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ESAF Program
Expanded and Sustained
Access to Financial Services

ESAF & Economic Recovery in Gaza



Photos by: from left, Save the Children, CARE, CARE

ESAF is working with conflict-affected small enterprises to increase their awareness of and access to financial services, while also supporting increased capacity of financial institutions and an improved enabling environment in Gaza.

Political instability, the ongoing blockade, and Operation Cast Lead have severely degraded economic conditions in the Gaza Strip in recent years. With 70% of the population living below the poverty line, there are few options for struggling communities to reestablish income-generating opportunities. In line with its objective to strengthen the economic status of Palestinian households and enterprises, the ESAF program is directly supporting the livelihoods of conflict-affected families, farmers, and youth through grant assistance and linkages to financial services, especially credit and savings. In addition, ESAF is working with banks and microfinance institutions (MFIs) to strengthen their capacity to deliver quality financial services for low-income households, as well as micro-, small, and medium enterprises.

In Gaza, ESAF works at three levels of the financial sector: households and enterprises, financial institutions, and the enabling and regulatory environment.

Households and Enterprises

AED, in conjunction with ESAF partners Save the Children and ShoreBank International, is launching a savings initiative in Gaza in summer 2010. The activity targets 4,300 young adults from low-income households, encouraging them to become savers by offering a two-thirds match on their savings over a one-year period. The goal of this initiative is to more broadly encourage asset accumulation, increase banking services to the unserved, and facilitate saving behavior change in an unpredictable political and economic environment. Al Quds Bank and Palestine Commercial Bank are bank partners.

Through partner Save the Children, ESAF is recapitalizing micro-entrepreneurs by issuing small cash grants (approximately US\$750) to clients of five MFIs who have defaulted on their loans due to the economic crisis and/or damage during Operation Cast Lead, but who are otherwise creditworthy borrowers with good track records of repayment. The objectives of the activity are to recapitalize micro-entrepreneurs' businesses and restore their credit standings so they regain access to sources of finance. A two-step design provides a

Gaza Activities At-a-Glance

ESAF's approach in Gaza is focused on two main areas: linking humanitarian efforts with longer term development objectives, and extending technical assistance and training to support banks and MFIs. The program is:

- Issuing small grants, for an expected total of US\$350,000 to **500 micro-entrepreneurs** (70% of whom are women)
- Providing in-kind assets, technical and business training, and financial education to **550 greenhouse farmers, 60 poultry farmers, and 60 livestock farmers**
- Offering matching savings grants to **4,300 young adults** (ages 18-29) from low-income households
- Supporting **375 young adult entrepreneurs** with start-up business learning grants
- Building the capacity of **seven financial institutions and one key training institute** through technical assistance and training

strong incentive for beneficiaries to use the funds as intended. The entrepreneurs agree to invest the first tranche of US\$400 into their businesses and must begin to repay their defaulted loans. Upon increasing their business assets and making at least two loan payments within a four month period, beneficiaries receive a second tranche of US\$350.

Save the Children is also preparing a youth entrepreneurship and training component that will offer life skills and financial literacy training, combined with start-up business grants, to help young people become engaged in productive economic activities and informed about financial services available to them.

ESAF partner CARE is supporting the early recovery and financial sustainability of farmers with unutilized potential for expansion in local market. CARE is providing small farmers with in-kind agricultural inputs (locally produced, when possible) to rebuild their asset bases combined with necessary training in small farm management, animal care, and business development. All receive financial literacy training and information on accessing credit or savings services, in cooperation with other ESAF partners.

Financial Institutions

ESAF provides a wide range of technical assistance to financial institutions in Gaza. ShoreBank International is enhancing the supply side of savings by working with two banks – Palestine Commercial Bank and Al Quds Bank – on a savings mobilization initiative that is based on a comprehensive study of demand for savings services conducted in late 2009. The CHF Loan Guarantee Fund is offering technical assistance to partner banks in Gaza to encourage lending to small and medium enterprises.

At the microfinance level, ShoreBank International provides assistance to four other financial institutions – Bank of Palestine, Reef Finance Company, FATEN, and ASALA – to expand sustainable microfinance in Gaza. ESAF also provides grant support to the MFI CHF Ryada to assist in its transformation into an independent, financially sustaining local company – rather than a donor-funded program – and to develop a youth-focused microfinance product.

Recognizing that although agriculture represents up to 60% of livelihoods for Gaza residents, many banks see agriculture-related lending as highly risky, ESAF is working with financial institutions to enhance their interest and lending capacity in the sector.

Enabling and Regulatory Environment

The Palestinian Institute for Financial and Banking Services (PIFBS) is the leading training institute for the financial services industry in the West Bank and Gaza. ESAF, led by partner William Davidson Institute at the University of Michigan (WDI), provides technical assistance to the PIFBS on curriculum development, training of trainers, training approach, and course offerings. In Gaza, AED is upgrading the PIFBS's equipment and facilities, and will provide local instructors with training opportunities in the West Bank or a third country to build knowledge and skills.

Recapitalizing Micro-Entrepreneurs

Iman, 41, lives in Gaza with her eight children. She used to be a good client of UNRWA's MFI, but as a result of the economic crisis in Gaza due to the blockade and Operation Cast Lead, her small bread-making business faced severe hardship, and her loan went into default. Iman received her first grant of US\$400 in February 2010, with which she purchased gas pipes and flour. Now that her business is up and running, she is finally earning an income again, up to NIS 500 (US\$125) per month, and in the first few months has already made two repayments on her defaulted loan. "The project is very successful," she says.



Photo by Save the Children/ESAF

The Expanded and Sustained Access to Financial Services (ESAF) program is a three-year US\$36 million program, funded by USAID, and designed to build a more inclusive financial sector in the West Bank and Gaza, for Palestinian households and enterprises. The program is implemented by AED in partnership with The William Davidson Institute at the University of Michigan, ShoreBank International, CHF International, CARE and Save the Children. ESAF is an Associate Award under USAID's FIELD-Support Leader with Associates cooperative agreement, which is managed by AED. www.microlinks.org/field

