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MICROFINANCE, YOUTH AND CONFLICT: WEST BANK STUDY

microREPORT #41



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MICROFINANCE YOUTH AND CONFLICT: WEST BANK STUDY

Accelerated Microenterprise Advancement Project (AMAP) Financial Services

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ABBREVIATIONS AND ACRONYMS

AMAP	Accelerated Microenterprise Advancement Program	PARC	Palestinian Agricultural Relief Committees
ACAD	Arab Center for Agricultural Development	PCBS	Palestinian Central Bureau of Statistics
ANERA	America Near East Refugee Aid	PDF	Palestinian Development Fund
ASALA	The Palestinian Businesswomen's Association	PNA	Palestinian National Authority
CHF	Cooperative Housing Foundation	PRA	Participatory Rapid Appraisal
EQUIP3	Education Quality Improvement Program	RoSCA	Rotating Savings and Credit Association
FATEN	Palestine for Credit and Development	UNCDF	United Nations Capital Development Fund
FGD	Focus Group Discussion	UNRWA	The United Nations Relief and Works Agency for Palestine Refugees in the Near East
MFI	Microfinance Institution	YMCA	The Young Men's Christian Association
NGO	Nongovernmental Organization	YSO	Youth-Serving Organization

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EXECUTIVE SUMMARY

This study on Microfinance, Youth and Conflict in the West Bank is part of the Microfinance, Youth and Conflict research initiative under the USAID-funded Accelerated Microenterprise Advancement Program (AMAP) Financial Services Knowledge Generation Task Order #1 and the USAID-funded EQUIP3 (Education Quality Improvement Program) mechanism¹. This research initiative is a partnership between Chemonics, Education Development Center, Inc., and USAID's Offices of Microenterprise Development and Education, and represents an important collaboration between youth and microfinance specialists. The primary objective is to collect information on current practices and opportunities for microfinance with youth in conflict-affected areas. The results of this initiative are intended to provide guidance to donors and practitioners for making sound decisions for youth and microfinance programming in conflict-affected areas.

The West Bank study, conducted from April 30 to May 13, 2005, is the second country case study completed. The West Bank was chosen as a case study location because it offers a unique context in which to examine the impact of conflict on employment for youth, the supply and demand for finance, and the roles of microfinance institutions (MFIs), youth-serving organizations (YSOs), families, and other entities in meeting the demand.

Given the variety of institutions engaged in both microfinance and youth programs and activities in the West Bank, two teams were fielded. One team was composed of youth experts and the other of microfinance experts. The teams conducted individual interviews and focus groups with MFI managers and loan officers, YSO staff, youth

¹ EQUIP3 is a Leader with Associates award mechanism that responds to requests from USAID Country Missions or Regional Bureaus for assistance in the development of programming to prepare and engage out of school children, youth and young adults for their roles within the world of work, civil society and family life.

and adult clients of MFIs, and concerned adults and youth. Some of the primary research questions the teams sought to address are the following:

- What do we currently know about youth and enterprise development in general? What are common issues and how are they best addressed?
- How should traditional enterprise development programs be adjusted for working with youth in addition to, as well as differently than adults?
- How is working with youth affected by conflict and/or at risk of being involved in conflict different from working with youth in general? What program adaptations have to be made to work with this group?
- What types of entrepreneurial training and apprenticeship programs are appropriate for youth groups at risk of being involved in conflict? Are there differences by age group or by gender? In what ways do various conflict-inducing factors (unemployment, poverty, political disenfranchisement) impact youth differently?
- In what ways do MFIs serve youth with loans and deposits? Are special products or efforts needed to attract youth affected by conflict and/or at risk of being affected by conflict?

To gather the necessary data, the teams used modified MicroSave tools, including focus groups discussions (FGDs) and focus groups with participatory rapid appraisal (PRA) tools. The MicroSave tools included Focus Groups with Guidelines, Sources of Capital Matrices, Youth Needs and Sources Matrices, Sources of Start-up Capital Matrices, Sources of Start-up and Expansion Capital Matrices, the Journey, and a Mobility/Activity Drawing.

FINDINGS

The term “youth” for the research teams was defined as 15 to 24 years old. However, the researchers found that in the West Bank context, “youth” is loosely defined as being from 14 to 30 years old, mirroring cultural expectations and political realities. Youth are seen as unmarried people, and the economic reality of the West Bank precludes early marriages.

At the household level, Palestinian youth are important contributors to the economic survival of their families – with both young men and women pursuing a number of livelihood strategies. Most of these strategies involve short-term informal sector work, including petty trading, small-scale agricultural production, and handicrafts and light manufacturing. For both young men and young women, self-

employment provides “small earnings” and has the advantages of low barriers to entry, flexibility in terms of time commitments, and is available even during crises.

The key findings on the supply side of microfinance to youth include:

- The supply of microfinance to youth is modest.
- MFIs do not actively market to youth and, in fact, do not see youth as a separate market.
- Their criteria for lending are based on the business and not on the age of the person running it.
- MFIs avoid financing start-up businesses, preferring to lend to existing businesses seeking to expand, which are deemed less risky.
- There are few if any adaptations of microfinance products to youth, and the same is true of non-financial services.
- Savings are not offered by MFIs due to regulatory constraints.

In the West Bank, YSOs are not actively engaged in providing microfinance services for youth. The YSOs in this study do not provide loans. Many young people in the West Bank (and Gaza) are linked to a range of community-based YSOs that provide programming in the areas of recreation, health, continuing education, vocational training, entrepreneurship training, and other livelihood development programming. These YSOs are both governmental and nongovernmental and are active in both rural and urban areas, as well as in refugee camps.

The key findings on the demand side involve a number of interrelated factors that influence the economic activities youth are already engaged in or are contemplating, including:

- The need for start-up and/or operating capital;
- The need for business development services, such as training, coaching, mentorship;
- The current and/or potential role of families, YSOs and MFIs in meeting some of these needs; and
- The impact of overarching themes, such as gender, conflict and educational pathways on young peoples’ decision-making.

The case study presents these findings with respect to youth’s demand for capital and sources of capital:

- Youth need and want capital. However, their capital needs are as much for consumption (i.e. family support or education) as for business.
- Microfinance is perceived as a source of capital only by youth who already have access to it. Microfinance is not on the “radar” of most youth.
- For girls, the most important source of start-up capital is grants from their family, while rotating savings and credit associations (RoSCAs) place second. A girl’s third most important source is to sell produce on commission, followed by obtaining grants in the form of physical assets, the “family box”² and savings.
- For boys, the family is the most important source of capital, followed by inheritance, a boy’s own labor, savings from temporary work, and rental income from part of his apartment.
- Youth do not perceive YSOs as a source of capital.

In terms of the demand for non-financial services among youth, the key findings are:

- Youth need a package of practice-based experiential learning opportunities (versus stand-alone training), access to mentoring and support structures, and access to finance, including savings and credit (although not necessarily via MF providers).
- When looking at the holistic needs of youth vis-à-vis small business development, it is essential to consider non-financial themes, such as building personal skills. “Self-reliance” ranked as the most important variable for a successful business for youth. “Ideas” ranked slightly above “financial capital” as second and third place, respectively.
- Youth recognize the key role of adults in providing training, guidance and monitoring.

The issue of conflict permeates all facets of economic livelihood development. Young people are cognizant of the difficulties of working in the current environment. They express a need for peace

² A “family box” is an informal, family-based fund into which members of an extended family older than a certain age make monthly contributions. The fund provides interest-free loans to family members for education fees, to build their own house, emergency situations or to start a business without interest.

and stability, recognizing the limitations on self-employment opportunities as long as broader issues of conflict are not resolved.

KEY PROGRAMMING CONSIDERATIONS

This study reflects the reality that significant economic development is not likely to occur in the West Bank under the current conditions of occupation, lack of access to the Israeli labor market, and extensive barriers to trade and commerce. Microfinance is unlikely to have a major impact on youth employment or conflict. Even so, there are programming recommendations that can be gleaned from this research and applicable to this context, and broader recommendations that may be applicable in other conflict and post-conflict regions.

First, more analysis is needed on youth clients. MFIs can deepen their knowledge on the extent and quality of microfinance to youth by analyzing loan information. Indicators such as percentage of active loans to youth, percentage of the portfolio to youth, average size of loans to youth, repayment and delinquency rates, and number and size of savings accounts owned by youth, can be calculated and monitored.

MFIs can conduct demand studies with youth, using the qualitative tools used in this case study, or others that are appropriate. Based on these results, managers can adapt or develop products that are youth-friendly, and can use entrepreneurial youth for feedback on product design. Youth-friendly microfinance products could encompass small, short-term consumption loans, educational loans, and/or loans with flexible repayment periods. As noted in this study, “youth” is a diverse group, and demand studies can be carefully designed to highlight this diversity. What is appropriate to one age/gender/geographic group of youth may not be appropriate for another. Donors can support demand studies and ask the relevant questions when reviewing proposals based on these studies.

MFIs and YSOs can participate in pre-microfinance training activities for youth to prepare them for microfinance services at a later stage. Training activities could involve financial literacy training, formation of RoSCAs, business development services, networking and personal skills development. Promoting savings in informal groups such as RoSCAs is appropriate at most ages and part of most cultures. YSOs can match the savings that the RoSCAs accumulate, and then allow the RoSCAs to utilize the savings, plus the match, in business activities that would allow the participants to experiment and learn. Links could be established between MFIs and YSOs on a pilot basis, such that loan officers help YSO staff to prepare youth for microfinance. MFIs should not have to sacrifice financial sustainability to offer services to youth. Donors should be careful in the design of programs for MFIs, to ensure that financial sustainability is not compromised.

Helping MFIs mobilize savings would be a positive contribution for youth enterprise development. A regulatory environment conducive to MFI expansion, would allow institutions to offer savings services to

their clientele, including youth. Activities and interventions can be developed to encourage youth to save in regulated banking institutions or regulated credit and savings cooperatives even in the absence of regulated MFIs. Alternative collateral arrangements for MFIs need to be explored, for youth in particular.

Supporting MFIs with technical assistance and access to loan capital is an effective way to increase microfinance to youth. As MFI portfolios grow, the number of youth benefiting from the MFI services may grow in proportion.

Non-financial activities can be promoted to engage youth, improve their business skills, and prepare them for future access to financial capital for their businesses. Youth need access to easy entry/low barrier jobs, which require limited investment of capital, time and skills. Youth also need flexibility in employment so they can attend school. They need support from their families and communities in these endeavors.

Donors and practitioners can provide support for community and family businesses, apprenticeships for youths to others with business skills in the community, and coaching to follow-up on training of business skills. Job fairs for youth, mentoring programs, and work/school combinations are possible pilot ideas. Young people are looking for ways to develop talents in the arts, applied design, computer programming and other high value-added skill sets. To support these aspirations, new higher education options can be developed within polytechnic colleges and feeder programs to these colleges at the high school level. The Open University model, characterized by multiple entry points, flexible course loads, and reasonable fees, is a good example of how to offer higher education based on young peoples' needs and realities.

Youth are realistic about their need for ongoing support from the important adults in their lives. Focus group findings signal that youth are looking, though, for a new kind of adult youth partnership - one in which adults are less in the "just do as I say" advice-giving mode, and more in the role of non-judgmental coach and sounding board. Young entrepreneurs understand the need to take risks, make mistakes and develop hard-won practical skills. They are looking for accompaniment from trusted adults within their extended family and immediate community, and believe that this will require mutual respect and flexibility on both parts to be successful. YSOs can be a positive foundation for such models of accompanied livelihood development. YSOs can use tools such as those developed during this study to better understand the needs and aspirations of the young people they seek to serve.

An explicit goal of this research initiative was explore the important but not well-understood components of young Palestinians' lives, such as the process by which they contribute to and benefit from the livelihood strategies of their households, and how finance facilitates

the process³. This research initiative also sought to reach out to the most diverse range of youth respondents possible, based on age, gender, rural/urban, and employment status. As a result, the field researchers were able to document the ideas, beliefs, perceptions and practices of a wide spectrum of young people, youth-serving and microfinance professionals, and adults concerned about youth. The researchers hope that the results will serve to improve the programming for this valuable population as well as feed the database of information to further the general research on Youth, Microfinance and Conflict.

³ West Bank study Scope of Work.

INTRODUCTION

OVERVIEW OF THE RESEARCH INITIATIVE

This study on Microfinance, Youth and Conflict in the West Bank is part of the Microfinance, Youth and Conflict research initiative under the USAID-funded Accelerated Microenterprise Advancement Program (AMAP) Financial Services Knowledge Generation Task Order #1 and the USAID-funded EQUIP3 (Education Quality Improvement Program) mechanism. This research initiative is a partnership between Chemonics, Education Development Center, Inc., and USAID's Offices of Microenterprise Development and Education, and represents an important collaboration between youth and microfinance specialists. The primary objective of the research initiative is to collect information on current practices and opportunities for enterprise development, specifically microfinance, with youth in conflict-affected areas. The results are intended to provide guidance to donors and practitioners for making sound decisions for youth and microfinance programming in conflict-affected areas. The intended audience for this case study is: (i) USAID field missions; (ii) USAID/USG offices; and (iii) development practitioners, such as staff of microfinance institutions (MFIs), relief organizations, and youth-serving organizations (YSOs).

In developing countries and other regions where formal job opportunities are few, enterprise development in both the informal and formal sectors is an outlet for energy and creativity as well as a potential source of job creation. Microfinance, a proven enterprise development intervention, is often used in conflict-affected areas where the rationale is to provide people with alternatives to violence and to address the problems, such as poverty, that exacerbate conflict. However, there are still questions as to whether it is the best intervention for youth in a conflict environment. The Microfinance, Youth and Conflict research contributes to clarifying these issues.

The Microfinance, Youth and Conflict research has been underway since March 2004. To date, accomplishments include:

- A literature review of material on the intersection of microfinance, youth and conflict, and a concept paper based on this review;

- The first virtual conference held on the microLINKS.org website and a published summary of the findings;
- An electronic survey of MFIs serving youth and of YSOs, looking at the range of issues involved in serving youth with enterprise development and microfinance in conflict environments, and;
- A study on central Uganda.

The review of literature and the virtual conference contributed to forming some hypotheses about the intersection between youth, microfinance and conflict⁴. The electronic survey of MFIs and YSOs and the fieldwork in both Uganda and the West Bank were then designed to test these hypotheses. Qualitative tools for doing so were adapted from MicroSave's tools for microfinance research as well as from tools utilized by youth researchers for testing with youth and in conflict situations. These tools include the survey questionnaire, focus group discussions (FGDs) using guidelines, and participatory rapid appraisal (PRA) tools.

The following documents are the result of this research and will be available on the www.microLINKS.org and www.equip123.net websites:

- microREPORT: Serving Youth with Microfinance: Perspectives of MFIs and YSOs. This microReport analyzes the results of the survey questionnaire responses from around the world to better understand the supply-side perspective on key issues relating to the overall Microfinance, Youth and Conflict research initiative.
- microREPORT: Microfinance, Youth and Conflict: Central Uganda Case Study. This microReport discusses research findings from the first case study in Kampala, Uganda.
- microREPORT: Microfinance, Youth and Conflict: Guidelines for Research using Qualitative Tools. This microReport describes the qualitative tools that were adapted or developed for use in the case studies in Uganda and the West Bank.
- microREPORT: This comprehensive final report for the Microfinance, Youth, and Conflict research provides a synthesis of the findings from all investigations conducted during the initiative. It contains a broad checklist for donors and service providers for making initial program decisions regarding microfinance services to youth in conflict areas. The report distills information from the Uganda and West Bank

⁴ See www.microLINKS.org for microNOTE on Microfinance, Youth and Conflict: Emerging Lessons and Remaining Issues.

case studies, the survey on MFIs and YSOs, with contributions from ongoing efforts by other agencies to compare lessons between conflict and non-conflict areas.

BACKGROUND OF THE WEST BANK STUDY

- The West Bank was chosen as a research site because it offers a unique context in which to examine the impact of conflict on employment for youth, the supply and demand for microfinance, and the roles of MFIs, YSOs, families, and other entities in meeting the demand. The geographic scope of the case study originally included both of the Occupied Palestinian Territories, Gaza as well as the West Bank. However, due to problems of access, Gaza was eliminated from the research. The case study was conducted from April 30 - May 13, 2005.
- The West Bank, with a population of 2.3 million, has been under Israeli occupation since 1957. The Palestinian Territories have representation but no vote in the United Nations. The economic development of the Territories has been severely restricted by the occupation, the growth and expansion of Israeli settlements, and by sporadic violent conflict with Israel. Negotiations to determine the permanent status of the West Bank and Gaza have been significantly affected by the second intifada (uprising), called the *Al Aqsa intifada*, which began in 2000. Since then, the number of Palestinian workers employed in Israel and in Palestinian businesses in the West Bank has declined, creating an increasingly impoverished and radicalized population⁵. Since 2001, 120,000 people in the Territories have lost jobs, and unemployment has reached 28.6%⁶. During the second intifada, over 60% of households lost more than half of their income, and currently 63% of the population lives below the poverty line. Sixty-six percent (66%) of Palestinians receive some form of economic assistance or aid⁷.
- More than half of the West Bank and Gaza's population is below the age of 20, and young people between the ages of 15 to 24 years account for almost 33% of the total population (or approximately one million individuals). Youth represent the majority of direct combatants in the struggle against Israeli occupation. Approximately 66% of injuries reported in 2000-2001 were among young combatants between 18 to 24 years of age⁸. This age group is significantly affected by the recurring conflict and ongoing military occupation. There is no dimension of young peoples' social, economic and cultural lives that has not been touched by conflict⁹.

⁵ CIA World Fact Book.

⁶ Palestinian Central Bureau of Statistics. *Youth Facts and Figures*, 2001.

⁷ Ibid.

⁸ Jozoor Microfinance, 2004.

⁹ PCBS op. cit., and Birzeit University, *Barriers to Education Fact Sheet*, April 2005.

- When one first hears the phrase “Palestinian youth” – especially in a case study about Youth, Microfinance and Conflict – an image of stone-throwing young people and suicide bombers may come to mind. This image is simplistic, as it ignores the complexity of life for young people in the West Bank: the ways in which youth are affected by the conflict and the ways in which they cope. The image further ignores the great diversity among young Palestinians, in terms of economic status, religious practice, rural/urban living, political activity, and cultural and family life. This study hopes to broaden the readers’ perspectives on Palestinian youth by exploring their employment strategies.

HYPOTHESES AND METHODOLOGY FOR THE WEST BANK STUDY

The researchers tested the working hypotheses (see Box 1) developed for the study during the field visit. These hypotheses were intended to assess the status of demand for microfinance from youth and identify gaps between supply and demand for the microfinance services for youth.

Two teams were fielded to the West Bank. One team was composed of youth experts and the other of microfinance experts. Each team included one Palestinian and one non-Palestinian. The youth team collected information from YSO staff, adult community members and youth. The microfinance team collected information from MFI staff and both youth and adult clients of MFIs. The teams operated independently but held frequent debriefings.

BOX 1: HYPOTHESIS

- Youth require a holistic approach
- Microfinance with youth is prevalent and possible. Microfinance institutions and youth-serving programs can serve youth with microfinance
- Age and gender cohorts matter in providing effective microfinance (credit) to youth, however, savings services are age- and gender-neutral

In total, 203 people participated in nineteen focus groups conducted by both teams during the fieldwork. A total of thirteen focus groups were held with youth participants and six with adults. Summary tables for the focus groups are provided below. Some groups were conducted as focus group discussions, with a written guideline, while other focus groups used PRA tools. Information from additional individual interviews with microfinance practitioners, ministry representatives, and YSO staff, was used to triangulate the findings from the focus groups.

TABLE 1: SUMMARY OF YOUTH FOCUS GROUPS CONDUCTED

ID NO. OF GROUP	GROUP PROFILE	GROUP LOCATION	TOOL USED	MALE	FEMALE	TOTAL NO. OF PARTICIPANTS
MICROFINANCE TEAM FOCUS GROUPS						
MF13	Young women clients	Jenin	Sources of Start-up Capital Matrix	0	13	13
MF14	Youth (mixed) clients	Jenin	Sources of Start-up Capital Matrix	4	1	5
YOUTH TEAM FOCUS GROUPS						
Y2	Youth (male and female)	Birzeit	Focus Group Discussion	6	8	14
Y3	Youth (female)	Kobar	Success Ranking PRA	17	0	17
Y5	Youth (male and female)	Nablus	Start-up capital PRA	4	3	7
Y7	Youth (male and female)	Hebron	Sources of Capital	4	10	14
Y8	Young women	Dora	Success ranking	0	14	14
Y9	Young adults	Bethlehem	Success ranking	1	8	9
Y10	Youth (male and female)	Bethlehem	Success ranking	9	11	20
Y11	Youth (female)	Jenin	Success ranking	0	8	8
Y12	Youth (male and female)	Silt Aldaher	Sources of Capital	5	4	9
Y13	Youth (male)	Rantiz	Focus Group Discussion	0	24	24
Totals				72	98	170

TABLE 2: SUMMARY OF ADULT FOCUS GROUPS CONDUCTED

ID NO. OF GROUP	GROUP PROFILE	GROUP LOCATION	TOOL USED	MALE	FEMALE	TOTAL NO. OF PARTICIPANTS
MICROFINANCE TEAM FOCUS GROUPS						
MF10	Adult MF clients	Nablus	Focus Group Discussion	0	5	5
MF11	Adult MF clients	Nablus	Youth Needs and Sources Matrix	0	7	7
MF12	Loan Officers	Nablus	Focus Group Discussion	4	3	7
MF15	Loan Officers	Ramallah	Sources of Capital: Start-up and Expansion Matrix	4	0	4

TABLE 2: SUMMARY OF ADULT FOCUS GROUPS CONDUCTED (CONTINUED)

ID NO. OF GROUP	GROUP PROFILE	GROUP LOCATION	TOOL USED	MALE	FEMALE	TOTAL NO. OF PARTICIPANTS
YOUTH TEAM FOCUS GROUPS						
Y1	YSO staff	Ramallah	Focus Group Discussion	1	4	5
Y4	Adult community members (male and female)	Nablus	Success Ranking PRA	8	8	16
Y6	YSO staff	Nablus	Focus Group Discussion	3	2	5
Totals				12	21	33

(Note: The body of this document contains quotes from participants in the case study. Since each interview and focus group was designated a letter (Y for the youth team and MF for the microfinance team), and numbered consecutively, this designation is used in the text to identify the focus groups from which each quote was taken.)

METHODOLOGICAL LIMITATIONS AND CHALLENGES

Several methodological and logistical challenges occurred while conducting the study, which should be kept in mind when reading the research findings and for donors and practitioners when planning future research studies:

- All team members had difficulties with the numerous Israeli checkpoints (military barriers), which caused time delays and mental stress.
- Since Palestinian researchers trained in using qualitative tools and the newly developed PRA tools, specifically, were virtually non-existent, the local researchers were trained on using the study tools in a full-day session before fieldwork began. As MicroSave tools are generally taught in a one- to two-week training workshop, the training was not comprehensive. However, both Palestinian researchers had prior experience in focus groups and were able to quickly grasp the techniques.
- The biggest difficulty with the tools was in the translation. Neither of the two non-Palestinian researchers spoke Arabic. Consequently, the Palestinian researchers were obliged to translate and take notes during the sessions, which impeded the conversation flow and reduced the amount of data collected in the form of notes.
- The number of focus groups conducted by the microfinance team was not extensive, and thus, the data should be interpreted with caution.
- The researchers were dependent on the MFIs and YSOs to organize groups. These institutions had little advance notice to

do this and therefore, some groups did not fully meet the criteria requested by the researchers.

- The focus group discussions conducted with youth included young men and women from a range of backgrounds. It is important to note that they did not in any systematic way involve young people from militia organizations or mosque-based youth programs, both of which work with large numbers of youth in the West Bank. This is because the local consultants who helped organize this case study did not have wide contacts within these settings. In addition, the teams felt it would be difficult to introduce non-Palestinian researchers into these environments during an initial short-term mission.

FINDINGS

This section presents the findings from the research. It bears noting that the definition of youth that was presented to participants was the United Nations definition: “people from 15 to 24 years old.” This definition was “tested” during the fieldwork by soliciting informants’ own opinions as to its accuracy in the West Bank context. During the research, policy makers, MFI and YSO practitioners and youth themselves defined the term “youth” as people of around 15 to 30 years, which is closer to the Arab League definition of youth as being up to 35 years of age. This age grouping may be correlated with the marital status of the person. By the age of 30, most people are married with children and are responsible for supporting their families and are no longer defined as youth.

MICROFINANCE INSTITUTIONS

Due to the ongoing conflict in the area, a large number of donor-supported nongovernmental organizations (NGOs) have emerged. Those that implement microfinance activities are termed “microfinance institutions” for this study. The majority of MFIs run integrated programs including credit and economic or community development activities. None of the MFIs offer savings accounts due to regulatory constraints. A Palestinian microfinance network is active in promoting best practice microfinance; however, the difficult environment, characterized by violence and lack of economic opportunities, has made best practice an ideal rather than a reality. The legal environment is not conducive to recovering defaulted loans through legal enforcement. The term “microfinance” in the Palestinian context bears some scrutiny. Since the standard of living is higher in the Palestinian Territories than in the average developing country, the loan amounts tend to be much higher, with many institutions offering loans of up to US \$30,000 to microentrepreneurs.

The largest and most recognized MFIs in the West Bank include:

- American Near East Refugee Aid (ANERA);
- Arab Center for Agricultural Development (ACAD);
- Cooperative Housing Foundation (CHF);
- Palestinian Agricultural Relief Committees (PARC);
- Palestine for Credit and Development (FATEN);

- Palestinian Development Fund (PDF);
- The Palestinian Businesswomen’s Association (ASALA);
- The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA);
- The Young Men’s Christian Association (YMCA).

MFI outreach and market coverage is limited. As of 2003, the United Nations Capital Development Fund (UNCDF) and Sanabel, the Arab MFI Network, estimated that the number of borrowers reached by MFIs (excluding commercial banks) in Palestine was approximately 18,000, a coverage rate of only 10% of the potential market¹⁰. At the end of 2003, the combined portfolio for all programs was estimated at US \$7 million.

YOUTH-SERVING ORGANIZATIONS

Many young people in the West Bank (and Gaza) are linked to a range of community-based YSOs that provide programming in the areas of recreation, health, continuing education, vocational training, entrepreneurship training, and other livelihood development programming. These YSOs are both governmental and nongovernmental and are active in both rural and urban areas as well as in refugee camps. Some offer co-educational services, but many reflect the prevailing practice of same-sex programming found in most Palestinian public schools. The German and Japanese governments have invested in the repair and renovation of existing youth centers, along with the construction of new youth centers, and the Spanish government has begun to finance the provision of recreation, leadership development and health promotion services in these centers. The Palestinian Authorities’ Ministry of Youth and Sport has also invested resources in a chain of youth clubs throughout the Territories, although these clubs often lack operating funds and vary widely in the quality of infrastructure available. There seems to be a genuine understanding of the importance of youth, as captured in the preface to the Palestinian Central Bureau of Statistics’ (PCBS) 2001 publication *Palestinian Youth: Facts and Figures*:

“They (young men) could go to jail and not pay their loan, therefore the loan officers do not want to lend to them.”
 -- MF 12

“Youth form an important and distinguished social sector because of their strength and vitality, and they are a power that cannot be ignored since they are a pillar of the future.”

The household is still a principal economic mainstay of the Palestinian economy, with the PCBS reporting in May 2003, that “the Palestinian economy is mainly constituted of small and medium establishments

¹⁰ UNCDF calculates the microfinance market as 40% of those people under the poverty line plus an additional 20% of those above but still close to the poverty line. From “Microfinance in the Arab States: Building Inclusive Financial Sectors,” published in 2004.

which are categorized under the household sector... [with] 90% of the Palestinian enterprises classified under the household sector.”¹¹

“Before marriage a woman doesn’t have to worry about income. Her family supports her.” -- MF 10

SUPPLY OF MICROFINANCE TO YOUTH¹²

According to MFI managers and loan officers, the percentage of loans to youth (15 – 24 years) falls in the 15 – 25% range of the total portfolio for most MFIs. This is lower than the 33% of the population aged 15 – 24 years. MFIs do not actively market to youth and, in fact, do not see youth as a separate market. Their criteria for lending are based on the business and not on the age of the person running it. Therefore, their criteria for youth businesses are the same as their criteria for adult businesses: experience in the business, ability to contribute capital, and a guarantor with a direct deposit paycheck to a commercial bank. Business start-ups, whether run by adults or by youth, were viewed as risky by many MFIs and are usually only financed if the applicant had prior experience in the type of business. There were no loan products that specifically were adapted to youth. A small number of MFIs, such as UNRWA and FATEN, have started to offer consumption loans for youth due to perceived demand, but the product is too new to evaluate.

The supply of microfinance for youth is limited due to several reasons. One reason is the perceived higher risk of youth, and young men in particular. This is partly due to the fact that the Israeli occupation limits the mobility and access to markets of youth and young men. Young unmarried men are more likely to be arrested than married men or women of any age due to Israeli policies.

Cultural perceptions also play a part. Adults believe that youth are irresponsible and more rebellious, although young women are perceived as being more responsible than young men.

An additional factor is the perception among MFI staff regarding the lack of demand for microfinance by youth. Most microfinance practitioners were of the opinion that young people from 14 - 18 years old are studying and not working full-time, and therefore do not need credit. This contradicts the findings of the youth team, who found considerable evidence of young people engaged in employment/self employment activities, while studying at both the high school and university/college levels. In rural areas, the percentage of youth between the ages of 14 - 18 years who are working is higher than in urban areas, regardless of marital status¹³.

Legal issues constrain lending to youth under 18. An identification card is necessary to sign loan documents and these cards are not issued to

¹¹ “Enterprises classified under the household sector” refers to home-based and/or family-operated enterprises.

¹² While the researchers were as interested in savings as in credit for youth, the fact is that MFIs cannot offer savings. For this reason, the MFI participants focused their remarks on lending.

¹³ While it may appear from the above discussion that MFIs avoid serving youth due to risks, it should be noted that MFIs do not monitor their repayment rates by age group.

those under 18. Collateral issues play a part in restricting lending to youth. Due to a legal environment that makes enforcing contracts difficult and costly, MFIs as well as commercial banks require guarantors with direct deposit paychecks, usually civil servants. Overall demand for microfinance loans is constrained by this requirement since the number of civil servants in the West Bank is limited.

Finally, regulatory restrictions prevent MFIs from offering savings accounts. Some MFIs use a group lending methodology with a forced savings component. The savings are either re-lent immediately by the group itself and/or deposited in a commercial bank account in the group's name.

The majority of MFI managers believed that youth needed more than microfinance services alone. These needs included training in (i) management, (ii) technical assistance in the product or service being sold, in finding markets in and marketing the business, and (iii) information technology. Some managers proposed providing youth with a packaged product (i.e. credit with other forms of non-financial support), while others suggested collaborating with vocational schools to provide non-financial services. It is not clear if these opinions were based on actual feedback from youth or were their assumptions about what youth need. Some MFIs do offer non-financial services, but these services are not specifically directed to nor adapted for youth.

With respect to the conflict in the West Bank, MFIs were forced to either reduce or completely shut down operations during the intifada. The typical response of MFIs during the four years of the recent intifada was to restrict activities to areas without violence, decrease lending and loan sizes, limit risk by concentrating on their best clients, and increase repayment pressure. These MFI survival strategies may have directly and/or indirectly affected youth access to microfinance.

DEMAND FOR MICROFINANCE AND OTHER NON-FINANCIAL SERVICES AMONG YOUTH?

The purpose of this section is to analyze youth's demand for microfinance and other non-financial services and needs. The focus group questions centered on: (i) the economic activities in which youth are current engaged and the use of the income that they earn (such as economic contributions to the household), (ii) sources of capital among youth, (iii) the demand for capital versus for other enterprise needs, (iv) the current and/or potential role of families, YSOs, and MFIs in meeting some of these needs, and (v) the influence of overarching themes such as gender, conflict and educational pathways on young people's decision-making. The findings described below were generated from focus groups with youth, adults, and YSO staff conducted by both the microfinance and the youth teams.

One young woman from Kobar village spoke about her own pathway to small business success. She reported that she started at first by selling eggs and cheese to her neighbors, and then used the money from this work to begin to buy clothes in Ramallah and then re-sell them in her village. Next she opened up a small store in her village, where she could still sell eggs and cheese, some clothes and other products. -- Y3

“It is good to have a flexible business that fits with school work and home tasks but still produces some small income.” -- Y13



DEMAND FOR CAPITAL

The first step to analyzing the demand for finance among youth is to understand the economic activities in which they are currently engaged and the uses for the money they earn. The results collected from across the FGDs show that youth engage in a broad range of economic activities. There is a consistent clustering around a number of common activities of employment/self employment (shown in Figure 1)¹⁴. The majority of the activities are short-term and in the informal sector, including petty trading, small-scale agricultural and livestock production, handicrafts and light manufacturing, such as carpentry. Youth engage in temporary work on government employment schemes or intensive day labor in stone-cutting quarries or in agriculture. Their reliance on informal, short-term sources of income is consistent with the overall survival strategies of poor families (and not just youth) in the West Bank. A World Bank report entitled “Deep Palestinian Poverty In the Midst of Economic Crisis” reports that most of the poor in the West Bank are “working poor” who “have less stable jobs and earn less due to their lower education.” The report states that “nearly half (48%) of the working poor work only sporadically, compared to one-third (30%) of other workers.”

Another area of broad concurrence across all FGDs is that many young people are pursuing self-employment pathways, rather than wage labor, to meet their economic needs. For both young men and young women, self-employment provides “small earnings” and has the advantages of low barriers to entry, flexibility in terms of time commitments, and is continuously available even during crises¹⁵.

Some young people spoke about increasing income by running more than one business, or by trading up to a larger business. Participants in 10 of 13 focus groups emphasized that they were looking to earn relatively small amounts of income while trying to finish school, take a

¹⁴ Note that, due to time constraints, there was no attempt made to disaggregate girls’ self-employment activities from boys’ activities, although this is a valid area of future research on the West Bank where work-related gender roles are prevalent.

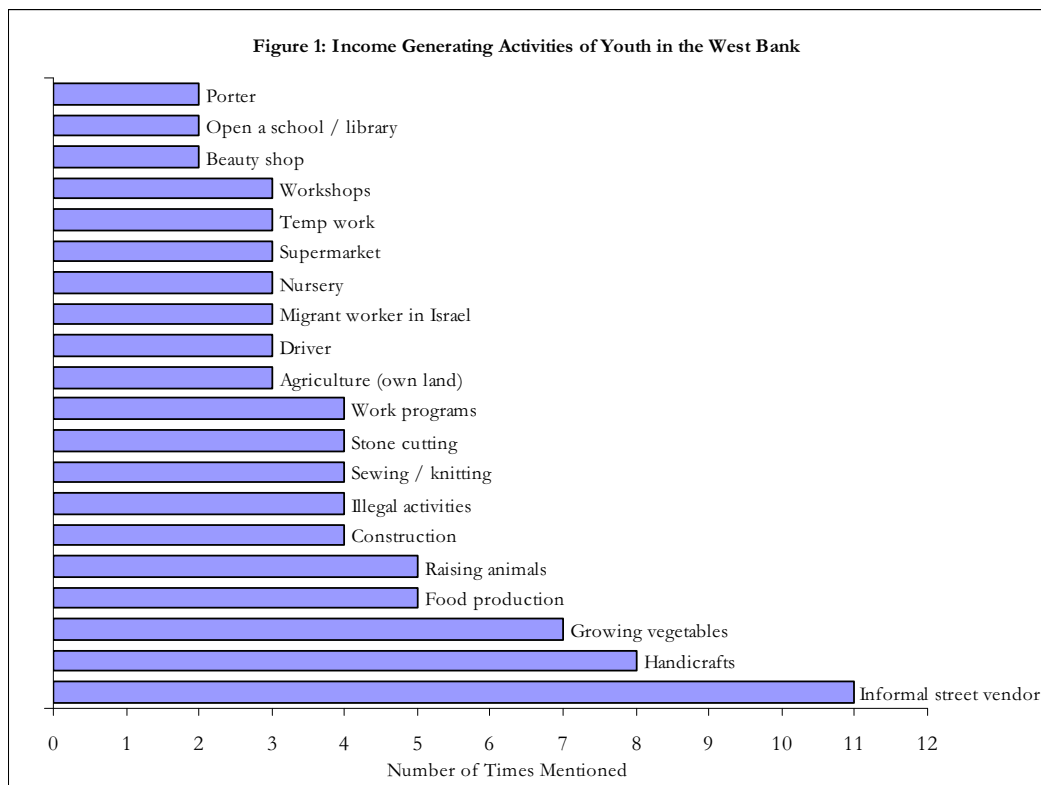
¹⁵ Y10, male 19 years old.

A male participant spoke eloquently about the pressures he faces to pursue a livelihood pathway that meets the immediate needs of his family: “I am the only person in my family who can work. My father is dead, my brother was killed and my sister is in jail.”
-- Y11 Jenin, 21 years old

technical training course, look for a job, or save money to start a “real business.”¹⁶ This is consistent with the finding in other countries that, while only 20-30% of youth may aspire to be life-long entrepreneurs as their primary livelihood pathway, the remainder see part- or full-time employment/self employment work (mostly in the informal sector) as a viable short-term route to cultivating their broader livelihood capabilities and assets (human, financial, social, physical) while searching for better, formal employment and/or continuing education¹⁷.

This kind of informal work in the West Bank is not always easy and can often be exploitive. Young people report that “Youth who go to work with adults get treated badly by owners... Youth are so hungry for work that owners exploit them by giving them heavy or hard work,” (Y10), and “...if you get a government job [on an employment creation scheme] you have to give a percentage of your salary to the person who gets you the job” (Y11).

The research found that Palestinian youth, both male and female, are important contributors to the economic survival of their families. In



nine out of thirteen focus groups, participants (both youth and adults) agreed that youth use their money to help support their families. In four of the focus groups, participants mentioned that youth sometimes drop out of school in order to work to support their families. In some cases,

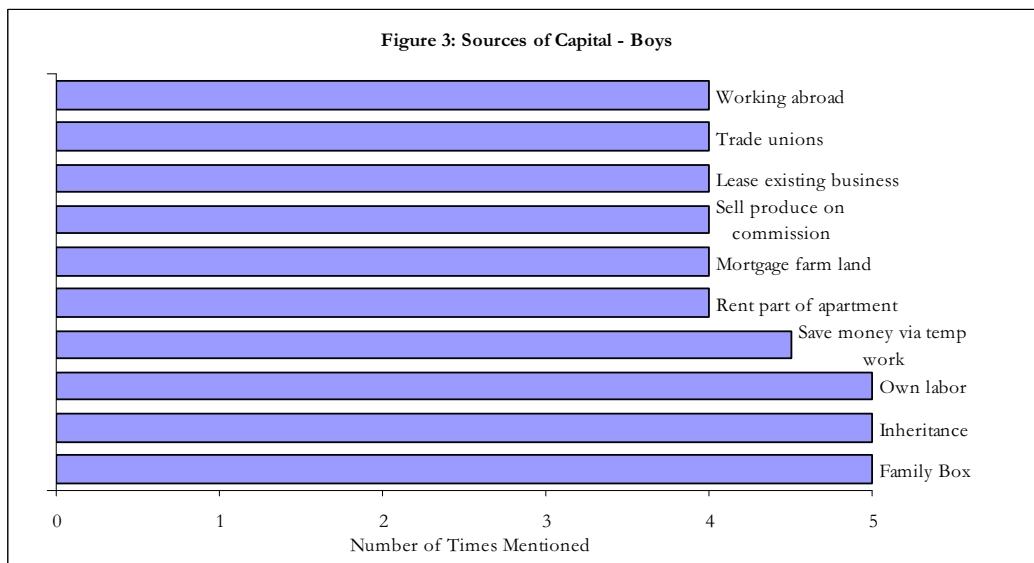
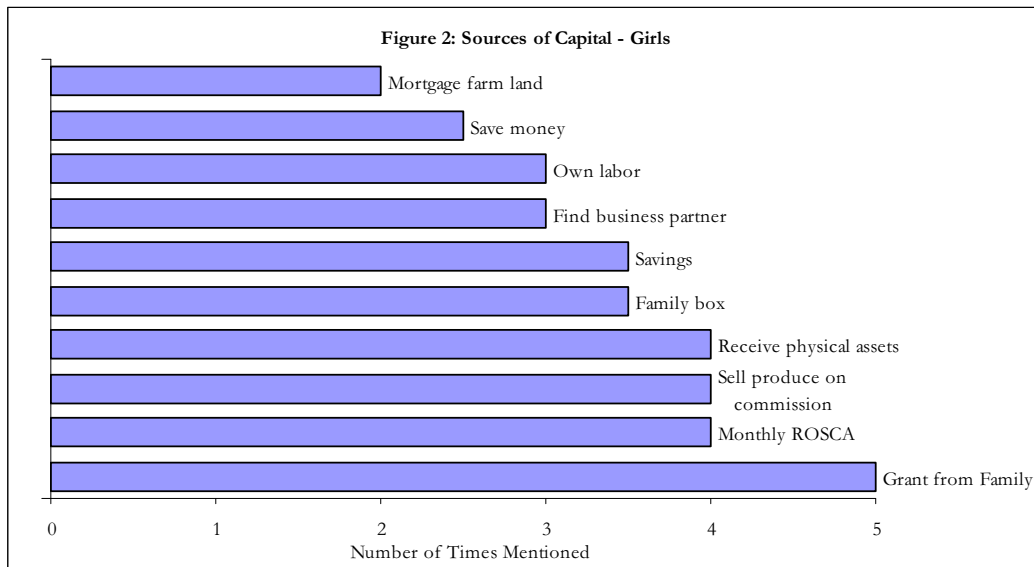
¹⁶ Y9, male 24 years old.

¹⁷ See work on Sustainable Livelihoods by DFID and UNDP.

youth also take on lead responsibility when older household members are incapacitated due to illness or injury (sometimes resulting from the occupation/intifada), or when older siblings and adult breadwinners are arrested. Youth also use their income for personal expenses, such as education and to invest in their economic activities.

The second step in analyzing the demand among youth for microfinance is to understand how youth currently access capital.

The youth research team conducted three focus groups comprising 30 participants using the Sources of Capital PRA tool. The three groups identified sources of capital for both boys and girls. The sources were ranked by importance. The tables below represent the participants' perceptions on the importance of each source of capital, disaggregated by gender¹⁸. As shown in Figure 2 and 3 below, these participants perceived that young men and young women met their start-up capital needs from diverse sources:



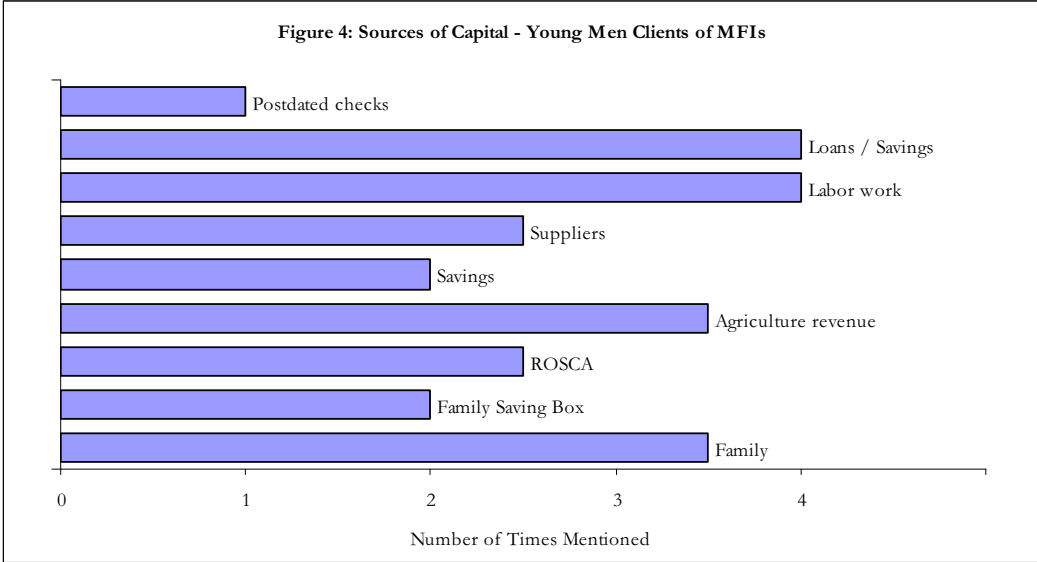
“Without my father and his help I could find nothing to start from.” -- MF 14

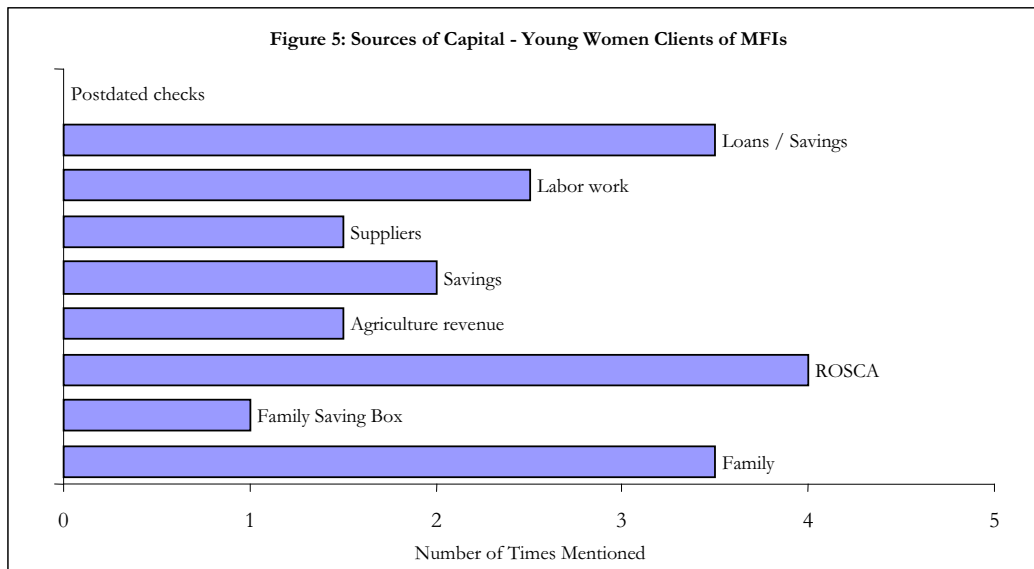
Grants from families were the primary source of capital for girls, followed by rotating savings and credit associations (RoSCAs). A girl’s third most important source of capital was selling produce on commission, followed by obtaining grants in the form of physical assets, the “family box” (see Box 2) and savings. For boys, the sources were slightly different. In the three youth groups, the family box was ranked most important, followed by inheritance, a boy’s own labor, savings from temporary work, and rental income from part of his apartment.

BOX 2: THE FAMILY BOX – AN INFORMAL SAVINGS MECHANISM
 A participant in the MF 13 group described the “family box” this way: “All members of the big family older than 16 put 10 shekels/ month (about \$2.35) into a fund that lends at no interest to people to cover education fees, build their own house, emergency situations or start their business.”

In these same three focus groups, bank loans were mentioned as a source of capital, but its importance was ranked very low for boys and lower yet for girls. Loans from MFIs were not mentioned.

The microfinance team also held two focus groups with young clients of MFIs. In compiling the results from these two groups, the use of loans for start-up capital was ranked higher by both the young men and women than by the non-client group. However, microfinance was still ranked lower than other capital sources, such as family and RoSCAs, for youth. Since these were the only groups held with young clients of MFIs, it is difficult to extrapolate on microfinance as a source of start-up capital. Still, these findings illustrate that microfinance loans are perceived as important to those youth that manage to meet the legal and collateral requirements of MFIs. The charts indicating the results for these two groups are found below:





The RoSCAs ranked important to both genders, but young women gained multiple benefits from belonging to them, including access to social capital as well as financial capital¹⁹. One 19 year old woman in Hebron commented, “Girls use Jama’ayat (RoSCA) differently than boys. For girls, it is a social time and a way to meet and help each other. Boys are busy and have other places to meet, so Jama’ayat is not so important” (Y7). A young woman in Nablus said, “RoSCAs work for young women in villages because they (businesses) can be done with small amounts of money, you do not have to leave the village to do it, and with them girls can cover small costs easily. RoSCAs also provides girls with private money to buy personal needs” (Y5 female, 19 years old). Another gender difference that surfaced was the particular fear of risk among women when taking out a loan. One participant described this as follows: “Loans are always less important for women because they are risky. But for boys they can take loans because if their project is not a success they can find paid work to cover the loan” (Y5).

Six out of thirteen focus groups mentioned that young women in rural areas had advantages over young women in cities when it came to self-employment options. The advantages were a wider access to income-generating activities and the ability to stretch their money further. “Women in the city who are working cannot save money because they have to cover so many family costs. In the villages women can save more even after they cover family expenses” (Y5). Although this was mentioned in passing in two focus groups, young women in cities were perceived to have better traditional employment options.

¹⁹ Social capital in this context refers to the value of networks that people can draw on to solve common problems.

A focus group with loan officers was conducted using a ranking exercise to elicit their opinions on sources of both start-up capital and expansion capital for youth²⁰. The loan officers asserted that the family was the most important source of capital among youth for start-up businesses, while MFIs were the most important source for expansion capital. The results, shown in Table 3, should be interpreted with caution, given (i) loan officers' innate bias towards MFIs, (ii) these are loan officer perceptions and not those of youth, and (iii) only one focus group was conducted with loan officers (MF15). Note that the loan officers mentioned sources that were not mentioned in the youth focus groups (Figures 2 and 3). Nonetheless, both loan officers and youth, agreed on the importance of the family in helping youth get started in business.

TABLE 3: LOAN OFFICER PERCEPTIONS OF CAPITAL SOURCES FOR YOUTH

STARTUP CAPITAL:	RANK	EXPANSION CAPITAL:	RANK
Local family	1	MFIs	1
MFIs	2	Banks	2
Friends	3	Savings	3
Banks	4	Suppliers	4
Partnerships	5	Friends	5
Savings	6	Out of Country Family	6
Out of Country Family	7	Local Family	7
Donations	8	Partnerships	8
		Donations	9

In the two focus groups with loan officers and individual interviews held, microfinance practitioners emphasized that families' savings were depleted by the intifada and the economic environment was not conducive to business start-ups. This might affect a family's willingness to invest in a young family member's start-up business and may reduce access to youths' most important source of capital (family savings).

The range of options used by youth, especially the selling of belongings (girls) and mortgaging farmland (boys) is consistent with The World Bank's research on how households are coping with the current economic crisis through the sale of assets. "In the early months of the crisis [second intifada], the vast majority of the poor (94%) reduced their expenditures. Nevertheless, they also relied heavily on drawing down savings and selling jewelry as strategies to partially compensate for their reduced income."²¹

²⁰ An additional FGD was done without a PRA tool.

²¹ World Bank and PCBS, *Deep Palestinian Poverty in the Midst of Economic Crisis*, October 2004.



The fieldwork confirms that youth need and want capital, and employment is one way of obtaining it. Their capital needs are as much for consumption (i.e. family support or education) as for business. Youth also need flexible employment strategies that fit around their other activities, such as education. Microfinance is perceived as a source of capital only by youth who already have access to it. It is not on the “radar” of most youth. Bank loans, on the other hand, are on the radar of youth, but the importance of bank loans is negated because they are inaccessible due to collateral constraints. Also, youth do not perceive YSOs as a source of capital.

DEMAND FOR PEACE AND STABILITY

The research investigated the demand for non-capital needs of youth. One strongly articulated need was for peace and stability in order for economic development to occur.

“We try to be independent in starting businesses but this is a bad situation here, it is hard. Our group would have had more success before the intifada.” -- Y11

Young people were cognizant of the difficulties of working in the current environment. They expressed a need for peace and stability, recognizing the limitations on self-employment opportunities as long as broader issues of conflict are not resolved.

One common finding was that most school graduates, especially at the university level, found it was very difficult to find work in the areas in which they had studied. This was expressed in eight out of 12 of the youth focus groups as well as four microfinance focus groups. Young people, who graduated as engineers, doctors, and in many other professions, reported that they were not able to find work in their area of training, and must take on whatever temporary work they can find. For example, the influx of cheap Chinese and Turkish imports, especially shoes and textiles, has badly affected Palestinian businesses that cannot compete in terms of price. According to participants in some focus groups, this situation has exacerbated youth unemployment.

Young women in five focus groups mentioned that they faced barriers to employment in their area of education, but these barriers were often due to societal restrictions on the extent to which women are able to work outside the home in public mixed gender settings such as offices, stores, and marketplaces. The intifada pushed women into the

workforce, since men who previously worked in Israel had lost those jobs according to one focus group participant (MF10).

Despite the inability to find work in one's career, education remains an expressed priority of Palestinian youth and their families. In the 2003 Youth Survey, 60% of respondents said education was their first concern²². In four focus groups, participants spoke of the difficulty of paying for education. Many focus group participants said that one of the reasons they worked was to help pay for educational expenses – either direct, such as fees and materials, or indirect, such as the purchase of clothing or for transportation. Some youth work during school breaks, such as in the summer, but often the work occurs after school hours. This commitment to education is an investment in the future, for a time when peace and stability return to the West Bank and the economic situation improves.

BOX 3: BARRIERS TO MOBILITY AND MARKETS

“The checkpoints block trade and no one has a large enough market” Y2.

“Our village is often blocked as a punishment for any small activity” Y13.

“I cannot always receive feed for my chickens. Prices go up when there are closures” Y13.

“We survive on daily trade; we have gone back to primitive trade in small areas” Y2.

“We are kept on reservations like American Indians” Y2.

Allowing participants to speak openly about the ways in which the current conflict in the West Bank impacts their economic coping strategies was very important for the researchers in order to establish trust with FGD participants and gain a richer understanding of young peoples' day to day decision-making and views of future pathways. Youth reported being severely impacted by the combination of the occupation/intifada, along with the internal barriers to travel caused by check-points, closures, military obstacles, the pattern of settlements and by-pass roads, and the recent construction of a complex series of walls and fences almost universally referred to as “The Wall.”²³

Focus group participants spoke at length about five major impacts to both employment and self-employment pathways:

- **Loss of employment opportunities in Israel**

One common theme in FGDs with both youth and adult respondents was the impact of the ongoing road closures on young peoples'

²² PCBS, Youth Survey 2003, Main Findings, 2004.

²³ See the UN Office for the Coordination of Humanitarian Affairs (OCHA) The West Bank Wall: Humanitarian Status Report, July 2003.

“The Israelis now only allow those over 40 to get a work permit. If you are young they will only give you a permit if you agree to spy on youth in the village” -- Y13, 35 years old

“Seven years ago she took her first loan to do sewing. She had a workshop and machines and employees. After the intifada started, there was no business, she sold her machines and laid-off employees. Her clients could not pay her and she ran out of cash.” -- MF 11.

“People cannot always pay on time. It took two years to recover the money from chicken sales after the intifada came.” -- Y13, 35 years old

employment opportunities²⁴. Youth reported that they had previously been able to find employment (both day labor and regular employment) in Israel. They spoke about working on farms and in the service and light manufacturing industries. The common finding across nearly all the FGDs was that access to work in Israel had been dramatically reduced since the second *intifada*²⁵.

- **Loss of Land/Water Rights**

The impacts of the current conflict and long history of occupation/annexation and confiscation of land are especially acute in rural areas. Many villages visited during this study spoke about the significant loss of land over the past decades. In the village of Rantiz, leaders reported losing 90% of village land in 1948 and additional land in 1967. Focus group participants spoke about the loss of some of the remaining 10% of historical village lands due to the construction of The Wall, which is occurring in sight of the village. This loss of land theme was repeated in other FGs.

The question of water rights also came up in more than one FGD as an example of how the agricultural sector is or can be hampered even when access to land is not restricted or curtailed. Although land itself has not been confiscated for the use of settlements in many villages, controls have been put in place by Israeli authorities limiting use of wells and pumps to extract additional water for irrigation. Both the loss of land and curtailed water rights has had a significant impact on self-employment in the agricultural sector.

- **Barriers to mobility**

Young participants in the FGDs described how current Israeli checkpoints and related systems of passes and permits have had a significant impact on their mobility, access to markets, and entrepreneurial spirit, and place a large burden on employment/self-employment strategies. The immobility had led to a sense of hopelessness in some villages and left many villages with severely reduced populations of working age young men, who have emigrated out of the rural areas or out of the country. “Any village on the road to somewhere has a chance to start small businesses. Our village is on the way to nowhere,” (Y13). However, there is also a general spirit of perseverance and determination. One young entrepreneur in a village often impacted by punitive closures commented ironically about one of his five or six enterprises, beekeeping: “Bees are good [business] because they ignore checkpoints” (Y13).

²⁴ A closure can be permanent or temporary. Palestinians are rarely told of the reasons for closures, and are unable to plan for them.

²⁵ The World Bank reports: “Nearly 40% of the unemployed were previously working in Israel or in Israeli settlements. For many of these, closures and cancellation of working permits have made them unable to reach their employers, thus resulting in the loss of their jobs.” World Bank and PCBS, *Deep Palestinian Poverty in the Midst of Economic Crisis*, October 2004.

“Sometimes it seems that the Israelis make it easier for youth to leave to Europe or America [versus get a local work permit] so they will not help build our country. We must change this.” -- Y13

- **Overall Depressed Economy**

When one speaks of “readying” youth for self-employment options, one must take into consideration the broader economic realities faced by all self-employed people in a given community or territory. Despite recent upturns in economic activity since the gradual rapprochement between the Israelis and the Palestinian National Authority (PNA), the Palestinian economy is deteriorating, especially in rural communities and cities like Jenin most impacted by conflict. In four focus groups, participants articulated that the occupation has negatively affected job prospects for youth.

- **Pressure to Leave**

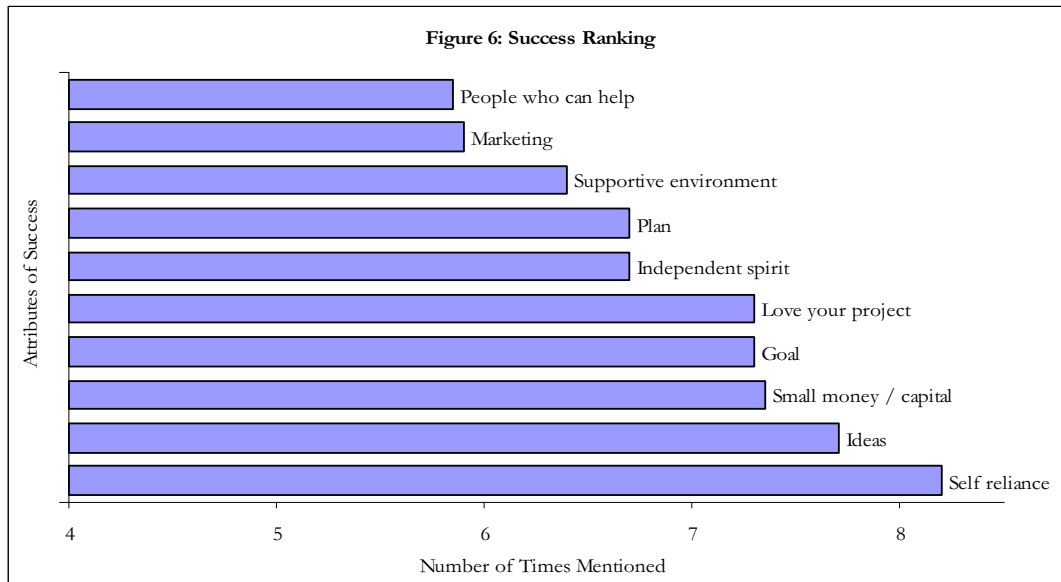
A common theme across many FGDs was the pressure many young people, both university graduates and school leavers, face to emigrate out of the West Bank in search of work opportunities in the Gulf, Europe or the United States.

Changes in the economic situation of the West Bank have led to some new business opportunities, although many others have been lost. Young people interviewed were both optimistic and hopeful about a more peaceful future yet realistic about the challenges they still face in an era where conflict still pervades most aspects of daily life.

DEMAND FOR SUPPORT SERVICES

This section presents findings and analysis on the need for non-financial or support services among youth. During the fieldwork, the youth team used FGs with a PRA tool called Success Ranking Matrix. This tool allowed participants to discuss the different elements it takes to run any kind of business in their communities. Next, the group collectively ranked responses from “most important” to “least important” to running a successful business. When deciding whether to offer microfinance services to youth, it is helpful to determine where access to capital falls on their sense of priorities and how it fits with other development needs. This will facilitate a more holistic view of the needs of youth.

The results from interviews with 84 participants in seven focus groups using a Success Ranking PRA tool highlighted the importance that youth place on several variables that affect the success of a business. Figure 6 captures a number of key findings related to readiness and access.



“Self-reliance” ranked as the most important variable for a successful business, closely followed by “ideas,” which ranked slightly above “financial capital.” The concept of “self-reliance,” for focus group participants, meant relying initially on themselves for solutions, before asking for help. Youth participants felt that in this way they could make decisions and not have decisions imposed upon them by adults. “Ideas” referred to the business concept. While some groups felt that ideas were more important than capital, others felt the reverse. Two groups’ differing opinions are mirrored in the text box to the left:

“The capital is not the first thing, it is the idea. The capital makes the project begin, but the idea attracts the capital” --Y8.

“If I have all of these things and do not have money, I will not succeed.” --Y4.

The Ranking results show that capital is one of several inputs youth feel they need to be successful. Capital by itself is insufficient for success. This illustrates that youth demand a holistic approach to enterprise development.

There was rich discussion in most of the focus groups with youth on the importance of personal qualities, such as determination or self-reliance (See Figure 6). The two qualities, which consistently ranked in the top five requirements for a successful business, were “an independent spirit” and “self-reliance.” Terms, such as “perseverance,” “determination,” and “responsibility,” was used interchangeably to convey these qualities.

There was considerable discussion on the relative importance of “formal training” versus “gaining practical experience through learning by doing.” Since so many YSOs emphasize the importance of training programs for youth, and often equate holistic services with training, it was interesting to find that youth may not share these priorities. Indeed “training” did not even make the top 10 list compiled through the Success Ranking PRA tool (See Figure 6). Training was mentioned in only two focus groups. In seven out of thirteen groups conducted by the youth team, participants indicated that youth need practical experience, not more training.

One large FG of adults and youth in the village of Rantiz summarized successful businesses with the following 8 pieces of advice to young entrepreneurs (Y13):

- ***Start small***
- ***Have a flexible business (one that can survive crisis and change)***
- ***Use local resources***
- ***Avoid large start-up costs***
- ***Have multiple markets (local, external)***
- ***Make it hard to lose the initial capital (survive shocks)***
- ***Make it future looking (plant fig trees, which bear fruit in 3 -5 years)***
- ***Allow for steady growth each year (re-investing some earnings)***

A range of relationships and partnerships with adults in the community support young people growing up in the West Bank. Most youth in the West Bank and Gaza live within extended family households, which serve as the center of social, community and economic life. A survey of Palestinian Youth carried out in 2003 by the Palestinian Central Bureau of Statistics found that 76.6% of the youth interviewed reported, “their home is the place in which they spend their free time.”²⁶

Youth recognized the key role of adults as more than just providing financial support. This is reflected in the results from the Success Ranking tool under “supportive environment” and “people who can help.” Young FGD participants spoke in detail about their need to feel capable and self-reliant, while conserving the option to ask for help and coaching when needed. Youth further demand respect and the opportunity to make mistakes.

Family members provide training, guidance, and monitoring. Families also anchor their children in the communities. Adults in focus groups expressed a strong interest in providing economic opportunities for their youth so they would not have to leave home in search of employment. Loan officers agreed about the importance of the family. MFI staff believes that microfinance with youth is more successful if the family is involved, for example, if the family has approved the loan.

Adult respondents tended to focus more on what youth needed from them and less on the competencies and independence of youth. This indicates a need for more dialogue between the two groups about the business needs of youth. Overall, the average weighted rank of both an “independent spirit” and a “supportive environment” were very close and consistently appeared in the top 10 key factors of success.

While most youth belonged to a youth-serving organization, YSOs were not generally perceived to be key supporters or especially involved in youth livelihood development for many of the youth interviewed. Those YSOs offering vocational or entrepreneurship training were often viewed as lacking in follow-up services that effectively support young people in succeeding at self-employment. According to youth, consistent support and coaching seems to be missing. Moreover, youth are clearly expressing that business skills are better acquired through practical exposure to running a business or series of small businesses along with adult accompaniment or coaching, than by learning via training courses. The broad challenge for many well-intentioned YSOs is to find ways to truly address the needs, assets, and aspirations of young people. This requires listening to youth. “There needs to be more direct connections between beneficiaries [youth] and donors” (Y13).

There is also recognition within government circles that many programs for youth have been ill-conceived or poorly executed. A senior staff at the Ministry of Youth and Sport, indicated during an interview that many programs for youth were “lacking in coordination and follow-

²⁶ PCBS Youth Survey 2003, Main Findings, 2004.

“When we try to solve our problems by ourselves it is just temporary. It is not sustainable” --Y7

“Sometimes we have no capital, but with encouragement and support we can be successful.” -- Y8

“Before starting a project, youth should get training courses to help in implementing and managing the project; parents will pay for the training fees in order to help their kids start a good project to benefit the whole family” -- MF 10

“... Youth do need family support. The family must agree.” -- MF 10

“Many young people have no access to any kind of organization, especially in villages.” -- Y1

“Our big project is to find ways for our youth not to have to leave and go far away, but have choices to stay.” -- Y13

up,” and that some had been developed with a “short-term” mindset²⁷. One Ministry representative went so far as to say that “people will look for a project just to get something, not to continue it - they just want to survive.” He further observed that much needed to be done to improve the quality of youth programming in the Territories. He also reported that adults trying to set up livelihood programs for youth all too often “do not have enough training to run the project” and that “if you have no real experience to draw from there is no chance of success.”²⁸

There were vibrant discussions in most of the FGs regarding the overall impact of gender on livelihood pathways²⁹. This theme was usually raised without prompting from the facilitators. The range of commentaries on the impacts of gender varied depending on the location of the group. Girls from villages and more conservative cities, such as Hebron and Nablus, spoke more about restrictions. Many participants agreed that girls were more restricted in movement, which also restricted employment opportunities. However, while the second intifada reduced employment for men, it also forced some women and girls into the work force. This caused shame for families but was necessary for household survival. Young women want to work outside the home and demand support from their families to do so. “Young women cannot work outside of the immediate home, this makes us depressed. There is no cooperation to help us make our things (projects). Boys can count on emotional and financial support and encouragement, we cannot” (Y7, female, 19 years old). “Boys in the village have more choices than girls. They can go to the street to work. Girls are more frustrated, the community does not allow them to go out and work” (Y5, female, 24 years old). “Small computer centers for girls in villages are a good business idea, since they need to do school work but cannot always get permission to leave the village or go to internet cafes where boys are” (Y11, female, 22 years old).

Some girls saw strengths in their home economics skills, which could be used to start informal home-based businesses. “Girls have advantages over boys. We learn handicrafts at home and school and can use these skills to start a small business” (Y3, female, 18 years). Some boys expressed the same sentiments: “Women do support families in different ways through good housekeeping and home economic activities” (Y7, male, 18 years). While women’s home-based activities often provide them with skills that can be translated into small businesses, the markets for these goods are limited, since all women engage in these activities and the movement of women is restricted by cultural values.

²⁷ Interview notes, May 2005

²⁸ Ibid.

²⁹ This is a term emerging in the youth livelihoods field, and refers to the fact that youth seldom have a single livelihood. Rather, they are dynamically exploring a range of livelihood steps as part of an overall pathway to a sustainable livelihood. Please see *Pathways to Livelihoods and Decent Work*, an ILO/IRDC publication by John Grierson and Jamie Schurr.

SUMMARY OF FINDINGS AND PROGRAMMING RECOMMENDATIONS

SUPPLY SIDE FINDINGS

The findings from this case study show that microfinance to youth exists in the West Bank, but is not prevalent. Consequently hypothesis two (“microfinance with youth is prevalent”) could not be validated. Youth account for a smaller percentage of the overall microfinance portfolio than the demographics for the youth population at large (33% of the population is between 15 – 24 years of age)³⁰. Microfinance to youth is limited by factors such as the military occupation, cultural assumptions (“youth are in school and do not work”), collateral mechanisms (direct deposit paychecks), small market share of MFIs, lack of marketing to youth, legal issues related to age and enforcement, a poor economic environment for business, and a scarcity of credit products that fit youth’s needs (like consumption and education). MFI staff perceives that youth are risky and therefore costly. This is often attributed to the unmarried status of youth and lack of responsibility for a family, vulnerability to arrest by the Israeli military, and because often their businesses are new. MFIs hesitate to finance start-up businesses, thus limiting youth’s access. However, the perception among MFIs that youth are riskier clients is intuitive rather than proven, since the MFIs do not monitor youth repayment rates.

Youth-serving organizations are not offering microfinance services. Some YSOs have been involved in providing start-up grants to students who finish vocational training programs and are unable to find employment³¹, and others have provided grants in the form of fixed assets such as livestock (goats, chickens, etc.) to support the starting of income generating activities. YSOs are not perceived by youth to be sources of practical business information or skills training. From the research perspective, hypothesis three (“MFIs and YSOs can serve youth with microfinance”) is validated for MFIs but could not be validated for YSOs.

³⁰ PCBS.

³¹ See experience of IT4Youth.

The term “youth” in the West Bank, as in Uganda, represents a group that is far from monolithic, differing by gender, age, life-cycle stage, place of residence (rural/urban), school status, and previous degree of experience with conflict-affected areas. Despite this, MFIs have not developed product adaptations, either in credit, savings, or non-financial services, to serve this diverse group. This finding validates hypothesis four (“age and gender cohorts matter”).

DEMAND SIDE FINDINGS

The study confirms that youth are working from an early age. The work that youth engage in is in short-term, informal sector occupations with low barriers to entry. It is labor-intensive, unstable, and sometimes exploitive. Youth also work in family businesses or start their own businesses. Youth work to support their families, pay for their education and pay for consumption needs. Some youth have had to drop out of school in order to support families.

Youth get start-up capital for their businesses from family savings, RoSCAs, savings from temporary jobs, and the sale, mortgaging or rental of assets. RoSCAs are especially important for girls, and help create social capital in addition to financial capital. For youth, capital is not the most important variable for starting a business. Most youth feel that self-reliance and business ideas are more important than capital. In addition, youth want a supportive environment, including advice, assistance, guidance, and support from adults, as long as this advice respects their individuality and abilities. These findings validate hypothesis one (“youth require holistic services”). Few youth obtain credit from MFIs for their businesses, which are typically existing businesses rather than start-ups. The finding that few youth are reached with microfinance leaves hypothesis two (“microfinance with youth is prevalent and possible”) invalidated. MFI youth clients are over 18 years of age and have a guarantor with a direct deposit paycheck. MFIs are not on the radar of youth in the West Bank.

Traditionally, families help youth start their businesses with financial assistance. Due to the intifada and worsening economic conditions, savings have been depleted and families have become more reluctant to invest in businesses. Families also support their youth with moral support, training, and technical expertise. In the current environment, some evidence suggests that families are reluctant to invest in the businesses of youth.

Conflict and occupation have reduced the employment possibilities for youth, as well as their aspirations and self-esteem. Young women often have more trouble creating and sustaining businesses, and are restricted in mobility and occupation by cultural norms. However, young women have the advantage of household skills from which they can develop businesses. Young women may also be at an advantage in forming and maintaining mutual support groups and in not being harassed by the Israeli military.

Youth have a sophisticated and holistic understanding of what it takes to acquire both livelihood assets and capabilities, and utilize that understanding in their self-employment strategies. Youth want holistic services and credit is only one component. They want services tailored to their needs. Finally, youth want to work! “We do not want to spend our lives waiting for the UNRWA flour bags, we want to work with our hands and find ourselves in what we do” (MF 13). “Support and help last for a month but when we have our own work it will last forever” (MF 13).

PROGRAMMING RECOMMENDATIONS

The purpose of the research initiative on Microfinance, Youth and Conflict is to provide guidance to donors and practitioners for making sound decisions for youth and microfinance programming in conflict-affected areas. The West Bank presents an unusual case, where significant economic development is not likely to occur under the current conditions of occupation, conflict, lack of access to the Israeli labor market, and extensive barriers to trade and commerce. Microfinance is unlikely to have a major impact on youth employment or conflict. Even so, there are programming recommendations that can be gleaned from this research and applicable to this context, and broader recommendations that may be applicable in other conflict and post-conflict regions.

First of all, more analysis is needed on youth clients. MFIs can deepen their knowledge on the extent and quality of microfinance to youth by analyzing loan information. Indicators such as percentage of active loans to youth, percentage of the portfolio to youth, average size of loans to youth, repayment and delinquency rates, and number and size of savings accounts owned by youth, can be calculated and monitored.

MFIs can conduct demand studies with youth, using the qualitative tools used in this case study, or others that are appropriate. Based on these results, managers can adapt or develop products that are youth-friendly, and can use entrepreneurial youth for feedback on the product designs. Youth-friendly microfinance products could encompass small, short-term consumption loans, educational loans, and/or loans with flexible repayment periods. As noted in this study, “youth” is a diverse group, and demand studies should be carefully designed to highlight this diversity. What is appropriate to one age/gender/geographic group of youth will not be appropriate for another. Donors can support demand studies and ask the relevant questions when reviewing proposals based on these studies.

MFIs and YSOs can participate in pre-microfinance training activities for youth, to prepare youth for microfinance services at a later stage. Training activities may involve financial literacy training, formation of RoSCAs, business development services, networking and personal skills development. When looking at the holistic needs of youth vis-à-vis small business development and the acquisition of sustainable livelihood assets and capabilities, it is important to consider non-financial themes, such as building personal skills. Promoting savings in

informal groups such as RoSCAs is appropriate at most ages and part of most cultures. YSOs could match the savings that the RoSCAs accumulate and then allow the RoSCAs to utilize the savings, plus the match, in business activities that would allow the participants to experiment and learn. Links could be established between MFIs and YSOs on a pilot basis, such that loan officers help YSO staff prepares youth for microfinance. MFIs should not sacrifice financial sustainability to offer services to youth. Donors should be careful in the design of programs for MFIs, to ensure that financial sustainability is not compromised.

Helping MFIs mobilize savings would be a positive contribution for youth enterprise development. A regulatory environment conducive for MFIs would allow MFIs to offer savings services to their clientele, including youth. Activities and interventions can be developed to encourage youth to save in regulated banking institutions or regulated credit and savings cooperatives even in the absence of regulated MFIs. Creating alternative collateral arrangements for MFIs needs to be explored, for youth in particular.

Supporting MFIs with technical assistance and access to loan capital is an effective way to increase microfinance to youth. As MFI portfolios grow, the number of youth benefiting from the MFI's services may grow in proportion.

There are also non-financial activities that can be promoted to engage youth, improve their business skills, and prepare them to access financial capital for their businesses in the future. Youth need access to easy entry/low barrier jobs. Youth also need flexibility in employment so they can attend school. They need support from their families and communities in these endeavors. Donors and practitioners can provide support for community and family businesses, apprenticeships for youths to others with business skills in the community, and coaching follow-up components of business skills. Job fairs for youth, mentoring programs, and work/school combinations are possible pilot ideas. Young people are also trying to develop talents and expertise in the arts, applied design, computer programming and other high value-added skill sets. To support these aspirations, new higher education options can be developed within polytechnic colleges, and feeder programs to these colleges at the high school level. The Open University model, with characteristics such as multiple entry points, flexible course loads, and reasonable fees, is a good example of how to offer higher education based on young peoples' needs and realities. The Open University system is one of the few access routes to post secondary education for young Palestinian men and women of modest means.

Youth are realistic about their need for ongoing support from the important adults in their lives. Youth are looking, though, for a new kind of adult youth partnership - one in which adults are less in the "just do as I say" advice-giving mode, and more in the role of non-judgmental coach and sounding board. YSOs can be a positive foundation for such models of accompanied livelihood development.

YSOs can use tools such as those developed during this study to better understand the needs and aspirations of the young people they seek to serve.

On a final note, most policy makers and program developers acknowledge that long-term programming for youth is dependent on peace and stability. As one senior Palestinian government official stated, “one of our biggest challenges is how to keep youth positively engaged while the bigger solutions [to conflict] are underway.”

It was the explicit goal of this research project to explore the important but not well-understood components of young Palestinians’ lives, namely (i) the process by which they contribute to and benefit from the livelihood strategies of their households, and (ii) if and how finance facilitates the process³². This project also sought to reach out to the most diverse range of youth respondents possible, based on age, gender, rural/urban, and employment status. As a result of this goal, the field researchers were able to document the ideas, beliefs, perceptions and practices of a wide spectrum of young people, youth-serving and microfinance professionals, and adults concerned about youth. The researchers hope that the results will serve to improve the programming for this valuable population as well as feed the database of information to further the general research on Youth, Microfinance and Conflict.

³² West Bank study Scope of Work.