Utilising the Palestine Simple Poverty Scorecard:

Baseline Poverty Study of UNRWA Microfinance Clients in the West Bank

(February 2011)

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Executive Summary

In 2010, UNRWA's Microfinance Department (MD) contracted the preparation and development of three simple poverty scorecards (SPS) to enable it to determine the probability of its clients being poor, i.e. based on falling below the national poverty lines in the occupied Palestinian territory (oPt), Jordan and Syria. The scorecards were derived from expenditure and consumption survey for the Palestinian territories and from the income and expenditure survey databases of the government statistical bureaus in Jordan and Syria. In Palestine, the simple poverty scorecard was based on the 2007 Palestinian Expenditure and Consumption survey conducted by the Palestinian Central Bureau of Statistics PCBS). The SPS is a standardized methodology identical to the Grameen Foundation's progress-out-of-poverty index (PPI^{tm}) which is now used in over 30 countries to measure the probability of microfinance clients being poor, based on national and other standard poverty lines. An SPS developed for Palestine was completed in December 2009 and this report is the second application of its utilisation on UNRWA's microfinance clients in Palestine.[1]

The department's Social Performance Management Unit (SPMU) has used the SPS for Palestine to develop baselines on the poverty rates of its clients in the West Bank and in Gaza based on two separate sample surveys for each region.[2] Once these baselines are complete, the department will endeavour to monitor the poverty of each client in the programme through enumerating a scorecard questionnaire for each client every time they obtain a loan. This will enable the department to determine the ratio of poor clients at different periods and eventually to trace individual client movement in and out of poverty over time. In addition to identifying poor clients' households, the scorecard also provides data on client households living on per person per day income of double and one-and-half times the national poverty level. This information is important since those managing to live marginally above the poverty line can easily fall below it due to business troubles, economic shocks, health emergencies or unemployment. Such information is also important for targeting low-income clients, since the higher the percentage of clients falling into both categories indicates just how far downstream UNRWA's microfinance outreach is able to flow. The more downstream its focus to poorer and low-income clients then the better it is able to ensure its social mission.

The second SPS questionnaire in Palestine was implemented through a randomized sample survey of 851 clients from 7,858 active clients in the West Bank. The summary results of the survey show that:

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[1] The first sample survey of MD clients was undertaken with the programme's clients in Gaza, with the survey enumerated in June-July 2010 and the report issued in November 2010.

[2] A sample survey and report have already been completed for Syria, using the Syrian Simple Poverty Scorecard, and a sample survey using the Jordan Simple Poverty Scorecard will be enumerated in Jordan during April-May 2011.

- 67 percent of the department's clients and their families live on an income below twice the Palestine national poverty line of NIS 24.58 per person per day;
- 50 percent of clients and their families live on an income of less than 150 percent of the Palestinian national poverty line of NIS 18.44 per person per day;
- 25 percent of the department's clients and their families exist under the Palestine national poverty line of NIS 12.29 per person per day;
- 15 percent of clients and their families fall below the Palestine subsistence poverty line of an income of NIS 10.33 per person per day;
- 10 percent of clients and their families survive under the USAID extreme poverty line of NIS 8.91 per person per day;
- 23 percent of clients and their families fell below an income of the USD 5.00/day at 2005 purchasing power parity (PPP);
- 10 percent of clients and their families fell below an income of the USD 3.75/day at 2005 purchasing power parity (PPP);
- 2 percent of clients and their families fell below an income of the USD 2.50/day at 2005 purchasing power parity (PPP);
- 0.01 percent of clients and their families fell below an income of the USD 1.25/day at 2005 purchasing power parity (PPP);

These figures show that 25 percent of UNRWA's microfinance client households in the West Bank are poor, falling below the Palestine national poverty line, with 15 percent living below the Palestine subsistence poverty line and 10 percent living below the USAID extreme poverty line. The majority of client households are low-income with 67 percent of clients living on an income of below twice the national poverty line, while 50 percent live on an income of less than one-and- a-half times the national poverty line.

Introduction

UNRWA's Microfinance Department (MD) has been mainstreaming Social Performance Management (SPM) to measure and delineate the extent of its microfinance outreach to different categories of clients. As part of its SPM objective to provide inclusive microfinance that targets women, youth, refugees, informals, the poor and low-income households whose human development can benefit significantly from microfinance services, the department segments these categories in its database to monitor and evaluate its capacity to outreach to these more vulnerable clusters. The department already has baseline social indicators for its outreach to refugees, youth, women and informals, and has set targets to expand its outreach to these clusters in its business and work plans over the next five years through developing specialized marketing strategies to channel microfinance services to these groups.[3]

While the measurement of women, youth, refugees and informals is straightforward as these are discrete entities that can be captured categorically, the measurement of poverty and determining who is poor and living on low income is much more complex as poverty is a dynamic process subject to macroeconomic, political and social forces that change over time, often very quickly. Moreover, the rigorous measurement of poverty by NGOs and MFIs can be prohibitively expensive, and when done by them it often does not meet national or international standards of measurement. This frequently results in the creation of categories of poverty that are tendentious and incapable of comparison with other local, national or international studies. Thus, the measurement and standardization of poverty is most often best done through specialized government statistical agencies that can set national poverty lines based on international standards of measure. The government statistical bureaus in Palestine, Jordan and Syria regularly undertake such studies and periodically prepare national poverty lines that provide credible standards of measure that can be used to assess pro-poor development and humanitarian interventions.

The global microfinance industry has been trying to develop low cost tools to measure the poverty levels of clients that will enable comparison with national and international standards. This has become more intensive as an increasing number of MFIs and stakeholders want to bring a more systematic focus to the social value of microfinance, rather than only focusing on operational self-sufficiency and profit.[4] Many microfinance institutions want to be able to identify which of their clients are poor and trace their poverty levels through various lending cycles to help design products and financial services that are more attuned to their needs.

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[3] The Social Performance Management Unit prepares a comprehensive social performance indicator report every six months based on the data contained in its loan management information system. This information is retrievable for the programme as a whole, and for each field office, each branch office, each loan product and by each loan officer. Although produced every half-year, the information can also be retrieved on a monthly basis.

[4] For more information of the various tools and approaches that have been developed for the microfinance sector, see, http://www.sptf.info/

In this context, the department has looked at a number of these tools, and completed a contract to develop three separate Simple Poverty Scorecards (SPS) for Palestine, Jordan and Syria. The SPS is a standardized methodology that is identical to the Grameen Foundation progress-out-of-poverty index (PPI™) that is now used in more than 30 countries. These SPS or PPI are developed from national expenditure and consumption survey databases, or other similar surveys, through statistical modelling and regression on the national database to develop a scorecard of 10 questions that can be administered within a few minutes to determine the statistical likelihood of a client and his/her family falling below or above the national poverty line, and other poverty lines. Each answer in the questionnaire has a weighted score, with the total scores for each question calculated at the end of each poverty scorecard to provide the results and the probability of clients falling below different poverty lines. These totals are then compared against poverty-line tables to determine the probable likelihood of clusters of clients falling below the various poverty lines, including national and subsistence poverty lines. UNRWA and its contractor have worked together with the Palestinian, Jordanian and Syrian statistical bureaus to develop an SPS for each country.[5]

Thus, the development of the SPS will fill a gap in the department's social performance management by augmenting its reporting and developing its monitoring and evaluation capability. With poverty alleviation and outreach to the poor, a significant component of the department's mission, the concentration on developing poverty indicators that measure outreach to poor and low-income clients is a crucial step towards achieving this objective and translating its social mission into practice.

With the utilization of the poverty scorecard, the department will be able to engage more directly with poor clients through focus group discussions and satisfaction surveys and other tools to develop and design products and loan terms that better cater to their needs and capacities. As the new tool identifies which clients are poor, it will bring better poverty focus to each field, each product and each branch office, which will allow the field office and branch management teams to centre their own roles and responsibilities in developing pro-poor portfolios and identifying which products best serve this purpose.

As it develops its ability with the scorecard, the department will develop the capacity to monitor progress out of poverty by tracking the poverty status of each client at their entry point into the programme and to re-gauge their progress with ongoing participation at each new loan cycle.

[5] With this simple tool the department will be able to determine the poverty level of clients and trace this over time, but it is important to recognize that this will not enable it to attribute causality to its microfinance interventions as there is no one-to-one correspondence between credit and poverty. The movement into and/or out of poverty is multidimensional. Thus, while some clients may move out of poverty because of the economic opportunities that credit enables them to realize, others will progress out of poverty because of favourable market or business opportunities, access to new employment for household members, or other reasons. Alternatively, over-indebtedness might lead some client households to fall below the poverty line. Attribution or causality requires studies of a more complex nature that the SPS can provide such impact assessment studies. But these are much more costly to implement.

Methodology

This report provides the results of the department's second random sample survey utilizing the Simple Poverty Scorecard (SPS) for Palestine, but it is the first survey of microfinance clients in the West Bank to determine the likelihood of poverty among them.

The SPS or scorecard questionnaire consists of two sections:[6]

- General (Identifying) information for each client, such as: client name, gender, client number, loan type, initial participation date (date of joining MD), loan officer's name, loan officer number, the date, branch name and the household size;
- 10 short poverty indicator questions, all with answer options that are pre-coded, close-ended and restricted to No/Yes or multiple-choice.

The target population used to develop the initial baseline was all MD clients in the West Bank with active loans valid at the end of December 2010. This sampling frame consisted of 7,858 clients, distributed amongst the department's branch network in the West Bank; including the Nablus, Tulkarem, Jenin, Qalqilya, Ramallah, Bethlehem, and the Hebron branch offices. These seven branches in the West Bank were, until recently, the sole source of microfinance outreach for UNRWA in the West Bank. The newly opened Jericho branch was only opened during the planning of the survey, and it was not included in the survey as its client portfolio, at that time, was negligible.

The sample size and sample design was based on a calculated sample size of 854 clients, which produced a ±4 percent precision level (margin error), with a confidence level of 95 percent and P is the (percentage picking a choice) = 0.5.[7] The sample was designed as a stratified random sample to produce reliable poverty statistics on the target population according to:

- Gender to provide results by men and women;
- Branch office (Nablus, Tulkarem, Jenin, Qalqilya, Ramallah, Bethlehem, and Hebron) to provide results by the areas of the West Bank where the loans were financed; and
- Loan Type (MEC, CLP, and WHC[8]) to provide results by the different types of loan products.

Data enumeration and collection was conducted by 45 loan officers from the department in the West Bank through face-to-face interviews with all randomly selected clients at their businesses or homes. This field work lasted for 15 days and was conducted during 6-20 February 2011.

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[6] The full version of SPS was developed by Mark Schreiner, "A Simple poverty Scorecard for Palestine", (30 December 2009) and can be found on http://www.microfinance.com/#Palestine.
[7] There were three non-responses among the sample of 854 clients.
[8] The WHC product is offered to women with household-based income-generating activities.

The data processing, verification and cleansing were done by the department's SPM Unit, where data entry and tabulation were performed using SPSS and EXCEL. Data entry was organized in one file, with the data entry template designed to reflect an exact image of the questionnaire, and including logical checks, range checks, consistency checks and cross-validation.

Poverty Measures

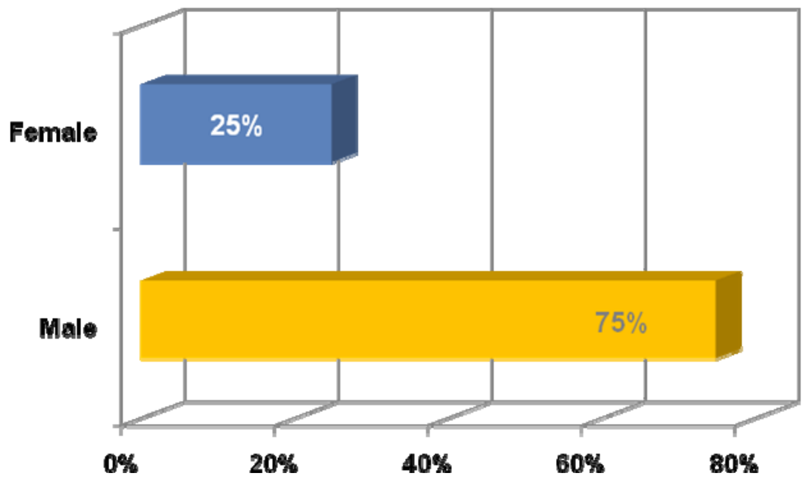
With the Palestine SPS, a number of different poverty metrics were developed as part of the scorecard to allow for comparison locally, regionally and globally. These metrics include:

- The Palestine national poverty line (2007) which measures poverty according to expenditure and consumption resulted in a poverty line assessed as NIS 12.29 per person per day
- The Palestine subsistence poverty line measures poverty according to households expenditure on food, clothing, and housing resulting in a line of NIS 10.33 per person per day
- The USAID extreme poverty line for Palestine measures poverty according to the median consumption of people (not households) below the national line resulting in a line of NIS 8.91 per person per day;
- 150% of the national poverty line is NIS 18.44 per person per day;
- 200% of the upper national poverty line is NIS 24.58 per person per day;
- The USD 1.25/day at PPP for 2005 which is NIS 3.07 in 2005;
- The USD 2.50/day at PPP for 2005 which is NIS 6.15 in 2005;
- The USD 3.75/day at PPP for 2005 which is NIS 9.23 in 2005;
- The USD 5.00/day at PPP for 2005 which is NIS 12.3 in 2005.

Sample Distribution

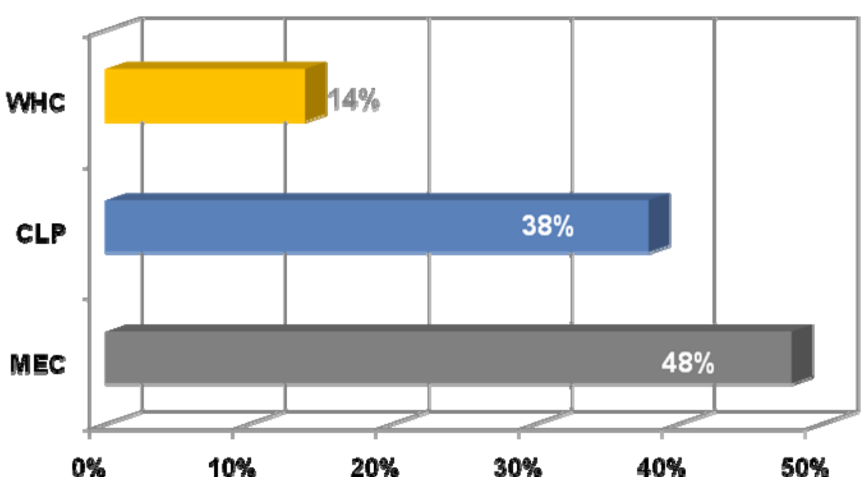
The random survey was stratified in order to provide reliable statistical data according to gender, loan product and branch office. In terms of household demographics, the average household size was 6 members per household among clients of the branch offices in the West Bank.

Gender distribution of sample survey



The gender distribution of the sample is depicted in the chart above, indicating that male clients accounted for 75 percent of this sample in line with their share of the active loan portfolio, while female clients accounted for 25 percent.

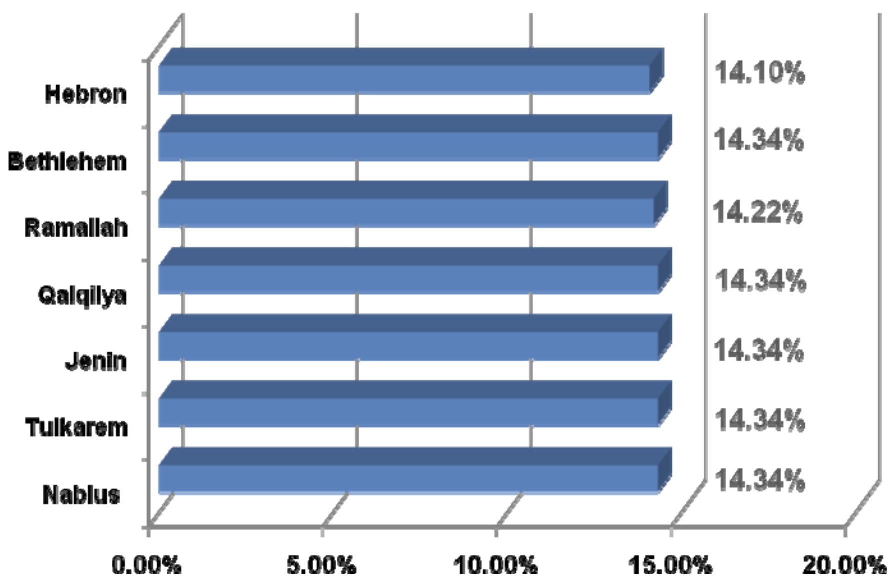
Product distribution of sample survey



The distribution of the clients sampled according to the product distribution of the active loans is depicted in the graph above. The department's core microenterprise credit (MEC) product accounted for the most significant share of the sample at 48 percent. This was followed by the consumer loan product (CLP) which accounted for 38 percent, and the women's household credit product (WHC) accounted for 14 percent. Because of the low numbers involved, clients with housing loans (HLP) and microenterprise plus (MEC+) loans were excluded from this survey.[9]

The sample was designed to be representative across branches and regions, and was equally distributed amongst the West Bank branch offices with a total sample size of 854. With two minor exceptions, each branch interviewed 122 clients in each area.[10] The sample was represented by branch for more accurate results to be obtained once cross tabulated with more than one social indicator.

Branch office share of sample survey



Results of the Palestine simple poverty scorecard

General Poverty Results

The results of the Palestine poverty scorecard for the West Bank shows that 25 percent of UNRWA's microfinance programme clients live below the Palestine national poverty line of NIS 12.29 per person per day, with 15 percent of clients living below the official subsistence poverty line of NIS 10.33 per person per day and 10 percent of clients and their families surviving under the USAID extreme poverty line of NIS 8.91 per person per day.

An analogous pattern emerges when we use the income-based indicator of US dollars at purchasing power parity (PPP), which shows that 23 percent of client

[9] HLP loans accounted for just 1.3 percent and MEC+ loans 1.9 percent of active loans in December 2010.
[10] Three selected clients did not provide information, one in Ramallah and two in Hebron.

households fell below an income of USD 5.00 per person per day at 2005 PPP, while 10 percent of clients' households lived on an income of less than USD 3.75 per person per day and just over two percent of clients lived on an income of less than USD 2.50 per person per day. Ultra poor clients were extremely rare, with less than a tenth of one percent of client households having an income of less than USD 1.25 per person per day.

Characteristically, female clients were poorer than male clients with 28 percent of women clients falling below the national poverty line, compared to 24 percent of male clients.

Region and Poverty

In the West Bank, the department offered microfinance services through seven branch offices that were fully operating at the time the sample survey was undertaken.[11] These are distributed within the North, middle and South of the West Bank. The Nablus, Tulkarm, Jenin and Qalqilya branches cover the northern region of the West Bank including those cities and their nearby towns and villages. The Ramallah and the recently established Jericho branch cover the central area of the West Bank and nearby villages. The southern area is covered by the Bethlehem and Hebron branch offices, which also finance loans in the towns and villages in the hinterlands surrounding both cities.

Poverty rates by branch office

Branch	Palestine national poverty line	Palestine subsistence poverty line	USAID extreme poverty line
Nablus	22%	12%	7%
Tulkarm	30%	18%	12%
Jenin	28%	15%	10%
Qalqilya	33%	20%	14%
Ramallah	14%	8%	5%
Bethlehem	20%	12%	7%
Hebron	29%	18%	12%

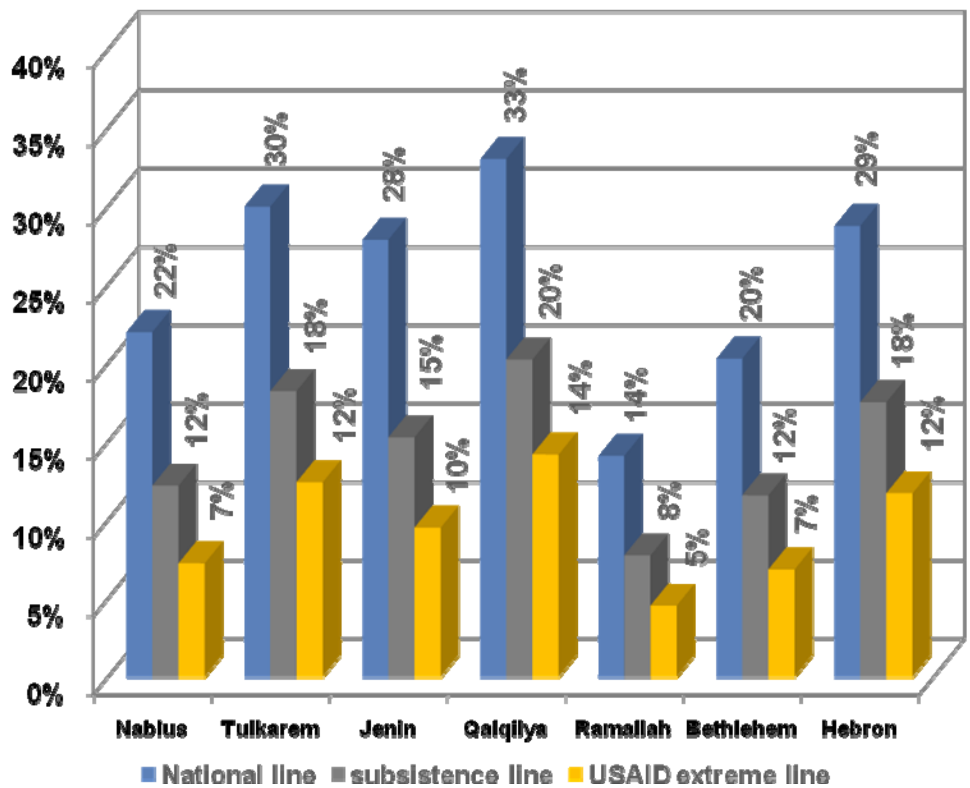
Client poverty levels vary quite significantly across the different urban districts of the West Bank that are served by the department's branch offices. The highest incidence of client poverty is in Qalqilya with the lowest in Ramallah. In general, clients from the Qalqilya, Tulkarem, Hebron, and Jenin were significantly poorer than others in the West Bank, with 33 percent of clients in Qalqilya, 30 percent in Tulkarm, 29 percent in Hebron, and 28 percent in Jenin living under the national poverty line, compared to 22 percent of clients in Nablus, 20 percent in Bethlehem, and 14 percent in Ramallah.

[11] This has now grown to eight branch offices, with the establishment of the Jericho branch office that started operations in January 2011, just one month before the survey was undertaken, but it was not included in the survey as it had no clients in 2010.

The pattern is repeated at the lower subsistence poverty level of NIS 10.33 per person per day, with 20 percent of client households in Qalqilya, 18 percent in both Tulkarm and Hebron, 15 percent in Jenin, 12 percent in both Nablus and Bethlehem and eight percent in Ramallah living below the subsistence poverty line.

A similar pattern emerges among clients living below the USAID extreme poverty line of NIS 8.91 per person per day. Thus, in the different urban districts, 14 percent of client households in Qalqilya, 12 percent in both Tulkarm and Hebron, and 10 percent in Jenin, compared to seven percent of clients in both Nablus and Bethlehem, and five percent in Ramallah survived on consumption below the USAID extreme poverty line.

Poverty rates by branch office



Household size and poverty

Most studies on poverty show a high correlation between family size and poverty, with the incidence of poverty generally increasing with larger families. While this trend is borne out by the scorecard data, this general finding is partially confounded by the fact that the client data set for single-person households shows a higher incidence of poverty than other small households.[12] But this is most likely due to

[12] This could be seen amongst clients of both the Nablus and Hebron branch offices with six and 10 percent respectively of one person households falling below the national poverty line. But the data on this is not fully reliable, as only three single person households were surveyed in Nablus and six in Hebron allowing for less statistical accuracy.

such households being composed of old people, ill person and widowed or divorced women, who commonly have low incomes that put them at a higher risk of falling below the poverty line.

Client households composed of 2-3 members have the lowest rate of poverty, with less than eight percent of such client households, in all areas, likely to be poor, but with the lowest rate of poverty in Ramallah and Bethlehem where just three percent of client households in this category were poor. The poverty range in households of 4-5 persons was between 12-32 percent, with the rate of poverty among client households in Qalqilya reaching 32 percent, which was followed by Tulkarm at 27 percent, while the lowest poverty rates in households with 4-5 members was in Nablus and Ramallah with 14 and 12 percent respectively. In client households of 6-7 persons, the highest rate of poverty was in Jenin and Qalqilya that each had a poverty rate of 33 percent, while the lowest rate of poverty was in Ramallah with 13 percent.

Poverty rates (national poverty line) by household size and branch office

Household size (no. of persons)	West Bank branch offices						
	Nablus	Tulkarm	Jenin	Qalqilya	Ramallah	Bethlehem	Hebron
1	6%	-	0%	6%	0%	-	10%
2-3	4%	5%	5%	7%	3%	3%	6%
4-5	14%	27%	19%	32%	12%	17%	26%
6-7	24%	26%	33%	33%	13%	27%	30%
8-9	26%	38%	40%	49%	20%	28%	36%
10+	44%	52%	42%	53%	46%	30%	57%

In 8-9 person households, the incidence of poverty further increased, with 49 percent of client households in Qalqilya living in poverty, 40 percent in Jenin, 38 percent in Tulkarem, 36 percent in Hebron, 28 percent in Bethlehem, 26 percent in Nablus, and 20 percent in Ramallah. In households with 10 or more persons living under the same roof, poverty is frequent among client households in all areas and predominant in some.[13] Thus, in Hebron, Qalqilya and Tulkarm poverty was predominant at 57 percent, 53 percent and 52 percent, respectively. Moreover, in all other areas, poverty was very common for such households, with 46 percent of large households in Ramallah, 44 percent in Nablus, 42 percent in Jenin and 30 percent in Bethlehem living in poverty.

The Palestine subsistence poverty line (2007) was equivalent to NIS 10.33 per person per day, which is the 30th percentile of household expenditure on food, clothing and housing in 1995, with adjustment for prices since then. Clients living below the subsistence poverty level are not very frequent among the programme's clients, but they do become more common as household size increases.

[13] Some 10 percent of the sample was composed of households of 10 persons or more.

Poverty rates (subsistence poverty line) by household size and branch office

Household size (no. of persons)	West Bank branch offices						
	Nablus	Tulkarm	Jenin	Qalqilya	Ramallah	Bethlehem	Hebron
1	3%	-	0%	6%	0%	-	4%
2-3	4%	2%	2%	4%	2%	2%	4%
4-5	7%	15%	9%	17%	6%	9%	15%
6-7	13%	15%	19%	20%	6%	15%	15%
8-9	16%	23%	23%	32%	10%	15%	24%
10+	25%	35%	23%	35%	30%	16%	39%

Thus, less than five percent client households with 2-3 persons fall below the subsistence poverty line, within a range of 2-4 percent. Subsistence poverty in 4-5 person households ranges from 6-17 percent, with the highest incidence in Qalqilya, Tulkarm and Hebron. Similarly, client households with 6-7 persons have rates of subsistence poverty ranging from 6-20 percent, with the highest rates in Qalqilya and Jenin. Within households of 8-9 persons the rate of clients living below the subsistence poverty line ranges from 10-32 percent, where Qalqilya, Hebron, Jenin and Tulkarm have the highest level of poverty in this group. But subsistence poverty is quite widespread in client households with 10 or more members, ranging from 16-39 percent, with more than a third of such client households in Hebron, Qalqilya and Tulkarm living below the subsistence poverty level.

The majority of client households covered by the seven branch offices in the West bank live above the USAID extreme poverty line, with poorer clients more likely to be served by the Qalqilya, Tulkarm, Jenin, and Hebron offices than Nablus, Ramallah and Bethlehem. In the case of 2-3 person households, less than two percent of client households live below the USAID extreme poverty line of NIS 8.91 per person per day. But the rate of clients living below the USAID extreme poverty line for Palestine rises within households with more family members. In the case of 8-9 person households, the percentage of clients living below this poverty line reaches 24 percent among client households in Qalqilya, 17 percent in Hebron, 16 in Tulkarm, 15 percent in Jenin, 11 percent in Nablus, and seven percent in both Bethlehem and Ramallah. The ratio of client households falling below the USAID extreme poverty line is most pronounced in households of 10 or more persons, where 30 percent of such client households in Hebron live below this line, compared to 27 percent in Tulkarm and 26 percent in Qalqilya.

Poverty rates (USAID extreme poverty line) by household size and branch office

Household size (no. of persons)	West Bank branch offices						
	Nablus	Tulkarm	Jenin	Qalqilya	Ramallah	Bethlehem	Hebron
1	2%	-	0%	0%	0%	-	2%
2-3	0%	1%	2%	2%	0.5%	0.3%	0.3%
4-5	4%	9%	4%	11%	3%	6%	10%
6-7	8%	10%	13%	14%	4%	10%	9%
8-9	11%	16%	15%	24%	7%	7%	17%
10+	14%	27%	13%	26%	23%	9%	30%

Loan products and poverty

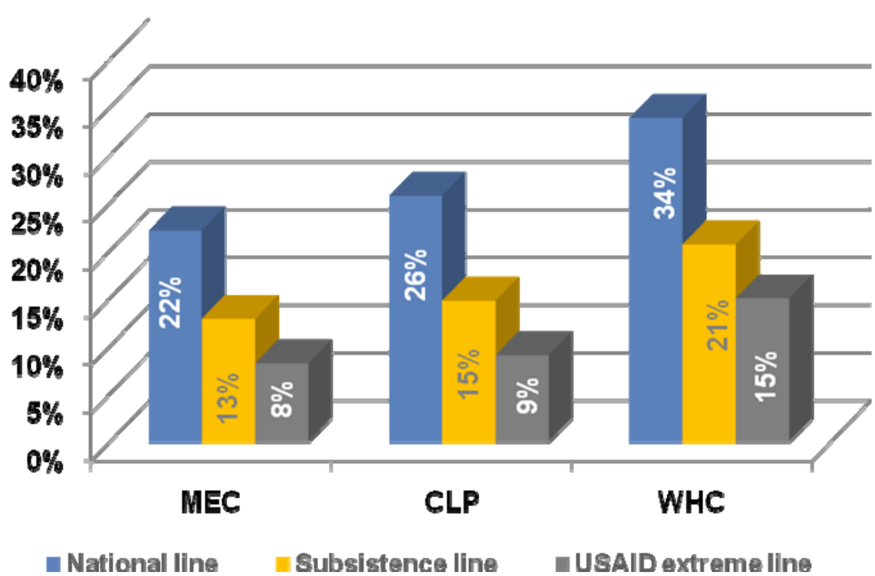
As the loan products provided by UNRWA cater for business needs, household consumption and asset building, among a variety of clients with very different resources and levels of income, one would expect to see varied levels of poverty among clients with different credit products. The survey indicates that clients with loans issued through the women's household credit (WHC) product are more likely to be poor than other clients, with 34 percent of WHC clients and their households falling below the Palestine national poverty line of NIS 12.29 per person per day, compared to 26 percent of clients with consumer loan products, and 22 percent of clients with MEC business loans.

Poverty rates by loan products

Product	Palestine national poverty line	Palestine subsistence poverty line	UASID Extreme poverty line
MEC	22%	13%	8%
CLP	26%	15%	9%
WHC	34%	21%	15%

This hierarchy of poverty confirms the assumptions that are built into the credit methodologies of each of these three products, with the WHC product targeted to the distinctly vulnerable and marginal society of women engaged in home-based income-generating activities, who are among the poorest of the economically active population in the West Bank. While the consumer lending product (CLP) is geared to serve the personal household needs of working class and low-income salaried workers, who commonly have limited monetary resources, the microenterprise credit (MEC) product is geared to formal and informal microenterprise that often have limited profits from which to maintain and take care of their families.

Poverty rates by product



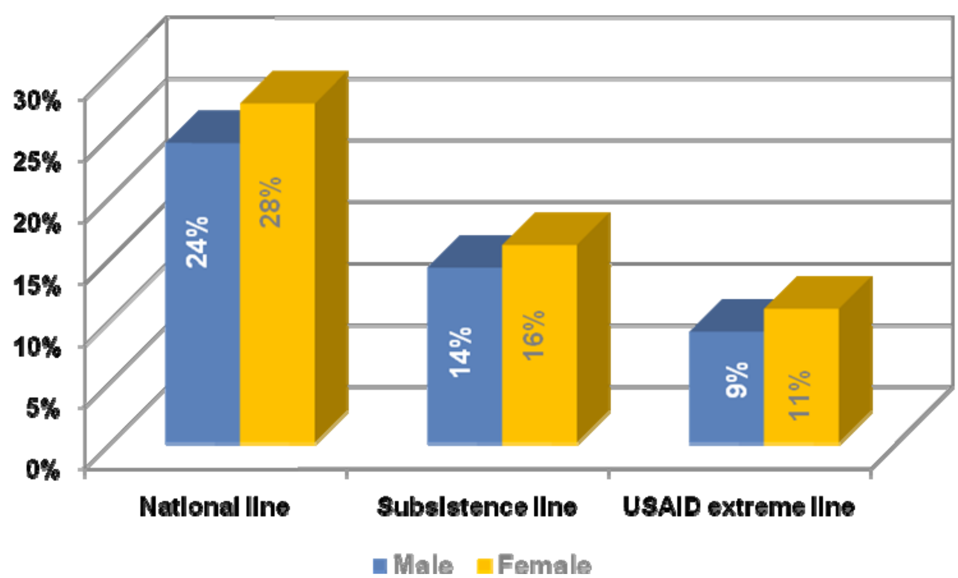
In the West Bank, 21 percent of WHC clients fell below the Palestine subsistence poverty line that measures poverty by household expenditure on food, clothing and housing, compared to 15 percent of CLP clients, and 13 percent of MEC business clients.

Moreover, clients with WHC loans and their households are poorer than other clients and have a higher predisposition toward low income than clients with other loan products. Thus, 15 percent of WHC clients and their households live below the USAID extreme poverty line of NIS 8.91 per person per day, compared to nine percent of clients with consumer loans and eight percent of clients with MEC loans.

Gender and poverty

In analysing the gender-based poverty of clients in the West Bank through the prism of the Palestine national poverty line of NIS 12.29 per person per day, the Palestine national subsistence poverty line of NIS 10.33 per person per day and the USAID extreme poverty line of NIS 8.91 per person per day, women clients are slightly poorer than men clients. Playing a more marginal economic role, they have less access to productive assets and income than men, with female clients having a 28 percent probability of falling below the national poverty line compared to 24 percent of males. The pattern is constant with the lower national poverty line where 16 percent of women and their households, compared to 14 percent of men have incomes below subsistence level. Similarly, with the USAID extreme poverty line, 11 percent of women compared to nine percent of men are more likely to fall below the USAID extreme poverty line of NIS 8.91 per person per day.

Poverty rates by gender



This trend in gender-based poverty is repeated by loan product. Women clients with household-based income-generating activities under the women-only WHC product have the highest incidence of poverty with clients with this loan product having a 34 percent probability of falling below the national poverty line. Moreover, women with WHC loans have a higher incidence of poverty at all poverty measure than clients with other loan products, with 21 percent of WHC clients and their households falling below the subsistence poverty line and 15 percent below the USAID extreme poverty line.

National, subsistence and extreme poverty rate by products and gender

Loan Product	Palestine national Poverty Line		Palestine subsistence Poverty Line		USAID Extreme Poverty Line	
	Male	Female	Male	Female	Male	Female
MEC	23%	14%	13%	7%	9%	4%
CLP	26%	23%	15%	12%	10%	6%
WHC	-	34%	-	21%	-	15%

In terms of the MEC product that finances both men and women's enterprises, the results showed that business women are less likely to be poor than men with 14 percent of women clients with MEC loans falling below the national poverty line, compared to 23 percent of men. The same is true for those with MEC products falling below the subsistence poverty line with seven percent of women, compared to 13 percent of men and their households falling below this level of income. This is repeated with the USAID extreme poverty line, with four percent of business women, compared to nine percent for businessmen falling below the USAID extreme poverty line.

Likewise, male clients with the consumer loan product (CLP) are more likely to be poor than female clients. Thus, 26 percent of men compared to 23 percent of women clients fall below the Palestinian national poverty line of NIS 12.29 per person per day. This is repeated for client household falling below subsistence level income with 15 percent of men compared to 12 percent of women and their households falling below this level of poverty. Again, for the poorest clients, 10 percent of men and their households compared to six percent of women clients fall below the USAID extreme poverty line of NIS 8.91 per person per day.

Client poverty and the ultra poor

In Latin America, Asia and sub-Saharan Africa, microfinance has reached over 100 million of the world's poorest, effectively supporting the United Nations Millennium Development Goals (MDGs), especially the goal to eradicate extreme poverty and hunger.[14] Unfortunately, or rather fortuitously, this depth of outreach is not possible

[14] The Microcredit summit goal of providing micro loans to 100 million poor people was achieved in 2005; by 2007 it reached the objective of financing 100 million loans to persons living on less than one dollar a day. By the end of 2007, some 3,352 microfinance institutions from 137 countries that were affiliated with the Microcredit Summit Campaign had provided loans to 155 million clients. Some 107 million of these clients survived on a

in the countries of the coastal plains and uplands of the Eastern Mediterranean Basin where UNRWA operates, as the national and extreme poverty lines of these regions are all substantially higher than the benchmark of one US dollar per capita per day used to measure the MDG poverty goal. The poorest persons in Palestine, Jordan and Syria generally survive at a higher level of income-defined poverty, with the level of economic development, as well as per capita GDP and GNI, at higher levels than in the least developed countries.

Ultra poverty rates by branch and district

Branch	USD 1.25/2005 PPP	USD 2.50/2005 PPP
Nablus	0.0%	1.1%
Tulkarm	0.0%	2.4%
Jenin	0.0%	1.3%
Qalqilya	0.2%	3.4%
Ramallah	0.2%	1.3%
Bethlehem	0.0%	1.4%
Hebron	0.2%	3.2%

Thus, there are far fewer persons and lower ratios of those living on less than USD 1.25 per person per day in the region of UNRWA operations than in the least developed countries, where the bulk of the world's poorest are concentrated. Even in Qalqilya, Tulkarm, Jenin and Hebron areas with the highest rates of poverty amongst the microfinance department's branches within the West Bank, such ultra poor clients are rare.

Only a tiny minority of the programme's clients are amongst the poorest of the poor, or the ultra poor. Thus, hardly any of the department's clients (less than 0.2 percent) in the West Bank lived on less than USD 1.25 per person per day. There were no clients to be found in the Nablus, Tulkarm, Jenin or Bethlehem who lived at this level of poverty, while only 0.2 percent of clients in Qalqilya, Ramallah, and Hebron lived at levels of poverty commonly found in Africa and Southern Asia. Even within households of ten members and more, only 2.5 percent of clients in Ramallah, 1.5 percent of clients in Qalqilya, and 1.3 percent of clients in Hebron lived below a poverty level of USD 1.25 per person per day.

Client households living on USD 2.50 per person per day are more common, but even so, only two percent of clients and their households subsist below this level of income. Although statistically marginal, they are less rare, with just over three percent of clients and their households in Qalqilya and Hebron living on less than USD 2.50 per person per day, compared just over two percent in Tulkarem and just over one percent in Bethlehem, Jenin, Ramallah and Nablus.

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dollar a day or less, with women accounting for almost 83 percent of the poorer borrowers. Despite the remarkable success of the campaign, this represented less than 10 percent of the number of poor people who could use credit. In 2009, the campaign recalibrated its goal, setting a new target to reach 175 million of the world's poorest families with credit for self-employment and other business and financial services, and to raise 100 million families above the US one-dollar-a-day threshold as the UN Millennium Development Goals conclude in 2015. See, Sam Daley-Harris, "State of the Microcredit Summit Campaign Report 2009". Microcredit Summit Campaign. 2009.

As indicated previously, there is a strong correlation between household size and poverty. While this general finding holds relatively true for the ultra poor, it is trivial among the department's clients in the West Bank where the poorest of the poor are absent and where there are no clients in any household size category, except for the largest households, that had an income of less than USD 1.25 per person per day. Thus, in client households of 10 or more persons, just 2.5 percent in Ramallah, 1.5 percent in Qalqilya and 1.3 percent in Hebron survived on an income of less than USD 1.25 per person per day.

Lower ultra poverty rates by household size and branch

Household size (no. of persons)	West Bank branch offices Percentage of clients living on less than USD 1.25 per person/day						
	Nablus	Tulkarm	Jenin	Qalqilya	Ramallah	Bethlehem	Hebron
1	0.0%	-	0.0%	0.0%	0.0%	-	0.0%
2-3	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
4-5	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
6-7	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
8-9	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
10+	0.0%	0.0%	0.0%	1.5%	2.5%	0.0%	1.3%

While the ultra poor are more common amongst clients at the higher threshold of USD 2.50 per person per day, ultra poverty does not exist in households below three persons amongst clients in all branches. In all seven regions, less than two percent of client households with 4-5 members are ultra poor, which rises marginally for households with 6-7 members, but remains below three percent. In client households with 8-9 members the level of poverty rises to 5.9 percent in Qalqilya, 3.9 percent in Hebron, 3.0 percent in Tulkarem, 2.7 percent in both Nablus and Jenin, 1.9 percent in Ramallah, and 1.4 percent in Bethlehem. In households with 10 family members and more, the percentages of clients and their households that lived on an income of less than USD 2.50 per person per day significantly increased, with 13.1 percent of clients in Hebron, 10.4 percent in Ramallah, 10.1 percent in Qalqilya, 6.6 percent in Tulkarm, 2.3 percent in Nablus, 2.1 percent in Jenin, and 1.2 percent in Bethlehem.

Upper ultra poverty rates by household size and branch

Household size (no. of persons)	West Bank branch offices Percentage of clients living on less than USD 2.50 per person/day						
	Nablus	Tulkarm	Jenin	Qalqilya	Ramallah	Bethlehem	Hebron
1	0.0%	-	0.0%	0.0%	0.0%	-	0.0%
2-3	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
4-5	0.4%	1.7%	0.6%	1.7%	0.4%	0.9%	1.7%
6-7	0.9%	1.4%	1.5%	2.9%	0.4%	2.2%	1.2%
8-9	2.7%	3.0%	2.7%	5.9%	1.96	1.4%	3.9%
10+	2.3%	6.6%	2.1%	10.1%	10.4%	1.2%	13.1%

The ultra poor are also very scarce among clients across the gender divide, with just 0.07 percent of men, compared to 0.11 percent of women and their households living in ultra poverty at USD 1.25 per person per day. In the upper ultra poor measure of USD 2.50 per person per day, such clients remain rare with just 1.9

percent of male clients and their households surviving on this extreme income level, compared to 2.3 percent of women. Thus, in general, although not completely absent, the ultra poor is a tiny segment of the West Bank's microfinance portfolio.

Poverty and low income

While three-quarters of UNRWA's microfinance clients and their households in the West Bank live above the national poverty line of NIS 12.29 per person per day, most live on relatively low incomes that leave them susceptible to descent into poverty in the advent of economic shocks or instability that could affect their business, employment or households. A very fine line separates poor from low-income persons, such that many families — especially those nearest to the margins — may move in and out of poverty over time, often quite rapidly, due to cyclical changes in business, household income or expenditure flows. Such changes may be structural, such as loss of employment or long-term contraction of business markets, or seasonal.

Most business income is subject to seasonal variation due to changing demand for products and services at different times of the year. For example, demand for goods in the clothing sector peaks at the start of spring/summer and autumn/winter seasons when order books are more likely to be full and staff fully deployed. Income is highest at this time, but tappers off between seasons as orders decline and extra staff are shed.

Similarly, in low-income households, earnings are often squeezed by increasing expenditures at the start of the school year as children have to be clothed and equipped to return to school. Low-income households are regularly financially stressed during the winter as fuel and heating costs account for more of the family budget, which may also be pinched by increased healthcare costs expended to deal with regular bouts of winter illness affecting various members of the family. In worse case situations, low-income households are especially financially stressed when serious or long-term illness of a family member incurs significant medical care and costs, which may need the family to balance psychologically draining and emotionally charged choices between the care of a loved-one and the well-being of the family, which can very easily result in the family falling into hardship.

Thus, although low-income clients and households are not poor, they are unlikely to have sufficient savings and resources to buffer them from income shocks, or business and family emergencies. Low-income households remain close to the economic margins with livelihoods and ways of living that are often very similar to the poor. As the most common category of clients in the West Bank, they are the most important target segment for the outreach of UNRWA's microfinance products.

The Palestine scorecard has used a factor of one-and-a-half and double the national poverty line to determine the potential scale of low-income clients and households. Thus, two-thirds of clients in the West Bank and their households have incomes of less than 200 percent of the national poverty line and live on an income of less than

NIS 24.58 per person per day, while half of all clients and their households in the West Bank have incomes of less than 150 percent of the national poverty line in Palestine where they live on an income of less than NIS 18.44 per person per day.

Low-income rates by branch and region

Branch	200 percent of the Palestine national poverty line	150 percent of the Palestine national poverty line
Nablus	65%	48%
Tulkarm	73%	59%
Jenin	70%	54%
Qalqilya	76%	59%
Ramallah	51%	34%
Bethlehem	62%	44%
Hebron	71%	54%

Low-income clients predominate in the loan portfolio in every branch office and district. As with the general pattern of the distribution of poverty, low-income households are most common at the Qalqilya, Tulkarem, Jenin, and Hebron areas. Thus, more than three-quarters of clients and their households in Qalqilya live on an income of less than twice the national poverty line, compared to 73 percent in Tulkarm, 71 percent in Hebron, 70 percent in Jenin, 65 percent in Nablus, 62 percent in Bethlehem, and finally 51 percent of clients in Ramallah.

Although no longer overarching, this trend recurs with clients living on an income of less than under 150 percent of the national poverty line, or NIS 18.44 per person per day, with 59 percent of clients in Qalqilya and Tulkarm living below this level, compared to 54 percent in both Jenin and Hebron, 48 percent in Nablus, 44 percent in Bethlehem, and 34 percent in Ramallah.

Moreover, family size has a significant impact on the allocation of household income, with larger households tending towards lower per capita incomes. Thus, the West Bank data show that the ratio of clients with an income of less than twice the national poverty line generally grows as family size increases. The main exception to this is in households of 2-3 persons when compared to single member households in the West Bank.

Upper low-income rates by household size and branch office

Household size (no. of persons)	West Bank branch offices 200 percent of the Palestine national poverty line						
	Nablus	Tulkarm	Jenin	Qalqilya	Ramallah	Bethlehem	Hebron
1	46%	-	34%	58%	0.0%	-	43%
2-3	42%	33%	32%	50%	27%	28%	51%
4-5	56%	71%	63%	78%	50%	59%	70%
6-7	69%	75%	77%	77%	58%	74%	75%
8-9	68%	82%	86%	87%	63%	79%	81%
10+	88%	89%	85%	90%	84%	78%	91%

Using the metric of double the national poverty line, with the exceptions of Hebron and Qalqilya, most clients in 1-3 persons households are not low-incomed, although over a quarter to two-fifths are. In all regions, most clients in 4-5 person households survive on low incomes with half to four-fifths of households falling into the upper low-income category. Correspondingly, the vast majority of households with more than five members live on low income, reaching 78 to 91 percent of households with 10 or more members, with Tulkarm, Qalqilya and Hebron depicting the highest incidence of low income in large families.

Lower low-income rates by household size and branch office

Household size (no. of persons)	West Bank branch offices 150 Percent of the Palestine national poverty line						
	Nablus	Tulkarm	Jenin	Qalqilya	Ramallah	Bethlehem	Hebron
1	26%	-	20%	29%	0.0%	-	27%
2-3	23%	17%	17%	26%	14%	15%	26%
4-5	36%	54%	43%	61%	32%	40%	55%
6-7	50%	55%	64%	61%	37%	53%	58%
8-9	51%	68%	72%	76%	45%	58%	64%
10+	76%	80%	73%	79%	72%	59%	81%

With the exception Qalqilya, Hebron and Tulkarm that majority of clients in 1-5 person households live above 150 percent of the national poverty line of NIS 18.44 per person per day. However, using this lower metric, once households reach over five members then the majority of client households tend to be low-income. In households with 10 or more members, low-income households account 80 percent of such client households Hebron and Tulkarm. Ramallah has the lowest incidence of low-income clients by this metric, with such clients in a minority until the household reaches 10 or more members. The prevalence of low-income households arrives sooner at 4-5 member households in Qalqilya, Hebron and Tulkarm, beginning at 6-7 person households in Nablus, Jenin and Bethlehem.

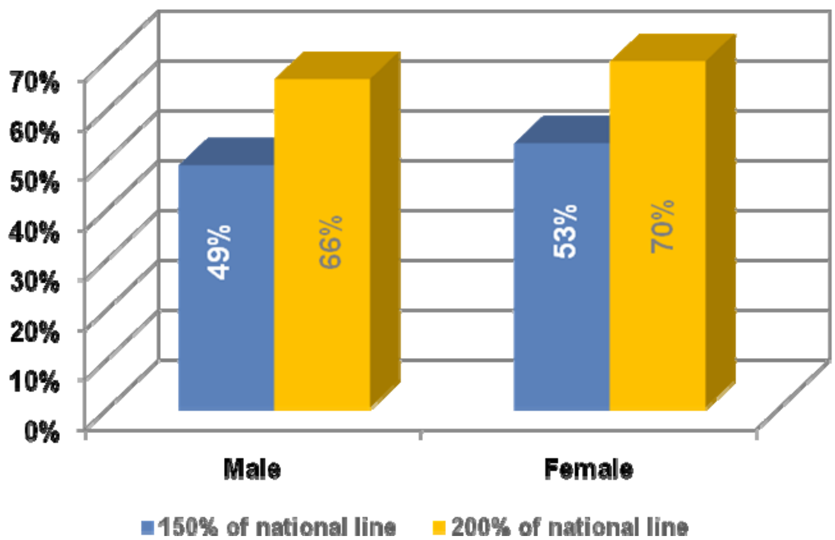
Moreover, there is a high ratio of low-income clients across all lending products, but highest among clients with WHC loans. Thus, at the smaller low-income metric of one-and-a-half times the per capita daily income of the national poverty line, 61 percent of WHC clients and their households lived on such resources, compared to 51 percent of clients with consumer loans and 46 percent of microenterprise loan clients. Moreover, at the higher low-income metric of double the Palestine national poverty line, low income-clients predominate, with 77 percent of WHC clients living on resources below this level, compared to 68 percent of CLP clients and 63 percent of MEC clients and their households who live on a daily per capita income of NIS 24.58.

Low-income rates by loan products

Product	200 percent of the national poverty line	150 percent of the national poverty line
MEC	63%	46%
CLP	68%	51%
WHC	77%	61%

The majority of male and female clients and their households lived on low-incomes, when measured by the upper low-income metric of double the Palestine national poverty line. But there is a small gap in the incidence of low-income between men and women, with 70 percent of women and their households compared to 66 percent of men living on less than NIS 24.58 per person per day. The low-income gap between men and women is similar when we use the lower low-income metric of 150 percent of the national poverty line, with 53 percent of women clients and their households, compared to 49 percent of men and their households, living on an income of less than NIS 18.44 per person per day.

Low-income rates by gender



When considering UNRWA's microfinance products in relation to gender and low-income, there is significant variance between gender among the different loan products. Men with both microenterprise loans (MEC) and consumer loans are more likely to be poor than women clients. Thus, among clients with MEC loans, 64 percent of men and their households live on an income of less than NIS 25.84 per person per day, compared to 52 percent of women. The same pattern is repeated for the lower low-income rate for clients with MEC loans, with 47 percent of men, compared 35 percent of women, living on an income of less than 150 percent of the national poverty line. However, both men and women with MEC loans are less subject to low-incomes than clients with other loan products.

Low income rates by products and gender

Loan product	200% of the Palestine national poverty line		150% of the Palestine national poverty line	
	Male	Female	Male	Female
MEC	64%	52%	47%	35%
CLP	68%	65%	51%	48%
WHC	-	77%	-	61%

With the consumer lending product (CLP), males continue have a higher incidence of low-income than women clients. Although there is a much smaller gender gap, with 68 percent of men compared to 65 percent of women living on an income of less than double the national poverty line, while 51 percent of men compared to 48 percent of women and their households had a per capita income of less than 150 percent of the national poverty line.

Women's low-income is especially pronounced among clients with the women-only WHC product, where 77 percent of women and their households live on an income of less than 200 percent of the national poverty line, while 61 percent live on an income of less than 150 percent of the national poverty line.

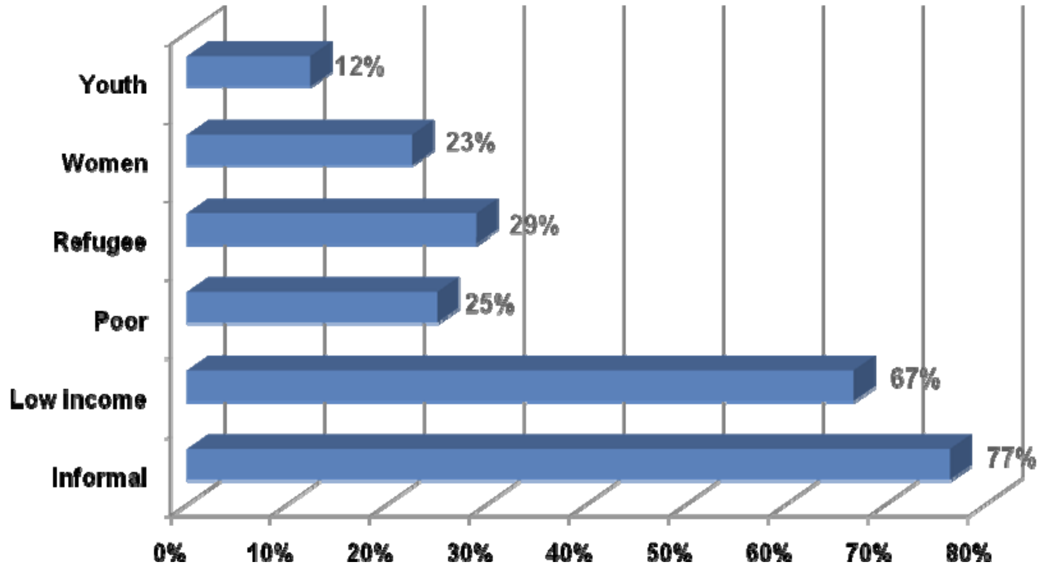
Thus, the data derived from this survey shows that the majority of clients are either poor or living in low incomes, with just over two-thirds of clients and their households living on an income less that NIS 25.84 per person per day. This is also inclusive of quarter of all clients and their households who live below the Palestine poverty line of NIS 12.29 per person per day. This indicates a fairly high programmatic outreach to poor and low-income clients in the West Bank.

Policy Implications

The social mission of the microfinance department has been developed within the context of the Eastern Mediterranean region, in Palestine, Jordan and Syria. While each region is socially diverse they have some common economic characteristics, these include; relatively low women's labour force participation rates, extremely high levels of youth unemployment, a large public sector, a significant scale of informality with a preponderance of microenterprises, a developing private sector, and widespread poverty among sections of the population, especially those living in the countryside. These common characteristics directly affect the socio-economic conditions of client households, which the microfinance attempts to address and ameliorate through its microfinance interventions, while measuring the outcomes of these interventions through social indicators.

From the strategic planning and policy perspective, it should be understood that poverty alleviation is only one aspect of the social performance framework of the department, and only one of a number of indicators used to judge the success of the social performance management (SPM) of its social mission as a social enterprise. Thus, through this current study, for the first time the department was able to produce poverty and low-income rates to complement the other social indictors and ratios of outreach to social targets in the West Bank. Thus, the overall social indicator profile of the department's microfinance outreach in 2010 and the beginning of 2011 is depicted below.

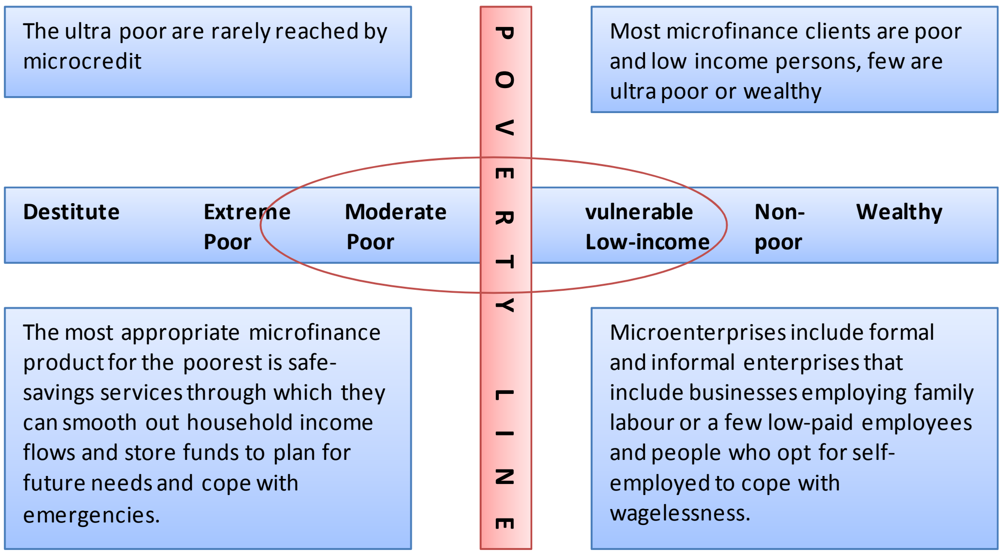
Social Indicators in the West Bank 2010-2011



In the West Bank, in 2010, the department financed 9,146 loans valued at USD 15.18 million, with 77 percent of businesses loans financing enterprises in the informal sector, 69 percent of loans financed low-income clients, 29 percent of financing was provided to Palestine refugees, with 25 percent of loans financing poor clients. Moreover, 23 percent of financing went to women microentrepreneurs, workers and householders, while 12 percent of loans went to youth between 18-24 years of age. As there is significant overlap between each indicator, they show that the MD is achieving significant breadth of outreach as well as reaching quite deep into marginal socio-economic segments, with significant ratios to the most marginal microenterprise, low-income clients, refugees, the poor and women. The social indicators for youth is less extensive in its outreach, but it is targeting more deeply into the most marginal economic strata, which the department will continue to enhance through improved marketing and product development.

It should be clear that the department's microfinance services, although having a pro-poor focus, do not have a solely pro-poor orientation, i.e. they are not primarily aimed at poor people, even if poverty alleviation is a key objective. Rather, the typical microfinance clients of most microfinance institutions compose a mixture of extremely and moderately poor persons, i.e. those living below the subsistence and national poverty lines, as well as vulnerable persons on low incomes that live above the poverty line. Thus, microfinance normally reaches the entrepreneurial and working poor, as well as low-income clients.

The diagram below depicts the typical outreach framework of many microfinance institutions, who reach out chiefly to both the poor and those on low-income, or those clustered round the poverty line. This is the ideal outreach model which the department seeks to replicate. Low-income people, i.e. those living on with resources of less than twice the income of the national poverty line, are susceptible to descent into poverty, and they are a key target of the programme. Moreover, the ultra poor are less able to benefit from microcredit, as the types of microfinance services that they require are more likely to be provided through safe-saving and micro-insurance services. Such non-credit products can help poor families smooth out household income flows through planning and saving for the future needs, while providing a financial safety net in times of crisis. Thus, the department's approach to poverty alleviation through credit is undertaken with a joint focus on the poor and low-incomed.



In Palestine, especially in the West Bank context, it must be noted that although poverty is quite widespread, the depth and scale of poverty does not compare with Africa or southern Asia, or with parts of Latin America and the Caribbean. As incomes are much higher than in these regions, poverty is generally measured against a higher expenditure, if not consumption, metric. Thus, as the regional per capita income is relatively high, very few persons fall below the poverty level of USD 1 per person per day that is used to measure countries' progress toward achieving Goal One of the UN Millennium Development Goals (MDGs); to eradicate extreme poverty and hunger by halving the proportion of the population living on less than USD 1 per person per day by 2015. Consequently, the pro-poor orientation of the programme has limited ability to affect the achievement of the poverty MDG, as the programme is providing services to a group of poor who are already beyond this level of poverty, e.g. in the current study and the sister-study on Gaza, only a tenth-of-one-percent of clients and their households lived on an income of less than USD 1.25 per capita per day, making the programme's outreach to the ultra poor statistically insignificant. However, the programme still provides financial services to the poor, but few to the ultra poor who may have no desire or ability to create self-employment, nor the knack to run a tiny microenterprise.[15]

[15] The best way to provide inclusive microfinance services to the ultra poor and those living in extreme poverty is through safe-savings services. The department has already designed savings products for poor households, but is currently unable to offer this service in Palestine due to legislative prohibitions preventing microfinance institutions providing savings services. UNRWA, together with other microfinance institutions and stakeholders

The loan portfolio of the department in the West Bank is widely dispersed across all the main urban centres through its eight branch offices in Nablus, Jenin, Tulkarm, Qalqilya, Ramallah, Jericho, Bethlehem and Hebron.

There is currently no district level data available on poverty rates in the West Bank in 2010, although the Palestinian Central Bureau of Statistics estimated that the individual poverty rate in the West Bank, based on monthly household consumption was 18 percent, with 9 percent of individuals living in deep poverty.[16] Thus, in this context, the poverty outreach of the programme can be viewed as relatively successful, with 25 percent of its clients and their households living under the national poverty line, compared to 18 percent for the general population. Thus, the programme's outreach to the poor is above the general rate for the West Bank in Qalqilya (33%), Tulkarm (30%) Nablus (29%), Hebron (29%), Jenin (28%) and Bethlehem (20%), with only Ramallah (14%) falling below this rate.

While, the programme will continue to intensify its outreach to social targets, such as refugees, gender, youth, informals and microenterprise, the pro-poor objective of the programme can be enhanced through an increased orientation of its outreach toward geographic diversification into the poorest areas and growing the portfolio of women clients. Further outreach to women will increase the pro-poor orientation of the department's social performance framework as it is distinctly clear from the current study that credit to women, especially through the women-only WHC product, reaches more poor people than loans to men, although the MEC and CLP products have the ability to reach both poor men and women. Thus, to reach more poor people the department will intensify microcredit to women, primarily through the WHC product, but also through the MEC and CLP loans.

Although the current study was not designed to provide evidence to support this conjecture, there are good grounds to believe that credit for youth, particularly young women, will also have a positive pro-poor impact. With the highest rates of unemployment in the West Bank being among young people, who face economic marginality and exclusion, the provision of microfinance services to increasing numbers of youth will reach more marginal microentrepreneurs and householders. Future surveys, using the scorecard, will attempt to test this assumption and indicate the share of poor youth in the loan portfolio.

As the programme continues to work with the poverty scorecard in Palestine, the information provided through the routine collection of data will provide a resource through which the department will be able to broaden outreach to the poor by developing new loan products and improving existing products to better suit the needs of poor clients.

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continues to advocate with the Palestinian authority for the introduction of a new regulatory framework to safe-saving products for the poor and unbanked.

[16] PCBS also indicated the high incidence of social assistance provided through the PA and agencies like UNRWA reduced the incidence of poverty in the West Bank by 11 percent.