



“
The loans allowed me to stand on my feet again, develop my
business ability and contribute toward supporting my family.”

-Fatima Ali al-Momani, mother of four, Amman, Jordan-

Fatima lives in Al Nasser area in Amman where she runs a clothing store and a hair salon. The added income from her business enables the family to cover her children's school fees and university tuition.

UNRWA's Microfinance Department (MD) aims to promote economic development and to alleviate poverty among Palestine refugees and other poor and marginalised groups. By mid-2008, the department financed over 150,000 enterprise, consumer and housing loans valued at \$160 million to clients in the West Bank, Gaza Strip, Jordan, and Syria. The department provides its running costs from its credit operations and expands its loan capital base through project funding. Its budget for 2008-2009 is \$44 million.

What kinds of loans does the department offer to meet the needs of various clients?

- The Small Scale Enterprise loan, UNRWA's oldest loan product, is for capital investment for enterprises.
- Solidarity Group Lending loans are offered to women in Gaza to enable and support their participation in the local, informal market economy. Some \$28.50 million has been invested in 39,000 loans.
- In Syria, women's household credit loans are suited to the market of women's household-based income-generating activities – the main form of women's informal microenterprise there.
- Consumer credit loans are extended to low-income families in the West Bank, Gaza and Syria to build household assets, to cope with family events and emergencies and to pay for education and medical services. This product will be introduced to the other fields in early 2009.
- Longer term loans are offered to clients who have passed through three microenterprise loans cycles and to more formal enterprises needing larger loans. This product is now retailed in the West Bank, Gaza and Jordan and will be introduced in Syria in 2009.
- Housing loans are extended to help refugees acquire, build and improve their homes inside and outside camps in the West Bank and Gaza Strip. The housing microfinance product will be launched in Jordan and Syria in 2009.

How has the socio-economic situation in the occupied Palestinian territory impacted the department's work?

- In the wake of the second intifada in September 2000 and more recent de facto sanctions imposed by the international community on Gaza, the business climate has stagnated and severe socio-economic decline has exacerbated the sharp contraction of the economy.
- While the department has moved quickly to offset these trends by expanding outreach in the West Bank, Jordan and Syria, the effects of the crushing decline in Gaza are still being felt.
- In Gaza, lending has fallen by 80% and in 2007 UNRWA had to write off 2,636 loans with a debt of \$888,750.



UNRWA microfinance client at his shoe factory in Hebron, West Bank.

- As a result, the department has already shed 50% of its staff.

In what other activities is the microfinance department engaged?

- In Gaza, UNRWA runs over 60 short-term microenterprise training courses to more than 1,400 participants each year.
- These courses are customised to clients' needs, in areas such as bookkeeping, taxation, computing and e-commerce.

What is on the horizon for the future of the microfinance department?

- If the economic strangulation in Gaza is not reversed within a very short period of time, UNRWA may be forced to cease all microfinance activity there.
- In Gaza, public works activities could eventually be implemented to help to alleviate the indebtedness of the business community.
- A safe-saving product for the poor will be piloted in 2009 to provide a formal coping capacity, particularly for many poor and low-income individuals.
- The department plans to raise its capacity to be able to provide 100,000 loans worth \$120 million annually.

About UNRWA

Some 4.6 million Palestine refugees in UNRWA's five fields of operations – Jordan, Lebanon, Syria, the Gaza Strip and the West Bank, including East Jerusalem – are eligible for Agency services, including education, healthcare, social services, shelter, micro-credit loans and emergency aid. UNRWA employs nearly 30,000 staff, the vast majority of whom are Palestine refugees. UNRWA's operations are financed almost entirely by voluntary contributions from donors. The Agency's regular budget for 2008-2009 is \$1.1 billion, which covers the recurrent costs of the Agency's education, health and relief and social services activities. UNRWA's headquarters are in Gaza City and Amman.