



ALSAH 

# Secondary Impact Of WFP Palestine

Cash-Based Transfers-Voucher

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# Introduction

The United Nations' World Food Programme (WFP) has been implementing a Cash-Based Transfer (CBT)/Voucher modality, hereafter the Voucher or Voucher modality, in the West Bank and Gaza Strip since 2009. The Voucher targets non-refugee, food-insecure, and poor households through a system of value-based vouchers that are redeemable through a network of local shops registered by WFP. The Voucher is currently implemented in partnership with the Ministry of Social Development (MoSD) in the West Bank and Gaza Strip and Global Communities (an international NGO) in the Gaza Strip.

The Voucher modality has evolved quickly from being a small food assistance pilot designed to respond to the sharp increase in food prices through paper-based food vouchers, to becoming one of WFP's flagship cash-based transfer assistance modalities in Palestine. In addition to improving targeted households' food security by improving food consumption and reducing household expenditures allocated for food, the Voucher modality is intended to have a positive secondary economic impact on the local economy. The first objective is pursued by earmarking its cash-based transfers for foods typically consumed by Palestinian households. The second objective is pursued by restricting foods redeemable through the voucher to locally produced/processed varieties whenever possible and limiting redeemable animal protein-rich foods (namely, eggs and dairy products) to locally produced or processed items.

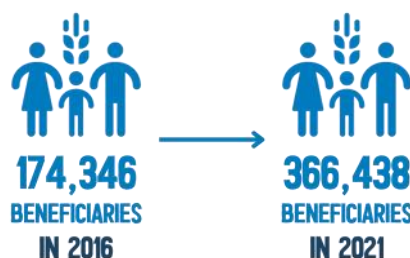
At the onset of the Voucher in 2009 and 2010, as much as 60% of the value redeemed by beneficiaries was for dairy products and the secondary impact on dairy producers was evidently substantial. As more food items were added to the list of eligible commodities for redemption over the years, and limitations initially imposed on redeemable foods were removed, this percentage in 2021 dropped to 7.7%.

WFP switched from traditional paper-based vouchers to electronic vouchers in 2011. This was done in partnership with *Offtec*, a local company that had developed an electronic payment system that uses terminals and magnetic card technology. In mid-2015, leveraging the existing infrastructure that WFP had helped establish, the Voucher moved to use the latest payment technology system developed in Palestine, *PalPay*, to manage the Voucher. The move to the electronic voucher system not

only enabled WFP to enhance real-time monitoring of assistance being provided through the voucher, but it also better positioned it to serve other organizations wishing to deliver and monitor cash-based transfers to poor and vulnerable households in need.

In 2014, UNRWA started using the WFP's voucher platform to deliver assistance to more than 48,300 beneficiaries (7,700 households) in the West Bank. Leveraging this experience, WFP expanded its capacity to facilitate and manage the delivery of humanitarian assistance provided by other actors through the voucher platform. Between 2014 and 2021, WFP's voucher modality was used by UNICEF, UNRWA, UNFPA, UNSCO, Action Against Hunger, Global Communities, Mercy Corps, Terre des homes, and Islamic Relief to deliver both food and non-food items to various beneficiary groups in the West Bank and Gaza.

WFP's caseload under the Voucher has increased from 174,346 beneficiaries in 2016 to 366,438 beneficiaries in 2021, of whom 86,525 beneficiaries were in the West Bank and the remaining 279,913 beneficiaries were in the Gaza Strip. Beneficiary households receive one magnetic-strip-powered card that gets electronically credited with an equivalent of NIS 35 (US\$ 10.3) per person per month. Households can then redeem their cards in any WFP contracted shop. In December 2021 beneficiaries could redeem their vouchers through a network of 265 local shops (76 in the West Bank and 189 in the Gaza Strip).



# Assessment Objectives & Methodology

The survey is part of the system that WFP Palestine had put in place in 2011 -and continuously developed since- to monitor the impact of the Voucher. In this round, the study focused on tracking the changes in key business indicators for a panel of participating shops and dairy producers, and a comparison sample panel of non-participating shops and dairy processors. Monitoring data was collected between December 2021 and January 2022 using a similar counterfactual approach to previous rounds. The following table describes each of the surveyed groups and the procedures used to identify them.

## Surveyed Groups

### Shops

**170 shops'** study group - A representative sample was drawn from the list of all participating shops.

As WFP ended contractual relations with some shops (and contracted others) since the last round of data collection, the sample included all the 52 shops that were covered by the previous round, and 118 shops were chosen from new participating shops. Of all participating shops surveyed, 64 were in the West Bank and 106 are in the Gaza Strip. The participating shops covered by the survey constituted more than 64% of the total participating shops contracted by the Voucher modality.

**162 shops'** comparison group - The survey targeted one non-participating shop from the same catchment area and with a similar measure of the size and business profile (number of workers, goods on offer, refrigerators, size, etc.) for each participating shop. By the end of the survey, 162 non-participating shops were covered, of whom 101 shops in the Gaza Strip and 61 shops in the West Bank

### Dairy Processors

**8 Dairy Processors'** study group - To showcase and present the impact that the Voucher modality has had on dairy processors; in-depth, semi-structured interviews were conducted with eight participating dairy processors (4 in the West Bank and 4 in Gaza Strip). For the purposes of this survey, and given that various local dairy brands can be found in the market, participating processors were identified as those dairy manufacturers whose products are available in at least half of the participating shops. A mapping of participating shops was conducted at the within the survey to identify these processors

**7 Dairy Processors'** comparison group - In-depth semi-structured interviews were conducted with this group of processors (4 in the West Bank and 3 in Gaza Strip). These processors; products were either not available in the overwhelming majority of participating shops, or had their products marketed through more than 10% of the participating shops. They were identified on the basis of mapping of participating shops

### Farmers

The survey targeted **33** farmers, 18 in the Gaza Strip and 15 in the West Bank. To identify the participant and non-participant farmers the research team relied on a list of milk suppliers received from the dairy factories, those farmers who supply the majority of their milk to participant factories were considered among the participant group while those farmers who supplied their milk to non-participant factories considered among the non-participant group.



# Impact at the Shops Level

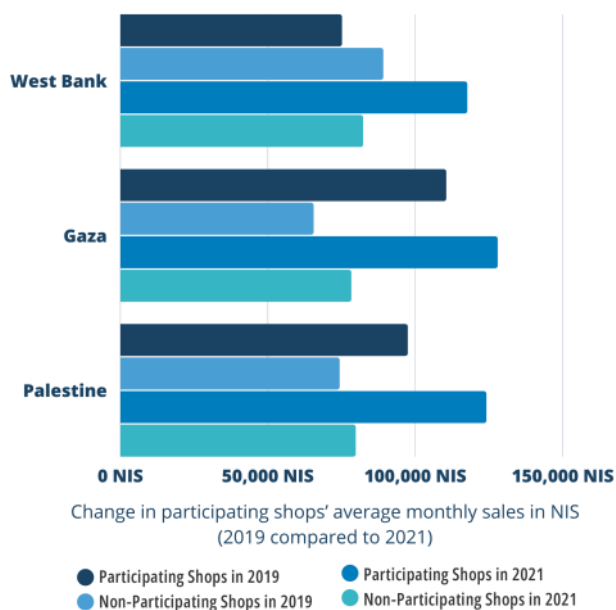
The secondary economic impact of the Voucher is quite evident from the analysis of changes in participating shops' sales, new employees hired and retained, investments, and clients. The following paragraphs present the survey findings in this regard, highlighting differences between participating and non-participating shops.

## Increased Number of Clients & Sales

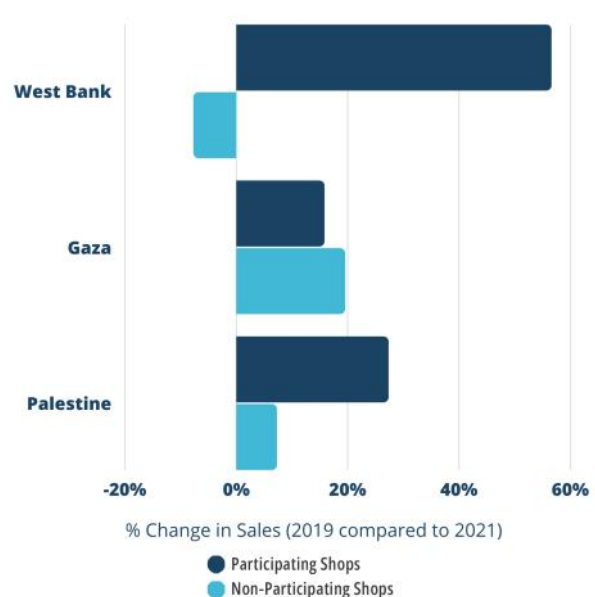
One of the main economic benefits of participating in the Voucher modality highlighted by the owners of participating shops is increased sales turnover, directly induced by the Voucher. Similar to the results of previous rounds of impact assessment, owners of participating shops surveyed reported witnessing increases in their monthly sales. On average, participating shops reported an increase of 27.3% in their monthly sales over 2019. While non-participating shops also reported witnessing an increase in their sales over the same period, the percentage increases they reported (7.3%) were substantially lower than those reported by participating shops.

Average reported increases in sales mask important differences between West Bank and Gaza participating shops. In the former, participating shops reported witnessing an increase of 56.5% in their monthly sales, compared to 15.8% in the latter. In both regions, however, participating shops had higher monthly sales turnover than non-participating shops. This is most notable in the West Bank where participation in the Voucher modality and its associated guaranteed sales seems to have shielded participating shops from the economic downturn witnessed by non-participating shops in the aftermath of COVID-19, as can be seen in the following graphs.

Graph 1



Graph 2



Of the average monthly sales reported by participating shops (NIS 123,978 or US\$ 39,993), the Voucher was directly responsible for NIS 37,707 (US\$ 12,163) (NIS 25,745 or US\$ 8,305 in the West Bank and NIS 42,869 or US\$ 13,829 in Gaza Strip), representing the average monthly value of vouchers redeemed by beneficiaries at each participating shop. The resulting increase in demand for restocking has enabled nearly all participating shops to improve their negotiating power with their suppliers, and, consequently, get better prices and quantity bonuses which enabled them to offer very competitive prices and deals. Most shop owners interviewed reported that this has driven up indirect sales (i.e. purchases made in addition to those covered by the Voucher) not only by voucher beneficiaries, but also by new clients brought by the beneficiaries. Participating shops estimated the indirect increase in sales resulting from the Voucher to be around 36% (or NIS 13,574) of the average monthly voucher value redeemed by beneficiaries. Based on this, it can be said that the Voucher modality has contributed, both directly and indirectly, to increasing the average monthly sales of participating shops by NIS 51,282 (US\$ 16,542).

Discussions with participating shops strongly suggest that the impact of the Voucher modality on these shops extends well beyond the reported increases in sales turnover to include an enhanced ability to negotiate prices, discounts, and payment terms with suppliers. This was corroborated by dairy processors with whom the assessment met, with most noting that their sales to participating shops are higher, on average than to non-participating shops and that these shops often qualify for the volume discounts that they offer more than other neighboring shops. In most instances observed during the data collection process, participating shop owners were passing some of these gains onto their customers through price discounts and special offers, thereby bolstering their competitiveness in a crowded marketplace.

To further consolidate their competitive position, most participating shops, however small or big, reported having continuously expanded the range of products they have to

offer since they joined the modality - not only to attract more customers but also to give incentives for Voucher modality beneficiaries to spend more at their shops. This strategy seems to have worked quite well as the survey shows that participating shops witnessed an average increase of 20.5% (44.9% in the West Bank and 13.5% in the Gaza Strip) in the daily number of clients since 2019. By comparison, non-participating shops witnessed a decrease of 5.3% (a decrease of 0.9% in the West Bank and an increase of 7.2% in the Gaza Strip) of their usual clients over the same period. Table 3 below depicts the changes in the average daily number of clients reported by surveyed shops, which was used as a basis for calculating these percentages.

*Faisal Al-Khatib the owner of the Al-Khatib Supermarket in Hindaza, Bethlehem, has been participating in the Voucher modality since 2013. Faisal highlights that being part of the voucher platform has had many positive returns for his business, particularly in terms of increased, and largely consistent sales turnover. He notes that because of the volume of sales he is able to make through the Voucher modality, he has been able to strengthen his negotiation power with most of his suppliers, and is thereby able to source most of the products he sells at lower prices than what he may have been able to otherwise. He also notes being able to secure better payment terms and quantity discounts with most of his suppliers because of the volumes he buys from them. Faisal confirms that he passes on part of his cost reductions to his customers to maintain his competitive edge. Faisal is currently working to open a shopping mall in Hindaza, and notes that this investment would not have been possible without his participation in the Voucher modality.*

In the West Bank, the average daily number of clients increased from 98 in 2019 to 142 in 2021 in the participating shops, resulting in a 44.9% increase in the clients numbers, while in the non-participating shops, the number decreased from 107 to 106. In Gaza Strip, the number of clients in the participating shops increased from 207 in 2019, to 235 in 2021, meaning a 13% increase in the clients numbers. In the non-participating shops, however, there was an increase of 7.2% in the average daily number of clients. In Palestine, there was a 20.5% increase in clients numbers, increasing from 166 in 2019, to 200 in 2021, while decreasing in non-participating shops by -5.3%.

## Jobs Created

Owners of 41% of all participating shops surveyed reported retaining more employees in 2021 than they did in 2019, attributing this change to their need for additional help as business activity increased, resulting, in part, from the Voucher modality. Around 45% of participating shops reported retaining the same number of staff over the same period despite the increased business activity and 14% reported a decrease. In contrast, around 75% of the non-participating shops reported either laying off some of their employees, moving some staff from full-time to part-time, or retaining the same number of staff. As shown in Table 1, a total of 101 jobs have been created within the participating shops surveyed, increasing the workforce by 12.8%. Conversely, non-participating shops reported an increase of 8.5% in their workforce during the same period.

**Table 1: Change in number of shop employees (2019 compared to 2021)**

Region		No. of work-ers 2019	No. of work-ers December 2021	No. of new jobs cre-ated	% Change
West Bank	Participating Shops	238	264	26	10.9
	Non-Participating Shops	177	183	6	3.4
Gaza Strip	Participating Shops	553	628	75	13.6
	Non-Participating Shops	376	417	41	10.9
Palestine	Participating Shops	791	892	101	12.8
	Non-Participating Shops	553	600	47	8.5

The figures do not only demonstrate the effect that the Voucher modality has had on overall employment creation within the surveyed participating shops, but also clearly show the substantial effect it had in this regard in **Gaza**

participating shops in the value of the investment that the Voucher has induced no less than NIS 2,539,395 (US\$ 819,159) in private investment in the participating shops in 2021, of which NIS 2,017,395 (US\$ 650,773) and NIS

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