



# FROM SERVICE DELIVERY TO SOCIAL INVESTMENT

The shifting role of civil society

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In the Occupied Palestinian Territory, Oxfam's Economic Justice Programme has been a pioneer in implementing market system development. In the OPT, The Palestinian Authority has very limited control over resources which seriously impedes its capacity to develop enabling policies to support MSD interventions. This case study focuses on the experience of one civil society organization as it changed from being a service provider to becoming a facilitator of a market system development interventions.

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This case study was written by Nabila El-Ahmed and Nada Nabris. It is part of a series of papers written to inform public debate on development and humanitarian policy issues.

For further information on the issues raised in this paper please email [Mohammed.Sawafta@oxfam.org](mailto:Mohammed.Sawafta@oxfam.org)

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Cover photo: Afaq veterinarian doing a pregnancy check for a sheep in a farm that receive services from Afaq. © Suhaib Jarrar /Oxfam OPTI.

Back cover photo: Afaq veterinarian doing a pregnancy check for a sheep and a farmer marking those pregnant ones. © Suhaib Jarrar /Oxfam OPTI.

# 1 INTRODUCTION

In the Occupied Palestinian Territory (OPT), Oxfam's Economic Justice Programme has been a pioneer in implementing market system development (MSD) projects since 2012. MSD is an approach that addresses the barriers to effective and sustainable market systems, to benefit people living in poverty and create long-term change.<sup>1</sup>

There are debates among development actors about the relevance of the MSD approach: whether it can be effectively applied to the benefit of people living in poverty, and what role civil society and the private sector should play in using this approach for resilient and inclusive development. In the OPT, which is under Israeli occupation, the challenges are more complex. The Palestinian Authority has very limited control over resources (especially access to land) or of its borders (with respect to trade). This seriously impedes its capacity to develop enabling policies to support MSD interventions. This in turn places additional constraints on both civil society and private sector actors who work using this approach.

This case study focuses on the experience of one civil society organization (CSO) as it changed from being a service provider to becoming a facilitator of a market system development interventions. The example of the Palestinian Livestock Development Centre (PLDC), one of Oxfam in OPT's partners, which is working on small ruminant (e.g. sheep and goat) markets, captures important lessons and implications for CSOs. PLDC possesses extensive experience in the livestock sector; its wide community-based membership with 430 herders, and its willingness to scale up new technologies tested in the past – including artificial insemination, new varieties of cheese and a fodder centre – make it an important player in the livestock sector.

PLDC was chosen among several value chain partners to identify and address bottlenecks facing the small ruminants value chain. From the onset, PLDC identified strategic business models that were intended to facilitate the establishment of four social enterprises which would collectively tackle key constraints in the value chain. PLDC was encouraged to become a shareholder in these enterprises to ensure that they pursue a social agenda.

The case study is divided into four sections: the first introduces the MSD project from the perspective and experience of PLDC; the second looks at the challenges and changing roles from Oxfam in OPT's perspective; the third section presents key lessons learned; and the fourth puts forward recommendations for future interventions.

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# PLDC'S PERSPECTIVE AND EXPERIENCE OF THE MSD PROJECT

PLDC is a Palestinian non-profit organization that was established with support from Oxfam Italy in 2004, in response to herders' need for technical services. It has 160 paying members, all of whom are herders from Bedouin or marginalized non-Bedouin communities. The centre offers a wide range of humanitarian subsidized services focusing on the small ruminant sector (sheep and goats), including: (1) provision of veterinary services and medicine; (2) veterinary tests at the PLDC laboratory; (3) buying, selling and mixing of fodder; (4) artificial insemination; and (5) manufacturing of traditional and non-traditional dairy products.

*PLDC operates in the context of Area C, the 61% of the West Bank where the government of Israel maintains full military and civil control.*

PLDC operates in the context of Area C,<sup>2</sup> the 61% of the West Bank where the government of Israel maintains full military and civil control, severely limiting the ability of Palestinians to access and utilize their land and resources and therefore to support their livelihoods. PLDC started implementing a system of fees-for-service and managed to secure a 25–30% contribution from farmers. This was part of its sustainability strategy, prior to adopting the MSD approach through Oxfam's intervention.

In the developmental phase of Oxfam's MSD project, both Oxfam and its donor recommended that PLDC expand their role beyond service provision to enable them to become an active participant in the MSD approach and take on the role of facilitator between the different actors (herders and private sector). In return, PLDC was permitted to become a shareholder in the four social enterprises to be established by the project: (1) AFAQ Veterinary Services Company; (2) Golden Sheep Dairy Company; (3) Fodder Company; and (4) Elite Farm. These enterprises are/will be based on the public-private partnership principle, with private sector investors. The first two were launched in 2017, while the latter two are still in the inception phase.

Approximately 136 herders are registered with the AFAQ Veterinary Services Company, of whom 22 pay their own enrolment fees. The other 114 herders are PLDC members and have their fees paid by PLDC for the time being, the aim being that eventually all herders will pay their own fees. The Golden Sheep Dairy Company is operational and selling dairy products at a small scale, with a small unit at PLDC's facilities, and work is underway on the foundation of a factory. The Fodder Company is currently registered, but implementation is yet to start, and the Elite Farm is still in the developmental phase.

PLDC has invested a large portion of its capital assets in the social enterprises that have been established. It holds between a quarter to one-third of the shares in each of the four enterprises: this helps PLDC to represent its members' interests and generates income to guarantee its sustainability. However, according to PLDC's General Director, its role as

a facilitator and shareholder is limiting its autonomy and decision-making ability, posing a threat to PLDC's capacity to continue as a service provider and undermining its legitimacy within the community of small-scale herders. PLDC sees its strength as lying in technical skills and community engagement, and not in gender mainstreaming or project management. PLDC is currently re-examining its role in these interventions, and the impact this could have on its future as an organization.

*'The question at this stage is, where does this leave PLDC? It is no longer a service provider in the conventional sense; it is also not a private sector actor.'*

Marie Shawahneh, PLDC  
General Director

## CHALLENGES AND CHANGING ROLES – OXFAM IN OPT'S PERSPECTIVE

Changing the role of local civil society, including NGOs, from service provider to facilitator between related stakeholders (including, but not limited to, the private sector and producers) is part of Oxfam in OPT's strategy to implement an MSD approach. This was the rationale behind working with PLDC to enable it to act gradually as a market system facilitator within the proposed interventions, rather than to continue as a service provider. The aim of the intervention was to incentivize PLDC, producers, the private sector and other related stakeholders to adopt an MSD approach that works towards sustainability and long-term systemic change, with the ultimate objective of ending aid dependency.

Oxfam in OPT's Economic Justice Programme team identified early signs of concern that need to be addressed. PLDC's role as a shareholder prevented the timely implementation of the interventions. In particular, the process of registering PLDC as a shareholder in the social enterprises caused serious delays. As described above, of the four interventions only two are operational, and only in a limited capacity. Furthermore, local NGO law prohibits NGOs from participating in private sector enterprises.

*PLDC's role as a shareholder prevented the timely implementation of the interventions.*

PLDC faced significant challenges in adopting or integrating the MSD approach due to a lack of capacity and clarity on the process. One of the main challenges was to carry out a sudden organizational cultural shift from a technical service-provision organization to an MSD facilitator. This is a lengthy process and requires further guidance and support to enable CSOs to change their structure and develop internal knowledge and capacity of personnel. Consequently, PLDC was not able to effectively carry out its role as MSD facilitator.

An additional challenge has also been identified – the potential conflict of interest inherent in the dual role of PLDC as both facilitator and shareholder. PLDC receives funding from the project to carry out the role of facilitator, while also receiving revenue from its shares in investments from the same interventions. The objective of allowing PLDC, as a herder membership-based organization, to play this dual role was to enable it to be the voice of herders in the decision-making process, avoid dominance of the private sector, and push forward a social justice agenda.

## KEY LESSONS LEARNED

The issues raised by the case of PLDC, and the challenges encountered in implementing the MSD approach, provide critical lessons that should be considered in the development of future MSD interventions. The analysis revealed the following:

1. In a fragile and complex context such as OPT, funding the market can never be sustainable in the long term. Local CSOs need to strike a balance between the market-based approach, engaging the private sector and offering subsidized services as incentives. Programme design should consider a hybrid approach which integrates both MSD and technical support to benefit local communities.
2. PLDC's undefined dual role (as facilitator and shareholder) risks undermining its foundation as a service-provision NGO.
3. Concrete buy-in is needed at an institutional level with all actors in an MSD intervention/project, so that the approach can be adopted and implemented in a sound and comprehensive manner at every level.
4. Context-relevant data is required to support MSD projects, to engender buy-in from both local NGOs and the private sector.
5. Public-private partnerships take a long time to become established and functioning; thus, continued hands-on support is needed until this has been achieved.
6. The process of transforming an NGO's approach from service provision to market facilitation requires an institutional adaptation, including measures such as building the board of directors' understanding and ownership of MSD, revising procedural systems and processes, and strategy development to align the mission, vision and core programmes of the NGO with MSD.

*Local CSOs need to strike a balance between the market-based approach, engaging the private sector and offering subsidized services as incentives.*

## KEY RECOMMENDATIONS

This case study enabled Oxfam in OPT's Economic Justice Programme team to reflect on and review not only the interventions in relation to PLDC, but also the MSD approach that is being adopted. As such, while some of the following recommendations are specific to PLDC, they can also be considered and applied in relation to future interventions:

1. Develop a strategic plan for PLDC and its role in the market.
2. Ensure that the role of local CSOs shifts in a more gradual and systematic way than was the case with PLDC. It is recommended that NGOs undergo a comprehensive MSD training prior to participating in MSD projects, with guided support throughout from experts in the field.
3. Develop the exit strategy of the four social enterprises established through the project with PLDC.
4. Work with PLDC as an end user (beneficiary) rather than as a facilitator, to end the conflict of interest caused by playing dual roles.

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5. Work to engage the private sector, not only CSOs, as facilitators.
6. Recruit highly skilled personnel with knowledge and expertise in the MSD approach.
7. Engage strategically with the private sector, and provide them with incentives to be part of the programme. Support to business ideas can be instrumental in developing partnerships with private sector actors.

## NOTES

- 1 Beam Exchange. (2018). What is a Market System? Retrieved January 2019 from <https://beamexchange.org/market-systems/what-market-system/>
- 2 Area C is an administrative division of the West Bank, set out in the Oslo II Accord. Area C constitutes about 61% of the West Bank territory.



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