of the market by being less effective or delivering no services. This places cooperatives as alternative enterprises for rural development with a lower performance when compared to capitalist enterprises in the Lebanese context.

Chart 20: Average percentage of different indicators of the partnership and environment (PE)-II dimension across Lebanon



- **Cooperation with the government: PE17:** Government facilitated access to credit and diverse public services, **PE18:** Financial support, equipments, inputs, **PE19:** Other support (Legal and regulatory framework, infrastructure for coops, etc), **PE20:** Permanent coordination with the government (DGC),
- **Cooperation with NGOs: PE21:** Coordination limited to mandatory documents: such as minutes of meetings of the board of directors, annual balance sheet, etc., **PE22:** Coop built a partnership with a NGO, **PE23:** Partnership continued after the project’s ending phase, **PE24:** Top-down communication during the project’s implementation phase, **PE25:** Coop accepted or will accept any support from NGOs, **PE26:** Coop has only accepted support from NGOs based on members’ common needs, **PE27:** Coop has only accepted support from NGOs if it has the different criteria of sustainability,
- **Competition with capitalist enterprises: PE28:** High competition with capitalist enterprises in the delivery of services, **PE29:** Competition by price, **PE30:** Competition by quality,
- **Cooperation with producers’ unions: PE31:** Coop is a member in a farmers/producers’ union, **PE32:** Does the membership in a farmers’ union delivered any benefits to the coop?

#### **5.4.4. Fourth dimension: Services Supply and Participation (SSP)**

This dimension explores in terms of quantity and type the nature of services offered by active cooperatives. It analyzes the strategies adopted by cooperatives to increase the participation of members and accordingly to apply another pre-requisite for success.

The data elaborated in this dimension are displayed as follows: Chart 21 shows the average percentage of indicators for cooperatives across Lebanon, Chart 33 in Annex VII shows the average percentage of indicators for cooperatives across the four agricultural regions, and Table 26 in Annex VII details the data collected in this dimension.

In the first component, *the Nature of Services*, findings revealed that twenty-five percent of active cooperatives across the four agricultural regions “did not offer any services to members” (SSP1). Seventy percent of these cooperatives implemented a project “donated by a development agency” (IP16) while none of them did carry out an “own investment to obtain new assets” (IP18). Ninety percent of these cooperatives had the general meeting “convened once on a yearly basis” (OS1) and always with “less than fifty percent participation” (OS4). In all of them, board

members met “less or equal to six times per year” (OS7), the minimum number of meetings mandatory by-law. These cooperatives received either support to individual members such as in Coop 4 or services that were not needed by members such as in Coop 18, 19, 30, 34, and Coop 39. Most respondents of these cooperatives said: “No services are currently offered in our cooperatives. We did not have the resources needed to initiate productive services for members. Our cooperation with NGOs did not allow the cooperative to supply services on a permanent manner”. Forty percent (sixteen coops) of active cooperatives across the four agricultural regions offered only one service to members, while twenty percent (eight coops) offered two services to members. Few cooperatives employed a manager to run these services; however, the majority relied on unpaid board members to offer services. It means that services offered by active cooperatives did not require a full time manager either due to their seasonal nature or because they were completely based on equipments that do not entail high managerial skills. Only fifteen percent of cooperatives (six coops) across the four agricultural regions offered more than two services to members. Two cooperatives, Coop 14 and Coop 29, supplied six services to members. These cooperatives were intensively supported by development agencies. The project implemented with Coop 14 amounted to USD 12 million distributed over 10 years. Seventy-nine percent of cooperatives offering services across the four agricultural regions supplied “paid services to members” (SSP2). In general, women cooperatives offered free services to members. These cooperatives should be classified workers’ cooperatives and not producers’ cooperatives. Women do not use the coop services but instead they were employed in their cooperatives. Therefore when individual members want to use the coop assets to mainly process small food quantities for own use, services were freely supplied while taking into consideration that the maintenance cost was generated from the coop services. In fact, women cooperatives were studied in this thesis because they are identified by the government and development agencies as producers’ cooperatives. Thus, because in the evaluation of the coop performance there is no difference between workers and producers’ cooperatives in terms of benefits, practices, and challenges, these women cooperatives were kept in this study to assess the gender factor in Lebanese cooperatives. The services of active cooperatives were mainly “concentrated during” (SSP4: 48 percent) and “after” (SSP5: 84 percent) cultivation/production. Only seventeen percent of these cooperatives offered services “before production” (SSP3). This finding is associated with the cooperative type during the initiation phase in the first dimension in which all

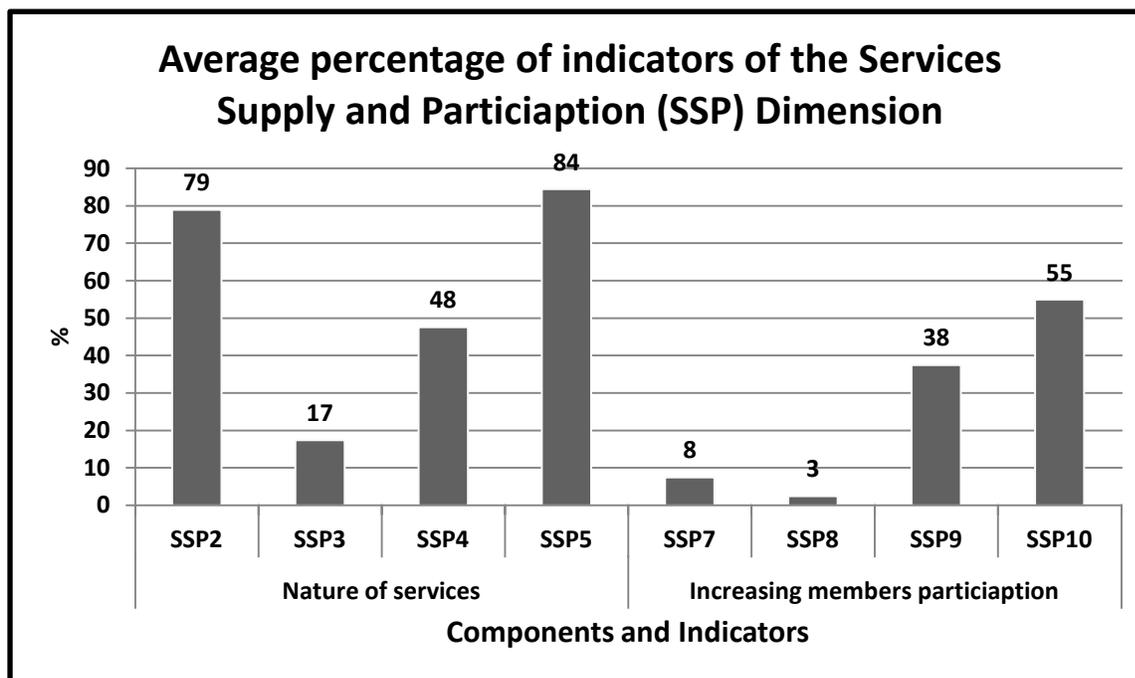
cooperatives have listed marketing (after cultivation) services as the first planned objective. For “the number of services offered each month” (SSP6), eighty percent of active cooperatives which offered services across the four regions supplied less or equal to five services each month to an individual member. Four cooperatives offered more than twenty services each month to an individual member. These cooperatives supplied marketing services of fresh products on a daily basis such as the marketing of dairy (Coop 3), poultry (Coop 14), and fish (coop 9 and coop 29) products.

Regarding the second component in this dimension, *Increasing Members’ Participation*, active cooperatives across the four agricultural regions mainly offered “high quality services” (SSP9: 38 percent) with “the equality in access to services” (SSP10: 55 percent) as tools to increase the participation of members. Only four cooperatives across the four agricultural regions relied on “monthly reports” (SSP7) and “several general meetings” (SSP8) to increase the level of participation of members. Forty percent of all cooperatives across the four regions did not rely on any selected indicators to increase the participation of members. Their respondents mainly said: “We do not have time and resources to increase members’ participation. Available resources were invested to reach NGOs and increase the potential of receiving development aid”.

The main findings of this dimension are summarized as follows:

- Most active cooperatives in Lebanon supplied few (one or two) paid services to members without being controlled by a permanent manager. This point is associated with the ineffective organizational structure, the weak partnership and supportive environment, and the aim of receiving development aid through the establishment of cooperatives. Indeed, active cooperatives in this study would not be able to offer any services to members without the support donated by development agencies. Probably, they would not have existed without development agencies and politicians.
- Services were mainly concentrated in the marketing type
- Most active cooperatives rely on high quality services and the equality in supplying services to increase the participation of members

Chart 21: Average percentage of different indicators of the services supply and participation (SSP) dimension across Lebanon



- **Nature of services:** **SSP2:** Do members pay in order to receive services? **SSP3:** Services offered before production (supply), **SSP4:** Services offered during production (service), **SSP5:** Services offered after production (marketing)
- **Increasing members participation:** **SSP7:** Monthly reports were prepared to increase the participation of members, **SSP8:** Several general meetings were carried to increase the participation of members, **SSP9:** High quality services were offered to increase the participation of members, **SSP10:** The equality in access to services was used to increase the participation of members

#### 5.4.5. Fifth dimension: Problems and Benefits (PB)

This dimension analyses what active cooperatives across the four agriculture regions reported in terms of problems or internal challenges as well as the received benefits from membership.

The data elaborated in this dimension are displayed as follows: Chart 22 shows the average percentage of indicators for cooperatives across Lebanon, Chart 34 in Annex VII shows the

average percentage of indicators for cooperatives across the four agricultural regions, and Table 27 in Annex VII to detail the data collected in this dimension.

In the first component, *Internal Challenges*, all cooperatives across the four agricultural regions listed the “horizon problem” (PB1: 100 percent) as the main challenge encountered at the internal level. The capital needed for the initiation of services was never completely assured by members in all active cooperatives across Lebanon. Members did not share financially in the project submitted to the DGC to accept the establishment of their cooperatives. In the first dimension, *Initiation Phase and Progress*, results showed that few cooperatives applied the principle of members’ economic participation to own the assets needed for the supply of services to members. These cooperatives rarely shared in assets that were set as a condition to receive development aid. Therefore, members consider their cooperatives as a tool to receive development aid and not an enterprise in which the economic participation of members is required to achieve what members cannot achieve at an individual level. The limited financial means of members (undercapitalization of cooperatives) could not be considered the reason behind the low contribution to capital formation. Members in active cooperatives did not even design a plan to establish complementary services to what was donated by development agencies. They only planned to group their efforts to present proposals for development agencies and accordingly to receive development aid. This is not surprising because ninety-three percent of cooperatives reported “the condition to receive aid” (IP10) as the main reason behind the initiation of cooperatives. The “control problem” (PB3) was the second challenge (30 percent of coops) encountered by cooperatives across the four agricultural regions. The control problem was not linked to the poor governance and the lack of trust between members. It was associated with the control of powerful producers who have local political ties. For instance, in Coop 9, the chairman has held his position since the cooperative was established in 1990. Many cooperatives mentioned that there was an internal conflict between members due to the control of a group of them to the cooperative services. All cooperatives did not list the control of political NGOs as a challenge in this indicator. In fact, this kind of control was seen as support and was considered an ipso facto relation in the Lebanese sectarian context. “Political NGOs are supporting us more than apolitical NGOs. We appreciate their intention to support all members. We are coordinating with them on a permanent basis and we are looking forward for a continuous support. Political NGOs consider our cooperatives as regional development wings used to develop the socio-

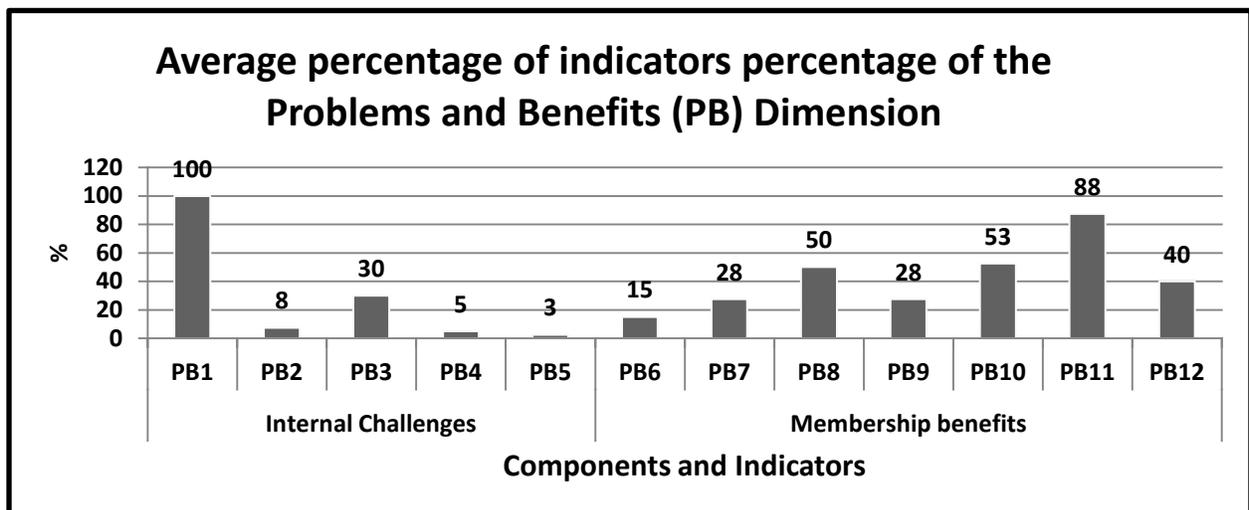
economic conditions of producers”, most respondents mentioned. Regarding the other three challenges, the “portfolio problem” (PB2), the “free rider” (PB4), and “the influence cost” (PB5), a maximum of three cooperatives in the four agricultural regions encountered such problems. When members do not share in investment or assure the total investment to establish the coop services, it is normal not to face problems in the priority for investment, free riders, and the influence cost level. In fact, most active cooperatives did not pay the management cost and did not even cover the depreciation cost of equipments donated by development agencies.

As for the second component, *Membership Benefits*, findings showed that eighty-eight percent of cooperatives across the four agricultural regions listed “increasing members’ skills” (PB11) as the main benefit from membership. Respondents said: “Through development projects, members were able to attend a significant number of training workshops that ameliorated and developed their skills. The impact of such progress needs to be assessed at individual producers’ level”. Around fifty percent of cooperatives identified “increasing the power of members to influence their policies” (PB10) and “improving/increasing access to new services” (PB8) as the second main benefit from membership. Twenty-eight percent of cooperatives across the four regions listed “improving access to markets” (PB7) and “increasing members’ bargaining power” (PB9) as membership benefits. Only fifteen percent of active cooperatives (six coops) cited “decreasing the cost of production” (PB6) and accordingly increasing income as an achieved benefit from membership. Knowing that most cooperatives offered “paid services to members” (SSP5), results showed that only forty percent of cooperatives had a “positive annual balance” (PB12). This balance was very low compared to the investment cost donated by development agencies. For instance, Coop 14, which received a USD 12 million development project that included the support of individual members and the initiation of a coop’s services center, produced only USD 45 thousand annual profits. There are three main reasons for having low annual profits associated with an insignificant decrease in the cost of production of services offered to members:

- High running cost that reduces profit margins for the coop
- Low request of services by members. This limits the economy of scale effect
- Corruption practices that allow few members to benefit from the coop services. In some cooperatives, assets were leased at reduced cost for the benefit of only one or two members.

The findings of this dimension revealed that active cooperatives in Lebanon are not facing the prevalent challenges of cooperative enterprises because they are not applying the common practices of the cooperative enterprise model. When members do not share in the coop assets and only group their efforts to receive development aid, they would not encounter the main internal challenges and would not be accountable for the common assets. The improved skills of members through training, the increased power to receive development aid, and the improved access to services- which are associated with the nature of projects implemented by development agencies (detailed in Chapter 4)- did not decrease the cost of production that is the key economic factor for a long term successful cooperation. The findings of the second component of this dimension contradict with the findings of impacts achieved in development projects from the perspective of development agencies. The projects implemented with cooperative enterprises contributed to a large decrease in the cost of production and processing activities and to the improvement of local direct sale. Both achievements were not identified by producers' members.

Chart 22: Average percentage of different indicators of the problems and benefits (PB) dimension across Lebanon



- **Internal challenges:** **PB1:** Horizon problem, **PB2:** Portfolio problem, **PB3:** Control problem, **PB4:** Free rider problem or common property problem, **PB5:** Influence cost problem,
- **Membership benefits:** **PB6:** Decrease the cost of production and increase income, **PB7:** Improve access to market, **PB8:** Improve and increase access to new services, **PB9:** Increase members' bargaining power, **PB10:** Increase the power of members to influence their policies, **PB11:** Increase members' skills, **PB12:** Coop is doing a positive annual balance

## 5.5. The difference in the performance of cooperatives between the four agricultural regions

The findings of the five dimensions revealed a main difference between the Bekaa region on the one hand and the North and South Lebanon regions on the other hand.

As mentioned above, the North and South Lebanon regions were more supported by development agencies and political parties compared to the Bekaa region: North Lebanon is the poorest area in Lebanon and South Lebanon received large support after Israel's withdrawal in 2000. In the first dimension, *Initiation Phase and Progress* (IP), the North and South Lebanon regions revealed the following differences in performance compared to the Bekaa region:

- Lower common need reason behind the initiation of cooperatives (IP9)
- Higher political request as a reason behind initiation (IP11)
- Higher availability of assets directly after initiation (IP12). Assets were mainly donated by development agencies
- Lower percentage of assets assured directly after initiation through members' own investment (IP13), the same is for the current assets (IP19)
- Higher percentage of assets received directly after initiation (IP15)
- Higher current assets (IP18) donated by a political party, village elite or philanthropist in North Lebanon

These differences provided favorable conditions for cooperatives in the Bekaa region during the *Initiation Phase and Progress* dimension. Cooperatives responded better to the common need of members, relied on members' own investment, showed higher autonomy by being independent from donors and political parties, and were not initiated by development agencies during the project's implementation phase.

These differences produced an increased performance status for the Bekaa cooperatives in the remaining dimensions as follows:

- *Organizational Structure* (OS)
  - Higher number of members' participation in the general meeting (OS4)

- Lower intervention of NGOs in designing the coop's strategy of work (OS6)
- Higher percentage of chairmen elected on the basis of a proposed work plan (OS10)
- Higher percentage of managers employed to operate the coop activities (OS11)
- Higher percentage of managers having a business management background (OS12)
- *Partnership and Environment (PE)*
  - Higher cooperation between cooperatives in order to increase the access to services (PE3)
  - Higher acceptance of new members if they need the coop services (PE13) and share in investment (PE15)
  - Higher permanent coordination with the government (PE20)
  - Higher percentage of partnership that has continued with NGOs after project's ending phase (PE23)
  - Lower acceptance of any supports from NGOs (PE25)
  - Higher acceptance of support based on the common need of members (PE26)
- *Services Supply and Participation (SSP)*
  - Higher percentage of paid services (SSP2)
- *Problems and Benefits (PB)*
  - Higher improved access to market (PB7)
  - Higher increased members' bargaining power (PB9) over North Lebanon only
  - Higher number of cooperatives generating positive annual balance (PB12) over North Lebanon only

It should be noted that with all these listed differences between the Bekaa region on the one hand and the North and South Lebanon regions on the other hand, there are four cooperatives in the Bekaa region not “delivering any services to members” (SSP1). In North Lebanon, only one cooperative does not offer services, while in South Lebanon there are two cooperatives. However, there are four cooperatives employing a manager to run the coop services in the Bekaa, compared to one in the North and two in the South Lebanon. The number of services offered to members should be associated with the availability of a permanent manager to run

these services. The number of services' indicator could not be assessed alone to evaluate the delivery of services by cooperatives.

The Mount Lebanon region superseded the other regions in the following indicators:

- Higher new assets received through members' own investment (IP19). However, this is not a real members' economic participation: it is either assured from the KAFALAT program (paid back from the income generated by services) or from the donations of few members
- Less involvement of NGOs in designing the coop's strategy of work (OS6)
- Higher number of board members elected by acclamation (OS9)
- Higher cooperation with municipalities (PE9) for the benefit of coops. The municipalities in Mount Lebanon have higher returns compared to the municipalities in other regions
- Higher percentage of cooperatives that received financial support, equipments or inputs from the government (PE18)

All these indicators, except OS9, are considered positive for the progress of cooperatives in the Mount Lebanon region. However, they are not significant or important to reflect a better performance of cooperatives compared to the other agricultural regions.

## **5.6. The status of dormant cooperatives across the four agricultural regions**

Four main components were selected to assess the status of dormant cooperatives which were not recommended or identified active by the DGC for this study. They are the following:

- Reasons behind initiation
- Source of owned assets
- Supply of services
- Benefits from membership

These components were divided into thirteen measurable indicators. The presentation of data is similar to the way data were presented in the first part of this chapter. Chart 23 shows the

average percentage of indicators for cooperatives across Lebanon and Table 28 in Annex VII details the data collected for dormant cooperatives.

The Findings of the first component, *Reasons behind Initiation*, showed that all dormant cooperatives highlighted “the condition to receive development aid” (DC2) as the main reason behind initiation. Twenty-five percent of cooperatives (six coops out of a total of twenty-four dormant coops) across the four agricultural regions also listed “the initiation by a political party” (DC3) as a main reason for the establishment of cooperatives. These cooperatives were located in South Lebanon. Only three coops cited the “common need identified by members” as a reason behind initiation (DC1). None of them were located in the South or North Lebanon regions. These three cooperatives also mentioned the condition to receive development aid as the main reason for initiation. Cooperatives, which did not report the common need identified by members behind initiation, did not specify the aim of their collective initiative, but instead they cited broad objectives such as the development of the agricultural sector.

Regarding the second component, *Source of Owned Assets*, results showed that sixty-eight percent of dormant cooperatives across the four agricultural regions do not own fixed assets. For the remaining cooperatives, findings revealed that the current assets were mainly donated by NGOs (DC5: 89 percent) and political parties (DC6: 78 percent). Most of these cooperatives were located in the Bekaa and the South Lebanon regions. No cooperatives mentioned the “economic participation of members” (DC4) in any owned assets. Only two cooperatives received few assets donated by the government (DC7: 22 percent) such as a tractor, olive harvesters, etc.

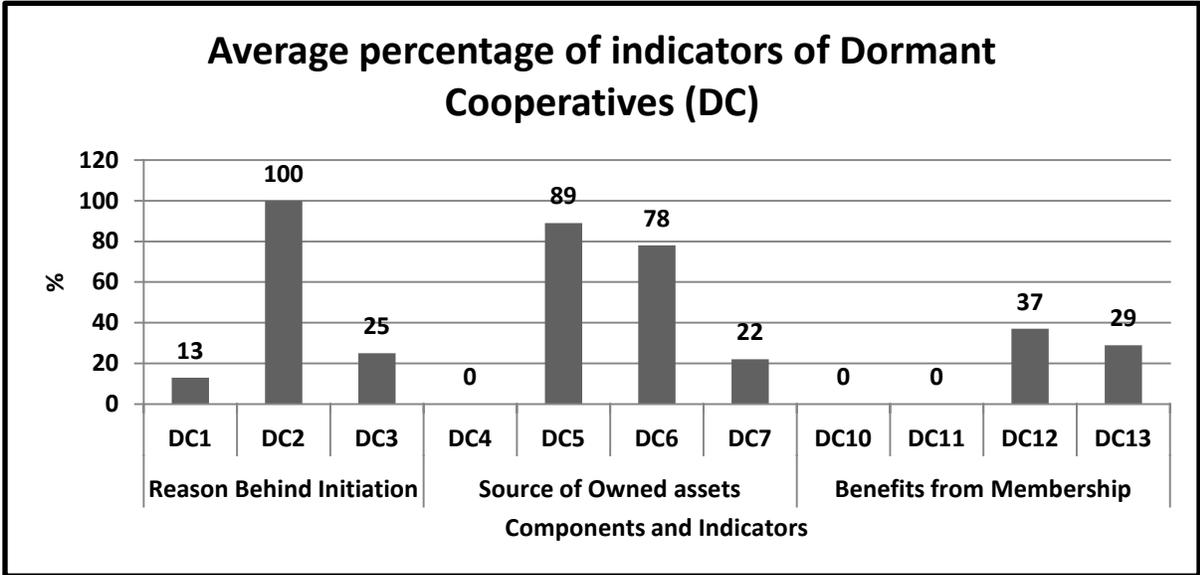
For the third component, *the supply of services*, only three dormant cooperatives were offering a maximum of “one service to members” (DC8). Two of them were offering the “only service for free” (DC9). The third cooperative supplied the only service at a cost price.

Finally, for the last component, *Benefits from Membership*, thirty-seven percent of dormant cooperatives reported the benefit of “increased skills” (DC12) and twenty-nine percent listed the benefit of “increased power” (DC13). None of dormant cooperatives cited the benefits of “increased access to market” (DC10) or “increased access to services” (DC11) from membership.

In summary, the dormant cooperatives assessed in this study were mainly initiated to channel development aid and as a tool to increase political control in certain regions. The majority of dormant cooperatives do not own fixed assets. When assets were found, they were mainly donated either by NGOs or by political parties. Dormant cooperatives do not offer services to members and mainly delivered the benefits of increased skills and increased power from membership. Therefore, compared to the active cooperatives assessed in the four agricultural regions, dormant cooperatives secured the main essential benefits from membership without offering services to members. They are legal organizations seeking development aid support to implement projects that would not generate additional impacts as findings revealed for the active cooperatives analyzed in this study.

Most board members of dormant cooperatives stated the weak support of NGOs, the government, or politicians as well as the horizon problem as main reasons for the failure of cooperative initiatives. None of them listed the absence of common need, the inefficient organizational structure, the reduced participation of members, and the very low adherence to the cooperative principles and values as reasons for failure.

Chart 23: Average percentage of different indicators of dormant cooperatives (DC) across Lebanon



- **Reasons behind initiation:** **DC1:** Common needs, **DC2:** Condition to receive development aid, **DC3:** Requested by a political leader,
- **Source of owned assets:** **DC4:** Self-investment, **DC5:** Donated by NGOs, **DC6:** Donated by political parties, **DC7:** Donated by the government,
- **Benefits from membership:** **DC10:** Increased access to market, **DC11:** Increased access to services, **DC12:** Increased members' skills, **DC13:** Increased the power of members to influence their policies

## 5.7. Women cooperatives in Lebanon

In this part, the characteristics of active women cooperatives are explored over the five dimensions studied in the part of this chapter. The main similarities and differences with the remaining active cooperatives across the four agricultural regions and the three sub-sectors are analyzed. This part aims to assess the effect of the gender factor on cooperatives by examining the empirical status of active women cooperatives.

In the list of active cooperatives (Table 20 in Annex VII), eight women cooperatives were interviewed across the four agricultural regions. They are the following:

- North Lebanon: Coop 2, Coop 6
- South Lebanon: Coop 13, Coop 15, Coop 17
- Mount Lebanon: Coop 28
- Bekaa: Coop 32, Coop 33

The following section details the similarities of active women cooperatives with the remaining active cooperatives over the five dimensions:

- **Initiation phase and progress (IP):**
  - All women cooperatives listed the three objectives of cooperatives: **(IP6):** generate and secure income, **(IP7):** job creation, **(IP8):** social cohesion.

- The condition to receive development aid (**IP10**) as well as requested by political leader, village elite, or philanthropist (**IP11**) were the main two reasons behind initiation
- None of them carried out members' own investment in the assets received directly after initiation (**IP13**)
- Received assets directly after initiation were mainly donated by development agencies (**IP14**) or a political leader, a village elite, and a philanthropist (**IP15**)
- Through the support of development agencies (**IP17**), all women cooperatives received new assets (**IP16**) without carrying out members' own investment (**IP19**)
- **Organizational structure (OS)**
  - The general meeting of women cooperatives did not select or design the coop strategies or policies (**OS1, OS2**)
  - The general meeting mainly convened once on a yearly basis (**OS3**)
  - Board members decided the coop strategies and policies (**OS5**)
  - Board members were not elected based on a work plan (**OS8**), most of them were elected by acclamation (**OS9**), and the chairperson was not elected based on a work plan (**OS10**)
  - Most women cooperatives were directly managed by board members. Only two coops employed a manager (**OS11**) who did not have a business management background (**OS12**), but he/she communicated with board members on a weekly basis (**OS13**) and ensured the equal access to services by members (**OS14**)
  - Auditors were not elected based on their technical background (**OS15**) and mainly convened once on a yearly basis (**OS16**)
- **Partnership and environment (PE)**
  - All women coops had a membership in the cooperative confederation (**PE4**) because it is mandated by-law (**PE5**)
  - No surpluses were allocated for a community project (**PE8**) and no projects were implemented with a civil society organization (**PE10**)
  - All women coops received proper education on the cooperative enterprise model by NGOs (**PE11**)

- They accepted new members to increase their power (**PE14**) without setting the condition to share in investment (**PE15**)
- Women coops were coordinating on a permanent basis with the government (**PE20**)
- All women coops built a partnership with a NGO (**PE22**) and the top-down support was not cited (**PE24**)
- Women coops accepted anything from NGOs (**PE25**) without relying on the common need indicator (**PE26**) or the criteria of long term sustainability (**PE27**)
- They encountered low competition with private producers (**PE28**). The competition was by price (**PE29**) and not by quality (**PE30**)
- **Service supply and participation (SSP)**
  - All women cooperatives offered one service (**SSP1**) after production (mainly processing) (**SSP5**) with a frequency of less than five services on monthly basis (**SSP6**)
  - They offered high quality services to increase the participation of members (**SSP9**)
- **Problems and benefits (PB)**
  - The horizon (**PB1**) and control (**PB3**) problems were the main encountered challenges in women coops
  - Increased access to services (**PB8**) and increased members' skills (**PB11**) were the main two benefits from membership
  - Few cooperatives generated a positive annual balance (**PB12**)

In parallel, the main differences between active women cooperatives in comparison with the remaining active cooperatives over the five dimensions were the following:

- **Initiation phase and progress**
  - All women cooperatives began with a small initial number of members (**IP1**) and the total membership was less than 35 members
  - Five women cooperatives showed no increase in the percentage of membership (**IP2**). One coop showed a decrease in membership. Its chairperson was a man who was elected to support women in reaching markets and coordinating with

suppliers (women in this coop have religious considerations that make difficult their communication with the external environment without being supported by a man). Two coops showed below than hundred percent increase in membership.

- All women cooperatives planned to offer the marketing type (**IP5**) of services
- All of them except Coop 33 owned assets directly after initiation (**IP12**)
- **Organizational structure (OS)**
  - More than fifty percent of members participated in the general meeting (**OS4**)
  - Most women cooperatives were supported by NGOs to design their strategies and policies (**OS6**)
  - Most board members met more than the minimum number of meetings required by-law (**OS7**)
- **Partnership and environment (PE)**
  - Women cooperatives did not cooperate with each other (**PE1**)
  - They were supported by municipalities (**PE9**)
  - The condition of common need was not set a reason to accept new members (**PE13**)
  - Women cooperatives received no support from the government either through the access to credit, public services (**PE17**), financial support and equipments (**PE18**), or the infrastructure rehabilitation and the legal and regulatory framework (**PE19**)
  - Cooperation with NGOs mainly stopped after the project's ending phase (**PE23**)
  - None of the women cooperatives had a membership in a farmers/producers' union (**PE31**)
- **Services supply and participation (SSP)**
  - Women cooperatives offered free services (**SSP2**)
  - The participation of members was ensured through the equality of access to services (**SSP10**)
- **Problems and benefits (PB)**
  - Increase the power of members to influence their policies (PB10) was not cited as a main benefit from membership

The similarities and differences of women cooperatives revealed that the idea of women cooperation through the cooperative enterprise model in the Lebanese context tends to have an image of a completely supported organization that temporarily assures low-paid job opportunities for local women. As previously explained, women cooperatives are workers' cooperatives in Lebanon and not producers' cooperatives as classified by the DGC. All women cooperatives were initiated through the support of a NGO and were fully equipped and trained to perform food processing activities. Without this support and the sharing of municipalities in the infrastructure investment cost, none of these cooperatives would have been found. Women cooperatives did not apply an efficient organizational structure. Most of them were involved in the production of traditional processed food and did not employ a manager to run the processing services. In the two coops that employed a manager, the production efficiency increased but without the generation of a positive annual balance that could be redistributed to members. Regarding the benefits from membership, the increase of members' skills through the technical processing training offered by NGOs was the main tangible achievement. Board members listed the benefit of increased access to processing services, but the latter did not decrease the cost of production. Women were working in their cooperative and were only using the coop assets to carry out food processing for their own consumption. In-depth evaluation for the creation of job opportunities showed that few cooperatives recruited non-member women to perform processing activities at reduced cost. This approach was essential to decrease the cost of production and accordingly to offer lower prices enabling cooperatives to compete with their capitalist counterparts.

Therefore, women cooperatives did not answer the common needs of producers in increasing the access to market and decreasing the cost of production. Instead, they offered low-paid job opportunities to members and non-members on a short-term basis. Most cooperative principles were not applied in women cooperatives, in particular the democratic member control, the economic participation of members, the autonomy and independence, the cooperation between cooperatives, and the concern for community. Likewise, most cooperative values were not respected. Only the equality value was found in the delivery of free services to members. The equality value was the only tool used to increase the participation of members. For the

requirement of an efficient organizational structure, women cooperatives did not rely on the difference in management applied in cooperative enterprises. Taking into consideration the large support in infrastructure and equipments donated by development agencies and the increase of members' skills as the main benefit from membership, women cooperatives did not achieve the main advantages or potential roles of cooperative enterprises. The gender factor did not play a role in increasing the potential for success in cooperative enterprises. Instead, it reflected the notion of fully dependent cooperatives initiated by development agencies. Cooperatives have limited contribution in managing gender related problems in Lebanon. Women cooperated under a legal enterprise structure that allowed them to obtain development aid and initiate processing facilities that did not generate significant socio-economic impacts to members.

## **5.8. Status of active cooperatives in the different agricultural sub-sectors**

This part explores the main differences between the three agricultural sub-sectors of active cooperatives across the four agricultural regions in Lebanon. It aims to identify if the sub-sector variable/factor generated positive or negative impacts on the performance of cooperatives in Lebanon.

In the analysis of the status of active cooperatives across the four agricultural regions, sectorial differences between fishery and beekeeping cooperatives on the one hand- first category- and production cooperatives on the other hand- second category- were highlighted. The following section lists the main identified variations in the five dimensions between these two categories of agricultural sub-sector.

Fishery and beekeeping cooperatives revealed the following differences in performance compared to production cooperatives in the five dimensions used to assess cooperatives:

- **Initial phase and progress (IP)**
  - Higher percentage of increase in membership in order to bind efforts and increase power (**IP2**)

- They were mostly classified in the service (**IP4**) and marketing (**IP5**) cooperative's types
- Higher percentage of cooperatives initiated to answer producers' common needs (**IP9**), five cooperatives out of eight
- Only one cooperative owned asset directly after initiation (**IP12**), very low performance compared to production cooperatives
- None of fishery and beekeeping cooperatives cited members' own investment (**IP19**), few production cooperatives carried out members' own investment
- **Organizational structure (OS)**
  - Lower participation of members in the general meeting (**OS4**), all fishery and beekeeping cooperatives cited below than sixty percent participation
  - Lower number of board meetings on a yearly basis (**OS7**), all fishery and beekeeping cooperatives cited below than six meetings per year
  - Only one fishermen cooperative was managed by a permanent manager (**OS11**)
- **Partnership and environment (PE)**
  - Higher cooperation between cooperatives (**PE1**) to increase power (**PE2**) and access to new services (**PE3**)
  - Fishery and beekeeping cooperatives did not implement a project with the local municipality (**PE9**)
  - Higher acceptance of new members based on their need for services (**PE13**) and in order to increase coop power (**PE14**)
  - All beekeeping cooperatives increased access to public services (**PE17**)
  - All fishery and beekeeping cooperatives received higher support from the government: financial, equipments, and inputs (**PE18**) and others related to infrastructure, legal and regulatory frameworks (**PE19**)
  - All fishery and beekeeping cooperatives were involved in cooperation with a union (**PE31**), reported a positive benefit from this cooperation (**PE32**), in particular the increase in power.
- **Services' supply and participation (SSP)**
  - No major differences. Sixty-two percent of fishery and beekeeping cooperatives supplied paid services to members (**SSP2**)

- **Problems and benefits (PB)**
  - Higher increase in the power of members to influence the coop policies for fishery and beekeeping cooperatives (**PB10**)

For all indicators that were not mentioned in the list of differences above, all cooperatives under the three sub-sectors showed similar performance or percentages.

Fishery and beekeeping cooperatives showed better performance in answering the common needs of members and in applying several principles, in particular the voluntary and open membership, the autonomy and independence, and the cooperation between cooperatives. However, they showed lower performance in applying the principle of members' economic participation and in adopting an efficient organizational structure. The main advantage over production cooperatives was the increased power to influence the coop policies. This power secured more support from the government and development agencies, however, it generated similar benefits received by cooperatives in the production sub-sector (i.e. decrease the cost of production, improve access to services, and improve access to local market). Therefore, in general, the sub-sector variable did not produce significant changes on the performance of cooperatives across the four regions. Supporting fishery and beekeeping cooperatives in applying an efficient organization structure and in increasing their reliance on the economic participation of members may produce a difference in performance among the three coop sub-sectors in Lebanon.

## **5.9. Summary status of active cooperatives in Lebanon**

This part provides a general overview of the status of active cooperatives in Lebanon. It summarizes the major findings of the five dimensions and evaluates them in terms of failure or success factors. Then, it compares the empirical status of active cooperatives with their potential or achieved roles expressed by the government and development agencies in Chapter 3 and Chapter 4.

A significant percentage of active cooperatives in Lebanon (25 percent) do not apply the principle of voluntary and open membership. If they received support directly after initiation, they would tend to reduce membership and sometimes to restrict it. They do not need the financial resources of new members to share or increase the group investment. In normal cases, the cooperatives supported by development agencies should accept new members because they could potentially offer more services. Another reason for the restriction of membership is that cooperatives which already received support do not need to increase membership in order to reflect an important power of representation when seeking donations. Several cooperatives showed a high percentage increase in membership. It does not mean that cooperatives accepted new members because they need the coop services. Instead, results showed that the high percentage increase in membership had mainly the following reasons:

- Project condition: board members were requested to increase membership as a condition to receive a donation
- Political: politicians invited a large number of producers to join the coop after initiation. This way they can legally support them
- Pre-requisite to seek aid: cooperatives grouping a large number of producers reflect an increased power of representation which is an important selection criterion for development agencies

Most active producers' cooperatives in Lebanon do not specify or prioritize the common need to be achieved through their collective action. They plan to offer services in the three types of agricultural cooperatives. They expand their aims in order to increase the chance of receiving aid under any suggested interventions. Moreover, all active cooperatives have planned to achieve the three main normative objectives: generate and secure income, job creation, and social cohesion. In this way, cooperatives tried to show the ideal image of a cooperative enterprise that assures the economic, social, and cultural needs of members. This image increases the potential of receiving development aid by meeting the objectives of development agencies.

A high percentage of active producers' cooperatives in Lebanon mentioned that the reason behind their establishment was the coop's legal aspect that can group producers, can perform

economic activities, and can mainly receive donations by-law from development agencies and politicians. In other words, cooperatives were initiated as a condition to legally channel development and political aid. Therefore, cooperatives did not aim to answer the common needs of producers through a collective investment. Some cooperatives relied on the reason of common needs for initiation; however, they associated it with the condition to receive development aid. The cooperatives established by political NGOs revealed a complete dependency in internal management and the delivery of services. The source of coop assets justified the notion of financially dependent cooperative enterprises in Lebanon. The majority of assets were donated by development agencies. There was no real economic participation of members to own assets needed for production. The principle of members' economic participation was not applied by cooperatives in the Lebanese context.

The principle of democratic member control or an efficient organizational structure was not also applied by active producers' cooperatives. The general meeting was not properly playing its role; board members were not accountable for their actions to the membership and were almost elected by acclamation; managers, if found, were not hired on a permanent basis and did not have the necessary background to run a cooperative enterprise; auditors did not have the necessary technical background to monitor the activities of board members and rarely meet to report the financial progress of the cooperative to the general meeting.

Producers' cooperatives in Lebanon did not cooperate with each other to pool their resources or to increase their power. They did not conduct a collective investment between cooperatives in order to survive in the competitive market economy. Instead, they sought individual support that reduces the potential of applying the economy of scale and increases the cost of development at a regional level. Cooperatives only united to fulfill what is required by-law without a major added value. They did not allocate surpluses for a community project. The principle of concern for community was not also applied in the Lebanese context. Instead, results showed that the community represented by the municipality had a concern for cooperatives by supplying infrastructure and financial supports. The principle of education, training, and information was maintained by NGOs that always allocated a budget to build the capacity of members about the practices of cooperative enterprises. However, no trainings were carried out on a regular basis by board members to educate new members or inform the general public about the nature and

benefit of cooperation. Cooperatives mainly coordinated with the government to receive financial support and fixed assets which did not produce any significant sustainable impacts. A part of the support to cooperatives had a political aim and might have affected the autonomy and independence of cooperatives. The cooperation with NGOs did not threaten the autonomy and independence of cooperatives in the coop practices. Cooperatives were only financially dependent. The cooperation with NGOs was not based on the common needs of producers. Instead, cooperatives accepted anything from NGOs even if the support did not have the minimum criteria for sustainability. Therefore, the aim of producers was not to answer their common needs as much as to receive development aid that could be highly vulnerable to corruption practices and mismanagement under such elaborated conditions. Regarding the competitive environment, it appeared that cooperatives did not face a significant competition with their capitalist counterparts. It means that cooperatives were excluded from the market by being less effective or delivering no services. This places them as alternative enterprises for rural development with a lower performance when compared to capitalist enterprises in the Lebanese liberal market economy.

Most cooperatives offered a very low number of paid services to members without the need to hire a permanent manager. Some cooperatives did not offer any services. All services were based on assets donated by development agencies. Most services were concentrated in the marketing type of cooperatives. Therefore, the plan of cooperatives to undertake services under the three types of cooperatives was not met. The pre-requisite of strong members' participation was maintained by the equality of access to services which may not respond to the need of all members.

The horizon and control problems were the main challenges encountered by active producers' cooperatives. The other main problems of cooperative enterprises were not faced by Lebanese cooperatives because members did not share in investment. This reduced the potential of having portfolio, free rider, and influence cost problems. In terms of benefits from membership, the decrease in the cost of production and the increase of access to market, which are the two important economic outputs, were not achieved by cooperatives. The benefits of increasing members' skills, their power, and their access to services were not associated with a reduction in the cost of production and accordingly an increase in income.

All elaborated details reveal that active producers' cooperatives in Lebanon did not meet the following essential pre-requisites for success:

- The reliance on the principles and values of cooperatives including strong members' participation
- An efficient organizational structure
- Answering members' needs
- Increasing the unity between cooperatives
- Avoiding main cooperative enterprise problems

Active producers' cooperatives in Lebanon could not be named cooperatives in the real sense of practices and potential benefits. The pre-requisites for success were not applied by cooperatives at the following different levels: initiation, management, project implementation, and the supply of services. The principle of members' economic participation should be changed into the principle of development aid and political support in the Lebanese context; voluntary and open membership into open membership to increase the power of representation to receive development and political aid; democratic members' control into weak organizational structure and political control; autonomy and independence into full dependent organization; education and training into Education supplied by development agencies; cooperation between cooperatives to increase benefits for members into cooperation to receive low productive development aid; concern for community into concern for cooperatives by the community. There is an idea of a supported dependent initiative and not a cooperative initiative. When active cooperatives got a chance to implement a project donated by development agencies, the assets received and benefits were not productive. They were mainly wasted by failing to contribute to a reduction in the cost of production and to an increased income, which are the two essential benefits for small producers. Corruption practices and increased political control are the main reasons for the failure of cooperatives. Therefore, politicians benefited from cooperatives more than members benefited from their enterprises and from development aid. Politicians and development agencies wasted aid through cooperatives instead of inducing socio-economic development. It is meant to produce weak dependent cooperatives in order to increase the political control which could be threatened by real cooperative initiatives.

The findings of this chapter contradict with the benefits achieved in cooperatives from the perspective of development agencies in Chapter 4. They confirm what the Minister Consultant for cooperatives acknowledged in terms of low contribution of cooperatives regarding the development of the agricultural sector in Lebanon. Development agencies might have reported these benefits to justify their interventions and secure further supports.

In Lebanon, it is very difficult for the government, development agencies, and members to benefit from cooperative enterprises unless they work together to manage the challenges highlighted under the detailed five dimensions.

## **Chapter 6- Membership Practices at Individual Producers' Level**

### **6.1. Introduction**

Chapter 5 explored the status of producers' cooperatives in Lebanon by relying on the data collected through semi-structured interviews with the board of directors of active cooperatives. Internal practices showed that the majority of active producers' cooperatives were characterized by the following:

- Instead of relying on the common needs of members as a reason for initiation, cooperatives were established as a condition to receive development aid
- A very low members' economic participation
- The general meeting was not involved in the design of the coop strategies and policies
- Board members were elected by acclamation, but not based on a clear strategy of work
- Auditors did not have the minimum requirements to perform their role
- Financially dependent on development agencies and politicians
- A low number of services offered to members
- The horizon problem was the main challenge encountered by cooperatives
- The access to new services (without a reduction in the cost of production) and the increase of members' skills were the main impacts achieved by cooperatives

These characteristics justified the low performance of producers' cooperatives in Lebanon. This performance is mostly linked to the weak and inefficient role of the general meeting, which represents the highest body in cooperatives by applying the principle of democratic members' control via the one member-one vote regulation. Therefore, it is essential to explore at the producers' level why members were failing to manage and practice their role and responsibilities, which are set as pre-requisites for the success of cooperative initiatives.

In this chapter, I wanted to specify what reasons at an individual producers' level have contributed to the reduced benefits from cooperative enterprises in Lebanon. In addition my aim

was to verify if the listed benefits from membership detailed in Chapter 5 were effectively received by producers.

This chapter starts by exploring the original idea behind producers' cooperation and then details the practices of cooperation between members. It analyzes the benefits received by members and examines the main reasons for the reluctance of adjacent producers to join cooperatives.

## **6.2. Data processing**

I carried out semi-structured interviews with three producers in all active cooperatives interviewed across the four agricultural regions in Lebanon. The total number of producers interviewed is 120. Similar to the previous chapters, the data in this chapter were grouped in components and then translated into measurable indicators. The answers of indicators were presented as follows:

- In numbers, for quantitative data
- “Yes-(Y)” or “No-(N)” answers, for qualitative data
- Left empty (-) where the case was not available

In order to simplify the analysis of data and their presentation, I grouped the answers of the three producers to the indicators assessed in each cooperative into one average answer representing the performance of the cooperative for the indicator in question. Therefore, instead of displaying 120 answers for 40 cooperatives, I presented 40 average answers for the 40 active cooperatives studied in this thesis.

## **6.3. Original idea behind producers' cooperation**

Before proceeding to evaluate the main reasons of membership and the way producers initiated and joined cooperatives, I started by describing the main characteristics of producers that affect their involvement in cooperatives and in the agricultural sector in general.

The characteristics of producers were grouped into three components as follows:

- Ownership of production resources: Land, farm, processing unit, fishing boat, etc.
- Objectives from production
- Involvement in agriculture

These components were then assessed through seven measurable indicators: DP1-DP7. The data of these indicators were detailed in Table 29 in Annex VIII and displayed as a percentage across Lebanon in Chart 24.

Results showed that seventy-seven percent of producers in active cooperatives interviewed across Lebanon “owned their production resources” (DP1). The remaining producers “rented their production resources” (DP2). Most of them were members in women cooperatives for which the ownership of a processing unit is a plus but not a requirement for production. In fact, all women coops owned their production tools that were donated by development agencies as detailed in Chapter 5. No producers “shared in their production resources” (DP3). Therefore, the membership in cooperatives in Lebanon was linked to the ownership of production resources. Producers owning their production resources showed a higher interest in group work that probably tends to have long term impacts.

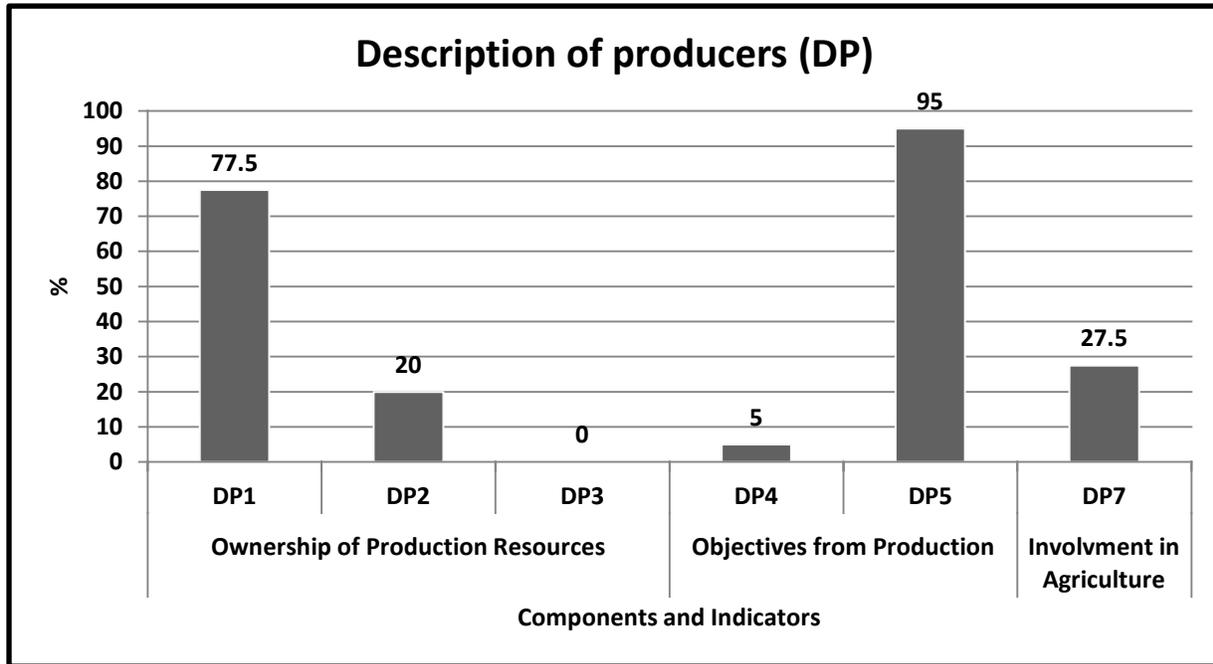
The majority of producers interviewed in active cooperatives across Lebanon listed a “commercial objective from production” (DP5: 95 percent). Only producers in two cooperatives (Coop 18 and Coop 34) limited their objective to “self-consumption” (DP4: 5 percent). These producers, who are active members in civil society organizations, did not establish their cooperatives to meet their production needs. Instead, they used cooperatives to group low educated farmers at the village level. Producers selected the cooperative enterprise because it is a legal organization that can accept donations from development agencies and politicians.

In terms of *involvement in the agricultural sector*, findings showed that only twenty-seven percent of producers in active cooperatives earned more “than fifty percent of their income from agriculture” (DP7). This result goes in parallel with the dominance of small holdings and part-time farming in Lebanon, which were previously detailed in Chapter 2. Part-time producers were employed in different fields such as: workers in a production factory, taxi drivers, teachers,

accountants, etc. All fishermen producers cited more than eighty percent of their income generated from fishing. Here, cooperation has a higher potential for success since it is the major economic activity affecting the livelihood of members. The remaining producers, who generated more than fifty percent of their income from agriculture, were mainly situated in the Bekaa region (6 cooperatives). This is associated with the highest average farm size in the Bekaa region, offering increased opportunities to assure a livelihood mainly dependent on agriculture. Four women cooperatives (Coop 2, 6, 15 and Coop 28) reported zero income from processing. It was explained in Chapter 5 that women cooperatives were workers' cooperatives in which members were paid for their labor work. They did not use the coop services to process their own production. In three of these four coops, members were not interested in working for the coop; instead the coop recruited women non-members to perform the processing activities. For the fourth cooperative, the processing activity stopped due to a lack of efficient marketing channels. The income of members in the remaining women cooperatives did not pass the level of fifteen percent of their total income.

In summary, producers in active cooperatives in Lebanon have owned their production resources, have a commercial objective from production, but have the highest percentage of their income generated from non-agricultural jobs. These characteristics could be considered positive or negative for the development of cooperative enterprises. On the one hand, cooperatives could be an institution grouping producers in Lebanon and having the potential to increase their agricultural production and income in a sustainable manner. This is the normative positive aspect used by the government and development agencies to develop agricultural strategies. On the other hand, producers may tend to reduce their investment in a classified supplementary income agricultural sector and see cooperatives as charitable organizations that legally channel development and political aid. This is the empirical negative aspect that was revealed in Chapter 5.

Chart 24: Average percentage of the Description of producers (DP) in the four studied regions across Lebanon



- **Ownership of production resources:** **DP1:** Own the production resource, **DP2:** Rent the production resource, **DP3:** Sharing of a production resource (share in production),
- **Objectives from production:** **DP4:** Only for self-consumption, **DP5:** Commercial,
- **Involvement in agriculture:** **DP7:** Having a higher than 50 percent income based on agriculture

After detailing the main factors that affect the involvement of producers in the active cooperatives interviewed in this study, I assessed the process of initiation that analyzes the way producers grouped their efforts to pursue their specific objectives.

Producers' membership (PM) was divided into four components as follows:

- Members' recruitment
- Relation between members
- Main reasons for membership
- Benefits received directly after joining cooperatives

These components were then assessed through sixteen measurable indicators (PM1-PM16: data were detailed in Table 30 in Annex VIII and were displayed as percentages across Lebanon in Chart 25).

Results showed that fifty-five percent of producers in the active cooperatives interviewed across Lebanon cited “members having the same common needs” (PM1) as a main criterion for the recruitment of members. The percentage was higher in the Bekaa and Mount Lebanon regions compared to the North and South Lebanon regions. It is associated with the main reasons of having more development interest in North Lebanon and more political interventions in South Lebanon. All fisheries and beekeeping producers, except in one fishermen coop in North Lebanon, specified the “same common needs” (PM1) as a main criterion for the recruitment of members. In fact, because the production sub-sector represents a diversity of producers, i.e. including animal, plant and processing, the common need criterion tends to be less indicative for the recruitment of members. Forty-eight percent of producers were “recruited by development agencies” (PM3). In this case, development agencies either asked producers to initiate cooperatives or encouraged them to join the cooperatives established already in order to receive benefits from development projects. Thirty percent of producers also highlighted “the recruitment by political parties” (PM2) as a main motive to join cooperatives. The percentage of producers under these two indicators was higher in the North and South Lebanon regions for the main reasons detailed above. All members in active women cooperatives were recruited “by development agencies” (PM3). In fact, all women cooperatives interviewed in this study were initiated by one INGO (YMCA). First, women received intensive trainings on processing activities. Then, YMCA legalized their cooperation by supporting the establishment of cooperative enterprises in several villages. After a short time, it donated the processing tools needed for production.

The recruitment of “individual producers” (PM4) registered the same percentage (73 percent) as the recruitment of a “group of producers” (PM5) in the active cooperatives studied across Lebanon. This means that cooperatives showed no difference in the way they recruited producers. In a normative approach, for the recruitment of a group of producers, cooperatives must provide services for them and additional benefits associated with membership. Therefore, the recruitment of producers in Lebanon was not associated with the ability of delivering services

to producers. Instead, cooperatives accepted new members based on the notion of increasing the representation of cooperatives and accordingly an increased potential to receive aid from development agencies, political parties, and the government. All producers who listed the recruitment by development agencies and political parties cited also the recruitment of a group of producers as a main procedure to increase membership.

For the second component, *Relation between Members*, the relation of “similar production” (PM7: 55 percent) performed the highest percentage in cooperatives across the four agricultural regions. All fishermen and beekeepers listed this indicator as the main relationship aspect. A considerable percentage was also associated with the “kin-based relationship” (PM6: 43 percent) and the “similar domain of work and interest outside the agricultural sector” (PM8: 30 percent).

In the third component, *Main Reasons for Membership*, results showed that all producers interviewed in active cooperatives mentioned “the condition to receive development aid” (PM9) as a main reason for membership. Likewise, seventy percent of producers cited “the condition to receive support from politicians” (PM10). None of them identified the indicator of “group investment to achieve the common needs” (PM11) under this component. This means that producers joined cooperatives to receive development and political support. Their aim was not to answer their common needs based on their collective investment. Cooperative enterprises were adopted by producers for their legal institutional function allowing them to accept donations. Otherwise, producers would not have chosen cooperatives to group their efforts. This understanding of cooperatives increases the incidence of corruption practices and mismanagement. This finding corresponds to the *Reasons behind Initiation* component that was elaborated in the first dimension, *Initiation Phase and Progress* (IP), in Chapter 5 where “the condition to receive development aid” (IP10) and “requested by politicians” (IP11) were identified as the main reasons for the establishment of cooperatives.

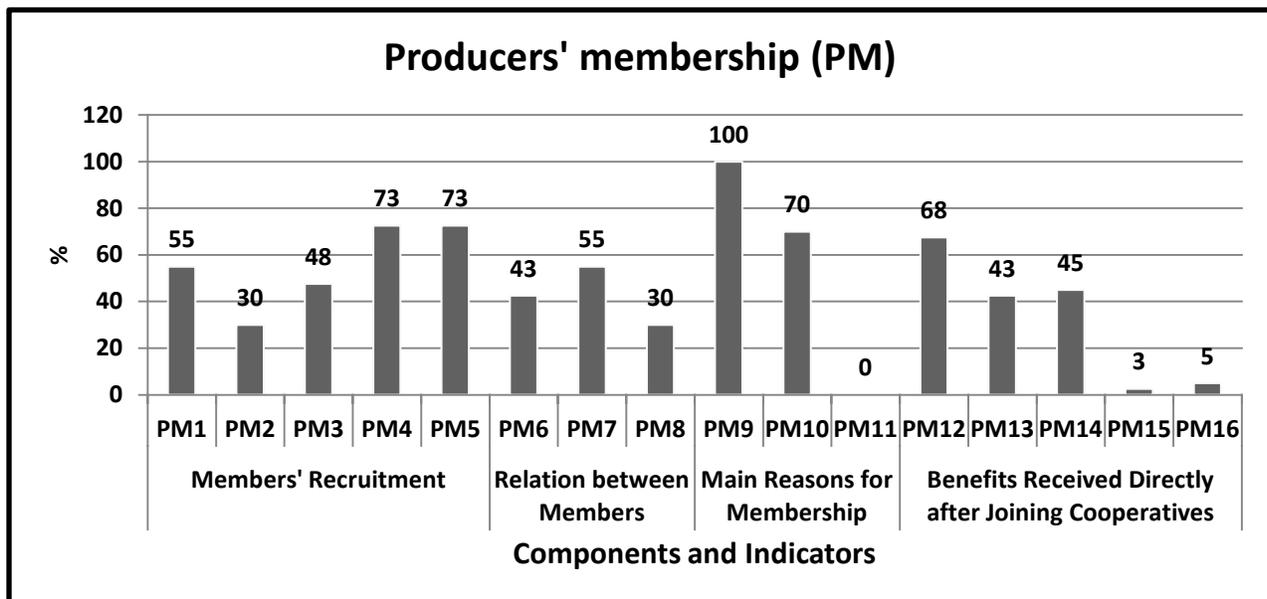
For the last component, *Benefits Received Directly after Joining Cooperatives*, results revealed that sixty-eight percent of producers in the active cooperatives studied across Lebanon “received a direct benefit after joining cooperatives” (PM12). North Lebanon performed the highest percentage for the same reasons of having more political and development agency interventions compared to the other regions. This direct benefit is considered to be the main motive for membership in the active cooperatives studied across Lebanon. When no direct benefits were

offered, the percentage increase in membership was lower. Benefits were supplied in terms of “inputs” (PM13: 43 percent) and “equipments or access to equipments” through cooperatives (PM14: 45 percent). Almost, no “marketing benefits” (PM15: 3 percent) were offered directly after joining cooperatives. Benefits from membership were not secured through “members’ own investment” (PM16: 5 percent). Members sought development and political support and did not carry out a collective investment to achieve their common needs.

In conclusion, the original idea behind the cooperation of producers is to channel development and political support for the following reasons:

- They seek cooperation without the economic participation of members in a supplementary income sector
- The similar common needs indicator of recruitment is also associated with the political and development agency group recruitment indicator and kin-based relationship
- The benefits received directly after joining cooperatives were not assured through members’ own investment

Chart 25: Average percentage of different indicators of producers’ membership in the active cooperatives studied across Lebanon



- **Members' recruitment:** **PM1:** By members having the same common needs, **PM2:** By a political party, **PM3:** By development agencies, **PM4:** Individual recruitment, **PM5:** Group recruitment,
- **Relation between members:** **PM6:** Kin-based relation, **PM7:** Similar production, **PM8:** Similar domain of work or interest outside agricultural sector,
- **Main reasons for membership:** **PM9:** To receive support from development agencies, **PM10:** To receive support from political parties, **PM11:** Group investment to achieve the common needs,
- **Benefits received directly after joining cooperatives:** **PM12:** Received benefits directly after joining coops, **PM13:** Inputs (production resources), **PM14:** Equipments or access to equipments though the coop services, **PM15:** Marketing, **PM16:** Was benefit secured through self-investment?

#### 6.4. Practices of cooperation by producers

This part examines the essential practices of cooperation that allow producers to apply the cooperative difference in the management and planning of common objectives. In addition, it analyses the main challenges reported at internal level.

The practices of cooperation (PC) were divided into three components as follows:

- Democratic members' control
- Knowledge of principles and values (including role of different actors)
- Internal problems

These three components were assessed through sixteen indicators (PC1-PC16: the data were detailed in Table 31 in Annex VIII and were displayed as percentages across Lebanon in Chart 26).

For the first component, results showed that producers in the active cooperatives interviewed across Lebanon do not participate in "planning their coop policy" (PC1) by practicing the democratic members' control principle in the general meeting. It was detailed in Chapter 5 that board members planned the coop policy and started implementing it without first getting an approval from the general meeting. Ninety percent of producers elected active board members

having a potential to achieve “the coop objectives” (PC2). Board members were always elected by acclamation; meaning that producers did not elect them based on a clear work plan or defined targets. Moreover, it appeared that twenty-eight percent of producers in active cooperatives elected board members based on their “political affiliation and power” (PC3). This point is linked to the reasons behind membership in which members elected politically active representatives to increase the potential of getting development and political support. Only five percent of producers in active cooperatives voted in the “general meeting to resolve their challenges” (PC4). The majority of producers attended the general meeting for the two main reasons: 1- to elect board members and 2- to approve the annual balance sheet that is required by-law. Moreover, findings showed that a low percentage of producers communicated on a monthly basis with board members (PC5: 25 percent) and a lower percentage on a quarterly basis with auditors (PC6: 8 percent). The highest communication percentage was in the Bekaa region compared to the other regions. By having agriculture as the main income (Description of producers DF7: 60 percent), producers in the Bekaa region communicated more with their representatives. Finally, the majority of producers in cooperatives that employed a manager cited the positive role of managers in responding to their needs and requests (PC7).

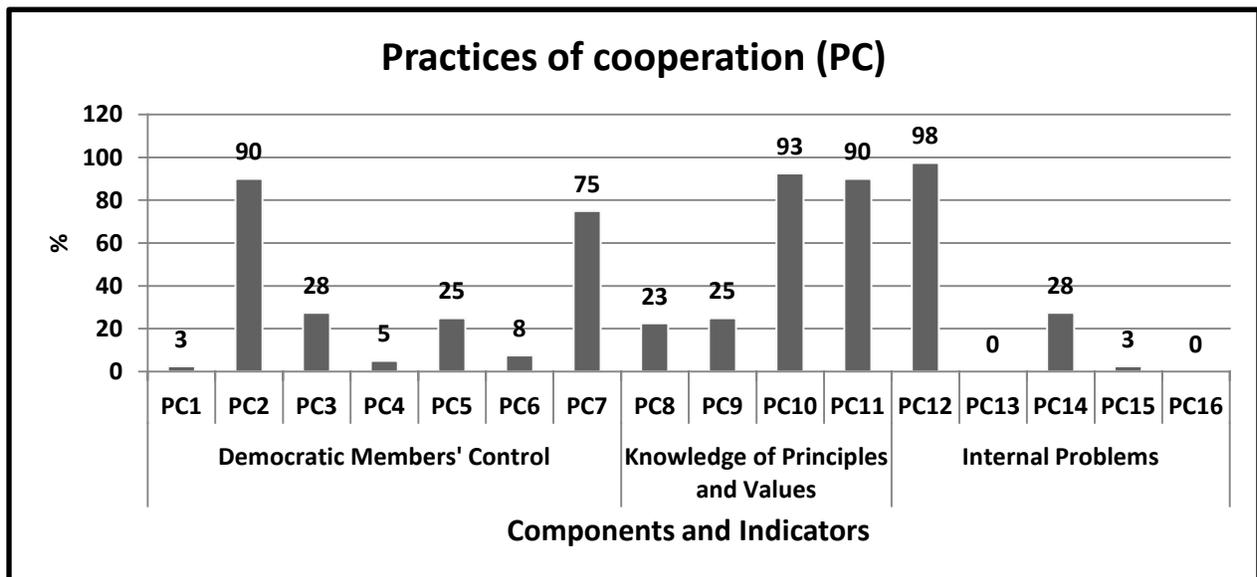
For the second component, *Knowledge of Principles and Values* (including role of different actors), results showed that around twenty-five percent of producers in active cooperatives interviewed across Lebanon had the basic knowledge of principles and values (PC8) and received proper education (PC9) mainly through development projects. The remaining producers knew that cooperatives are based on principles and values but they were not able to identify them. This result contradicts with the *Education* component in the *Partnership and Environment* (PE-I) dimension in Chapter 5 where board members stated that producers received “proper education to know their rights and responsibilities” in cooperatives (PE11). However, board members applied few principles and values, in particular in providing the “equal access to coop services” (PC10) and in “distributing the individual support” donated by development agencies (PC11).

For the last component, *Internal Problems*, results showed that producers in the active cooperatives studied across Lebanon first encountered “the horizon problem” (PC12) and then the “control problem” (PC14) at the second level. Because producers in cooperatives in Lebanon

did not rely on their own investment, the horizon problem (capital formation and its management-undercapitalization) was their major challenge. Development agencies managed this challenge by supplying the investment needed in terms of fixed assets. In addition, because board members were not elected based on a clear work plan and were not communicating with producers at a regular basis, the control problem was identified as a second main challenge at the producers' level. These two challenges were also identified in Chapter 5 at the board members' level. Other problems- "portfolio" (PC13), "free rider" (PC15), and "influence cost" (PC16)- were not indicated by producers. This is normal because producers did not apply the principle of members' economic participation to own their assets. When producers do not share financially in their cooperatives, these problems would not appear at the members' level. Producers accepted whatever development agencies offered without being challenged to identify the priorities of different producers.

In summary, producers in active cooperatives in Lebanon did not apply the democratic members' control principle in the general meeting practices. They failed to adopt an efficient organizational structure. They showed a lack of knowledge in the principles and values that are essential to apply the cooperative difference. They did not receive an appropriate education either from the government or from development agencies. The problems encountered at the producers' level were linked to the notion of dependent cooperative enterprises lacking the economic participation of members and to the weak organizational structure.

Chart 26: Average percentage of indicators of the practices of cooperation in active cooperatives studied across Lebanon



- **Democratic members’ control:** **PC1:** Participating in planning the coop policy, **PC2:** Electing active board members or auditors, having a potential to achieve the coop objectives, **PC3:** Electing board members based on their political power and affiliation, **PC4:** Voting in the general meeting on the proposed solutions to resolve the coop’s main challenges, **PC5:** Monthly communication with the board of directors, **PC6:** Quarterly communication with auditors, **PC7:** Managers respond to the needs of members
- **Knowledge of principles and values:** **PC8:** Knowledge of the main coop principles and values, **PC9:** Members received education about the coop principles and values, **PC10:** Equality in receiving the coop services (when available), **PC11:** Equality in receiving individual support (donation from the government or development agencies) (when available),
- **Internal problems:** **PC12:** Horizon problem, **PC13:** Portfolio problem, **PC14:** Control problem, **PC15:** Free rider or common property problem, **PC16:** Influence cost problem

## 6.5. Improving members’ socio-economic conditions

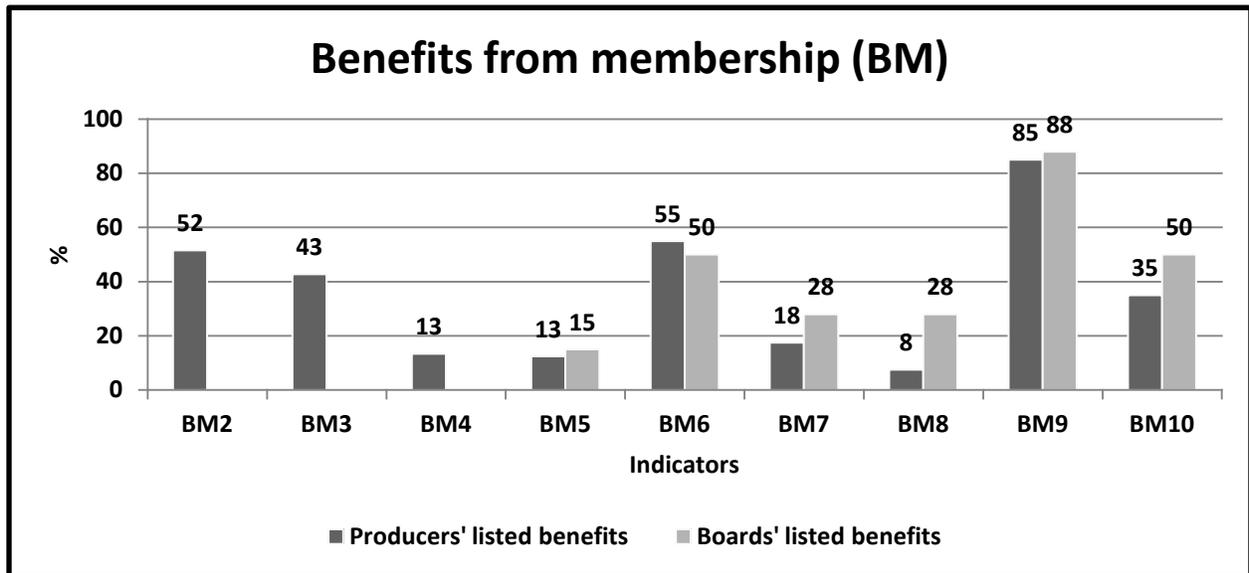
This part explores the main benefits delivered by cooperative enterprises to their producers’ members. It compares these benefits with the benefits listed by board members in Chapter 5 and outlines the main differences.

Ten measurable indicators assessed the benefits of cooperatives received by producers (Benefits from membership: BM1-BM10: the data were detailed in Table 32 in Annex VIII and were displayed as percentages across Lebanon in Chart 27).

Results showed that “the number of services” (BM1) received by producers was exactly the same as those listed by board members in Chapter 5 in the *Nature of Offered Services* component. Fifty-two percent of producers in the active cooperatives interviewed across Lebanon cited an “acceptable quality” (BM2) of services. Forty-three percent of producers listed a “high quality level” (BM3) of services. The reduced role of producers in “selecting and planning the coop services” (BM4: 13 percent) is associated, first, with the main reasons of receiving political and development support from membership, and second, with the weak democratic members’ control detailed above in this chapter.

In the benefits from membership, findings showed a similar performance of the indicators studied (BM5-BM10) with slightly lower percentages for producers’ members compared to board members’ listed benefits. “Increased skills” (BM9) and “increased access to services” (BM6) did not generate “a decrease in the cost of production” (BM5) and accordingly an increase in income that represents the measurable impact of both indicators (BM9 and BM6). Likewise, the low percentage of the access to market benefit (BM7: 18 percent) would not have positive impacts unless it coincided with an increase in income. Few producers in three cooperatives mentioned that the increased access to market was associated with an increase in income. Findings in the benefits from membership at the producers’ level contradict with the increased income and the reduced cost of production stated by development agencies in Chapter 4. They confirm the reduced role of cooperatives in developing the agricultural sector that was declared by the government in Chapter 3. Therefore, cooperatives did not contribute to a significant improvement in the socio-economic conditions of producers. They were used to receive development and political support that was wasted due to the inefficient organizational structure of the general meeting, mismanagement, and corrupted practices by producers and development agencies.

Chart 27: Average percentage of indicators of the benefits from membership at the producers and board members' levels in the active cooperatives studied across Lebanon



- **Benefit from Membership: BM1:** Number of services received by producers, **BM2:** Acceptable quality of services, **BM3:** High quality of services, **BM4:** Members have selected and planned the coop services, **BM5:** Decrease the cost of production, **BM6:** Improve access to new services, **BM7:** Increase access to market, **BM8:** Improve bargaining power, **BM9:** Increase skills, **BM10:** Increase power of members to influence their coop policies

## 6.6. The decision not to join local cooperatives

One non-member adjacent producer was interviewed to explore his/her decision not to join the village cooperative. Forty non-member producers were interviewed in the four agricultural regions across Lebanon. Data were processed through the same way used above. The qualitative data were transferred into “Yes” or “No” answers and then were quantified. Two components were identified:

- The availability of services
- The main reasons for reluctance

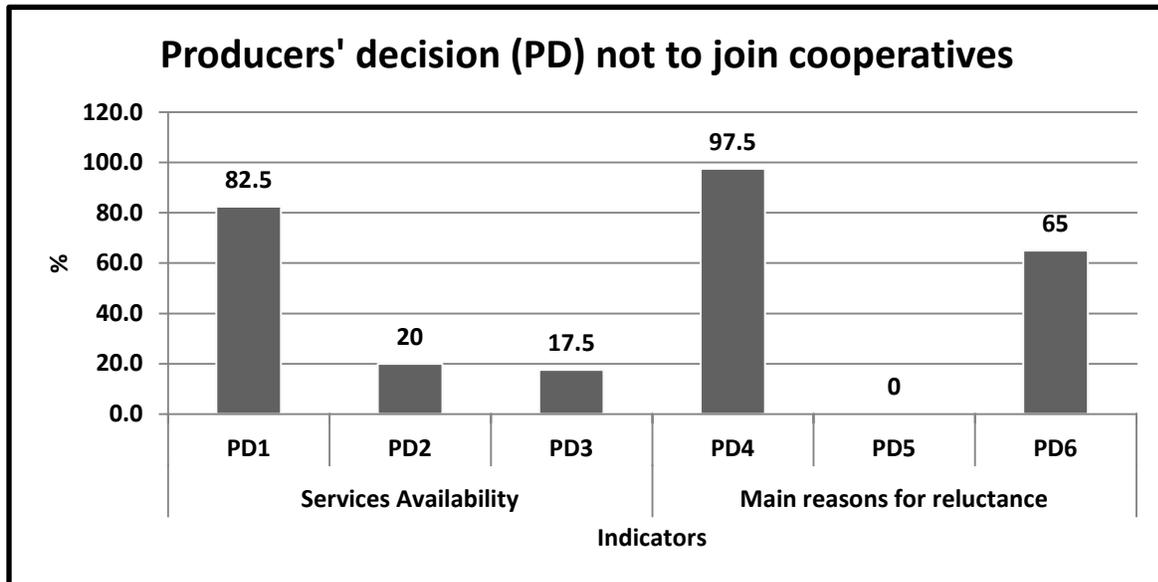
Components were divided into six indicators (Producers' decision: PD1-PD6: The data were detailed in Table 33 in Annex VIII and were displayed as percentages across Lebanon in Chart 28).

In the first component, findings revealed that eighty-two percent of non-member producers (thirty-three out of forty non-member producers) received the “coop services from other private suppliers” (PD1). In fact, all non-members had also access to the coop services without the necessity to have a membership and even without being differentiated by price. By-law, non-members should pay an additional cost compared to active members. This means that because most cooperatives received fixed assets in terms of donations from development agencies or politicians, they equally offered the available services to all adjacent farmers/processors. This situation did not even create a free rider problem, as revealed in the internal challenges, because producers did not share financially in their cooperatives. In the benefit of increased skills, cooperatives invited all adjacent producers because the training sessions were supplied by development agencies that aim to reach as many beneficiaries as they can. Therefore, being a member or a non-member was equal in terms of benefits in the majority of Lebanese producers' cooperatives. When services were offered by both cooperatives and private suppliers, the difference in terms of the quality and price of services did not also constitute a reason for membership. Only around twenty percent of non-members cited that cooperatives offered a “better price of services” (PD2) with a “better quality” (PD3). However, because non-member producers had an equal access to services, they were not urged to join local cooperatives to receive this higher performance.

For the second component, the *Main Reasons for Reluctance*, results showed that the majority of non-member producers chose not to join local cooperatives because they were not offered an “individual support” (PD4). Because the services in cooperatives and the capacity building were equally received, the only reason for non-members to join cooperatives is the potential to receive an individual support. None of the non-member producers listed the “absence of common needs” (PD5) as a main reason for reluctance. However, sixty-five percent of non-members cited the “procedure of recruitment” (PD6) by political NGOs as a weakness in cooperatives preventing them from active membership.

Therefore, non-member producers did not identify a positive impact or a plus from joining local cooperatives. The benefits from membership were equally accessed without the need of investment and further responsibilities.

Chart 28: Average percentage of indicators of producers who decided not to join cooperatives across Lebanon



- **Services availability:** **PD1:** Accessibility of services from private suppliers, **PD2:** Price competition offered by coops, **PD3:** Quality competition offered by coops,
- **Main reasons for reluctance:** **PD4:** Not receiving an individual support, **PD5:** Not answering the common needs, **PD6:** the procedure of members' recruitment

## 6.7. Conclusion

Cooperatives in Lebanon did not contribute to the socio-economic development of producers for the following main reasons:

- Producers did not join themselves cooperatives to answer their common socio-economic needs. Instead they were recruited by development agencies or politicians to participate in development projects. The benefits received by producers- increased access to services

and skills- did not contribute to a reduction in the cost of production and accordingly to an increase in income.

- Producers considered cooperatives a tool to legally channel development and political support, but not an efficient tool to alleviate their socio-economic challenges. They did not invest in their cooperatives, did not rely on the coop principles and values, and did not practice their role and responsibilities in applying an effective organizational structure.
- Development agencies used the cooperative tool for two reasons: 1- their normative role in developing the socio-economic conditions of producers and 2- their ability to accept donations by-law and perform non-profit production services. They consider cooperatives a development tool that offers services to members and non-members without any differences. The only added value from being a coop member is the ownership of assets donated by development agencies.

## **Chapter 7- Concluding Notes and Recommendations**

### **7.1. Specific research findings**

This research analyzed whether the political rhetoric surrounding the role of cooperatives in agricultural sector development after the end of the civil war in Lebanon corresponds with how producers view the benefits and challenges in their cooperatives.

In the first part -the policy study- findings showed that producers' cooperatives could theoretically play a strategic role in inducing agricultural and socio-economic development in Lebanon. The characteristics of cooperatives and their potential role could offer a real solution to overcome the main challenges of producers encountered in the structure of the Lebanese economy, the post-war economic and reconstruction policies, the characteristic of Lebanese agricultural sector, and the nature of post-war agricultural development policies. Accordingly, the post-war governments relied on the cooperative tool in the supply, service, and marketing divisions of the production cycle. They planned to use cooperatives to perform the main normative impacts that could be delivered by them, in particular to decrease the cost of production, to increase access to services, to improve access to market, to increase bargaining power, to enhance the power of producers, and to increase producers' skills. However, the semi-structured interviews revealed several weaknesses in the services of the Directorate General of Cooperatives, many financial and political barriers to implement the liberal policy of cooperatives' development, and the general inefficiency of post-1992 producers' cooperatives in developing the agricultural sector in Lebanon. In addition to the government, the development agencies attributed multiple roles for cooperatives at the micro and macro levels in their development agendas. They saw cooperatives as essential in decreasing the cost of production, increasing access to market, improving skills, and consequently alleviating poverty, supplying jobs, and increasing the social cohesion. They mainly supplied cooperatives, from a neoliberal perspective, with the capacity building and financial support needed for rural development. Such support offered several pre-requisites for success to cooperatives. The development agencies planned to perform the interventions that facilitate the development of skills and the delivery of services needed by producers. Although they listed serious internal and external challenges in the

projects implemented with cooperatives, they found that producers' cooperatives in Lebanon have achieved their essential impacts, in particular decreasing the cost of production, increasing access to market, improving access to services, improving skills, alleviating poverty, providing job opportunities, and improving the social cohesion, and therefore, cooperatives were effective in inducing the socio-economic development of producers.

The findings of the first part revealed a contradiction in the government rhetoric by stating, on the one hand, the normative essential role of cooperatives in developing the agricultural sector, and on the other hand, the inefficiency of producers' cooperatives at the empirical level. The government continued to support cooperatives and adopted a weak approach to manage the root causes of their failure. For the development agencies, their rhetoric showed the strategic role of producers' cooperatives in developing the agricultural sector in Lebanon at the level of strategies and empirical achievements.

In the second part- the study of cooperatives and their producers- findings, of the semi-structured interviews carried out with the board of directors, showed that active producers' cooperatives were mostly established to receive development and political aid across Lebanon. Their inefficient organizational structure decreased their performance, made difficult the achievement of their potential roles, and mainly raised the corruption practices and mismanagement. Cooperatives were not benefiting from the increased power of the cooperative movement structure. They cooperated to increase their power to receive development aid and not to deliver additional benefits to their members. They did not face a competition in the market with their capitalist counterparts. This labeled them as alternative enterprises for rural development with a lower performance in the Lebanese neoliberal market economy. Cooperatives offered few paid services- one or two- based on the assets donated by development agencies. These services did not generate significant surpluses in the cooperative. Producers did not invest in cooperatives to initiate new services responding to their common needs. In terms of impacts, cooperatives increased members' skills and improved access to services without being able to reduce the production cost which is the key economic factor for long term successful cooperation. For the performance of cooperatives across the four agricultural regions in Lebanon, the Bekaa region showed a higher efficiency due to a less political intervention, greater members' own investment, increased reliance on common needs, and a less support directly after initiating cooperatives

donated by development agencies and politicians. The sub-sector variable (production, fishery, and beekeeping) did not produce significant changes in the performance of cooperatives across the four agricultural regions. Supporting the fishery and beekeeping cooperatives in applying an efficient organizational structure and in increasing their reliance on the economic participation of members may produce a sub-sector difference. For the gender variable, cooperatives showed a limited contribution in managing the gender related problems in Lebanon. The notion of women cooperation under the cooperative enterprise model had an image of a completely dependent organization that assured low-paid job seasonal opportunities for local women.

In-depth semi-structured interviews at the producers' level confirmed the findings elaborated with the board of directors and revealed the negligible role of cooperatives in inducing the socio-economic development of producers. Cooperatives were used to receive development and political support that was wasted due to the inefficient organizational structure of the general meeting, the mismanagement, and the corrupted practices of members and development planners. Non-members did not identify a plus from joining local cooperatives. The services offered to members were equally accessed by non-members without the need of investment and further responsibilities.

The results of the second part revealed that active producers' cooperatives in Lebanon could not be named cooperatives in the real sense of practices and potential benefits. There is an idea of a completely supported dependent initiative and not a cooperative initiative. When cooperatives were supported by development agencies, the assets and benefits received were not productive and were mostly wasted by failing to reduce the cost of production and to increase income.

The findings of the first and the second parts showed that the rhetoric of development planners surrounding the role of post-war producers' cooperatives in improving socio-economic development in Lebanon contradicts the empirical reality of how producers view the benefits and challenges in their cooperative enterprises. Further discussions in this chapter elaborate the specific problems, the challenges in theory and practices, the contribution to the literature, and the recommendations proposed for the main stakeholders.

## 7.2. Defining specific problems

As shown in Chapter 1, the Lebanese case study of producers' cooperatives is considered to be a unique model that it is difficult to find elsewhere with its all combined characteristics.

Producers' cooperatives worked within a liberal economic policy and a weak agricultural sector. They experienced a civil war and a reconstruction period, were highly controlled by politicians, and received a lot of support from development agencies. Therefore, specific case study problems/challenges, analyzing the empirical failure of cooperative initiatives in developing the agricultural sector in Lebanon, are interesting to be highlighted for further specific research into the cooperative sector. These problems could be defined or classified according to the main stakeholders of the cooperative sector, in particular the government, the development agencies, and the cooperatives themselves (Board of Directors and individual members).

The government, by giving low priority to the agricultural sector and allocating a very low budget for its development, needed an organization that has the potential to induce, in the long term, the socio-economic development of producers. Cooperatives, by being an economic enterprise that can be initiated by producers in rural areas and by having succeeded in delivering socio-economic impacts as shown in Chapter 1, were normatively chosen by the government as a tool to implement agricultural development strategies. In this way, the government relied on cooperatives for their normative role and not for their real empirical situation or previous achievements. Cooperatives were seen on the basis of what they could do and not on the basis of what they are actually offering to producers. This approach coincided with the political aim of the sectarian government members who supported cooperatives to increase clientelism and control. Accordingly, the government did not aim or work properly to strengthen the monitoring role of the DGC and appeared to design strategies on papers for the development of cooperatives. Politicians wanted cooperatives to be weak, dependent, mismanaged, and corrupt because otherwise they would lose their control over producers that was maintained by the continuous delivery of political and development aid to cooperatives.

For the development agencies, like for the government, cooperatives were chosen for their normative role and not based on their real empirical status. Development agencies sought to work with a group of producers who can sell and buy (perform economic services), offer production services, accept donations by-law, distribute equal benefits, and democratically

manage decisions and select priorities. That is why development agencies selected cooperatives and sometimes established them. Moreover, in order to implement development projects, agencies needed a local ownership that has the potential to offer sustainable long term impacts after the project's ending phase. The problem is that agencies created the need, designed and implemented interventions that were totally donated to cooperatives without the economic participation of members. When agencies planned to implement a project in a certain area, they first started to identify stakeholders and then approached them. Cooperatives, by being an organization authorized by the government, were the most practical tool to reach the local producers and support development agencies in implementing their projects. In addition, agencies assured the management costs needed to run the assets donated to cooperatives. This heavy support turned cooperatives into decentralized branches of development agencies and not organizations owned by producers, in particular when agencies continued to manage the coop assets after the end of the project. Finally, the weakest point is the political aim of some development agencies and the coordination of others with politicians to select active cooperatives to benefit from development projects. Both transformed the socio-economic aim of cooperative initiatives into a political aim that was fostered by mismanagement and corruption.

For cooperatives, members established them to respond to the interest of the government and development agencies in supporting an economic cooperative enterprise and not to answer their common needs through a collective investment. The Lebanese cooperatives could be named charity organizations, groups of producers, etc. that have the legal structure of a cooperative enterprise in name only and not in practices and benefits. The principles and values of cooperatives were not taken into consideration to manage and monitor cooperatives. Instead of benefiting from the assets donated by development agencies and other financial supports to initiate productive services, most initiatives showed limited impacts either due to the corruption practices and the mismanagement by members or due to the improper planning and implementation by development agencies. The majority of cooperatives studied in this thesis were never neutral; they have mainly increased the political control of politicians either by accepting political aid or by benefiting from their connections to receive development aid.

These specific problems reveal that the main stakeholders are benefiting from the inefficient cooperative initiatives for self-interest in contrast to the common aims of producers as well as the

development objectives. The Lebanese cooperatives are political and corruption tools formally legalized under the cooperative law and progressively maintained by the occasional development aid channeled by the political development agencies.

### **7.3. Challenges of Lebanese producers' cooperatives**

This section summarizes the main challenges facing the development of producers' cooperatives in Lebanon. It groups the challenges that were highlighted in the policy study as well as in the cooperatives' study.

#### **Unspecific common needs and objectives**

Producers' cooperatives in Lebanon do not specify their common needs and objectives, which are the real purposes behind any collective initiatives. Instead, they enlarge their expectations by planning various activities in the three types of cooperatives (supply, service, and marketing) and the three main socio-economic objectives (income generation, job creation, and social cohesion). They formulate an initiation project that is rarely based on their common challenges and then they submit it to the DGC that mainly accepts to establish cooperatives by having the minimum number of producers required by-law and by showing the viability of the project proposed by members. After that, members start, through a legal way, to seek development and political aid identified as the main reasons for the establishment of cooperatives. This situation reveals a dominance of fake or ghost cooperative enterprises in the agriculture sector and raises a question mark about the usefulness of considering them as a strategic tool for agricultural development even if the Lebanese economic and agricultural characteristics present favorable conditions.

#### **Absence of the collective investment notion**

Members in cooperatives do not rely on the principle of members' economic participation to answer their common needs and achieve their objectives. Cooperatives do not need to show their financial capacity to secure the initial investment costs of the project proposed in the initiation file. Findings in Chapters 4, 5 and 6 revealed that all assets owned by cooperatives were donated by development agencies or politicians without the economic participation of members. Because

cooperatives do not share in investment, they accept any interventions proposed even if these interventions do not answer their common needs. Accordingly, members show low accountability for assets and put no efforts in management and monitoring. That is what makes cooperatives and projects implemented through them vulnerable to corruption practices and mismanagement.

### **Lack of autonomy and independence**

Producers' cooperatives in Lebanon are dependent on development agencies and politicians. By aiming to receive development and political aid, cooperatives were initiated to be dependent. In fact, because they managed to get development or political aid, they were labeled active from the government's perspective. In some cases, agencies employed the managers/workers of cooperatives in order to control the project activities. In other cases, agencies continued to run activities after the project's ending phase and effectively became the executing and the financial body of cooperatives. The politicians through their connections with the government and their own development agencies maintain a continuous control of cooperatives and impose dependency by selecting cooperatives to benefit from development aid.

### **Inefficient organizational structure that reduces the democratic control of members**

In the majority of cooperatives in Lebanon, the general meeting does not play its essential role in designing or voting on the coop strategies and policies. This goes in parallel to the unspecific common needs that make targeting development aid as the main strategy of cooperatives. The general meeting only convenes to apply what is required by-law in terms of the election of the board of directors and the clearance of the annual balance sheet. Most board members are elected by acclamation and mainly for their time availability, their political affiliation, and their power. The auditors do not perform their role in monitoring the board of directors and reporting the progress to the general meeting. They do not have the technical background to monitor the financial activities of cooperatives and meet less than the minimum number of meetings required by-law.

### **Reduced impacts of the cooperative movement**

Producers' cooperatives cooperate with each other to increase their power in receiving development and political aid, but not to increase services delivered to members. Most cooperatives join the cooperative confederation because it is mandatory in the Lebanese cooperative law. Therefore, producers' cooperatives in Lebanon do not benefit from the increased power of the cooperative movement structure that facilitates the development of cooperatives in the liberal market economy.

### **Lack of knowledge and application of principles and values**

All challenges detailed above reveal the lack of knowledge and application of the principles and values of cooperatives by the general meeting, the board of directors, and the auditors. Principles and values are the heart of cooperatives and the main characteristic that differentiate them from their capitalist counterparts. The Lebanese producers' cooperatives lack this essential prerequisite for success that limits their potential roles and mainly raises corruption practices and mismanagement.

### **Low performance of cooperatives**

In comparison with their capitalist counterparts, producers' cooperatives reveal a lower performance in the Lebanese liberal market economy. They do not have the capacity to offer services to members or they mainly supply few services that did not contribute to a reduction in the cost of production. They are not even considered as alternative enterprises for rural development as classified under the neoliberal market economy. They failed also to play this role. In fact, cooperatives are not facing a significant competition with their capitalist counterparts. This means that they are out of the market or most probably supplying services that are not attractive to capitalist enterprises, which seek profit maximization. Cooperatives did not succeed in benefiting from the development and political aid. Instead, aid was not productive and was mainly wasted.

### **Inefficient government role and support**

Producers' cooperatives in Lebanon did not benefit from the public services planned for cooperatives' development under the post-war agricultural strategies. Financial, political, and multiple logistical barriers limited the implementation of public services and accordingly their associated achievements. Several weaknesses are identified in the services of the DGC that is not playing an efficient role in the proper initiation of cooperatives, the follow-up support, and the continuous monitoring. The DGC has a limited role in preventing the main corruption practices and the mismanagement of cooperatives. Moreover, the political aim of cooperatives in the post-war period did not create a supportive environment for their development. Cooperatives succeeded in delivering their political aim but they failed in achieving their socio-economic impacts.

The challenges of producers' cooperatives in Lebanon reveal the fruitless role of cooperatives in inducing socio-economic development in Lebanon. Cooperatives are not cooperatives in practices and benefits. They are legal organizations grouping producers to waste development aid and achieve political aims.

### **7.4. Contribution to the literature**

This research revealed that the government and development agencies may rely in their policies and strategies on cooperative enterprises based on their normative role in inducing socio-economic development and not on their real empirical status or previously achieved impacts. Producers' cooperatives in Lebanon did not significantly contribute to poverty alleviation, social cohesion, and sustainable employment. The government may sometimes report a failure or a lower performance of the cooperative tool in achieving the designed strategies, but it may continue to consider it as an efficient development tool in the production sector. In fact, cooperatives were considered as economic enterprises that are theoretically democratic in decision making and can legally accept donations from the government, politicians, and development agencies. Thus, development planners may rely on cooperatives for their logistical role in reaching the majority of producers while working to develop the agricultural sector.

These findings were ignored by the different authors who reported the use of cooperatives based on their potential roles at the enterprise level and for socio-economic development. After being selected by development planners, cooperative enterprises may not achieve efficient impacts, but instead may prove to foster corruption practices and mismanagement. Sometimes the government may play a role in facilitating corruption in cooperatives. Its main role in Lebanon in favoring proper legal and regulatory frameworks was effective in giving free hand to cooperatives to participate in corruption. This result adds a vulnerability to corruption component in the challenge of unsuitable national environment for the development of cooperatives. This was not mentioned by the World Bank, advocating for an enabling legal and regulatory environment that assures the autonomy of cooperatives (World Bank 2007). The DGC in Lebanon did not apply the minimum monitoring measures that ensure the proper supportive control of cooperatives in their practices and activities. As a result, the government increased the dependency of cooperatives instead of strengthening their autonomy through an appropriate assistance and coaching. In-depth analysis showed that the government may intend to increase the dependence of cooperatives in order to increase the control opportunity by political NGOs. Thus, the government facilitated the control of cooperatives by local politicians. This finding adds the government factor in increasing the control over cooperatives in the control problem of internal challenges where Uma Lele and Chris Penrose-Buckley only revealed the role of politicians and local elites under this aspect (Lele 1981, Penrose-Buckley 2007). This makes unnecessary the useful role of coordination between the different stakeholders in developing cooperative enterprises. Development agencies chose to coordinate with politicians in selecting cooperatives that would benefit from development projects. Therefore, development agencies may report different criteria in selecting cooperatives. Moreover, they appeared to report unattained impacts meeting their planned objectives. They wanted to justify the usefulness of assets donated to cooperatives. If they report to donors that their interventions did only increase producers' skills and did not decrease the cost of production or increase income, they will not be able to channel more grants by relying on the cooperative tool. Sometimes, agencies chose to continue managing the projects implemented with cooperatives in order to control members on a daily basis, and in addition they carried out improper interventions with a significant aspect of mismanagement. Therefore, mainly political development agencies and donors supporting them played a role in the failure of producers' cooperatives in Lebanon. In fact, without the support of

developing agencies, the active cooperatives studied in this thesis would not have existed or at least offered services to members. In many cases, development agencies initiated cooperatives to help in the implementation of development projects. They supported cooperatives because they can legally accept donations, as mentioned earlier, and they did not ask for the economic participation of members. Thus, the partnership of cooperatives with development agencies could be identified as an external challenge for cooperative enterprises. This finding was ignored in the literature.

For the potential role of producers' cooperatives at the enterprise level, this research showed that cooperatives in Lebanon are an essential tool to:

- Enhance members and non-members' skills through the capacity building activities funded by development projects. Increased skills did not contribute to a reduction in the cost of production. This result contradicts with the impact of increased farm productivity and efficiency (UN/DESA 2009).
- Increase access to services for members and non-members without a reduction in the cost of production or an increase in income.
- Increase the power of members to seek development and political aid. This was the main achievement of cooperatives. It was ignored by Johnston Birchall and John Empson who reported the useful role of cooperatives in enhancing the power of members to influence their common policies (Birchall 2004, Empson 1984).

Therefore, the active cooperatives classified by the government and development agencies revealed a low performance and were mainly a political tool maintained through corruption practices and mismanagement. They were initiated to receive development and political aid, had an inefficient organizational structure, were financially dependent, and delivered no productive services to members. The financial dependency of cooperatives was not directly indicated as a main internal challenge in the literature. Von Pischke and John Rouse only mentioned the subsidized notion of producers' cooperatives in the developing countries under the horizon problem (Von-Pischke & Rouse 2004). Further findings showed that there was no significant difference between dormant and active cooperatives in Lebanon. Receiving development and political aid by active cooperatives did not increase the performance of producers. Also, there

was no significant difference between cooperatives in the three agricultural sub-sectors studied in this thesis. The gender factor showed also no difference in the performance of cooperative. Under such conditions and mainly where there is no members' economic participation, most reported internal and external challenges would not face cooperative enterprises. There were no problems in the priority for investment, in the influence costs, and of free rider. The control problem by politicians and the dependency on development aid were seen as pre-requisites for success in Lebanese cooperatives. The highly competitive environment favored by the liberal economy could place cooperatives in a weak situation and accordingly channel more aid for the socio-economic development of producers. In terms of pre-requisites for success in directing more aid and facilitating corruption in Lebanese cooperatives, the key factors are to disregard the principles and values of cooperatives, to reduce the participation of members, to apply an inefficient organizational structure, and to increase the unity between cooperatives in order to receive more support. All the pre-requisites for success in the literature were not found in the majority of Lebanese cooperatives.

Under Neoliberalism, active cooperatives in Lebanon did not carry adaptation, hybridization, or degeneration to increase their performance as mentioned by Roger Spear (2004), but instead they turned up into an efficient tool to waste development aid, foster corruption, and increase political control. Post-war reconstruction and development policies produced a weak cooperative sector reflecting the image of a completely dependent enterprise having corruption practices and mismanagement as the main guiding principles.

Finally, this thesis confirms the occurrence of all corruption practices in cooperatives as mentioned in the literature: misuse to pursue political aims (Lele 1981, Throp et al 2005, Bernard et al 2008, Kwapong and Korugyando 2010), a tool to receive government and donors support (Ellner 2010), and benefit to non-members and restriction of membership (Holtland 2011). It adds an in-depth description and examples of corruption and mismanagement practices that could affect the development of producers' cooperatives. The main practices are the following:

- Increasing membership in cooperatives to improve their potential in receiving political and development aid

- Expanding the type of planned services in cooperatives (supply, services, and marketing) in order to increase their chance in receiving any projects proposed by development agencies
- Assuring the infrastructure needed, as a condition to receive assets from development agencies, by only few members and not through the economic participation of all members
- The general meeting convening less than the minimum number of meetings required by-law and leaving the role of designing the coop strategies and policies to the board members.
- Board members convening less than the minimum number of meetings required by-law
- Board members elected based on their political power and affiliation
- Auditors meeting less than the minimum number of meetings required by-law and do not have the background to monitor the activities of board members
- Board members do not offer the proper education to members about the principles and values of cooperatives
- Board members accepting any interventions proposed by NGOs
- Non-members paying the same cost of services as the coop members
- Non-members controlling the coop services through a kin-based relationship
- Personal use of coop assets by the president
- The DGC accepting the election of board members in a second general meeting set after one hour of the first general meeting (minimum 50% of all members should be in the first meeting in order to elect board members, otherwise the second general meeting can elect board members by less than 50% attendance)
- The DGC accepting the initiation of cooperatives by any ten members, either producers or no, and based on a project that members do not need to secure its investment costs
- The DGC donating financial support to cooperative without further monitoring
- Development agencies managing the coop services
- The coordination of development agencies with politicians to select active coops that would benefit from development projects

## **7.5. Concluding recommendations**

The last section of this chapter proposes fundamental recommendations for the development of producers' cooperatives in Lebanon. Recommendations are suggested at policy and practice levels detailing the roles of the main stakeholders: the government, development agencies, and cooperatives (producers and board of directors).

### **Policy level**

The government must define a role for cooperatives that is feasible within their prevailing empirical conditions as detailed in this thesis. Expectations should be adapted to the financial and technical capacity of members, unions, and apex organization. These are not suitable for roles requiring large investment and advanced management skills. In parallel, the government must adopt a policy enabling cooperatives to fulfill the role ascribed to them. This involves creating a supporting environment that aims at strengthening the performance of cooperatives. This could include facilitated access to guaranteed credit program, direct access to markets without intermediaries, direct import of production resources with tax-exemption, etc. Subsidies programs and financial support should be specific to the needs of each cooperative and time-bound. Both should fill the gaps preventing cooperatives to play their role. Development agencies should also specify the role of cooperatives in their policies and strategies in a way that complies with the prevailing empirical conditions. Programs for the development of producers' cooperatives should be designed over a long-term period and responsive to producers' needs. They should substantially increase the accountability of producers with regard to donated assets. Development agencies should help preventing the market from squeezing out small producers and enhance their capacity to meet their common needs. The government and development agencies should cooperate together to unify their vision in developing cooperatives. They should involve the apex organization and cooperatives' unions in designing strategies for the development of cooperative enterprises.

## **Practice level**

The government must only accept the initiation of cooperatives based on a well-designed project proposal in which members provide at least half of the investment cost needed. It must complement the participatory initiation by a training program detailing the role of different actors in the organizational structure of cooperatives. The general meeting, board of directors, and auditors must know how to manage their cooperative in order to deliver feasible services and prevent corruption practices. The monitoring role of the government must be revised in a way to increase transparency and limit corruption without compromising the independence of cooperatives. The government must update the cooperative law to facilitate the development of cooperatives under the prevailing conditions. In particular, it must allow the participation of financial members with non-voting shares and hybridization, both of which are essential in order to increase the performance of cooperatives under the existing neo-liberal economic conditions. The government must carry periodic dissolution of dormant cooperatives.

Development agencies must not initiate new cooperatives to implement development projects. The potential to succeed with newly initiated cooperatives is much lower than with well-established cooperatives, and the investment cost is much higher. Projects should only support complementary activities that are needed for production instead of equipping cooperatives with whole production lines. Requesting from cooperatives to contribute financially in complementing the donated assets for their projects is crucial in order to increase their accountability. Anti-corruption measures should be integrated in the different phases of project implementation. Development agencies and their representatives should be fully committed to respect the autonomy of cooperatives and promote sustainable interventions.

Services in cooperatives should be designed to fit the changing capacity and constraints identified by members. In order for cooperatives to provide services that are offered by private suppliers, their cost must be lower and/or their quality must be higher. Cooperatives must avoid services with high technical aspects requiring the permanent presence of non-member professionals. They must supply simple services initiated with low investment cost and offered with minimum running cost. For instance, they can build strategic partnership with private suppliers to deliver lower cost products and services through the application of the economy of scale.

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## **Annex I: Development agencies' Questionnaire**

### **A- General information:**

- Name of the NGO and category
- Objectives
- Activities in Lebanon
- List of major projects implemented with producers cooperatives after 1990
- List of supported producers' cooperatives
- Current partnership with producers' cooperatives
- Projects' document or evaluation reports

### **B- Supporting cooperatives:**

- What were the types of activities implemented in different projects?
  - o Equipments
  - o Education including management
  - o Marketing
  - o Other \_\_\_\_\_
- How were these activities planned? (if responding to need)
  - o Cooperatives' survey
  - o Project components
  - o Development policy
  - o Other \_\_\_\_\_
- Did members share? (Sharing in investment)
  - o None

- A percentage
  - No direct support
  - Other \_\_\_\_\_
- Were cooperatives initiated during the project phase? If yes, on which basis and how? (top down approach)
- What were the criteria to select cooperatives? (efficiency of intervention)
- Total number of members
  - Type
  - Previous activities
  - Gender
  - Others \_\_\_\_\_
- Describe or draw the nature of communication during the project? (top down approach)
- What was the background of officers implementing the project? (top down approach)
- Social worker
  - Agriculture engineer
  - Others \_\_\_\_\_
- What were the results achieved in projects?
- Increased income
  - Increased market access
  - Increased knowledge
  - Increased power
  - Increased services
  - Failure
  - Others \_\_\_\_\_
- What were the problems encountered during project implementation?
- Vested interest
  - Lack of cooperative sense
  - Portfolio problem
  - Control Problem
  - Free rider
  - Communication between the coop and NGO
  - Others \_\_\_\_\_

- What was the kind of partnership set after the project? (continuous support for community)
  - o None
  - o Monitoring for assets
  - o Local partner for development
  - o Others \_\_\_\_\_
  
- Are there any new projects to support cooperatives? List them and activities. How were these projects designed? (continuous support for coop as an instrument for development)

### **C- Development Policy:**

- What were the reasons for selecting cooperatives as a tool for development?
  - o Grouping similar needs
  - o A legal group and organization recognized by the government
  - o To respond to government plans
  - o Equitable and sustainable support
  - o Having potentials
  - o Succeeded in the developed world
  - o Donors request
  - o Could be controlled
  - o Others \_\_\_\_\_
  
- What is the role that the NGO has played to manage the external challenges of cooperatives
  - o Fairer competition
  - o Favorable environment
  - o Others \_\_\_\_\_
  
- What could/did cooperatives achieve in your development agenda? And how?
  - o Poverty alleviation
  - o Social integration
  - o Sustainable employment
  - o Contribution to the MDGs
  - o Fairer globalization
  - o Others \_\_\_\_\_

- Did you rely on any of the international recommendation for the promotion of cooperatives
  - o ILO Recommendation n.193 (2002)
  - o UN Guidelines (2001)
  - o Others \_\_\_\_\_
  
- Did you cooperate with the government and other stakeholders in identifying major challenges? If yes, how did you cooperate? What were the designed plans?

## **Annex II: Directorate of Cooperative's Questionnaire**

### **A- General Information and Status**

- How many cooperatives are they registered in Lebanon?
  
- What is the current role of the Directorate General of Cooperatives in supporting autonomous producers' cooperatives across Lebanon and creating a supportive environment?
  
- What are the special considerations given to cooperatives, if any?
  
- How do you accept the request to initiate new cooperatives? On which basis?
  
- What are the services offered to these new cooperatives?
  
- Is the Directorate General of Cooperatives dissolving any cooperatives? On which basis? And how?
  
- Is there any new relevant statistical information about cooperatives after 1990? Like the share of coop in employment and domestic products.
  
- Why did not Lebanon join the International Cooperative Alliance?
  
- Are cooperative principles in Lebanon the same as the principles developed by the International Cooperative Alliance in the cooperative identity?
  
- What was the role of producers' cooperatives in Lebanon? How do you describe the newly initiated cooperatives after the war?

## **B- Development policy**

- Why cooperatives are considered by the government as a key instrument for development?
- Was the cooperative confederation or a cooperative group invited to participate in the development of agricultural strategies?
- What could cooperatives achieve in your development plans (in agriculture and in general)? And How?
- Did they achieve the planned objectives?
- Is the government applying the international recommendations to promote cooperatives?
- What is the role of the government in facilitating the development of producers' cooperatives? What are/were the implemented activities to manage external and internal challenges?
- Describe the communications with other stakeholders to develop producers' cooperatives.

## Annex III: Board of Directors Questionnaire

### A- General information:

- Cooperative's name
- Initiated in which village
- Area covered by the coop services
- Date of initiation
- Total number of members (small or big scale activity)
- Increase in membership: initial number – current number of members (active coop that work to increase services for needed non-members)
- How many active members in the coop and why? (membership practices)
- Cooperative's type: Supply, service, or marketing (diversity of activity)
- Cooperative's sector.
- How was the cooperative initiated? (Top-down approach or a response to common need)
  - o Felt a common need that could not be achieved at individual level
  - o We were supported to initiate a coop by NGOs
  - o Our political leader encouraged us
  - o Other \_\_\_\_\_
- List the objectives behind the initiation of the cooperative (Top-down approach or a response to common need)
- List assets owned after initiation. How was the original capital assured? (economic share or top down approach)

- Self-investment
  - Budget from a project
  - Political party
  - Other \_\_\_\_\_
- List current owned assets. How was the capital assured? (membership investment or seeking development aid, etc)
- Same as initial assets
  - Budget from a project
  - Self-investment
  - Other \_\_\_\_\_
- List the current offered services (efficiency of the cooperative)

**B- Organization, principles, and values:**

- Is the organizational structure of coop adopted? general meeting, number of board members, auditors, manager, and workers (real coop structure different from a capitalist enterprise)
- All existing
  - No manager
  - No workers
  - Other \_\_\_\_\_
- Who planned the coop policy? (membership practices and dominance by leaders or development organization)
- Members in the general meeting
  - Local elite, a politician
  - An NGO helped us
  - The board of directors
  - Other \_\_\_\_\_
- Strategies for work designed for \_\_\_\_\_ period?
- Short
  - Medium
  - Long
  - Other
- Number of general meetings/year (membership practices)

- Number of attendees in the general meeting (membership practices)
- Number of board members' meetings/year (membership control)
- Average number of attendees in board members' meetings (membership practices)
- List the basics on which board members were elected (membership practices)
- Are board members elected based on a clear work plan? (membership practices)
- On which basis is the board chairman elected? (membership practices)
  - o Leadership skills
  - o Availability of time
  - o Good work plan
  - o A friend
  - o Other \_\_\_\_\_
- How was the manager hired, if any? On which basis? (good governance)
  - o Academic background
  - o Work experience
  - o Management skills
  - o Communication skills
  - o Knowledge in cooperative work
  - o Other \_\_\_\_\_
- What is the academic background and work experience of the manager? (good governance)
- How often do you visit the cooperative? (good governance)
  - o Daily
  - o Weekly
  - o Monthly
  - o 4 times/year
  - o Other \_\_\_\_\_
- How does the manager communicate with board members? (good governance)
  - o Daily

- When there is something urgent
  - Monthly reports
  - Other \_\_\_\_\_
- How do you monitor the work of the manager in implementing the coop policy? (good governance)
- Monthly check up of activities
  - Monthly report
  - During board meetings
  - Direct weekly monitoring
  - Other \_\_\_\_\_
- How does the manager ensure the equal right of access to services for all members? (good governance)
- Run activities by turn
  - Give services first to members dealing more with the coop
  - Give services first to members having big share in the coop
  - Give services first based on efficiency: ex: big land surface etc.
  - Other \_\_\_\_\_
- How did/do you solve any problem between the manager/workers and members? (good governance)
- I do not interfere
  - Usually, members do not inform the board
  - The manager does not inform the board
  - Discuss the problem with members and ask the manager to find a fair solution
  - Other \_\_\_\_\_
- Do you cooperate with other cooperatives? If yes, on which basis? And for what benefits? (cooperation between cooperatives)
- No cooperation with other cooperatives
  - Yes because we need to increase our power
  - Yes because they have a service that we cannot offer; so we will be able to deliver it to our members
  - Yes because the other cooperative is still in the initial phase and need our offered services
  - Other \_\_\_\_\_
- If the cooperative was a member in the confederation cooperative: what did this membership offer to your cooperative? (cooperation between cooperatives)
- Offered nothing
  - Education

- Projects
  - Worked with the government to force coop policies
  - Other \_\_\_\_\_
- How often do you get services from the coop? (equality between board and members)
- When I ask
  - In my turn
  - I get some services from outside the coop
  - Never
  - Other \_\_\_\_\_
- How is the cooperative linked to the community? Any project implemented with the community? (concern for community)
- We implemented a project with the municipality
  - We have spent part of our surpluses in a small project helping the community
  - We facilitated the work of an NGO in implementing a project with the community
  - Other \_\_\_\_\_
- How do you increase members' participation? (prerequisite for success)
- Reports during the general meeting
  - Monthly reports
  - Call for a general meeting to take important decisions
  - Providing high quality services
  - Keeping equality in all our activities
  - Ask for their feedback in the delivered services
  - Other \_\_\_\_\_
- How do you accept new members? On which basis, if any? (avoid over rider problem)
- If they need coop services and we are able to offer them
  - Yes we accept new members in order to increase our power
  - Yes if they can share in our investments
  - No we do not accept new members, we are having difficulties to serve current members
  - Other \_\_\_\_\_
- Did u face a problem in priorities for investment? (portfolio problem)
- Did u face a problem in collecting capital for investment? (horizon problem)

- How do you think that the cooperative is delivering benefits to members? (benefit from membership)
  - o Power
  - o Services otherwise not accessible
  - o Decrease cost of production
  - o Increase marketing
  - o Keep them in the agriculture work
  - o Innovations, new skills
  - o Not helping
  - o Working with NGOs
  - o Other \_\_\_\_\_
  
- Do you spread the cooperative advantage through education and training to members and non-members? (education)
  - o It is important but we did not provide education service yet
  - o We carry out many training sessions to disseminate the cooperative idea
  - o We educate our members to know principles and values in the initial phase as well as for new members
  - o Other \_\_\_\_\_
  
- Describe achievements until today? (benefit from membership)
  - o Little achieved
  - o We can do more
  - o We are not supported to achieve our objectives
  - o We did a lot.....
  - o Other \_\_\_\_\_
  
- What is your coop's total annual earning?
  
- What is best working in your coop? And what is not working? (problem and benefit)

**C- Partnership and Environment:**

- Do any private suppliers compete with the cooperative in offering services to members? (competition in the working environment)
  - o We provide better services with lower cost
  - o Yes some suppliers are competing with us by quality and price
  - o Members do their self interest sometimes and not the interest of the group

- Yes private suppliers have lower transaction costs and are more efficient
  - Other \_\_\_\_\_
- If yes, what are the key factors of competition? Why weren't they achieved by the coop?
- How do you describe the government help in creating a supportive environment and access to credits?
    - No help from the government
    - No good credit facilities available for the cooperatives
    - The government is providing some equipments and a financial support
    - Suitable environment for private companies based on the deregulation of trade
    - Other \_\_\_\_\_
- How do you communicate with the government?
    - No communication
    - Submit the yearly balance sheet only
    - Education training
    - Through NGOs
    - Other \_\_\_\_\_
- Any support received from the government?
- Draw the relation with the government?
- What about NGOs? Did you go for or have any partnership?
    - Yes we have an actual partnership, on which basis?
    - We had a partnership but terminated with after the project's implementation phase
    - We help several NGOs in developing our community through a continuous partnership
    - No partnership
    - Other \_\_\_\_\_
- On which basis did/do you cooperate with NGO? (if coop help responding to need)
    - We accept anything from NGOs
    - We cooperate to respond our common needs
    - if activities have a certain degree of sustainability
    - Other \_\_\_\_\_
- Are services offered by NGOs relevant to your needs? (if coop help responding to need)

- Yes, exactly what we need
  - Not relevant
  - Offered services can help but they are not what we need
  - Other \_\_\_\_\_
- 
- Describe the relation with NGOs after the end of the project?
    - Once the project has ended, partnership has stopped
    - We still cooperate until now
    - We planned for further projects
    - It was a total failure
    - Other \_\_\_\_\_
- 
- Draw the relation with NGOs?
- 
- What were the activities and the results of the projects implemented with NGOs?
- 
- Any new projects? Is the coop seeking new supports from NGOs?

## Annex IV: Producers' Questionnaire

### A- Socio-economic info:

Producer's name: \_\_\_\_\_

Date and place of Birth: \_\_\_\_\_  male or  female

Village: \_\_\_\_\_, Agriculture region: \_\_\_\_\_

Phone numbers: \_\_\_\_\_

Member in \_\_\_\_\_ cooperatives (to check if the producer is member in different cooperatives)

Year of membership: \_\_\_\_\_ Land surface: \_\_\_\_\_ Ha, average size of plots: \_\_\_\_\_ Ha

Ownership of Land (producers' class indicator): \_\_\_\_\_

Crops and related surface (involvement in agriculture and class indicator): \_\_\_\_\_

Yearly Production (involvement in agriculture, class indicator, and activities with the coop): \_\_\_\_\_

Other occupied jobs (involvement in agriculture as secondary job): \_\_\_\_\_

Number of children and their involvement in agriculture: \_\_\_\_\_

### B- Membership practice in the Cooperative:

- How did you join the coop? (indicator if the coop was initiated by members themselves or top-down approach)
  - o Through a member
  - o Through the village elite
  - o NGO
  - o Media
  - o Other \_\_\_\_\_

- Were you in the preparation committee of the coop? Or did you join later? If later who invited you? (indicator if the coop was initiated by members themselves or top-down approach)
- Did u join the coop alone or in a group? (indicator if members were encouraged by political parties or government)
- What is your relation with other members? (coop on family basis or grouping members having common needs)
  - o Kin based
  - o Neighbor
  - o Similar production
  - o Other \_\_\_\_\_
- What did the coop directly offer you after becoming a member? (if the member has joined to get a benefit from a project or support from the government i.e. vested interest)
  - o Nothing
  - o Inputs
  - o Equipments
  - o Marketing
  - o Other \_\_\_\_\_
- List your investments in the coop? (indicator if the coop was initiated to seek aid from NGOs or as a real economic collective investment)
- List three to four major reasons behind membership i.e. why did u join the coop? (initial idea behind the cooperative membership)
- On which principles and values do you rely in applying your membership? List them? (to know if members know the cooperative principle in order to foster their membership and control the cooperative)
- Did you receive a training on the principles and values of cooperatives or your already know them? If yes, who supplied the training? (to check if the cooperative is educating members on principles and values)
- Describe your relation with other members? For example in solving a problem you have faced in the cooperative (practices of cooperation and internal core principles)
  - o No relation

- Pooling resources
  - Solidarity
  - Providing useful networks
  - Other \_\_\_\_\_
- Are you getting the same benefits from the coop compared to other members? (equality in cooperatives)
- Yes
  - Few members have more power
  - Other \_\_\_\_\_
- On which basis did/do u elect your representatives in the board of directors? (practices of membership and political neutrality)
- Action plan to compensate needs
  - Good and honest people
  - Friends
  - Same political party
  - No idea
  - Other \_\_\_\_\_
- Did you participate in planning the coop policy? Did you vote on it? (practices of membership to meet the needs on short and long term)
- No idea
  - Yes I have voted
  - No policy
  - I have a role
  - Other \_\_\_\_\_
- Are you claiming about problems in the general meeting? (practices of membership and equality)
- Yes
  - No
  - I claimed but nothing has happened
  - Other \_\_\_\_\_
- On monthly basis, how many times do you communicate with board members (in the production season)? (active representation, practices of membership, and activities with the coop)
- One time
  - When needed
  - Not necessary
  - Other \_\_\_\_\_

- Are you communicating with auditors to monitor the financial progress of the coop?  
(active representation, practices of membership)
  - o No idea
  - o Yes, we revise them twice per year (minimum bylaw requirement)
  - o Not interested
  - o Other \_\_\_\_\_
  
- Describe how political parties are helping they coop to achieve the planned objectives?  
(political neutrality and dominance by politicians: autonomy and independence)
  - o Direct money support
  - o Support to get help from the government, NGOs, etc
  - o Other \_\_\_\_\_
  
- Is the municipality chairman supporting the coop (or helped the coop)? If yes, how and why?  
(political neutrality and dominance by politicians: autonomy and independence and participation with the community)
  - o No
  - o Yes because he considers us as a partner
  - o Yes because he has a good network, can link the coop to NGOs
  - o Other \_\_\_\_\_
  
- Describe the communication with the manager. Is he/she responding to your requests?  
(practices of membership)
  - o Good and responding to our needs
  - o He/she deals as a manager and not as a worker inside our organization
  - o Bad communication
  - o Apply different policies then the planned in the general meeting
  - o Other \_\_\_\_\_
  
- Rate on 1 to 5 the contribution of your cooperative to the development of the Lebanese agriculture sector (general evaluation from producers' view)
  - o 1: Strongly contributed
  - o 2: Good contribution
  - o 3: Contributed but not enough
  - o 4: it has a potential to contribute
  - o 5: Did not contribute

### **C- Benefits from membership**

- List services supplied by the cooperative (benefits from the coop or a coop in name only)

- Do you need other services not supplied by the coop? If yes, list them. (to inquire if the cooperative answers all producers' need, what is in common, or only offer what they get through donations)
  
- Did you plan the offered services? What was your sharing in them? (investment and responding common needs)
  - o I planned and shared equally
  - o Did not plan but shared
  - o Donation, no one shared
  - o Joined after investment
  - o Other \_\_\_\_\_
  
- Are services offered by the coop available with the same price from other suppliers? (decrease cost of production)
  - o Lower cost
  - o Similar cost
  - o Higher cost
  
- Are the offered services new? Were they available with the same price before initiating the coop? (respond to needs difficult to be secured at individual level)
  
- Were new marketing channels facilitated or reached by the coop? (increase marketing opportunity)
  - o Yes, we get access to new market
  - o Not offered by the coop
  - o We are asking to find new markets
  - o They tried but did not work due to higher transaction cost
  - o Other \_\_\_\_\_
  
- How do you describe your bargaining power after joined the coop? (increase bargaining power)
  - o Stronger
  - o Better
  - o Did not change
  - o Other \_\_\_\_\_
  
- What if you did not join the coop? How can u get these services? (cooperative responding to needs)
  - o No way to get services unless through the coop

- Able to get from a private supplier but with higher cost
  - No problems, easily offered by other suppliers
  - Other \_\_\_\_\_
- What is the ratio of your production marketed through the coop? (efficiency of cooperative work)
- List any skills you have learned through the coop? (increase skills)
- Agriculture practices
  - Packing
  - Processing
  - Other \_\_\_\_\_
- How were surpluses, if any, used? Did you agree on the way surpluses were spent? (membership and efficiency of investment)
- No surpluses
  - Agreed and were spent on new services
  - Agreed and were spent to implement a project in our community
  - No idea
  - Other \_\_\_\_\_
- On a scale of 1 to 5 how do you rate the services supplied by the coop? (quality of offered services)
- 1: Best quality
  - 2: Good quality
  - 3: Not good, but acceptable
  - 4: Low quality
  - 5: Very low quality
- What would you do if they were low quality? (membership)
- Leave the coop
  - Use my membership to make a change
  - Get from another suppliers
  - Nothing
  - Other \_\_\_\_\_
- On a scale of 1 to 5 how do you rate the importance of the role played by the coop in facilitating and ameliorating your production? (general evaluation from producers' perspective)
- 1: Wasn't able to work without my cooperative membership
  - 2: Played an essential role
  - 3: It helped but could do more

- 4: Have potentials and still waiting
- 5: did not help, rated as a complete failure

### **E- Problems in cooperatives**

- For the offered services: on which basis did u accept to share? (horizon problem)
  - My need
  - Could be needed in the future
  - No idea
  - Other \_\_\_\_\_
  
- Did u financially share in services? (portfolio problem)
  - No because I have no financial capacity to share
  - No because services did not answer my priorities
  - No because I felt a vested interest in defining new services
  - Yes Because \_\_\_\_\_
  
- Do you use some of the listed services? And did you deal with someone offering better quality services (horizon and free rider problem)
  - Yes
  - No
  
- What about young or old members? Do they participate financially similar to you in the coop? Do their strategies differ from yours? (portfolio problem)
  - We have the same focus
  - They are different but have good ideas to share
  - They are different and having no sense of cooperation
  - They should not be in the cooperative
  - Other \_\_\_\_\_
  
- What about the manager? Did he/she respond to your need? What if he/she did not? (Control problem)
  - I stop dealing with the cooperative
  - I use my membership to react and tell board members to manage the problem
  - I do not care
  - Other \_\_\_\_\_
  
- Do you have access to all services whenever you want? On which basis does the cooperative manager run services between members? (Control problem)
  - We are fighting to get services
  - No equality

- The manager responds only to board members
  - I do not know how the manager distribute services in the coop
  - Other \_\_\_\_\_
- Do you accept non-members to use the cooperative services? Are non-members using coop services? (Control problem)
- I do not accept because they did not share in the investment
  - Yes they can use them
  - They can use but with higher price as per the coop law
  - Other \_\_\_\_\_
- In marketing, do low quality products receive same price as your high quality products? (free rider problem)
- Yes I am suffering for this
  - Yes but I have no problem
  - No there are different prices based on quality
  - I stopped to market through the coop due to this problem and limited my benefit to other services
  - Other \_\_\_\_\_

## Annex V: Non-membres' Questionnaire

Same questions for **socio-economic data** as members plus the following questions:

- Are any of the services offered in the local cooperative in your village relevant to your production needs? List them?
  
- From where are you getting now coop services?
  - o Private suppliers
  - o Cooperate with another producer to get the service
  - o My friend is a big landowners and own these services so I can use them
  - o Other \_\_\_\_\_
  
- Where did/do u sell your production?
  - o Same where the cooperative sell members products
  - o I cooperate with my neighbor who have access to a good market
  - o Other \_\_\_\_\_
  
- Why didn't you join the cooperative so you can get lower cost for services or diversified services including marketing benefits? (efficiency of the local cooperatives in from non-members view)
  - o I applied for membership but they did not accept my application because they cannot offer for more members their services
  - o No need to join, I am able alone to get all services
  - o I can get coop services with same price without joining the coop
  - o Low quality of services offered
  - o Other \_\_\_\_\_
  
- Did anyone invite you to join the coop? If they invite you, will you join? (political neutrality and individualism)
  
- Since you are not a member in the cooperative, do you think that you are losing some benefits delivered by the coop, or it could be an advantage to you in having more competitive suppliers offering better quality services? (efficiency of the local cooperatives from non-members view)
  - o Yes I am loosing from being alone
  - o Advantage for me, I like to work individually
  - o Advantage to choose better quality services
  - o I don't care
  - o Other \_\_\_\_\_

- Do you think that you have the same chance as members in getting coop services and with the same price? (efficiency of the local cooperatives from non-members view)
  - o Yes no added value for my membership
  - o Other \_\_\_\_\_
  
- Will you support the cooperative in implementing projects within the community? (support from the community)
  - o No they are numerous and can accomplish work without my help
  - o Yes for sure
  - o Other \_\_\_\_\_

## **Annex VI: Tables of Chapter 4**

Table 12: Roles (R) of cooperatives enterprises in development agencies' agenda

	Micro Level												Macro level				Total Y/ 16
	Socio-economic development indicators					Other indicators for using the cooperative enterprise							Main national development objectives				
Agencies	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	R12	R13	R14	R15	R16	
<b>USAID</b>	N	N	Y	N	Y	N	N	N	N	N	N	N	Y	N	N	N	3
<b>ACDI/VOCA</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	Y	Y	Y	Y	N	12
<b>CHF</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	Y	Y	Y	N	12
<b>YMCA</b>	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N	Y	Y	Y	Y	11
<b>ILO</b>	N	N	N	N	N	Y	Y	Y	N	N	N	N	Y	Y	Y	Y	7
<b>UNDP</b>	Y	Y	Y	Y	N	Y	Y	Y	N	N	N	N	Y	Y	Y	Y	11
<b>ICU</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	Y	Y	Y	N	12
<b>Aec</b>	Y	Y	N	N	Y	Y	Y	Y	Y	N	N	Y	Y	N	N	N	9
<b>RMF</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	15
<b>ADA</b>	Y	Y	Y	N	N	Y	Y	Y	N	Y	Y	Y	Y	N	Y	N	11
<b>EC</b>	N	N	N	N	N	Y	N	N	N	N	N	N	N	N	N	N	1
<b>WV</b>	Y	Y	N	N	Y	Y	N	N	N	N	N	N	Y	Y	Y	N	7
<b>IFAD</b>	Y	Y	Y	Y	Y	N	N	N	N	N	N	Y	Y	Y	Y	N	9
<b>SF</b>	Y	Y	N	N	Y	Y	N	N	N	N	N	Y	Y	Y	N	N	7
<b>JBDA</b>	Y	Y	N	Y	Y	Y	N	N	N	N	N	Y	Y	Y	Y	N	9
<b>Total Y/15</b>	12	12	9	8	11	13	9	8	4	2	1	7	14	11	11	4	136

- **R1:** Decrease the cost of production and increase income
- **R2:** Improve access to markets – eliminate middlemen
- **R3:** Improve and increase access to services
- **R4:** Increase producers' bargaining power – group empowerment
- **R5:** Increase members' skills
- **R6:** Coop as a legal institution framework

- **R7:** Grouping similar needs and having multi-dimensional impacts
- **R8:** Equitable and sustainable support (principles and values)
- **R9:** To answer donors' request
- **R10:** Responding to government development plans
- **R11:** Group control for a political reason
- **R12:** Agencies have a mission to support cooperatives
- **R13:** Poverty alleviation – food security, increase access to credit, improving economic and social conditions
- **R14:** Social cohesion and integration – gender equality, increased empowerment and rights, facilitate social unity, key framework for social capital
- **R15:** Job creation
- **R16:** Fairer globalization – equitable distribution

Table 13: Agencies' role (AR) in supporting producers' cooperatives in Lebanon

		Capacity building		Facilitate access to market					Facilitate access to Credit		Financial support for RD		Supportive environment
Agencies	Projects	AR1	AR2	AR3	AR4	AR5	AR6	AR7	AR8	AR9	AR10	AR11	AR12
ACDI/VOCA	P1	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N
	P2	Y	Y	Y	Y	Y	N	N	Y	N	N	N	N
	P3	Y	N	N	N	N	Y	N	N	N	N	N	N
CHF	P4	Y	Y	N	N	Y	N	N	N	N	Y	Y	N
	P5	N	Y	N	N	N	N	N	N	N	Y	Y	N
	P6	Y	Y	N	Y	Y	N	Y	Y	Y	Y	Y	N
YMCA	P7	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y
	P8	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N
ILO	P9	Y	Y	N	N	N	N	N	Y	Y	Y	Y	N
UNDP	P10	Y	Y	N	N	Y	N	N	Y	Y	Y	Y	N
ICU	P11	Y	Y	N	N	N	N	N	N	N	Y	Y	N
	P12	Y	Y	N	N	N	N	N	N	N	Y	Y	N
Aec	P13	Y	Y	Y	Y	N	N	N	N	N	Y	Y	N
	P14	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N
RMF	P15	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	N
	P16	Y	Y	Y	N	N	N	N	N	N	Y	Y	N
ADA	P17	Y	Y	Y	N	N	N	N	N	N	N	N	N
EC	P18	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N
WV	P19	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N
IFAD	P20	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
SF	P21	Y	Y	Y	N	N	N	N	N	N	Y	Y	N
	P22	Y	Y	Y	Y	N	N	N	N	N	Y	Y	N
JBDA	P23	Y	Y	Y	Y	Y	Y	N	N	N	Y	N	N

	P24	Y	Y	Y	Y	N	N	N	N	N	Y	Y	Y
T Y/24		23	23	16	14	13	10	9	11	4	21	18	2
%		95.8	95.8	66.6	58.3	54.1	41.6	37.5	45.8	16.6	87.5	75	8.3

- **AR1:** Technical assistance: such as business development (feasibility study, product costing, profitability analysis, etc), quality control, packaging development, extension, field visits etc
- **AR2:** Training: such as coop management, export requirements, international certification, branding, labeling, management, etc
- **AR3:** Market linkages: local, international, between sub-sectors (input, processing, transport, etc)
- **AR4:** Market information and research
- **AR5:** Participation in workshops, local and international shows
- **AR6:** Develop new products
- **AR7:** Elaborate marketing strategies
- **AR8:** Develop special credit facilities with local banks
- **AR9:** Offer micro-credit
- **AR10:** Equipment supply
- **AR11:** Infrastructure
- **AR12:** Supportive regulatory and legal framework

Table 14: Nature of projects implemented with producers cooperatives by various development agencies

Agencies	Projects	Nature of projects			
		Skills development and empowerment	Marketing services	Production service provider	Individual member support
ACDI/VOCA	P1	Y	Y	Y	Y
	P2	Y	Y	N	N
	P3	Y	N	N	N
CHF	P4	Y	N	Y	N
	P5	Y	N	Y	Y
	P6	Y	Y	Y	Y
YMCA	P7	Y	Y	Y	N
	P8	Y	Y	Y	N
ILO	P9	Y	N	Y	Y
UNDP	P10	Y	N	Y	Y
ICU	P11	Y	N	Y	Y
	P12	Y	N	Y	Y
Aec	P13	Y	Y	Y	N
	P14	Y	Y	Y	Y
RMF	P15	Y	Y	Y	Y
	P16	Y	N	Y	Y
ADA	P17	Y	N	N	N
EC	P18	Y	Y	Y	N
WV	P19	Y	Y	Y	Y
IFAD	P20	Y	Y	Y	Y
SF	P21	Y	N	Y	N
	P22	Y	N	Y	N

<b>JBDA</b>	P23	<b>Y</b>	<b>Y</b>	<b>N</b>	<b>N</b>
	P24	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>N</b>
T Y/24		24	13	20	12
%		<b>100</b>	<b>54.1</b>	<b>83.3</b>	<b>50</b>

Table 15: Initiation phase's activities in the projects implemented with producers' cooperatives by development agencies

		Process I (PI): Initiation phase										
		Activity identification				Member sharing		Coop initiation	Coop selection			
Agencies	Projects	PI1	PI2	PI3	PI4	PI5	PI6	PI7	PI8	PI9	PI10	PI11
ACDI/VOCA	P1	N	N	Y	N	N	N	Y	N	N	N	Y
	P2	N	N	Y	N	N	N	N	N	Y	Y	Y
	P3	Y	N	Y	N	N	N	N	N	N	N	Y
CHF	P4	N	Y	Y	N	N	Y	N	Y	Y	N	Y
	P5	Y	Y	Y	N	N	Y	N	Y	Y	N	Y
	P6	Y	Y	Y	Y	N	N	N	Y	Y	Y	Y
YMCA	P7	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y
	P8	Y	Y	Y	Y	N	Y	N	N	Y	Y	Y
ILO	P9	N	Y	Y	Y	N	N	N	N	N	Y	Y
UNDP	P10	Y	Y	Y	Y	N	N	N	N	Y	Y	Y
ICU	P11	Y	Y	N	Y	N	Y	N	N	N	N	Y
	P12	Y	Y	N	Y	N	Y	N	N	N	N	Y
Aec	P13	Y	N	Y	Y	N	Y	N	N	N	N	Y
	P14	Y	N	Y	Y	N	Y	N	N	N	N	Y
RMF	P15	Y	Y	Y	Y	N	N	Y	N	N	N	Y
	P16	Y	Y	Y	Y	N	N	Y	N	N	N	Y
ADA	P17	Y	N	N	Y	N	N	N	N	N	N	Y
EC	P18	Y	Y	Y	Y	N	Y	Y	N	Y	N	Y
WV	P19	Y	Y	Y	Y	N	N	Y	N	N	N	N
IFAD	P20	Y	Y	Y	Y	N	N	Y	N	N	N	N
SF	P21	Y	Y	Y	Y	N	Y	N	N	Y	N	Y
	P22	Y	Y	Y	Y	N	N	N	N	Y	N	Y

<b>JBDA</b>	P23	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>N</b>	<b>N</b>	<b>Y</b>	<b>N</b>	<b>Y</b>	<b>N</b>	<b>Y</b>
	P24	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>N</b>	<b>N</b>	<b>Y</b>	<b>N</b>	<b>Y</b>	<b>N</b>	<b>Y</b>
<b>T Y/24</b>		<b>20</b>	<b>18</b>	<b>21</b>	<b>19</b>	<b>0</b>	<b>10</b>	<b>9</b>	<b>3</b>	<b>10</b>	<b>6</b>	<b>22</b>
<b>%</b>		<b>83.3</b>	<b>75</b>	<b>87.5</b>	<b>79.1</b>	<b>0</b>	<b>41.6</b>	<b>37.5</b>	<b>12.5</b>	<b>41.6</b>	<b>25</b>	<b>91.6</b>

- **PI1:** Project activities identified based on an agricultural or cooperative surveys
- **PI2:** Project activities identified based on a local development plan
- **PI3:** Project activities identified based on selected sector challenges
- **PI4:** Project activities planned to be income generating without previous assessment
- **PI5:** Members have financially shared in the project
- **PI6:** Members have provided necessary infrastructure
- **PI7:** Cooperatives established during the project
- **PI8:** Cooperatives selected based on the total number of members
- **PI9:** Cooperatives selected based on previous support
- **PI10:** Cooperatives selected based on a gender approach
- **PI11:** Cooperatives selected based on their effectiveness (Select active coop only)

Table 16: Progress of activities (coordination and partnership) between agencies and producers' cooperatives

		<b>Process II (PII): Coordination and Partnership</b>						
		<b>During Execution</b>		<b>After Execution</b>			<b>Further Support</b>	
<b>Agencies</b>	<b>Projects</b>	<b>PII1</b>	<b>PII2</b>	<b>PII3</b>	<b>PII4</b>	<b>PII5</b>	<b>PII6</b>	<b>PII7</b>
<b>ACDI/VOCA</b>	P1	N	Y	N	N	Y	Y	N
	P2	N	Y	N	N	Y	Y	Y
	P3	Y	N	Y	N	Y	Y	Y
<b>CHF</b>	P4	N	Y	Y	N	Y	Y	Y
	P5	N	Y	Y	N	Y	Y	Y
	P6	N	Y	Y	N	Y	Y	Y
<b>YMCA</b>	P7	N	Y	N	N	Y	Y	Y
	P8	N	Y	N	N	Y	Y	Y
<b>ILO</b>	P9	N	Y	Y	N	Y	Y	Y
<b>UNDP</b>	P10	N	Y	N	N	Y	Y	Y
<b>ICU</b>	P11	N	Y	N	N	Y	Y	Y
	P12	N	Y	N	N	Y	Y	Y
<b>Aec</b>	P13	Y	N	Y	Y	Y	Y	Y
	P14	Y	N	N	Y	Y	Y	Y
<b>RMF</b>	P15	Y	N	N	Y	Y	Y	Y
	P16	Y	N	N	Y	Y	Y	Y
<b>ADA</b>	P17	N	Y	N	N	Y	Y	Y
<b>EC</b>	P18	N	Y	Y	N	N	N	Y
<b>WV</b>	P19	Y	N	Y	N	N	N	N
<b>IFAD</b>	P20	Y	N	Y	N	N	Y	Y
<b>SF</b>	P21	N	Y	N	N	Y	Y	Y
	P22	N	Y	N	N	Y	Y	Y
<b>JBDA</b>	P23	N	Y	N	N	Y	Y	Y

	P24	N	Y	N	N	Y	Y	Y
T Y/24		7	17	9	4	21	22	22
%		29.1	70.9	37.5	20.8	87.5	91.6	91.6

- **PII1:** Project completely managed by the implementing agencies (in case of service provider)
- **PII2:** Project managed in coordination between the coop manager and the agency agent
- **PII3:** Cooperation has stopped and was limited to the project
- **PII4:** Agency continued to run the project
- **PII5:** Regular meeting for monitoring and to identify possible interventions
- **PII6:** For new projects, supported coops before are priorities
- **PII7:** Have planned to implement new projects with coops

Table 17: Internal and external encountered problems by agencies in the projects implemented with producers' cooperatives

		Encountered Problems (EP) or challenges							
		Internal between members				External with the implementing agency and the community			
Agencies	Projects	EP1	EP2	EP3	EP4	EP5	EP6	EP7	EP8
ACDI/VOCA	P1	Y	Y	N	N	Y	Y	Y	Y
	P2	Y	N	N	N	N	Y	Y	Y
	P3	N	N	N	N	Y	Y	Y	N
CHF	P4	Y	N	Y	N	Y	Y	Y	N
	P5	Y	Y	Y	Y	Y	N	Y	Y
	P6	N	N	Y	Y	Y	N	Y	Y
YMCA	P7	Y	Y	Y	Y	Y	Y	Y	Y
	P8	N	Y	Y	Y	Y	Y	Y	Y
ILO	P9	Y	N	N	Y	Y	Y	Y	Y
UNDP	P10	Y	Y	Y	Y	Y	Y	Y	Y
ICU	P11	Y	Y	Y	N	Y	Y	Y	Y
	P12	Y	Y	Y	N	Y	Y	Y	Y
Aec	P13	Y	Y	Y	Y	Y	Y	Y	Y
	P14	Y	Y	Y	Y	Y	Y	Y	Y
RMF	P15	N	N	N	N	Y	Y	N	N
	P16	N	N	N	N	Y	Y	N	N
ADA	P17	N	N	N	N	N	Y	N	N
EC	P18	Y	Y	Y	N	Y	Y	Y	Y
WV	P19	Y	Y	Y	Y	Y	Y	Y	Y
IFAD	P20	Y	Y	Y	Y	Y	Y	Y	Y
SF	P21	Y	N	N	Y	Y	Y	N	Y
	P22	Y	N	N	Y	Y	Y	N	Y
JBDA	P23	N	N	N	Y	N	Y	N	N

	P24	N	N	N	Y	N	Y	N	N
<b>T Y/24</b>		16	12	13	14	20	22	17	17
<b>%</b>		<b>66.6</b>	<b>50</b>	<b>54.1</b>	<b>58.3</b>	<b>83.3</b>	<b>91.6</b>	<b>70.8</b>	<b>70.8</b>

- **EP1:** Portfolio problem
- **EP2:** Control problem
- **EP3:** Vested interest problem
- **EP4:** Free rider problem
- **EP5:** Communication problem
- **EP6:** Lack of applying principles and values
- **EP7:** Political problem
- **EP8:** Management problem

Table 18: Impacts (I) of projects from the perspective of development agencies

		Decrease the cost of production			Improved access to market				Increased access to services		Increased employment		Increased access to credits	Improved skills	Increased social cohesion	Failure
Agencies	Projects	I1	I2	I3	I4	I5	I6	I7	I8	I9	I10	I11	I12	I13	I14	I15
ACDI/VOCA	P1	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
	P2	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	N
	P3	Y	Y	N	N	N	N	N	N	N	Y	N	N	Y	N	N
CHF	P4	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N
	P5	Y	Y	N	N	N	N	N	Y	Y	Y	Y	N	Y	Y	N
	P6	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
YMCA	P7	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
	P8	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N
ILO	P9	Y	Y	N	Y	N	N	N	Y	Y	Y	Y	Y	Y	Y	N
UNDP	P10	Y	Y	N	N	N	N	N	Y	Y	Y	Y	Y	Y	Y	N
ICU	P11	Y	Y	N	N	N	N	N	Y	Y	Y	Y	N	Y	Y	N
	P12	Y	Y	N	N	N	N	N	Y	Y	Y	Y	N	Y	Y	N
Aec	P13	N	N	N	N	N	N	N	N	N	N	N	N	Y	Y	Y
	P14	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
RMF	P15	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N
	P16	Y	Y	N	Y	N	Y	Y	Y	Y	Y	N	N	Y	Y	N
ADA	P17	Y	Y	Y	Y	N	N	N	Y	N	Y	N	N	Y	Y	N
EC	P18	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
WVS	P19	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
IFAD	P20	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
SF	P21	Y	Y	N	Y	N	N	N	Y	Y	Y	N	N	Y	Y	N
	P22	Y	Y	N	Y	N	N	N	Y	Y	Y	N	N	Y	Y	N
JBDA	P23	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y	Y	N

	P24	Y	Y	N	Y	N	Y	N	Y	Y	Y	Y	N	Y	Y	N
T Y/24		23	23	13	18	11	14	11	21	20	23	18	9	24	23	1
%		95.8	95.8	54.1	75	45.8	58.3	45.8	87.5	83.3	95.8	75	37.5	100	95.8	4.1

- **I1:** In production
- **I2:** In processing
- **I3:** In marketing
- **I4:** Increase local direct sale
- **I5:** Open export markets
- **I6:** Increase prices
- **I7:** Build solid linkages
- **I8:** Expand services
- **I9:** Better quality of services
- **I10:** Maintain jobs
- **I11:** Create new jobs
- **I12:** Increased access to credits
- **I13:** Improved Skills
- **I14:** Increased social cohesion
- **I15:** Failure

Table 19: Reasons for coordination and planning (CP) or their absence between the government and development agencies

Agencies	Associated reasons for coordination and planning (CP) with the government (Ministry of Agriculture, DGC)					
	CP1: Coordination with the government	Reasons for CP			Reasons for lack of CP	
		CP2: Active coop identification	CP3: Data verification	CP4: Facilitate coop initiation	CP5: Political	CP6: Lack of systematic coop enterprise dev. plan
USAID	N	N	N	N	Y	Y
ACDI/VOCA	N	N	N	N	N	Y
CHF	N	N	N	N	Y	Y
YMCA	Y	Y	Y	Y	N	N
ILO	Y	Y	N	Y	N	N
UNDP	N	N	N	N	N	Y
ICU	Y	Y	Y	Y	N	N
Aec	N	N	N	N	N	Y
RMF	N	N	N	N	Y	Y
ADA	Y	Y	Y	Y	N	N
EC	Y	Y	Y	Y	N	N
WVL	Y	N	N	Y	N	N
IFAD	Y	Y	Y	Y	N	N
SF	Y	N	Y	N	N	N
JBDA	Y	Y	Y	Y	N	N
T Y/15	9	7	7	8	3	6
%	60	31.8*	31.8*	36.4*	33.3**	66.6**

\*percentage sum of total yes for the three categories (7+7+8=22): reasons for coordination, \*\* percentage sum of yes for both categories (3+6=9): reasons for lack of coordination

## **Annex VII: Tables and Charts of Chapter 5**

Table 20: List of active cooperatives interviewed in different agricultural regions and the three agricultural sub-sectors: name, main services, and initiation date

<b>Agricultural region</b>	<b>Agricultural sub-sector</b>	<b>Coop Reference Nb</b>	<b>Cooperative name</b>	<b>Main Services</b>	<b>Date of initiation</b>
<b>North Lebanon</b>	<b>Production</b>	Coop 1	Agricultural coop in Aidamoun	General production services: plowing, spraying, harvesting, etc.	1994
		Coop 2	Processing coop for women in Zgharta-zawiye	Production of traditional processed food	2002
		Coop 3	Halba coop for development and agricultural processing	Milk collection and processing. Olive harvesting.	2005
		Coop 4	Rural development coop in Kherbet Char	Organic mushroom production	2006
		Coop 5	Dareb Baachtar coop for the development and processing of olive production	Olive processing: pressing and filling. Olive production: spraying, plowing, etc.	2006
		Coop 6	Andaket coop for development and processing (Andket-pro)	Production of traditional processed food	2006
		Coop 7	Tal Abbas coop for animal production	Forages production: planting, harvesting, and processing.	2005
		Coop 8	Masoudiyeh coop for rural development	General production services: plowing, spraying, harvesting, etc.	2006
		<b>Fishery</b>	Coop 9	Fishermen coop in Bebnine	General production services: wood box production, ice making, fishing boats

				repair, etc. and marketing services	
	<b>Beekeeping</b>	Coop 10	Beekeeping coop in Beit el Fakes	Apiculture processing: honey extraction, filling, storage, etc.	1991
<b>South Lebanon</b>	<b>Production</b>	Coop 11	Maghdouche coop for citrus flower and derivatives	Marketing services and processing: extraction of citrus flower essential oil	1995
		Coop 12	Agricultural cooperative in Aarabsalim	General production services: plowing, spraying, etc. Inputs supply. Carob molasses production. Composting. Forages supply.	2002
		Coop 13	Aarabsalim coop for agricultural production and processing “zouwedet el Daiaa”	Production of traditional processed food	2005
		Coop 14	Jezzine development coop	Marketing and inputs supply for: apiculture, aviculture, thyme production, ect	2002
		Coop 15	Dair Kanoun el naher coop for agricultural production and processing	Production of traditional processed food	2002
		Coop 16	Douweir coop for agricultural extension	Olive processing: oil extraction and filling. Harvesting services.	1997
		Coop 17	Chihabieh coop for agricultural processing and production	Production of traditional processed food	2006
		Coop 18	Sarba coop for plant and animal	General production services: plowing,	2007

			development	spraying, harvesting, etc.	
	<b>Fishery</b>	Coop 19	Fishermen coop in Sarafand	Marketing and inputs supply for fishermen: fishing nets, etc	1991
	<b>Beekeeping</b>	Coop 20	Coop for beekeeper in Nabatiyeh “ al Chifa2”	Apiculture processing: honey extraction, filling, storage, etc.	2000
<b>Mount Lebanon</b>	<b>Production</b>	Coop 21	Aamatour production cooperative	Olive processing: oil extraction and filling. Harvesting services.	1991
		Coop 22	Agricultural coop in Jiye	Inputs supply	1998
		Coop 23	Agricultural production and development coop “Liban village”	Extension services and cold storage	2001
		Coop 24	Animal raising and production cooperative “Liban village”	General animal production services: inputs supply	2001
		Coop 25	Olive cooperative in Shouf region	Olive processing: oil extraction and filling. Harvesting services. Soap production.	2001
		Coop 26	Agricultural cooperative in Baskinta “Almarj el Akhdar”	General agricultural services: spraying, plowing, etc.	2005
		Coop 27	Agricultural cooperative in Barouk-Fraidis	General agricultural services: spraying, plowing, etc. Processing services.	1995
		Coop 28	Mayrouba processing cooperative “Mawasemna”	Production of traditional processed food	2005
	<b>Fishery</b>	Coop 29	Fishermen cooperative in Ouzaii	Marketing and inputs supply: fishing nets, ice blocks, etc. Coop Owns a restaurant.	1995

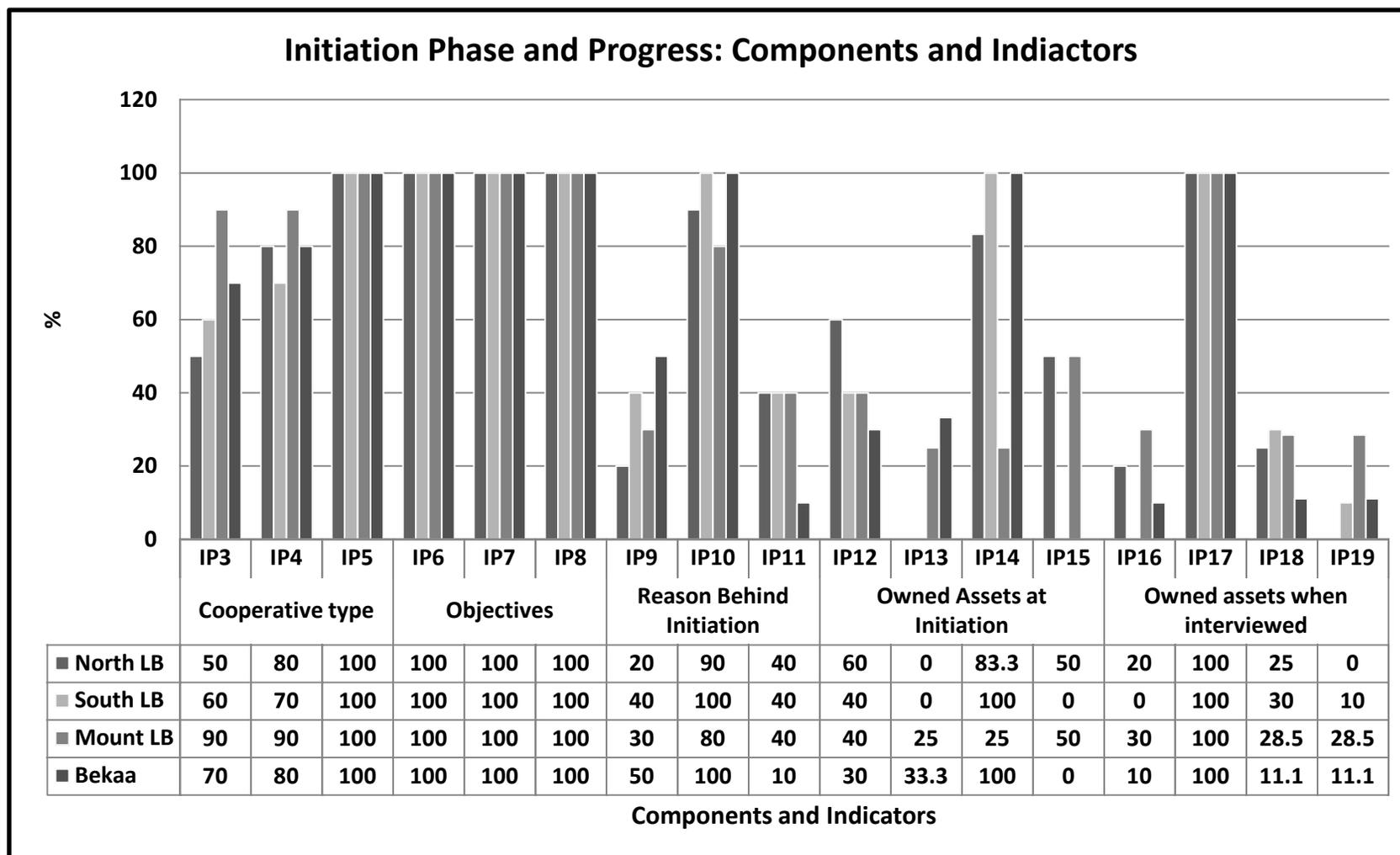
	<b>Beekeeping</b>	Coop 30	Beekeeping cooperative in Aley Caza	Honey production from collectively owned beehives	1991
<b>Bekaa</b>	<b>Production</b>	Coop 31	Agricultural cooperative in Kaa el rim	Cold storage and plowing services	1997
		Coop 32	Women cooperative for agricultural processing in wadi el taym	Production of traditional processed food	2004
		Coop 33	Women cooperative for agricultural processing in al Mhaidse “Nejmet el sobeh”	Production of traditional processed food	1999
		Coop 34	Agricultural cooperative in North wadi el taym	General agricultural services: plowing and spraying, etc	1995
		Coop 35	The union of Bekaa farmers’ cooperative	Extension services and research in a demonstration plot	2001
		Coop 36	Coteaux D’heliopolis cooperative	Viticulture services: plowing, spraying, input supply and marketing services	1999
		Coop 37	Processing and export cooperative for fruit and vegetables in Zahle “Al wadi el zahabi”	Post-harvest services: sorting and packing. Cold storage	2006
		Coop 38	The union of agricultural cooperative in Dair el Ahmar	Cold storage and general production services: plowing, spraying, etc	1999
	<b>Fishery</b>	Coop 39	Fish marketing in Assi Basin	Marketing services for fishermen	1994
<b>Beekeeping</b>	Coop 40	Beekeeper cooperative in Baalbeck	Apiculture processing: honey extraction, filling, storage, etc. Wax production.	1991	

Table 21: List of dormant cooperatives interviewed in different agricultural regions: name, main services, and initiation date

<b>Agricultural region</b>	<b>Coop Reference Nb</b>	<b>Cooperative name</b>	<b>Main Services</b>	<b>Date of initiation</b>
<b>North Lebanon</b>	Coop 41	Baarzla coop for agricultural development	General agricultural services: plowing, spraying, etc.	2000
	Coop 42	Zouk el Housniyeh coop for agricultural development	General agricultural services: plowing, spraying, etc.	2005
	Coop 43	Karkaf coop for agricultural development	Olive harvesting	2005
	Coop 44	Tal hayat coop for rural development and agricultural processing	General agricultural services: plowing, spraying, etc.	2006
	Coop 45	Wadi el Jamous coop for agricultural development	General agriculture services for crops cultivated under greenhouses	2005
<b>South Lebanon</b>	Coop 46	Floriculture coop in Addousiyeh	Seedling production	1995
	Coop 47	Agricultural coop in Ghaziyeh	General agricultural services: plowing, spraying, etc.	2002
	Coop 48	Haret Saida for agricultural processing and marketing	Production of traditional processed products	2004
	Coop 49	Saksakiyeh fishermen coop	Marketing services for fishermen	2006
	Coop 50	Dair kanoun el naher coop for agricultural and animal resource development	General agricultural services: plowing, spraying, etc. Forages supply.	2001
	Coop 51	Agricultural coop in Maaraket	General agricultural services: plowing, spraying, etc.	1993

	Coop 52	Agricultural coop in Tayer debba	General agricultural services: plowing, spraying, etc.	2005
	Coop 53	Agricultural and development coop in Bent jbeil Caza	General agricultural services: plowing, spraying, etc.	1994
	Coop 54	Deir Aames coop for agricultural development	General agricultural services: plowing, spraying, etc.	2005
<b>Mount Lebanon</b>	Coop 55	Fishermen cooperative in Al Safra	Inputs supply and marketing for fishermen	1995
	Coop 56	Agricultural coop in Kfarnabrakh	General agricultural services: plowing, spraying, etc.	1995
	Coop 57	Agricultural coop in Hammana	General agricultural services: plowing, spraying, etc.	1990
	Coop 58	Agricultural coop in Barbara	General agricultural services: plowing, spraying, etc.	2000
<b>Bekaa</b>	Coop 59	Agricultural coop in Ammik	General agricultural services: plowing, spraying, etc.	1994
	Coop 60	Agricultural coop in Anaa	Collective potato cultivation	1995
	Coop 61	Agricultural coop in Kefraya	Grape molasses processing	1994
	Coop 62	Production and processing coop in Ham	Production of traditional processed products	2005
	Coop 63	Arsal processing coop	Production of traditional processed products	1999
	Coop 64	Agricultural coop in Maaraboun	General agri. services: plowing, etc.	2004

Chart 29: Percentage of different indicators of the initiation phase and progress (IP) dimension across the four agricultural regions in Lebanon



- Definition and data of IP3 till IP19 indicators are detailed in Table 32: Data for the Initiation phase and progress dimension

Table 22: Data for the Initiation phase and progress (IP) dimension

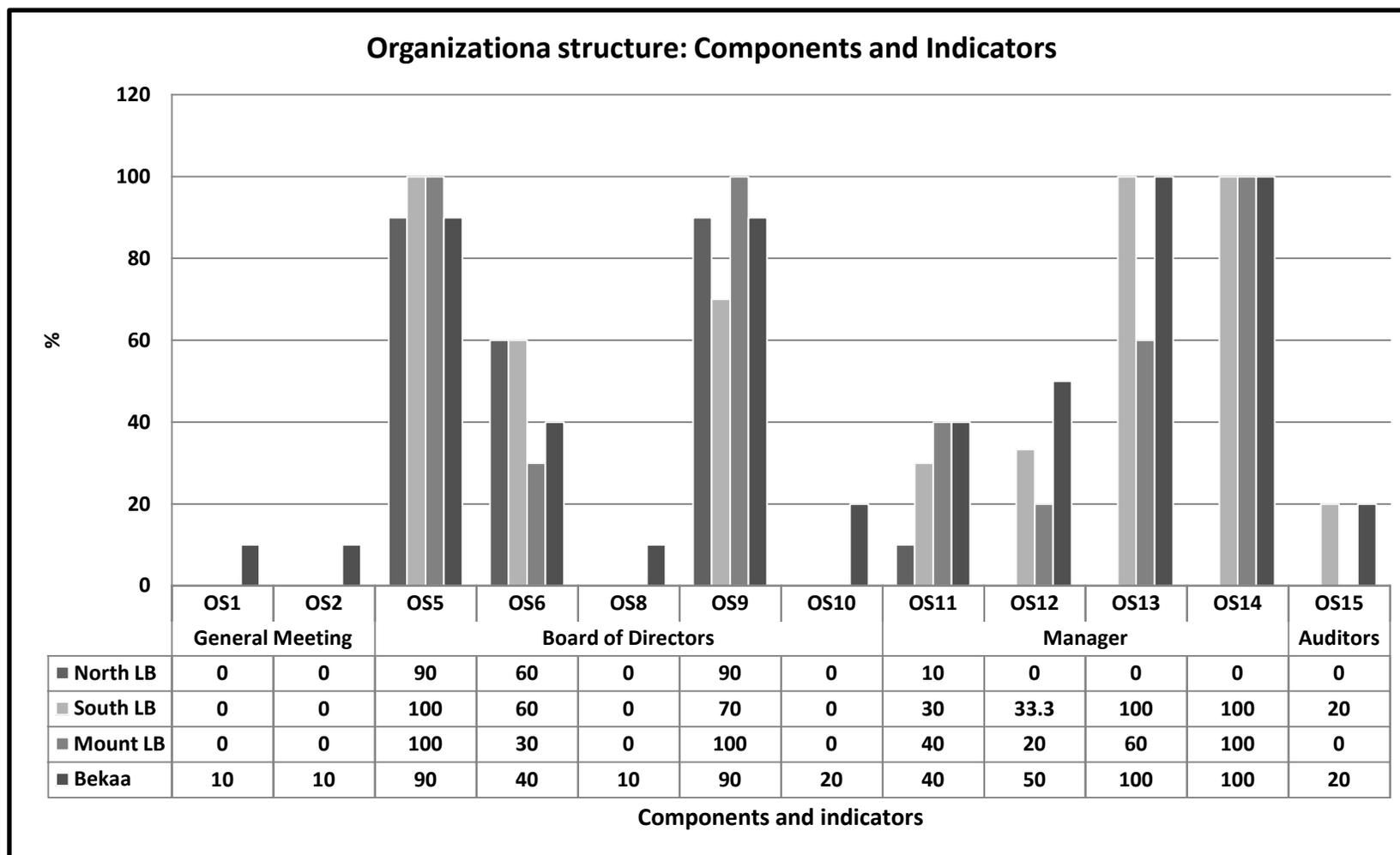
Initiation Phase and Progress (IP)																				
Agricultural region	Coop Reference Nb	Membership		Cooperative type			Objectives			Reason behind initiation			Owned assets directly after initiation				Owned assets during interview			
		IP1	IP2	IP3	IP4	IP5	IP6	IP7	IP8	IP9	IP10	IP11	IP12	IP13	IP14	IP15	IP16	IP17	IP18	IP19
North Lebanon	Coop 1	20	355	Y	Y	Y	Y	Y	Y	Y	Y	N	N	-	-	-	N	Y	N	N
	Coop 2	13	0	N	N	Y	Y	Y	Y	N	Y	N	Y	N	Y	N	N	Y	N	N
	Coop 3	17	200	N	Y	Y	Y	Y	Y	N	Y	N	N	-	-	-	N	Y	N	N
	Coop 4	11	30	Y	Y	Y	Y	Y	Y	N	Y	N	N	-	-	-	N	Y	N	N
	Coop 5	16	0	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	-	-	-
	Coop 6	15	0	N	N	Y	Y	Y	Y	N	N	Y	Y	N	N	Y	Y	-	-	-
	Coop 7	15	0	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	N	N	Y	N	N
	Coop 8	12	0	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	N	N	Y	N	N
	Coop 9	115	20	N	Y	Y	Y	Y	Y	Y	Y	N	N	-	-	-	N	Y	Y	N
	Coop 10	14	470	N	Y	Y	Y	Y	Y	N	Y	N	Y	N	Y	Y	N	Y	Y	N
	<b>% of Yes</b>			<b>50</b>	<b>80</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>20</b>	<b>90</b>	<b>40</b>	<b>60</b>	<b>0</b>	<b>83.3</b>	<b>50</b>	<b>20</b>	<b>100</b>	<b>25</b>	<b>0</b>
South Lebanon	Coop 11	12	633	Y	Y	Y	Y	Y	Y	Y	Y	N	N	-	-	-	N	Y	Y	N
	Coop 12	14	85	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	-	-	-	N	Y	Y	Y
	Coop 13	30	0	N	N	Y	Y	Y	Y	N	Y	Y	Y	N	Y	N	N	Y	N	N
	Coop 14	21	900	Y	Y	Y	Y	Y	Y	N	Y	N	Y	N	Y	N	N	Y	N	N
	Coop 15	12	0	N	N	Y	Y	Y	Y	N	Y	N	Y	N	Y	N	N	Y	N	N
	Coop 16	52	0	Y	Y	Y	Y	Y	Y	N	Y	Y	N	-	-	-	N	Y	N	N

	Coop 17	12	0	N	N	Y	Y	Y	Y	N	Y	Y	Y	N	Y	N	N	Y	Y	N
	Coop 18	17	100	Y	Y	Y	Y	Y	Y	N	Y	N	N	-	-	-	N	Y	N	N
	Coop 19	120	43	Y	Y	Y	Y	Y	Y	Y	Y	N	N	-	-	-	N	Y	N	N
	Coop 20	11	400	N	Y	Y	Y	Y	Y	Y	Y	N	N	-	-	-	N	Y	N	N
	<b>% of Yes</b>			<b>60</b>	<b>70</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>40</b>	<b>100</b>	<b>40</b>	<b>40</b>	<b>0</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>100</b>	<b>30</b>	<b>10</b>
Mount Lebanon	Coop 21	10	500	Y	Y	Y	Y	Y	Y	Y	Y	N	N	-	-	-	N	Y	N	Y
	Coop 22	24	45	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	N	Y	Y	-	-	-
	Coop 23	26	34	Y	Y	Y	Y	Y	Y	N	Y	N	N	-	-	-	N	Y	N	Y
	Coop 24	26	34	Y	Y	Y	Y	Y	Y	N	Y	N	N	-	-	-	Y	-	-	-
	Coop 25	90	551	Y	Y	Y	Y	Y	Y	N	N	Y	Y	N	N	Y	N	Y	Y	N
	Coop 26	14	150	Y	Y	Y	Y	Y	Y	N	Y	N	N	-	-	-	Y	-	-	-
	Coop 27	12	450	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	N	N	N	Y	N	N
	Coop 28	14	78	N	N	Y	Y	Y	Y	N	Y	Y	Y	N	Y	N	N	Y	N	N
	Coop 29	13	2700	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	-	-	-	N	Y	Y	N
	Coop 30	11	350	Y	Y	Y	Y	Y	Y	N	Y	N	N	-	-	-	N	Y	N	N
	<b>% of yes</b>			<b>90</b>	<b>90</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>30</b>	<b>80</b>	<b>40</b>	<b>40</b>	<b>25</b>	<b>25</b>	<b>50</b>	<b>30</b>	<b>100</b>	<b>28.5</b>	<b>28.5</b>
Bekaa	Coop 31	11	100	Y	Y	Y	Y	Y	Y	N	Y	N	N	-	-	-	N	Y	N	Y
	Coop 32	28	21	N	N	Y	Y	Y	Y	N	Y	N	Y	N	Y	N	N	Y	N	N
	Coop 33	34	-35	N	N	Y	Y	Y	Y	Y	Y	N	N	-	-	-	N	Y	Y	N
	Coop 34	15	0	Y	Y	Y	Y	Y	Y	Y	Y	N	N	-	-	-	N	Y	N	N
	Coop 35	20	140	Y	Y	Y	Y	Y	Y	Y	Y	N	N	-	-	-	Y	-	-	-
	Coop 36	22	1300	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	N	N	Y	N	N
	Coop 37	15	20	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	N	N	Y	N	N
	Coop 38	120	20	Y	Y	Y	Y	Y	Y	N	Y	N	N	-	-	-	N	Y	N	N

	Coop 39	12	200	N	Y	Y	Y	Y	Y	N	Y	Y	N	-	-	-	N	Y	N	N
	Coop 40	22	1000	Y	Y	Y	Y	Y	Y	Y	Y	N	N	-	-	-	N	Y	N	N
	% of Yes			70	80	100	100	100	100	50	100	10	30	33.3	100	0	10	100	11.1	11.1

- **Membership: IP1:** Number of members during the initiation phase, **IP2:** Percentage increase in membership during interview time
- **Type of cooperative: IP3:** Supply, **IP4:** Services, **IP5:** Marketing,
- **Objectives: IP6:** Generate and secure income, **IP7:** Job creation, **IP8:** Social cohesion,
- **Reasons behind initiation: IP9:** Common need, **IP10:** Condition to receive aid (government or NGOs), **IP11:** Requested by a political leader, village elite or philanthropist,
- **Assets owned directly after initiation: IP12:** Availability of assets directly after initiation, **IP13:** Assets assured through members' own investment, **IP14:** Assets donated through a development project, **IP15:** Assets donated through a political party or a charity donor (philanthropist from the village),
- **Current assets: IP16:** Current owned assets are the same as initial owned assets, **IP17:** New assets donated by a development project, **IP18:** New assets donated by a political party or a charity donor, **IP19:** New assets assured by members' own-investment

Chart 30: Percentage of different indicators of the organizational structure (OS) dimension across the four agricultural regions in Lebanon



Definitions and data of OS1 till OS15 indicators are detailed in Table 33: Data for the organizational structure dimension

Table 23: Data for the organizational structure (OS) dimension

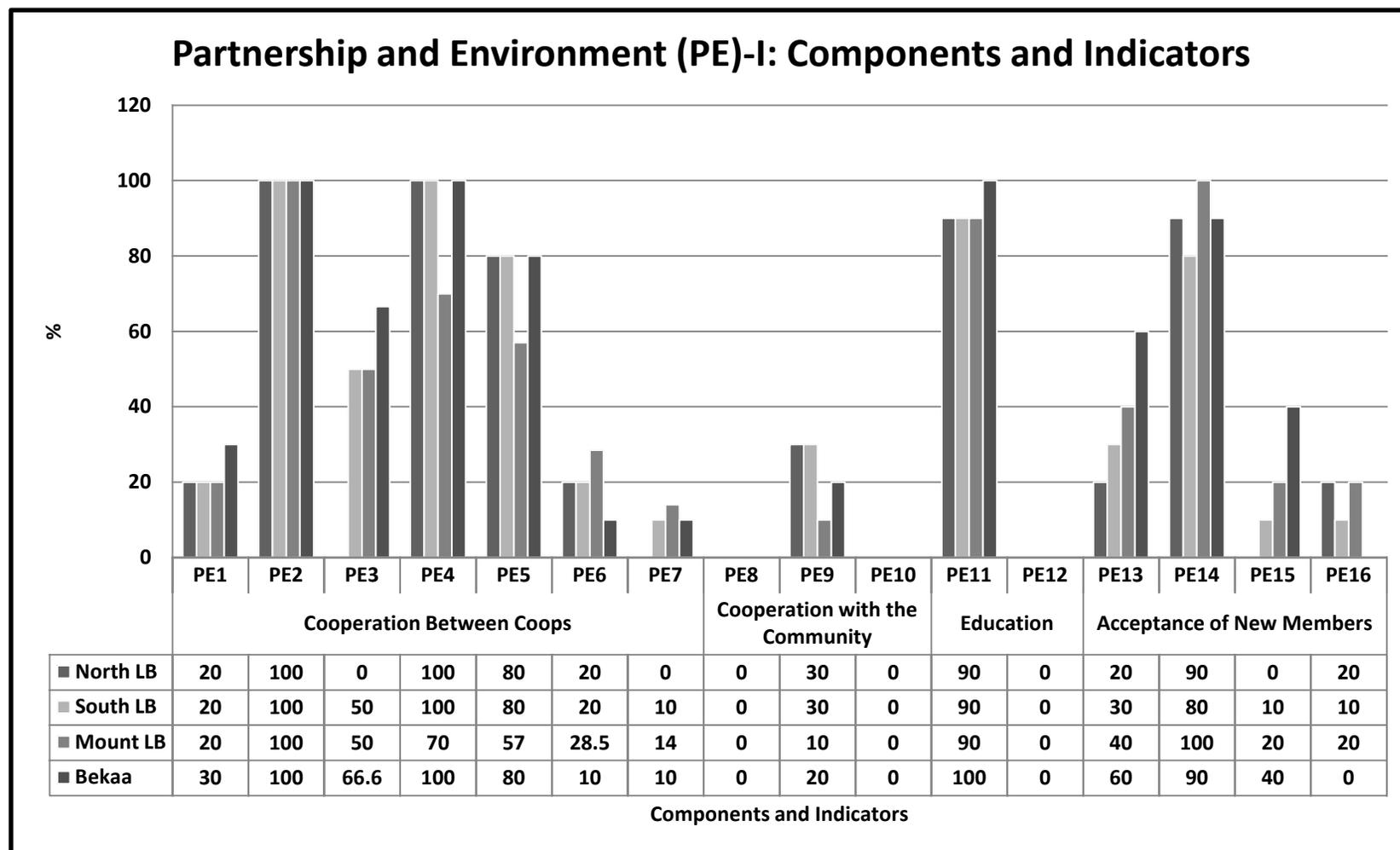
<b>Organizational Structure (OS) – In a primary cooperative</b>																	
<b>Agricultural region</b>	<b>Coop Reference Nb</b>	<b>General meeting</b>				<b>Board of directors</b>						<b>Manager</b>				<b>Auditors</b>	
		OS1	OS2	OS3	OS4	OS5	OS6	OS7	OS8	OS9	OS10	OS11	OS12	OS13	OS14	OS15	OS16
North Lebanon	Coop 1	N	N	1	40	Y	Y	12	N	Y	N	N	-	-	-	N	1
	Coop 2	N	N	1	80	Y	Y	15	N	Y	N	N	-	-	-	N	1
	Coop 3	N	N	1	20	Y	N	10	N	Y	N	N	-	-	-	N	1
	Coop 4	N	N	1	80	Y	Y	6	N	Y	N	N	-	-	-	N	0
	Coop 5	N	N	0	-	N	Y	0	N	Y	N	Y	N	N	N	N	0
	Coop 6	N	N	2	80	Y	N	5	N	Y	N	N	-	-	-	N	1
	Coop 7	N	N	1	40	Y	Y	4	N	Y	N	N	-	-	-	N	0
	Coop 8	N	N	1	50	Y	N	4	N	Y	N	N	-	-	-	N	1
	Coop 9	N	N	1	30	Y	N	2	N	N	N	N	-	-	-	N	0
	Coop 10	N	N	1	40	Y	Y	6	N	Y	N	N	-	-	-	N	0
	<b>% of yes</b>	<b>0</b>	<b>0</b>			<b>90</b>	<b>60</b>		<b>0</b>	<b>90</b>	<b>0</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
South Lebanon	Coop 11	N	N	1	45	Y	Y	8	N	Y	N	N	-	-	-	Y	2
	Coop 12	N	N	1	70	Y	Y	3	N	Y	N	N	-	-	-	N	0
	Coop 13	N	N	1	50	Y	Y	6	N	Y	N	N	-	-	-	N	1
	Coop 14	N	N	1	40	Y	Y	36	N	N	N	Y	Y	Y	Y	Y	4
	Coop 15	N	N	1	50	Y	Y	3	N	Y	N	N	-	-	-	N	0
	Coop 16	N	N	1	60	Y	N	4	N	Y	N	Y	N	Y	Y	N	0
	Coop 17	N	N	1	90	Y	Y	5	N	Y	N	N	-	-	-	N	0

	Coop 18	N	N	3	40	Y	N	6	N	Y	N	N	-	-	-	N	1
	Coop 19	N	N	1	35	Y	N	4	N	N	N	N	-	-	-	N	1
	Coop 20	N	N	1	60	Y	N	5	N	N	N	Y	N	Y	Y	N	1
	<b>% of yes</b>	<b>0</b>	<b>0</b>			<b>100</b>	<b>60</b>		<b>0</b>	<b>70</b>	<b>0</b>	<b>30</b>	<b>33.3</b>	<b>100</b>	<b>100</b>	<b>20</b>	
Mount Lebanon	Coop 21	N	N	1	25	Y	N	24	N	Y	N	Y	N	Y	Y	N	1
	Coop 22	N	N	4	60	Y	Y	6	N	Y	N	Y	N	Y	Y	N	1
	Coop 23	N	N	1	40	Y	N	5	N	Y	N	Y	Y	N	Y	N	1
	Coop 24	N	N	1	40	Y	N	5	N	Y	N	N	-	-	-	N	1
	Coop 25	N	N	1	10	Y	N	10	N	Y	N	N	-	-	-	N	1
	Coop 26	N	N	1	30	Y	N	4	N	Y	N	N	-	-	-	N	1
	Coop 27	N	N	1	55	Y	N	5	N	Y	N	Y	N	Y	Y	N	2
	Coop 28	N	N	1	60	Y	Y	8	N	Y	N	N	-	-	-	N	1
	Coop 29	N	N	1	30	Y	Y	5	N	Y	N	N	-	-	-	N	0
	Coop 30	N	N	1	35	Y	N	4	N	Y	N	N	-	-	-	N	1
	<b>% of yes</b>	<b>0</b>	<b>0</b>			<b>100</b>	<b>30</b>		<b>0</b>	<b>100</b>	<b>0</b>	<b>40</b>	<b>20</b>	<b>60</b>	<b>100</b>	<b>0</b>	
Bekaa	Coop 31	N	N	1	100	Y	N	12	N	Y	N	N	-	-	-	N	1
	Coop 32	N	N	1	60	Y	Y	15	N	N	N	Y	N	Y	Y	N	1
	Coop 33	N	N	4	100	Y	Y	12	N	Y	N	Y	N	Y	Y	N	1
	Coop 34	N	N	1	60	Y	N	6	N	Y	N	N	-	-	-	N	1
	Coop 35	N	N	1	40	Y	Y	4	N	Y	Y	N	-	-	-	N	1
	Coop 36	N	N	1	50	Y	Y	12	Y	Y	Y	Y	Y	Y	Y	Y	2
	Coop 37	Y	Y	1	90	N	N	12	N	Y	N	Y	Y	Y	Y	Y	2
	Coop 38	N	N	1	70	Y	N	4	N	Y	N	N	-	-	-	N	1
	Coop 39	N	N	1	40	Y	N	3	N	Y	N	N	-	-	-	N	1

	Coop 40	N	N	1	50	Y	N	6	N	Y	N	N	-	-	-	N	1
	% of yes	10	10			90	40		10	90	20	40	50	100	100	20	

- **General Meeting:** OS1: selects the policy of the coop, OS2: Votes on the strategy of work, OS3: Nb of general meeting per year, OS4: percentage of members' participation in the general meeting,
- **Board of directors:** OS5: Decided the policy and strategy of the coop, OS6: A NGO helped the coop to draft a policy or strategy, OS7: Nb of official board meetings per year, OS8: Prepared an action plan on which members of the general meeting have elected them, OS9: Have been elected by acclamation, OS10: Chairperson elected based on a proposed work plan,
- **Manager:** OS11: Operates coop's activities, OS12: Has a Business management background, OS13: Communicates on a weekly basis with the board of directors, OS14: Ensures equal access of members to services whatever they own in terms of shares in the coop,
- **Auditors:** OS15: Were elected based on their technical background allowing them to monitor the work of board member, OS16: Nb of auditors meeting per year.

Chart 31: Percentage of different indicators of the Partnership and Environment (PE)-I dimension across the four agricultural regions in Lebanon



Definition and data of PE1 till PE15 indicators are detailed in Table 34: Data for the partnership and environment (I) dimension

Table 24: Data for Partnership and Environment (PE)-I dimension

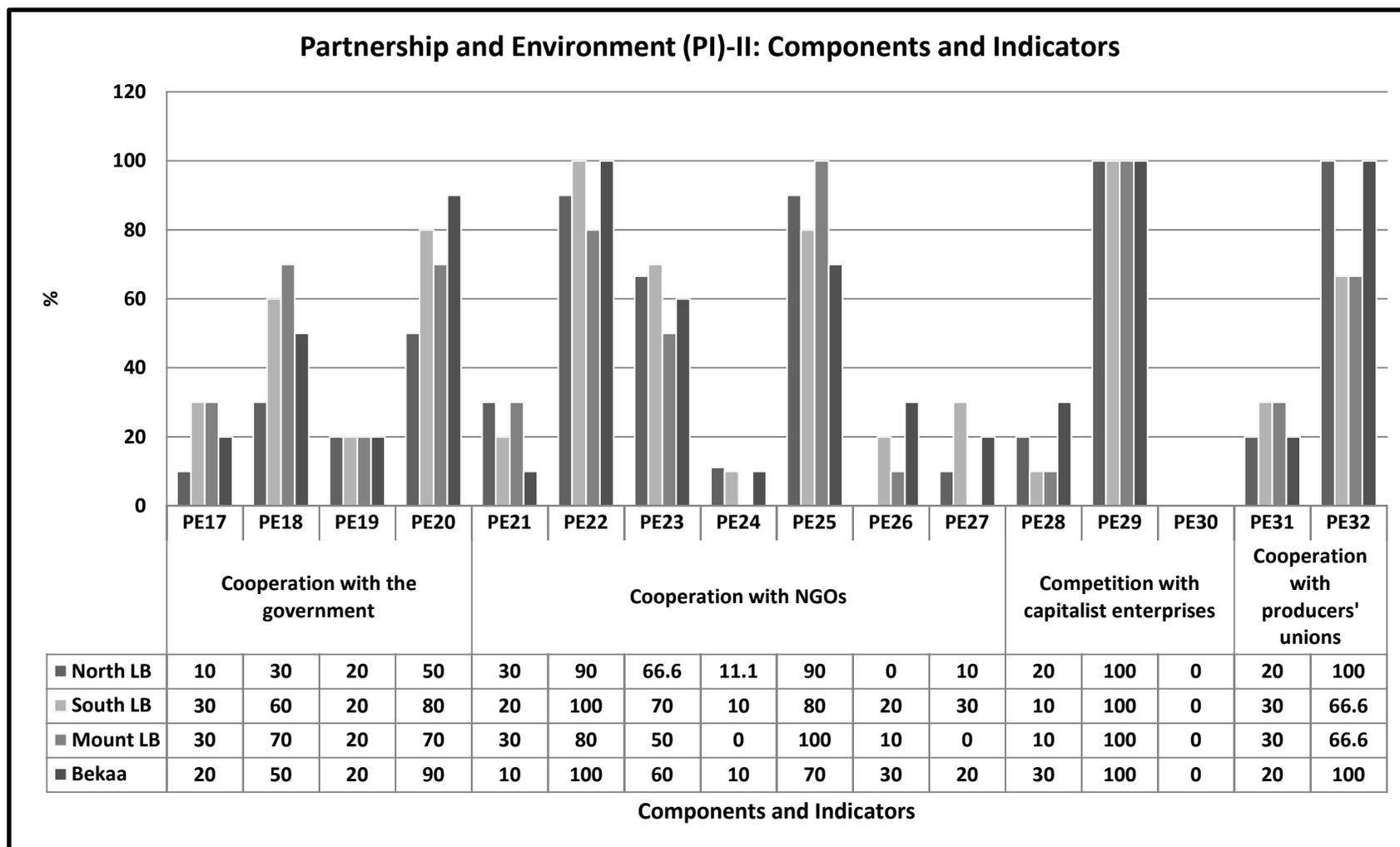
<b>Partnership and Environment (PE) – (1)</b>																	
<b>Agricultural region</b>	<b>Coop Reference Nb</b>	<b>Cooperation between coops</b>							<b>Cooperation with the community</b>			<b>Education</b>		<b>Acceptance of new members</b>			
		PE1	PE2	PE3	PE4	PE5	PE6	PE7	PE8	PE9	PE10	PE11	PE12	PE13	PE14	PE15	PE16
North Lebanon	Coop 1	Y	Y	N	Y	Y	N	N	N	N	N	Y	N	Y	Y	N	N
	Coop 2	N	-	-	Y	Y	N	N	N	N	N	Y	N	N	Y	N	N
	Coop 3	N	-	-	Y	Y	N	N	N	N	N	Y	N	N	Y	N	N
	Coop 4	N	-	-	Y	Y	N	N	N	Y	N	Y	N	N	Y	N	Y
	Coop 5	N	-	-	Y	Y	N	N	N	N	N	N	N	N	N	N	N
	Coop 6	N	-	-	Y	Y	N	N	N	N	N	Y	N	N	Y	N	N
	Coop 7	N	-	-	Y	Y	N	N	N	N	N	Y	N	N	Y	N	Y
	Coop 8	N	-	-	Y	Y	N	N	N	Y	N	Y	N	N	Y	N	N
	Coop 9	Y	Y	N	Y	N	Y	N	N	N	N	Y	N	N	Y	N	N
	Coop 10	N	-	-	Y	N	Y	N	N	Y	N	Y	N	Y	Y	N	N
	<b>% of yes</b>	<b>20</b>	<b>100</b>	<b>0</b>	<b>100</b>	<b>80</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>30</b>	<b>0</b>	<b>90</b>	<b>0</b>	<b>20</b>	<b>90</b>	<b>0</b>	<b>20</b>
South Lebanon	Coop 11	N	-	-	Y	Y	N	N	N	N	N	Y	N	Y	Y	Y	N
	Coop 12	Y	Y	N	Y	Y	Y	N	N	N	N	Y	N	Y	Y	N	N
	Coop 13	N	-	-	Y	Y	N	N	N	Y	N	Y	N	N	Y	N	N
	Coop 14	N	-	-	Y	Y	N	N	N	N	N	Y	N	N	Y	N	Y
	Coop 15	N	-	-	Y	Y	N	N	N	Y	N	Y	N	N	N	N	N
	Coop 16	N	-	-	Y	Y	N	N	N	N	N	Y	N	Y	Y	N	N
	Coop 17	N	-	-	Y	Y	N	N	N	N	N	Y	N	N	N	N	N

	Coop 18	N	-	-	Y	Y	N	N	N	Y	N	N	N	N	Y	N	N
	Coop 19	N	-	-	Y	N	N	N	N	N	N	Y	N	N	Y	N	N
	Coop 20	Y	Y	Y	Y	N	Y	Y	N	N	N	Y	N	N	Y	N	N
	<b>% of yes</b>	<b>20</b>	<b>100</b>	<b>50</b>	<b>100</b>	<b>80</b>	<b>20</b>	<b>10</b>	<b>0</b>	<b>30</b>	<b>0</b>	<b>90</b>	<b>0</b>	<b>30</b>	<b>80</b>	<b>10</b>	<b>10</b>
Mount Lebanon	Coop 21	N	-	-	Y	Y	N	N	N	N	N	Y	N	N	Y	Y	N
	Coop 22	N	-	-	Y	Y	N	N	N	N	N	Y	N	Y	Y	N	N
	Coop 23	N	-	-	N	-	-	-	N	N	N	Y	N	N	Y	N	Y
	Coop 24	N	-	-	N	-	-	-	N	N	N	Y	N	N	Y	N	N
	Coop 25	N	-	-	Y	Y	N	N	N	Y	N	Y	N	N	Y	N	Y
	Coop 26	N	-	-	N	-	-	-	N	N	N	N	N	N	Y	N	N
	Coop 27	N	-	-	Y	N	N	Y	N	N	N	Y	N	Y	Y	N	N
	Coop 28	N	-	-	Y	Y	N	N	N	N	N	Y	N	N	Y	Y	N
	Coop 29	Y	Y	N	Y	N	Y	N	N	N	N	Y	N	Y	Y	N	N
	Coop 30	Y	Y	Y	Y	N	Y	N	N	N	N	Y	N	Y	Y	N	N
	<b>% of yes</b>	<b>20</b>	<b>100</b>	<b>50</b>	<b>70</b>	<b>57</b>	<b>28.5</b>	<b>14</b>	<b>0</b>	<b>10</b>	<b>0</b>	<b>90</b>	<b>0</b>	<b>40</b>	<b>100</b>	<b>20</b>	<b>20</b>
Bekaa	Coop 31	N	-	-	Y	Y	N	N	N	N	N	Y	N	Y	Y	N	N
	Coop 32	N	-	-	Y	Y	N	N	N	N	N	Y	N	Y	Y	N	N
	Coop 33	N	-	-	Y	Y	N	N	N	Y	N	Y	N	N	Y	N	N
	Coop 34	N	-	-	Y	Y	N	N	N	N	N	Y	N	N	N	N	N
	Coop 35	N	-	-	Y	Y	N	N	N	N	N	Y	N	N	Y	N	N
	Coop 36	N	-	-	Y	N	N	Y	N	Y	N	Y	N	Y	Y	Y	N
	Coop 37	N	-	-	Y	Y	N	N	N	N	N	Y	N	N	Y	Y	N
	Coop 38	Y	Y	Y	Y	Y	N	N	N	N	N	Y	N	Y	Y	Y	N
	Coop 39	Y	Y	N	Y	N	Y	N	N	N	N	Y	N	Y	Y	N	N

	Coop 40	Y	Y	Y	Y	Y	N	N	N	N	N	Y	N	Y	Y	Y	N
	% of yes	30	100	66.6	100	80	10	10	0	20	0	100	0	60	90	40	0

- **Cooperation between cooperative:** PE1: Coop has an active cooperation with other cooperatives, PE2: Cooperation with other cooperatives in order to increase power, PE3: Cooperation with other cooperatives in order to increase access to services, PE4: Coop has membership in the cooperative confederation, PE5: Coop joined the cooperative confederation because it is mandatory, PE6: Coop joined the cooperative confederation to increase power, PE7: Coop joined the cooperative confederation to get education and finance services,
- **Cooperation with the community:** PE8: Part of surpluses are allocated for a community project, PE9: Coop has implemented a project with the municipality, PE10: Coop has implemented a project with a local civil society organization,
- **Education:** PE11: Proper education to members to know their rights and responsibilities, PE12: Carry training sessions within the community to disseminate the advantage of cooperative enterprises,
- **Acceptance of new members:** PE13: Accept (or will) new members if they need the coop services, PE14: Accept (or will) new members to increase the coop power, PE15: Accept (or will) new members if they would share in investment, PE16: Coop has rejected a few membership

Chart 32: Percentage of different indicators of the Partnership and Environment (PE)-II dimension across the four agricultural regions in Lebanon



Definition and data of PE17 till PE32 indicators are detailed in Table 35: Data for the partnership and environment (II) dimension

Table 25: Data for Partnership and Environment (PE)-II dimension

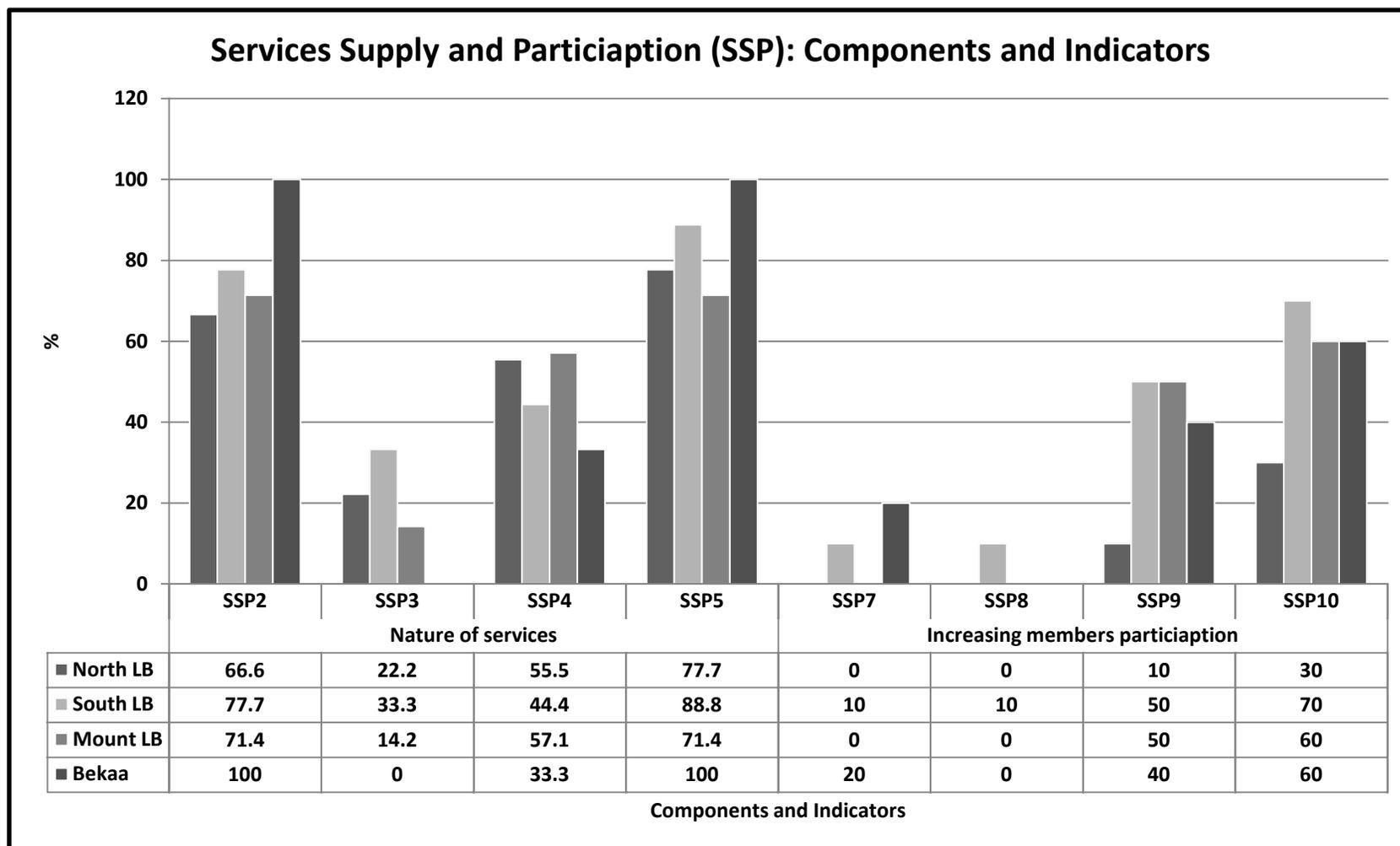
<b>Partnership and Environment (PE) – (2)</b>																	
<b>Agricultural region</b>	<b>Coop Reference Nb</b>	<b>Cooperation with the government</b>					<b>Cooperation with NGOs</b>						<b>Competition with private enterprises</b>			<b>Cooperation with producers unions</b>	
		PE17	PE18	PE19	PE20	PE21	PE22	PE23	PE24	PE25	PE26	PE27	PE28	PE29	PE30	PE31	PE32
North Lebanon	Coop 1	N	Y	N	Y	N	Y	Y	N	Y	N	N	N	-	-	N	-
	Coop 2	N	N	N	Y	N	Y	N	N	Y	N	N	Y	Y	N	N	-
	Coop 3	N	N	N	Y	N	Y	Y	N	Y	N	N	Y	Y	N	N	-
	Coop 4	N	N	N	Y	N	Y	N	N	Y	N	N	N	-	-	N	-
	Coop 5	N	N	N	N	N	Y	Y	Y	Y	N	N	N	-	-	N	-
	Coop 6	N	N	N	Y	N	N	-	-	N	N	Y	N	-	-	N	-
	Coop 7	N	N	N	N	Y	Y	Y	N	Y	N	N	N	-	-	N	-
	Coop 8	N	N	N	N	Y	Y	Y	N	Y	N	N	N	-	-	N	-
	Coop 9	N	Y	Y	N	Y	Y	N	N	Y	N	N	N	-	-	Y	Y
	Coop 10	Y	Y	Y	N	N	Y	Y	N	Y	N	N	N	-	-	Y	Y
	<b>% of yes</b>	<b>10</b>	<b>30</b>	<b>20</b>	<b>50</b>	<b>30</b>	<b>90</b>	<b>66.6</b>	<b>11.1</b>	<b>90</b>	<b>0</b>	<b>10</b>	<b>20</b>	<b>100</b>	<b>0</b>	<b>20</b>	<b>100</b>
South Lebanon	Coop 11	N	Y	N	Y	N	Y	Y	N	N	Y	Y	N	-	-	N	-
	Coop 12	Y	Y	N	Y	N	Y	Y	N	Y	N	Y	N	-	-	Y	N
	Coop 13	N	N	N	N	Y	Y	Y	N	Y	N	N	N	-	-	N	-
	Coop 14	N	N	N	Y	N	Y	N	Y	Y	N	N	Y	Y	N	N	-

	Coop 15	N	N	N	Y	N	Y	Y	N	Y	N	N	N	-	-	N	-
	Coop 16	Y	Y	N	Y	N	Y	Y	N	N	Y	Y	N	-	-	N	-
	Coop 17	N	N	N	Y	N	Y	N	N	Y	N	N	N	-	-	N	-
	Coop 18	N	Y	N	Y	N	Y	N	N	Y	N	N	N	-	-	N	-
	Coop 19	N	Y	Y	N	Y	Y	Y	N	Y	N	N	N	-	-	Y	Y
	Coop 20	Y	Y	Y	Y	N	Y	Y	N	Y	N	N	N	-	-	Y	Y
	<b>% of yes</b>	<b>30</b>	<b>60</b>	<b>20</b>	<b>80</b>	<b>20</b>	<b>100</b>	<b>70</b>	<b>10</b>	<b>80</b>	<b>20</b>	<b>30</b>	<b>10</b>	<b>100</b>	<b>0</b>	<b>30</b>	<b>66.6</b>
Mount Lebanon	Coop 21	N	Y	N	Y	N	Y	N	N	Y	N	N	Y	Y	N	N	-
	Coop 22	N	Y	N	Y	N	Y	Y	N	Y	N	N	N	-	-	N	-
	Coop 23	Y	N	N	N	Y	Y	N	N	Y	N	N	N	-	-	N	-
	Coop 24	N	N	N	N	Y	N	-	-	Y	N	N	N	-	-	N	-
	Coop 25	N	Y	N	N	Y	Y	Y	N	Y	N	N	N	-	-	N	-
	Coop 26	N	Y	N	Y	N	N	-	-	-	Y	N	N	-	-	N	-
	Coop 27	Y	Y	N	Y	N	Y	N	N	Y	N	N	N	-	-	Y	N
	Coop 28	N	N	N	Y	N	Y	N	N	Y	N	N	N	-	-	N	-
	Coop 29	N	Y	Y	Y	N	Y	Y	N	Y	N	N	N	-	-	Y	Y
	Coop 30	Y	Y	Y	Y	N	Y	Y	N	Y	N	N	N	-	-	Y	Y
	<b>% of yes</b>	<b>30</b>	<b>70</b>	<b>20</b>	<b>70</b>	<b>30</b>	<b>80</b>	<b>50</b>	<b>0</b>	<b>100</b>	<b>10</b>	<b>0</b>	<b>10</b>	<b>100</b>	<b>0</b>	<b>30</b>	<b>66.6</b>
Bekaa	Coop 31	N	Y	N	Y	N	Y	N	N	Y	N	N	N	-	-	N	-
	Coop 32	N	N	N	Y	N	Y	Y	N	Y	N	N	Y	Y	N	N	-
	Coop 33	N	N	N	Y	N	Y	N	N	Y	N	N	Y	Y	N	N	-
	Coop 34	N	Y	N	Y	N	Y	N	N	Y	N	N	N	-	-	N	-

Coop 35	N	N	N	Y	N	Y	Y	N	N	Y	N	Y	Y	-	N	-
Coop 36	Y	N	N	Y	N	Y	Y	N	N	Y	Y	N	-	-	N	-
Coop 37	N	N	N	N	Y	Y	Y	N	N	Y	Y	N	-	-	N	-
Coop 38	N	Y	N	Y	N	Y	Y	N	Y	N	N	N	-	-	N	-
Coop 39	N	Y	Y	Y	N	Y	Y	N	Y	N	N	N	-	-	Y	Y
Coop 40	Y	Y	Y	Y	N	Y	N	Y	Y	N	N	N	-	-	Y	Y
<b>% of yes</b>	<b>20</b>	<b>50</b>	<b>20</b>	<b>90</b>	<b>10</b>	<b>100</b>	<b>60</b>	<b>10</b>	<b>70</b>	<b>30</b>	<b>20</b>	<b>30</b>	<b>100</b>	<b>0</b>	<b>20</b>	<b>100</b>

- **Cooperation with the government:** **PE17:** Government facilitated access to credit and diverse public services, **PE18:** Financial support, equipments, inputs, **PE19:** Other support (Legal and regulatory framework, infrastructure for coops, etc), **PE20:** Permanent coordination with the government (DGC),
- **Cooperation with NGOs:** **PE21:** Coordination limited to mandatory documents: such as minutes of meetings of the board of directors, annual balance sheet, etc., **PE22:** Coop built a partnership with a NGO, **PE23:** Partnership continued after the project's ending phase, **PE24:** Top-down communication during the project's implementation phase, **PE25:** Coop accepted or will accept any support from NGOs, **PE26:** Coop has only accepted support from NGOs based on members' common needs, **PE27:** Coop has only accepted support from NGOs if it has the different criteria of sustainability,
- **Competition with capitalist enterprises:** **PE28:** High competition with capitalist enterprises in the delivery of services, **PE29:** Competition by price, **PE30:** Competition by quality,
- **Cooperation with producers' unions:** **PE31:** Coop is a member in a farmers/producers' union, **PE32:** Does the membership in a farmers' union delivered any benefits to the coop?

Chart 33: Percentage of different indicators of the services supply and participation (SSP) dimension across the four agricultural regions in Lebanon



Definition and data of SSP2 till SSP10 indicators are detailed in Table 36: Data for the services supply and participation (SSP) dimension

Table 26: Data for the services supply and participation (SSP) dimension

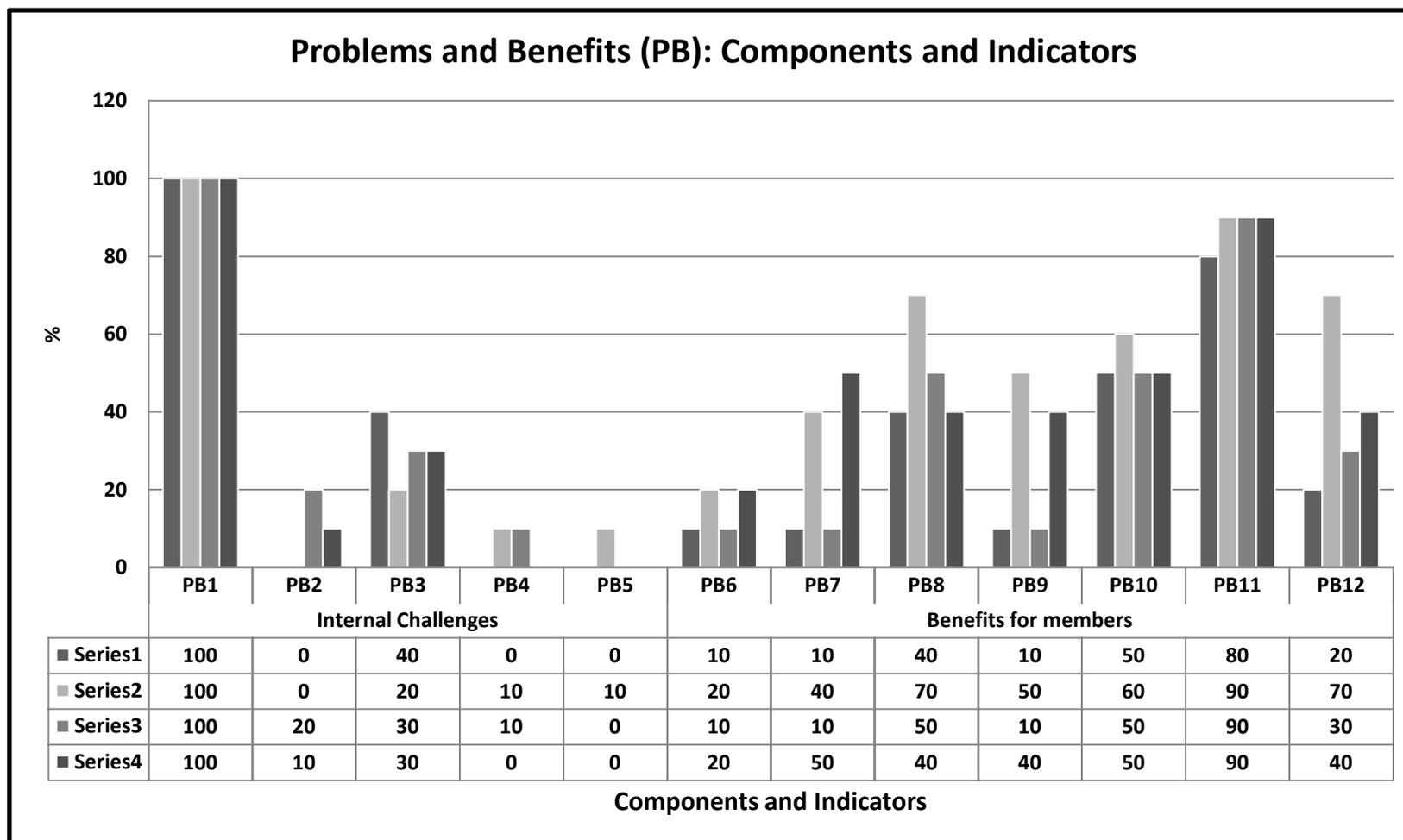
<b>Services Supply &amp; Participation (SSP)</b>											
<b>Agricultural region</b>	<b>Coop Reference Nb</b>	<b>Nature of services</b>						<b>Increasing members participation</b>			
		SSP1	SSP2	SSP3	SSP4	SSP5	SSP6	SSP7	SSP8	SSP9	SSP10
North Lebanon	Coop 1	2	Y	N	Y	N	2	N	N	N	Y
	Coop 2	1	Y	N	N	Y	3	N	N	N	N
	Coop 3	1	Y	N	N	Y	30	N	N	N	N
	Coop 4	0	-	-	-	-	-	N	N	N	N
	Coop 5	1	Y	N	N	Y	2	N	N	N	N
	Coop 6	1	N	N	N	Y	1	N	N	N	Y
	Coop 7	3	Y	Y	Y	Y	4	N	N	Y	N
	Coop 8	3	Y	Y	Y	N	5	N	N	N	N
	Coop 9	2	N	N	Y	Y	30	N	N	N	N
	Coop 10	2	Y	N	Y	Y	2	N	N	N	Y
	<b>% of yes</b>		<b>77.7</b>	<b>22.2</b>	<b>55.5</b>	<b>77.7</b>		<b>0</b>	<b>0</b>	<b>10</b>	<b>30</b>
South Lebanon	Coop 11	2	Y	N	N	Y	5	N	N	Y	Y
	Coop 12	6	Y	Y	Y	Y	7	N	N	Y	Y
	Coop 13	1	N	N	N	Y	3	N	N	N	Y
	Coop 14	6	Y	Y	Y	Y	20	Y	N	Y	Y
	Coop 15	1	N	N	N	Y	2	N	N	N	N
	Coop 16	1	Y	N	Y	Y	2	N	N	Y	Y
	Coop 17	1	N	N	N	Y	3	N	N	N	Y

	Coop 18	0	-	-	-	-	0	N	Y	N	N
	Coop 19	0	-	-	-	-	0	N	N	N	N
	Coop 20	2	Y	Y	Y	N	2	N	N	Y	Y
	<b>% of yes</b>		<b>55.5</b>	<b>33.3</b>	<b>44.4</b>	<b>88.8</b>		<b>10</b>	<b>10</b>	<b>50</b>	<b>70</b>
Mount Lebanon	Coop 21	2	Y	N	Y	Y	3	N	N	Y	Y
	Coop 22	1	Y	N	Y	N	4	N	N	Y	Y
	Coop 23	1	N	N	Y	N	1	N	N	N	Y
	Coop 24	0	-	-	-	-	0	N	N	N	N
	Coop 25	2	Y	N	N	Y	1	N	N	N	N
	Coop 26	0	-	-	-	-	0	N	N	N	N
	Coop 27	1	Y	N	N	Y	2	N	N	Y	Y
	Coop 28	1	N	N	N	Y	1	N	N	Y	Y
	Coop 29	6	Y	Y	Y	Y	25	N	N	Y	Y
	Coop 30	0	-	-	-	-	0	N	N	N	N
	<b>% of yes</b>		<b>71.4</b>	<b>14.2</b>	<b>57.1</b>	<b>71.4</b>		<b>0</b>	<b>0</b>	<b>50</b>	<b>60</b>
Bekaa	Coop 31	1	Y	N	N	Y	1	N	N	N	Y
	Coop 32	1	Y	N	N	Y	3	N	N	N	Y
	Coop 33	1	Y	N	N	Y	2	N	N	Y	Y
	Coop 34	0	-	-	-	-	0	N	N	N	N
	Coop 35	0	-	-	-	-	0	N	N	N	N
	Coop 36	3	Y	N	Y	Y	4	Y	N	Y	Y
	Coop 37	2	Y	N	Y	Y	10	Y	N	Y	Y

	Coop 38	0	-	-	-	-	0	N	N	N	N
	Coop 39	0	-	-	-	-	0	N	N	N	N
	Coop 40	1	Y	N	N	Y	1	N	N	Y	Y
	<b>% of yes</b>		<b>100</b>	<b>0</b>	<b>33.3</b>	<b>100</b>		<b>20</b>	<b>0</b>	<b>40</b>	<b>60</b>

- **Nature of services:** **SSP1:** Nb of services offered to members by the coop, **SSP2:** Do members pay in order to receive services? **SSP3:** Services offered before production (supply), **SSP4:** Services offered during production (service), **SSP5:** Services offered after production (marketing), **SSP6:** maximum frequency of services per month for one member,
- **Increasing members participation:** **SSP7:** Monthly reports were prepared to increase the participation of members, **SSP8:** Several general meetings were carried to increase the participation of members, **SSP9:** High quality services were offered to increase the participation of members, **SSP10:** The equality in access to services was used to increase the participation of members

Chart 34: Percentage of different indicators of the problems and benefits (PB) dimension across the four agricultural regions in Lebanon



Definition and data of PB1 till PB12 indicators are detailed in Table 37: Data for the problems and benefits (PB) dimension

Table 27: Data for the problems and benefits (PB) dimension

<b>Problems and Benefits (PB)</b>													
<b>Agricultural region</b>	<b>Coop Reference Nb</b>	<b>Internal Challenges</b>					<b>Benefits for members</b>						
		PB1	PB2	PB3	PB4	PB5	PB6	PB7	PB8	PB9	PB10	PB11	PB12
North Lebanon	Coop 1	Y	N	Y	N	N	N	N	N	N	Y	Y	Y
	Coop 2	Y	N	Y	N	N	N	N	N	N	N	Y	N
	Coop 3	Y	N	Y	N	N	N	N	N	N	Y	Y	N
	Coop 4	Y	N	N	N	N	N	Y	Y	Y	Y	Y	N
	Coop 5	Y	N	N	N	N	N	N	N	N	N	N	Y
	Coop 6	Y	N	N	N	N	N	N	N	N	N	Y	N
	Coop 7	Y	N	N	N	N	N	N	Y	N	N	Y	N
	Coop 8	Y	N	N	N	N	N	N	Y	N	N	Y	N
	Coop 9	Y	N	Y	N	N	N	N	N	N	Y	N	N
	Coop 10	Y	N	N	N	N	Y	N	Y	N	Y	Y	N
	<b>% of yes</b>	<b>100</b>	<b>0</b>	<b>40</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>10</b>	<b>40</b>	<b>10</b>	<b>50</b>	<b>80</b>	<b>20</b>
South Lebanon	Coop 11	Y	N	N	N	N	N	Y	Y	Y	Y	Y	Y
	Coop 12	Y	N	N	N	N	Y	Y	Y	Y	Y	Y	Y
	Coop 13	Y	N	N	N	N	N	N	Y	N	N	Y	Y
	Coop 14	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y
	Coop 15	Y	N	N	N	N	N	N	N	N	N	Y	N
	Coop 16	Y	N	N	N	N	Y	N	Y	N	Y	Y	Y
	Coop 17	Y	N	N	N	N	N	N	Y	Y	N	Y	Y

	Coop 18	Y	N	N	N	N	N	N	N	N	N	Y	N
	Coop 19	Y	N	Y	N	N	N	N	N	N	Y	N	N
	Coop 20	Y	N	N	N	N	N	Y	Y	Y	Y	Y	Y
	<b>% of yes</b>	<b>100</b>	<b>0</b>	<b>20</b>	<b>10</b>	<b>10</b>	<b>20</b>	<b>40</b>	<b>70</b>	<b>50</b>	<b>60</b>	<b>90</b>	<b>70</b>
Mount Lebanon	Coop 21	Y	N	Y	N	N	N	N	Y	N	Y	Y	N
	Coop 22	Y	N	N	N	N	N	N	N	N	Y	Y	N
	Coop 23	Y	Y	N	N	N	N	N	N	N	N	Y	N
	Coop 24	Y	N	N	N	N	N	N	N	N	N	Y	N
	Coop 25	Y	Y	Y	N	N	N	N	N	N	Y	Y	Y
	Coop 26	Y	N	N	N	N	N	N	N	N	N	Y	N
	Coop 27	Y	N	N	Y	N	N	N	Y	N	Y	Y	Y
	Coop 28	Y	N	N	N	N	N	N	Y	N	N	Y	N
	Coop 29	Y	N	Y	N	N	Y	Y	Y	Y	Y	N	Y
	Coop 30	Y	N	N	N	N	N	N	Y	N	N	Y	N
	<b>% of yes</b>	<b>100</b>	<b>20</b>	<b>30</b>	<b>10</b>	<b>0</b>	<b>10</b>	<b>10</b>	<b>50</b>	<b>10</b>	<b>50</b>	<b>90</b>	<b>30</b>
Bekaa	Coop 31	Y	N	N	N	N	N	N	N	N	N	Y	N
	Coop 32	Y	Y	Y	N	N	N	Y	Y	N	Y	Y	N
	Coop 33	Y	N	N	N	N	N	Y	Y	Y	N	Y	N
	Coop 34	Y	N	N	N	N	N	N	N	N	N	Y	N
	Coop 35	Y	N	Y	N	N	N	N	N	N	Y	Y	N
	Coop 36	Y	N	N	N	N	Y	Y	Y	Y	Y	Y	Y
	Coop 37	N	N	N	N	N	Y	Y	Y	Y	Y	Y	Y

	Coop 38	Y	N	Y	N	N	N	N	N	N	N	Y	Y
	Coop 39	Y	N	N	N	N	N	N	N	N	N	Y	N
	Coop 40	Y	N	N	N	N	N	Y	N	Y	Y	N	Y
	<b>% of yes</b>	<b>100</b>	<b>10</b>	<b>30</b>	<b>0</b>	<b>0</b>	<b>20</b>	<b>50</b>	<b>40</b>	<b>40</b>	<b>50</b>	<b>90</b>	<b>40</b>

- **Internal challenges:** **PB1:** Horizon problem, **PB2:** Portfolio problem, **PB3:** Control problem, **PB4:** Free rider problem or common property problem, **PB5:** Influence cost problem,
- **Membership benefits:** **PB6:** Decrease the cost of production and increase income, **PB7:** Improve access to market, **PB8:** Improve and increase access to new services, **PB9:** Increase members' bargaining power, **PB10:** Increase the power of members to influence their policies, **PB11:** Increase members' skills, **PB12:** Coop is doing a positive annual balance

Table 28: Data for Dormant Cooperatives (DC) across the four regions

<b>Dormant cooperatives</b>														
<b>Agri. region</b>	<b>Coop reference Nb</b>	<b>Reason behind initiation</b>			<b>Source of owned assets</b>				<b>Services services</b>		<b>Benefits from membership</b>			
		<b>DC1</b>	<b>DC2</b>	<b>DC3</b>	<b>DC4</b>	<b>DC5</b>	<b>DC6</b>	<b>DC7</b>	<b>DC8</b>	<b>DC9</b>	<b>DC10</b>	<b>DC11</b>	<b>DC12</b>	<b>DC13</b>
<b>North LB</b>	Coop 41	N	Y	N	N	Y	N	N	1	N	N	N	Y	Y
	Coop 42	N	Y	N	-	-	-	-	0	-	N	N	Y	Y
	Coop 43	N	Y	N	-	-	-	-	0	-	N	N	N	N
	Coop 44	N	Y	N	-	-	-	-	0	-	N	N	N	N
	Coop 45	N	Y	N	-	-	-	-	0	-	N	N	N	N
<b>South LB</b>	Coop 46	N	Y	Y	N	Y	Y	N	0	-	N	N	N	N
	Coop 47	N	Y	N	-	-	-	-	0	-	N	N	N	Y
	Coop 48	N	Y	Y	-	-	-	-	0	-	N	N	Y	N
	Coop 49	N	Y	Y	-	-	-	-	0	-	N	N	N	N
	Coop 50	N	Y	Y	N	Y	Y	Y	1	N	N	N	Y	Y
	Coop 51	N	Y	Y	N	N	Y	Y	0	-	N	N	Y	Y
	Coop 52	N	Y	N	-	-	-	-	0	-	N	N	N	N
	Coop 53	N	Y	Y	N	Y	Y	N	0	-	N	N	Y	Y
	Coop 54	N	Y	N	N	Y	Y	N	1	Y	N	N	Y	N
<b>Mount LB</b>	Coop 55	Y	Y	N	-	-	-	-	0	-	N	N	N	Y
	Coop 56	N	Y	N	-	-	-	-	0	-	N	N	N	N
	Coop 57	N	Y	N	-	-	-	-	0	-	N	N	N	N

	Coop 58	N	Y	N	-	-	-	-	0	-	N	N	N	N
<b>Bekaa</b>	Coop 59	N	Y	N	-	-	-	-	0	-	N	N	N	N
	Coop 60	Y	Y	N	-	-	-	-	0	-	N	N	N	N
	Coop 61	N	Y	N	N	Y	Y	N	0	-	N	N	N	N
	Coop 62	N	Y	N	N	Y	N	N	0	-	N	N	Y	N
	Coop 63	Y	Y	N	N	Y	Y	N	0	-	N	N	Y	N
	Coop 64	N	Y	N	-	-	-	-	0	-	N	N	N	N
	<b>% of yes</b>	<b>13</b>	<b>100</b>	<b>25</b>	<b>0</b>	<b>89</b>	<b>78</b>	<b>22</b>			<b>0</b>	<b>0</b>	<b>37</b>	<b>29</b>

- **Reasons behind initiation:** **DC1:** Common needs, **DC2:** Condition to receive development aid, **DC3:** Requested by a political leader,
- **Source of owned assets:** **DC4:** Self-investment, **DC5:** Donated by NGOs, **DC6:** Donated by political parties, **DC7:** Donated by the government,
- **Services' supply:** **DC8:** Nb of offered services, **DC 9:** members pay to get services,
- **Benefits from membership:** **DC10:** Increased access to market, **DC11:** Increased access to services, **DC12:** Increased members' skills, **DC13:** Increased the power of members to influence their policies

**Annex VIII: Tables of Chapter 6**

Table 29: Data for the description of producers in the four regions across Lebanon

Description of Farmers (DF)								
Agricultural region	Coop Reference Nb	Ownership of production resource			Objectives from production		Involvement in agriculture	
		DP1	DP2	DP3	DP4	DP5	DP6	DP7
North Lebanon	Coop 1	Y	N	N	N	Y	20	N
	Coop 2	N	Y	N	N	Y	-	N
	Coop 3	Y	N	N	N	Y	10	N
	Coop 4	Y	N	N	N	Y	30	N
	Coop 5	Y	N	N	N	Y	20	N
	Coop 6	N	Y	N	N	Y	-	N
	Coop 7	Y	N	N	N	Y	70	Y
	Coop 8	Y	N	N	N	Y	80	Y
	Coop 9	Y	N	N	N	Y	80	Y
	Coop 10	Y	N	N	N	Y	35	N
	<b>% of yes</b>	<b>80</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>100</b>		<b>30</b>
South Lebanon	Coop 11	Y	N	N	N	Y	15	N
	Coop 12	Y	N	N	N	Y	35	N
	Coop 13	N	Y	N	N	Y	5	N
	Coop 14	Y	N	N	N	Y	25	N
	Coop 15	N	Y	N	N	Y	-	N
	Coop 16	Y	N	N	N	Y	30	N

	Coop 17	N	Y	N	N	Y	5	N
	Coop 18	Y	N	N	Y	N	-	N
	Coop 19	Y	N	N	N	Y	80	Y
	Coop 20	Y	N	N	N	Y	20	N
	<b>% of yes</b>	<b>70</b>	<b>30</b>	<b>0</b>	<b>10</b>	<b>90</b>		<b>10</b>
Mount Lebanon	Coop 21	Y	N	N	N	Y	20	N
	Coop 22	Y	N	N	N	Y	30	N
	Coop 23	Y	N	N	N	Y	45	N
	Coop 24	N	N	N	-	-	-	N
	Coop 25	Y	N	N	N	Y	25	N
	Coop 26	Y	N	N	N	Y	40	N
	Coop 27	Y	N	N	N	Y	30	N
	Coop 28	N	Y	N	N	Y	-	N
	Coop 29	Y	N	N	N	Y	85	Y
	Coop 30	Y	N	N	N	Y	20	N
	<b>% of yes</b>	<b>80</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>100</b>		<b>10</b>
Bekaa	Coop 31	Y	N	N	N	Y	60	Y
	Coop 32	N	Y	N	N	Y	10	N
	Coop 33	N	Y	N	N	Y	15	N
	Coop 34	Y	N	N	Y	N	-	N
	Coop 35	Y	N	N	N	Y	80	Y
	Coop 36	Y	N	N	N	Y	60	Y

	Coop 37	Y	N	N	N	Y	70	Y
	Coop 38	Y	N	N	N	Y	60	Y
	Coop 39	Y	N	N	N	Y	90	Y
	Coop 40	Y	N	N	N	Y	30	N
	<b>% of yes</b>	<b>80</b>	<b>20</b>	<b>0</b>	<b>10</b>	<b>90</b>		<b>60</b>

- **Ownership of production resources:** DP1: Own the production resource, DP2: Rent the production resource, DP3: Sharing of a production resource (share in production),
- **Objectives from production:** DP4: Only for self-consumption, DP5: Commercial,
- **Involvement in agriculture:** DP6: percentage of income from agriculture, DP7: Having a higher than 50 percent income based on agriculture

Table 30: Data for Producers' membership in active cooperatives across Lebanon

Producers' Membership (PM)																	
Agricultural region	Coop Reference Nb	Members' recruitment					Relation between members			Main reasons for membership			Direct benefits after Joining Cooperatives				
		PM1	PM2	PM3	PM4	PM5	PM6	PM7	PM8	PM9	PM10	PM11	PM12	PM13	PM14	PM15	PM16
North Lebanon	Coop 1	Y	N	N	Y	N	N	Y	N	Y	N	N	Y	Y	N	N	N
	Coop 2	N	N	Y	N	Y	Y	N	Y	Y	N	N	Y	N	Y	N	N
	Coop 3	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N	Y	N
	Coop 4	Y	N	N	Y	N	Y	Y	N	Y	N	N	Y	Y	Y	N	N
	Coop 5	N	Y	Y	N	Y	N	N	N	Y	Y	N	Y	N	Y	N	N
	Coop 6	N	Y	N	N	Y	Y	N	N	Y	N	N	Y	N	Y	N	N
	Coop 7	N	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	N	N
	Coop 8	N	N	Y	N	Y	Y	N	N	Y	Y	N	Y	N	Y	N	N
	Coop 9	Y	N	N	N	Y	N	Y	N	Y	Y	N	Y	Y	N	N	N
	Coop 10	N	N	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	N	N
	<b>% of yes</b>	<b>40</b>	<b>40</b>	<b>60</b>	<b>50</b>	<b>80</b>	<b>70</b>	<b>60</b>	<b>20</b>	<b>100</b>	<b>60</b>	<b>0</b>	<b>100</b>	<b>50</b>	<b>70</b>	<b>10</b>	<b>0</b>
South Lebanon	Coop 11	Y	N	N	Y	Y	N	Y	N	Y	Y	N	N	N	N	N	N
	Coop 12	N	Y	Y	Y	Y	N	N	N	Y	Y	N	Y	Y	Y	N	N
	Coop 13	N	N	Y	N	Y	Y	N	N	Y	N	N	Y	N	Y	N	N
	Coop 14	N	N	Y	Y	Y	N	N	N	Y	Y	N	Y	Y	Y	N	N
	Coop 15	N	N	Y	Y	Y	Y	N	N	Y	Y	N	Y	N	Y	N	N
	Coop 16	N	Y	N	Y	Y	Y	N	N	Y	Y	N	N	N	N	N	N

	Coop 17	N	N	Y	Y	Y	Y	N	N	Y	Y	N	Y	N	Y	N	N
	Coop 18	Y	N	N	Y	N	N	N	Y	Y	N	N	N	N	N	N	N
	Coop 19	Y	Y	N	Y	Y	N	Y	N	Y	Y	N	N	N	N	N	N
	Coop 20	Y	N	Y	Y	Y	N	Y	N	Y	Y	N	Y	Y	Y	N	N
	<b>% of yes</b>	<b>40</b>	<b>30</b>	<b>60</b>	<b>90</b>	<b>90</b>	<b>40</b>	<b>30</b>	<b>10</b>	<b>100</b>	<b>90</b>	<b>0</b>	<b>60</b>	<b>30</b>	<b>60</b>	<b>0</b>	<b>0</b>
Mount Lebanon	Coop 21	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N	N
	Coop 22	N	Y	Y	Y	Y	N	Y	N	Y	Y	N	Y	Y	N	N	N
	Coop 23	Y	N	Y	N	Y	N	N	Y	Y	Y	N	N	N	N	N	N
	Coop 24	Y	N	Y	N	Y	N	N	Y	Y	Y	N	N	N	N	N	N
	Coop 25	N	Y	N	N	Y	N	N	N	Y	Y	N	Y	Y	Y	N	N
	Coop 26	Y	N	N	Y	N	N	Y	Y	Y	N	N	N	N	N	N	N
	Coop 27	Y	N	N	Y	N	N	Y	N	Y	N	N	N	N	N	N	N
	Coop 28	N	N	Y	N	Y	Y	N	N	Y	N	N	Y	N	Y	N	N
	Coop 29	Y	Y	N	N	Y	N	Y	N	Y	Y	N	Y	Y	N	N	N
	Coop 30	Y	Y	N	Y	N	N	Y	N	Y	Y	N	Y	Y	N	N	N
	<b>% of yes</b>	<b>70</b>	<b>40</b>	<b>40</b>	<b>50</b>	<b>70</b>	<b>20</b>	<b>60</b>	<b>40</b>	<b>100</b>	<b>70</b>	<b>0</b>	<b>50</b>	<b>40</b>	<b>20</b>	<b>0</b>	<b>0</b>
Bekaa	Coop 31	Y	N	N	Y	N	N	Y	Y	Y	Y	N	N	N	N	N	N
	Coop 32	N	N	Y	Y	Y	Y	N	N	Y	Y	N	Y	Y	Y	N	N
	Coop 33	N	N	Y	Y	Y	Y	N	N	Y	Y	N	Y	Y	Y	N	N
	Coop 34	Y	N	N	Y	N	N	N	Y	Y	N	N	N	N	N	N	N
	Coop 35	Y	N	N	Y	N	N	Y	Y	Y	N	N	N	N	N	N	N
	Coop 36	Y	N	N	Y	N	Y	Y	N	Y	N	N	Y	Y	N	N	Y

	Coop 37	Y	N	N	Y	N	N	Y	Y	Y	N	N	Y	N	Y	N	Y
	Coop 38	N	N	Y	Y	Y	N	Y	N	Y	Y	N	N	N	N	N	N
	Coop 39	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N	Y	Y	N	N	N
	Coop 40	Y	N	N	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N	N	N
	<b>% of yes</b>	<b>70</b>	<b>10</b>	<b>30</b>	<b>100</b>	<b>50</b>	<b>40</b>	<b>70</b>	<b>50</b>	<b>100</b>	<b>60</b>	<b>0</b>	<b>60</b>	<b>50</b>	<b>30</b>	<b>0</b>	<b>20</b>

- **Members' recruitment:** **PM1:** By members having the same common needs, **PM2:** By a political party, **PM3:** By development agencies, **PM4:** Individual recruitment, **PM5:** Group recruitment,
- **Relation between members:** **PM6:** Kin-based relation, **PM7:** Similar production, **PM8:** Similar domain of work or interest outside agricultural sector,
- **Main reasons for membership:** **PM9:** To receive support from development agencies, **PM10:** To receive support from political parties, **PM11:** Group investment to achieve the common needs,
- **Benefits received directly after joining cooperatives:** **PM12:** Received benefits directly after joining coops, **PM13:** Inputs (production resources), **PM14:** Equipments or access to equipments though the coop services, **PM15:** Marketing, **PM16:** Was benefit secured through self-investment?

Table 31: Data for the practices of cooperation in active cooperatives across Lebanon

<b>Practices of Cooperation (PC)</b>																	
<b>Agricultural region</b>	<b>Coop Reference Nb</b>	<b>Democratic Members' Control</b>							<b>Knowledge of principles &amp; values (including roles of # actors)</b>				<b>Internal Problems</b>				
		PC1	PC2	PC3	PC4	PC5	PC6	PC7	PC8	PC9	PC10	PC11	PC12	PC13	PC14	PC15	PC16
North Lebanon	Coop 1	N	Y	N	N	N	N	-	N	N	Y	Y	Y	N	Y	N	N
	Coop 2	N	Y	N	N	N	N	-	N	N	Y	Y	Y	N	Y	N	N
	Coop 3	N	Y	N	N	N	N	N	N	N	Y	N	Y	N	Y	N	N
	Coop 4	N	Y	N	N	N	N	-	N	N	Y	Y	Y	N	N	N	N
	Coop 5	N	N	Y	N	N	N	-	N	N	Y	Y	Y	N	Y	N	N
	Coop 6	N	Y	N	N	N	N	-	Y	Y	Y	Y	Y	N	N	N	N
	Coop 7	N	Y	N	N	N	N	N	N	N	N	N	Y	N	Y	Y	N
	Coop 8	N	N	Y	N	N	N	-	N	N	N	N	Y	N	Y	N	N
	Coop 9	N	N	N	N	N	N	-	N	N	N	N	Y	N	Y	N	N
	Coop 10	N	Y	Y	N	N	N	-	N	N	Y	Y	Y	N	Y	N	N
	<b>% of yes</b>	<b>0</b>	<b>70</b>	<b>30</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>10</b>	<b>70</b>	<b>60</b>	<b>100</b>	<b>0</b>	<b>80</b>	<b>10</b>	<b>0</b>
South Lebanon	Coop 11	N	Y	N	N	N	N	Y	N	N	Y	Y	Y	N	N	N	N
	Coop 12	N	N	Y	N	N	N	Y	N	Y	Y	Y	Y	N	N	N	N
	Coop 13	N	Y	N	N	Y	N	Y	N	N	Y	Y	Y	N	N	N	N
	Coop 14	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
	Coop 15	N	Y	N	N	N	N	-	N	N	Y	Y	Y	N	N	N	N

	Coop 16	N	Y	N	N	N	N	Y	N	N	Y	Y	Y	N	N	N	N
	Coop 17	N	Y	N	N	Y	N	-	N	N	Y	Y	Y	N	N	N	N
	Coop 18	N	Y	N	N	N	N	-	Y	Y	Y	Y	Y	N	N	N	N
	Coop 19	N	Y	Y	N	N	N	-	N	N	Y	Y	Y	N	Y	N	N
	Coop 20	N	Y	N	N	N	N	Y	N	N	Y	Y	Y	N	N	N	N
	<b>% of yes</b>	<b>10</b>	<b>90</b>	<b>30</b>	<b>10</b>	<b>30</b>	<b>0</b>	<b>100</b>	<b>20</b>	<b>30</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>0</b>	<b>10</b>	<b>0</b>	<b>0</b>
Mount Lebanon	Coop 21	N	Y	N	N	N	N	Y	N	N	Y	Y	Y	N	Y	N	N
	Coop 22	N	Y	Y	N	Y	N	Y	N	N	Y	Y	Y	N	N	N	N
	Coop 23	N	Y	N	N	N	N	Y	Y	Y	Y	Y	Y	N	N	N	N
	Coop 24	N	Y	N	N	N	N	-	Y	Y	Y	Y	Y	N	N	N	N
	Coop 25	N	Y	Y	N	N	N	-	N	N	Y	Y	Y	N	N	N	N
	Coop 26	N	Y	N	N	N	N	-	N	N	Y	Y	Y	N	N	N	N
	Coop 27	N	Y	N	N	Y	N	Y	Y	Y	Y	Y	Y	N	N	N	N
	Coop 28	N	Y	N	N	N	N	-	N	N	Y	Y	Y	N	N	N	N
	Coop 29	N	Y	Y	N	N	N	-	N	N	Y	Y	Y	N	Y	N	N
	Coop 30	N	Y	Y	N	N	N	-	N	N	Y	Y	Y	N	N	N	N
	<b>% of yes</b>	<b>0</b>	<b>100</b>	<b>40</b>	<b>0</b>	<b>20</b>	<b>0</b>	<b>100</b>	<b>30</b>	<b>30</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>0</b>	<b>10</b>	<b>0</b>	<b>0</b>
Bekaa	Coop 31	N	Y	N	N	Y	Y	-	N	N	Y	Y	Y	N	N	N	N
	Coop 32	N	Y	N	N	Y	N	Y	Y	Y	Y	Y	Y	N	Y	N	N
	Coop 33	N	Y	N	N	N	N	Y	N	N	Y	Y	Y	N	N	N	N
	Coop 34	N	Y	N	N	Y	N	-	N	N	Y	Y	Y	N	N	N	N
	Coop 35	N	Y	N	N	N	N	-	N	N	Y	Y	Y	N	N	N	N

Coop 36	N	Y	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
Coop 37	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N
Coop 38	N	Y	N	N	N	N	-	N	N	Y	Y	Y	N	N	N	N	
Coop 39	N	Y	Y	N	N	N	-	N	N	Y	Y	Y	N	N	N	N	
Coop 40	N	Y	N	N	N	N	-	N	N	Y	Y	Y	N	N	N	N	
<b>% of yes</b>	<b>0</b>	<b>100</b>	<b>10</b>	<b>10</b>	<b>50</b>	<b>30</b>	<b>100</b>	<b>30</b>	<b>30</b>	<b>100</b>	<b>100</b>	<b>90</b>	<b>0</b>	<b>10</b>	<b>0</b>	<b>0</b>	

- **Democratic members' control:** **PC1:** Participating in planning the coop policy, **PC2:** Electing active board members or auditors, having a potential to achieve the coop objectives, **PC3:** Electing board members based on their political power and affiliation, **PC4:** Voting in the general meeting on the proposed solutions to resolve the coop's main challenges, **PC5:** Monthly communication with the board of directors, **PC6:** Quarterly communication with auditors, **PC7:** Managers respond to the needs of members
- **Knowledge of principles and values:** **PC8:** Knowledge of the main coop principles and values, **PC9:** Members received education about the coop principles and values, **PC10:** Equality in receiving the coop services (when available), **PC11:** Equality in receiving individual support (donation from the government or development agencies) (when available),
- **Internal problems:** **PC12:** Horizon problem, **PC13:** Portfolio problem, **PC14:** Control problem, **PC15:** Free rider or common property problem, **PC16:** Influence cost problem

Table 32: Data for the benefit from membership at producers' level in active cooperatives across Lebanon

<b>Benefit from membership (BM)</b>											
<b>Agricultural region</b>	<b>Coop Reference Nb</b>	<b>BM1</b>	<b>BM2</b>	<b>BM3</b>	<b>BM4</b>	<b>BM5</b>	<b>BM6</b>	<b>BM7</b>	<b>BM8</b>	<b>BM9</b>	<b>BM10</b>
North Lebanon	Coop 1	2	Y	N	Y	N	Y	N	N	Y	N
	Coop 2	1	Y	N	N	N	N	N	N	Y	N
	Coop 3	1	N	N	N	N	N	N	N	N	N
	Coop 4	0	-	-	-	N	N	Y	Y	Y	Y
	Coop 5	1	Y	N	N	N	N	N	N	N	N
	Coop 6	1	Y	N	N	N	Y	N	N	Y	N
	Coop 7	3	Y	N	N	N	Y	N	N	N	N
	Coop 8	3	Y	N	N	N	Y	N	N	Y	N
	Coop 9	2	N	N	N	N	N	N	N	N	Y
	Coop 10	2	N	Y	N	N	Y	N	N	Y	Y
	<b>% of yes</b>		<b>66.6</b>	<b>11.1</b>	<b>11.1</b>	<b>0</b>	<b>50</b>	<b>10</b>	<b>10</b>	<b>60</b>	<b>30</b>
South Lebanon	Coop 11	2	N	Y	N	N	Y	Y	N	N	N
	Coop 12	6	N	Y	N	Y	Y	Y	N	Y	Y
	Coop 13	1	Y	N	N	N	Y	N	N	Y	N
	Coop 14	6	N	Y	N	N	Y	Y	N	Y	Y
	Coop 15	1	Y	N	N	N	Y	N	N	Y	N
	Coop 16	1	N	Y	N	Y	Y	N	N	Y	Y
	Coop 17	1	Y	N	N	N	Y	N	N	Y	N
	Coop 18	0	-	-	-	N	N	N	N	Y	N

	Coop 19	0	-	-	-	N	N	N	N	N	Y
	Coop 20	2	N	Y	N	N	Y	Y	N	Y	Y
	<b>% of yes</b>		<b>37.5</b>	<b>62.5</b>	<b>0</b>	<b>20</b>	<b>80</b>	<b>40</b>	<b>0</b>	<b>80</b>	<b>50</b>
Mount Lebanon	Coop 21	2	N	Y	Y	N	Y	N	N	Y	N
	Coop 22	1	Y	N	N	N	N	N	N	Y	N
	Coop 23	1	Y	N	N	N	Y	N	N	Y	N
	Coop 24	0	-	-	-	N	N	N	N	N	N
	Coop 25	2	Y	N	N	N	Y	N	N	Y	N
	Coop 26	0	-	-	-	N	N	N	N	Y	N
	Coop 27	1	Y	N	N	N	N	N	N	Y	N
	Coop 28	1	Y	N	N	N	Y	N	N	Y	N
	Coop 29	6	Y	N	N	Y	Y	N	N	Y	Y
	Coop 30	0	-	-	-	N	N	N	N	Y	N
	<b>% of yes</b>		<b>85.7</b>	<b>14.2</b>	<b>14.2</b>	<b>10</b>	<b>50</b>	<b>0</b>	<b>0</b>	<b>100</b>	<b>10</b>
Bekaa	Coop 31	1	Y	N	N	N	N	N	N	Y	N
	Coop 32	1	N	Y	N	N	Y	N	N	Y	N
	Coop 33	1	N	Y	N	N	Y	N	N	Y	N
	Coop 34	0	-	-	-	N	N	N	N	Y	N
	Coop 35	0	-	-	-	N	N	N	N	Y	N
	Coop 36	3	N	Y	Y	Y	Y	Y	Y	Y	Y
	Coop 37	2	N	Y	Y	Y	Y	Y	Y	Y	Y
	Coop 38	0	-	-	-	N	N	N	N	Y	Y

	Coop 39	0	-	-	-	N	N	N	N	Y	Y
	Coop 40	1	N	Y	N	N	N	N	N	Y	Y
	<b>% of yes</b>		<b>16.6</b>	<b>83.3</b>	<b>28.5</b>	<b>20</b>	<b>40</b>	<b>20</b>	<b>20</b>	<b>100</b>	<b>50</b>

- Benefit from Membership:** **BM1:** Number of services received by producers, **BM2:** Acceptable quality of services, **BM3:** High quality of services, **BM4:** Members have selected and planned the coop services, **BM5:** Decrease the cost of production, **BM6:** Improve access to new services, **BM7:** Increase access to market, **BM8:** Improve bargaining power, **BM9:** Increase skills, **BM10:** Increase power of members to influence their coop policies

Table 33: Data for producer who did not join cooperatives across Lebanon

Producers' decision not to join local cooperatives (PD)							
		Services availability (processing, marketing, extension, ect)			Main reasons for reluctance		
Agricultural region	Coop Reference Nb	PD1	PD2	PD3	PD4	PD5	PD6
North Lebanon	Coop 1	Y	N	N	Y	N	N
	Coop 2	Y	N	N	Y	N	Y
	Coop 3	Y	N	N	Y	N	Y
	Coop 4	N	Y	Y	Y	N	N
	Coop 5	Y	N	N	N	N	Y
	Coop 6	Y	N	N	Y	N	N
	Coop 7	N	Y	Y	Y	N	Y
	Coop 8	Y	N	N	Y	N	Y
	Coop 9	Y	N	N	Y	N	Y
	Coop 10	Y	N	N	Y	N	Y
	<b>% of yes</b>	<b>80</b>	<b>20</b>	<b>20</b>	<b>90</b>	<b>0</b>	<b>70</b>
South Lebanon	Coop 11	N	Y	Y	Y	N	Y
	Coop 12	N	Y	N	Y	N	Y
	Coop 13	Y	N	N	Y	N	N
	Coop 14	Y	N	N	Y	N	Y
	Coop 15	Y	N	N	Y	N	Y
	Coop 16	Y	Y	Y	Y	N	N

	Coop 17	Y	N	N	Y	N	Y
	Coop 18	Y	N	N	Y	N	N
	Coop 19	Y	N	N	Y	N	Y
	Coop 20	Y	N	N	Y	N	Y
	<b>% of yes</b>	<b>80</b>	<b>30</b>	<b>20</b>	<b>100</b>	<b>0</b>	<b>70</b>
Mount Lebanon	Coop 21	Y	N	N	Y	N	Y
	Coop 22	Y	N	N	Y	N	Y
	Coop 23	Y	N	N	Y	N	Y
	Coop 24	Y	N	N	Y	N	Y
	Coop 25	Y	N	N	Y	N	Y
	Coop 26	Y	N	N	Y	N	Y
	Coop 27	Y	N	N	Y	N	N
	Coop 28	Y	N	N	Y	N	Y
	Coop 29	N	Y	Y	Y	N	N
	Coop 30	Y	N	N	Y	N	N
	<b>% of yes</b>	<b>90</b>	<b>10</b>	<b>10</b>	<b>100</b>	<b>0</b>	<b>70</b>
Bekaa	Coop 31	Y	N	N	Y	N	N
	Coop 32	Y	N	N	Y	N	Y
	Coop 33	Y	N	N	Y	N	N
	Coop 34	Y	N	N	Y	N	N
	Coop 35	Y	N	N	Y	N	N
	Coop 36	N	Y	Y	Y	N	N

	Coop 37	N	Y	Y	Y	N	Y
	Coop 38	Y	N	N	Y	N	Y
	Coop 39	Y	N	N	Y	N	Y
	Coop 40	Y	N	N	Y	N	Y
	<b>% of yes</b>	<b>80</b>	<b>20</b>	<b>20</b>	<b>100</b>	<b>0</b>	<b>50</b>

- **Services availability:** **PD1:** Accessibility of services from private suppliers, **PD2:** Price competition offered by coops, **PD3:** Quality competition offered by coops,
- **Main reasons for reluctance:** **PD4:** Not receiving an individual support, **PD5:** Not answering the common needs, **PD6:** the procedure of members' recruitment