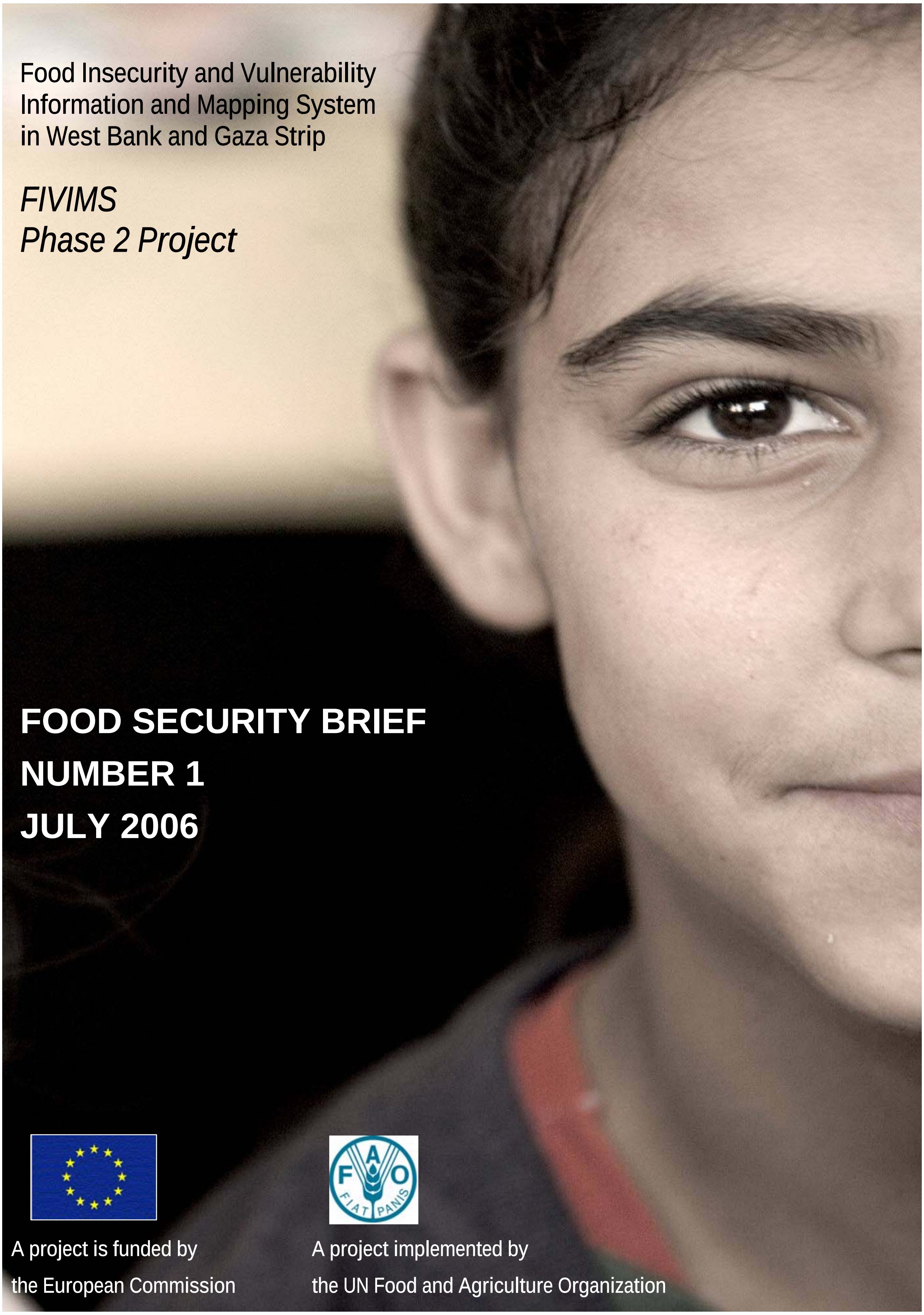

Food Insecurity and Vulnerability Information and Mapping System in West Bank and Gaza Strip

FIVIMS
Phase 2 Project

FOOD SECURITY BRIEF
NUMBER 1
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ACRONYMS AND ABBREVIATIONS

AI	Avian Influenza
CSO	Civil Society Organization
EC	European Commission
FAO	Food and Agriculture Organization of the United Nations
FIVIMS	Food Insecurity and Vulnerability Information and Mapping System
GoI	Government of Israel
GS	Gaza Strip
MoA	Ministry of Agriculture
MoL	Ministry of Labour
MoP	Ministry of Planning
MoSA	Ministry of Social Affairs
NGO	Non-governmental organization
OCHA	Office for the Coordination of Humanitarian Affairs
PA	Palestinian Authority
PCBS	Palestinian Central Bureau of Statistics
SHC	Social Hardship Case (MoSA/WFP definition) or Special Hardship Case (UNRWA definition)
TF	Task Force
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
WB	West Bank
WBGS	West Bank and Gaza Strip
WFP	World Food Programme

CHAPTER 1. INTRODUCTION

1.1 Background: FIVIMS Project and Food Security Brief

The FIVIMS Phase II Project started in January 2006, funded by the European Commission (EC), implemented by FAO and housed by the PA Ministry of Agriculture (MoA). The Project aims to assist in developing a sustainable food security information system and to build the capacity of the relevant Palestinian Authority (PA) bodies.

In order to kick-start the activities of FIVIMS II, a Task Force (TF) was established at the end of March 2006, composed of an FAO team, and focal points from the PA counterparts (Ministry of Agriculture [MoA], the Ministry of Planning [MoP] and the Palestinian Central Bureau of Statistics [PCBS]).

Responding to the dramatic political, economical and social changes which have been taking place in the West Bank and Gaza Strip (WBGS) since January 2006, and in line with the main concept of FIVIMS - *i.e.* collecting, compiling, analyzing and providing ready-for-action information on key determinants impacting food security - the TF prioritized three pressing issues which have been negatively impacting the food security status and the livelihood of the Palestinians:

1. the status of the official and nonofficial social safety nets programmes aiming at improving (or prevent further deterioration) of the livelihood of poor/marginalised Palestinians in the WBGS;
2. the impact of the frequent closure of the Gaza Strip imposed by the Government of Israel (GoI) on the physical availability and economic access to food in the Gaza Strip –particularly in the areas of wage labour, local economy and food trade; and,
3. the March/April 2006 outbreaks of Avian influenza (AI), which proved to be detrimental to the food and livelihood security of specific vulnerable groups and to the vibrant poultry industry in the WBGS.

While a working paper for each of the three topics is being prepared by the TF - presenting detailed information and analysis for a technical audience - this FIVIMS brief is only capturing the essential information, for a wider audience of officials in the PA and international agencies.

Based on the TF experience and considering the priorities of national and international agencies in the area of food security and vulnerability, the FIVIMS Phase II project will build PA capacities and partnerships with international agencies over the next one year on three themes, namely:

- the establishment of a new food security baseline, both in the West Bank and the Gaza Strip, capturing the outcomes of ongoing major changes (political/institutional context, aid policy/resourcing and socio/economic fabric);
- the development of a food security monitoring system, both in the West Bank and the Gaza Strip, also contributing to the OCHA-led UN Humanitarian Monthly Monitoring and the proposed WFP/FAO Food Security Monitoring; and
- the development of a vulnerability analysis framework, focused on the prominent role of: (i) food markets and trade vulnerability; and (ii) social welfare and safety nets programmes.

Furthermore, FIVIMS and partners will investigate selected emerging issues, such as the informal social solidarity and the Jordan Valley and 'seam zone' closure.

1.2 Food Security Overview

Destabilized food security structure with long-term implications
Since January 2006, the socio-economic fabric of Palestinian society is under severe strain resulting from concomitant developments[1]. At a time of rapidly growing poverty and institutional 'dissolution'[2], the major resulting impacts on food security include the following:

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[1] Contextual information about politics (including aid policy), institutions, and military activity is available in a variety of recent reports and is not repeated in this Brief.

[2] The Palestinian Fiscal Crisis, World Bank, May 7, 2006.

- extreme vulnerability in the Gaza Strip caused by the high volatility of food supply pipelines, the economic and financial crisis and the disruption of basic services and utilities;
- fragmentation of food systems and markets in the West Bank, with structural changes in the agricultural, employment and livelihood systems, as well as in the food production capacity and trade patterns;
- economic recession, with negative implications on debt cycle and banking, as well as viability of industries and trade;
- lack of resources to maintain social security and safety nets programmes, undermining essential support to a large proportion of the 'poorest of the poor' and Social Hardship Cases.

Most affected socio-economic and vulnerable groups: current knowledge[3]

Considering the above mention destabilized food security structure, WFP and FAO are in the process of re-assessing the vulnerability of different socio-economic strata, in order to identify groups of people who are at risk of worsening food insecurity due to the current political and financial crisis. Other agencies are also considering updating their baseline assessments. The results of these re-assessments will be made available over the next few months and will inform future aid programmes and PA plans. <u>The current knowledge about food insecurity and vulnerability is summarised as follows.</u>

The most affected members of society continue to be those with heightened nutritional needs and poor income sources: households with many children, poorly educated, lactating and pregnant women and the elderly. Moreover, the emerging food insecure belong to those groups most affected by the current crisis, such as: the social protection/welfare caseload, including social hardship cases and the 'poorest of the poor'; lower paid PA employees, such as municipal cleaners and guards; small shop owners and their employees; small farmers and agricultural laborers.

These vulnerable groups are gradually forced into adopting distress coping mechanisms, such as sale of productive and household assets and reducing access to essential utilities and services. From a nutritional point of view, one main (and worrisome) coping mechanism to restricted economic access to food is reducing the quantity and quality of daily meals – which not only reduces daily caloric intake but also the overall nutritional value (quality) of food consumed, Some social groups are falling in extreme distress regarding their access to food, including:

<u>Poorest of the Poor and Social/Special Hardship Cases (SHCs)</u>[4]

While the UNRWA social welfare caseload (Special Hardship Cases) is still receiving sustained assistance, the PA fiscal crisis leaves most of the non-refugee poor and Social Hardship Cases (SHCs) with no support at a time of severe economic crisis. There is a particular concern over the SHCs who are not receiving any cash aid since February 2006 in both the WB and GS.

For instance, approximately 80 000 families in the GS and 24 000 in the WB are assisted under the Ministry of Social Affair's (MoSA) SHC programme. All the families receive WFP food aid. However, the whole caseload is not covered with cash and other assistance they are entitled to under the MoSA SHCs programme. Moreover, the 40 289 'poorest of the poor' families (19 815 in WB and 20 474 in GS) eligible for assistance under the MoSA Social Safety Nets programme have not received any support for months – only a pilot scheme (USD0.5 million) is expected to start in July, covering 2 700 families.

Furthermore, some NGOs and charities are facing growing difficulty to sustain their overseas funding pipeline (due to international banking restrictions), while the social solidarity networks are under severe pressure as a consequence of the overall economic recession.

<u>Particularly affected PA Employees</u>

This category of workforce is employed in low paying jobs - such as municipal cleaners and guards. They have not received their salaries since February, affecting their own and their dependants' food security. Furthermore, their poor purchasing power is impacting trades and the overall economy.

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3 This Brief refers to the current knowledge and prevailing level of discourse on vulnerability, poverty and food insecurity in WBGS – e.g., UN Consolidated Appeal.

4 The same SHCs acronym for social welfare caseload stands for UNRWA's <u>Special</u> Hardship Cases, SHC and WFP-MoSA's <u>Social</u> Hardship Cases.

Traders and small shop owners

The Palestinian traders in general and small shops in particular are severely affected by the restrictions at Gaza Strip crossing points and in general the GoI closure policy. The severely impeded movement of Palestinian people and goods has a direct impact on the flow of trade and ultimately the entire economy. Many factories and shops have decreased the number of workers as a survival mechanism and it is likely that many industries will go out of business if the closure continues. The economic recession is hard hitting the Palestinian socio-economic system, which largely relies on credit and money circulation as a way to cushion livelihood-related shocks.

Small farmers

In WBGS many rural families depend on agriculture for their livelihood, especially in time of economic hardship. Agriculture is considered as a main source of income and shock absorber for a considerable portion of the Palestinian population in terms of food production and income generation. The basic agricultural inputs such as seedlings and fertilizers are in short supply due to the closure of Gaza Strip and physical and financial constraints in WB. Production inputs for the upcoming season are essential to prevent a massive collapse of the food production system and consequently, the devastation of the farmers' household economy.

On the other hand, farmers are facing severe marketing obstacles, with long term implications on overall agriculture production capacity and trade. Hence, food security of farmers, farm workers and traders is extremely fragile –as shown by the impact of the Avian Influenza (AI) outbreak earlier this year.

Other food insecure groups include: (i) Fisherfolk in GS, their dependants and fish mongers (estimated at 35,000 people), affected by the GoI imposed fishing ban since 25 June, 2006; and, (ii), Bedouin communities in WB eastern slope, whose livelihood is jeopardized by the GoI closure policy and are currently affected by recent dry spells and consequent lack of water and fodder for their livestock.

Lessons from the Task Force: need to re-examine concepts and working definitions

The study of the three emerging food security issues and ensuing discussions with fellow analysts enabled the TF to examine the usefulness of currently used vulnerability, poverty and food insecurity concepts and identify areas for further investigation.

For instance, the study of social safety nets shows that formal systems are using conflicting criteria to determine eligible cases, i.e., social marginalization vs. poverty. Furthermore, formal social assistance programmes are vulnerable to aid policy, whereas the resilience of social solidarity systems (including remittances, charities and extended families) is still undetermined in terms of weight, scale, targeting effectiveness and negative implications –for instance, the 'new poor' social obligations and women disempowerment.

The study on the impact of the Gaza Strip closure shows that multi-dimensional shocks since January, 2006 are impairing both physical availability of food commodities and economic access to staple foods. The combination of those shocks with recent devastating military operations is likely to destroy existing livelihood systems for ever. Fresh ideas are needed to re-think external support to both livelihood adaptation and survival strategies. This is of particular importance considering that the case of Gaza Strip is indicative of the possible future scenarios in a fragmented West Bank.

Finally, the Avian Influenza outbreak shows the multiple ramifications of a single shock throughout an entire industry. Cumulative impacts of that shock weakened the viability of the poultry sector, which is now unable to recover as farmers, traders and input suppliers are overwhelmed by contextual constraints, such as dependency on the Israeli supply chain, banking/financial crisis and marketing obstacles.

The TF conclusion is that there is a need to unpack the notion of food insecurity and vulnerability in the light of: (i) household income poverty and asset base; (ii) livelihood adaptation and coping strategies/capacity; (iii) household integration in social safety nets (official/formal and non-official/informal); and, (iv) links with food trade and markets. These issues will be addressed in the forthcoming WFP/FAO Comprehensive Food Security and Vulnerability Assessment –due to start in August and end in November, 2006- in close cooperation with PCBS.

CHAPTER 2. SOCIAL SAFETY NETS AND FOOD SECURITY

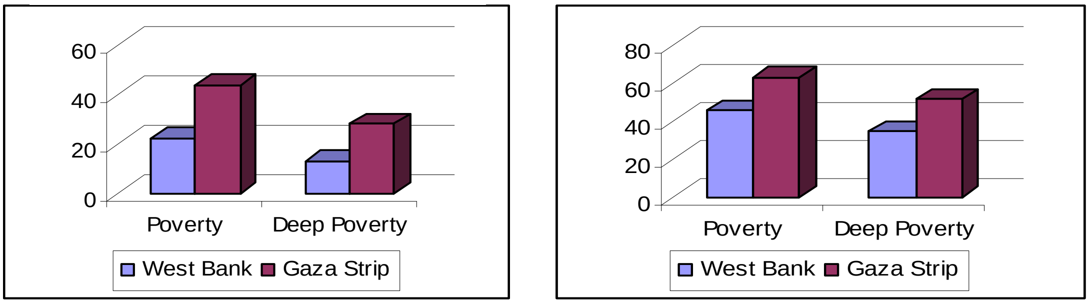
2.1 Background

Food insecurity in WBGS is characterized by a lack of economic access to food –i.e., a combination of consumers' cash income and effective food markets to meet consumers' demand. Social aid and safety nets schemes aim at protecting the access of the beneficiaries to the most essential needs, including food. Hence, those programmes are assumed to directly improve the food security of the needy people. Their efficiency is measured through the ability to bridge the gap between the households' command over essential goods and services - most importantly food, clothing and dwelling - and the real demand/need.

Poverty statistics in WBGS are based on the 1997 official definition of poverty, whereby two 'poverty lines' were developed:

1. the 'Deep Poverty Line', *i.e.*, the budget required to merely meet the household's basic needs for food, clothing and dwelling;
2. the 'Relative Poverty Line', *i.e.*, the budget required to meet the household's basic needs plus other essential goods and services, such as healthcare, personal care, education, transportation, utensils and furniture, and other house requirements[5].

Consumption Poverty levels 2005 Income Poverty levels 2005



In 1997 approximately 7 percent of the total population was receiving regular assistance, while the relative poverty rate was estimated at 23 percent. Since the beginning of the second *Intifada,* the populations of the WBGS have been undergoing a sharp deterioration of their living conditions[6], despite the various emergency aid programmes[7] activated in addition to the regular social assistance programmes to tackle the increasing income and consumption poverty. PCBS estimates that, in June 2006, 45 percent of households are below the relative poverty line, while only 45 percent of the poor receive assistance.

Since January 2006, several social assistance programmes have been discontinued, delayed or drastically reduced, with long term repercussions on increasing poverty and food insecurity. Furthermore, aid restrictions have brought the Poverty Commission, led by the MoP, to suspend its regulatory activities.

2.2 Existing social aid programmes

A large number of agencies and actors are operating social aid programmes. Three types of institutions are involved in providing social aid to the impoverished households in the WBGS: the PA institutions, the Palestinian NGOs and Civil Society Organizations (CSOs) and the international organizations.

a) Governmental programmes

Two types of governmental regular programmes are being implemented in the WBGS:

5 MoP, *Poverty Report in Palestine*, 2004.

6 Measures taken by the occupying power have negatively impacted the wellbeing of the Palestinians, both in terms of severe drawback in the availability of essential goods and services and of drawback in the economical and physical access to basic needs - due to a drop in income and/or the Israeli closure policy.

7 The emergency support programmes during the *Intifada* address those harmed by the Israeli siege/oppressive measures, including the unemployed. However, such programmes are temporary and connected to certain political events.

- Relief-type assistance programmes, aiming at reducing the poverty of the impoverished households.
  - The most significant is the '**Social Hardship Cases'** programme of the MoSA, which provides aid to 47 000 households belonging to specific vulnerable groups (*e.g.,* women headed households, widows, divorcees, orphans, the elderly, disabled and people suffering from chronic diseases). The programme includes a monthly cash payment in addition to in-kind assistance, health insurance and exemption from education tuition fees (up to 12th grade). However, none of the beneficiary families has received any aid since February 2006.
  - Within the framework of the MoSA aid programmes reform process initiated in 2005, the '**Social Safety Nets Programme'** was developed - annual budget was estimated at US$240 million[8]. It is composed of nine sub-programmes, of which only the 'Social Protection Programme' is operational, targeting the poorest of the poor - *i.e.* 10 to 15 percent of the Palestinian households, or approximately 45 000 to 55 000 families[9]. The annual budget was estimated at US$84 million. Due to budget restrictions, a pilot phase is beginning in July 2006 with an outreach of approximately 2 700 households only.

- Development-type programmes, supporting the eligible beneficiaries to exit the poverty cycle. These programmes offer assistance to develop productive projects and to integrate the beneficiaries into the labour market –e.g., micro-enterprises, training. The most prominent programme is the Ministry of Labour (MoL) 'Employment and Social Protection Programme', currently in its inception phase. The MoSA is also developing a programme that aims at building the capacities of the poor households to initiate economic projects through small loans.

Moreover, other ministries and institutions provide regular aid to specific categories of population[10].

b) NGO and CSO programmes

Large numbers of NGOs and CSOs are active in the WBGS. Their social aid programmes vary in range of activities, philosophy, objectives and scale. However, the continuity of most of these programmes depends on external and specific funding. This challenges the sustainability of social assistance programmes run by these organizations, with the exception of the large Zakat committees (which allocate fixed portion of one's wealth for the poor and needy in the society) and charities carrying out similar activities, such as the Salah Society and the Islamic Assembly in the Gaza Strip.

The Social Security in Palestine Project survey in 1997 found that of all the 960 Palestinian NGOs operating in the WBGS, about 54 percent are involved in the provision of social care, charitable aid and relief, while 19 percent identified those activities as their main programme[11]. However, the effectiveness of most of these NGOs and CSOs remains limited as it relies on availability of donations from specific sources. Some of them operate according to religious principles, networks and calendars (Ramadan, Eid), although most of them adopt a non-discrimination policy.

c) International Organizations programmes

The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) is the most prominent international organization in providing services and aid to the refugees in WBGS. All 1,712,000 refugees in WBGS are entitled to UNRWA schooling and health care services. In addition, the needy households receive UNRWA's aid packages, through either their regular or emergency programmes[12].

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8 This programme, included in the Medium Term Development Plan, was supposed to be co-funded by the PA and donors.

9 However, insufficient funding pushed MoSA to target fewer numbers. It is worth noting that 170 000 households applied to benefit from the programme. None of the selected cases has so far received any aid.

10 The MoSA has other programmes, including rehabilitation, advisory and vocational training programmes. Also, the families of those killed or wounded in the *Intifada*, are assisted with cash, health insurance and educational aid. Moreover, the Ministry of Prisoners Affairs provides cash aid to the families of the detainees as well as training and rehabilitation programmes to the freed detainees. The MoL has an emergency employment programme for the unemployed. Other ministries, such as the Ministry of Awqaf 'Religious Affairs' and the MoA, provide aid when funding is available and in accordance with the conditions of the funding party.

11 Yasser Shalabi, 2001.

12 UNRWA's regular programme outreach is 85,000 individuals (or 23,800 families) of Special Hardship Cases, who receive food aid with a small supplement of cash assistance, and may be entitled to shelter rehabilitation if needed. With the

While UNRWA has been a major player for emergency aid during the second *Intifada,* the International Committee of the Red Cross has also provided cash and other aid to impoverished Palestinians, especially those harmed by the occupation measures.

World Food Programme (WFP) provides aid to food insecure families through a range of relief and rehabilitation programmes, with population group-specific food rations. WFP and other international organizations, such as the United Nations Development Programme, usually provide aid through a third party or through partnership with PA ministries or Palestinian and international NGOs.

In light of the recent events, WFP is scaling up its food aid operation to reach approximately 600 000 non-refugee food insecure people. Similarly, UNWRA is increasing its emergency caseload to 1 226 000 refugees.

2.3 Review of social aid programmes and their scope of contribution to food security

The present review covers different aspects of social aid (*i.e.,* beneficiary eligibility criteria, size and adequacy, coverage of the needy and standards for determining the poverty line versus eligibility criteria) to assess its effectiveness in addressing poverty and economic access to food.

a) Eligibility criteria and standards for the selection of beneficiary households and individuals

Approximately one-quarter of the Palestinian households received (emergency and/or regular) aid during 2005, although 67 percent of households see themselves as in need of aid[13].

All regular permanent programmes focus on targeting the socially marginalized categories. However, there is no obvious consistency between social marginality and economic hardship – for instance, families with disabled members or headed by women are not necessarily the most impoverished in the Palestinian society. The PCBS 2004 Expenditure and Consumption Survey shows that only 52.1 percent of the poor were receiving regular assistance - *i.e.*, an inclusion error of 47.9 percent of non-poor receiving assistance. In the case of emergency aid, the survey found an inclusion error of 37.3 percent.

	Receive assistance	Do not receive assistance	Total
Palestinian Territories	**52.8**	**47.2**	**100**
West Bank	**29.8**	**70.2**	**100**
North	43.6	56.4	100
Middle	26.1	73.9	100
South	14.5	85.5	100
Gaza Strip	**77.3**	**22.7**	**100**
North	76.6	23.4	100
Middle	80.4	19.6	100
South	74.3	25.7	100

MoSA addressed this issue with the Social Safety Nets Reform Project, adopting an entitlement formula combining vulnerable group and poverty criteria. The standards for determining the poverty line are correlated with the basic plus essential goods and services, including food. In February 2005, the formula was altered by a joint PCBS, MoSA and World Bank team to positively distinguish households with socially marginalized persons.

outbreak of the second intifada, an emergency programme was launched, including food aid, selective cash assistance, job opportunities and shelter rehabilitation –the latter was phased out in Sept 2005 in WB, still on-going in GS. Emergency benefits cannot be cumulated, e.g. food aid is discontinued if enrolled in job creation scheme. As all other refugees, beneficiaries of both regular and emergency programmes are entitled to UNRWA educational and health care services.

13 PCBS, Impact of Israeli Measures, 4th quarter, 2005.

b) Size of aid scales and coverage of the needy households and individuals (number of beneficiaries)

MoSA's cash aid does not exceed 30 percent coverage of the basic plus essential needs (relative poverty line). Nonetheless, this is the highest coverage among all actors - including the Zakat committees and UNRWA[14].

The aid scales of the different support programmes are set up haphazardly and are subjected to availability of budget. Moreover, the contribution of aid programmes to food security cannot be appraised in the absence of a standard methodology adopted by all actors to define the poverty gap.

2.4 Social solidarity: a depleting social capital asset

The impact of the social solidarity, *i.e.,* not institutionalized safety nets, cannot be ignored in the WBGS context. Social solidarity plays a positive role in strengthening the capacity of the Palestinian households to adapt to crisis situations. For many decades, the extended Palestinian family has played a key role for social protection, especially in the absence of a Palestinian state and political and economic stability. A study conducted by the Palestine Economic Policy Research Institute in 1996 on the non-institutionalized social solidarity showed that 48 percent of Palestinian households were receiving and/or providing such type of assistance. Amongst the various solidarity mechanisms, remittances from Palestinian migrants abroad play an important role.

Although comprehensive and accurate data on such social solidarity have not been updated since, the developments of the past decade engendered deep changes in the ability of Palestinian families to carry out the solidarity actions as well as the forms of such action.

2.5 Conclusion and recommendations

In general, the 2006 crisis clearly shows the deficiencies and vulnerability of the Palestinian society in the WBGS, its massive reliance on external aid and the fragility of the social protection programmes, including the governmental ones.

While stressing the extreme importance of these social support programmes in protecting a large proportion of Palestinians in a large variety of fields, their effectiveness is limited in terms of contribution to food security. This is due to both the actual outreach of the programmes (number of poor covered), as well as the limited amount of aid (cash, in-kind and services) distributed to the beneficiaries. At aggregate level, the poverty gap is only partially filled.

It is worthy noting that, according to PCBS data, the provision of emergency aid to Palestinian people reduced the poverty rate by 4.7 percent in 2005; however, no data is available on the impact of regular aid.

Despite MoSA and international interventions, WBGS still lack clear policy for the development and implementation of stable and effective safety nets programmes. Instead, such initiatives are often improvised, inconsistent and totally dependent on available funding (which is mostly external), often creating gaps and double targeting. This severely impairs the achievement of social equity.

Due to the large number of activities and programmes that are being implemented by several national and international institutions in the WBGS and the lack of effective harmonization among these initiatives, it is recommended to conduct a survey on these efforts and to profile them in an online database, so as to inform decision makers about synergies and duplications.

14 MoP, 2004.

CHAPTER 3. THE IMPACT OF THE CLOSURE OF THE GAZA STRIP ON THE PHYSICAL AVAILABILITY AND ECONOMIC ACCESS TO FOOD

3.1 Overview of the sea, air and land closure of the Gaza Strip

From September 2000 and during five years, numerous checkpoints, earth mounds and road blocks have restricted internal movement within the Gaza Strip - besides surrounding fences and concrete walls. Since the GoI disengagement in September 2005, sea, air and land access is controlled by the Israeli Defence Forces (IDF). Detailed information on these issues is systematically gathered and reported by OCHA and can be found online, including Paltrade data on crossings.

For instance, according to the Oslo Accord (1994) the fishing zone of the Gaza Strip extends to 20 nautical miles (nm) of sea along the coastline (which is approximately 43 Km long). Matter-of-factly, the GoI restricts the fishing grounds to 6-10 nautical miles from the shore, and often forbids fishermen to go at sea. These severe limitations affect both the fish catch and a sustainable exploitation of fisheries resources.

Despite the disengagement, no significant economic benefit was generated, as the external border regime remained unchanged. In November 2005, an agreement was signed between the PA and the GoI to facilitate access for goods and people entering and exiting the Gaza Strip, and to transfer the control authority of the Rafah Crossing to the Palestinians, with the presence of international observers. However, the IDF maintains total control on sea, air and land access, including the Gaza Strip-West Bank link. As for the Karni Crossing (the principal point for goods imports and the only point for good exports to/from the Gaza Strip), its frequent closure has dramatically reduced overall trade, particularly food imports and exports: as of 30 May 2006, Karni had been closed for 44 percent of the year, or a total of 59 days[15]. Even when open, the GoI often applies limitations in terms of opening hours and number of trucks.

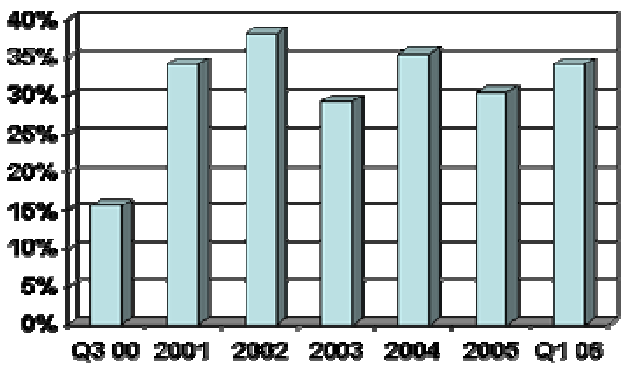
3.2 Analysis of the impacts in terms of food security

a) Raising unemployment

The slight improvement in the employment trend observed from the second quarter of 2004 until the end of 2005 was reversed in the first quarter of 2006, following the intensified closure policies: unemployment rates then reached 34 percent of the active population in the Gaza Strip.

Figure1: Unemployment rates in the Gaza Strip

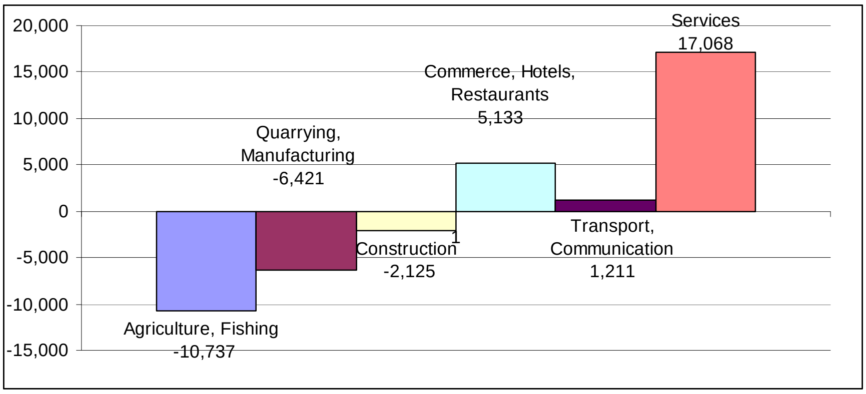
(source: PCBS)



Over the last five years, the domestic economy in Gaza has created a total of 23 413 jobs in services and trade, out of which 58 percent in the public sector. The private sector mostly created small-scale enterprises and self-employment in commerce and services (*i.e.*, low-skilled jobs with limited potential), which is an evidence of a growing 'informalization' of the economy. Productive sectors - industry, agriculture and construction - have lost 19 284 jobs.

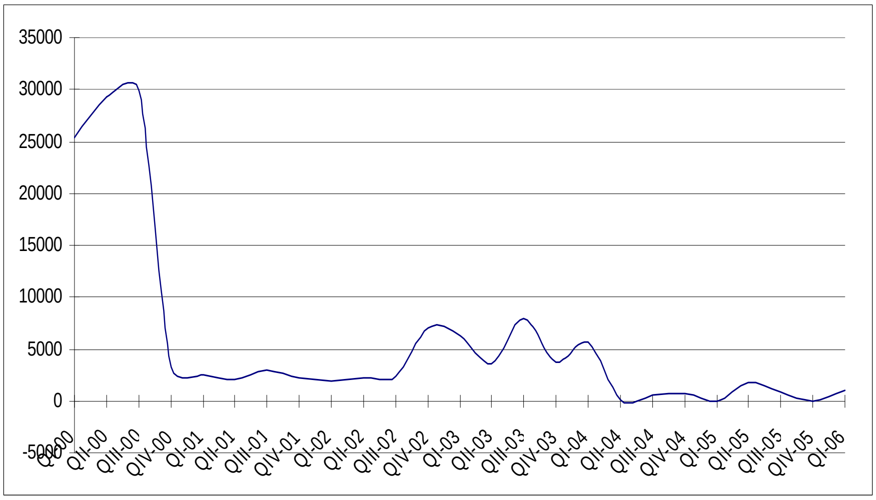
15 Source: OCHA, CAP 2006 revision, 30 May 2006.

Figure 2: Jobs lost/gained in the domestic economy, Gaza Strip, 2000-2005
(source: PCBS)



The mobility of the Palestinian labor force into Israel is increasingly restricted (see chart below).

Figure 3: Numbers of Gazan workers to Israel from 2000 to 2006
(source: PCBS / Palestinian Labor Force surveys)



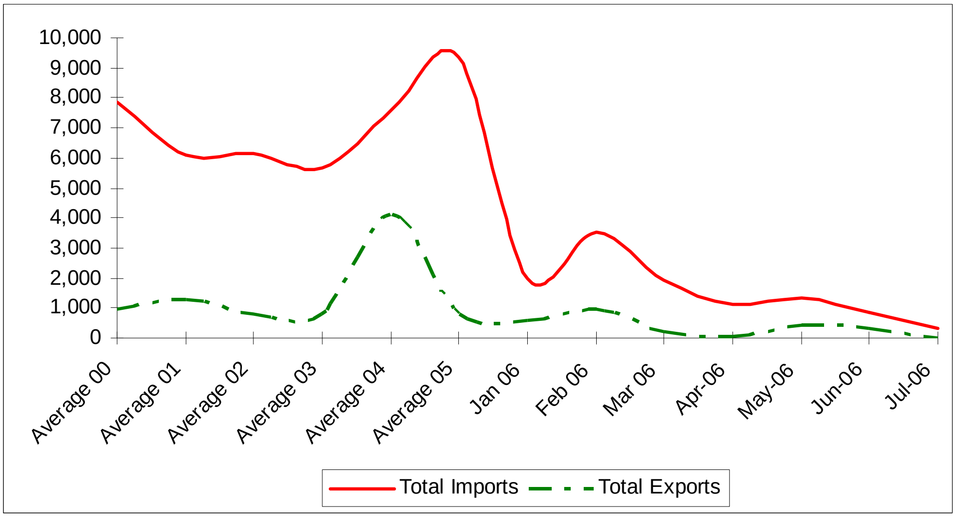
b) Undermined production, trade and price stability

One of the main impacts of the closure is the isolation and disintegration of the Palestinian economic activities, leading to: (i) market fragmentation; (ii) price distortions of excess supply of local produce vis-à-vis high demand from out-of-reach markets; (iii) short supply of imported goods (such as raw materials, agricultural inputs, food commodities, equipment); and (iv) loss of perishable export goods, namely agricultural produce and fish.

The Karni crossing closure in the first quarter of 2006 coincided with the agricultural exporting season. Each day of closure was estimated to cost to the Gaza economy US$500 000 worth of un-exported produce, further depressing price in the local markets. Furthermore, in March 2006, wheat flour shortages hindered both the production and the consumption of bread, the staple Gazan food. Mills were reported to have stopped working for several days, and retailers reported shortages in dairy products, baby formula and other items. The lack of raw materials and market outlets has caused serious losses to firms and enterprises, which is reflected in a considerable reduction in employment opportunities and decreased production.

The total number of imported truckloads steadily declined since the beginning of this year (see Figure 4), causing a loss of revenues, shortages of final and intermediate goods, and increase in the prices of commodities in limited supply (see Table 1).

Figure 4: Truckload exports and imports from and to the Gaza Strip[16]
(source: UNSCO Socio-economic Affairs Unit database)



Note: data for July covers up to the 13th of the month

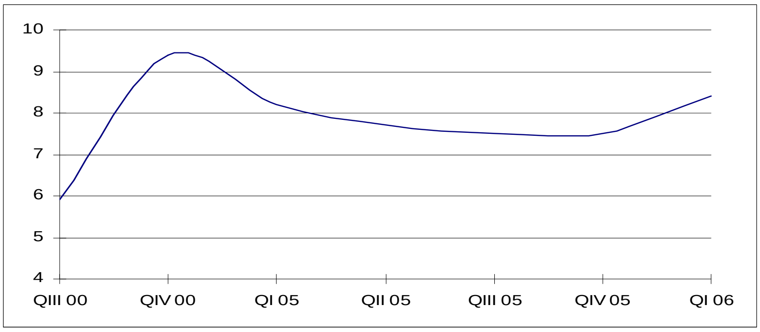
Table 1: Prices of Selected Food Stables in Gaza
(source: WFP price monitor)

Wheat Flour (50kg)			Rice (1kg)			Sugar (1kg)		
Nov 05	Mar 06	May 06	Nov 05	Mar 06	May 06	Nov 05	Mar 06	May 06
67.65	89.15	81.10	3.18	3.59	3.3	3.0	3.85	5.5

c) Increasing dependency ratio

The relative weakness of operating social safety net programmes has been in part substituted for by social capital and the extended family. Nevertheless, this has come at a high price: the dependency ratio (indicating support of the extended family) has raised by more than 12 percent, from 1:7.5 to 1:8.4 in the first quarter 2006, its highest level since the first quarter of the *Intifada.*

Figure 5: Dependency ratio in the Gaza Strip for selected quarters 2000 to 2006
(source: PCBS labor force surveys)



According to the World Bank, the impact of the increasing dependency ratios for wage earners who remained employed was exacerbated by the decline in average real wages over much of the *Intifada* period. Inflation has meant a considerable reduction in purchasing power for private sector wage employees, although their nominal wages remained roughly steady.

Until the end of 2005, the economy has been sustained by the continued functioning of the PA - supported by donors – that continued to employ some 60 000 people on regular monthly salaries in the Gaza Strip, equivalent to about 40 percent of the total employed workforce. Due to the recent political developments since January 2006, this situation has reversed: the suspension of international aid to the PA has lead to interruption of salaries of public sector workers, further increasing the dependency ratio on shrinking number of private sector wage earners.

16 Note: Data for June 2006 covers up until the 13th of the month.

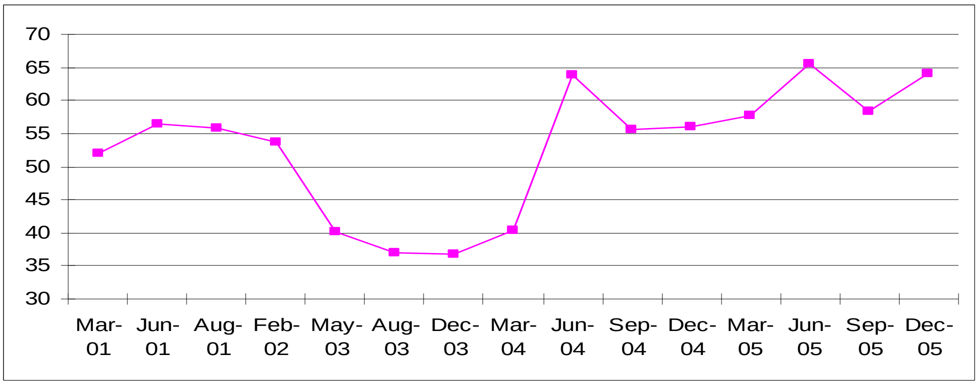
d) Raising poverty

Population living under official poverty line of US$ 2.3 per person per day increased to 43.7 percent in 2005 with an increase of 6.5 percentage points compared to 2004[17]. Within the current circumstances of international aid drastic reduction, the World Bank estimated the poverty rate in Gaza to have increased to 70 percent[18].

At the end of 2005, 72 percent of Gazan households indicated that they needed assistance, while 54.7 percent of the households actually received aid. In addition, 64 percent of the families reported at the end of 2005 that they had lost more than half of their income during the past three months, of which 33 percent indicated losing more than 75 percent of their income (see Figure 7).

Figure 7: Percent of households indicating a loss of half of their income

(source: PCBS Impact of Israeli measures survey)



Over five years of crisis, households have adapted, with increasing difficulties, to income decline, food shortages, volatile prices and decline in purchasing power. A variety of coping strategies are relied upon, using remittances and savings, selling assets, delaying payment of bills, borrowing money and foods, and cutting food intake in terms of both quantity and quality. Gaza Strip shops and supermarkets are suspending credit to PA employees, who didn't receive their salaries for 4 consecutive months.[19]

3.3 Conclusion and recommendations

An increasing number of Palestinian households are becoming food insecure in the Gaza Strip, following the declining cash income and employment, against the declining supply and increasing price of imported food commodities. In March/April 2006, the food security situation further deteriorated with the outbreak of the AI: poor households had no substitute for poultry products, as price of alternative animal protein-rich foods sky-rocketed, which adversely affected food security and protein intake of the vulnerable households.

Severe dependency of the Gaza Strip economy on external factors exacerbates the Gazans' vulnerability to shocks, such as closure of export and Israeli labor markets, as well as aid and public sector spending cuts.

In order to prevent massive and long-lasting food insecurity (and protracted humanitarian caseload), it is an urgent priority to: (i) restore salaries of the public sector workers; (ii) revitalize the private sector through overcoming the constraints on Palestinian production, market access and tradability; and (iii) support employment-generation schemes.

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17 PCBS poverty report 2005

18 World Bank Country Brief May 2006.

19 OCHA, Situation Report: The Gaza strip 3 May 2006.

CHAPTER 4. SOCIO-ECONOMIC IMPACTS OF THE AVIAN INFLUENZA OUTBREAK

4.1 Background

a) The poultry sector in the WBGS

In 2004, the agricultural sector contributed for 18 percent in the Palestinian national domestic product (GDP), while the livestock sector alone contributed for 8 percent, mainly constituted of meat (55.4 percent), dairy products (29 percent) and eggs (9.2 percent)[20].

The total value of the poultry sector production reached US$126 million in the WBGS, of which US$89 million is from egg production and US$37 million from broiler production.

In recent years and as a coping mechanism against shrinking income and decreasing job opportunities, poultry production has gained more importance for many Palestinian households: an increasing number of backyard and small family poultry farms have been established. Families also shifted their consumption behaviour toward poultry meat instead of expensive red meat or fish - poultry became the main source of protein intake in the WBGS, as illustrated in Tables 1 and 2.

Table 1: Consumption figures: average monthly quantities consumed by household (6.6 members)

(source: PCBS, PECS survey, 2004)

Source of protein	Monthly quantity (kg)
Meat	6.373
Poultry	**16.006**
Eggs	3.518
Fish	1.986

Table 2: Distribution of animal holdings in the WBGS by reason for rearing

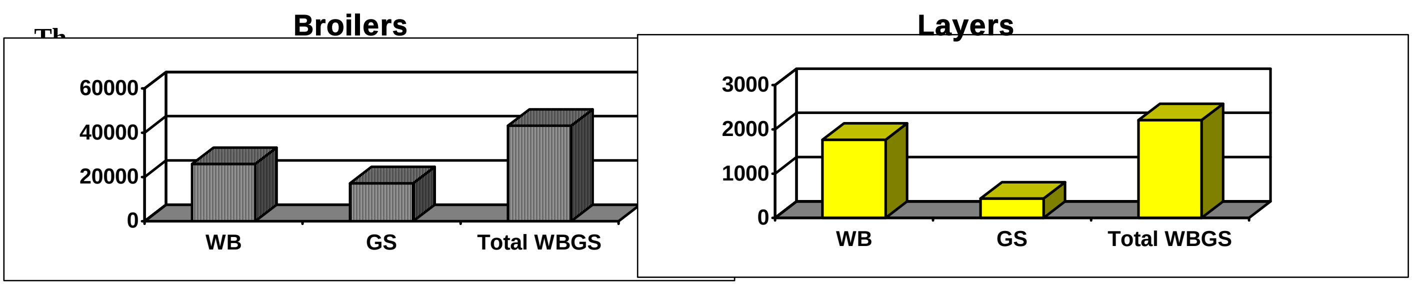
(PCBS, farm structure survey 2004)

	For sale	For subsistence	For sale and then subsistence	Total
WBGS	22.7	42.6	34.7	100

Figures 1 and 2 summarize the total number of broilers and layers reared annually and the size range of poultry farms in the WBGS: 43 131 900 broilers and 2 204 143 layers, reared in a total of 3 347 farms distributed across the WBGS. Small-scale poultry farms (less than 3 000 birds/farm) prevail in the West Bank, which reflects the family nature of the business.

Figure 1: Annual production of broilers and layers in WBGS, 2006

(source: Ministry of Agriculture database 2006)

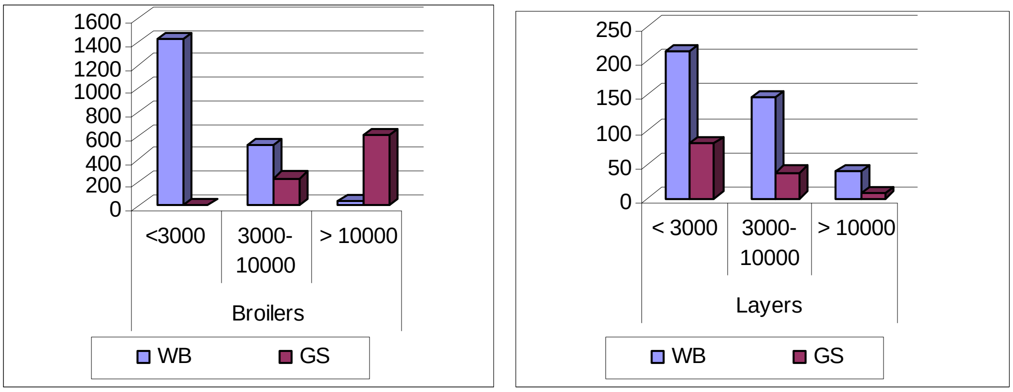


The poultry industry in WBGS is one of the most vibrant rural industries. Besides the AI-related shocks, the general fiscal crisis and the dwindling purchasing power of consumers are expected to affect the effective demand for poultry products - even though they are cheaper than red meats and fish.

20 Ministry of Agriculture estimates 2005.

Figure 2: Number of poultry farms by size in the West Bank (WB) and Gaza Strip (GS), 2006

(source: MoA)



b) The AI outbreaks

As in other parts of the world, AI represents in the WBGS a major threat to the entire Palestinian poultry industry. In March/April 2006, seven AI cases were confirmed in poultry farms in the GS and one in an Israeli settlement (Beqaot) in the West Bank. The MoA veterinary services culled almost 346 000 birds in the Gaza Strip, belonging to 49 commercial farmers. In the West Bank, culling was undertaken in backyard poultry holdings in Tubas district (5 193 birds) and in Northwest Jerusalem (668 birds).

Panic reaction and poor awareness campaigning generated major waves in consumers' behaviour – with dramatic drop in consumption of poultry products and market price in the immediate aftermaths of the outbreak. Nutritional concerns over the intake of animal-protein rich foods pushed WFP to distribute a limited tonnage of canned fish/meat for a limited period to 160,000 of the most food insecure non refugees in Gaza Strip (25 grams of proteins per person per day in the form of canned fish/ meat).

In early June 2006, the Russian Government disbursed US$1.7 million to enable the PA to implement its emergency compensation scheme, based on real production costs of the culled poultry. However, the backyard poultry holdings have not been systematically surveyed nor compulsory culling occurred. This issue represents an alarming threat, as backyard holdings are potential reservoirs of the virus. The risk of AI outbreak in the coming fall season requires upgraded surveillance, including laboratory testing capacities in the WBGS. A UN multi-agency framework was developed to facilitate fund raising and address immediate and medium-term needs in the areas of animal health/production, human health and other related interventions.

c) The poultry industry

The poultry industry in the WBGS is strongly dependent on the Israeli market for all inputs. Feed, baby chicks, young layers and breeder eggs, as well as vaccines and drugs are either legally imported or smuggled from Israel.

Prices of poultry products in the local markets are highly variable, subject to the pressure of cheap Israeli produce. Furthermore, inputs from non-Israeli suppliers often encounter serious customs restrictions, engendering serious economic loss for the Palestinian traders and farmers.

Table 3: Value of life poultry imports to WBGS (US$1 000)

(source: PCBS)

Description	1999	2000	2004
Life poultry weighing less than 185gr i.e. chicks, ducks, geese, turkeys breaded for poultry production.	5 044.20	894.8	1 406.10
Life poultry weighing more than 185gr	1 956.70	3 467.20	5 535.30

4.2 FIVIMS survey: justification, aims and methodology

Responding to the great impact of the AI outbreak on the food and nutritional security of the Palestinian producers and consumers, and the national economy as a whole, and considering the risk of future outbreaks, the FIVIMS TF initiated a study on the socio-economic impacts. It was decided to collect fresh field data, in order to obtain updated information on the status of the industry before, during and after the outbreak.

For this purpose, six different questionnaires were designed, targeting the various stakeholders of the industry: commercial producers, backyard holdings, feed producers, hatcheries, traders and wholesalers. The key indicators and the overall methodology have been jointly developed by the TF, the MoA and PCBS. A total of 20 MoA staff members from the 17 agricultural district departments were trained in Ramallah and Gaza on the methodology. More than 650 actors were then interviewed in all districts of the WBGS. Collected data are currently being processed – full statistical results and analysis will be issued in August 2006 in a working paper.

4.3 Preliminary key findings of the FIVIMS field survey

a) Commercial and backyard poultry farmers: lost critical cash income

Preliminary results indicate that the March-April AI outbreak has resulted in considerable reduction in the total cash income of both commercial and backyard poultry farmers.

Tables 4 and 5 below illustrate the impacts of AI on farmers' cash income. Data are broken down by area, and range of income loss. In the Gaza Strip, 40 percent of interviewed commercial farmers stated that they lost more than 80 percent of their cash income, while 3.3 percent stated an income loss of less than 20 percent. In the case of the West Bank, only 9 percent declared an income loss of 80 percent and more. The income loss in the backyard poultry was also evident, although less severe. For instance, most backyard poultry farmers (84 percent) in the West Bank declared that they lost less than 20 percent of their income.

Table 4: Loss of income for commercial farmers: frequency by range of loss of income

	Loss of income due to AI outbreak (% range)					
Location/	<20%	20-40%	41-60%	61-80%	>80%	No answer
North WBö	13.5	21.6	23.0	23.0	10.8	8.1
Middle WB	35.0	10.0	25.0	20.0	5.0	5.0
South WB	17.9	35.9	25.6	10.3	7.7	2.6
Average WB	**18.0**	**24.1**	**24.1**	**18.8**	**9.0**	**6.0**
North GS	0.0	21.4	21.4	35.7	21.4	.0
Middle GS	4.5	4.5	27.3	22.7	27.3	13.6
South GS	4.2	12.5	4.2	12.5	62.5	4.2
Average GS	**3.3**	**11.7**	**16.7**	**21.7**	**40.0**	**6.7**
Average WBGS	**13.5**	**20.2**	**21.8**	**19.7**	**18.7**	**6.2**

Table 5: Loss of income for backyard farmers: frequency by range of loss of income

	Loss in family income due to AI outbreak (% range)					
Location/	<20%	20-40%	41-60%	61-80%	>80	Not sated
North WB	84.0	6.8	3.1	1.9	0.0	4.3
Middle WB	92.3	5.1	0.0	2.6	0.0	0.0
South WB	78.2	7.3	9.1	0.0	1.8	3.6
Average WB	**84.0**	**6.6**	**3.9**	**1.6**	**0.4**	**3.5**
North GS	.0	12.0	8.0	44.0	12.0	24.0
Middle GS	28.6	7.1	28.6	21.4	14.3	0.0
South GS	65.5	20.7	3.4	3.4	6.9	0.0
Average GS	**33.8**	**14.7**	**10.3**	**22.1**	**10.3**	**8.8**
Average WBGS	**73.5**	**8.3**	**5.2**	**5.9**	**2.5**	**4.6**

When asked about the future plans, 69.4 percent of commercial poultry farmers reported their willingness to continue their activities, while 13 percent reported that they will stop - of which 41 percent showed their interest in switching to another agricultural activity, and 15 percent to an entirely different economic activity. Finally, 29 percent reported that they can live without this income. This indicates significant possible loss of Palestinian productive capacity and locally originated supply of poultry products.

b) Trader-farmer relations: cash and formal guarantees now required

Input traders are now very cautious about supplying their poultry farming customers, as most farmers seem unable to repay their debts. Traders, who are under pressure from their suppliers, are no longer able to extend credit and inject inputs into the production cycle. Therefore, they now request default farmers to pay for supplies in advance. This vicious debt circle jeopardizes the capacity of the industry to recover from the shocks. For instance, most poultry flocks being reared are smaller than before, in order to reduce the risk of losses and due to shrinking capital along the whole chain.

It was reported that input traders started introducing guarantees - such as banking cheques, bills of exchange (‘Combiale’ or promissory notes) or bond of trust (Sanad Amaneh) – instead of the former verbal guarantees. After two months of crisis *per se*, many of the traders agreed that all players in the sector will need more than two to three years to overcome the negative impacts of accumulated debts and to rebuild the trust.

c) Input traders: cash shortage depressing the business

Traders’ losses were three folds: (i) inactive capital in the form of credit extended to farmers that cannot pay back; (ii) decreasing prices of chicks, meat and eggs; and (iii) smaller turnover.

Poultry feed trade has shrunk substantially since the AI outbreak: feed traders interviewed reported 20 to 90 percent decrease in the size of poultry feed trade during the outbreak and in the downtime thereafter. Due to cash problems, input traders have not been able to obtain feed and other inputs from producers/suppliers, who in turn experienced financial crisis. Although the business now slightly recovered, it remains well below the pre-AI crisis levels.

The 16 traders interviewed in the West Bank reported extremely high loss of customers (farmers), especially among large and medium commercial farmers.

d) Feed producers: drastic decline in demand and cash crisis

Producers reported a decrease in the utilization of their factories capacity in response to the decrease in demand during the outbreaks. Production of poultry feed in the interviewed factories decreased on average by 38 percent in the West Bank and by 90 percent in the Gaza Strip. Production levels remained at this lower level in the West Bank, while it recovered during May in the Gaza Strip, to reach a level 53 percent lower than the pre-outbreak period.

e) Changes in prices: a short-lived dip affecting the whole industry

Prices have decreased drastically during the AI outbreaks: prices of eggs faced the sharpest decrease (by 64 percent in both West Bank and Gaza Strip), followed by broilers meat (decrease by 56 percent in the WB and 37 percent in GS) and turkey meat (by 26 percent in the WB and 57 percent in GS). This decrease in prices, although temporary, not only has eroded farmers’ profits but also shrank the turnover of traders and suppliers, therefore hindering the whole industry.

During the AI crisis, the consumers lost confidence in poultry products; their panic reaction, negatively impacted the demand for chicken meat and eggs. Consequently, market price of alternative animal produce (red meat and fish) has sharply increased. Only consumers with enough disposable income to buy such foods have then been able to cover their protein intake requirements.

More detailed results on the AI socio-economic impact will be presented in a working paper currently under preparation, which will contain findings and analysis of topics such as: socio-economic characterization of the poultry producers, structure of poultry production business before, during and after the AI outbreak, profitability of the poultry production taking AI risk into consideration, current and future coping and response mechanisms to AI, poultry trade channels of production inputs and marketing, and future outlook and options to improve the poultry sector in the WBGS. Findings will be disaggregated by area: North WB, Middle WB, South WB and North GS, Middle GS, South GS, as well as WB and GS as a whole.

4.4 Conclusion and recommendations

The results of the FIVIMS TF investigations and field survey strongly indicate that the Palestinian poultry sector is very fragile and highly vulnerable to production and marketing hazards. Most of poultry production is undertaken in small to medium sized farms, and hence those producers are not capable to absorb additional shocks.

Due to the political, financial and technical difficulties, the surveillance and awareness services provided by the MoA and other institutions were below the desirable standards. Owing that the general situation is not expected to improve in WBGS in the near future, and the risk of AI outbreak is still present, FAO and other UN and international organizations are involved with the PA in order to (i) contain future outbreaks through close surveillance and rapid response; and (ii) rehabilitate a more resilient poultry sector.

Moreover, FAO has identified several options for the rehabilitation and improvement of the Palestinian poultry sector:
1. Creation of the Guarantee or Collateral Fund needed for kick-starting the microfinance schemes;
2. Technical assistance in quality management schemes to be provided to the microfinance bank’s project managers in order to ensure adequate practices in the poultry sector are implemented;
3. Facilitate the creation of farmers’ groups or associations so as to enable the micro-credit scheme to be implemented;
4. Associate credit to insurance schemes subject to adherence to quality management plans in small poultry producers borrowing funds to the bank; and
5. Collaborate in the creation of an Agricultural Marketing Company which would support marketing infrastructure (e.g., slaughter-houses and cold rooms), enable sustainable trade partnerships between Israeli and Palestinian agricultural industries (hence poultry) and secure marketing through Israel.

CHAPTER 4. CONCLUSION AND WAY FORWARD

The FIVIMS study of the three emerging issues presented in this Brief enabled the project team to closely interact with Palestinian and international actors in the area of food security, while bringing to light changes in both the context and demand for information.

At a time of rapidly changing environment in West Bank and Gaza Strip, major impacts on food security include the following:

- extreme vulnerability in the Gaza Strip caused by the high volatility of food supply pipelines, the economic and financial crisis and the disruption of basic services and utilities;
- fragmentation of food systems and markets in the West Bank, with structural changes in the agricultural, employment and livelihood systems, as well as in the food production and trade patterns;
- economic recession, debt cycle and banking restrictions, affecting industries and trade;
- lack of resources to maintain social security and safety nets programmes.

In this scenario, the PA, UN and donors' demand for food security information and vulnerability analysis in 2006 and beyond is becoming both more acute and specific. Most international agencies are already updating their assessments in order to inform their operation planning in 2007 and beyond. Hence, the FIVIMS project shall contribute to develop a user-oriented information system enabling food security analysts to:

- re-assess the needs, as and when required, based on existing/systemic data streams (particularly PCBS) rather than ad-hoc data collection;
- broaden the scope of the assessment to determine response options addressing the complex food security requirements, including food aid, cash aid, employment schemes, income generating activities and social safety nets.

Considering the priorities of the various national and international agencies in the area of food security and vulnerability, the FIVIMS Phase 2 project will focus on two outputs, namely:

- from August to December, 2006: the establishment of a new food security baseline, capturing the outcomes of ongoing major changes (political/institutional context, aid policy/resourcing and socio/economic fabric);
- from January to June, 2007: the development of a food security monitoring system.

In pursuing the above outputs, FIVIMS Phase 2 will continue developing constructive partnerships with key international actors in the area of food security information and vulnerability analysis – building on the solid partnership with WFP.

Finally, the project will build on complementarities between the two EC funded FAO projects –i.e., FIVIMS Phase 2 and the WBGS workplan of the global "Food Security Information for Action".

The **next FIVIMS Brief** is scheduled in October, 2006, presenting the preliminary results of the joint FAO/WFP Comprehensive Food Security and Vulnerability Analysis (CFSVA) baseline survey, started in July, and a number of complementary studies on structural change. Such assessment is expected to map out the food insecure: who and how many they are, why they are food insecure, where they are, and which is the appropriate response to their needs, including food aid. PCBS shall provide most household socio-economic data, while specific food security issues will be investigated through field research and focus groups at community level.