

# Palestine: Cultivating hope through micro-finance

Interview with UNRWA Deputy Commissioner-General

In August, **Filippo Grandi**, Deputy Commissioner-General of the United Nations Relief and Works Agency for Palestinian Refugees in the Near East, was at OFID Headquarters to take receipt of a US\$4.5 million contribution towards UNRWA's micro-finance program in Palestine. In this interview with OFID Information Officer, Audrey Haylins, Mr. Grandi talks about the social and economic environment in Palestine as well as the vital role played by micro-finance in sustaining lives and livelihoods.

**B**y any definition, Palestinians today are enduring one of the most difficult periods of their turbulent history. Closures and other movement restrictions are slowly strangulating the economy, halting trade, creating massive unemployment and leading to unprecedented depths of poverty. The situation is particularly severe in Gaza, where a recent visit by Grandi



Filippo Grandi, Deputy Commissioner-General, UNRWA.

PHOTO: B. BARAJDE

prompted the dire warning: “Gaza risks becoming a virtually one hundred per cent aid dependent, closed down and isolated community ... if the present regime of closures continues.”

As the world wearies of the ongoing political impasse in Palestine, it can be all too easy to forget the ordinary people at the heart of the crisis. With their economy under siege and living conditions deteriorating by the day, what room can there be for hope among the men, women and children of the occupied territories?

Although the international community remains generous in its commitment to meeting the basic emergency needs of Palestinians, this, according to Grandi can only be regarded as a stop-gap measure. “Humanitarian assistance does not tackle the longer-term future of the people and contributes to creating a sense of hopelessness and despair,” he says. One of the most serious consequences of this, he warns, is an increase in “political radicalism.”

## Micro-finance: A long-term solution

While certainly not providing all the answers, there is strong evidence that access to micro-financing is one way of giving Palestinians a vital lifeline. As Grandi explains: “Micro-financing helps to combat the dangerous symptoms of economic despair and loss of dignity, by providing crucial resources that households and businesses can use to build a better future.”

Micro-finance has a particularly important role to play in Palestine, where the economy is based almost exclusively on small enterprises, and micro-financing is one of the few resources available to people to create

employment opportunities for themselves. The majority of businesses are family-owned, with all but a fraction employing less than 10 people. Rather than being highly profitable, however, “many are informal in nature and are little more than survival mechanisms,” Grandi points out.

### Vulnerable groups

As is often the case in crisis situations, it is the women of Palestine who shoulder the burden of survival. This is especially true in Gaza, where large numbers of street, home and market-based enterprises are run by women working to meet the basic needs of their families. According to Grandi, women’s heavy involvement in the marketplace is largely due to historical reasons: “Most of the women in Gaza come from coastal villages and have always been very close to the sea and to the trading markets. As a result, they have developed a certain expertise in finding economic opportunities where few seem to exist.” Unfortunately, most of these opportunities are small and informal, and therefore excluded from access to formal credit facilities.

Another key vulnerable group is the youth. With the ongoing economic decline in the West Bank and Gaza, youth unemployment of more than 50 per cent has become a major social problem. More and more young people are leaving school or university and entering the workforce with little or no hope of finding a job.

Unlike their parents and grandparents, who lived at a time when there were no borders, most of today’s youth in Gaza have never left there. While the generation before them travelled daily to Israel to work, spoke some Hebrew and had a connection with and an understanding of Israeli society, these young people are growing up with the narrowest of horizons, in an environment of despair.

According to Grandi, the subsequent disenchantment has the potential to bring about grave consequences: “Young people [especially in Gaza] are starting to believe that there is no real willingness to find a solution to their problems. Their conclusion may be to make their case heard in a very dangerous way ... through the resumption of suicide attacks, for example.” ►

## Great oaks from little acorns grow

A small amount of money is often all it takes to turn a simple idea into a profitable business venture. One Palestinian who has done just that is Seham Al-Thayer, a 43 year old refugee living with her husband and 14 children in Jabalia refugee camp in the northern part of the Gaza Strip. This is her story.

In 1994, Seham noted that due to the conservative community culture there was a high demand for female camera-persons, especially during the summer season. Together with her husband, who is experienced in film photography, she decided to establish a video filming and video tape retail business. As she had no technical expertise, Seham undertook training alongside an experienced camera-person in Gaza. In 1995, using her family savings of just US\$3,000, she renovated part of her house to be used as a place for her new business. Seham started to provide a video filming service for weddings and other occasions to neighbors and friends, while her husband took care of selling video tapes at home. As the business started to

prosper, Seham used the profits together with an initial Solidarity Group Lending credit of 1,500 *new Israeli sheqalim* to purchase more equipment. She has since succeeded in building a good business reputation in terms of quality, reasonable prices and timely service delivery, while demand on her services has grown rapidly. To cope with the increasing demand, Seham has invested in more advanced equipment using part of her business income and additional UNRWA financing. As UNRWA financing proved feasible, Seham continued to borrow and showed a high commitment in repaying her monthly installments in a timely manner. She has increased her business sales and subsequently her income, which has helped towards



PHOTO: UNRWA

Seham Al-Thayer runs a profitable film business in Gaza with the help of micro-financing.

meeting growing household needs. Using her business savings, Seham helped her son to cover part of his marriage costs, for example. Since joining the program, Seham has received a total of 12 loans, the last of which is still active. Today, she has accumulated business assets of about US\$10,000 and makes a monthly income of about US\$500.

*Text and photos provided by UNRWA*



From reconditioned appliances to groceries, micro-enterprises form the backbone of the Palestinian economy.



PHOTO: UNRWA

### UNRWA and micro-finance

◀ UNRWA has long recognized the critical role of micro-financing in addressing some of Palestine’s social and economic difficulties. It’s micro-finance and micro-enterprise program (MMP) has been running successfully in the West Bank and Gaza since June 1991. Today, the MMP comprises five revolving loan funds, each targeting different segments of the population, but with a strong focus on women and youth. Grandi explains the aims of the program:

“We define UNRWA’s focus as human development. The solution to the refugee problem belongs to the political domain and has to be addressed in that context. In the interim, UNRWA provides the refugees with opportunities, and the MMP is the most significant example of this approach. Nothing we do will solve

the refugee problem, but in the meantime we can alleviate and improve conditions.”

The diversity of products available under the MMP provides a wide outreach into all areas of Palestinian society. Designed especially for women, the *Solidarity Group Lending Product* represents a scarce and vital resource for women seeking to develop micro-businesses and support their families. The *Small-scale Enterprise Product* offers support to business ventures operating predominantly in the manufacturing and services sectors. For micro-entrepreneurs, working capital is available through the *Micro-enterprise Credit Product*. Two newer products include *Consumer Lending*, which provides short-term funds to assist families, especially young people, through periods of hardship, such as unemployment; and *Housing Loans*, which target middle-class salaried employees and help them build or improve their property.

Over the past 16 years, literally thousands of Palestinians have benefited directly from credit provided through UNRWA’s MMP. Many thousands more have benefited as dependents of loan recipients. That alone is testament to the program’s success. Grandi’s concern at the present time, however, is how UNRWA’s work in Gaza is being undermined by the current crisis. “While demand for credit is on the rise in the West Bank, where the economy is enjoying a more positive dynamic,” he explains, “in Gaza people are taking fewer and smaller loans because of the fall-out from the siege and boycott.” It’s a situation, Grandi fears, that even micro-finance cannot help. ■

## The PalFund

OFID’s involvement in micro-financing in Palestine began in 2004, when it set up its own dedicated fund, the PalFund, and entrusted its administration to UNRWA, within the context of that agency’s successful micro-finance and micro-enterprise program (MMP). Endowed with initial resources of US\$2.5 million, the PalFund has revolved four times since its inception, providing more than 9,000 loans with a total value of more than US\$10 million.

PalFund loans are extended through two MMP products - *Solidarity Group Lending*, which targets women in the Gaza Strip, and *Micro-enter-*

*prise Credit*, which is available to micro-businesses in both Gaza and the West Bank. First-time loans are very small, usually in the region of about US\$600, but the amount may increase with each subsequent loan cycle, providing the client has repaid his/her previous loan on time and the business can service a larger loan.

To date, more than 6,600 clients have benefited from the PalFund, which has financed enterprises in the commerce, services, industry and agriculture sectors. Over one-quarter of all clients are women, who are engaged in street or market trade, or in home-based activities such

as sewing and baking. Youth outreach is another core focus of the fund and aims to provide young people with income generating opportunities that will help support their households and enable them to marry. Currently, youth aged between 15 and 25 account for about one-fifth of the PalFund portfolio.

OFID’s latest contribution to the PalFund brings its resources to US\$7 million, making OFID the largest single sponsor of UNRWA’s micro-finance activities.