

Household Economy Assessment



West Bank and Gaza

Autumn 2006



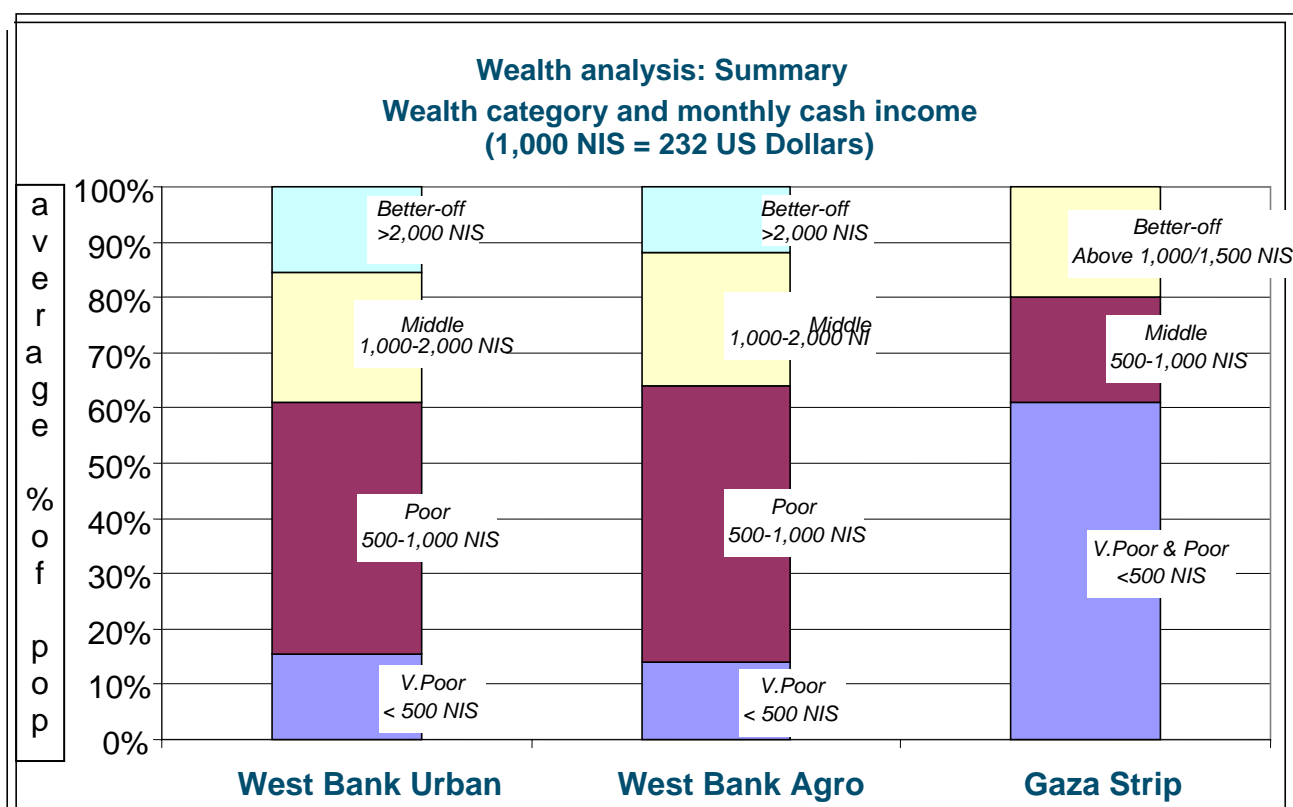
ICRC

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1. Executive summary

The purpose of this assessment was twofold. The first objective was to get a sense of the impact on household economic security of the financial restrictions imposed on the Palestinian Authority (PA) after the election of the Hamas government. The second was to identify the indigent sections of the population, and to classify them by current income, expenditure patterns and coping mechanisms.

- To achieve these objectives, the ICRC relied on the Household Economy Approach (HEA) and used its 2002/2003 HEA assessment of the West Bank as a baseline. It also used several reports on the West Bank and the Gaza Strip as background information.
- The assessment was qualitative rather than quantitative. It relied on discussions with focus groups consisting of village leaders and detailed interviews with members of the households themselves. There were 36 focus group discussions and 38 household interviews in the West Bank (10 locations in the districts of Salfit, Hebron, Jenin and Nablus). In the Gaza Strip, there were 12 focus group discussions and 33 household interviews (five locations in the Gaza City, Khan Younis and Rafah areas). These discussions and interviews took place in August 2006.
- In the areas assessed in the West Bank, the various communities classified indigents into four wealth categories: "very poor", "poor", "middle" and "better-off" (see graph below). In the Gaza Strip, the communities had difficulty distinguishing between the "poor" and the "very poor."
- The "poor" and "very poor" categories were defined as those households earning below 1,000 and 500 NIS (USD 232 and USD 116) per month respectively in the West Bank, and households earning below 500 NIS (USD 116) in the Gaza Strip.
- The assessment took into account mainly cash income.



- In the West Bank, wealth analysis showed that the situation in urban areas was similar to that in rural areas. That was a change from 2002/2003 when an ICRC assessment found that rural households were more economically insecure than urban households.
- In Gaza, wealth analysis revealed that the situation there was comparatively worse: the threshold between "middle" and "poor" households was much lower than in the West Bank. In Gaza those households that were earning 500–1,000 (116–232 USD) per month were defined as "middle", while "poor" and "very poor" households (one category in Gaza) were those that earned less than 500 NIS (116 USD) per month.
- An estimated 14-18% of households earned less than 500 NIS (116 USD) in the West Bank; for the Gaza Strip that figure was 58-64%. This might be explained by the fact that in Gaza the economy depends almost completely on external factors, which are very unfavourable.
- Income sources: These varied from one "poor" household to the next; they included day labour in construction, farming and fishing. These opportunities, although certainly better in the West Bank than in Gaza (except for fishing), were decreasing.
- Other income sources: Among these were small farming and trade, local borrowing, gifts from relatives and friends or neighbours, cash and goods distributed by Zakat committees on the basis of specific criteria (to orphans, widows, disabled persons, etc.), remittances from relatives abroad and the sale of assets, including land.
- Humanitarian assistance in Gaza: Most "poor" refugee households in Gaza were receiving assistance, mainly from the United Nations Relief and Works Agency (UNRWA). The assistance was being provided in the form of food, but was supplemented with cash for approximately 18,000 "hardship" households. It was estimated that approximately 70% of refugee households in Gaza were receiving regular assistance. The number of programmes offering households an additional source of income over time, such as the job-creation scheme implemented by the Palestinian Authority (PA), had decreased since the onset of the financial crisis.
- Humanitarian assistance in the West Bank: This was more difficult to assess comprehensively. However, food-for-work schemes run by the World Food Programme (WFP) were cited as playing an important role, as were UNRWA assistance for refugee households and cash assistance from the Social Affairs Department which mainly targeted social-welfare cases.
- Expenditure patterns: In most cases, basic food items accounted for more than 70% of household expenditure. Hygiene products, school costs and cooking gas made up the rest. Basic food items included wheat flour, rice, pulses, sugar, oil, vegetables, coffee, tea and spices. "Poor" families were buying larger quantities of high-energy foods, particularly wheat flour, and purchasing more vegetables when prices were low.

- "Very poor" households, the majority of whom lived in Gaza and earned below 500 NIS (116 USD) per month, had to rely on several coping mechanisms to meet their basic requirements.
- The communities surveyed thought PA employees, whether or not they had received their salary the previous six months, were "better-off" compared with persons relying on irregular sources of income. This can be attributed to the following factors: PA employees still had better access to credit and loans and usually more savings or assets as well, and were also more likely to have educated relatives who could support them.
- The situation for "poor" households in both the West Bank and the Gaza Strip had significantly worsened over the previous four years.
- The findings of this assessment could be contrasted with the ICRC study carried out in 2002/2003 in the West Bank, which followed a similar methodology. The study demonstrated the impact of unemployment after the *intifada* and of the restrictive policies imposed at the time.
- In both Gaza and the West Bank, communities regarded themselves as having grown poorer over time. Communities interviewed before the *intifada* estimated that over 50% of West Bank households earned above 2,000 NIS (464 USD) per month. In addition, the wealth thresholds (in terms of cash income) used to define the "better-off" category were much higher before the *intifada* than those used in 2003 and 2006.
- The World Bank poverty threshold of 2.3 USD¹ per person per day translates into 1,863 NIS (414 USD) per month for a family of six. On that basis, households in the areas assessed fall well below the poverty line if their cash income alone is considered. Such "poor" households usually supplement their cash income by resorting to various coping mechanisms, including support from relatives, credit or loans and the sale of assets. However, such coping mechanisms, which would push income levels up to the World Bank threshold, were in very limited supply, particularly in Gaza.

¹ Food Insecurity and Vulnerability Information and Mapping System (FIVIMS) – Food Security Brief – Number 1 (World Bank Country Brief May 2006)

2. Background information

The lives of the Palestinian population in the West Bank have changed dramatically since the beginning of the second *intifada* in September 2000. Before that the Israeli and Palestinian economies were closely linked. Many Palestinians worked in Israel, particularly in construction and agriculture, and large quantities of goods were traded.

In 2002, the situation deteriorated further in the West Bank. The deployment of the Israel Defense Forces (IDF), curfews, closures and other restrictions on movement had a severe impact on every facet of Palestinian life. In response, in 2003 the ICRC launched its Rural Relief Programme in the West Bank. This provided assistance to 30,000 households in rural areas, and set up a voucher programme for 20,000 households in urban centres. A total of 50,000 households, or roughly 300,000 individuals, were helped.

The years 2004–2005 saw some improvement in the overall situation although many specific areas, such as Nablus City and Jenin District, continued to suffer economically. As a result of continuing restrictions on movement, areas south of Nablus City have developed smaller urban centres to minimize the overall effects of the closures on trade and access to essential services. These emerging urban centres cater largely to the agro-trade but also provide warehouses for large traders. Reference documents and key informants indicate that these small urban centres cannot replace the services offered by Nablus City.

The measures taken by Israel and the international community following the election of the Hamas government on 1 April 2006 had a negative effect on the economy. According to a World Bank study of April 2006, the suspension of revenue transfers by Israel in March, the tightening of Israeli security measures (including closures), the increased restrictions on the movement of people and goods, and the reduced flow of aid observed in 2006 will cause severe economic damage in the Palestinian territories in 2007. Already, in 2006, the real Gross Domestic Product (GDP) per capita has declined by 27%, and personal income by 30%. This abrupt contraction of economic activity is, according to the World Bank, equivalent to a deep economic depression.

Until the recently imposed financial restrictions, Value Added Tax (VAT) and customs transfers and donor payments comprised up to 75% of the PA's budget. The loss of these sources of income, together with the refusal of banks to transfer funds to the PA as of March 2006, have seriously undermined the functioning of the PA's institutions, and the consequences in humanitarian terms have been severe. The loss of PA salaries has a direct impact on the cash-starved local economy and on society as a whole. Throughout the Palestinian territories, adverse socio-economic conditions are now identified as the number one cause of insecurity.

In Gaza, the extensive damage caused by Israeli military operations in the summer of 2006 has further undermined development. For instance, the destruction of its power plant has increased Gaza's dependence on Israel for electricity. Similarly, the reduction in Gaza's exports to Israel has weakened local production capacity, cut revenues and increased dependence on imports from Israel.

Achieving desirable level of economic growth, according to the World Bank, will depend on Israel resuming its transfer of fiscal revenues, rolling back the current system of restrictions on movement and maintaining or increasing labour access to Israel, as well as sustaining high rates of donor and private investment. Whether all this will happen by the end of 2006 and throughout 2007 is, at best, doubtful.

3. Assessment methodology

This assessment was carried out in accordance with the fundamental principles of the Household Economy Approach (HEA). The HEA considers income and expenditure patterns, the coping strategies employed by different groups and the ability of those groups to withstand periods of scarcity and other disruptions in the availability of basic resources.

The following steps were followed during the assessment:

1. A review was carried out of secondary information available from the Palestinian Central Bureau of Statistics (PCBS), World Bank reports, WFP food-security updates and ICRC internal documents.
2. The most vulnerable areas were identified on the basis of economic indicators and this information was cross-checked with other sources.
3. Several meetings were held at the field level with municipality representatives, village council members and ICRC staff in each location that was visited.
4. The areas visited were categorized into livelihood zones, areas in which people derive their incomes from similar resources, benefit from similar levels of services and face similar kinds or levels of expenditure.

The following two zones were identified:

- Agricultural zone (agro zone): The dominant characteristic here is that a majority of households rely on agriculture, regardless of the type of crops grown.
- Urban zone: This zone is the site of a wide range of trading activities, industrial and commercial activities, paid work and, sometimes, agriculture.

5. Information on the different wealth categories was collected with the help of several focus groups. A wealth category or group refers to a set of households that share the same kind of capacities and vulnerabilities within a particular livelihood zone. Members of the same wealth group have access to similar income levels; they may possess similar assets, use similar coping strategies and face similar challenges to their economic security. Identifying and describing the characteristics of a wealth group is one of the fundamental principles of the HEA.
6. Discussions, about their living conditions, were held with "poor" households. The focus of the detailed interviews was "people like them" rather than their specific households. Since focus groups were quite difficult to constitute and required planning in advance, the assessment made use of both focus group discussions and individual household visits.

HEA methodology focuses on determining whether or not the food requirements of a household are being met. In this case, however, the emphasis was on the economic vulnerability of households. Generally, the assessment does not analyse in detail whether households were able to meet their food requirements but it does indicate whether this is an area of concern or not.

In principle, HEA methodology can be used to determine the number of needy households within a given livelihood zone. This assessment cannot reach any definitive conclusions on the subject given the scope of its investigation in each zone. The information presented here therefore needs to be corroborated by other assessments² made in the same zones. The percentage of households living under the poverty line, in particular, merits closer examination.

4. Findings and analysis

4.1 Description of the areas assessed

The areas assessed belonged to one of two zones:

- a) Agro zone: This zone was made up of all agricultural areas in the four districts assessed. The areas are not geographically contiguous. Agriculture is the main source of livelihood in this zone. Additional economic activities include trade, day labour and other paid work in both the private and the public sectors.
- b) Urban zone: The areas making up this zone are also not contiguous. Most income opportunities are linked to trade, commerce and employment in the formal and informal sectors. Some agricultural activities play an important role in Salfit and Beni Naim.

² Such as the assessment that was carried out by the UN in October 2006.

The assessment was conducted in four locations in the Gaza Strip: Beach Refugee Camp in Gaza, Alqarara and Al Mawasi in Khan Yunis and Arayba in Rafah. With the exception of the camp, all these areas depended largely on either fishing or agriculture. Other sources of income included public-sector employment and small-scale trading activities.

4.2 Wealth analysis

The following wealth analysis was carried out on the basis of discussions with several focus groups in Gaza and the West Bank.

The categories identified reflect the communities' own conclusions about their condition after the suspension of funds to the PA.

The classification of the different levels of household wealth were provided by the communities themselves, which means that they reflect local definitions of poverty.

In the West Bank, "poor" households accounted for approximately 45-56% of the population in the agricultural zone and 42-49% in the urban zone. The corresponding figures for "very poor" households were 14-18% and 14-17%

In both these zones, "poor" households were described as those earning 500-1000 NIS (116-232 USD) per month and the "very poor" as those earning below 500 NIS (116 USD) per month.

The focus groups thought that households in Gaza were generally poorer than those in the West Bank.

Households categorized as "better-off" in Gaza had an income over 1,000/1,500 NIS (232/348 USD). A similar threshold was used for "middle" households in the West Bank, while "better-off" households in the West Bank were described as earning above 2,000 NIS (464 USD) per month.

Meanwhile, "middle" households in Gaza had similar cash income levels as "poor" households in the West Bank, i.e. 500-1,000 NIS (116-232 USD) per month.

In all the areas assessed, the majority of households were either "poor" or "very poor." They made up approximately 58-64% of the community and earned less than 500 NIS (116 USD) per month.

These earnings do not include support from relatives, or formal or informal assistance, which constitute additional sources of income in both cash and in kind.

4.3 Access to income and expenditure patterns

Sources of income for the "poor" and "very poor" varied from household to household and from area to area. They included the following:

- Day labour: Employment lasting for a maximum period of six days for wages ranging from 70 to 100 NIS for skilled, and 30 to 50 NIS for unskilled, labour.

- Small-scale farming: Households owning or renting small pieces of land, or share-cropping, were usually at the higher end of these wealth categories. Depending on marketing possibilities and prices, they could easily move up to the “middle-poor” category.
- Petty trade: Most focus groups emphasized the large increase in small shops and in peddling activities. Peddling (mainly fruits, cigarettes, coffee and vegetables) was far more widespread in urban areas.
- Credit and gifts: from shops, relatives or friends.
- Employment in the public and private sectors: PA employees (newly employed, cleaners and messengers) were at the top of the category. They often added to their income by running small shops or engaging in small farming and were likely to move into the “middle-poor” category.

In all the areas assessed, food purchased constituted the biggest expense, even in the rural zone. Olive oil, animal products and vegetables were the main items produced by households, not only for themselves but also for sale in the rural zone.

Poor households purchased mainly staple foods.

Hygiene expenses were being reduced everywhere. In olive-growing areas, home-made soap was preferred.

Education expenses were calculated at 250 NIS (58 USD) per child per year; each household has, on average, three children in school. The PA had reduced the school fee to 30 NIS (7 USD). Providing children with school supplies was still important to the poorest households

Cooking gas was used in most households but was supplemented with firewood and kerosene.

Housing did not constitute a major expense in the rural zone because over 90% of households owned their own houses and did not need to pay rent. However, it was an important consideration in the urban zone.

In addition, most “poor” households paid for water and electricity only when the municipality threatened to disconnect them from these services. On the whole, this was not happening, except in Yabad, where 21 “poor” households had already had their electricity disconnected. As a result, electricity and water had to be rationed.

“Very poor” households were not able to meet their needs at the current level of income without jeopardizing their well-being. In reality, they relied heavily on assistance from the Social Affairs Department, relatives and humanitarian organizations such as the WFP and the UNRWA. In the old city of Nablus, 70% of households were reportedly receiving regular assistance,³ in the form of food and cash, although this type of assistance may have decreased with the current financial crisis.

³ According to the city's mayor and the ICRC sub-delegation in Nablus.

4.4 Coping mechanisms

"Poor" and "very poor" households used a number of coping mechanisms in the different areas assessed. These included:

- Diversification of income: growing vegetables or olives, keeping a few sheep or chickens and running small shops.
- Households often had one or two members looking for work opportunities either in construction or in agriculture. In addition, women increasingly looked for work as cleaners and children sold sweets on the streets.
- Although difficult to quantify, "poor" households did benefit from kinship support from abroad and support from wealthier relatives nearby. This support was, however, greater in rural areas than in urban areas, as members of households in small villages were more likely to be related through birth or marriage. However, support from abroad and from Arab-Israeli villages (on the other side of the West Bank barrier) might have been limited by restrictions on banking between Palestinian and Israeli institutions.
- Selling off humanitarian assistance: This was seen mainly in the Beach Camp and included the sale of food and other items of aid.
- Obtaining loans and credit.
- Selling off property, including productive assets such as agricultural land.
- Changing to cheaper goods, buying goods in smaller quantities at a time, increased use of alternative cooking fuels and limiting expenses to a minimum.
- Delaying the start of university studies: Students admitted to university were postponing their enrolment in order to contribute to their family's income or to work and save enough money to pay for their studies.
- Begging and stealing: Focus group discussions noted that there was a small rise in these activities.

4.5 Wealth analysis results

Table 1: West Bank – agro and urban zones

Agro zone: Wealth analysis focusing on cash income		Urban zone: Wealth analysis focusing on cash income	
"Better-off": above 2,000 NIS (464 USD) 9-16%	<ul style="list-style-type: none"> * Large-scale farmers with 40-80 <i>dunums</i> (10-20 acres) and the ability to hire labour * Livestock owners (with more than 70 sheep and goats) who usually own olive trees as well * Persons regularly employed in the settlements or in Israel * PA employees in middle or high-level management * Tradesmen (importers, wholesalers, supermarkets, mini-markets) * Tobacco and okra farmers with more than 40-80 <i>dunums</i> (Yabad) * Tobacco traders and middlemen 	"Better-off": above 2,000 NIS (464 USD) 13-18%	<ul style="list-style-type: none"> * Tradesmen (wholesalers, butchers, grocers, bakers) * Farmers with access to more than 20 <i>dunums</i> (5 acres) who grow olives and vegetables * Livestock owners (with more than 25 cows and shoats) * Double-income households * PA employees: middle and high-level management * Persons working in Israel with or without a permit * Owners of taxis, trucks, minibuses.
"middle": 1,000-2,000 NIS (232-464 USD) 20-22%	<ul style="list-style-type: none"> * Tradesmen (groceries, mini-markets, small shops, charcoal, tobacco) * Medium-scale farmers who rent or own land * Livestock owners, who usually own olive trees as well * Persons regularly employed in the settlements or in Israel * PA and private-sector employees * Workshop owners * Day labourers in Ramallah and Nablus * Illegal workers in Israel (more than 10 days of work) * Day labourers (average of 13 days at 70-100 NIS / 16-23 USD a day) 	"middle": 1,000-2,000 NIS (232- 464 USD) 20 -27%	<ul style="list-style-type: none"> * Small farmers who sometimes also own livestock. * Livestock owners (with sheep, goats and cows) * Workshop owners * PA and municipal employees * Taxi drivers * Petty trade (coffee shops and pedlars in Nablus) * Day labourers skilled in construction work (10-15 days at 100-120 NIS / (23-28 USD a day) * Labourers in quarries and workers with regular jobs in the private sector (bakeries) * Illegal workers in Israel (every other month, at approx. 150-200 NIS / 35-46 USD a day)

Agro zone: Wealth analysis focusing on cash income		Urban zone: Wealth analysis focusing on cash income	
"Poor": 500-1,000 NIS (116-232 USD) 45-56%	<ul style="list-style-type: none"> * Skilled day labourers in the West Bank (average 7-15 days at 70-100 NIS / 16-23 USD per day) * Workers in the villages (10-15 days at 30-50 NIS / 7-12 USD per day) * Illegal workers in Israel (7-10 days) * PA employees, such as messengers and cleaners (less than 1,000 NIS / 232 USD) * Workshop owners (average income of 600-1,000 NIS / 140-232 USD) * Petty trade (shops, usually at front of house) * Small farmers who rent or own land (for crops or livestock) 	"Poor": 500-1,000 NIS (116-232 USD) 42-49%	<ul style="list-style-type: none"> * Small inexperienced farmers renting land * Livestock owners (with fewer than 10 shoats) * Newly employed PA and municipal employees without degree * Petty commerce and trade: tailors, small shops and pedlars (sweets, vegetables and non-food items), mainly in Hebron * Day labourers in construction (10-15 days at 60-70 NIS / 14-16 USD per day)
"Very poor": below 500 NIS (116 USD) 14-18%	<ul style="list-style-type: none"> * Skilled and unskilled labourers in the West Bank (unemployed or fewer than 7 days) * Unemployed + workers in Israel for 30 days in a year + irregular jobs in West Bank (fewer than 7 days at 40-50 NIS / 9-12 USD per day) * Persons who run small shops in front of their houses (200-300 NIS / 46-70 USD), often to supplement their income as day labourers (but too many shops in any one area). * Social-welfare cases * Farmers who have lost all their land owing to the barrier and have no documents (Anin, Jenin District) 	"Very poor": below 500 NIS (116 USD) 14 - 17%	<ul style="list-style-type: none"> * Social-welfare cases * Day labourers in agriculture * Unskilled day labourers in construction (fewer than 7 days) * Loaders * Households who no longer have access to credit

Table 2: Gaza

Wealth analysis focusing on cash income: Beach Camp, Alqarara, Al Mawasi and Arayba	
"Better-off": above 1,000-1,500 NIS (232-348 USD) 16–24 %	<ul style="list-style-type: none">* Households previously earning well over this threshold* PA employees (high-level management)* Private-sector employees (banks)* UNRWA employees* Households relying on trade (owners of supermarkets, mini-markets, grocery shops)* Double-income households* Big boat owners* Taxi owners* Farmers with their own wells* Hasaka fishermen
"Middle-poor": 500-1,000 NIS (116-232 USD) 14 – 24%	<ul style="list-style-type: none">* PA employees (mid-level, local)* Grocery shops* Taxi drivers in Beach Camp* Day labourers who usually have another source of income (taxi, fishing or farming)* Skilled day labourers with 10-12 days of work
"Very poor" / "poor": below 500 NIS (below 116 USD) 58-64%	<ul style="list-style-type: none">* Owners of small shops in front of houses* Unskilled day labourers with 10-12 days of work* Skilled day labourers with fewer than 7 days of work* Households dependent on quarterly UNRWA assistance* Fishermen without boats* Fishermen with float boats

4.6 PA employees

The situation of PA employees was the focus of many focus group discussions. The living conditions of these employees, who had received only two months' salary since February 2006, were steadily deteriorating.

The discussions highlighted the fact that average and management-level PA employees were considered to be in the "better-off" category as opposed to employees who relied on irregular sources of income. They clearly had better access to credit from shops and to bank loans than the lower-level employees.

The situation of PA employees was expected to deteriorate further, but just how far depended on several factors:

- Whether PA employees continued to receive portions of their salary at regular intervals, which would offset some of the debts they might have incurred and allow them to continue relying on their current levels of credit.
- Whether outstanding wages would be paid in full in the near future, ensuring that loans and debts would be repaid.

5. Comparison with poverty line

According to a report by the WFP,⁴ the percentage of the population of Gaza living below the World Bank's poverty line - 2.3 USD per person per day - was estimated at 79%. The report attributed this to the "PA financial crisis and the dramatic economic recession."

In addition, the ICRC's assessment of 2002/2003 showed that job losses after the *intifada*, and the policy of restrictions implemented at the time, had created a situation in which approximately 60-70% of households in both urban and rural areas in the West Bank had to manage with less than 1,000 NIS (232 USD) per month.

The present wealth analysis shows not only a deterioration of the situation after the suspension of funds to the PA, but also a worsening of the socio-economic environment and a decrease in opportunities to earn a livelihood. This is attributable to several factors, including the construction of the West Bank barrier and continued restrictive measures affecting trade and the movement of people and goods in both the West Bank and Gaza since 2002.

Households have become impoverished over time, as shown by the table below.

WEST BANK AGRO ZONE: PRE-INTIFADA				
Very poor, earning below 500 NIS (116 USD) per month	Earning up to 1,000 NIS (232 USD) per month	Earning 1,000 to 2,000 NIS (232-464 USD) per month	Earning 2,000 to 4,000 NIS (464-928 USD) per month	Earning above 4,000 NIS (928 USD) per month
5-15%	5-15%	5-15%	45-55%	5-15%
WEST BANK AGRO ZONE: POST- INTIFADA 2003				
5-15%	45-55%	15-25%	5-15%	5-15%
WEST BANK AGRO ZONE: 2006				
Earning below 500 NIS (116 USD) per month	Earning 500 to 1,000 NIS (116-232 USD) per month	Earning 1,000 to 2,000 NIS (232-464 USD) per month	Earning above 2,000 NIS (464 USD) per month	
14 -18%	45-56%	20-28%	9 -16%	
GAZA STRIP: 2006				
Earning below 500 NIS (116 USD) per month	Earning 500 to 1,000 NIS (116-232 USD) per month	Earning 1,000 to 1,500 NIS (232-348 USD) per month		
58 - 64%	14 – 24%	16- 24%		

In both Gaza and the West Bank, communities regarded themselves as having grown poorer over time. Communities interviewed before the *intifada* estimated that over 50% of West Bank households earned above 2,000 NIS (464 USD) per month.

⁴ Food Security Brief Number 1, July 2006

In addition, the wealth thresholds (in terms of cash income) used to define the "better-off" category were much higher before the *intifada* than those used in 2003 and 2006.

Before the *intifada*, "better-off" households earned 4,000 NIS (928 USD) as compared with 2,000 NIS (464 USD) and 1,500 NIS (348 USD) per month in the West Bank and the Gaza Strip respectively in 2006.

As communities' perception of wealth shifted and the standard became whether or not households were able to meet their basic needs, Gaza began to show extremely high levels of poverty. In this assessment, 58-64% of households were found to be earning below 500 NIS (116 USD) per month.

Approximately 45-56% and 14-18% of households in the West Bank's agro zone⁵ were found to be "poor" and "very poor" respectively.

The World Bank threshold of 2.3 USD per person per day⁶ translates into 1,863 NIS (414 USD) per month for a family of six. Thus, households in the areas assessed fall well below the poverty line if their cash income alone is considered.

As explained earlier, such "poor" households would normally supplement their cash income by using any number of coping mechanisms. However, these mechanisms were in very short supply, particularly in Gaza.

6. Expandability of present coping mechanisms

The coping mechanisms used by "poor" households over the previous four years⁷ seemed to have grown fragile. In addition, the economic situation for the "better-off" and "middle" households, which normally constitute the main source of social and economic support, was also being undermined. Even though the assessment did not analyse those groups, the wealth analysis shows that their income had continued to decline.

Some of those considered "better-off" or "middle", such as PA employees, usually support a large number of family members. The financial crisis, and the fact that PA employees had not received regular salaries, had weakened their ability to do so.

The strong kinship support that is important to Palestinian households in order to cope with extended periods of difficult economic times needs to be further analysed taking into consideration the impact on those providing and those receiving.

In addition, households may become dependent on certain coping mechanisms and this may have a negative impact in the long term.

⁵ Refer to assessment locations in appendix 9

⁶ World Bank Country Brief, *op. cit.*

⁷ ICRC Household Economy Assessment 2002/2003

The following coping mechanisms were identified:

Neutral	Negative
<ul style="list-style-type: none">• Social support in cash and kind• Diversification of income sources• Sustainable monthly debt• Cutting down on expendable items• Selling off non-productive assets	<ul style="list-style-type: none">• Selling off productive assets such as land• Begging• Petty theft• Accumulating debts to unsustainable levels• Reducing food quality and quantity to unacceptable limits• Delaying entry into university

Neutral: Mechanisms that are used in normal times and can be expanded to meet growing needs. They do not have an impact on future livelihood opportunities

Negative: These mechanisms are abnormal and usually have a significant impact on the socio-economic position of households; they are difficult to reverse.

7. Conclusions

The assessment shows that the economic security of households in the Palestinian territories continued to be eroded after the second *intifada*, regardless of small improvements in 2005.

An increasing number of households in both the Gaza Strip and the West Bank were becoming impoverished. Indeed, the majority of households in both areas fell into the "poor" and "very poor" categories.

The situation was significantly worse in Gaza, where the economy was highly dependent on external factors. These factors included:

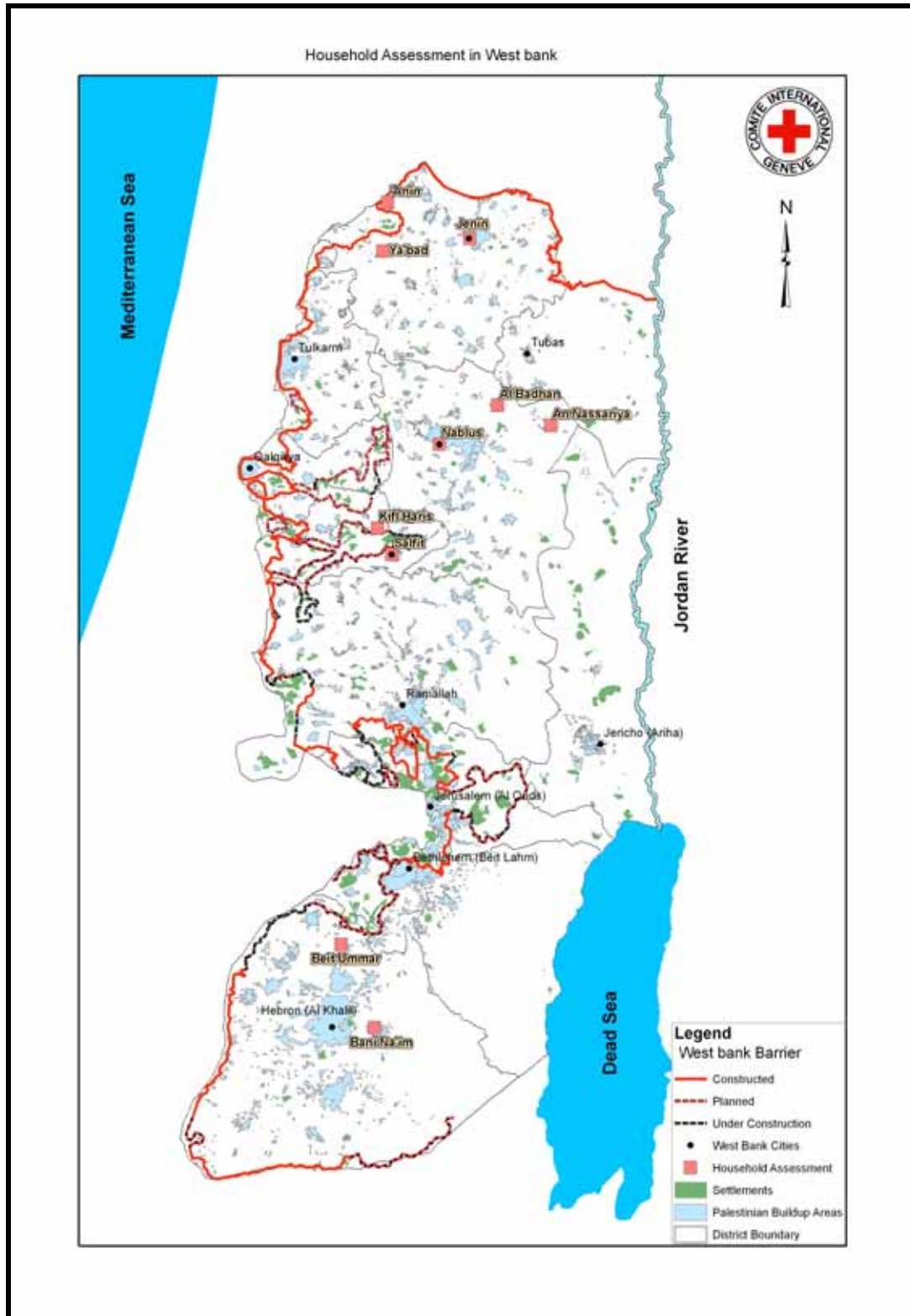
- A. Increased restrictions on the movement of people and goods, with the following consequences:
 - Reduced access for Palestinian workers to the Israeli labour market.
 - Limited marketing outlets for agricultural produce, be it inside or outside the West Bank and Gaza, which pushed prices down. This culminated in farmers becoming unable to repay loans and lessening use of land to grow crops.⁸
- B. Irregular payment of wages to civil servants following the suspension of funds to the PA in March 2006.
- C. Increased restrictions on fishing. According to the fishermen's union in Gaza and Al Mawasi, the area in which fishing was permitted had been reduced to less than one nautical mile from the shore. The previous limit was eight to 10 nautical miles.
- These factors had seriously undermined the ability of households to meet their basic needs without outside assistance. Wherever that assistance was irregular or inadequate, they had been forced to cut back on their basic expenses to levels⁹ that could threaten their well-being in the long term.
- Households with an income below 500 NIS (116 USD) had difficulty meeting their basic needs.

⁸ Information obtained from focus groups.

⁹ 2,100 kcals

8. Appendices: Maps - Assessment Locations

West Bank



GAZA STRIP

