

CHAPTER ONE:
ECONOMY AND ACCESS TO FOOD

INTRODUCTION

Economic growth is among the necessary conditions for a sustainable solution to poverty and food insecurity. Growth will raise incomes and the ability of the poor to gain access to food, health, care, services and deal with adversities, but will also provide the necessary means to undertake anti-poverty policies and interventions that would make growth itself more equitable¹⁹.

Palestinians' food insecurity is rooted in the limitations to access food, as a sub-set of consumption poverty. Food availability per se is not the most critical issue presently in the oPt, even though in the Gaza Strip the variety of food available on the markets is limited by the blockade. Food is generally supplied in sufficient quantities and acceptable variety in local markets, essentially from imports. Yet, current availability of food on the market could be hampered given the volatility of the peace process and the high dependency on the Israeli market. As own food production is very limited, households' economic access to food available on local markets is in the present condition the main issue in the oPt²⁰.

The military and administrative measures imposed by the Israeli occupation progressively damaged the Palestinian economy, with a sharp increase on restrictions on movements and access following the 2nd *intifada* which broke out in September 2000. Key elements in the economic downturn in the West Bank comprise: restrictions on freedom of movement of people and commercial goods; the expansion of settlements and related infrastructure; the impact of the West Bank Barrier; the lack of access to agricultural lands; the lack of working permit to the Israeli labor market for West Bank Palestinians; and repeated destruction of physical assets during military incursions. In the Gaza Strip, 30 months of blockade (since June 2007) and the Israeli "Cast Lead Operation" in December 2008/early January 2009 had even more severely affected Gaza's economy and led nearly to 80% of its population dependent on assistance in the aftermath of the war²¹.

GROWTH RATE AND DEPENDENCY

The oPt includes the West Bank and the Gaza Strip, with a population of 2.38 million and 1.42 million people respectively²². Over the last decade, there has been a significant increase of nearly 30% of the total number of Palestinian population. The annual growth rate is considered high reaching up to 3.2% in the year 2007. About 44% of the total population is less than 15 years old, while 3.1% of the population is above 65 years of age, forming almost half of the total Palestinian population²³. The high percentage of children and elders lead to a high dependency ratio reaching 104 persons per 100 employed persons. The West Bank has a lower dependency rate (94) compared to the Gaza Strip (113)²⁴ due to two factors. The West Bank has a smaller household size (5.5 family members compare to 6.5)²⁵ as well as a lower unemployment rate²⁶. Based on the population growth rate registered in the 2007 PCBS Population and Housing Census, the Palestinian population is projected to double in approximately 20 years. This is anticipated to magnify food insecurity prevalence and depth and possibly become a national concern especially as the growth rate has been faster than economic growth, contributing to the impoverishment of the population²⁷.

All these factors and the Israeli closure, blockade and restrictions increase the pressures on the working age people and outpaced real GDP growth, leading to a 3.1% real withdrawal rate by the end of 2009 compared to 2008. Real GDP growth in the oPt in 2008 was estimated at approximately 2%, resulting in per capita income of just over USD 1,000 during the same period, compared to US\$1,610 in 1999²⁸. Growth has been strongly curtailed by the continued blockade on the Gaza Strip since June 2007, and further exacerbated by the Israeli Cast Lead Operation in late December 2008/early January 2009.

UNEMPLOYMENT, WAGES AND INCOME

Loss of business and jobs is synonymous to greater pressure for the breadwinners to cover their food and non-food expenditures. Investigating unemployment rates in the oPt over the last ten years, it appears that since the year 2000 the rate has increased significantly and continued to fluctuate until the year 2009, the highest rates witnessed in the years 2002, 2004 and 2008 with 31.3%, 26.8%, and 25.95% respectively. The unemployment rate in the Gaza Strip has the highest value in the third quarter of the year 2009 reaching up to 42.3%²⁹. Unemployment increased in the third quarter of the year 2009 reaching to 42.3%, 17.8%

¹⁹ The World Bank, *World Development Report 1990*, Oxford University Press for the World Bank, 1991.

²⁰ FAO/WFP, *Food Security and Vulnerability Analysis Report in the oPt*, December 2009.

²¹ WFP, *Food Security and Market monitoring report*, oPt Report 20, April 2009.

²² Palestinian Central Bureau of Statistics (PCBS), 1998 & 2008. *Population Census 1997 & 2007*. Ramallah, Palestine.

²³ WFP, *Food Security and Market monitoring report*, oPt Report 20, April 2009.

²⁴ Palestinian Central Bureau of Statistics (PCBS), 2008. *Population, Housing and Establishment Census 2007: Final Results in the West Bank and Gaza Strip (Population and Housing)*. Ramallah – Palestine.

²⁵ Palestinian Central Bureau of Statistics (PCBS), 2009 – *On the Eve of International Population Day*, 11 July 2009.

²⁶ Palestinian Central Bureau of Statistics (PCBS), 2009. *ILO Standard Definition*. Ramallah – Palestine.

²⁷ FAO/WFP, *Food Security and Vulnerability Analysis Report in the oPt*, December 2009.

²⁸ Palestinian Central Bureau of Statistics (PCBS): *Statistics with World Bank staff calculations*, World Bank Economic Monitoring Report, June 2009

²⁹ Palestinian Central Bureau of Statistics (PCBS): *Press Release –third quarter, December 2009. Labor Force – Third quarter (July-September) Report 2009*. Ramallah – Palestine

and 25.8% in the Gaza Strip, the West Bank and the oPt respectively³⁰. Such fluctuation in the labor force and high unemployment rates directly impact Palestinian households as their main source of income is provided by regular wage work (41% and 55% in the West Bank and the Gaza Strip respectively)³¹. As a consequence, households with an unemployed or underemployed head of household, and with a high dependency ratio, are even more likely to be food insecure than other households.

The average nominal daily wage in the West Bank has consistently been higher than the wages in the Gaza Strip. In 2008, it reached 85 NIS for West Bank employees and 61 NIS in the Gaza Strip³². Palestinian household monthly income based on average monthly wages illustrates a deficit in covering the household expenditures, since income is less than expenditure. In 2007, the deficit reached 1941 NIS/month in the West Bank and 712 NIS/month in the Gaza Strip³³. Such a deficit limits the household ability to cover their expenses mainly on non-food items such as health, education, bills, transportation, and others.

INFLATION AND FOOD PRICE INCREASE ³⁴

The Consumer Price Index (CPI) is the official measure of inflation in the oPt, through monitoring of the cost of a basket of food and non-food goods and services purchased by an average household of 2 adults and 4 children. Food makes up almost 38% of the CPI, making it a key determinant of inflation in the oPt.

The CPI has risen rapidly since 1997, with the highest rates exhibited between 2005 and 2008. The Food Consumer Price Index (FCPI) has been rising similarly. Between June 2007 and June 2008, the FCPI increased by 21% in the West Bank and 28% in the Gaza Strip. The Transport Price Index (TPI) also rose. The acceleration of both the FCPI and the TPI reflect the sharp increase of food and fuel prices on the international markets at the end of 2007/early 2008. However, the trade restrictions imposed by Israel and associated increase in transport costs have a comparatively larger effect on food prices in the oPt, especially in the Gaza Strip.

Food price increases have significantly worsened the food security situation of households in the oPt, due to the high share of household expenditures on food: 49% in the West Bank and 56% in the Gaza Strip. Price levels for both flour and rice showed an increasing trend since 2003 in both the West Bank and the Gaza Strip. However, in 2008, the prices of these two commodities increased significantly (eg. flour experienced a 143% yearly increase in the West Bank and 139% in the Gaza Strip). In 2009, the prices of flour started to fall while the prices of rice kept rising. Bread prices rose modestly, (60%) in West Bank and (25%) in the Gaza Strip, over the period. Sugar prices increased by around 50% between 1997 and 2009, although more substantial increases have been witnessed during these last few years. Related to meat and dairy products, prices of lamb, beef, and chicken were rising since 2006. The increase in chicken prices can also be attributed as it is a cheap substitute for beef and lamb. Price of chicken is fluctuating with a peak following Cast Lead Operation in the Gaza Strip – due to the destruction of poultry farms – as well shortage of cooking gas during the winter is an additional factor for increased prices. Milk Prices were rising during the time period of 1997 to 2009 in both West Bank and Gaza Strip. Fruits and vegetables are the only group of food items that experienced the least rise in prices of less than 50% over the period of Jan 1997 to May 2009. Most of the items in this group are locally planted and hence their prices are more determined by local factors of supply and demand than they are by international prices and Israeli restrictions³⁵.

In the West Bank, the CPI and the FCPI continued to increase between the first and second half of 2008 despite the decrease of prices on international markets (overall increase of CPI of 5.5% for 2008). Most households (97%) in the West Bank reported being affected by a rise in food prices during the second half of 2008³⁶. The downturn of food CPI early 2009 (-3%) is an encouraging improvement. However, while the prices of main staple food commodities have decreased, they remain significantly higher than their long-term averages.

In the Gaza Strip, the FCPI increased faster than in the West Bank mainly due to the increased restrictions and the Israeli offensive at the end of 2008, and did not decrease during the first half of 2009 (+ 1.4%). Overall, the FCPI rose by 33% between May 2007 and May 2009, as a result of the international food prices increase and the import restrictions.

³⁰ Palestinian Central Bureau of Statistics (PCBS): Press Release –third quarter, December 2009. Labor Force – Third quarter (July-September) Report 2009. Ramallah – Palestine

³¹ FAO/WFP. Socio-Economic and Food Survey Report (West Bank - August 2009/ Gaza Strip – November 09).

³² Palestinian Central Bureau of statistic (PCBS): Household Expenditure and Consumption Survey, 2007. Living conditions in Palestinian Territory, Final Report (January 2007- January 2008). June / July, 2008.

³³ Palestinian Central Bureau of statistic (PCBS): Household Expenditure and Consumption Survey, 2007. Living conditions in Palestinian Territory, Final Report (January 2007- January 2008). June / July, 2008, (ARIJ Calculation)

³⁴ FAO/WFP. Food Security and Vulnerability Analysis Report in the oPt. December 2009

³⁵ Madi A.S., Abu Hassan H., Al-Ghool N., Abu Ghosh O., December 2009 – The Impact of Closure and High Food Prices on Performance of Imported Staple Foods and Vegetable and Fruits Market in the oPt. Al-Sahel Co. for Institutional Development and Communications. Al Sahel. December 2009.

³⁶ FAO/WFP. Socio-Economic and Food Survey Report-West Bank. August 2009

TRADE (Exports / Imports)

Trade flows represent 85% of the GDP of the oPt. Imports of goods and services represent over 80% of total flows and exports around 20%³⁷. The oPt is Israel's second largest export market (after the USA), with exports worth US\$2.3 billion in 2007³⁸. Palestinian trade is heavily and increasingly connected to Israel. In 1999 and 2007, Israel accounted for respectively 63% and 71% of the total Palestinian trade. In 2008, about 81% of total value of the oPt trade was with Israel.

The decline in exports reflects the erosion of productive capacity and the disabling environment facing the private sector. The continuous blockade of the Gaza Strip since June 2007 was especially harmful, as its agricultural sector and many of its industries are export-oriented. It is worth noting that there is high dependency on imported food items for household food consumption. Only 60% of main food items are produced locally, where less than 5% of the cereals and pulses consumed in the oPt are locally produced. More than 25% of Palestinian consumed food commodities are imported from Israel.

POVERTY

As a result to above challenges, the number of Palestinians living in poverty are in continuous increase since the second Intifada in the year 2000. Based on consumption levels, in 2007 almost 1/4th of households were poor in the West Bank and 52% in the Gaza Strip. Based on income levels (excluding remittances and food aid), 34% of households were living in deep poverty in the West Bank and 70% in the Gaza Strip³⁹. This number has increased dramatically in the Gaza Strip at the end of the year 2008 and beginning of 2009 due to the Israeli Cast Lead Operation where an estimate of 80% of people were under poverty and relied increasingly on humanitarian assistance.

The poverty rate increases further for large family in the oPt. In 2006, nearly 55% and 34% of households with 7-8 children were found to be living under the relative poverty and the deep poverty lines. Family with 10 members and above were even more impacted with 57.8% and 38.1% respectively⁴⁰.

ECONOMY AND EDUCATION

The rising poverty and unemployment is affecting school attendance across the oPt. In 2005/2006 school year, the number of students whose families could not afford the school fee of NIS 50 (11\$) doubled from 29,000 to 56,000⁴¹. Taken the worsening of the level of poverty in the oPt over the last decade, an increasing number of Palestinian children is now working to support their families instead of attending school. In 2008, 3.7% of children between 7-17 years of age are employed (mainly in the West Bank with 5.3%)⁴². As noted earlier 60% of oPt population is under 19 years of age; one in 3 males aged 15-19 is an unskilled worker, where 20% of them can not find paid work⁴³.

The majority of adult Palestinians are literate (92%). Literacy rates, particularly for females (88%), are the highest in the Arab world, however learning achievement rates are dropping. In the first semester of the 2007-08 school year, only 20% of sixth-graders in Gaza passed standardized exams in various topics⁴⁴. In the West Bank, children and young people are prevented from reaching schools during curfews and periods of settler violence. At least 30% of adolescents do not enroll in secondary school⁴⁵. Food security levels are directly impacted by the level of education. Head of households with low level of education are more inclined to be food insecure. In the West Bank, the average years of education among members of food insecure households was 5.9 years compared to 8.2 years among members of food secure households. Only 17% of the heads of food insecure households had secondary education and above, compared with 45% of food secure heads of households⁴⁶.

³⁷ FAO/WFP. Socio-Economic and Food Survey Report (West Bank - August 2009/ Gaza Strip - November 09).

³⁸ Israeli Central Bureau of Statistics: Statistical Yearbook 2007. Jerusalem, 2008. Quoted in: Hever, Shir - Political Economy of Aid to Palestinians Under Occupation. The Economy of Occupation, Socio-economic Bulletin No.17-18. The Alternative Information Center (AIC). November 2008.

³⁹ FAO/WFP. Socio-Economic and Food Survey Report (West Bank - August 2009/ Gaza Strip - November 09).

⁴⁰ Palestinian Central Bureau of statistic (PCBS): Palestinian Labor Force Survey, 2008. Ramallah, Palestine.

⁴¹ Palestine Monitor: exposing life under occupation-Children factsheet, updated 18 December 2008

⁴² UNICEF. Overview Health and Nutrition, occupied Palestinian territory. 2009

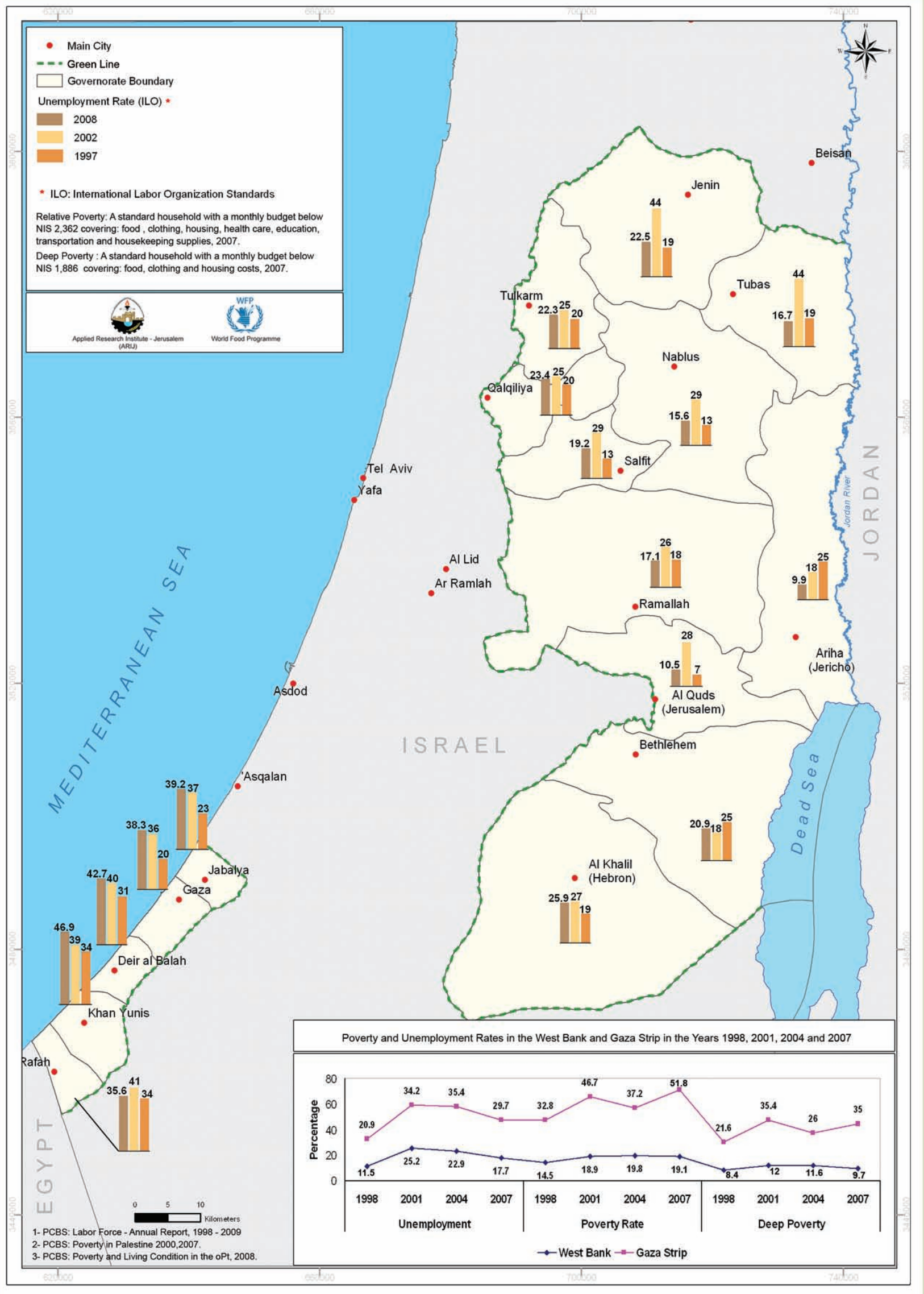
⁴³ Palestinian Central Bureau of statistic (PCBS): Population, Housing and Establishment Census 2007. Ramallah, Palestine

⁴⁴ OCHA, August 2009 - Locked in: the Humanitarian Impact of Two Years of Blockade on the Gaza Strip

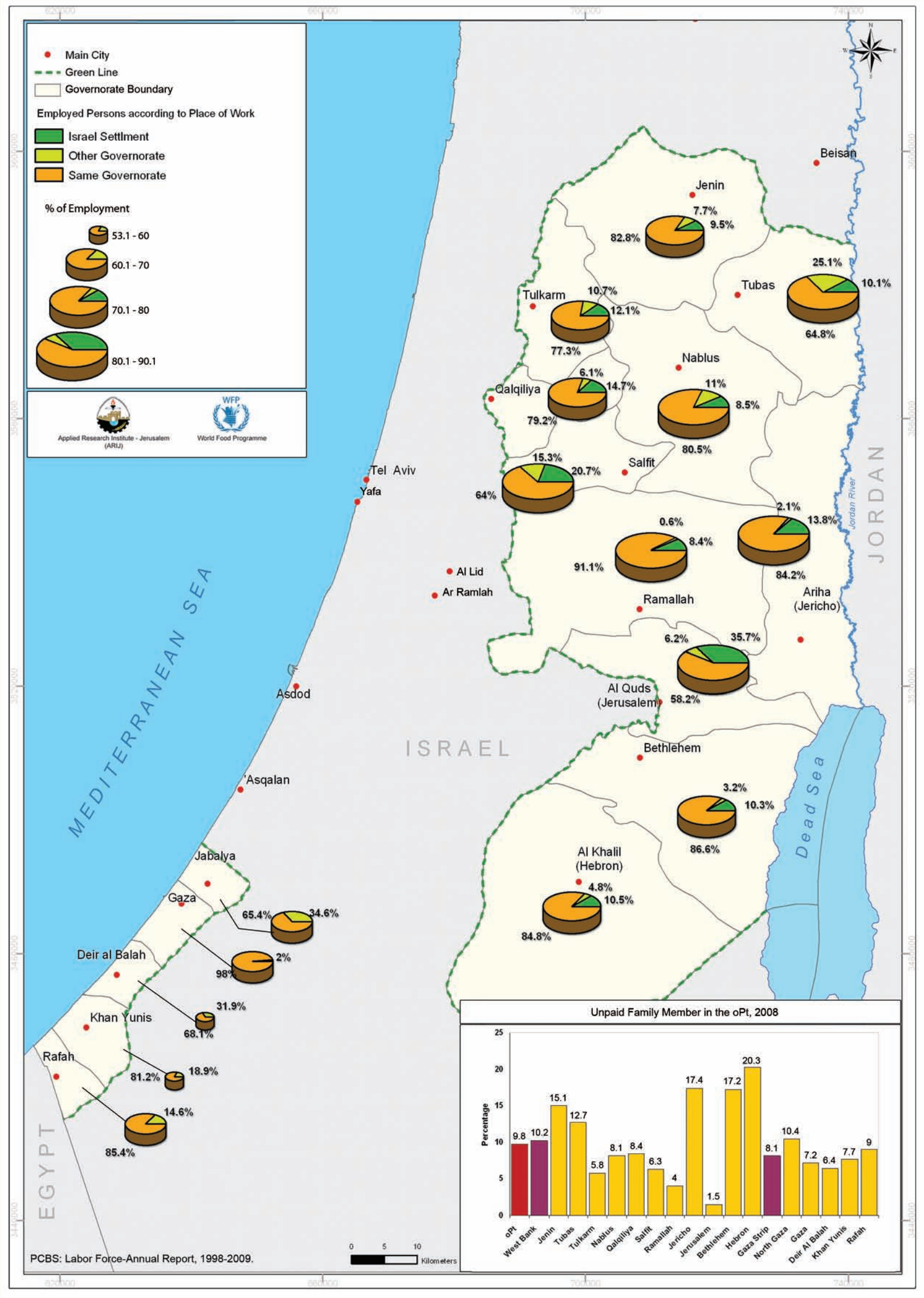
⁴⁵ UNICEF. Overview Health and Nutrition, occupied Palestinian territory. 2009.

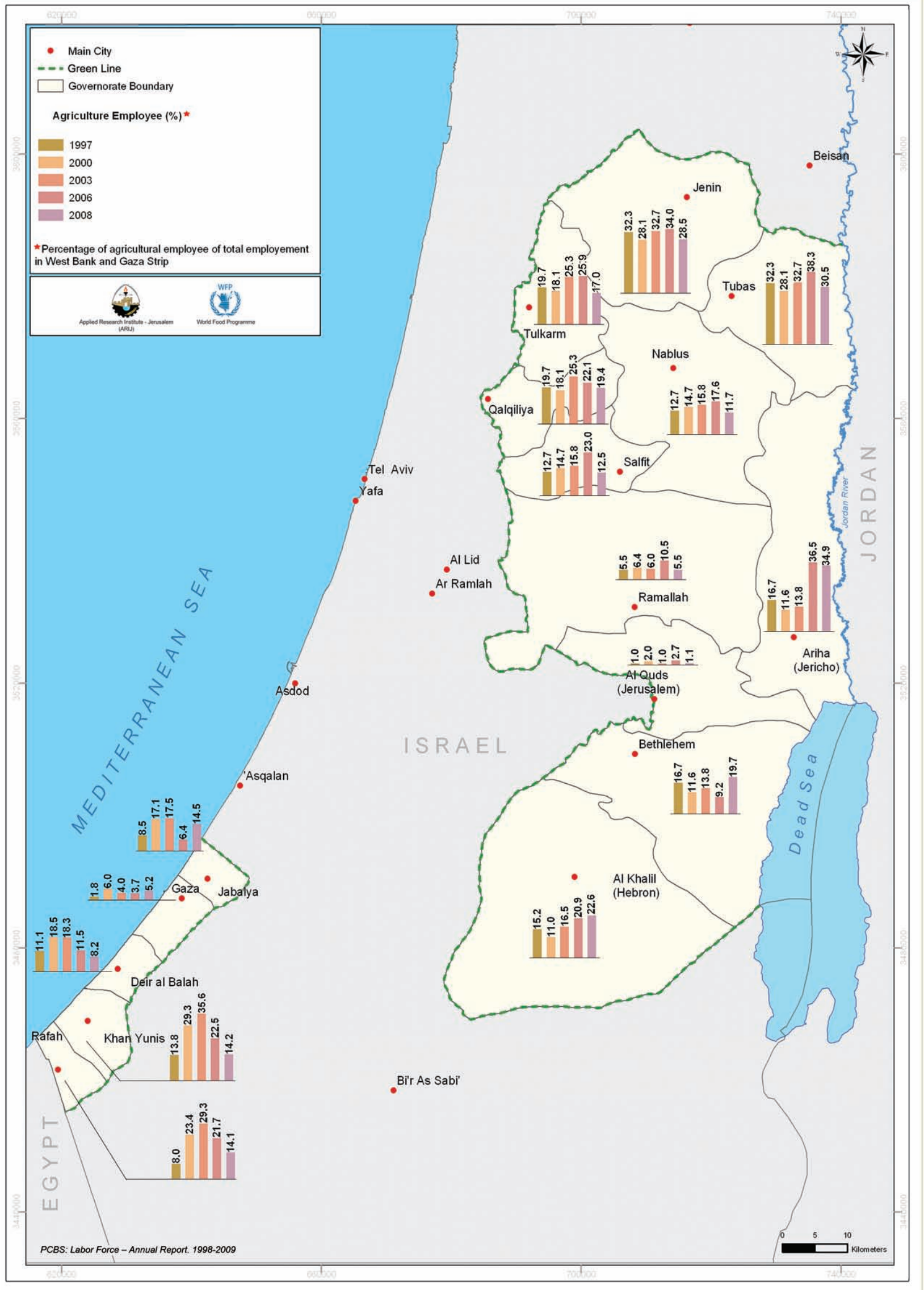
⁴⁶ FAO & WFP. Working Paper Series 1, Household Food Security Profiling, West Bank. August 2009

Unemployment and Poverty Rates in the occupied Palestinian territory, 1997 - 2008

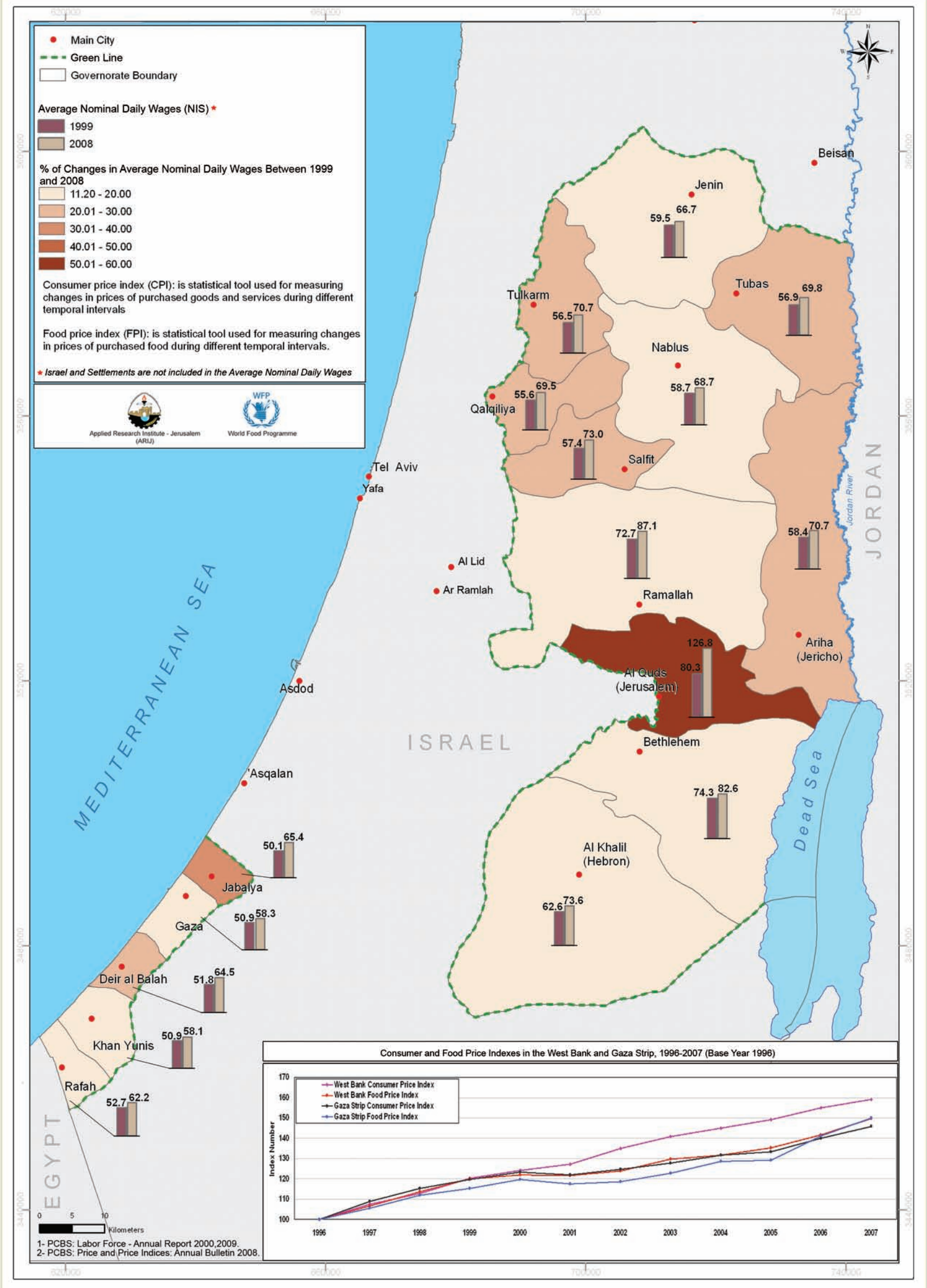


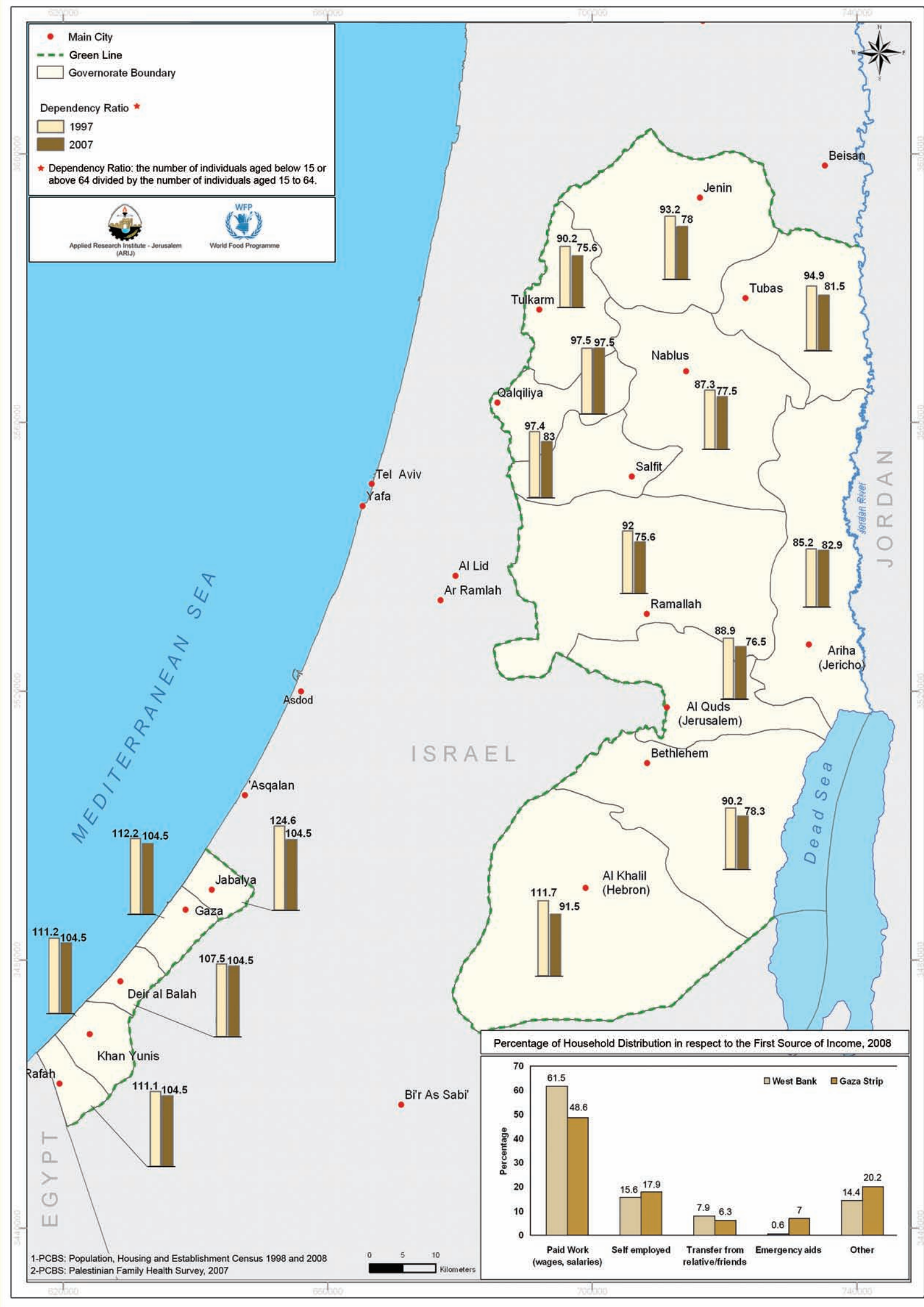
Percentage of Employed Persons by Place of Work and Unpaid Family Member in the oPt, 2008



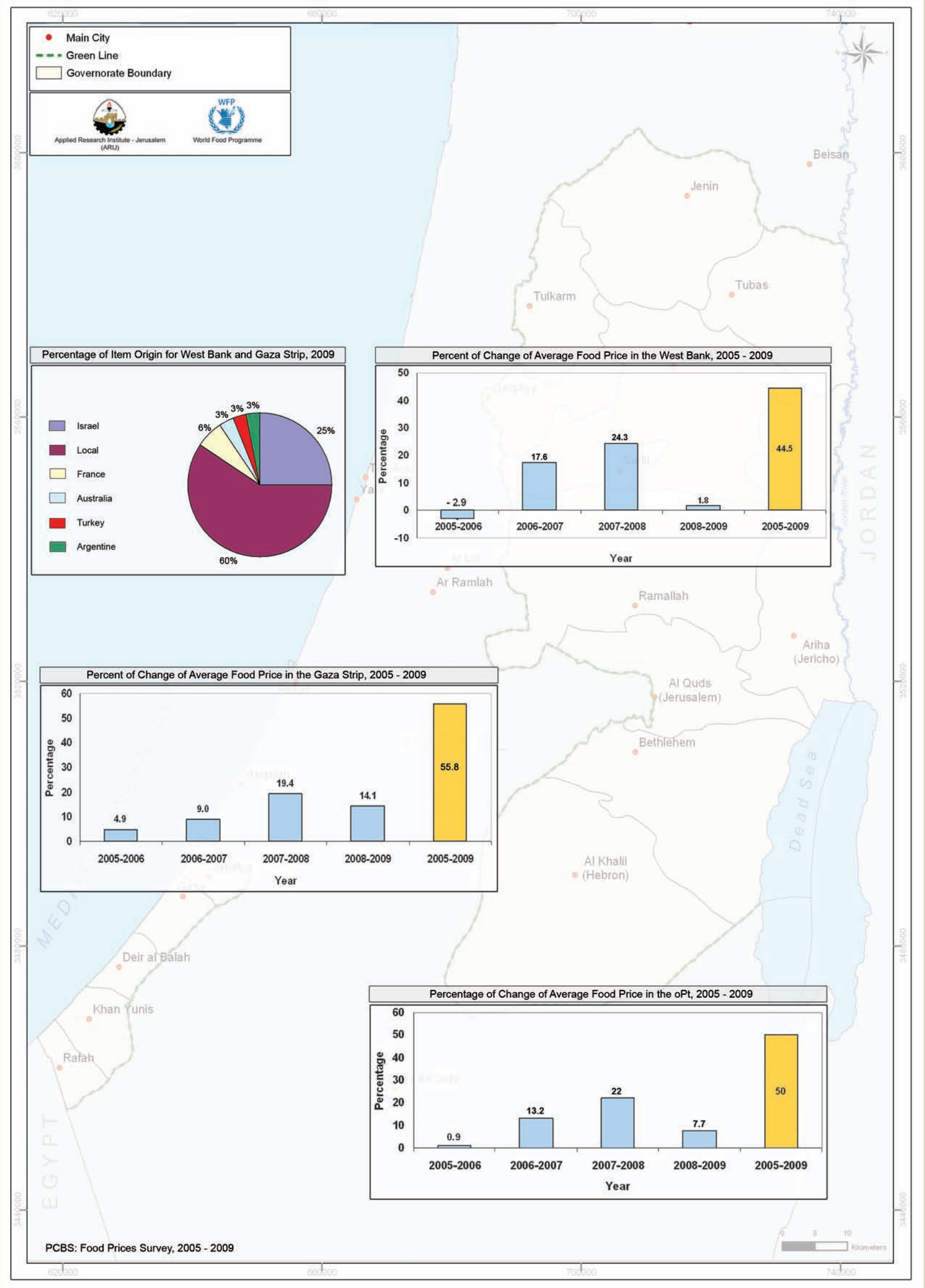


Average Daily Wages, Consumer and Food Price in the occupied Palestinian territory, 1996 - 2008

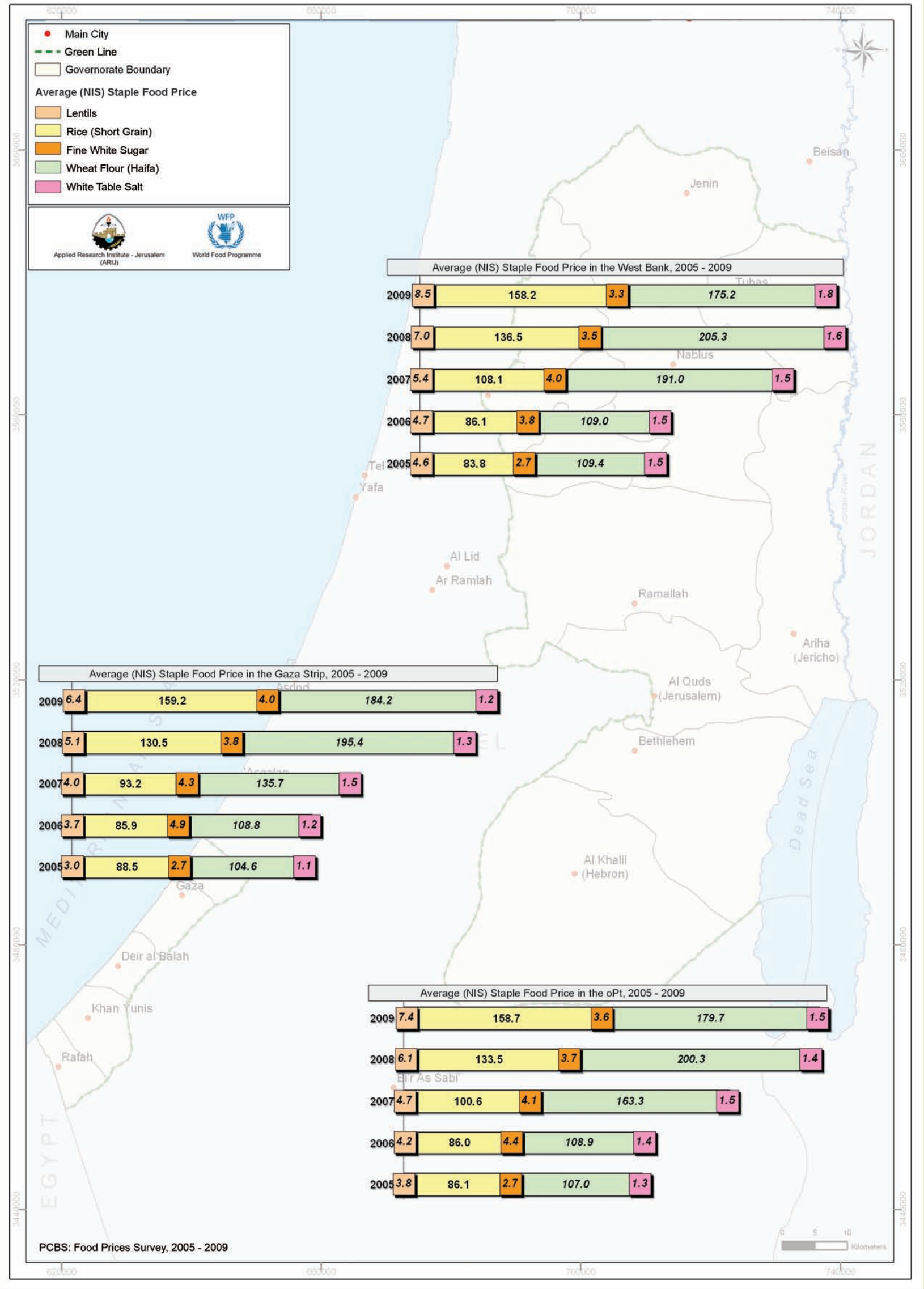




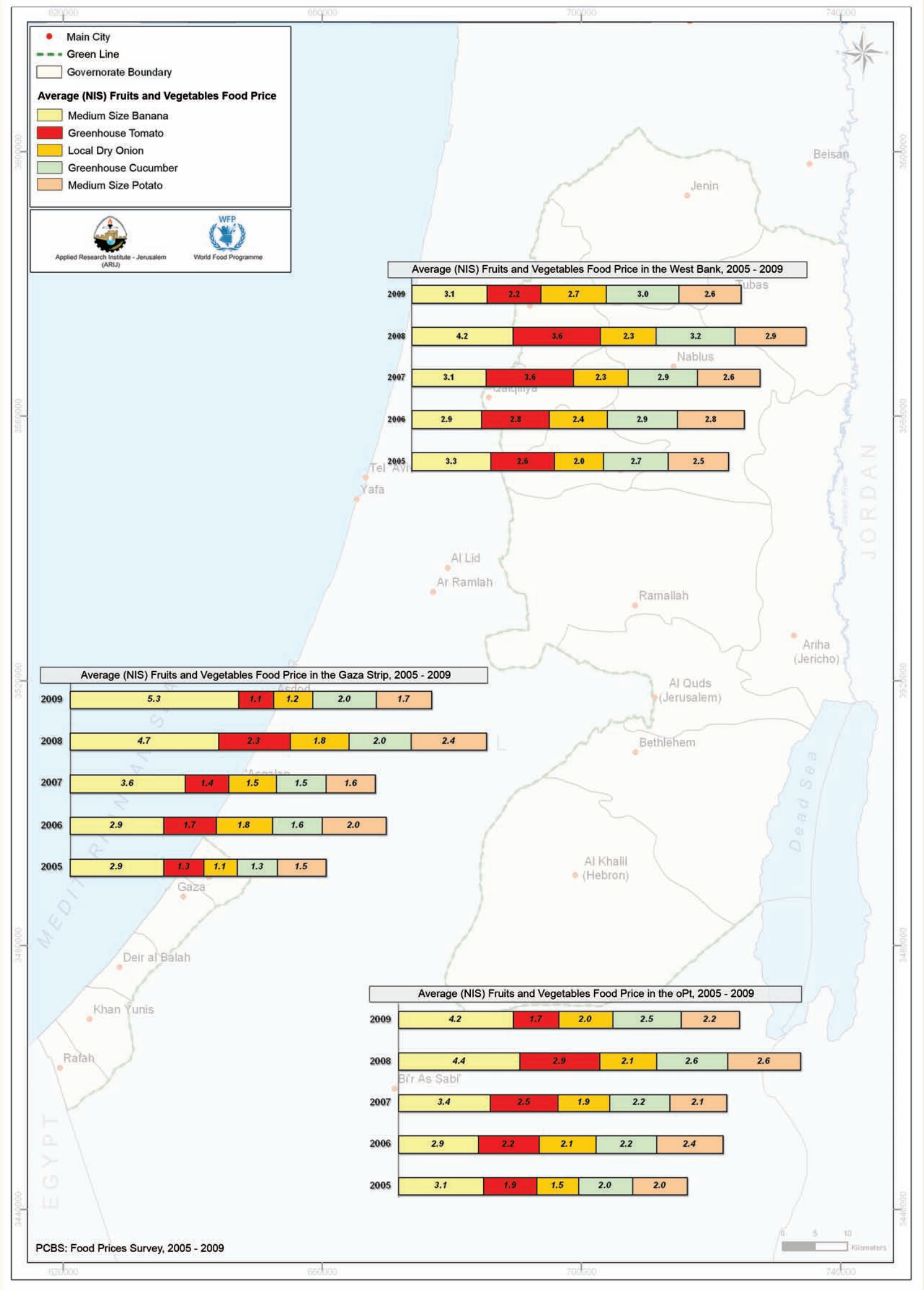
Percentage of Change in Food Price and Source of Origin for Selected Food Commodities in the oPt, 2005 - 2009



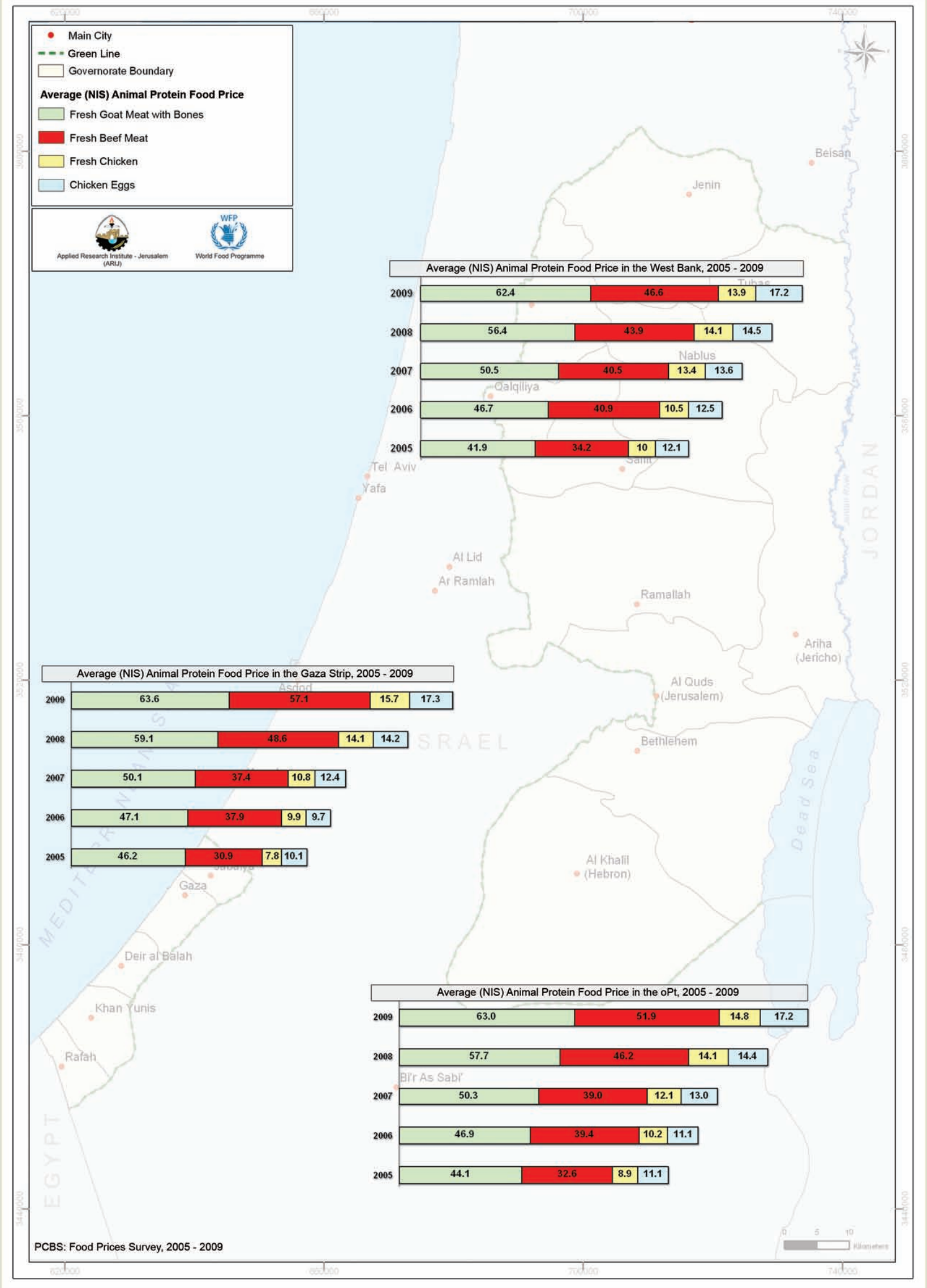
Average Staple Food Price in the occupied Palestinian territory, 2005 - 2009

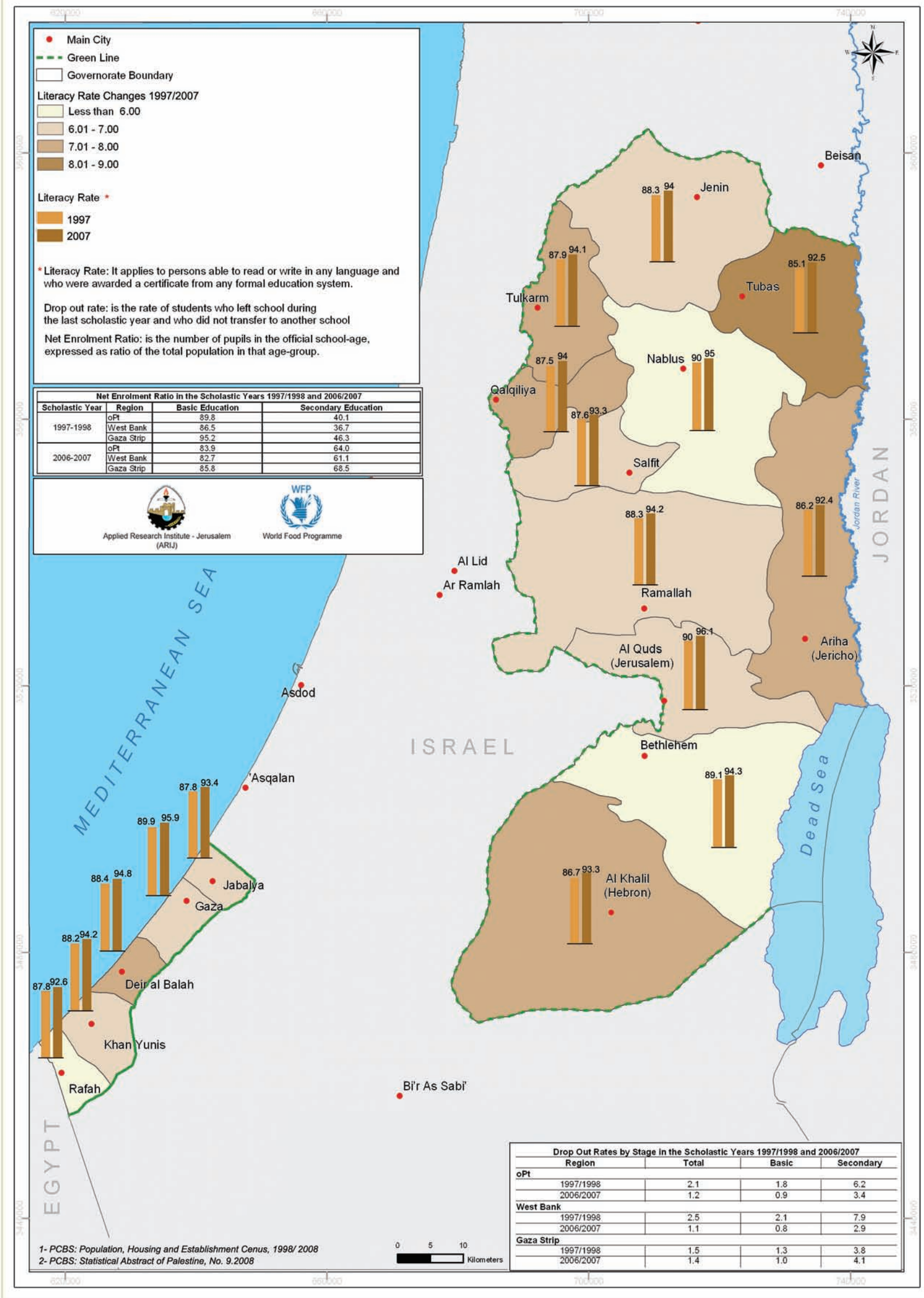


Average Prices of Fruits and Vegetables in the occupied Palestinian territory, 2005 - 2009

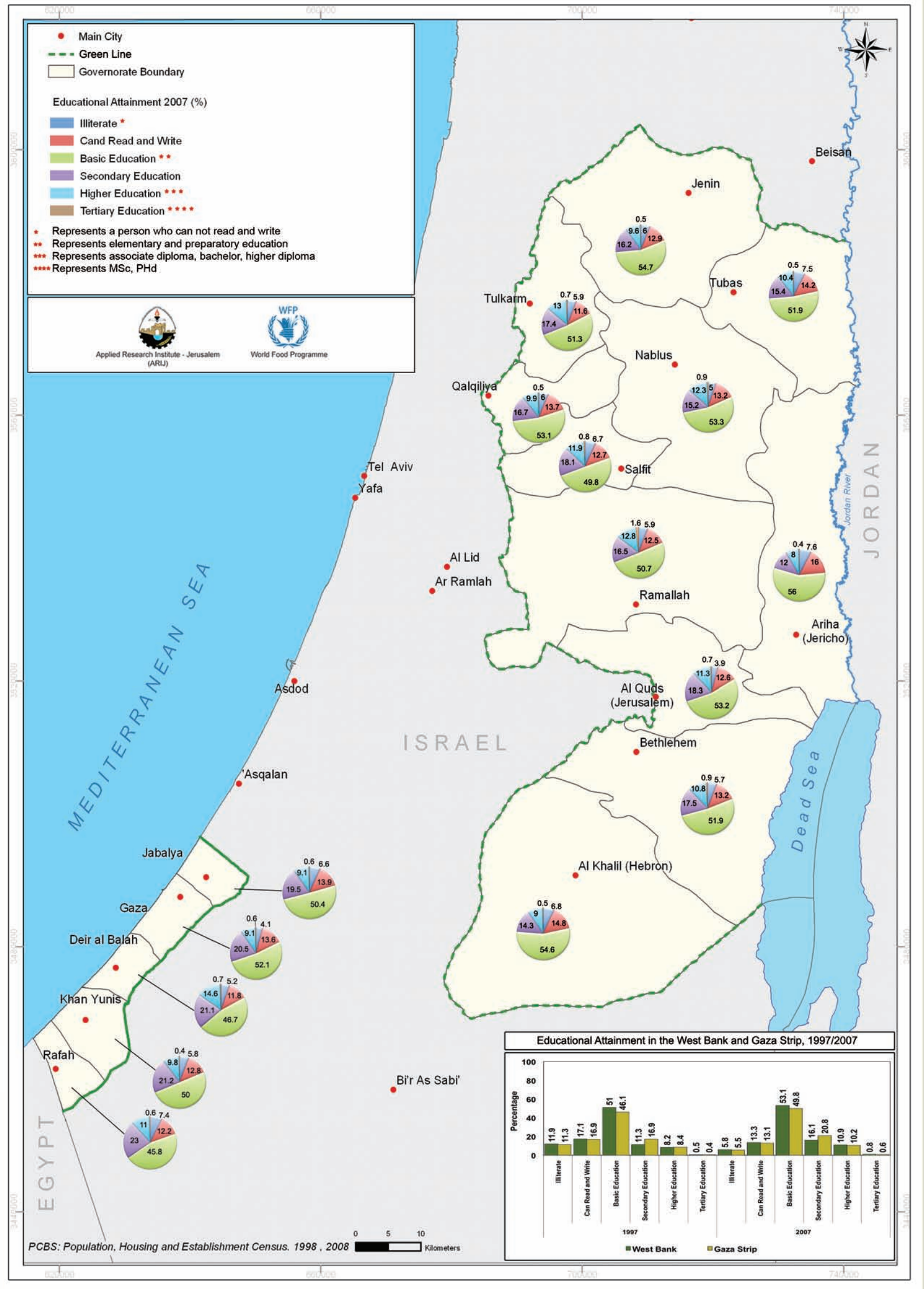


Average Price of Meat in the occupied Palestian territory, 2005 - 2009





Educational Attainment in the occupied Palestinian territory, 1997 & 2007



Distribution of Schools, Students and Class Density in the West Bank, 2007 / 2008

