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Report on agricultural cooperative funding

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"Economic and social impacts of the ACAD's action for
Palestinian farmers in the West-Bank"

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I-INTRODUCTION

This study, which concerns the microfinance activity in Palestine, enters in an economic and social very particular context, that should be recalled here briefly. Since the Al-Aqsa Intifada in September 2000, the Palestinian economy was confronted to a severe socio-economic crisis, amid political tensions, then exacerbated by the world economic crisis and the recent borders closure. Today, despite an higher economic growth rate, about 25% of Palestinians still live below the poverty line, the unemployment rate reached 21,7% on the first trimester of 2011 and the country is experiencing a rise of informal economy.

In this developing economy, where 42% of the population lives in rural areas, the agricultural sector has an major role in the national economy, accounting for 15% of GDP and employing 10,6% of the active population. The good health of this sector is therefore crucial for the establishment of economic and social conditions conducive to the emergence of a stable Palestinian State. But yet the political crisis and the borders closure deeply affect agricultural activities. Indeed, Palestinian farmers have to face new challenges, such as restrictions to the circulation of people and goods, instability of commercial outlets –with difficulties for exporting, particularly to Israeli’s markets- and separation of agricultural lands, due to the construction of the wall. It is estimated that about 733 squares kilometers lands have been isolated between the green line and the wall –that is to say 13% of the West Bank lands- including 348 square kilometers of agricultural land, often among the most fertile ones. The presence of Israeli military bases and settlements on the territories has also undeniable significant impacts on agriculture. Indeed, while these 417 outposts themselves only cover an area of 3% of the West Bank, they actually occupy more than 42% of the land if we take into account the bypass roads and large areas controlled by Israel and made available for the colonies. These new issues are added and combined with the existing ones caused by the lack of financial resources and the failure of the credit market in rural areas: credit rationing, and sometimes even total absence of access to banking services for farmers.

In order to overcome those failures, few number of Microfinance Institutions (MFI) developed in Palestine with the aim of making banking services accessible, to offer those farmers the financial and economic opportunities that the formal lenders do not allow them to seize. The Arab Center for Agricultural Development (ACAD) is one of them. But among individual microcredit activities, the ACAD has choose to also develop programs for financing agricultural cooperatives- wholesale finance activity. The center grants loans for those cooperatives, with reasonable interest rate, in order to enable them to develop lending and saving services for their members. Through this activity, the purpose of the ACAD goes far beyond a simple logic of profit. Indeed, its aim is primarily to have the largest and the most sustainable economic and social impacts for the beneficiaries and the Palestinian society. The aim of this study is to try to identify the importance of these impacts, as part of an assessment of the ACAD’s social performance. The study was commissioned by the institution itself -which wants to draw a first picture of its social performance in the short term -but it addresses also partners and donors that support its important mission.

The following report is based upon a survey on some cooperative members -selected by random sample within 20 of the cooperatives supported by the ACAD- as well as the managers of those ones. Its implementation has called for the use of the conventional methods of statistical inference, but also for the study of the literature on micro credit in rural areas and of several document provided by some Palestinian institutions.

The limits of this survey come from the lack of control group and of previous similar survey -thus not allowing comparisons of economic and social situations. For those reasons, it was chosen in several questions to let the respondents report the changes they believe are due to their entry in the cooperative. We believe that this method -which gives much importance to the feelings of the beneficiaries and focuses on their views -does not mean less rigorous investigation. Indeed, the respondents are able to report clearly the changes they face, and many numerical results were collected in order to measure scientifically the economic and social impacts. It is also important to recall that the project of funding of these cooperatives, which was set up in 2007, is too recent to expect to catch -through the survey- majors social impacts. It was therefore chosen to focus on the short term impacts, related to an increase of income and to an improvement of standards of living.

SOCIO-ECONOMIC CHARACTERISTIQUES OF THE TARGETED POPULATION:

Parent population: the members of the 20 agricultural cooperatives supported by the ACAD. Among the 1435 beneficiaries, 611 already asked for one or several loans. It has been chosen for this study is to focus on those borrowers.

The sample's characteristic: 43 persons were interviewed for this survey. This sample consists of about 3 or 4 members in each of 17 cooperatives selected randomly among the borrowers. We thus have a sample consisting of 7% of the borrowers.

- **ACTIVITY:** 97,7 % have a farming activity. More specifically:
 - Sheep breeding 59,1%
 - Growing (olive trees, vegetable, etc.) 20,4%
 - Poultry breeding 15,9%
 - Beekeeping 2,3%

Among the surveyed farmers, 69,8% have only farming activities. Among the others, who have a complementary income generating activity, farming is still the main activity for 30,8%.

- **MARKETING:** 84,1% of the borrowers sell their products on market. The other ones use their production for own-consumption. Those last ones did not develop their activity enough to sell it, but have declared they expect a commercialization of their product in the future.

- **INCOME:** The average income in this sample is 541,6 dollars per month –all income generating activities included. Given the fact that the average number of people living with the borrower's income is 8,5 for this sample, we have then an income of 63,7 dollars per month and per capita. We may thus compare it with the national GDP/capita, which was 125 dollars per month in 2010, i.e. almost two times more.

- **SOCIAL CHARACTERISTICS:** The average size of each borrowers' family –i.e. the average number of inhabitants per household- is 8,3 people. About 8,5 people live with the income generated by the each borrower, whether they work on the farm or not. They are mainly family members –we may call them the "dependents". All the surveyed borrowers have children. In 91% of the families, every child in school age goes to school.

Credit activity:

• THE ACAD'S "MICROFINANCE PROGRAM": The number of beneficiaries for this program is 611. The amount of the loans in this program goes from 500 to 4000 dollars, but most people subscribe for loans between 1000 and 1499 dollars. These loans are made in New Israeli Shekels, as well as in Jordanian Dinars or in Dollars. They are taken from the cooperatives' lending managers and supervised by the ACAD. To subscribe one of these loans, the ACAD has set some conditions: to be a member of the cooperative, and to have participated in the provision of funds and in the saving activities within the cooperative. There must also be some guarantors –one or several other cooperative members-, in case of the borrower's default.

• ABOUT THE RESPONDANTS: The average amount of the facilities is 2550 dollars per borrower. But some of them subscribed several loans, in order to finance one or several projects. On the whole ACAD's project (for all cooperatives), the average size of one loan is 1397 dollars. 90,9% of the loans were made in order to invest in an income generating project -most of the time an agricultural project. 9,1% were used for non productive purposes –like educational or marital expenditures.

The main reasons given to explain why they chose to borrow within the cooperative -by frequency of occurrence- were:

- lower interest rate
- religious issues (taboo), taken into account by the ACAD, but not by the banks
- non-access to formal Palestinian bank services –because of lack of collateral, geographic and institutional constraints
- easier to contract
- willingness to support the cooperative's activity

Only 15,9% of the respondents ever had access to financial services proposed by a Palestinian formal lender –bank or other.

II-THE SOCIAL AND ECONOMIC IMPACTS

Production	
Use of the loan	7,5% started up a thanks to the loan. 27,5% paid for working capital. The others made productive investment: sheep, tools, greenhouses, warehouses, etc.
Investment /Productivity	43,2% have invested to improve their production techniques in order to increase their productivity. 84,1% increased their production –in physical terms- thanks to the loan.
Land market	20,5% bought or rented lands in order to increase their agricultural production. 2,3% gave a part of their lands for rent.
Labor	81,8% declared to work more. The others did not change their working time. On average for this sample, 3,7 people work on each farm (*). 6,8% hired at least one person to work on the farm. In 81,8% of cases, at least one family member work on the farm. Among those ones, the number of family members participating in the activity has changed since the loan for 16,7% -decrease when there was a recruitment, and increase when there were a growth of the activity or when the children grew up. (*) min=1 ; max=15 ; STDEV=2,7
Relations with suppliers/clients	65,9% said they have changed or widen the circle of professionals with whom they work. Among them, 75,9% have concerted with other members of their cooperative to make bulk purchases by largest suppliers, in order to be able to negotiate the prices ; 13,8% have worked with a professional to help them to improve their productivity ; and 10,3% have only expanded their suppliers in order to buy more products or to improve their quality.

Income	
Profits	<p>Among those who sell their production, 97,7% have reported making profit. 75,7% of them have the benefit of their sales increased thanks to the investments permitted by the loan.</p> <p>All the surveyed managers declared that the borrower members have more income than the other ones.</p>
Use	<p>This raise of the earnings permitted by the loan is used in 54,1% of the time to reinvest in the project ; in 32,4% of the cases for household consumption expenditures ; and in 13,5% of cases for health/educational expenditures.</p>
Secure	<p>77,3% feel they have a less fluctuant income since they took out the loan ; 6,8% does not feel any changes ; and 15,9% more fluctuant –because of the market prices fluctuations, the economic crisis, and the problems of commercial opportunities in Israel.</p> <p>77,3% were able to acquire collaterals against potential crisis and income fluctuations.</p> <p>79,5% save more than before the loan, especially for investment and precaution purposes.</p>

Consumption/Spending	
Food consumption	59% of the respondents believe that their food consumption has risen up since they subscribed the loan. Despite this, 29,5% reported they do not have access to a sufficient food consumption. All the respondents do consume the products of their farm, but also buy products elsewhere.
Purchase power	86,4% reported having expanded their household expenditures –food or else- by shops and markets. Among the 29,7% of respondents who have a car, 36,4% purchased it thanks to the profits generated by the loan. 54% said spending more on clothing. The others have declared not to have felt the need. 24,3% declared to travel more than before the loan.

Health	
Household	For this sample, the average number of rooms is 4,7 per household (*). The average number of inhabitants per household is 8,3 people (**). 22,7% of respondents have expanded the size of their home thanks to the profits generated by the loan. 4,6% of them are even building a new house. 34% declared having purchased new accommodations for their home–refrigerator, kitchen tools, etc. (*) min=2 ; max=13 ; STDEV=2,4 (**) min=3 ; max=14 ; STDEV=2,8
Hygiene	The average number of bathrooms/restrooms for this sample is 2 per household. Among the 22,7% who increased the size of their home, all of them have built at least one new bathroom/restroom. 22,7% still do not have a direct access to drinkable water.
Access to health care	52,3% increased their primary health care spending –dentist, pediatrician, medical treatments, etc. 40,9% declared having been able to subscribe an health insurance thanks to the profits generated by the loan. 11,5% of those who did not, already had a medical coverage. Ones must notice that 13,6% of the respondents evoked the subscription to an health insurance as a long term goal.

Education	
Schooling	All the surveyed borrowers have got children. In 91% of the families, every child in school age goes to school. In the other cases, either the family does not have enough money to send all of their children to school; either the child is in scholar failure, or even sometimes in jail.
Education expenditures	74,4% said spending more on education than before. 13,5% use the profit the get from the loan mostly for educational and health expenditures.
Future perspectives	77,3% believe their participation in the cooperative, and more precisely their access to financial services, enables them to provide for their children a better future.

Global perceptions	
Standards of living	84,1% felt an improvement of their own and their family's standards of living as a consequence of the loan. They qualify this improvement of: <ul style="list-style-type: none"> -very weak: 2,7% -weak: 21,6% -medium: 40,5% -important: 24,3% -very important: 10,9%
Social situation	65,9% felt an improvement of their social situation. Concerning their social situation, 54,4% of the borrowers described the loan and their participation in the cooperative as a "real opportunity to solve their problem" ; 18,2% as "rather profitable" ; 25% as "not really having an impact on their life" ; and 2,3% as "a risk taken".
Expectations	79,5% of the surveyed borrowers declared that the loan they received suits "good, but not enough" to their needs. 95,5% of respondents are asking for more financial facilities.

III- PERSPECTIVES AND RECOMMANDATIONS

The study clearly demonstrates the presence of particularly important economic and social impacts. The analysis of social variables, focusing on the tripod consumption-health-education, shows that the effects of the loans have exceeded the production area, and have extended to several aspects of the life of the borrower and his family.

All these impacts -direct and indirect-, are significant and tangible, and statistics from the survey are evidences of a real improvement in living standards of the beneficiaries of the program, especially in terms of health and conditions life. But they are also potential impacts. Indeed, many effects are expected over the longer term, when the investments that were made with the loan will become productive -enlargement of the flock after the purchase of a reproductive animal, increase in production due to the construction of greenhouses, etc. A significant difference in living standards has been felt, between farmers whose borrowing are very recent and who have not yet seen the effects; and those who have had enough time to develop their business or even to make several loans. So the time factor must be taken into account for a fair assessment of the economic and social performance of the project, because it is still very new and all of its impacts have not been revealed yet. Besides, many goals that the members want to achieve in the short or long term could be the opportunity of significant economic and social changes, as we mentioned in this report. 95.5% of respondents would like to receive more financial facilities from their cooperative, in order to achieve those projects. It should be noticed that most of them are calling for larger amounts of loans, not necessarily for more loans.

In addition to the time factor, external factors must also be taken into account. Indeed, we repeatedly mention –in the "discussion" fourth part of this report- the presence of several factors that affect borrowers and can therefore limit the social and economic improvements in progress, or decrease their potential. The loans would surely have had greater impacts without these adverse conditions, but the fact that the provision of financial resources enables the farmer to deal with these difficulties is a very good thing.

To conclude, the extent of the improvement of farmers' economic and social situation is not easy to measure, due to lack of time horizon and the presence of numerous external factors whose effects are difficult to control. Yet, the investigation has shown the presence of a certain evolution which is current, but may be greater over a longer term. This invites us to continue the project, and perhaps even to increase the financial support for the cooperatives and their members. An increase in the number of beneficiaries could also be considered, insofar as it has been shown that the project could affect many people above one single borrower. However, given the fact that most of the social changes result from a rise in productivity, we believe it is important to concentrate the financial resources mainly on productive investments. The ACAD should fully inform the cooperatives' members about all the social impacts that a productive project may have, in order to minimize the number of loans made for non-productive purposes – which still occurs in some cooperatives.

IV-TO DISCUSS

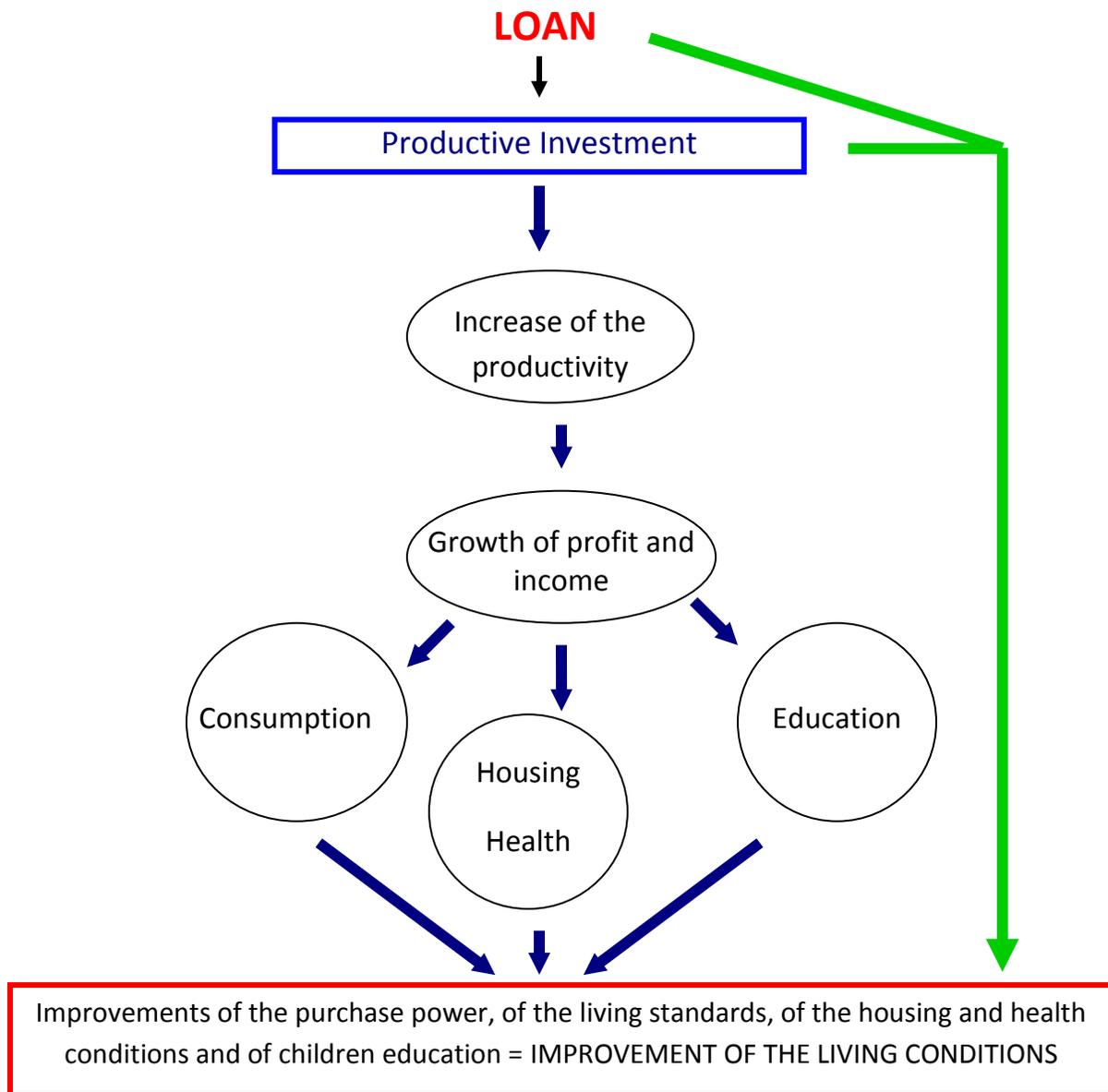
The results of the survey, detailed previously, are calling for more detailed explanations. The aim here is not to draw a definitive interpretation, but to try to understand which results are significant, and to what extent they may be an evidence of social impacts. It is also necessary to put these results within the Palestinian context and standards of living, in order to analyze them as objectively as possible, while allowing comments.

Since the purpose of the ACAD -like most of the IMF- is to finance productive projects, including agricultural projects, it makes sense to evaluate first the economic effects, particularly on the production. The underlying idea, easy to understand, is that economic and social giving are closely linked here, because of the farmers' low income level and because of the novelty of the borrowing activity. Indeed, the social short term impacts -cooperatives funding has started only 4 years ago- are felt primarily through an increase in income, and manifest itself by an improvement in standards of living. This is what ones may call "indirect effects", given the fact that they result from a rise in profits, due to an increase in agricultural productivity thanks to productive investments. This growth of the income allows a rise of the expenditures considered as important by the inhabitants of the household -consumption, housing, health, or educational expenditure- and this results then in an improvement in the situation of the household.

While almost all the impacts recorded by the survey follow this pattern, we will also find here some "direct effects". Indeed, some of the changes observed are directly related to the loan or to investments that have an immediate effect on the living conditions of the household -even when their aim was primarily productive- : purchase of a new water tank, construction of an enclosure that keeps the herd away from home, etc.

The graph on the next page summarizes this thread of our analysis in a very simple way.

- ➡ Indirect effects from the loan
- ➡ Direct effects from the loan



1) Production:

The loan has been used in most cases for the acquisition of capital goods: many farmers have built greenhouses for planting, enclosures for their animals, have bought machinery, tractors and water tanks, among others. A majority of the borrowers acquired cattle, either to start a farming activity or to expand their herd -many bought a reproductive animal, to expand their herd over the longer term. Besides those purchases of capital goods, more than 43% of respondents have invested in order to improve their production means: purchasing of fertilizers, pesticides, machinery, etc. These investments reflect a search for improvement of the productivity and of the production conditions.

Among all the respondents who borrowed for productive purposes –whether the loan was used for investment, to finance a need for working capital or even to start a business- 84% reported a growth of their production. This shows a very significant positive impact of the borrowing on the production, even in cases where no investments were made. Those who did not see their production increase -or who even reported a rundown- involved the drought and the restrictions on access to water imposed by Israel. The problem of water diversion, for the benefit of Israeli settlements, strikes with particular strength Palestinian farmers. Indeed, in West Bank's rural areas, most of these colonies are built on highlands and ground water, and use up to 85% of Palestinian water resources, which results in the loss of some 51 million of cubic meters per year. These practices could only be detrimental to the members' activity -what many of them have actually reported. However, the loan allowed some of them to build a water tank, a well become almost indispensable for Palestinian farmers. Others plan to build one.

Regarding production, we also decided to focus on the land market, which is a major factor of production for farming. It may therefore be interesting to know the impact of the loan on its use. The survey reveals that 20.5% of the borrowers have rented or bought more lands to expand their production. This figure is particularly high; especially considering the fact that most of the lands are obtained by bequest in Palestine. We believe that this kind of investment is particularly promising for a future rise in productivity, and that it also reflects broader economic impacts because it creates interactions with other economic actors. This type of larger economic impacts may also occur in relationships between the farmers and their customers / suppliers, that may have changed since the loan. Indeed, the survey showed that many of the borrowers -almost 66%- have changed or expanded the circle of professionals with whom they work: suppliers, customers, consultants. Some farmers have used professionals' help in order to improve their productivity -agronomist, veterinary, etc. And most of them organized with others cooperative's members, to make their purchases in bulk by bigger suppliers. They have thus gained a relative "market power" and are now able to negotiate the prices with their suppliers. This denotes a significant improvement of their conditions of production, and also potentially of their profits. From this, we can deduce that the number of people affected by the ACAD's project does not reduce to its only beneficiaries, but expanded to other economic agents -what we believe is important to consider.

Another development that might be expected relating to production concerns the labor market. Indeed, the creation of jobs would have a major economic and social impact, in a country where

unemployment reached 21.7% of the active population and where the share of agriculture in national production is dropping. But the survey showed that only a small minority of borrowers - 6.8%- hired someone to work on their farm. This is mostly due to the large number of cases -almost 82%- where family members are involved in the borrower's activity and help for the production. In these cases, when production capacity increases, the families will first involve more children in the activity, before thinking about hiring external employees. However, it should be noticed that many respondents said they have the ambition to hire at least one employee in the long term. That can only encourage the support of their activities. Moreover, the interviews with borrowers show a real potential for the labor market, not only in terms of hiring, but also in terms of collaboration with workers from other sectors -construction, among others. Indeed, many respondents have planned to build greenhouses, enclosures, water tanks, and thus will be needed workforce from other sectors. This potential must be taken into account, especially for the amount of funding allocated to the cooperatives, because such expenditures require larger loans.

Having seen that the effects of borrowing on the production were not negligible, it is appropriate now to focus on their translations in terms of income.

2) Income:

Most respondents get their income from the profits of their agricultural production, but we must not forget that almost one third also has another activity -often generating more income than their farm. However, since the loan was invested on the farm, we decided to focus on the evolutions of the income from farming activity only, and on the number of people affected by those changes.

The question of profit raises the one of the products' marketing, which concerns 84.1% of respondents -the others still using their production for own-consumption, but having the long-term goal of marketing their products. Once again, as in the case of the production, many external factors are involved, and this must be taken into account for a fair assessment of the impacts of the loans. Indeed the sales conditions for agricultural products in Palestine are very dependent on Israeli policies; that is why the agricultural market is so deeply affected by the current political crisis. Several respondents reported having been struck by the borders closure and the restrictions on movement of goods, as well as by the difficult export conditions imposed on Palestinians. Two other problems which are involved in the commercialization issue are the economic crisis and the prices fluctuations that prevented some farmers from making the expected profit. Despite all these external factors, about 76% of those who sell their products have seen their profits increase, due to the investments permitted by the loan; and 77.3% of respondents feel they have less volatile income. These results are very important and testify the economic success of the projects undertaken by borrowers: their income is higher and less variable. Income's security is essential to guard against economic and political crises, so frequent in Palestine. The farmers interviewed seem to be more able to protect themselves against these crises given the fact that, thanks to the loan, 77.3% of them acquired guarantees and safeguards against income fluctuations, and 79.5% save more than before -mostly for precaution purpose. But the average income in the sample remains

only 541.6 dollars per month –all incomes generating activity included- whereas the gross domestic income per capita in Palestine was 1502.4 in 2010, that is to say almost three times more.

We cannot here only analyze the economic and social situation of the borrower himself. Most of Palestinians farmers -like the other inhabitants of rural Palestine - live with their extended family, which consist of not only the spouse(s) and children, but also often other family members, like the grand-parents and step-brothers and sisters. These members, whether working on the farm or not, are widely dependant from the profits generated by the borrower's activity, and thus will be concerned by its evolution too. On the sample, an average of 8.5 people lives thanks to the revenue generated by the farm, mainly family members. We should therefore wonder to which extent the evolution of the revenue may amend the daily life of this whole household.

3) Consumption:

Even if a large part of the profit is reinvested in the project, the fact remains that an increase in household income will result in an increase in its consumption. So we tried to identify the changes in food consumption, and also in some spending that we believe are representative of the household's purchase power and standard of living.

Food consumption, in cases of low income, is a fundamental factor for assessing the rise of living standards, because when the food intake is insufficient, food expenditure will systematically increase with the growth of income. Here we must clarify that in Palestine, where incomes are still above the average for developing countries, an access to sufficient food is not generally a problem. However, as far as farmers are concerned, it is not always the case. Indeed, they face very low income levels, and actually, 29.5% of respondents said their household had not access to sufficient food consumption. Despite this, 59% of respondents believe that their food consumption has increased since the loan, which is an important result. This consumption consists in farm products – all the farmer consume part of their production- but also in products purchased from various merchants and markets. If the increase in agricultural production and in income allows the household to have access to more abundant food -and therefore, as one might imagine, more healthy and varied- it can only be a good sign.

More broadly, consumption spending –whether for food or not- increased for 86.4% of households. That denotes an improvement of their purchase power, thanks to the loan. 54% of borrowers said their household raised their clothing expenditures; the others declared not to have felt the need. This question surprised many interviewed, because the Palestinians as a whole do not face any lack of good quality clothing. However, this result shows a rise of a sort of "luxury's spending", and can therefore be interpreted as a higher purchase power and an improvement in standard of living. There are other results that indicate such a development for the borrower's household: 36.4% of respondents who have a personal car bought it with the profits generated by the loan; and 24.3% declared they travel more since they took out the loan. This rise of the purchase power represents an improvement in the household's living conditions through an increase in consumption.

After consumption, another major social variable of development that we have chosen to analyze in the survey is health.

4) Health:

The idea here is to estimate the health situation in which the borrowers live -thus starting the draft of a database for the ACAD- and to analyze its evolution since the loan. Health situation does not only refer to hygiene, but also to housing conditions, access to care and medical coverage. The impacts seem very important here, as the majority of homes have apparently invested the profits from the loan in health in the first place.

Firstly, about the housing conditions, if the number of people living in a house is still an average of 2 per room, 22.7% of respondents have expanded the size of their house, by building new rooms. 4.6% of them are even building a new house. 34% said they acquired household goods -refrigerator, kitchen tools, etc. All this implies an improvement in comfort and in living conditions of these people, and also reflects a higher economic wealth, because expanding the house is a costly investment, which would be made only when the income allows it.

About hygiene, we examined the number of toilets and water points that each home contains: it is in average 2 for the sample, that is to say exactly the number of toilet / bathroom ("hammam") a house *has to* contain traditionally in Palestine. However, many of the surveyed people only have one toilet, sometimes outside the house and often for a very large family; the average number of inhabitants per household being 8.3. 22.7% still do not have direct access to a source of drinkable water -we have already mentioned the problem of access to water in rural areas. Nevertheless, among those who have expanded the size of their home, all have built at least one new toilet / bathroom. We see therefore that when the borrowers can afford to build new rooms, the water points are their priority. Another fact to consider is that many beneficiaries used the funds borrowed to build enclosures away from their home for their animals, or water tanks. This type of investment may have directly resulted in improvement of hygiene in the accommodation, even if this is not the effect desired as first sight.

We also observed a significant improvement, regarding access to care. We chose to approach it by the mean of medical expenses and found out that 52.3% of the respondents increased their spending in primary care -pediatrician, dentist, medical treatments, etc. The issue of health expenditures may seem biased because it seems that when people spend more on medical cares, it means that they are sicker. But in reality, an increase of consultations and primary cares -which include both prevention and care- shall indeed be interpreted as an improvement in health situation, especially in the case of low incomes. Another very significant result is the new access for some borrowers to an health coverage. Indeed, 40.9% reported that they have been able to take out a medical insurance, thanks to the profits from the loan. 11.5% of those who did not contract already had the governmental health coverage -thanks to another job. It shall be noticed that 13.6% of borrowers talked about the subscription to a medical insurance as a longer term goal. These

results are very significant, especially in a country where there is no social security system and where people have to pay for a private insurance –unless they are state employees.

Project beneficiaries seem to live in better housing and hygiene conditions, but also to be more able to cope with disease.

5) Education:

As for health, education seems to be an area in which the surveyed people were keen to invest their profits. Like many Palestinian parents, they are willing their children to receive the best education possible and to study in University. Unlike most developing countries, Palestine is experiencing very high levels of schooling -95% in 2006 to all territories- and indeed in 91% of the cases on the sample, all children at age of being educated go to school. In the remaining cases, at least one of the children does not go to school, either because the family does not have enough money to send all their children or because of exceptional circumstances -such as school failure, or even imprisonment of the child.

The survey revealed that 74.4% of borrowers increased their spending on education. For those whom all children already go to school, this spending rise consists in higher tuition rates -including university fees- and extra classes fees. Those parents put thus more money to provide a better education for their children. Indeed, there are schools in Palestine well-known to be offering more opportunities than others. So a household whose income increases will often choose to enroll their children in these schools. For borrowers whom children do not all go to school, the issue is mostly to try to keep the maximum number of children within the school system, and if possible to enable them to pursue studies. Indeed, some respondents reported they could be obliged to withdraw some of their children from the school system, if their income declines in the future. Thus, the income growth through borrowing enables them to avoid such an outcome.

77.3% of the respondents felt that their participation in the cooperative -and more particularly the provision of financial resources- allows them to provide for their children a better future, speaking of education, but also of future job. The other ones pointed out the weak amount of the loan, so it cannot entail such positive effects. Anyway, this result is still very meaningful of a better education for children, felt or expected by the borrowers, thanks to the loan. 13.5% reported using the profit from the loan mainly for spending on education and health.

These figures demonstrate the presence of social impacts that are significant and that encourage to support the activity of the project beneficiaries.

6) Global perceptions:

More broadly, 84.1% of the respondents perceived an improvement in their living's condition and in that of their families, thanks to the loan. This confirms the previous results, and assures us in our choice of variables and their significance. 20.4% described this improvement as "important" and 10.9% as "very important", which is far from being negligible.

More than two thirds of borrowers have even felt an improvement in their social situation. This refers to a certain effect of "prestige" and "empowerment" due to the entrance in the cooperative and to the access to new financial resources. This result was taken into account, but we have however chosen not to pursue in this way –by analyzing women's emancipation, participation in the community life, etc. This is an aspect of social condition that is not necessarily related to the loan, which is difficult to estimate in the short term, and whose evaluation calls for an in-depth knowledge of Palestinian society, without any cultural perspectives' bias. However, it might be interesting to analyze it in a few years, with the help of a specialist.