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The Microfinance Platform



Impact and Market Research Report for UNRWA's Microfinance and Microentreprise Program in the Palestinian Territories

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Summary of Results

Micro-enterprise and demographic characteristics

Average age of respondents is 37 years old and the median age is 36 years. 57.8% of respondents are female versus 42.2% male. On average male respondents are younger than females.

Only 3.4% of the respondents have no education but 7.6% are not able to read a letter. 34.3% of respondents have secondary education. Only 11% have a university degree.

Most of the clients are married (86%) and 11% are single.

The first primary activities of UNRWA clients ordered by importance are: trade, services, and handcrafts.

74.8% of them are outside-based activities and only 39.9% of them are formally registered.

31% of the respondents purchase their input daily versus 28.5% who purchase their input several times per week.

The frequency of their sales is daily (57.5%) or several times per week (20.5%).

Over half of the respondents are not satisfied with their input purchase and the level of their sales.

According to 43.4% of clients, the main reason for not selling more is the difficulty in acquiring enough inputs. 19.2% declare that it's due to lack of demand.

To increase sales, 63% of the micro entrepreneurs surveyed need liquid / financing and a capital increase, 11% hope for good economic conditions, 7.3% need support for their business, and 5.2% call for the disappearance of the checkpoints.

The evolution of UNRWA clients' cash flows in both regions (the Gaza Strip and the West Bank) has followed the same trend all year long. The lowest cash flow period is in December and the highest is from May to September.

Financial services use and access

The majority of the borrowers use their loans to reinforce their businesses. 16.4% use them to pay their household expenses and 8% ask for loans to pay back debts they have elsewhere.

What UNRWA clients appreciate the most is the easiness of credit procedures. They also value the fact that it is fast to get a loan from UNRWA and that contract terms are easy and understandable.

On the other hand, 38.7% of respondents dislike the interest rates applied by UNRWA, while 18.8% of them consider the loan amount insufficient. 12.4% consider the repayment period too short and 7.5% do not like the way UNRWA pushes to enforce repayment. Only 16.9 % declare being satisfied with everything.

For the borrowers who find UNRWA's loan amount too low in relation to their financial needs, only 33.7% can find other credit sources to close the gap. The main source of additional funding is in order: family or friends, other MFIs, banks, and money lenders.

During the last two years, 83.1% of the clients did not use any source of financing for their activities other than UNRWA. Among those who did use other sources, 23% got loans from other MFIs, 22% from banks, 21% from their family or friends, and 4% from money lenders.

Potential demand

In relation to the seasonality of cash flow of their activities, the majority of UNRWA clients express the need for credit from end April/beginning May to September. According to UNRWA clients, the loan amount that they would need to finance their activities is set between 1,200 NIS and 1,000,000 NIS. The gap between both extremes obviously being too great.

More precisely, "new clients" in the program ask for on average 24,940 NIS, the "medium clients" ask for 44,540 NIS and the "old clients" ask for 19,347 NIS. The clients who are not educated asked on average for 7,010 NIS while the educated clients expect to receive 44,540 NIS.

Relationship between UNRWA and its clients

Almost 50% of the respondents consider their relationship with UNRWA staff as excellent. 40% consider the relation as good. Only 5% think that their relation with the staff is bad.

The opinion of clients on UNRWA's skills, products, and services is positive for the overwhelming majority. In addition, almost all clients have a positive opinion of the availability of UNRWA products and services.

Impact of the UNRWA program on the economic activities

- Profit

The descriptive analysis shows that profits are significantly correlated to the length of participation in the program. In other words, the most active clients (old clients) have the highest monthly median profits (500 NIS). The median decreases to about 250 NIS for the "medium clients" and to about 125 NIS for the "new clients". There is thus a positive relation between the level of participation in the program and the profits of the micro entrepreneurs.

It is, however, important to consider the results of the econometric analysis of the data. The fact that the variables related to the longevity of participation in the program are not statistically significant does not allow a purely statistical interpretation of the program's impact in terms of profit beyond the client's perception.

- Investment

There is a definite positive impact of the UNRWA program on the clients' investments. There is a significant difference between the average current investment of active clients and of former clients (drop-outs). The average current investment of drop-outs is lower than that of the active clients.

In addition, the respondents in the West Bank region have on average a higher current investment in comparison to Gaza Strip respondents.

Males, on the other hand, have less current investment in comparison to females.

- Employment

The level of employment two year ago has not changed in comparison with the current situation. Most of the respondents do not wish hire more employees because salary costs are very high and their income is insufficient.

From the data obtained, it is difficult to say that there is a clear impact of the program on employment. However, it is worth noting that the probability of a former client (drop-out) hiring an employee is less than the probability of an active client hiring an employee.

Impact of the program on the household

- Contribution to the household budget

On average, the older the clients' activities are, the more they participate in the household budget. We also observe that the males contribute about 32% less than females. Unmarried clients also contribute about 13% less than married clients to the household budget.

There is not a significant difference between new, medium-term, and long-term clients with respect to their contribution to the household budget.

- Monthly expenses

There is no difference statistically speaking in the total amount spent monthly by active and former clients. The mean amount spent is about 10,108 NIS for both active and former clients.

The only significant difference observed is that the mean amount spent per month by clients in Gaza is lower (at 6,094 NIS) in comparison to that of clients in the West Bank.

- Asset detention

There is no significant statistical variable that allows for a reliable interpretation of the impact on asset retention (see annex).

However, the probit estimation shows that the probability of a client being “rich” now is higher if he was “rich” three years ago than if he was “moderately poor” or “poor” three years ago. In other words, if a client was “rich” three years ago, he is likely to stay “rich”, and if the client was “moderately poor” or “poor” three years ago, he has less probability of becoming “rich”.

- **Savings and debts**

The majority of the borrowers surveyed find that they have had a positive change in their level of debts while 22.2% have a negative change. Only 35.6% of the borrowers declare that their savings have increased since becoming UNRWA members. 41.2% did not have any changes in their savings and 23.2% noticed a reduction of their savings.

The probit analysis on savings and debts allow us to estimate the probability that an UNRWA client will have a positive change in his savings and debts. The results show that the probability of a new client and a former client (drop-out) to have a positive change in his savings and debts is higher than for medium-term clients. The variable of the long-term clients is not statistically significant for interpretation.

Clients' perception of impact

- **Intangible indicators**

From the data analysis, the probability of a client to notice a positive change in his autonomy and his partner's respect is very high when he stays longer in the program. In other words, the longer the participation in the program, the more autonomous the client is likely to feel and the more respected by his partner he is likely to be.

46.1% of respondents think their children respect them more than before they started benefiting from the UNRWA loans. The probit estimation shows that there is a correlation between the probabilities of having a positive change in children's behaviour towards their parents and participation in the program. In other words, the longer the client's participation in the program, the most likely he will be respected by his children.

In relation to stress, most of the borrowers consider the UNRWA program as positive in the reduction of stress. Yet 21.4% of the respondents think they are more stressed than in their previous situation.

Finally, the impact of the loan on conflicts and tension in borrowers' families shows that there is a positive change for 52.4%, no change for 29.2%, and a negative change for 18.4%.

- **Tangible indicators**

The microfinance program of UNRWA has a positive impact on food conditions for 55.6% of borrowers. Only 7.2% have noticed a negative impact of the program on their food condition.

According to 47.3% of clients, the impact of the UNRWA program on the education of borrowers' children is positive. Only 6.6% find it negative. Moreover the data regression shows that when participation in the program is long, the client is likely to have a positive change in his children education.

In relation to health conditions, there is a positive change for 54.2% of the borrowers, no change for 35.4%, and negative change for 10.4%. The probit analysis also shows the importance of participation in the positive change of health conditions.

Finally, 48% of the borrowers' families increase their leisure activities after they become UNRWA clients while 17.6% notice a reduction in their leisure activities.

Drop-outs

36% of former UNRWA clients find the repayment period inadequate. 27% of the respondents find the loan interest too high. 23% of them find the loan amount inappropriate. Only 9% of former clients quit UNRWA because their credit was not renewed.

Concerning personal reasons for drop out, 50% of the respondents did not want a new loan and 8% spent their loans on unanticipated events. Religion is also a reason for drop out: the prohibition of interest on loans by Islamic law was also cited as a reason for leaving the UNRWA program.

Concerning socioeconomic reasons, 66% of the drop-outs indicated that the poor economic situation in the Palestinian Territories was the main reason for dropping out, as customers could not afford to

buy their products or services. For 28% of the former clients, the military occupation was a handicap to their development.

Most of the former clients of UNRWA found their participation in the program very positive (33%) or just positive (36.9%). However for 8.7% and 2.9%, their participation in the program was respectively negative and very negative.

Solidarity group clients

For the overwhelming majority (68.2%) of UNRWA solidarity group clients, the choice to borrow through the group lending methodology was made out of necessity: group lending was the only way for them to obtain a loan. 24.6% of the respondents think the group lending gives them security while 2.1% choose the group lending because it's less costly.

In Gaza Remal and the Middle Camps, most of the borrowers are in solidarity groups as this was UNRWA's preferred lending methodology for these regions. On the other hand, in Khan Younis, the main reason given by those surveyed for being in a credit group is the security group lending gave them in the beginning.

The majority of group borrowers (66.1%) express their willingness to borrow individually versus 33.9% who prefer to remain in group lending. Their reasons are, in descending order of importance, the easiness of managing individual loans, the fact that the loan amount is higher than in the group lending, and the fact that the borrowers do not like groups.

1. Introduction

Since 1991, the UNRWA Microfinance and Microenterprise Program (MMP) has been operating in the Palestinian Territories and has invested more than 102 million USD in around 100,000 small and microenterprises (30 % of the loans have been given to women micro entrepreneurs).

The program's mission is "to improve the quality of life of small business owners and micro entrepreneurs, sustain jobs, reduce unemployment and poverty, empower women and provide income-generating opportunities to Palestine refugees and other proximate poor and marginal groups through the provision of credit".

In parallel to continuous efforts to improve operational and financial sustainability, UNRWA wishes to assess the achievements of the MMP and prepare for its future development. In line with these efforts, PlaNet Finance has carried out an impact study with UNRWA through the IKM program.

1.1. Context of the Impact and Market Study for UNRWA

Overview of the political context

Since the beginning of the second Intifada in 2000, the Palestinian Territories have become increasingly impoverished. Ranked 102 out of 177 in the UNDP Human Development Index of 2005 and 11th among the 20 Arab countries, the GDP per capita in the Palestinian Authority (PA) has been declining dramatically since 2000, falling by almost 40% in just four years. The causes are multiples and complex, but we can name the closures of cities that prevent people and goods to move freely, reduction of the permits for Palestinian people to come to work in Israel, destructions of infrastructures...

In December 2003, Prime Minister Ariel Sharon announced the unilateral disengagement of Israeli forces in the settlement in the Gaza Strip and north of West Bank. This announce coming in the context of various peace initiatives (such as the Road Map or the Geneva Initiative) gave rise to some hope in the Palestinian Territories about a potential truce and period of calm that could promote social and economical development. In August 2005, the 21 Israeli settlements of the Gaza Strip and 4 of the 120 settlements of the West Bank were dismantled. Despite this disengagement, the situation in the Gaza Strip remained preoccupying. The Wolfenson committee in charge of the affairs related to the disengagement for the World Bank had given a warning before, saying that without the slackening of obstacles to the freedom of movement for people and goods in Gaza, the disengagement would not be followed by a major improvement for the Palestinian population. Indeed the situation in the following months after the disengagement didn't show any improvement in the Gaza Strip in general and especially in the economic situation with the same high unemployment rate than before.

After the victory of the Hamas party in the PLC elections of January 2006, a new government – strongly opposed by the international community – was put into place,¹ resulting in the devastating loss of financial resources for the Territories. As a consequence of Hamas' electoral victory, Israel stopped the transfer of VAT and customs taxes worth roughly US\$60 million per month (counter to the 1994 Paris Protocol²), and Western donors suspended their aid to the Palestinian Authority, pending the PA's commitment to the principles of non-violence, recognition of Israel, and acceptance of previous agreements and obligations, including the Roadmap³.

A fiscal crisis in the Palestinian Authority ensued. This not only jeopardized access to essential services and PA salaries, but also undermined the investment of over \$7 billion in aid to the PA since the Oslo Accords in 1993. A banking crisis soon followed, triggered by banks' fear of litigation. This

1 On January 25th, 2006, Palestinian legislative elections were held for the first time since 1996. Hamas candidates, under the name Change and Reform, won 74 of the 132 seats in the PLC. The new legislative council met for the first time on February 18th, and the new government took office on March 28th.

2 Transfers from Israel amount to approximately \$60 million per month and make up roughly 50% of PA revenues, while foreign aid and local revenues make up the two other main financial sources.

3 At this time, the Quartet indicated that future assistance to any new [Palestinian] government by donors would be reviewed in light of the government's commitment to these principles. Certain programs under the jurisdiction of the Presidency, however, continued to receive funding from these sources.

effectively froze PA accounts and resulted in a severe limitation of financial transactions involving both the PA and the private sector. Today, the PA is operating at roughly 25% of its regular budget⁴. This situation also led to internal clashes in the Palestinian Territories, but concentrated in the Gaza Strip, between Hamas and Fatah followers. These clashes led to hundreds death among both civilian and militants population and created a feeling of insecurity and chaos that discouraged the economic activity. At the moment of the study, despite negotiations between the two political groups, no agreement was found to create a government that could represent both faction and be acceptable for the international community. Therefore the political situation was very unstable.

In June 25th, Palestinian activists abducted an Israeli soldier, Shalit, refusing – until today – to free him despite of intense negotiations between both parties. This led to a worsening of the situation and to military incursions by the Israeli forces in the Gaza Strip. North and South of the Gaza Strip were reoccupied by the army for some days. This military offensive provoked some infrastructures destruction and led to several day closures of Karni crossing (main entry for goods), Eretz and Rafah crossing (main entry points for people).

As of December 2006, unemployment has risen from 23% in 2005 to over 50%. Two-thirds of Palestinians are living below the poverty line. For over 16 months, the 160,000 civil service workers, who are the primary breadwinners for a third of households, have not received their full salaries due to the cuts in foreign aid.

In the summer of 2007 Hamas led a military coup in Gaza; as a result the Palestinians now have two governments, one in Gaza led by Hamas and the other in the West Bank led by Dr. Salam Fiad. Gaza was put under siege, as a result of the Israeli siege to Gaza; over 90 percent of factories are shut or operating at less than 20 percent capacity. Israel estimates that its own businesses are losing \$2 million a day from the closing, but Gaza is losing \$1 million a day, an amount it is less able to afford.

The government in the West Bank gathered international and political support resulting in the relaxation of Israeli siege; taxes money was released and some international financial support had been re-established since, but Israeli control of all commercial routs is still hurting the Palestinian economy.

Context of the study

This impact study is in line with this very complex political situation. The field research, consisting in interviewing micro entrepreneurs who benefit or benefited from UNRWA MMP, took place in June for West Bank and Gaza Strip, but couldn't be completed in the Gaza Strip because of the start of military operations. The interviewers had to wait about two or three weeks before being able to go back to visit micro entrepreneurs in their business.

The political context presented above clearly influenced the results of the study. First of all, the general economic and financial crisis in the Palestinian Territories created an ambiance of recession among the population who adapted his behaviors to it by reducing his expenses and saving the surplus available in prevision on difficult days. As the situation was setting in, the economic situation of Palestinian people got worse with a serious decrease of cash available for daily expenses of the family. This directly impacts the microenterprises in two different ways: first of all the interruption in payment of civil servants' salaries has resulted into a decrease of the potential market to sell their products or services and second because in this context micro entrepreneurs will be more inclined to use the business' income for the family or to help relatives, reducing investment and availability of capital for stock.

According to the Portland Trust Bulletin of October 2006⁵, the indebtedness of the public sector employees to Palestinian banks rose sharply to US\$ 315 million, equivalent to US\$ 2000 per public sector employee between February and September. However, Palestinian civil servants showed strong resilience in this situation and some 13% of public employees reported alternative income sources through a second job and 47% received financial support from family members who worked in the private sector. However according to a study of the Palestinian Economists Association and

4 Source: UNOCHA, Revised Emergency Appeal, May31st, 2006.

5 Palestinian Economic Bulletin, published by the Portland Trust, British foundation for the promotion of economic growth in the Palestinian Territories

quoted in the Portland Trust Bulletin of October 2006, the families of public employees had cut back consumption dramatically, starting by postponing the payment of utilities (phone, water, electricity), and reducing non-necessary consumption.

Likewise, the various closures in West Bank and especially in the Gaza Strip had a dramatic impact on micro entrepreneurs' income. Indeed, many of them were subject to shortages in their supplies, since no goods could go through Karni crossing⁶ for almost two months after Shalit's abduction and some even had to close their business because of this. In the West Bank shortages were less frequent, but delays provoked by check-point, incursions or closures also disturbed the delivery of supplies.

This context, combined with military actions (bombing, incursions...), have probably impacted the answer from the micro entrepreneurs interviewed for the present study by making Palestinian micro entrepreneurs more pessimistic about their business' future and development potential. However, it appeared relevant for both parties (UNRWA MMP and PlaNet Finance) to carry out the study despite of the situation, first of all because there wasn't any certitude about improvement in the situation in the near future, and secondly and most importantly, because by carrying out this study during the crisis, UNRWA MMP could get good information about the impact of the crisis on its clients, their coping strategy and their financial needs to sustain their business through this period.

1.2. Presentation of IKM

Impact – Knowledge – Market (IKM) is a training and action-research program aimed at Microfinance Institutions (MFIs), federations, donors and international organizations. Its primary objective is to provide information that allows to make recommendations to strengthen the viability of MFIs, to help them achieve their social objectives and to assist in the design of microfinance and microenterprise development policies.

IKM uses qualitative and quantitative methods as part of a participative and multidisciplinary approach. IKM consists of three main components: client knowledge, market research and impact assessment.

IKM studies may be implemented in the form of surveys, training and R&D assistance programs, or sector-wide research.

1.3. Objectives of the market study for UNRWA

IKM was implemented in the West Bank and Gaza where UNWRA has branches (Gaza Remal, Khan Younis, Middle Camps in Gaza and Nablus, Tulkarem, and Hebron in the West Bank).

It included:

- Collection of primary quantitative and qualitative data on UNRWA's clients and their activities with a representative sample of existing and potential clients;
- Data analysis aiming at estimating the trends of microfinance's impact at the enterprise, household, and individual levels;
- Research on specific issues:
 - Client satisfaction;
 - The characteristics of financial services desired (types, amount, rate, repayment);
 - Information related to the development of adequate products.

⁶ In August the Karni crossing was open for 11 days (40% of total working days), of which only two were accessible for Palestinian exporters. 2,110 imported trucks went through the crossing in August, compared with 2,371 in July (-11%).

2. Methodology

2.1. Sampling

The market and impact study consisted of a series of IKM analyses carried out among four representative samples: "old clients" (clients who have been with the program for more than 3 years), "medium clients" (clients with the program for more than 6 months but less than 3 years), "new clients" (clients which are in their first loan cycle), and drop-outs based on the following methodology:

The sample was stratified according to several variables such as gender, type of business, and location.

The survey was conducted among 500 micro enterprises in the Gaza Strip (Gaza Remal, Khan Younis, and Middle Camps) and the West Bank (Nablus, Tulkarem, Hebron) and produced 492 valid responses.

	Gaza Strip	West Bank
Sample	326	166

	Gaza Remal	Khan Younis	Middle Camp	Total
Gaza Strip	147	97	82	326

	Nablus	Tulkarem	Hebron	Total
West Bank	84	46	36	166

2.2. Data collection methodology

Qualitative methods were used to create a questionnaire adapted to the socio-economic context and to evaluate financial demand. Three Focus Group discussions were conducted with an expert. The interviewing team was composed of seven people who had previously completed a two-day training course and conducted field testing prior to starting data collection.

A large variety of information has been collected among respondents (see questionnaire in annex): household information, asset ownership, economic activities, access to markets, use of financial services, investments, credit demand.

2.2 Impact evaluation methodology

2.2.1 General framework of an impact evaluation

The principal objective of the impact study is to assess the effect of participation on a series of indicators (profits, food, credits...) such as:

$$Y_i = \alpha X_i + \beta R_i + \gamma C_i + \epsilon_i \quad (1)$$

With Y_i , standing for the studied indicator; X_i a demographic characteristic vector; R_i a vector indicating the characteristics of the region or the sector; and C_i indicating the level of participation. Treating this specification alone is likely to produce biased results. In reality, the level of participation is potentially correlated to the characteristics of the population and the indicators. It is possible to control the observable characteristics (those of the household for example, represented here by " X_i ") but the unobservable characteristics (such as "entrepreneurial" aptitudes or qualities) are likely to determine jointly C and Y . In the majority of cases, the degree of participation is not exogenous; therefore, to estimate correctly the impact, it is necessary to estimate the impact of C on Y by separating the correlation between X and C and by resolving the causality problem between Y and C .

2.2.2 Criteria of the study

The evaluation of the impact of the UNRWA program has taken into consideration the economic and political situation in Palestine. The particular situation in Palestine and the ever-changing living conditions of households might be determinant in the analysis of data and the interpretation of results.

2.2.3 Methodological implications

The methodological approach for the evaluation consists of comparing the impact on the clients' activities and living conditions according to their participation in the UNRWA program. As stated above, the study includes four representative samples: old clients (client of more than 3 years), medium clients (clients for more than 6 months and less than 3 years), new clients (clients who are in their first loan cycle) and drop-outs.

Taking into account the drop-outs helps to limit bias in the comparison of clients according to their duration of participation in the program. Clients who stay in the program are likely to have different characteristics than those who leave: the drop-outs were probably the best clients (who repaid without problem) or who always had a need for significant loans, whereas new clients may or may not stay in the program. Comparing only former and new clients could lead to over-estimation or under-estimation of the impact if the clients who remain are better or worse than those who leave.

There remains, however, a potential source of bias: changes in program policy over time. For example, if the program started targeting the poorest clients and evolved towards targeting "less poor" clients this would likely distort the results of the survey.

2.2.4 The impact of duration of participation in the program

A first evaluation method is to compare the impact indicators in relation to the duration of participation in the program, from the date of the first credit until the moment of the investigation.

$$Y_i = aX_i + \beta R_i + \gamma D_i + \varepsilon_i \quad (2)$$

Y_i is the impact indicator to be studied; X_i and R_i are the demographic and regional characteristics of the vectors; D_i represents the degree of participation in the program.

The analysis is more specified when we take into account the level of wealth of the clients at this moment and three years ago.

$$Y_i = aX_i + \beta R_i + \gamma_1 T1 + \gamma_2 T2 + \gamma_3 T3 + \gamma_1' T1' + \gamma_2' T2' + \gamma_3' T3' + \gamma_4 D_1 + \gamma_5 D_2 + \gamma_6 D_3 + s_i \quad (3)$$

With $T1$, $T2$ and $T3$ corresponding to the terciles of the clients' current wealth - poor, medium, rich; $T1'$, $T2'$ and $T3'$ correspond to the terciles of the clients wealth three years ago and $D1$, $D2$ et $D3$ corresponding to the duration of participation in the program.

2.2.5 The impact of participation

Another approach is to use the probit method to estimate the probability of a client with a determined level of wealth three years ago becoming rich taking into account his duration in the UNRWA program.

The impact equation is:

$$Y_i = \gamma_1 T1 + \gamma_2 T2 + \gamma_3 T3 + \gamma_4 D_1 + \gamma_5 D_2 + \gamma_6 D_3 + s_i \quad (3)$$

With $Y_i=1$ if the client is rich and $Y_i=0$ for all other cases

2.2.6 Interpretation of the results

The different results are presented with their level of significance at 1%, 5% and 10%. (Above these levels of significance, the results are not considered for the study if the variables are quantitative and not qualitative).

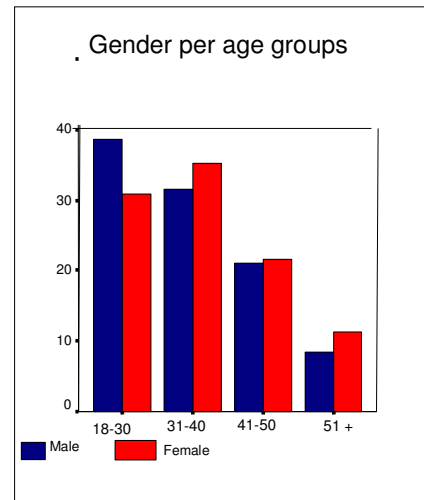
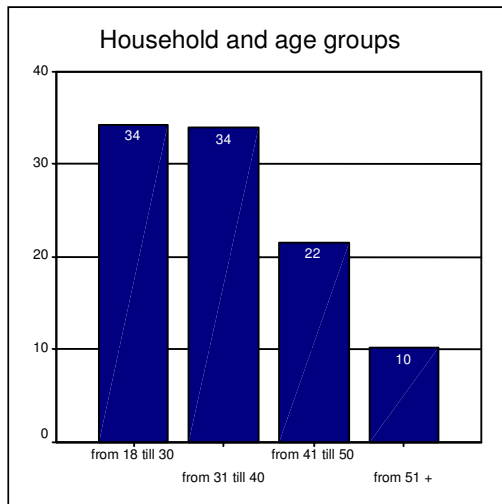
The results should be, however, interpreted with precaution because of the limited number of observations in this study and because of the non-quantifiable aspects (the political and economic situation, the managerial skills of the clients) that might affect results.

3. Characteristics of households and their activities

3.1 Socioeconomic data

3.1.1. General information

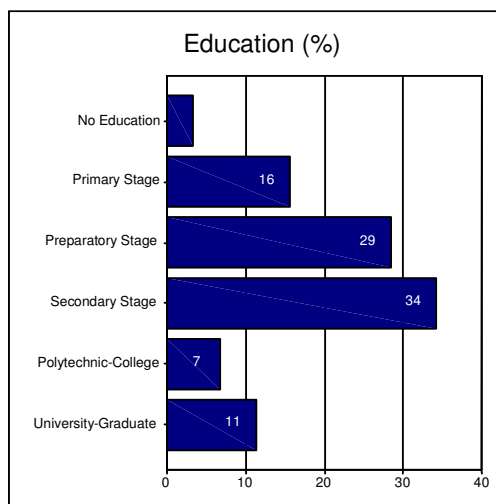
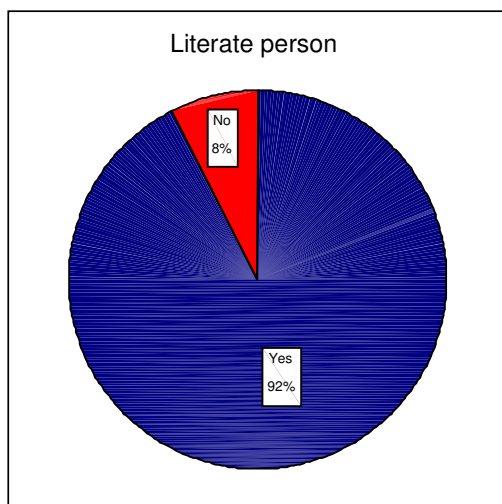
The majority of respondents to the survey (57.8%) are women. Most clients (70%) are between 18 and 40 years old. The average age is 37 years old while the median of age is 36, and on average, males are younger than females.

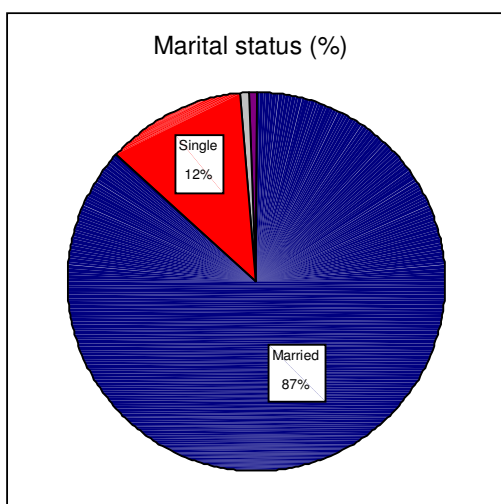


Most respondents are literate and educated. Only 3.4% of the respondents have not followed a formal education, although 7.6% are not able to read a letter. The majority of educated persons have reached preparatory or the secondary education level (34.3%), while 11% holds a university degree.

The profile of the average respondent to this survey is the following:

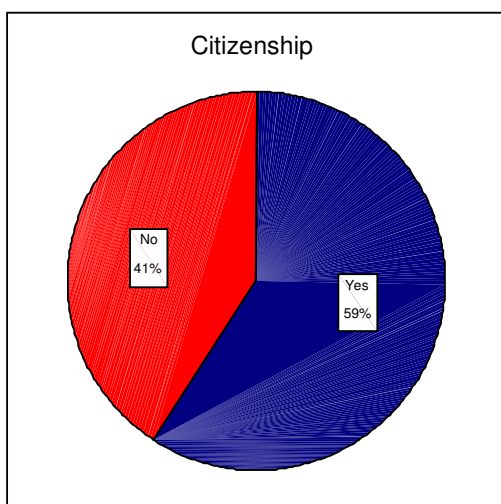
- Female
- 36 years old
- Married
- Educated up to secondary school





From graph 5, we can see that most of the clients are married (86%) and 11% are single.

3.1.2 Repartition of UNRWA clients



Two thirds of respondents of this survey are located in the Gaza Strip (66%) as predefined in the sample. Gaza respondents are divided among the main refugee camps: Gaza Remal, Khan Younis and Middle Camps, while the majority live in Gaza Remal (44,5%).

West Bank respondents are located in Nablus, Tulkarem and Hebron respectively; the majority are located in Nablus (51%).

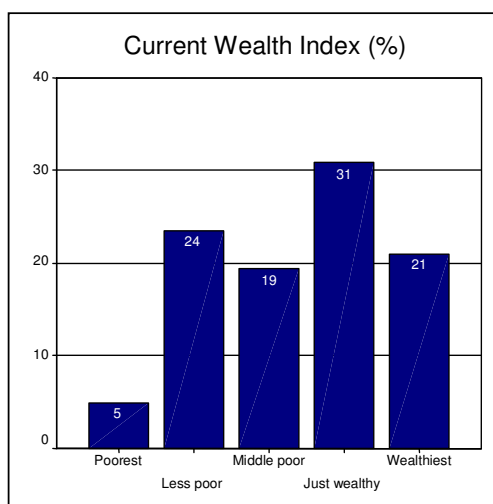
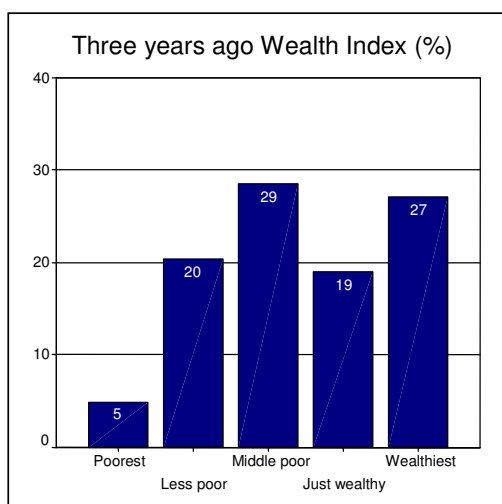
The majority of respondents consider themselves as refugees (59%).

3.1.3 Evaluation of wealth: index of asset ownership

An index of asset ownership is used to identify several groups within the sample regarding their degree of wealth. A score is assigned to each individual or household regarding the number or nature of assets owned by the household. The index is then divided in quintiles: five groups of equal size. (See the method in annex)

From the two graphs below it is possible to observe the evolution of UNRWA clients' wealth during the last three years. In general the wealth evolution is mitigated and the trend differs from one wealth group to another.

In the group of the poorest (W1 being the group of the poorest and W5 the wealthiest), there has not been any significant change. In group W2, the size has increased by 4%; however, these four percent might have come from group W3 whose size has decreased by about 10%. The size of group W4 has dramatically increased by 12% versus a decrease in group W5.



3.1.3.1 Wealth index and regions

The wealth index by region shows a significant difference between the West Bank and Gaza Strip. Three years ago the two regions looked similar in terms of wealth and asset detention.

In the West Bank at the moment the survey took place, there was an increase in the size of group W2 (semi poor) and a decrease in the size group W3 (average wealth). Concomitantly, the number of microentrepreneurs in group W4 (semi rich) increased while group W5 (wealthiest) decreased.

In the Gaza Strip, the wealth evolution looks the same as in the West Bank. However, the decrease of group W5 (wealthiest) is higher than in the West Bank, and the increase in group W4 (semi rich) is lower than that observed in the West Bank.

The redistribution of wealth over the last three years shows a negative trend in both regions being more marked in the case of the Gaza strip.

Current Wealth by region					
	1	2	3	4	5
West Bank	4%	25%	15%	32%	24%
Gaza Strip	5%	23%	22%	30%	20%

Wealth by region 3 years ago					
	1	2	3	4	5
West Bank	5%	19%	27%	21%	28%
Gaza Strip	5%	21%	29%	18%	27%

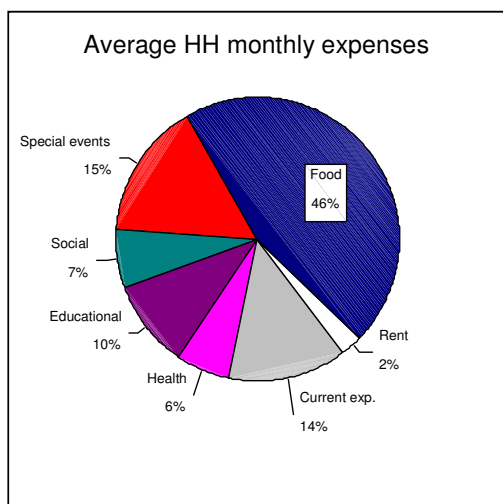
3.1.3.2. Wealth index and gender

Three years ago, there were more men than women in the wealthiest groups (W4 and W5). In addition, the poorest groups (W1 and W2) were also male in majority (more than 5%). Today, there are less “wealthiest” persons (male and female) in the last two groups than three years ago.

Wealth by gender 3 years ago					
	1	2	3	4	5
Male	6%	20%	26%	20%	28%
Female	4%	21%	30%	18%	27%

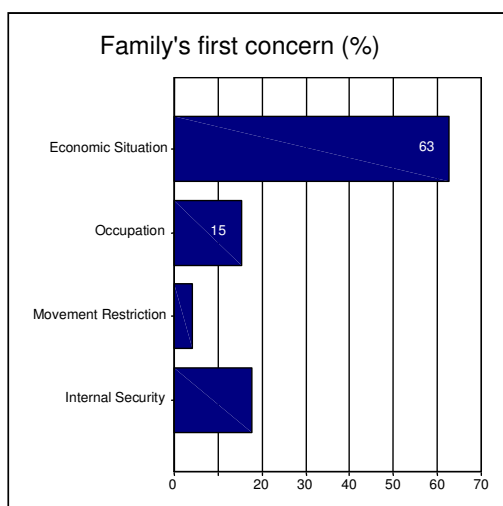
Current Wealth by gender					
	1	2	3	4	5
Male	5%	22%	21%	30%	22%
Female	5%	25%	19%	32%	20%

3.1.4 Household expenses

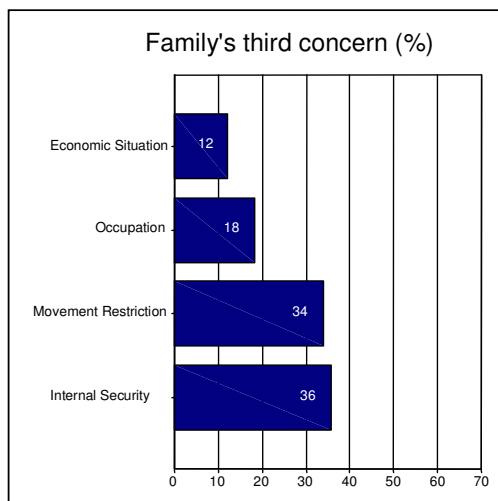
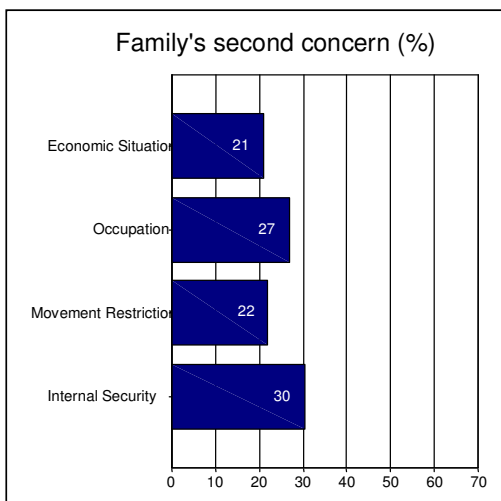


Most households spend the main share of the monthly budget on food (45.5%) followed by special events (15%). Other household expenses in order of importance are: current expenses, educational services, social expenses, and rent.

3.1.5 Family concerns in general

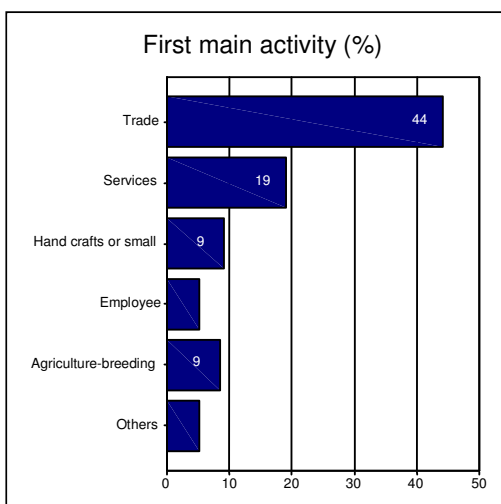


Most respondents are affected by the situation in the Palestinian Territories, as their main concerns clearly show. The economic situation in the region is the first concern of the family for more than 60 percent of the respondents, followed by the internal security situation and the restriction on movement.

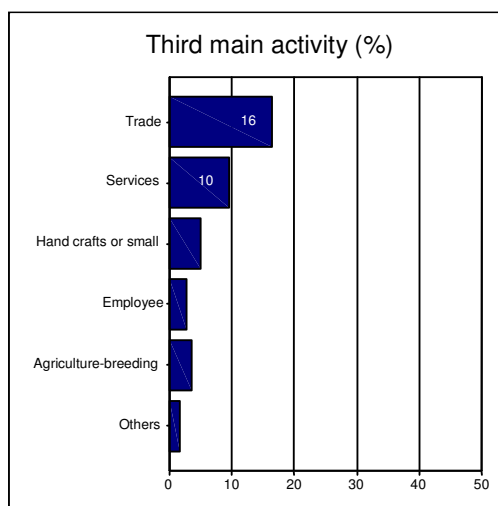
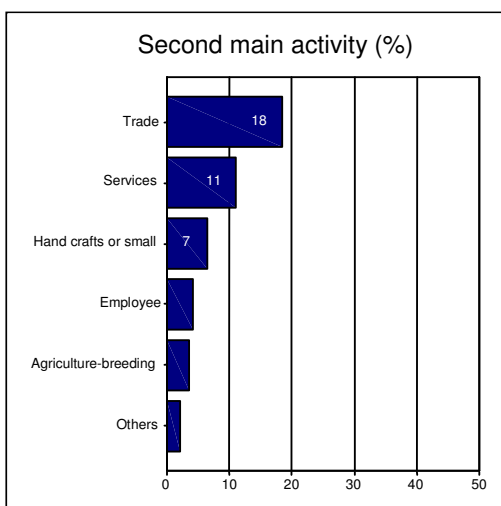


3.2. Information about economic activities

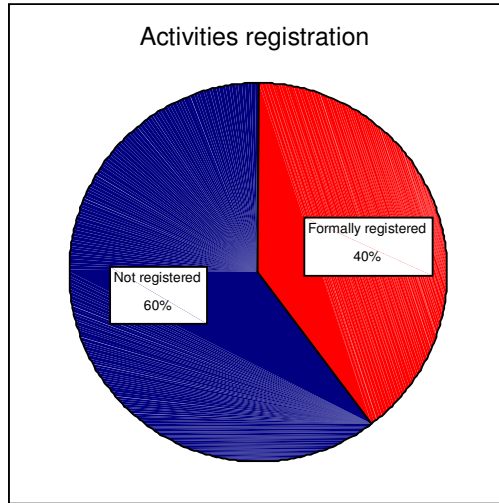
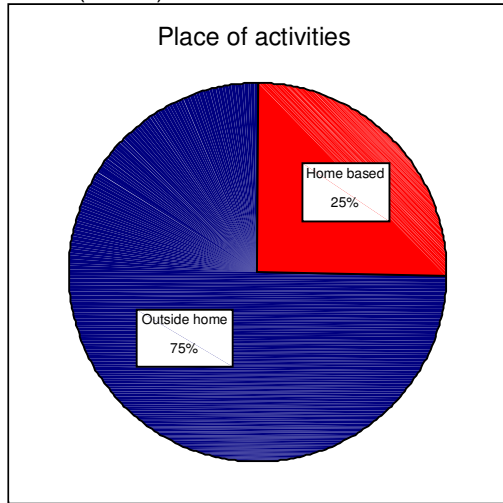
3.2.1 General information



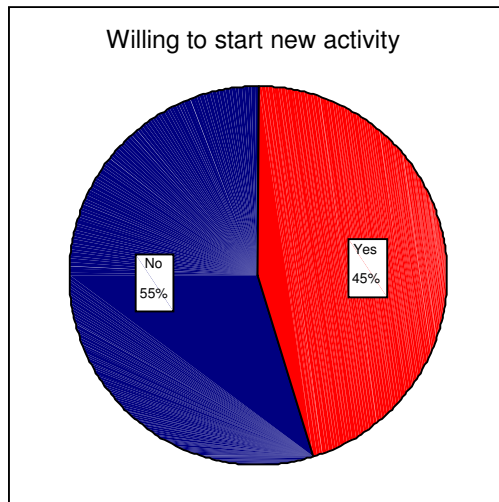
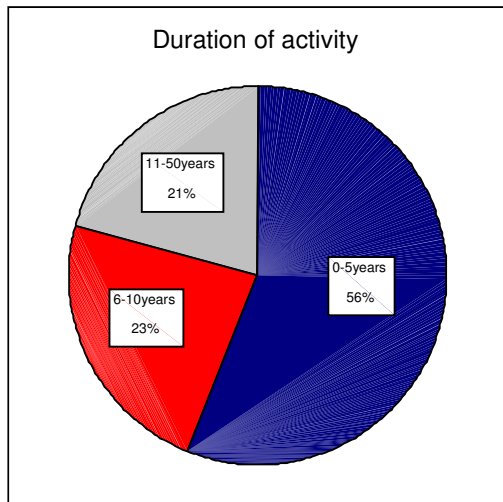
The three main activities of UNRWA clients are in order of importance, trade, services, and handicrafts or small production industries.



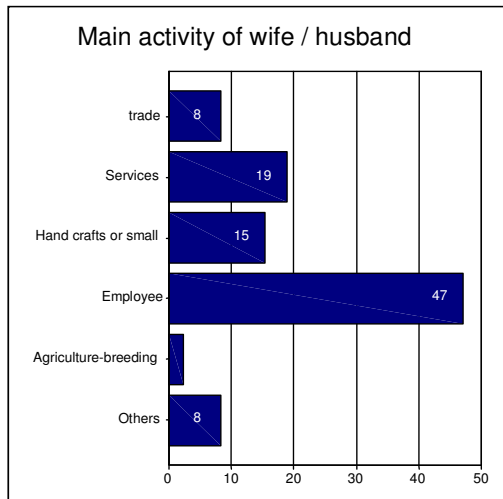
The activities of the majority of respondents are informal businesses (60%), based outside the family home (74.8%).



The majority of respondents (56%) are active in their current business for less than 5 years and most of them (54.8%) are not willing to start a new activity in the current situation.

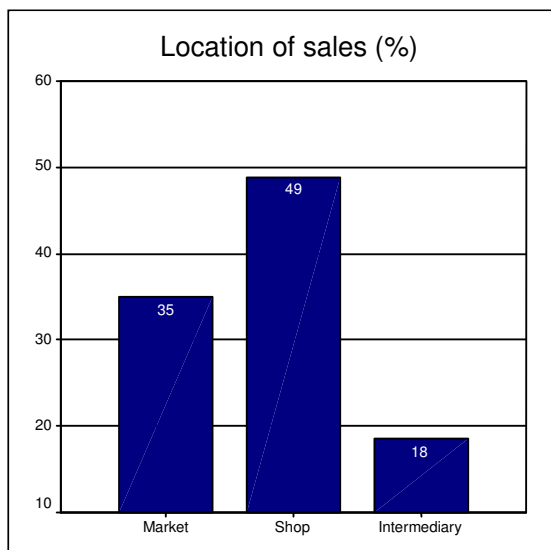


3.2.2 Activities of other members of the Household



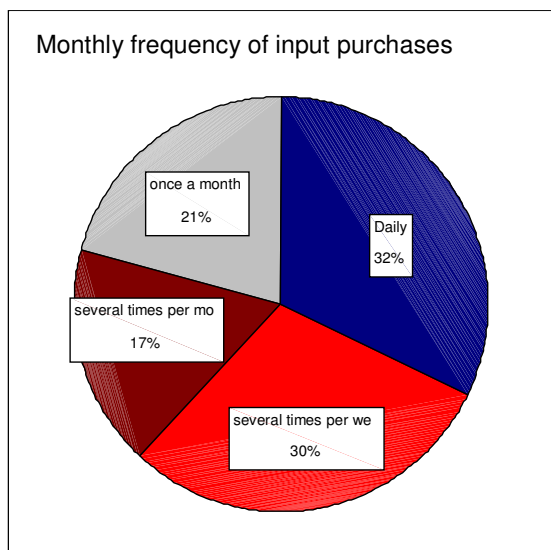
The first main activity of the respondents' partners is "employee" (meaning they are an employee of another business) (46.4%), the second main activity is handicrafts (20%) and the third main activity is services (20%).

3.2.3 Activities characteristics



A large share of the respondents (47%) sells their products and services in shops, while 34% of them sell their products in the market.

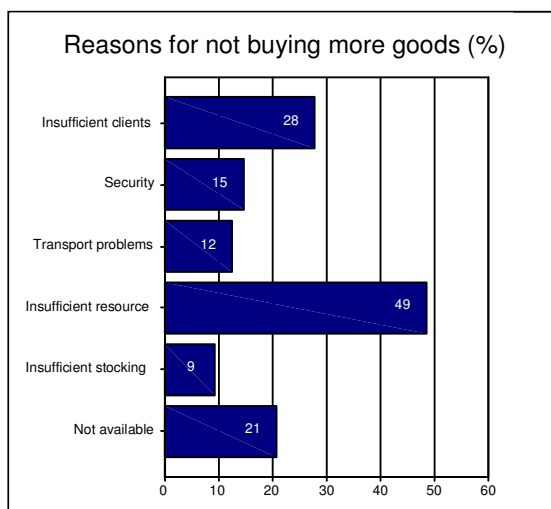
The overwhelming majority of the UNRWA borrowers sell their products and services directly to their clients without any intermediary (82%).



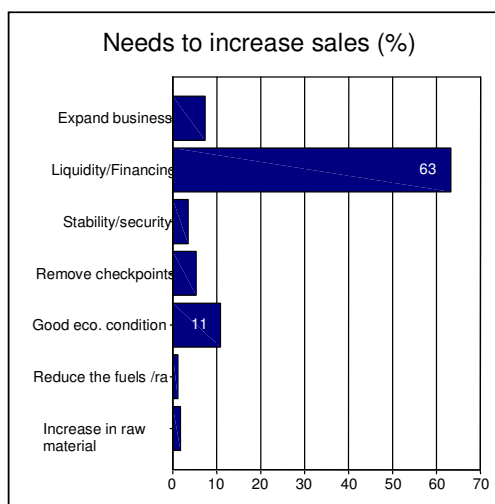
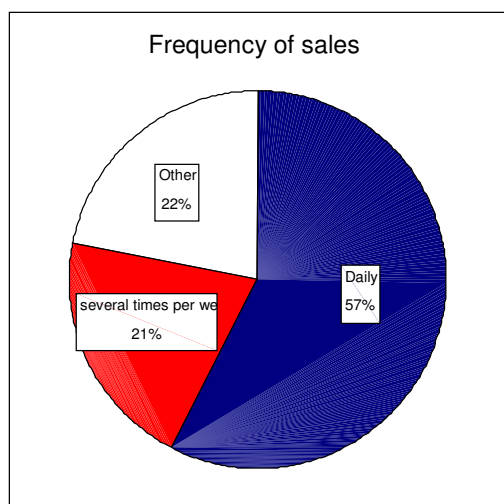
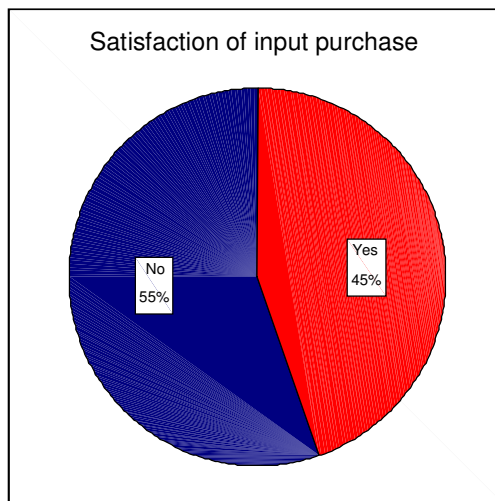
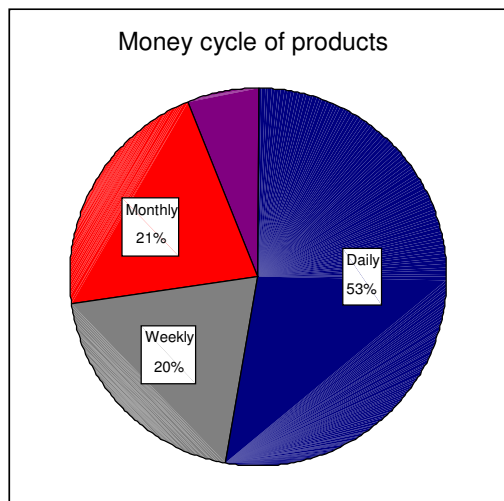
The frequency of input purchases is either daily (31%) or several times per week (28.5%), only a minority of respondents purchase their inputs once a month.

This indicates the existence of a “fragile” economy in which today’s sales finance tomorrow’s inputs, with little accumulation or investment in stocks. Subsequently, 55% of the respondents are not satisfied with their current level of input purchase.

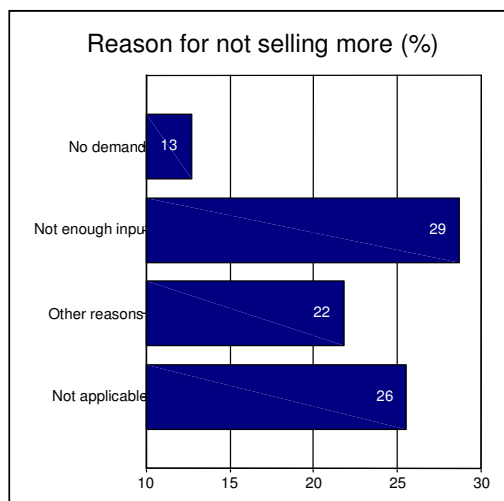
The main reasons cited by the borrowers for not buying more products are: insufficient resources (46%) and an insufficient number of clients (26%). Other reasons are, in decreasing order of importance: lack of security, transportation problems, and an insufficient stocking area.



The money cycle is mostly daily (52%), monthly (21%) and weekly (20%). The frequency of UNRWA clients’ sales is daily (57.5%). 20.5% of the respondents sell several times per week. The analysis of graph 31 shows that almost 60% of the clients of UNRWA are not satisfied with the level of their sales.



In order to increase their sales, a majority of clients (63%) require additional liquidity/financing and capital increase; others state a need for better general economic conditions (11%), additional support for their businesses (7.3%) and the disappearance of the checkpoints (5.2%).



For a large share of respondents (43.4%), the main reason for not selling more is that they cannot purchase enough inputs, while others indicate lack of demand (19.2%).

3.2.4 Profits by type of activity and localization

3.2.4.1 Monthly profits of clients (OLS method)

Activity	Average Monthly Profit NIS
Gaza	3265
West Bank	4200

The average monthly profit of the sample of respondents is 3,265 NIS in Gaza and 4200 NIS in West Bank.

However, as the below regression results show, this variable not being statistically significant, the difference would be minimal across the whole population of UNRWA clients.

In Gaza, the monthly profit of registered activities would be about 1,723 NIS higher in comparison to non-registered businesses.

For clients in the West Bank the difference would be minimal between registered and non-registered businesses since the corresponding variable is not statistically significant.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Intercept	3265.638	756.0061	4.319592	0.0000
West Bank	934.2778	808.6701	1.155326	0.2490
Home-based activities	-857.4961	824.6015	-1.039892	0.2993
Non-registered activities	-1723.347	776.7988	-2.218524	0.0274
R-squared	0.068555	Included observations	268	

3.2.4.2 Monthly profit in relation to the first main activities of clients (OLS method)

Activity	Average Monthly Profit NIS
Trade	2473
Services	1930
Agriculture	1076
Handicrafts	1528
Employee	9900

The average monthly profit of the sample of respondents varies according to their activity. The activity that yields the highest average monthly profit being trade is about 2,473 NIS.

However, as the below regression table shows, for those clients whose first main activities are services, agriculture / breeding, and handicrafts, the monthly profits would be somewhat closer to 2473 NIS across the whole population given that the corresponding variables are not statistically significant.

Only those respondents whose first main activity is "employee" (next to their micro business) would have a significantly higher monthly profit, of about 9,900 NIS. his variable being statistically significant.

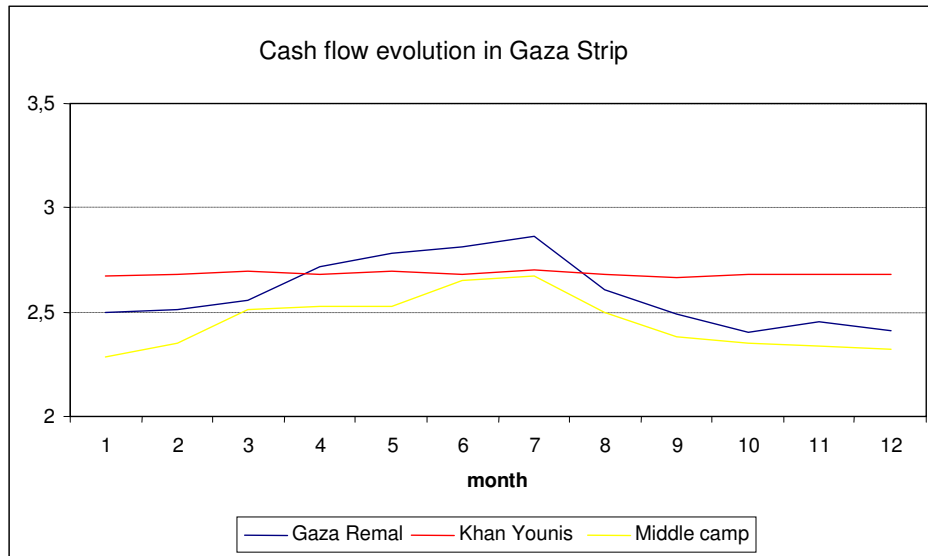
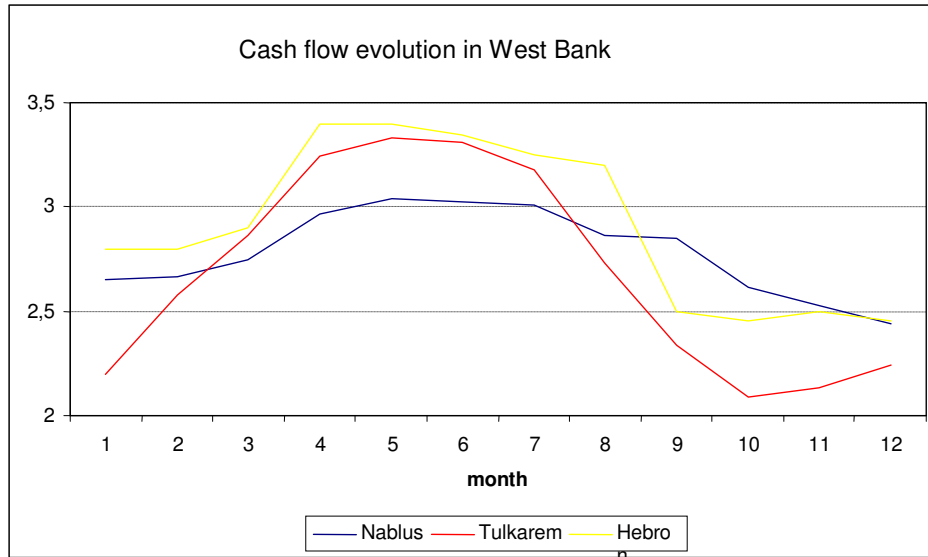
Variable	Coefficient	Std. Error	t-Statistic	Prob.
Intercept	2473.000	408.4498	6.054599	0.0000
Service	-543.1370	713.8874	-0.760816	0.4474
Agriculture / breeding	-1397.400	1080.657	-1.293103	0.1970
Handicrafts	-944.6667	1000.494	-0.944201	0.3459
Employee	7427.000	1934.370	3.839493	0.0002
R-squared	0.063379	Included observations	285	

3.2.5 Seasonality of activities

The evolution of cash flow in the six areas surveyed demonstrates a similar trend all year long. The lowest cash flow period is in December and the highest is from May until September.

In the West Bank, the highest average cash flow is in Hebron all year long, apart from March and April where Nablus has the highest cash flow (graph 34).

In the Gaza Strip, the highest average cash flow during the year is in Khan Younis. (graph 35).

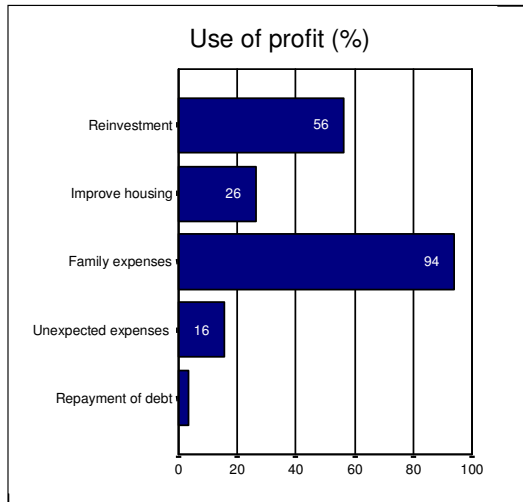


4. Evaluation of results: the impact of participation in the program

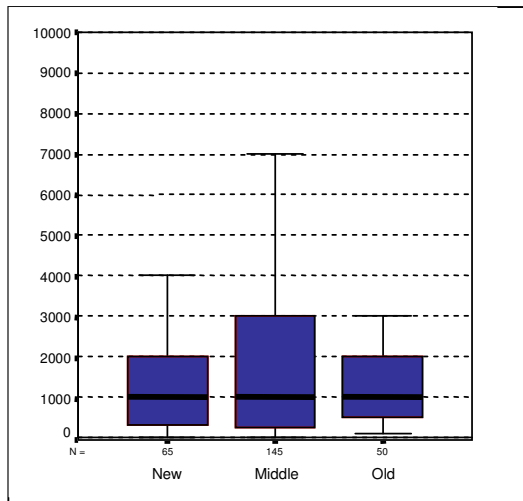
The objective of this section is to present the impact for the respondents of their participation in the Microfinance and Microenterprise Program (MMP). The analysis includes a comparison between new clients, medium clients, and old clients and the impact of the duration of participation in the UNRWA program.

4.1 Impact on the economic activity

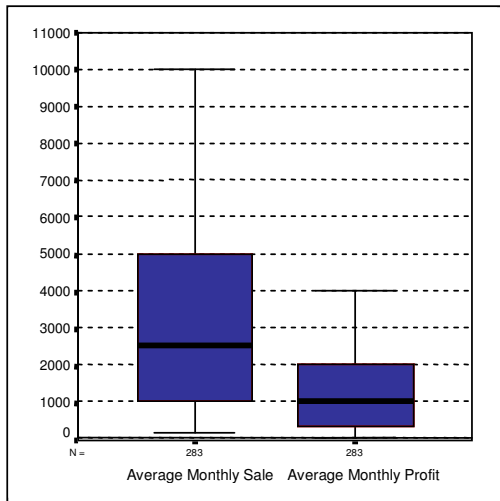
4.1.1 Profits



The UNRWA clients surveyed use their profits mainly for the following purposes: cover family expenses (91%), reinvestment in the business (54%) and improve their housing conditions (26 %).



Profits are not significantly correlated to the oldness of the clients. The survey sample shows that old clients have a similar monthly median profit (1000 NIS) to the medium and new clients.



50% of the interviewees sell on average 2500 NIS and gain 1000 NIS monthly.

25% make an average monthly sale of between 2500 and 5000 NIS with a profit between 1000 and 2000 NIS.

Only 25% of our sample sells more than 5000 NIS and earns over 2000 NIS in monthly profit.

From the econometric analysis of the impact of the UNRWA program on monthly sales and profit, we find that there is a significant difference between male and female. Men make on average about 1,496 NIS less profit and about 4,611 less in sales than women. (See the annex).

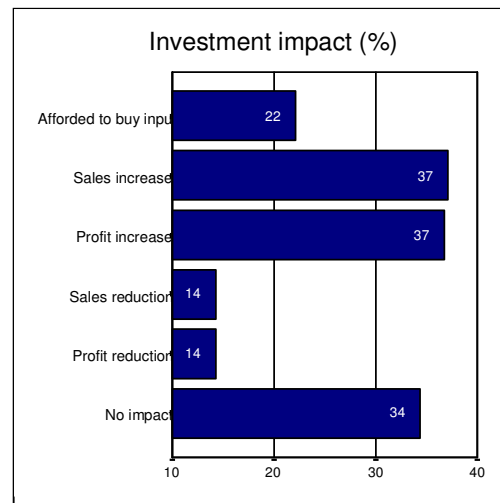
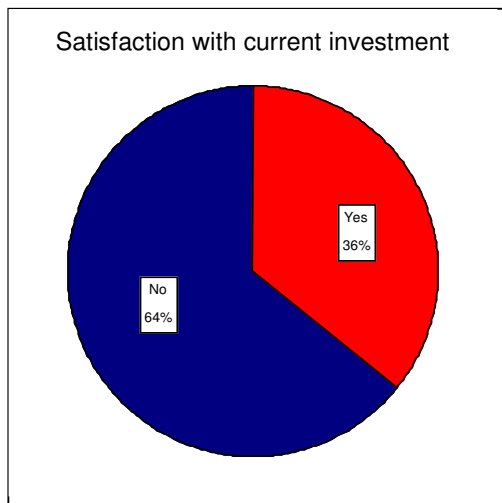
However, since the variables related to duration (old, medium, new) are not statistically significant, the mean monthly profit of all clients is considered about the same. Therefore even if old clients sell more on average, profits do not follow this trend

4.1.2 Investment

Investments made in the business in the last year were mainly in stock and inputs (30%), followed by investments in machinery/equipment (20%), shop/premises improvement (10%), and livestock (3%).

In terms of amount invested an average of 45,000 NIS was invested in shop / premise improvement, 35,000 NIS for stock and input, 10,000 NIS for machinery and equipment and 2,500 for livestock.

However the majority of the respondents (64%) are not satisfied with their current level of investment.



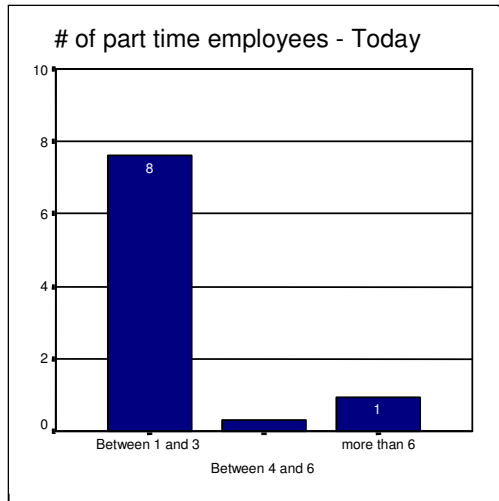
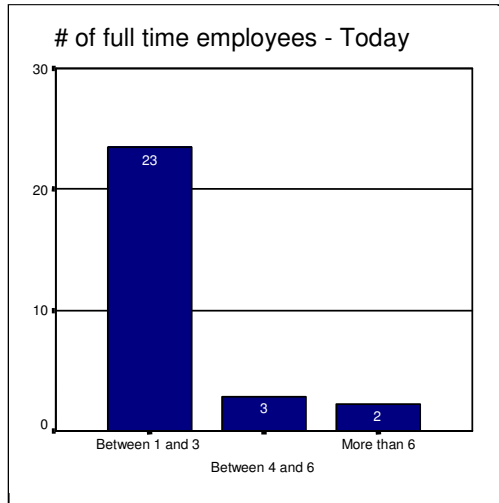
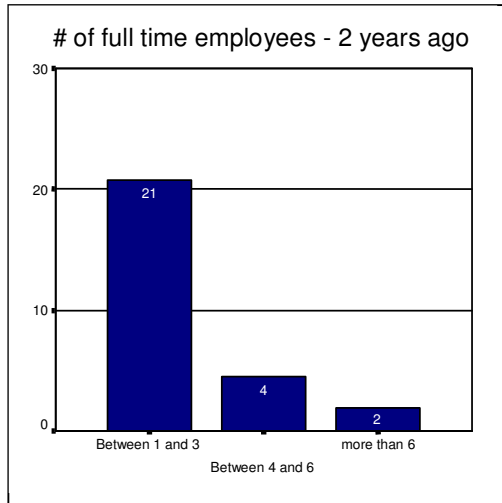
The analysis shows that a large majority of the borrowers noticed a positive impact on their investment level which produced one or more possible effects such as an increase in their sales (37%), an increase in their profits (37%), being able to buy more inputs, etc.

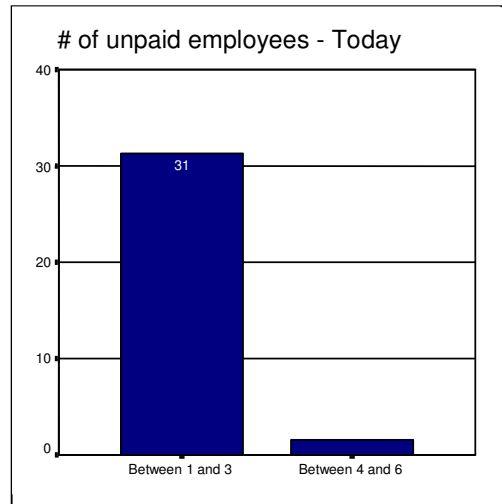
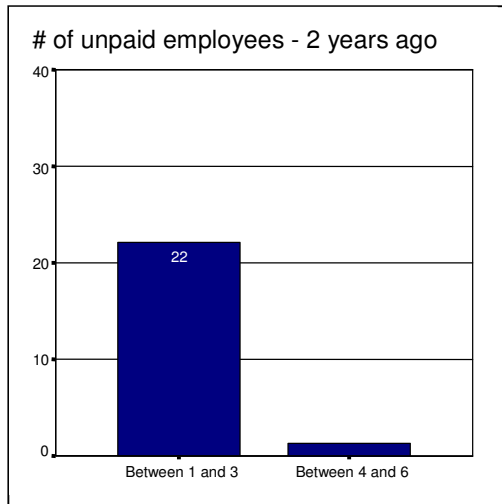
Yet 36% of the respondents have not noticed a significant impact and 14% of the clients faced a decrease in their sales and profits.

The data regression shows the significance of the following variables (drop-out, gender, and region). The interpretation of results shows that the average current investment of a drop-out is lower than that of active clients. The West Bank region has on average a higher current investment in comparison to the Gaza Strip. Men on the other hand have less current investment in comparison to women.

4.1.3 Employment of the micro entrepreneurs

The level of employment two years ago is very not different to the current employment level. Almost 60% of the respondents did not have any employees two years ago.



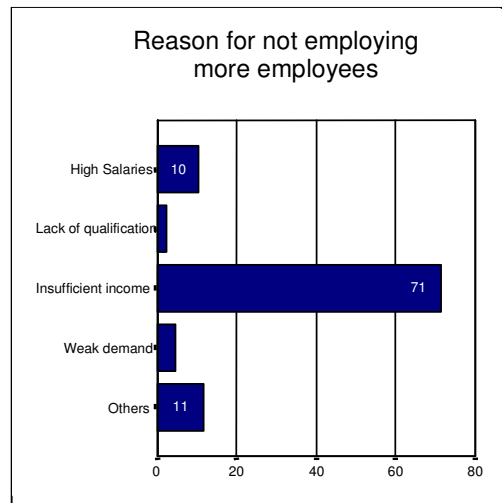
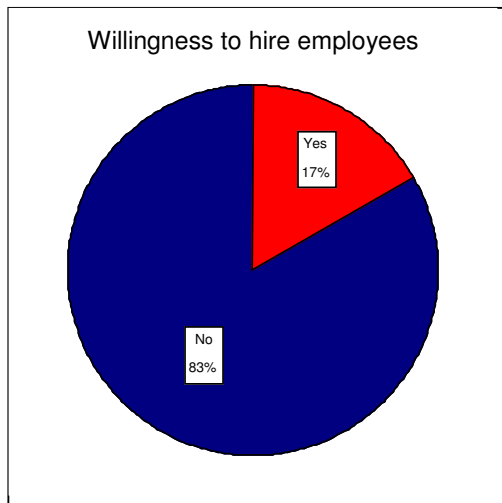


The proportion of the respondents who have employees decreases with the increase in the number of employees. In other words, the number of micro enterprises employing, for example, ten persons is less than the number of micro enterprises employing one person.

On average, more than 60% of the respondents are self-employed without any other employees. About 15% employ one paid full-time employee, 5% employ one paid part-time employee versus 18% who employ one non-paid employee.

Most of the respondents don't want to hire more employees because they perceive their income not sufficient to pay the high costs of salaries.

The probit analysis of the impact on employment shows that the probability of a drop-out hiring an employee is less than the probability of an active client hiring an employee. (See the annex). Therefore there is a positive correlation between participation in the program and hiring employees, even in the level of employment being created is low.



4.2. Impact on the household

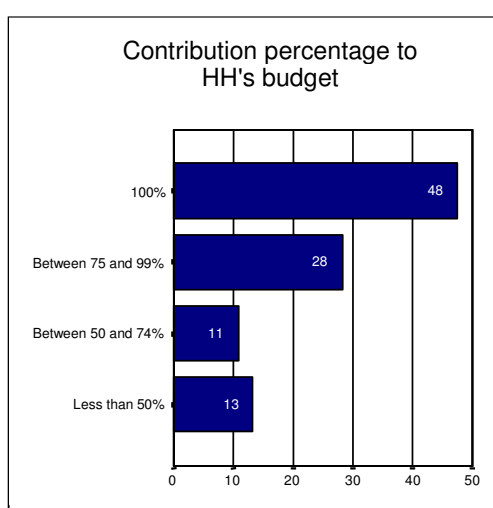
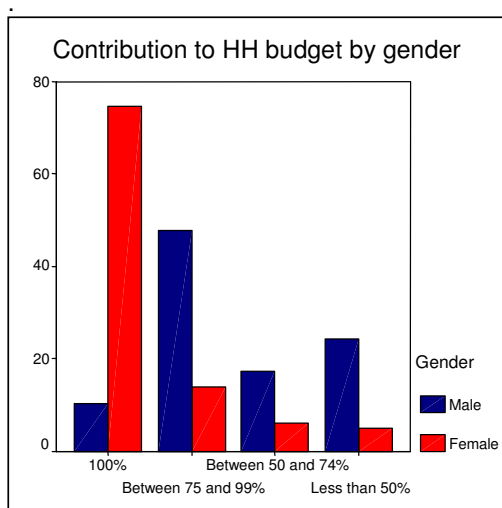
4.2.1 Contribution in the household's budget

A large number of the respondents (48%) declare that they participate up to 100% in household expenditures.

Where micro entrepreneurs contribute 100% of the household budget, women are the majority in this category. The proportion of male respondents is higher where both genders co-finance the household budget.

The results from data regression show the following significant variables: age, gender, marital status, oldness of the client activity, and the wealth of the client three years ago.

From these results, we can see that, on average, when the clients' activities are old (more than 10 years), their contribution to the household budget is more important. We also observe that men contribute 32% less than women to the household budget. Unmarried clients also contribute 13% less than married persons to the household budget.



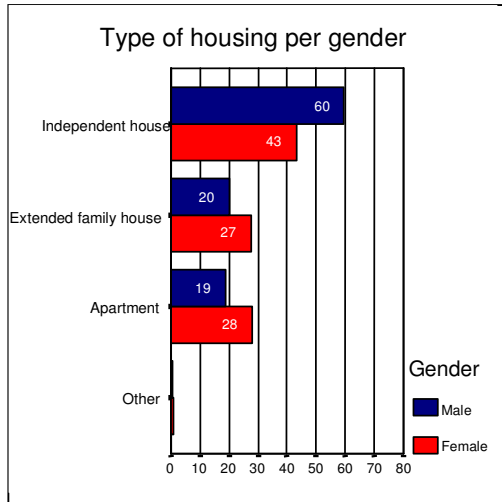
4.2.2 Monthly expenses

The median amount spent monthly by a household on food is 1,000 NIS. This is followed by "current expenses" which cost almost 250 NIS. The median amount of the remaining expenses is less than 250 NIS.

Statistically speaking, there is no difference in the total amount spent monthly by active and non-active clients. The mean amount spent is about 10,108 NIS for both the active and the former clients.

The only difference noticeable is that the mean amount spent by a client in Gaza is 6,094 NIS less in comparison to those from the West Bank. This is consistent with previous data regarding higher sales and profits in West Bank versus the Gaza Strip and with the considerably more difficult economic situation. (See annex).

4.2.3 Housing conditions



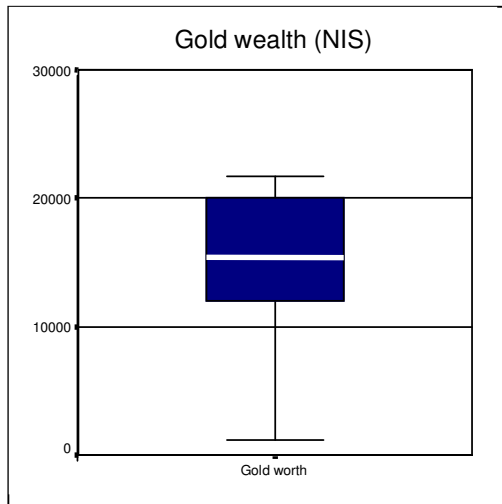
In considering only the type of housing of the respondents, the majority live in independent houses. Women seem to live in worse living conditions than men since more than 50% of women live in either extended family houses or apartments.

In the Gaza Strip, there are more persons in Khan Younis who live in independent houses than in Gaza Remal and in Middle Camps.

In the West Bank, the respondents from Nablus are in better housing conditions than those in Tulkarem and Hebron.

4.2.4 Assets detention

The estimated gold wealth of the respondents is between 12000 and 22,500 NIS for 75% of respondents in both regions studied. The median gold wealth is estimated at 15000 NIS.



From the regression of current wealth in relation to the characteristics of the clients and their participation in the program, we can observe that there are no significant variables that allow efficient interpretation. (See Annex)

However, the probit estimation shows that the probability of a client who was rich three years ago being rich now is higher than that for moderately wealthy and poor. (See Annex).

The participation variables are not sufficiently statistically significant to allow for interpretation.

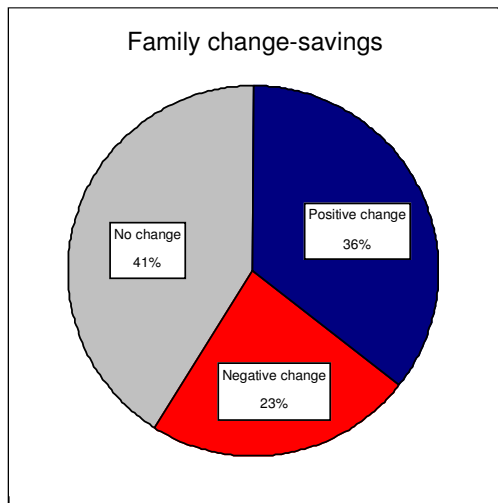
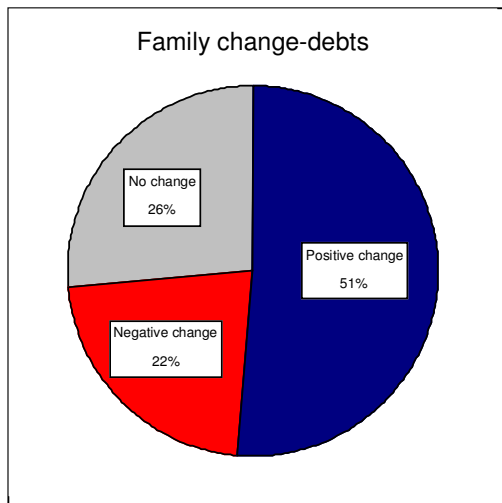
Therefore we can conclude that there is no direct relation between gold wealth and participation in the MMP program.

4.2.5 Savings and debts

The majority of the borrowers find that they have a positive change in their debts. Only 22.2% have had a negative change.

In terms of savings the impact is limited or negative. A large number of respondents (41.2%) have not had any change in their savings, while 23.2% noticed a reduction. Only 35.6% of the respondents declare that they have increased their savings since becoming UNRWA members.

The probit analysis on savings and debts allow us to estimate the probability of an UNRWA client having a positive change in his savings and debts. The results show that the probability of a new client and a drop-out having a positive change in savings and debts is higher than for medium clients. The variable of old clients is not significant and doesn't allow for interpretation.



4.3. Impact Perception

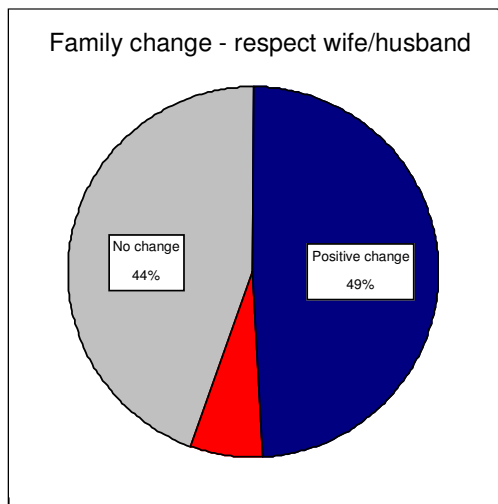
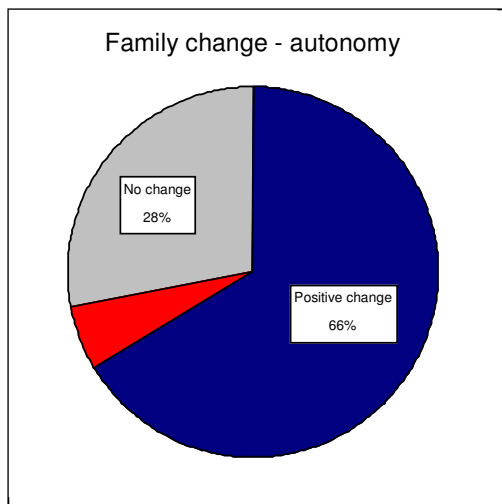
4.3.1 Intangible indicators

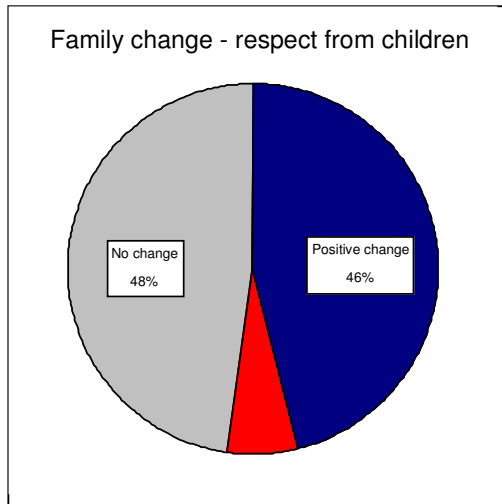
Regarding the perception of respondents to changes in the family in relation to their autonomy since becoming an UNRWA client, the change has been positive for a majority of clients (66%).

Nearly half of the respondents (49.1%) see a positive change in their partners' respect for them since becoming UNRWA clients. A small number (6.4%) think they are less respected by their partners since becoming UNRWA clients. 44.5% of respondents have not noticed any change.

From the data regression, the probability of a client noticing a positive change in his autonomy is very high the longer he stays in the program. The client is also likely to be more respected by his partner the longer he stays in the program (See Annex).

In other words, participation in the program is a positive indicator of an increase in the autonomy and respect by their partners for UNRWA clients.





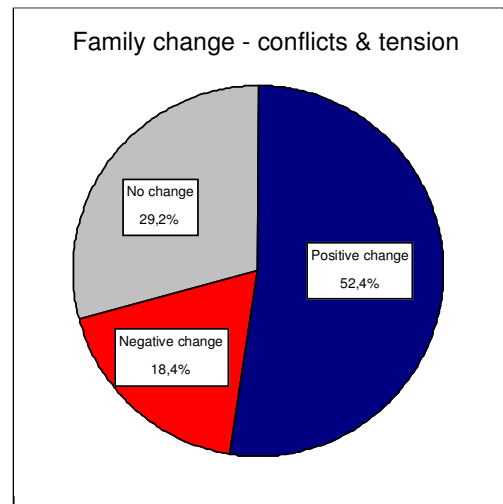
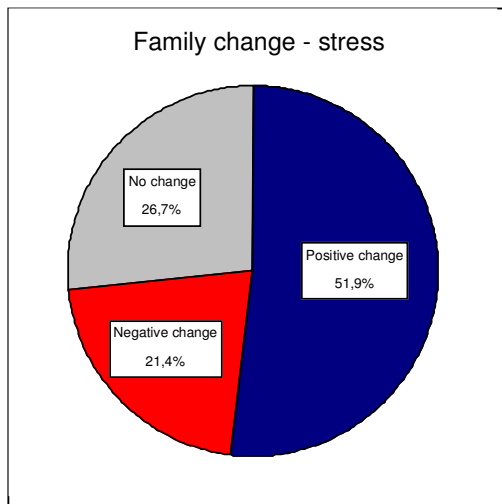
A large number of respondents (46%) think their children respect them more than before they started benefiting from UNRWA loans. However, an equivalent number (48%) have not perceived any change in the way they are regarded by their children.

The probit estimation shows that there is a correlation between the probabilities of having a positive change in children's behaviour toward parents and participation in the program.

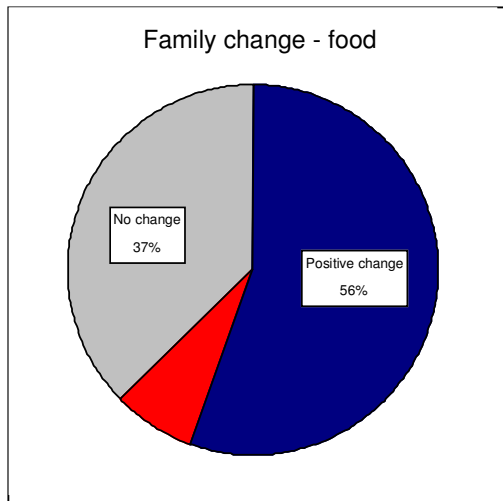
The longer the client's participation in the program, the more likely it is he or she will be respected by his children.

Half of the borrowers (52%) consider the UNRWA program as positive in the reduction of stress, while 21.4% of the respondents think they suffer more stress now than in their previous situation.

The analysis of the loan's impact on conflicts and tension in the borrowers' families shows that there is a positive change for a majority of clients (52.4%), while 18.4% have experienced a negative change.



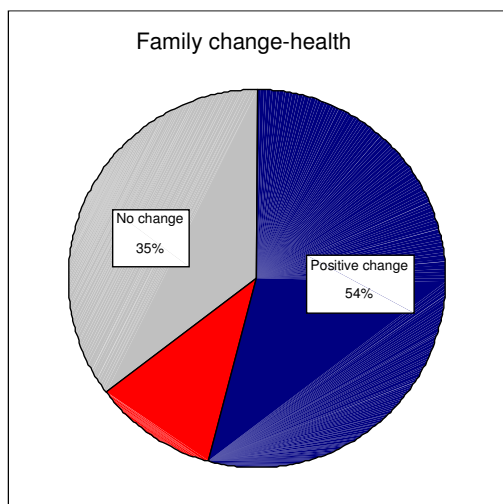
4.3.2 Tangible indicators



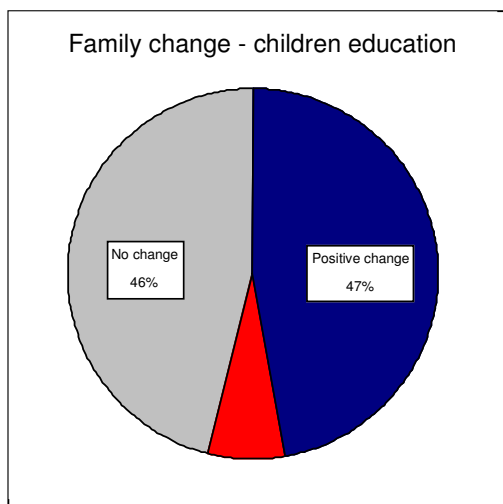
Participation in the MMP program has a positive impact on food conditions for a majority (55.6%) of respondents. Only 7.2% have noticed a negative impact of the program on their food conditions.

The probit analysis shows that the probability of a medium client having a positive change in his food conditions is slightly higher than for old clients (See annex).

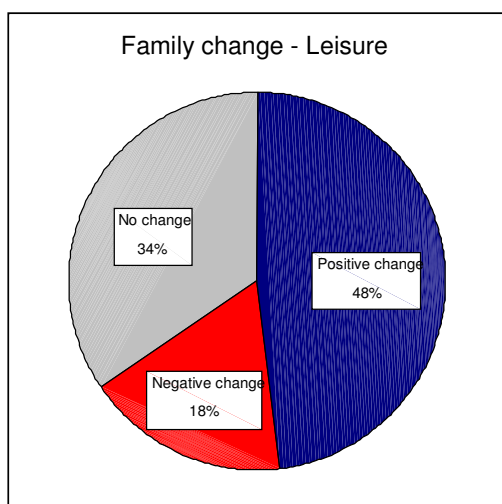
Old clients who have more settled businesses are less likely to feel an impact on food conditions, most likely due to the fact that they already cover nutrition expenses with more ease.



In relation to health conditions, there is a positive change for a majority (54.2%) of respondents, and a negative change for 10.4%. The probit analysis shows the importance of participation in creating positive changes for health conditions. However, the results also show that only the wealthier clients at present are likely to have a positive change in their health conditions.



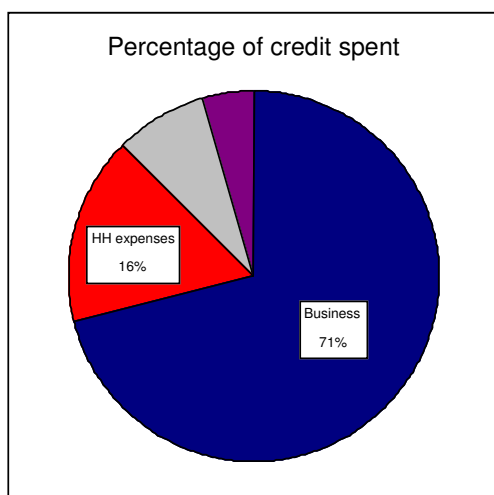
The impact of the MMP program on children's education is positive for a large number of respondents (47.3%) and negative for a small group (6.6%). The data regression shows that when participation in the program is long, the client is likely to have a positive change in his children's education.



A large number of respondents (48%) consider that the impact of participating in the MMP program has been positive regarding their family's leisure activities. 17.6%, however, have noticed a reduction in leisure activities. The probit estimation confirms these results.

5. Financial services use and access

5.1. Credit



In the Gaza Strip, there are two groups of borrowers: Solidarity Lending Groups (SLC) and Individual Lending (MEC).

66% of the borrowers from the sample in Middle Camps are group borrowers and 34% individual borrowers.

In Khan Younis, 58% are group borrowers versus 54% in Gaza Remal.

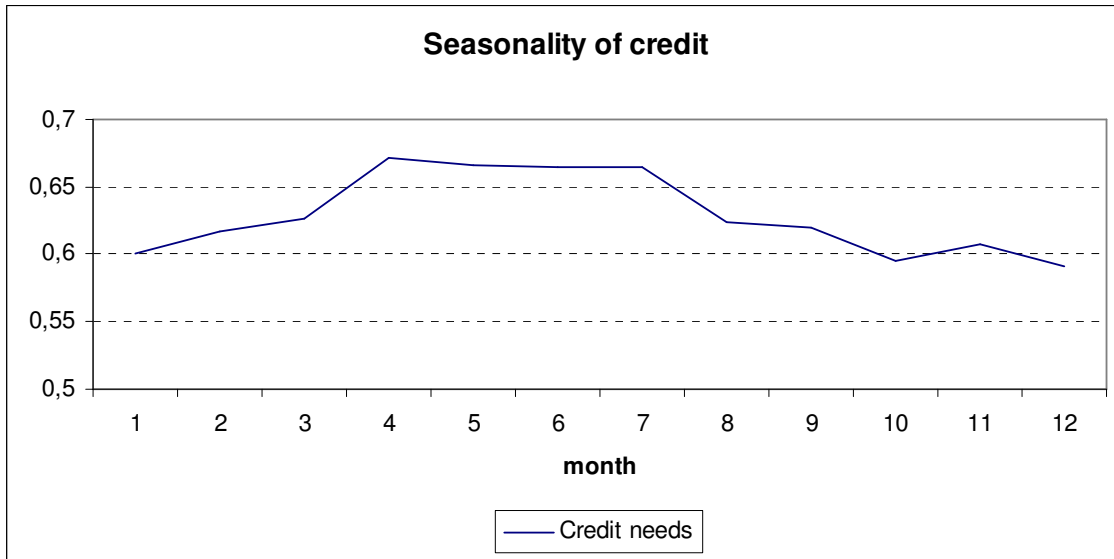
The majority of the borrowers use their loans to reinforce their businesses. 16.4% use the loan to pay their household expenses and 8% use it to repay debts owed elsewhere.

5.1.1 Evaluation of demand

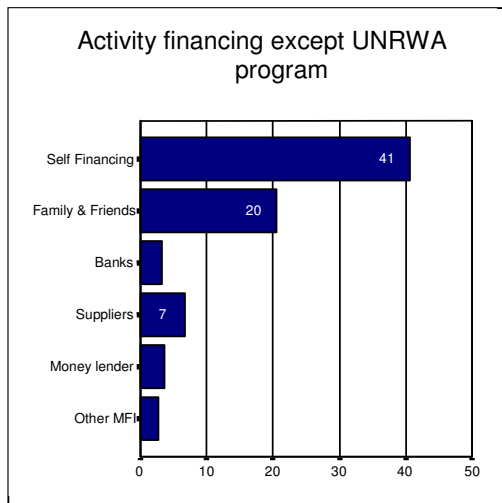
As expected, the seasonal spikes in cash flow translate to a need for a credit from end April- beginning May till September (graph 70).

According to clients the loan amount needed to finance activities is situated 1,200 NIS and 1,000,000 NIS.

The data regression on the loan amount needed shows that the new clients ask on average for 24,940 NIS, the medium clients ask for 44,540 NIS and the old clients for 19,347 NIS. The clients who are not educated ask on average for 7,010 NIS while the educated clients expect to receive 44,540 NIS (See annex).

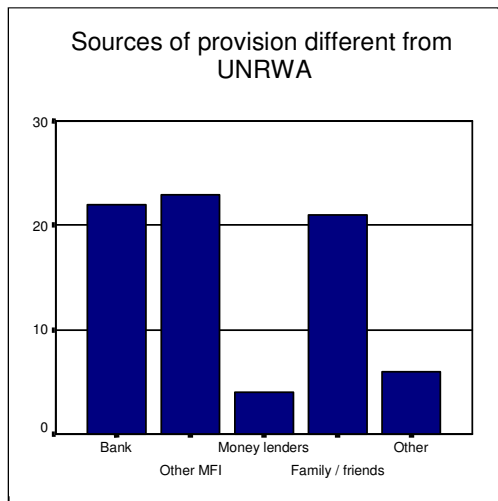
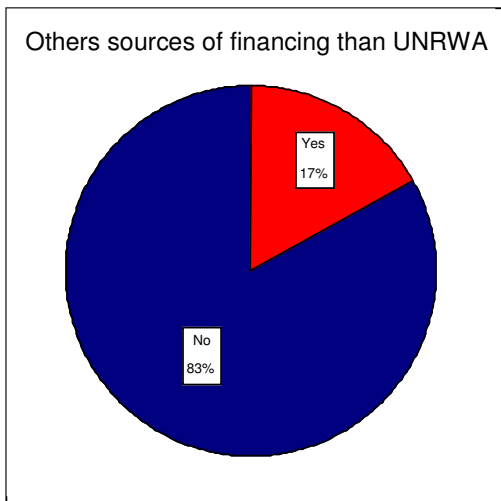


5.1.2 Sources of financing activities



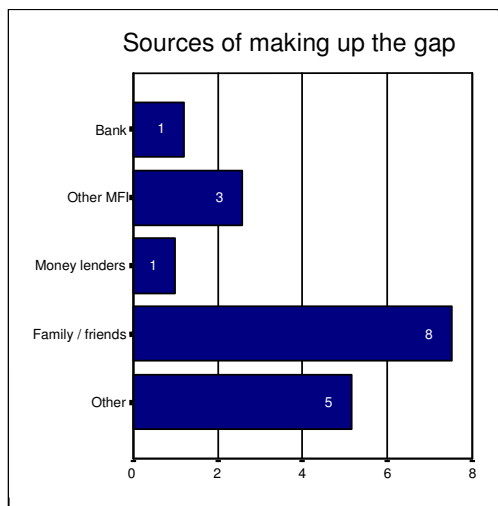
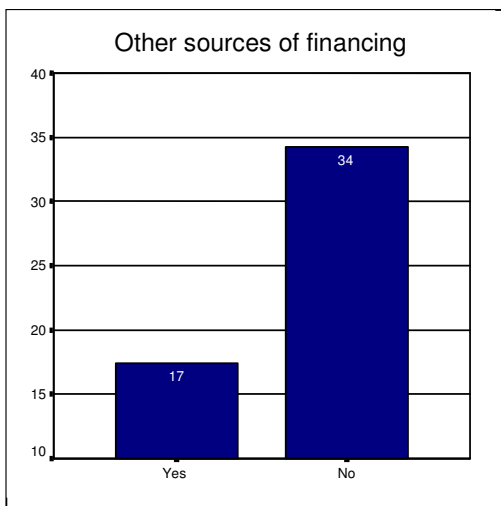
Self-financing is the main source of finance for microenterprise activity apart from the UNRWA program for a majority of respondents (41%). Family and friends is the second source of financing for 20% of respondents, while 7% of respondents finance their activities through their suppliers.

During the last two years, 83% of the clients surveyed did not use any other source of financing than UNRWA. Among the 17% of clients who had other sources, 23% received loans from other MFIs, 22% from banks, 21% from their family or friends and 4% from money lenders.



For the borrowers who find the UNRWA loan amount too low in relation to their financial needs, only 33.7% can find other sources to fill the gap.

The main source for covering these gaps is in order: family or friends, other MFIs, banks, and money lenders.



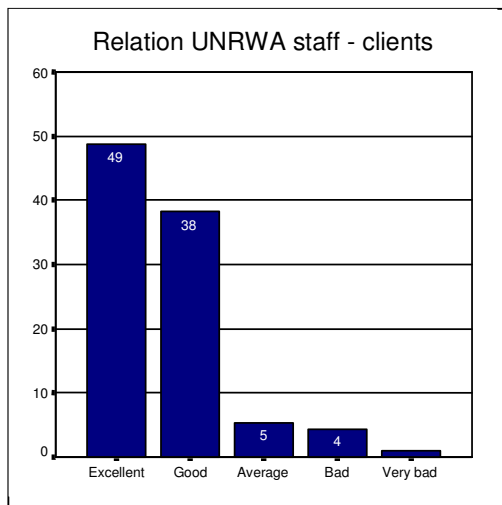
5.2. Clients satisfaction

The first aspect UNRWA clients appreciate most is the easiness of the program's credit procedures. They also appreciate the rapid turn-around time for obtaining a loan, and the fact that contract terms are easy and understandable.

Secondly, clients appreciate the fact that there is no collateral and that they receive guidance. The third aspect about UNRWA's products and services appreciated by clients is the repayment period.

In terms of dislikes, 38.7% of respondents are dissatisfied with the interest rates that UNRWA applies and 18.8% of them consider the loan amount insufficient. Only 16.9 % declare being satisfied with everything. 12.4% consider the repayment period too short and 7.5% don't like the repayment pressure.

5.3. Relationship between UNRWA and its clients



Almost 50% of the respondents consider their relationship with UNRWA staff as excellent.

38% consider the relation as good and 5% think that their relation with the staff is bad or very bad.

5.4 Clients perception on the UNRWA services and products

44.8% of the clients surveyed feel that the skills of UNRWA staff in relation to its products and services are excellent. For 44.2% of the clients, the skills are good.

The availability of UNRWA products and services is considered as excellent by 44.3% of respondents and good by 43.7% respectively.

The location of the office of UNRWA in relation to its clients' houses is considered as good by 44.8% of respondents and excellent by 34.9% of them.



The managers' supervision of activities is excellent for 47% of the respondents and good for 44.4%.

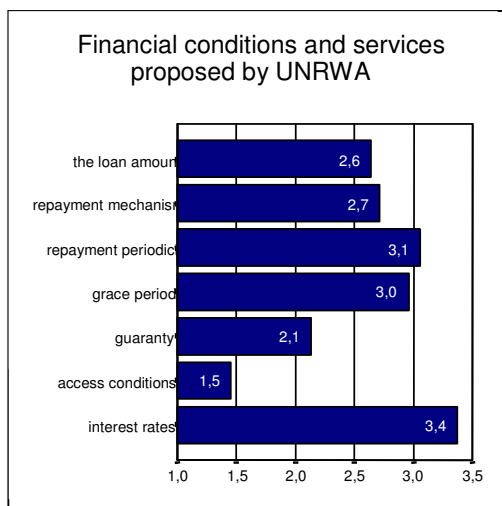
46.5% of clients consider their relationship with the loan officers as excellent and 42.2% as just good.

71.1% of the clients are very satisfied with the rapidness of loan disbursal.

The loan amount is considered excellent by only 17.5% of the borrowers. 35.5% of the respondents consider it good enough and 20.1% bad.

23.5% of the borrowers consider the repayment mechanism as bad while 45% consider it as good.

The repayment periodicity is bad for 31.1% of the borrowers, good for 35.5% and average for 23.5%.



The grace period given by UNRWA is considered as good by 38.8% of the borrowers and bad by 24.4%.

The majority of the borrowers (53.2%) are satisfied with the guaranty conditions of UNRWA. 21.5% consider the guaranty conditions excellent.

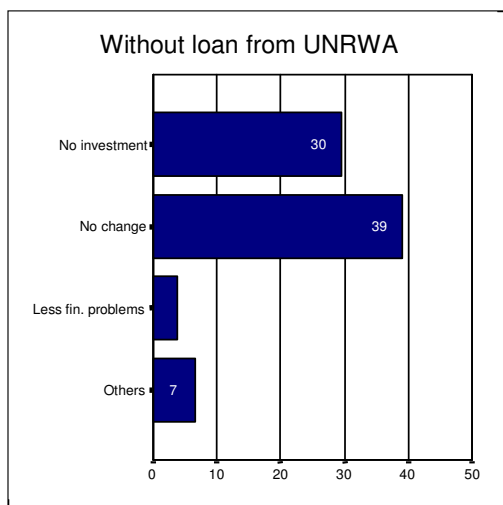
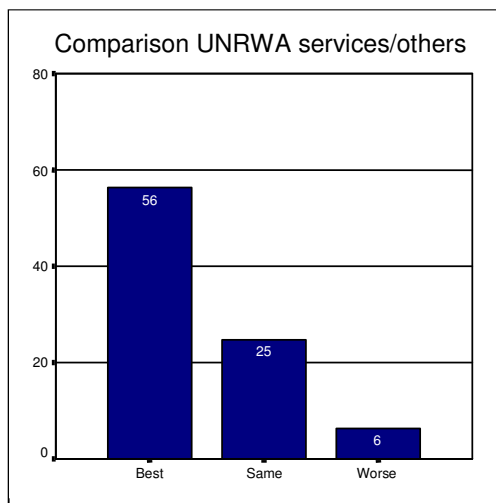
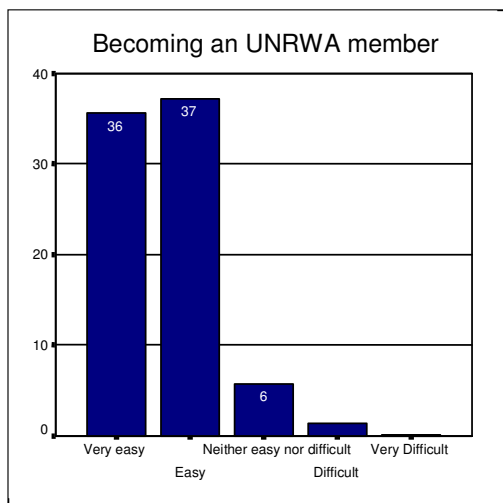
The access conditions are also considered by almost all the borrowers as perfect.

Clients' perceptions of the interest rate are mitigated by the fact that 25.5% of the borrowers estimate the interest rates as good and 25.3% as average.

However, 24.8% of the borrowers consider the interest rate as very bad and 20.4% as bad.

The majority of clients state that it is easy or very easy to become a client of UNRWA. Only a very small percentage estimates that it's difficult to become a member (under 5%).

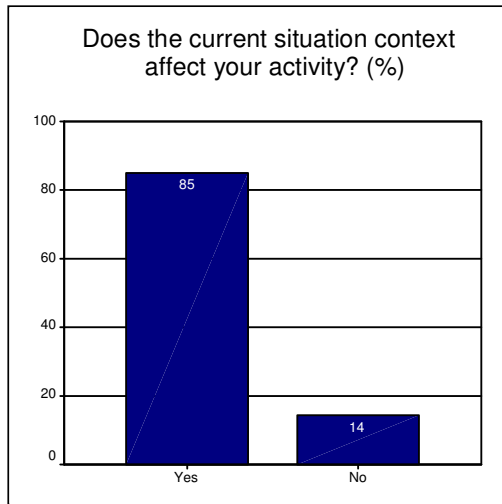
For more than 55% of the clients, the services of UNRWA are the best in comparison to other financial services providers. 25% of the clients consider the services of UNRWA the same as those of its competitors.



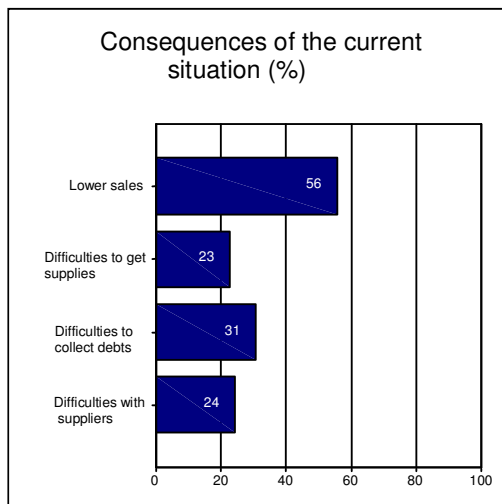
39% of the borrowers think that nothing would have changed in their business if they had not received a loan from UNRWA.

30% think that they would not have invested and less than 5% estimate that their businesses would have stopped without UNRWA's services.

6. Coping Strategy – Context



85% of the micro entrepreneurs declare that the current situation in Palestine affects their activities while 14% do not perceive of any effect of the situation on their businesses.



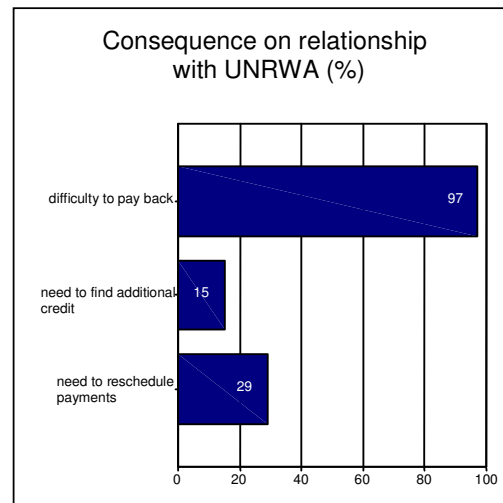
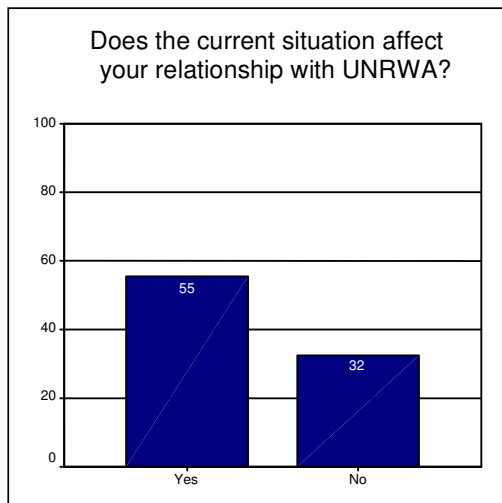
For the majority of respondents (56%) the current situation affects their sales negatively. 23% declare that, apart from the sales decrease, they face difficulties in getting supplies. 31% have difficulty in collecting their debts from clients. 30% of the respondents have difficulties facing their financial obligations to suppliers.

The majority of the respondents (55%) think that the current situation has an impact on their relationship with UNRWA.

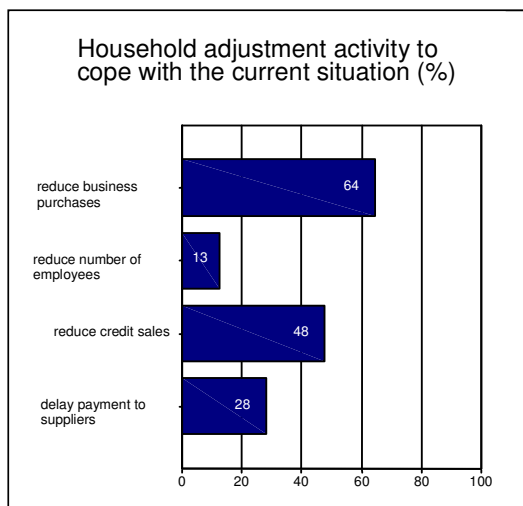
Due to the current situation, nearly all clients interviewed (97%) admit having difficulties repaying on time. 15% need to find additional credit as a result of the situation and 29% need to reschedule their loans.

In light of the current situation, 55.3% of borrowers consider the loans inadequate. For the respondents who think the loans are not appropriate, 70% would like a change in the amount they receive. 64% would like changes in the pay back periods, and 56% would like a change in the interest rate.

36% of the borrowers want a change in the grace period while 16% would enjoy the possibility of taking additional loans (see the graphs below).

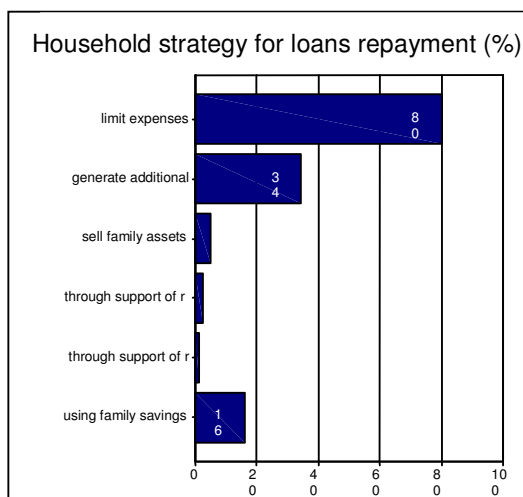


6.1 Strategies to cope with the current situation



In answer to the question “how do you adjust your activity to cope with the current situation,” 64% of respondents declare that they reduce their business purchases, 48% reduce credit sales, and 28% delay payment to their suppliers.

Only 13% of the respondents reduce the number of their employees to solve the problem.

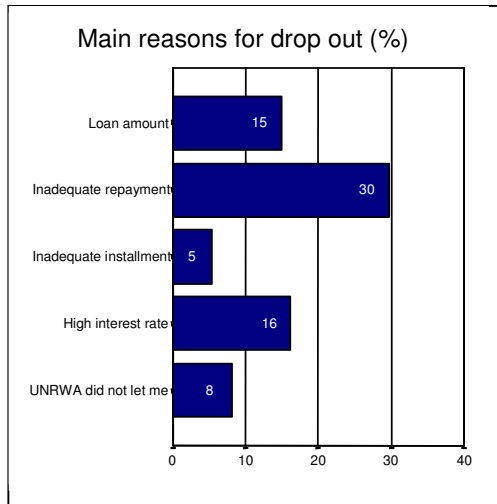


To repay loans, 80% of the borrowers adjust their strategy at the household level by limiting their expenses. 34% of the respondents generate additional income as a supplement to limiting expenses. Only 16% of the borrowers use their family savings for the same purpose.

The analysis of the alternative strategies shows that some clients borrow money from their family and relatives or from other MFIs to repay UNRWA loans. Some of the respondents said that they also count on their partner’s salaries or collect old debts from clients.

7. Drop-out clients

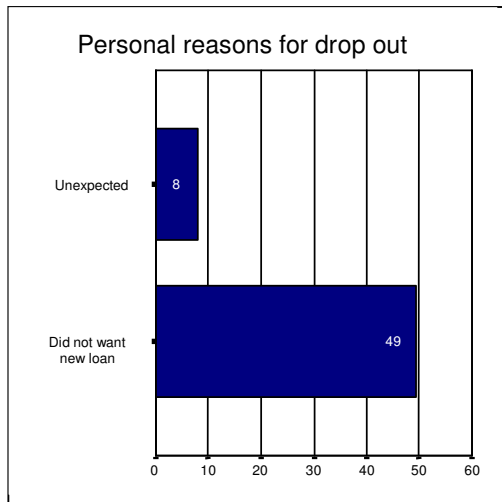
7.1 Institutional reasons



Former clients provided several reasons for their departure from the UNRWA program.

- 36% of them find the UNRWA repayment period inadequate.
- 27% of the respondents find the loan interest too high.
- 23% consider the loan amount inappropriate.
- Only 9% of the former clients quit because UNRWA did not renew their loan.

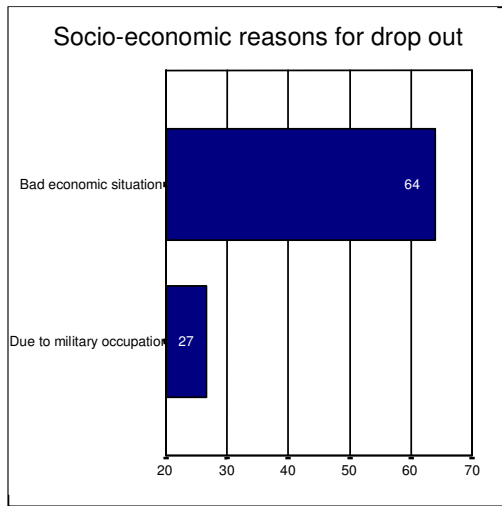
7.2 Personal reasons



Concerning the personal reasons for drop out, about 50% of the respondents did not want a new loan and 8% spent their loans for unexpected events.

The other reason given for drop out is religion. Most of the borrowers who stated that they left the program for religious reasons pointed to the prohibition of taking interest on money lent. The last reason for leaving the program was the lack of need for a further loan.

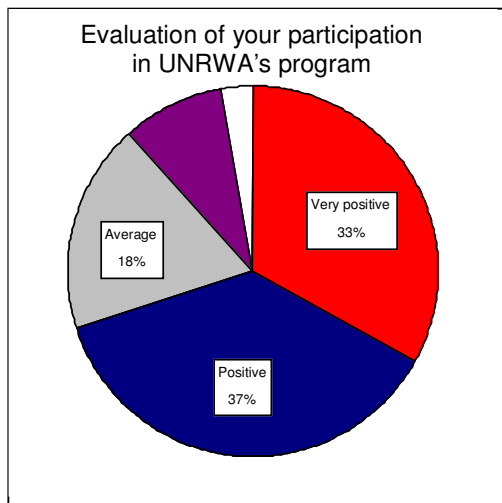
7.3 Socio-economic reasons



64% of the drop-outs indicated that the poor economic situation of the country is the socio-economic reason for leaving the program, as their clients could not afford to buy their products or services.

For 27% of the former clients, the military occupation was the reason for leaving the MMP program.

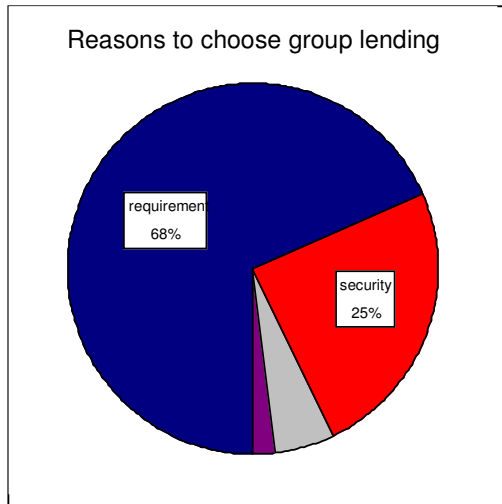
7.4 Participation evaluation



Most of the former clients of UNRWA found their participation in the program as very positive (33%) or just positive (37%).

For 11% of the respondents, their participation in the program was either negative or very negative.

8. Solidarity group clients

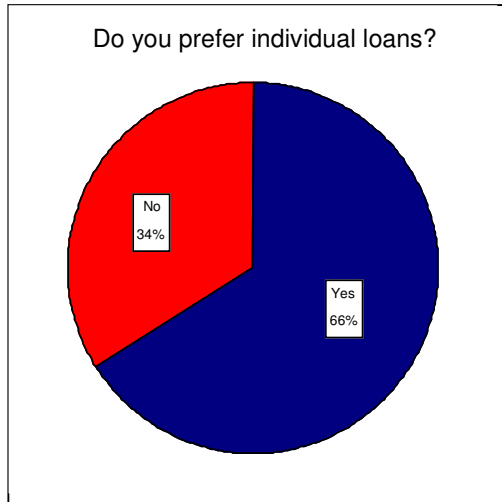


For the overwhelming majority (68.2%) of borrowers, group lending was chosen because it was the sole means of obtaining a loan.

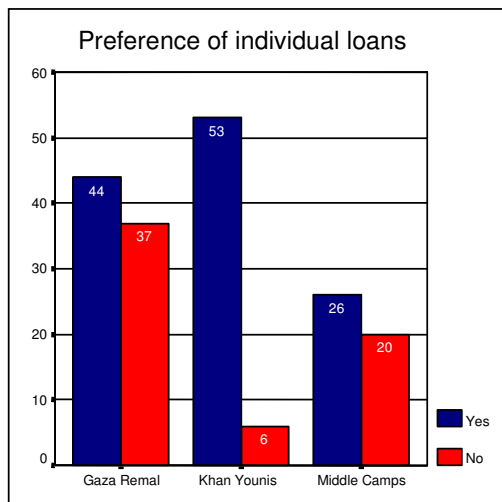
However, 24.6% of respondents feel that group lending provides security while 2.1% choose group lending because it is less costly.

In Gaza Remal and Middle Camps, most of the borrowers are in credit groups because UNRWA has requested this lending methodology.

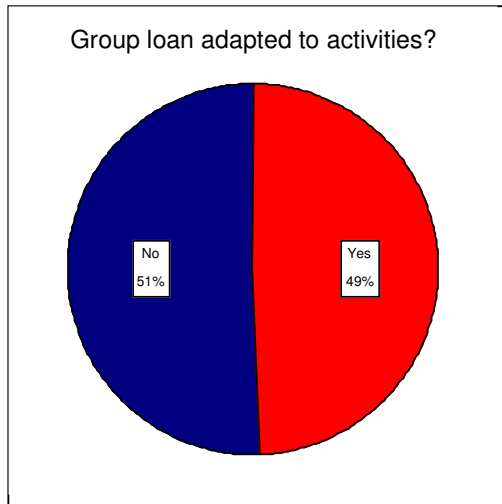
On the other hand, in Khan Younis, the main reason cited by the borrowers for being in a credit group is the security group lending provided in the beginning.



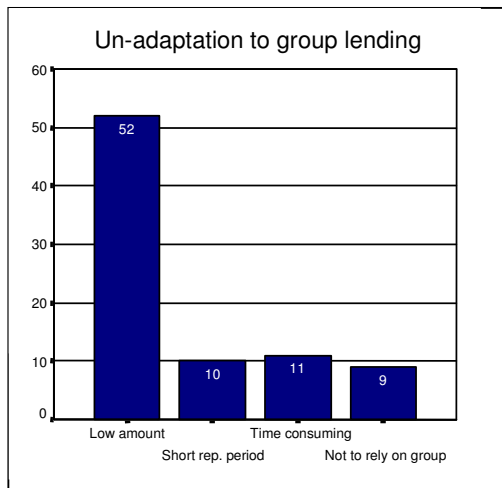
The majority of the group borrowers (66%) express their willingness to borrow individually versus 34% who want to remain in group lending.



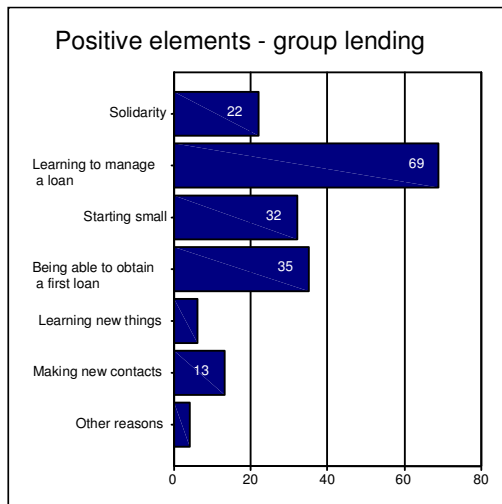
In the three areas surveyed in the Gaza Strip, micro entrepreneurs prefer individual loans. For those who prefer individual loans, their reasons are in descending order of importance: the easiness of managing individual loans, the fact that loan amounts are higher than in group lending, and the fact that borrowers don't like groups



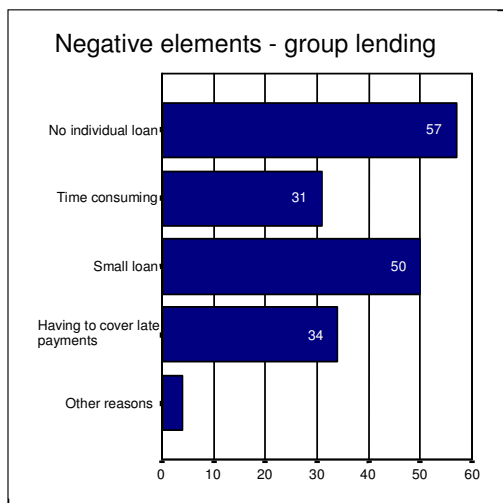
51% of solidarity group clients do not consider group loans adapted to their activity while 49% of feel that these loans are appropriate.



The main reasons that group loans are not adapted to borrowers' activities are that the loan amounts seem to be too low, the group loan consumes too much time, and the repayment period is too short.



According to the respondents, the positive elements of group lending are in decreasing order of importance: learning to manage a loan, being able to obtain a first loan, starting small, the solidarity among group members, making new contacts, and learning new things.



The negative things pointed out by the solidarity group clients are in decreasing order of importance: the lack of possibility to obtain an individual loan, the small loan amounts, having to cover late payments for other group members, and the amount of time group lending takes.

9. Annex

9.1 Assets detention index

The specific index method, developed by Filmer and Pritchett (World Bank), is made-up of the following components:

$$Ai = f_1 \times (aj_1 - a_1) / (s_1) + fn \times (aj_n - a_n) / (s_n)$$

Where f_1 is the factorial score of the first asset, aj_1 is the value j of the first asset for the household and a_1 is the mean and standard deviation of the first asset across the all sample and s_1 its standard deviation. Each household receives a score relative to the amount and nature of assets owned. The score is then divided in 5 quintiles (5 groups of equal size). Wealth 1 is the poorest and Wealth 5 is the richest.

9.2 Results charts

9.2.1 Regression method: Ordinary Least Square (OLS)

Where * indicates significance at 10%, ** indicates 5* and *** indicates 1%

Dependant variables →	Loan needed	Food expenditure
Variable	Coefficient	Coefficient
Intercept	44540.82 (1.262751)	3.501.012 (1.881.427)*
New Clients	-19600.27 (-2.672876)***	-2.487.355 (-0.218590)
Old Clients	-25193.10 (-1.762682)**	3.809.430 (0.033885)
Drop out	3536.632 (0.174282)	-6.839.151 (-0.707245)
West Bank	-2268.997 (-0.268132)	4.039.877 (3.785.972)***
Age	731.5258 (1.240828)	1.878.692 (3.598.286)***
Male	1405.747 (0.094076)	-3.340.707 (-4.263.588)***
Non married clients	4290.313 (0.250002)	4.950.665 (0.512562)
Non educated clients	-37530.00 (-1.899200)*	-2.153.277 (-1.534.077)
more than 10 years activity	-11513.38 (-1.391881)	1.191.286 (1.454.057)
Current Poor Clients	-27384.98 (-0.814902)	3.411.669 (0.338180)
Current Rich Clients	-7007.862 (-0.295818)	1.385.569 (1.447.401)
Three years ago Poor Clients	-11968.90 (-0.417349)	1.816.772 (0.178921)
Three years ago Rich Clients	-34431.98 (-1.714919)*	2.534.589 0.264655
R-squared	0.050092	0.228511

Included observations:	248	482
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Dependant variables →	Monthly profit	Contribution in Budget	Investment in Stock
Variable	Coefficient	Coefficient	Coefficient
Intercept	1906.316 (2.159230)**	83.93552 (16.94440)***	-1925.700 (-0.188481)
New Clients	-725.9988 (-1.303225)	1.658206 (0.555094)	8898.977 (1.012629)
Old Clients	218.6275 (0.238685)	-5.982113 (-1.446036)	-1458.971 (-0.262440)
Drop out	408.4519 (0.318946)	-2.392721 (-0.746662)	-8123.674 (-1.705724)**
West Bank	1376.849 (1.628886)	0.838333 (0.342273)	11671.09 (1.888654)**
Age	4.520979 (0.202867)	0.430988 (3.269893)***	166.8813 (0.610462)
Male	-1496.167 (-3.475981)***	-32.12373 (-10.66088)***	-9861.996 (-3.763293)***
Non married clients	453.1816 (0.514950)	-13.42279 (-2.780785)***	4519.719 (0.724525)
Non Educated clients	37.19258 (0.064087)	0.939242 (0.136879)	635.8479 (0.171073)
More than 10 years activity	698.7743 (0.954261)	-5.653547 (-2.044265)**	3229.506 (0.415077)
Current poor Clients	-490.2211 (-0.452314)	-0.130934 (-0.038125)	1220.760 (0.216994)
Current rich clients	-1311.338 (-0.777602)	0.437063 (0.128963)	-328.3351 (-0.096118)
Three years ago poor clients	196.4378 (0.376100)	-3.001456 (-0.852337)	2760.050 (0.450623)
Three years ago rich clients	1504.064 (1.338166)	-6.192685 (-1.893955)*	6354.078 (1.574366)
R-squared	0.080489	0.376783	0.056700
Included observations:	298	415	315

Dependant variable →	Wealth evaluation
Variable	Coefficient
Intercept	-0.111170 (-0.915387)
New Clients	0.012978 (0.179217)
Old Clients	-0.141279 (-1.901860)*
Drop out	0.003295 (0.049040)
West Bank	0.018989 (0.278337)
Age	0.002869 (1.062973)
Male	0.009868 (0.154246)
Non married Clients	-0.010422 (-0.121477)
Non educated Clients	0.243843 (2.125058)**
R-squared	0.016325
Included observations:	487

Dependant variable →	Total monthly expenses
Variable	Coefficient
Intercept	10108.73 (5.052415)***
New Clients	-3138.603 (-1.266212)
Old Clients	-1718.532 (-0.653705)
Drop out	-1493.471 (-0.583474)
GAZA region	-6094.428 (-2.914769)***
Male Clients	-2802.262 (-1.329432)
Non married Clients	2893.521 (1.102126)
More than 10 years activity	1554.075 (0.725639)
Included observations:	338

9.2.2 Regression method: Binary probit (Client perception of impact)

Where * indicates significance at 10%, ** indicates 5% and *** indicates 1%

Dependant variable →	Probability of being rich
Variable	Coefficient
Intercept	-0.308650 (-2.357968)**
New Clients	0.150292 (0.789183)
Old Clients	-0.049129 (-0.212931)
Drop out	-0.223880 (-1.215423)
Three years ago poor Clients	-1.279703 (-6.049479)***
Three years ago rich Clients	1.436582 (9.485576)***
Included observations:	491

Dependant variable →	Probability of employing
Variable	Coefficient
Intercept	0.132809 (0.772482)
New Clients	0.206837 (1.008317)
Old Clients	-0.188993 (-0.848823)
Drop out	-0.437717 (-2.182247)**
Current poor client	-0.139207 (-0.664724)
Current rich clients	0.214613 (1.136257)
Included observations:	309

Dependant variables →	Probability of positive change in autonomy	Probability of positive change in partner respect	Probability of positive change in children respect
Variable	Coefficient	Coefficient	Coefficient
Intercept	1.433330 (5.976605)***	1.116087 (4.753056)***	1.028127 (4.344443)***
New Clients	0.681713 (1.624193)	0.758557 (1.671938)*	0.496773 (1.302562)
Old Clients	8.190185 (57.60962)***	6.830339 (38.71959)***	7.209589 (35.79897)***
Drop out	-0.310907 (-1.327737)	-0.303835 (-1.266292)	-0.103122 (-0.411522)
Current poor Clients	-0.096196 (-0.308289)	-0.187273 (-0.630228)	-0.234168 (-0.765835)
Current rich Clients	-0.041146 (-0.150638)	0.145587 (0.536219)	0.178925 (0.664116)
Included observations:	351	270	253

Dependant variables →	Probability of positive change in food expenditure	Probability of positive change in children education	Probability of positive change in health	Probability of positive change in leisure
Variable	Coefficient	Coefficient	Coefficient	Coefficient
Intercept	0.896601 (4.260453)***	0.825886 (3.744809)***	0.583308 (3.088153)***	0.480116 (2.690410)***
New Clients	0.389003 (1.237130)	0.628622 (1.756159)*	0.304460 (1.199200)	0.389835 (1.677856)*
Old Clients	7.013336 (44.31070)***	6.687512 (43.79233)***	0.691089 (2.257254)**	0.414927 (1.605493)
Drop out	-0.064992 (-0.275098)	0.058342 (0.234299)	0.138492 (0.605795)	0.027992 (0.141370)
Current poor clients	0.159690 (0.586183)	0.139830 (0.463523)	0.197492 (0.812419)	-0.125555 (-0.573296)
Current rich clients	0.289708 (1.172701)	0.247713 (0.957890)	0.417224 (1.959654)*	0.146594 (0.741906)
Included observations:	305	261	313	319

Dependant variables →	Probability of positive change on debts	Probability of positive change on savings
Variable	Coefficient	Coefficient
Intercept	0.402990 (2.430388)***	0.096392 (0.535450)
New Clients	0.355962 (1.767051)*	0.260862 (1.206467)
Old Clients	0.200018 (0.878769)	0.707997 (2.738494)***
Drop out	0.333740 (1.686541)*	0.663310 (3.030661)***
Current poor Clients	-0.187211 (-0.912432)	-0.184421 (-0.831939)
Current rich Clients	0.049288 (0.268611)	0.023925 (0.120754)
Included observations:	356	285