



World Food Programme

occupied Palestinian territory



SAFETY NETS STUDY
June – July 2008

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ACRONYMS

AHLC	Ad Hoc Liaison Committee
AVG	Assistance to Vulnerable Groups (WFP)
CCT	Conditional Cash Transfers
CFA	Comprehensive Framework for Action
CPI	Consumer Price Index
FFE	Food-for-Education (WFP)
FFT	Food-for-Training (WFP)
FFW	Food-for-Work (WFP)
GAM	Global Acute Malnutrition
GDP	Gross Domestic Product
GS	Gaza Strip
IDD	Iodine Deficiency Disorder
LDC	Least Developed Country
MoE	Ministry of Education
MoF	Ministry of Finance
MoSA	Ministry of Social Affairs
NIS	New Israeli Shekel
ODOC	Other Direct Operational Costs (WFP)
oPT	occupied Palestinian Territory
PA	Palestinian Authority
PCBS	Palestinian Central Bureau of Statistics
PECS	Palestine Expenditure and Consumption Survey
PMTF	Proxy Means Testing Formula
PRDP	Palestinian Reform and Development Plan

PRRO	Protracted Relief and Recovery Operations (WFP)
QAP	Quick Assistance Project (WFP)
SSNRP	Social Safety Net Reform Programme
TFPR	Task Force on Palestinian Reform
TIM	Temporary International Mechanism
ToR	Terms of Reference
UN	United Nations
UNRWA	United Nations Relief and Works Agency for Palestine refugees in the Near East
UNSCO	United National Special Coordinator for the Middle East Peace Process
VAM	Vulnerability Analysis and Mapping
WB	West Bank
WBGs	West Bank and Gaza Strip
WFP	World Food Programme (UN)
WHO	World Health Organization (UN)

EXECUTIVE SUMMARY

The Vulnerability Analysis and Mapping (VAM) unit of the World Food Programme (WFP) for the occupied Palestinian Territory (oPT) commissioned a Safety Nets study in oPT with the overall objective to *'review linkages between the price inflation in oPT and humanitarian responses'*. The aims of the study were (a) to evaluate the appropriateness of existing safety nets for mitigating the impact of rising prices on the food insecure population, and (b) to identify appropriate programming response options for WFP. The external consultant undertook a two-week mission to meet with a wide range of stakeholders in oPT including WFP staff, combined with literature review from home.

International Food Price Crisis and Responses

Together with the high fuel prices the global food price rise leads to a major threat for the world food situation, especially for nations recovering from conflict and net food-importing countries. The driving forces of the global food crisis include income growth and transforming food consumption patterns, climate change, rapidly increasing energy prices, and increased speculative transaction with food commodities. The implications of the crisis are greatest for the poor and food-insecure people in general, also because of the declining food aid flows as a result of increasing international food prices and transport costs. In April 2008, a High-Level Task Force on the Global Food Security Crisis has been established under the chairmanship of the United Nations Secretary-General. For WFP, funding requirements are heavily and quickly increasing, also because of the need to start additional programmes for newly emerging target groups. Next to direct food assistance and establishment of voucher schemes in urban areas where food is becoming unaffordable for the poor and the risk of discontent is imminent, other targeted programmes like school feeding and nutrition support for malnourished children and women currently are also being expanded.

Context of the occupied Palestinian Territory

The occupied Palestinian Territory (oPT) is a very complex and unique political case for which a sustainable solution is not yet foreseen. The implementation of the Oslo Accord which was signed in 1993 has faced serious difficulties, including the imposition of a Closure regime by Israel and continued Israeli settlement building in the West Bank. In recent years there have been various peace initiatives: the Arab Peace Initiative in 2002, the Road Map launched in 2003, and more recently the Annapolis peace process in 2007. The economic situation has been very much aggravated in recent years by the upholding of direct financial assistance (international boycott) from the donor community after the election of a Hamas Government in January 2006. For the West Bank, these measures were lifted in June 2007 when the Fayyad Caretaker Government was installed. Since the start of the Closure regime, there is high unemployment in oPT (19% in West Bank and 33% in Gaza Strip), especially in urban areas and in rural communities with limited infrastructure. The ones with work are also increasingly facing difficulties as their salaries are not adjusted in line with the inflation rates and because of the increasing dependency ratios. On the positive side, it should be mentioned that the international donor community has responded positively to the Palestinian Reform and Development Plan (PRDP) for 2008 – 2010.

Impact of rising food prices on food and nutrition security in oPT

The risk ('threat') of the global food prices crisis with regard to its impact on Palestinian households in oPT has been analyzed by looking at the main external and internal factors related to food security in oPT. The hazard of global food price rises is very big in oPT because of the high 'pass-through percentage' of changes in global food prices onto domestic markets. The country needs to import nearly all of its staple foods like cereals and pulses. The high import dependency for staple foods is compounded by high transportation costs due to the increased fuel costs and the fact that the most economical transport routes are often cut off as a result of the Closure and other Israeli restrictions.

Most complementary food commodities are of domestic origin, but inputs for the production of these foods are quickly getting more expensive (a combined effect of the global price increases and the Closure regime). Although over the past years consumption levels still remained strong, the current rapid price increases obviously threaten the resilience of the more vulnerable in the society. The findings of regular market price monitoring surveys implemented by WFP show that the prices in oPT for food and fuel are quickly going up. For instance, the price of wheat flour has gone up by about 90%, white bread by 50% and chick peas and olive oil by around 20%. Last May, the proportion of the household budget for non-refugees that was spent on food reached 56% in the West Bank and 66% in Gaza Strip. Retailers have reported a 20% to 50% drop in food sales over recent months. Both for West Bank and Gaza Strip, food insecurity levels now are more or less the same in urban and rural areas. This finding is notable, as there was a clear downward trend in rural areas (presumably due to a shift to subsistence agriculture) while food insecurity is slightly increasing in urban areas. For the population in the camps there is hardly any difference between 2006 and 2008. No up-to-date information is available about food consumption or nutrition levels. Earlier studies in oPT repeatedly demonstrated the existence of anemia and iodine deficiency as public health problems. .

Appropriateness of existing safety nets and options for WFP to cushion food price rises

The five main safety net mechanisms that are currently existing in oPT are the result of a range of safety net and social protection approaches, some of them food-based (through WFP and UNRWA) others cash-based (World Bank and EC PEGASE). For most but not all the Ministry of Social Affairs (MoSA) is the central player. Cash-based assistance is mainly provided to non-refugees, with 16% of non-refugee households covered in Gaza Strip and 5% in West Bank. Cash-based assistance can form a suitable delivery channel as long as food supplies are available on local markets against relatively reasonable prices, and when the cash injection does not lead to price distortions. Up to now this precondition seems to be more or less met in oPT, also because of the considerable amounts of food aid for oPT. However, food supply conditions in Gaza Strip are very volatile while in West Bank they also are being affected by the intensifying Closure regime. While UNRWA provides food to 35% of the registered refugees in oPT, WFP food assistance is covering 54% of the non-refugees in Gaza Strip and 23% in West Bank. As all existing safety nets aim at supporting livelihood and food security conditions in oPT in principle they all can play a role to cushion the current rises in food prices in oPT. The following table summarizes the conclusions on the suitability of each of the existing safety nets for mitigating the effect of the food price rises:

World Bank SSNRP	The poverty-based targeting mechanism makes it very appropriate as channel for mitigating food price rises. However, there are capacity constraints and quick scaling up is not foreseen.
EC PEGASE	Wide coverage but because of the status-based targeting more appropriate for longer-term social protection purposes. With poverty as additional selection criteria it could form a very suitable channel for targeted assistance to cushion food price rises.
WFP support to MoSA	Also a longer-term social protection system basically targeting the same beneficiaries as EC PEGASE. Programme is marked by rather high logistics costs and some targeting drawbacks.
Other WFP programmes	Very large coverage, but with varying objectives and variable quality levels. The Assistance to Vulnerable Groups (AVG) programme has poverty-based targeting which makes it suitable as protection mechanism against the food price rises. Funding not secured after March 2009.
Various job creation programmes	Emergency programmes that were all stopped due to the financial crisis in the oPT in 2006. Ability-based targeting, not economically sustainable.

The study has reached the conclusion that given the declining purchasing power in oPT access to food through the market is becoming more insecure in oPT. Although all existing safety net programmes in oPT were found to play a role as protection against the effects of the food price rises, among the existing programmes the EC PEGASE and the WFP AVG programme have been rated as the most appropriate mechanisms in practical terms for cushioning the impact of the global food price hikes.

Recommendations to WFP

There is a need for intensified fundraising efforts by WFP so that implementation of the current PRRO programme can be continued after March 2009. First of all, it should be ensured that the assistance to poor households who are directly affected by the food price rises and to regular vulnerable groups with regards to nutrition will be continued. In practical terms, this means that priority should be given to continuation of the school feeding programme and the AVG programme.

In light of the increasing donor interest to provide funding for countries that are affected by the international food price hikes, it is also recommended to WFP to start planning for an emergency operation (EMOP) in oPT next to the currently existing PRRO programme. The EMOP should aim at increasing coverage with food-based assistance among the poor urban households suffering from unemployment. The programme could start from the last quarter of 2008 or January 2009 onwards targeting about 50,000 beneficiaries (about 9,000 households) who are neither included in the MoSA Special Hardship Cases programme nor in the WFP AVG programme. Some ideas for the outlines of such a programme are given in the report. These include the involvement of the city-level Labour syndicates for beneficiary identification, the application of the WFP Household Expenditure Module to verify eligibility, and the development of a voucher scheme that provides coupons for bread and cheese through local bakeries and grocery shops.

For medium-term response options to be included in the next PRRO, it is recommended to WFP to continue investing in new piloting with the Positive Deviance approach focusing on anemia to elaborate an intervention model that can form part of the next PRRO. Also it is suggested to WFP to consider investing again in Food-for-Work (FFW) programmes but they need to be better focused on specific geographical areas and on promising agricultural sectors. Overall, the FFW programmes require a more optimal design in order to have a real and sustainable impact in terms of improved food security conditions.

1. OBJECTIVES AND METHODOLOGY OF THE STUDY

In May 2008, the Vulnerability Analysis and Mapping (VAM) unit of the World Food Programme (WFP) for the occupied Palestinian Territory (oPT) decided to commission a set of two studies that can provide guidance to WFP in anticipating the possible effect of recent changes in the global food prices and markets on local market conditions in oPT. Initially, it was planned to implement the Rapid Market study first with some overlap in time with the Safety Nets study that would immediately follow. However, due to practical constraints in terms of availability of the external consultants, the Safety nets study has been implemented first from 23 June up to 5 July 2008. The Rapid Market study now is scheduled for October.

Objectives

As per the Terms of Reference (ToR) (attached as Annex A), the objective of the Safety Nets study is to *'review linkages between the price inflation in oPT and humanitarian responses'*. More specifically, the Safety Nets study is to:

- Describe the impact of soaring food prices on household food security and households' economic behaviour.
- Evaluate the appropriateness of existing safety nets to mitigate impacts of rising prices on the food insecure population.
- Assess the possible effect of food subsidies and/or cash assistance on food markets in West Bank and Gaza Strip.
- Identify appropriate programming response options for WFP.

The external consultant that was contracted for the Safety Nets study has been greatly supported by the two VAM officers of WFP oPT¹. They facilitated the implementation of the study through provision of a wide range of documents and the facilitation of all logistical arrangements for the mission. The VAM officers also participated in nearly all interviews that were held during the mission.

Methodology

During the two weeks' mission, the consultant contacted a wide range of stakeholders (see Annex B): WFP oPT staff members from the country office in East Jerusalem and the sub offices; representatives of the Palestine Authority (PA) from the Ministry of Social Affairs (MoSA) and the Ministry of Education (MoE); representatives of key donor organizations to oPT (USAID, EU – ECHO, Islamic Development Bank, World Bank); staff of UN organizations (UNRWA², UNICEF, FAO, UNDP, UNSCO³); staff of an NGO implementing partner for WFP (CRS); and consultants from a firm (Al Sahel) which regularly executes assignments for WFP. Most interviews took place in Jerusalem and Ramallah. Contact with some other informants was by telephone and videoconferencing. During the field visits to Nablus and Hebron, meetings were held with WFP oPT

¹ Caterina Galluzzi and Salah Lahham

² UNRWA is the United Nations Relief and Works Agency for Palestine refugees in the Near East, which was established in 1950 by United Nations General Assembly Resolution 302 (IV) with the mandate to carry out direct relief and works programmes for Palestine refugees. In the absence of a solution to the Palestine refugee problem, the General Assembly has repeatedly renewed UNRWA's mandate, most recently extending it until 30 June 2011. Today, UNRWA is the main provider of basic services - education, health, relief and social services - to over 4.6 million registered Palestine refugees in the Middle East.

³ UNSCO is the United Nations Special Coordinator for the Middle East Peace Process. The office of UNSCO was established in June 1994 following the signing of the Oslo Accord. The aim was to enhance the involvement of the United Nations during the transition process, and to strengthen UN inter-agency cooperation to respond to the needs of the Palestinian people, mobilizing financial, technical, economic and other assistance.

sub office staff and MoSA staff at the Governorate level (a map is attached as Annex D). As part of the field visits also some home visits were paid to MoSA special hardship cases who receive WFP-donated food assistance. While these visits were important for the consultant to get a better view of what is happening on the ground, the number of households visited was much too low to get an adequate overview of the breadth of the types of households that are being assisted by MoSa and the economic dynamics within these types of marginalized households.

At the end of the mission, two debriefing meetings were organized by the consultant: one for WFP staff and the other for the whole range of stakeholders who were contacted during the mission. The report is based on the findings from the mission plus some additional literature review (References are listed in Annex C). It is hoped that this Safety Nets study report, in conjunction with the Rapid Market study report that will be published later, will provide a good information base for WFP to identify practical, appropriate and feasible programming options for responding to the food price crisis as it affects Palestinians in the oPT.

The report is structured as follows. After Chapter 1 which provides a general introduction into the background and objectives of the study, there are two more general chapters that provide insight in the wider context for this study. Chapter 2 focuses on the phenomenon of the global food price crisis and responses that are currently being shaped by the international community including WFP. Chapter 3 paints the political and economical context picture with regards to the Occupied Palestinian Territory. Chapters 4 to 6 report on the findings of the field study. The Impact of rising food prices on food and nutrition security of Palestinian households in oPT is analyzed in Chapter 4. A review of the appropriateness of the existing safety nets to cushion the impacts of rising food prices in oPT is given in Chapter 5. Finally, in Chapter 6, various options are given for WFP to support food insecure non-refugee households in response to the food price hikes in oPT.

2. THE INTERNATIONAL FOOD PRICE CRISIS

2.1. Changes in the world food situation

The world food situation is rapidly being redefined. The unprecedented increases in the price of nearly all major food and feed commodities are of major significance. The possibility that the prices may continue to remain high over the medium-term represents a challenge of global proportions. The high prices threaten to undermine progress towards the Millennium Development goal No. 1 of eradicating hunger, and also will make it difficult to achieve other Millennium targets for education, child and maternal mortality reduction, and containing the spread of major diseases. Nations recovering from conflict are especially vulnerable to higher global food prices. High food prices, together with rising fuel prices, are contributing to increases in observed inflation rates which adversely affect the balance of payments of net food-importing countries and their response capacities. Rising food prices bring the threat of unrest and political instability, particularly in institutionally fragile countries⁴.

Driving forces

New driving forces that affect both supply and demand for food at the global level are: income growth⁵ together with transforming food consumption patterns⁶, urbanization, globalization, climate change⁷, and rapidly increasing energy prices. The changes in the world food equation have led to imbalances and drastic price changes. E.g., between 2000 and 2006, world demand for cereals increased by 8% while cereal prices increased by about 50%. Moreover, early 2008 cereal prices suddenly heavily went up, partly caused by increased speculative transactions with food commodities, which results in more volatile price levels (Von Braun, 2007).

Effect on livelihoods of the poor and food-insecure

The changes in food availability, rising commodity prices and new producer-consumer linkages have major implications for the livelihoods of the poor and food-insecure people in general. Faced with higher prices, the poor tend to switch to food that have lower nutritional value and lack important micronutrients (Von Braun, 2007). While the recent increases in prices of staple foods raise the real incomes of those selling food, they hurt the net food consumers. The impact on poverty is very diverse as it depends on the balance between these two effects at household level. Overall, the large increases in food prices appear likely to substantially raise overall poverty in low income countries (World Bank, 2008a). The price increases also affect the availability of food aid. Food aid flows have been declining, e.g. in 2006 global food aid was 40% lower than in 2000 (Von Braun, 2007).

⁴ A concise overview of the background of the current global food crisis is available at: <http://www.un.org/issues/food/taskforce/background.shtml>. Also the Comprehensive Framework for Action published in July 2008 by the High-Level Task Force on the Global Food Security Crisis is an excellent resource document.

⁵ Economic growth is very high in China and India and overall in Asia (average growth rate in the period 2004 to 2006 of 9% per annum) but also there is substantial economic growth (6% per annum in the same period) in Sub-Saharan Africa (Von Braun, 2007).

⁶ There is a global-level diversification of consumption patterns away from high dependence on grains and other staple crops toward high-value agricultural products like vegetables, fruits, meat, dairy and fish (Von Braun, 2007).

⁷ Climate change will have adverse impacts on food production. Consequently, food import dependency will increase in many regions of the developing world (particularly in Sub-Saharan Africa and South Asia) due to increased risk of droughts and floods, while food production is expected to grow in developed countries and Latin America (Von Braun, 2007).

2.2. International responses

As a first response to the international food price crisis, there was renewed global attention to the role of agriculture and food in development policy, e.g. as reflected in the World Bank World Development Report 2008. The FAO High-Level Conference on Food Security and the Challenges of Climate Change and Bio-Energy which was held in June 2008 adopted a declaration that includes calls for increased food production, fewer trade restrictions and increased agricultural research.

In April 2008, a High-Level Task Force on the Global Food Security Crisis was established under the chairmanship of the United Nations Secretary-General. The primary aim of the Task Force is to promote a unified response to the global food price challenge, including by facilitating the creation of a prioritized plan of action and coordinating its implementation. A range of initiatives have emerged to respond to the current challenges to world food security including the drafting of a Comprehensive Framework for Action (CFA, see Annex F) that will serve as a guide for global and local actors⁸. The Framework identifies two groups of actions to address the food crisis, to meet urgent needs and contribute to sustainable food security:

- The first group sets out on meeting the immediate needs of vulnerable populations, as both consumers and producers of food. The CFS proposes four key actions, namely (a) emergency food assistance, nutrition interventions and safety nets to be enhanced and made more accessible; (b) smallholder farmer food production to be boosted; (c) trade and tax policies to be adjusted; and (d) macroeconomic implications to be managed.
- The second group addresses more structural issues to build resilience and contribute to sustainable improvements in global food and nutrition security and price stability within the context of the Millennium Development Goals. Also for this group four key actions are proposed: (a) social protection systems to be expanded; (b) smallholder farmer-led food availability growth to be sustained; (c) international food markets to be improved; and (d) international biofuel consensus to be developed.

2.3. Responses by WFP

The increased cost of food worldwide has had an enormous financial impact on WFP. The budgets that are required to continue with the base programme have doubled, and on top of that there are newly emerging target groups that are also increasingly finding themselves to be in need of food assistance. Through major additional donor contributions, WFP has been able to allocate a budget of US\$ 104 million for support to countries which are hard-hit by the high food prices assistance and another budget of US\$ 110 million to support the Horn of Africa where droughts and insecurity compound the food price rises⁹. Next to direct food assistance and establishment of voucher schemes in urban areas where food is becoming unaffordable for the poor and the risk of discontent is imminent, other targeted programmes like school feeding and nutrition support for malnourished children and women are also being expanded.

⁸ Available at: <http://www.un.org/issues/food/taskforce/Documentation/FINAL%20CFA%20July%202008.pdf>

⁹ Fourteen are currently receiving additional support from WFP through a US\$ 104 million to assist 11 million people to better face the challenge of the global food price increase (Djibouti, Ghana, Guinea, Haiti, Liberia, Mauritania, Mozambique, Nepal, the Occupied Palestinian Territory, Pakistan Senegal, Tajikistan, Uganda, and Yemen). Next to this, WFP also runs a programme for the Horn of Africa with a budget of US\$ 110 million to assist vulnerable countries where the food price rise is compounded by droughts and insecurity (Ethiopia, Somalia).

WFP has recently published a briefing booklet for partners on the global food crisis (WFP, 2008b). It contains a diagram that provides an overview of WFP's position within global response options; the diagram is attached to this report as Annex G. WFP is developing a phased response strategy to the global food crisis, which consists of the following steps (WFP, 2008a¹⁰):

1. Immediate¹¹ – Crisis Response and Safety Nets:

Poor households are responding to the high prices by eating less, buying less nutritious food, cutting expenses in health care and education, selling assets and incurring additional debt. These sorts of coping behaviour increases their vulnerability as there are mortgaging their future to meet current needs. WFP's main role in the international response to the global food crisis is within the bracket of support with short term impact like emergency transfers and safety nets. However, the challenge for WFP is that price-related food insecurity threatens both rural and urban populations, whereas WFP experience with food assistance responses is mainly in rural areas. WFP-supported safety nets may include school feeding, mother and child nutritional support, assistance in the form of food, vouchers or cash transfers and employment programmes (food or cash for work). Also, WFP could provide technical support to governments on the logistics and management of national food reserves / stocks.

2. Medium term¹² - Boost agricultural production:

The increased demand for food provides an opportunity for WFP to support the expansion of agricultural production through preferential buying from local low-income farmers, providing logistics support to government and partner agencies, mobilizing food as support for works in relation to land and water development, feeding road construction, pest management, etc.

3. Longer term¹³ – Policy Reform:

Governments will have to help poor rural and urban households, e.g. through establishing new food and cash-based social protection systems, reviewing subsidies and tariffs, addressing land reform challenges, leveraging private sector investment and implementing sustainable mechanisms to deal with international price fluctuations. WFP can assist governments and partners with advocacy, technical support including dissemination of knowledge on support models that work.

¹⁰ The WFP document can be accessed at:

<http://www.un.org/issues/food/taskforce/WFP%20Response%20to%20Global%20Food%20Crisis%2010%20May%2008.pdf>

¹¹ Actions with a time frame for achieving impact amounting to less than a year.

¹² Medium term refers to a timeframe of 1 to 2 years.

¹³ Actions which take at least 2 years to achieve impact.

3. OCCUPIED PALESTINIAN TERRITORY CONTEXT

3.1. Political history

The West Bank and Gaza Strip were occupied by Israel during the 1967 war, and since have been known as the occupied Palestinian Territory (oPT). It is a very complex and unique political case with a history of many years of conflict for which a sustainable solution is not yet foreseen. The issue goes back to the end of the First World War and the establishment of the authority of Great Britain over the Palestine Mandate with its provision for a national home for the Jews, though not to be at the expense of the local population.

The first Intifadah (Arabic for 'shaking off') arose spontaneously in 1987 as a popular movement in West Bank and Gaza Strip that wanted to ask attention for the Palestinian issue. The uprising lasted until the 1993 Oslo Accord was signed. This Accord was a landmark and turning point in the process towards Palestinian self-rule and includes the establishment of the Palestinian Authority (PA) as the interim self-rule authority over parts of the Gaza Strip and the West Bank which were separated by a system of roads patrolled by Israeli forces. Through application of the 'land-for-peace' principle, the Oslo Accord called for a phased Israeli military withdrawal from the occupied Territories. However, the implementation of important agreements with the Government of Israel has faced serious difficulties, including the imposition of a rigorous system of permits and closures by the Israeli authorities which started in 1993. Israel also continued settlement building and land confiscations. The second Intifadah began in 2000 and was triggered by a visit of Ariel Sharon¹⁴ visited the Al-Aqsa mosque in Jerusalem¹⁵; it was more generally caused by the malaise resulting from a lack of progress in the Peace Process. The second *Intifada* was marked by an escalation in the level of violence, both from Israeli and from Palestinian side.

In 2002, the Arab Peace Initiative was launched by the Council of Arab States¹⁶, which calls for full Israeli withdrawal from all Arab territories occupied since June 1967¹⁷, and Israel's acceptance of an independent Palestinian State with East Jerusalem as its capital, in return for the establishment of normal relations in the context of a comprehensive peace with Israel. The Middle East Quartet, consisting of the Secretary-General of the United Nations, the United States of America, the European Union and the Russian Federation in 2003 launched the Road Map¹⁸ aiming at a permanent Two-State solution. The Roadmap defines parameters and steps to be taken by both Israelis and Palestinians to end the bloodshed and settle the conflict between the two parties, resulting in the existence of two states in the region, living side by side in peace and security. The Roadmap has been accepted by both sides and remains the primary blueprint and reference point for all efforts to end the Israeli-Palestinian conflict^{19,20}. However, progress is not sufficient and the political situation

¹⁴ At the time of his visit to the Al-Aqsa mosque, Ariel Sharon was Likud party leader. Before that time, he served as Minister of Defense and from 2001 to 2006 as Prime Minister.

¹⁵ The visit was seen to symbolize a provocative violation of the holy site.

¹⁶ The Arab Peace Initiative reaffirms the Resolution of the Cairo Arab Summit in June 1996 on a just and comprehensive peace in the Middle East, and expresses commitment to the achievement of a just solution to the Palestinian refugee problem in accordance with UN General Assembly Resolution 194.

¹⁷ The UN Security Council Resolutions 242 and 338 request Israel to withdraw from the occupied Palestinian Territories, the Syrian Golan Heights and occupied Lebanese territories.

¹⁸ See <http://www.unsco.org/rm.asp>. Website was consulted for this study on 26th August 2008.

¹⁹ The Roadmap is applied in conjunction with UN Security Council Resolutions 242, 338 and 1397.

²⁰ One year earlier, in 2002, the Quartet established a Task Force on Palestinian Reform (TFPR) with the mandate to monitor and support the implementation of Palestinian civil reforms, and to provide guidance to the international donor

remains very fragile. The situation was further aggravated by the upholding of direct financial assistance (international boycott) from the donor community after the election of a Hamas Government in January 2006. For the West Bank, these measures were lifted in June 2007 when the Fayyad Caretaker Government²¹ was installed by President Abbas (of the Fateh movement), Israeli Closure measures however have continued. In Gaza Strip, the Hamas government has continued to be in power and Israel has imposed severe export freeze and import restrictions on Gaza Strip from June 2007 onwards. The internal Palestinian divide between the Fateh and Hamas has not been resolved. In Gaza Strip where there still is a Hamas Government and which is heavily affected by Israeli Closure measures, there has been intensified violence and increased humanitarian suffering. Despite the conditions that form part of the Annapolis peace process (agreement on the two-state solution²²), Israel is continuing with construction activities in settlements across the West Bank.

3.2. Economic conditions

Considering the special circumstances affecting the lives of people, the UN General Assembly in 1988 granted a 'as if Least Developed Country (LDC)' status to the Palestinian Territory.²³ The World Bank, by a special decision of its Executive Board, has given International Development Association (IDA) assistance to the Palestinian Territory (WFP, 1999).

The political and socio-economic developments over the past decades have not been very promising. oPT has a small and very weak national economy that remains mainly dependent upon foreign assistance and that is highly restricted by the Closure by Israel. The Closure has been progressively intensified after the Second *Intifadah* in 2000. The international embargo imposed in January 2006 has further aggravated the economic downturn in oPT. Since mid-2007 the situation has improved somewhat for West Bank as donors resumed their financial assistance to the PA. The situation in Gaza Strip has become increasingly desperate, Israeli Closure measures for Gaza Strip have highly intensified, including a systematic closure of all major crossing points, restrictions on the entry of imports to all but humanitarian goods, prohibition on exports and a substantial reduction in fuel supply. During the period 1999 – 2007, the per capita Gross Domestic Product (GDP) in West Bank and Gaza Strip has declined by half, although there was a modest recovery during 2003 – 2005 which was driven by increased public spending based on lending and international aid. In 2006, the GDP amounted to US\$ 1,067 per capita per year, with a negative annual growth rate amounting to - 6.6% (UNSCO, 2008).

The 2nd *Intifadah* has resulted in substantial progressive economic fragmentation in rural West Bank involving the breakdown of relations with Israel, between districts and between urban and rural communities. Overall, due to the Closure rural economic activity has become more and more confined to smaller geographic areas, resulting in a more decentralized ('localized') system of production and trade. There has been a significant shift in the type of economic activity towards

community in its support of the Palestinian reform agenda. This was later on replaced by the Ad Hoc Liaison Committee (AHLIC) where donors discuss assistance management, financial support to the PA and Palestinian institutional reform.

²¹ On 13 July 2007, the President of oPT Mr. Abbas (of the Fateh movement) appointed an Emergency Government led by Prime Minister Fayyad. The caretaker government will continue to function until elections are held or until there is a vote in the Palestinian legislature terminating its tenure. However, the Palestinian Legislative Council has tried to convene on a number of occasions but it is alternatively blocked by Hamas and Fateh.

²² The Annapolis Conference was a Middle East peace conference held on November 27, 2007, at the United States Naval Academy in Annapolis in the United States (Maryland). The conference marked the first time a two-state solution was articulated as the mutually agreed-upon outline for addressing the Israeli-Palestinian conflict. The conference ended with the issuing of a joint statement from all parties. Hamas called for a boycott of the Annapolis Conference.

²³ UN General Assembly Resolution 43/178.

agriculture (UNSCO, 2005) which however is highly constrained by limited access to land and water, high input prices, and climatic factors (recurrent dry spells etc.).

Public Sector

The years 2006 and 2007 brought a fiscal crisis as the GDP was increasingly being driven by government spending while tax incomes and donor aid to the Palestinian Authority²⁴ were not sufficient to balance payments against income. The PA budget deficit amounted to 28% of GDP in 2007 while public investment levels dropped to precariously low levels. For about 15 months up to the resumption of international donor assistance in June 2007, the 160,000 PA employees in the West Bank and Gaza Strip were not paid full salaries, with heavy negative impact on the Palestinian economy. In December 2007, the PA presented a Palestinian Reform and Development Plan (PRDP) for 2008 - 2010 at a Donor Pledge Conference in Paris. The PRDP aims to increase revenues and reduce expenditures by introducing sector reforms that enhance efficiency and reduce the public sector wage bill by reducing the number of government employees and a free on wage levels for PA employees. The Conference led to a total of pledges amounting to \$ 7.7 billion. Transfers to the PA are gradually stepping up, based on dialogues at aid coordination groups on priorities for development projects. The World Bank is administering the PRDP-linked Multi-Donor Trust Fund, which expands from support to control the Public Sector Wage Bill to reform of the electricity sector and starting up implementation of a social safety net mechanism that targets vulnerable persons to mitigate the impacts of the reforms. While it is definitely an achievement that the PA has started to take concrete steps to implement the PRDP, the World Bank expects that even with these measures the fiscal gap for recurrent expenditures will remain very high, e.g. estimated at \$ 1.63 billion for 2008 (World Bank, 2008b).

Private Sector

The implementation of the PRDP also involves revival of the private sector to trigger economic growth. This requires the gradual easing of movement and access restrictions by Israel, but so far no progress has been made in this respect. The main limiting factors for the Palestinian economy are the continuous growth of the Israeli settlements and the fragmentation due to the movement and access restrictions imposed by Israel²⁵. Most businesses in the West Bank and Gaza Strip (WBGS) depend on Israel as provider of inputs and/or services and as market for produced goods (95% of Palestinian trade is with Israel²⁶). Palestinians without special permits are restricted from important agricultural areas in the Jordan Valley. Investment levels have fallen to very low levels resulting in a hollowing out of the Palestinian productive sectors and public infrastructure.

Population

At the same time, the Palestinian population and labour force have continued to grow at relatively high rates (around 3.8% per year). According to data from the Palestinian Central Bureau of Statistics (PCBS), in 2007 the population stood at a total of 3.76 million, with 2.34 million Palestinians living in the West Bank (62%) and 1.42 million (38%) living in the Gaza Strip (PCBS data for 2007). An overview of the 2007 population figures per governorate and per status (refugees, non-refugees, not stated) is attached as Annex E. In the West Bank, 26.5% of the population have a refugee status. In the Gaza Strip, this figure is much higher and stands at 65.1%. Overall, 41.4% of the population in WBGS have a refugee status. For all Palestinian refugees in the Near East including

²⁴ Even more so because most of the donor aid to the Palestinian Authority was suspended after the election of the Hamas Government in Gaza Strip. Aid flows were resumed mid-2007 when the Caretaker government was installed.

²⁵ Recently, the Israeli Government has established five crossing points with terminals for transfer of commercial goods between Israel and the West Bank, where a back-to-back cargo system is used similar to the system for crossing into Gaza. The system forms a major logistical bottleneck leading to delays and additional costs and as such heavily constrains economic development for oPT.

²⁶ The main markets for goods produced in oPT are in East Jerusalem.

the refugees living in oPT, all support (education, health, relief and social services) is provided by the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA). The UNRWA was first designed as a temporary organization but the mandate has been regularly renewed²⁷ with gradual adjustment of the programmes to meet changing needs of the refugees.

Unemployment and poverty

The downward macro-economic developments of the past years have further increased poverty levels and aid dependency in oPT, with very little prospects for change in the near future. There is a high unemployment rate among Palestinians, partly because national agricultural and industrial production levels in oPT have decreased a lot but also due to loss of employment opportunities in Israel since the Closure²⁸. Unemployment rates in West Bank and Gaza Strip stand at nearly 23%²⁹, up from only 10% before the beginning of the second *Intifadah* in 2000. One-third of employment in oPT is within the services sector which includes the public administration. Commerce and hotels and restaurants account for 20% of total employment and agriculture and fishing for about 16% (UNSCO, 2007).

In West Bank, the effect of job losses has been particularly severe in rural communities as they more heavily relied on employment opportunities in Israel³⁰. The poorest communities with the highest unemployment rates are generally marked by an under-developed infrastructure, no industrial or trade activity and low skills levels. Slightly more affluent rural communities at first sight have a certain appearance of wealth. However, the income base was highly dependent on employment in Israel and there was little investment in local infrastructure and productive resources. These communities have recently had to resort to livestock rearing for milk and cheese production. There are also some self-sufficient communities with more diverse local economies and relatively high internal employment which have been better able to withstand the impact of the Closure, mainly through reliance on irrigated agriculture and trade. Agriculture and livestock rearing were a minor sector of employment prior to 2000, but nowadays make up about one third of all employment in rural West Bank. However, many rural farmers are currently resorting to subsistence farming only, with a minimum of cash transactions and substitution of contracted labour with family labour (UNSCO, 2005). Because of the limited land and water capacity, the shift to agriculture can only be seen as a short-term crisis response and not a real answer to the high unemployment problem.

Government efforts to alleviate the effects of the economic crisis consisted of an increase of social transfers and employment of higher numbers of PA employees. However, this has led to an unsustainable fiscal situation. The high population growth rate further aggravates the gloomy economic situation. The population living in Deep Poverty³¹ is steadily increasing. In 2006, the Deep Poverty rate amounted to nearly 35% of the population (51% in Gaza and 24% in West Bank), but currently the proportion will certainly be higher. Previously self-reliant families are progressively falling in the poverty trap and are unable to escape from this situation in the absence of job opportunities. The ones with work are also increasingly facing difficulties as their salaries are not adjusted in line with the inflation rates and because of the very high dependency ratios (FAO / WFP / UNRWA, 2008).

²⁷ The current mandate runs up to 30 June 2011.

²⁸ The number of Palestinians working in Israel or its settlements fell from 116,000 in 2000 to less than 64,000 in the first half of 2007 (source: World Bank, 2007b).

²⁹ Unemployment rates amount to 33% of the active work force in Gaza Strip, and 19% in West Bank (source: World Bank, 2007b).

³⁰ The greatest impact of the intensified Closure occurred in rural Jenin: employment in Israel dropped from 42% prior to the start of the 2nd Intifadah to just 7% of the total working population in 2005. (source: UNSCO, 2005)

³¹ The Palestinian Central Bureau of Statistics (PCBS) uses two measures of poverty: the Deep Poverty line which reflects a budget for food, clothing and housing only (e.g. in 2006 for a family of six NIS 1,837 per month) and the Poverty line which adds other necessities including health care, education, transport, personal care and housekeeping supplies (in 2006 NIS 2,300 per month for a family of 6).

4. IMPACT OF RISING FOOD PRICES ON FOOD AND NUTRITION SECURITY OF PALESTINIAN HOUSEHOLDS IN OPT

4.1. The risks related to the global food price crisis³²

As a recent WFP publication³³ explains, the risk ('threat') of the current food prices crisis with regard to its impact on national-level food and nutrition security needs to be studied by looking into the combined effect of the existing external hazard and existing internal vulnerability levels.

The country-level hazard of the rising global food prices is expressed as the magnitude of the effect of the global price shocks on the price levels at domestic markets for the main food commodities and fuel. The 'pass-through percentage'³⁴ is an appropriate measure for this. The level of price transmission onto domestic markets depends on some key characteristics of the national economy:

- Characteristics that increase price transmission
 - Food imports form high share of domestic supplies
 - High transportation costs
- Characteristics that reduce price transmission
 - Trade barriers that reduces transactions at international markets
 - Higher exchange rates of local currency against the US dollar
 - Lower domestic food taxes and higher food subsidies
 - Less competitive markets
 - Availability of Government strategic food reserves

A full picture of the vulnerability level for rising domestic food prices includes a range of factors at national and household levels that can increase or decrease vulnerability:

- Characteristics that increase vulnerability
 - Country a net importer of food
 - Household have high market dependency for staple foods (where food is acquired from a seller through an exchange for money)
 - High household food and nutrition insecurity prior to the global food crisis
 - High percentage of the household budget spent on food
- Characteristics that reduce vulnerability
 - Country-level response capacity (by Government and others; e.g., increasing net agricultural production, social protection schemes to cushion the impact on the most vulnerable, etc.).
 - Households having access to cash-based coping mechanisms (e.g., try to increase their income level, try to access (more) credits or to pull down (more) remittances from abroad, etc.)
 - Households having access to food-based coping mechanisms (e.g. getting access to formal or informal food assistance, replacing more expensive food items by cheaper (less preferred) ones with or without compromising the nutrition quality of the diet, etc.).

³² This section heavily borrows from the WFP Briefing Booklet 'High Food Prices & WFP' that was published in June 2008.

³³ WFP, High Food Prices & WFP, Rome, June 2008)

³⁴ The pass through percentage is the percentage of the international price change that is translated into changes of prices on the domestic market (Source: WFP, 2008b)

4.2. The impact on food and nutrition security of Palestinian households in oPT

This paragraph provides a short overview of the key elements of food and nutrition security in oPT (availability, access and utilization of food) and how these are affected by the global food price crisis. The analysis is based on the global food price crisis risk framework presented in § 4.1 above.

Local food production and imports

The most recent Joint Rapid Food Security Assessment that was undertaken by FAO, WFP and UNRWA in May 2008 concludes that the main driver of Palestinian food insecurity is of a political nature. The 2008 assessment report mentions the same drivers of vulnerability as described in Chapter 3 on the specific context of the oPT: the Closure regime, the system of permits, restriction in terms of access to land and water, etc. (FAO/WFP/UNRWA, 2008).

However, despite the increasing economic restrictions as a result of the Closure imposed upon oPT, market supplies in West Bank and Gaza Strip are still generally good. This is remarkable, as for the main staple foods³⁵ like cereals and pulses the WBGS is highly dependent on imports through Israeli ports of entry and exit³⁶. For instance, only 4% of domestic cereal requirements are met by local production, the rest is imported. The import dependency for cereals and pulses implies that the hazard of the rising global food prices is highly transmitted on to the oPT markets, also because of the very high transportation costs due to the increased fuel prices and the fact that the most economical road connections are often cut off as a result of the Closure and other Israeli restrictions. There are hardly any factors that can attenuate the high price transmission: the New Israeli Shekel (NIS) which is the currency that is also used in the oPT is closely linked with the US dollar, at retailers level the market is very competitive with purchase price fluctuations being quickly reflected in prices for sales to end consumers, and there is no Government system of strategic food reserves that can protect the domestic market from international supply and demand and/or price variations.

The capacity to produce (non-staple) food in the West Bank and Gaza Strip (WBGS) is highly constrained by limited access to more or less all required inputs. The Israeli settlement policy for Area C³⁷ leads to serious constraints in terms of access to land and water, while the Closure results in limited access and increased costs for fertilizer and other agricultural inputs, as most of these are imported through Israel. Domestic food production is limited to a small range of commodities. These are generally of high nutritional value and with good market prices: olive oil, poultry products, milk and dairy products and fruits and vegetables (Al Sahel, 2008). There used to be good levels of export for these commodities (especially to neighbouring countries in the Middle East - including Israel), but since the Closure regime exports have dwindled a lot. oPT currently is also not able to benefit from the increases in global food price levels. Although a range of food items are domestically produced, for these products oPT is not protected from the impact of the global food and fuel price crisis. On top of all the limitations that already exist as a result of the Closure regime, farmers are now facing highly increased purchase costs on the markets in Israel and beyond with regard to the necessary recurrent agricultural inputs like fertiliser and seeds, and need to pay highly increased transportation costs to get them to their farms.

³⁵ In oPT; the regular diet for the ones who can afford it is rather varied, and consists of bread and rice, a range of pulses, poultry products and beef meat products, vegetable oil, milk and dairy products, and a variety of fruits and vegetables.

³⁶ Certain non-staples are not available in Gaza Strip due to the closure of the main commercial crossings since June 2007. The opening of Kerem Shalom crossing point has allowed systematic entry of basic food into Gaza Strip. Also many retailers were able to restock their shelves when the borders with Egypt were forcibly opened for ten days late January 2008.

³⁷ This arrangement is part of the 1993 Oslo Accord and is still more or less being assumed to be viable.

Access to food

The access to food in the WBGS is mainly through the market system as auto consumption is taking place on a limited scale only. This means that within oPT there is high vulnerability for rising domestic food prices, also because of the very limited options to increase domestic production levels. The World Bank states that despite the crisis in the past years, a combination of borrowing and remittances has allowed private consumption still to remain strong (World Bank, 2007b).

As explained below in the section on food utilization and nutrition, in oPT the existing food and nutrition insecurity is not translating into high levels of global and acute malnutrition (GAM). However, a recent study commissioned by WFP, FAO and UNRWA has found that the current food price rises are not without its consequences. Evidently, the access to food for many poor people in oPT is getting increasingly compromised. Retailers have noticed that currently the purchasing power among consumers shows a decreasing trend, after about a year of increased sales due to the resumption of payments of PA employee salaries since mid-June 2007 (Al Sahel, 2008). The retailers reported that monthly sales in recent months have dropped by 20% to 50%. Particularly for West Bank reduced sales are being attributed to the recent international price increases. The situation in Gaza Strip is different, as shops there are regularly running out of basic supplies like flour, rice, sugar, dairy products and vegetable oil because of the restricted import of goods. Poorer people are making ends meet by cutting on expenses for animal protein (fresh meat, chicken) and fresh fruits and vegetables. This is a clear signal that households are having more difficulty to acquire their food. Retailers stated that they are reducing their stocks for food items, partly because of their financial inability to procure the same level of supplies against increased prices. For non-refugees, the proportion of the household budget that was spent in May on food reached 56% in the West Bank and 66% in Gaza Strip³⁸.

Overall, it is evident that the high market dependency in WBGS renders the livelihoods of many Palestinians very vulnerable to soaring food prices. The increased procurement and transport costs for food are highly felt by the Palestinian population as they come on top of the movement and trade restrictions imposed by the Israeli government. Moreover, the first quarter of 2008 was marked by adverse climatic conditions (a dry spell followed by frost) that resulted in below-normal yields leading to price hikes for fresh vegetables and fruits.

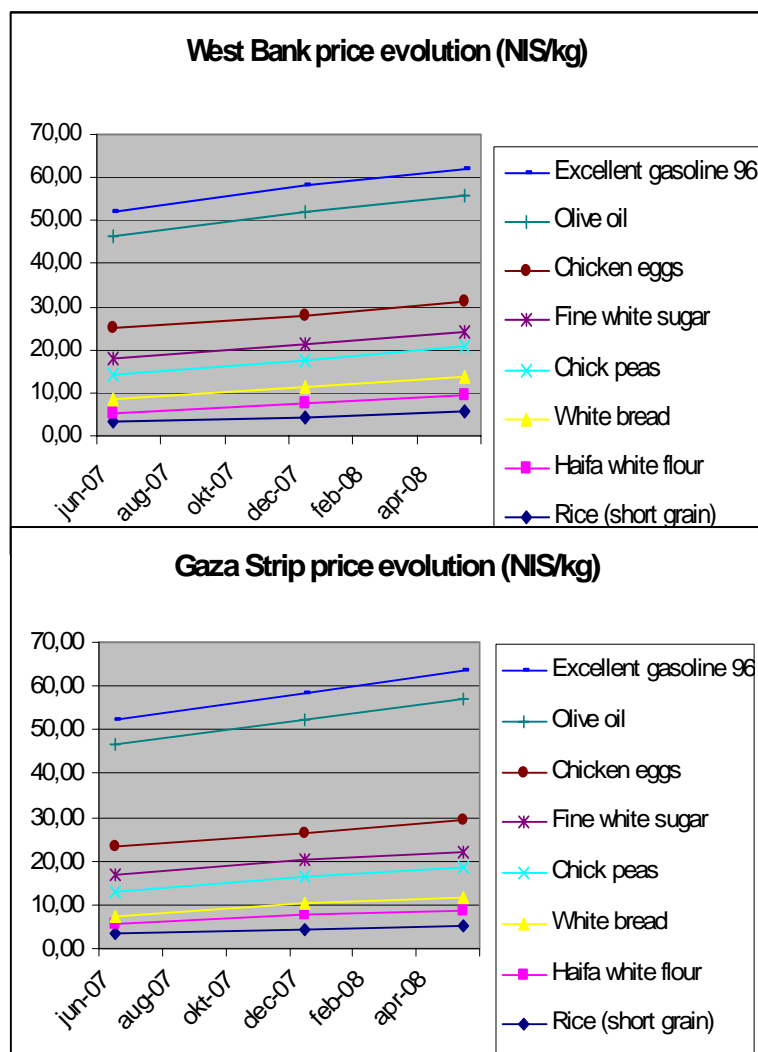
The findings of regular market price monitoring surveys implemented by WFP show that over the past 12 months, the prices in oPT for the main food items and fuel have considerably increased. For instance, the price of wheat flour has gone up by about 90%, white bread by 50% and chick peas and olive oil by around 20%. The Palestinian Central Bureau of Statistics (PCBS) has reported that the Consumer Price Index (CPI) has gone up from 110 (July '07) to 122 (December '07) to 135 – 142 (April '08)³⁹. However, purchasing power has significantly deteriorated since last year, with Palestinian Authority employee salaries having minimally increased (about 1500 to 2500 NIS per month) and more or less unchanged daily labourer average incomes (at a very low level of only 700 to 1000 NIS per month)⁴⁰.

³⁸ All figures taken from: FAO/WFP/UNRWA (2008), Joint Rapid Food Security Survey in the Occupied Palestinian Territory, Jerusalem, May 2008.

³⁹ Source: PCBS.

⁴⁰ US\$ 1 = 3.4 NIS (June 2008).

Figure 2: Price evolutions in oPT over the past 12 months



The following table compares the food insecurity levels in oPT in 2006 and May 2008. The comparison uses data of the FAO / WFP Comprehensive Food Security and Vulnerability Analysis implemented in 2006 and the FAO / WFP Joint Rapid Food Assessment in May 2008. As the table shows, overall food insecurity in May 2008 still was at the same level as in 2006, although the increased prevalence of vulnerability to food insecurity indicates a negative trend. There continues to be much higher food insecurity in Gaza Strip than in West Bank. In 2008, 53% of the overall population in Gaza Strip is marked as being food insecure as compared to 21% in West Bank. In 2006 there still was a major urban-rural divide with rural areas being much more prone to food insecurity. Currently however, both for West Bank and Gaza Strip food insecurity levels are more or less the same in urban and rural areas. Food insecurity is slightly increasing in urban areas while there is a clear downward trend in rural areas. For the camps population there is hardly any difference between 2006 and 2008.

Table 1: Food insecurity levels in oPT in 2006 and May 2008⁴¹

		Urban		Rural		Camps		Total	
		2006	2008	2006	2008	2006	2008	2006	2008
West Bank	Food insecure	19.1	19.2	31.1	20.7	23.8	27.7	24.4	20.7
	Vulnerable	10.1	15.1	13.9	16.1	8.1	22.7	11.5	16.3
	Marginally secure	20.3	16.5	23.1	15.8	31.0	14.3	22.3	15.9
	Food Secure	50.5	49.2	31.9	47.5	37.1	35.3	41.8	47.0
	Total	100	100	100	100	100	100	100	100
Gaza Strip	Food insecure	52.7	52.3	69.6	55.2	50.7	52.7	53.2	52.6
	Vulnerable	12.8	14.8	6.5	19.4	13.4	9.7	12.6	13.4
	Marginally secure	14.9	8.1	11.3	6.0	17.1	11.7	15.3	9.2
	Food Secure	19.6	24.9	12.5	19.4	18.8	25.8	19.0	24.8
	Total	100	100	100	100	100	100	100	100
Total	Food insecure	31.7	35.6	34.0	24.3	44.7	45.6	34.3	34.1
	Vulnerable	10.9	15.0	13.2	16.5	11.5	13.4	11.7	15.1
	Marginally secure	18.0	12.3	22.4	14.7	20.5	12.5	19.6	13.1
	Food Secure	39.4	37.1	30.4	44.5	23.3	28.5	34.4	37.7
	Total	100	100	100	100	100	100	100	100

Utilisation of food and nutrition security

There is an urgent need for up-to-date data to measure the influence of the food price hikes on food consumption or nutrition. Currently available figures date back from a couple of years ago and do not reflect the impact of the recent food price hikes. However, the available nutrition information could very well serve as baseline data depicting the nutrition situation from before the recent political and economic developments in oPT and the start of the global food price crisis. The Comprehensive Food Security and Vulnerability Analysis report of January 2007 included an overview of the most important nutrition studies and assessments over the past ten years (a copy is attached as Annex H). As oPT does not appear to show significant malnutrition levels, safety nets therefore rather should have a focus on livelihoods support than on nutrition transfers. The micronutrient deficiencies anemia and iodine deficiency are a public health problem in oPT. These conditions require specific nutrition interventions targeted at the regular vulnerable groups in the population with regards to nutrition (mothers and young children, school children, elderly) and food fortification programmes as a general measure to reach out to the overall population.

⁴¹ The table is based on data presented in the FAO / WFP report on the 2006 Comprehensive Food Security and Vulnerability Analysis and preliminary data of the FAO / WFP oPT Joint Rapid Assessment in May 2008 (data were provided to the consultant by the VAM unit of WFP for oPT).

Some key figures on the nutrition status in oPT are highlighted here:

- The Demographic Health Survey of 2004 reported that wasting (Global Acute Malnutrition (GAM)) was 1.9%. This level is well below any emergency threshold. Stunting was found to affect 9.9% of children under 5 years of age and to show a rising curve when compared to 1996 and 2000 data. Stunting is somewhat higher in Gaza Strip (11%) than in West Bank (8.6%).
- Anemia is one of the main public health problems in oPT affecting more than one-third of all children and women. The National Nutritional Surveillance system implemented by the Ministry of Health collects data for young children 9 to 12 months of age. Moderate anemia was found to be present in 25% of the babies. A study by Halileh & Gordon (2006) identified the following risk factors for anemia among pre-school children (6 to 59 months of age): reduction in income, iron intake, infrequent gastro-intestinal infections, stunting and current breastfeeding status. Anemia is much more widespread in Gaza Strip than in the West Bank.
- Iodine Deficiency Disorder (IDD) is also present in oPT. Goitres grade 1 and 2 were found to be present among school-age children from 8-10 years at a rate of 14.9%. A rate higher than 5% is marked by WHO⁴² standards as a severe public health problem. On the positive side, it was found that over the past decade the consumption of iodized salt has increased a lot.

⁴² World Health Organization

5. APPROPRIATENESS OF EXISTING SAFETY NETS TO CUSHION IMPACTS OF RISING FOOD PRICES IN OPT

In the past years, there has been a lot of interest in cash transfers as an instrument to promote food security, but the start of the 'cash versus food' discussion dates back to the 1970s. However, there are various unresolved questions as to whether cash and food transfers are alternative or complementary options, both for short-term relief interventions to help people cope with a certain shock (or combination of shocks) and for longer-term social protection strategies where vulnerability is addressed for certain groups independent from the occurrence of shocks.

Recently, an interesting paper was produced for WFP on cash and food transfers (Gentilini, 2007). The paper provides a good framework for this chapter. The positive effect of food transfers (both through food rations and food stamps) are highlighted in terms of increased consumption levels (in case the amounts are higher than what would be usually consumed), but at the same time the paper also points to the positive appreciation of cash transfers from a consumer sovereignty point of view⁴³. It is concluded that cash and food transfers can very well be complementary inputs rather than alternatives. The choice for a certain (combination of) transfer mechanism(s) needs to be based on a comprehensive assessment of a range of context conditions:

1. programme objectives (focus on supporting livelihoods or on specific nutrition objectives; this relates to the targeting issue)
2. local market conditions (focus on supporting the demand side or the supply side⁴⁴)
3. cost effectiveness and efficiency (because of the logistics costs, when conditions are in place for cash delivery this is cheaper than distributing food, although depreciation of local currencies and high non-cash costs for cash transfers may tilt the comparison to the other side)
4. local capacities (security and corruption concerns; possibility to involve banks; required monitoring and accounting costs)
5. beneficiary preferences.

The five main safety net mechanisms that are currently existing in oPT are the result of a range of safety net and social protection approaches, some of them food-based others cash-based. For most but not all the Ministry of Social Affairs (MoSA) is the central player. With regard to non-refugees, the key organizations are WFP for food-based safety nets and World Bank and EC PEGASE for cash-based safety nets. In this chapter, cash-based assistance programmes are discussed under § 5.1, food-based assistance programme in § 5.2 while § 5.3 summarises the characteristics of the main programmes with an indication how suitable they are to cushion the rising food prices to avoid that poor households will 'fall through the cracks'.

⁴³ E.g. the difference between in-kind transfers which are below the amounts of food that are usually consumed (inframarginal; in this case it is assumed that the food assistance replaces a purchase of this food on the market) and in-kind transfers which are higher than the amounts of food usually bought (extramarginal; this means that if there is no resale of the rations, the ration increases the amount of food consumed).

⁴⁴ In brief, this refers to the effect of cash support on purchasing power which has a positive effect on the demand side and food support having a positive effect on the supply side. The effects of the transfers can be very complex however, e.g. there may be variable effects of cash transfers on price levels depending on price elasticity and the reactions by traders that can influence the supply side, and food support in-kind may lead to distortion of markets as demand is falling but there would be price effects only in the case of inelastic supplies.

5.1. Cash-based assistance programmes

In general terms, cash-based assistance programmes in principle can form a suitable delivery channels to assist poorer households dependent on food purchases for them to maintain sufficient purchasing power during times of rising food prices. That is, as long as food supplies are available on local markets against relatively reasonable prices and when the cash injection does not lead to price distortions. Up to now this precondition seems to be more or less met in oPT, also because of the food in-kind support streams for refugees in oPT through UNRWA and the substantial WFP assistance programmes in oPT for non-refugees. Nevertheless, the situation in Gaza Strip obviously is very volatile and easily can lead to food shortages on the market. The food supply conditions in West Bank eventually might also develop in the same direction because of the gradually intensifying implementation of the Closure policy by Israel.

The two cash-based social protection programmes that currently exist in oPT are both closely cooperating and coordinating with MoSA and the Ministry of Finance (MoF). A gradual merger of the two cash benefit programmes is foreseen, although not in the near future.

- The World Bank funded Social Safety Net Reform Project (SSNRP) started in August 2004 with real implementation by MoSA starting in August – September 2006, the project was reformulated in May 2007 with new funding up to end 2011⁴⁵. The revised project development objective is to mitigate the impact of the continued socio-economic crisis on a subset of the poorest and most vulnerable households through provision of regular cash allowances and a system of free health insurance. This makes the project very appropriate for cushioning the impact of the rising food prices as well. The project was originally meant to provide conditional cash transfers (CCT)⁴⁶ but this element was skipped as it appeared to be difficult to implement in practice. The SSNRP aims to cover about 10 to 15% of the Palestinian non-refugees, approximately 45,000 to 55,000 households. Unfortunately, the SSNRP is hampered by local capacities constraints, as it is experiencing administrative bottlenecks. Up to now the project is still in the pilot phase with 4,000 to 5,000 households being assisted⁴⁷, which equals a coverage of 1% of the non-refugee households in oPT only.

Only households from the lowest 30% of the income distribution in oPT are eligible for the SSNRP, with priority given to households with no sources of income or with low-income and households with a member that belongs to a marginalized group⁴⁸. The selection mechanism (the Proxy Means Testing Formula - PMTF⁴⁹) is poverty-based, including factors in the formula like acquisition of durable goods and income of the head of household. The beneficiary selection is a 3-step process: (a) getting a list of potential beneficiaries through running the PMTF on the

⁴⁵ The initial budget for the SSNRP is US\$ 10 million, of which US\$ 2.7 million was disbursed by end February 2008. Additional financing of US\$ 10 million was secured to cover implementation costs up to 31st December 2011.

⁴⁶ Initially, the conditions were that the family members receive health care and education and that the head of the household attends at least four awareness workshops every year on topics related to the family's social and health conditions. This was later replaced by a focus on education enrolment only and then was completely abandoned. The impact of the imposed conditions for the cash transfer anyways was not expected to be very high as health and education indicators are still high for oPT.

⁴⁷ In total, 27,000 people are being assisted from 4,000 to 5,000 households.

⁴⁸ This refers to the same categories of vulnerable people as covered under the Special Hardship Case definition: belonging to a vulnerable group like elderly with no children living with them, widows with no income, divorced / abandoned women with no income, orphans, disabled, chronically ill.

⁴⁹ The PMTF selection formula was elaborated by World Bank based on PCBS PECS (Palestine Expenditure and Consumption Survey) data for 2004. The formula is based on a combination of 42 proxy variables for poverty: ages of the household members, refugee status, employment and education status of the head of the household, vulnerable group status, housing and energy status, asset possession status, remittances status and social assistance status.

information from the application forms; (b) verification visits to all households; and (c) getting enrolment lists after setting the cut-off PMTF-score as threshold for inclusion based on the available budget. Bimonthly payments are done by the MoF branch offices in the different Governorates.

Another interesting feature of the project is that the amount of cash assistance is made dependent upon household size. The support scale ranges from 228 NIS per person per month to a maximum of 500 NIS per household per month (200 NIS + 28 NIS * No. of household members). Previously, the SSNRP had additional amounts as incentives for enrolment in basic and secondary education; these conditionalities however were abandoned as they appeared too cumbersome and not so relevant in the Palestinian context.

The SSNRP selection mechanism achieves to target households that are most in need of support and to tailor the amount of support to household size. Therefore, the SSNRP in principle is a very appropriate social protection scheme to cushion the impacts of the global food price crisis if MoSA is able to scale up the coverage without compromising the targeting efficiency.

- The current EC PEGASE programme⁵⁰⁵¹ is a 3-year funding programme as support to the Palestinian Authority that will run up to the end of 2010. The objective of the social protection activity within PEGASE⁵² is to ensure the continued assistance to poor and vulnerable Palestinian families dependent on financial aid from the PA administration. The activity is centrally managed by PEGASE which disburses quarterly payments through a network of Palestinian banks. The financial aid is disbursed over-the-counter by 39 local banks branches, which is an effective way to overcome capacity constraints within MoSA. The implementation of the PEGASE social protection activity is closely coordinated with MoSA and MoF, and the PEGASE system might later on move to a parallel funding mechanism where final beneficiaries get a single payment with funds made available by the PA and PEGASE. In this respect, PEGASE is closely following the progress in the gradual implementation of the Social Protection Reform and Integration programme as set out in the PRDP document.

PEGASE eligibility criteria are established by PEGASE itself, on the basis of the list of recipients of cash support as provided by MoSA (to avoid duplication with the SSNRP). Although a team of PEGASE auditors is involved in selecting the beneficiaries for the financial assistance and the beneficiary list is continuously updated, in practice the targeting efficiency that is achieved by the PEGASE programme is to a major extent dependent upon the capacity within MoSA to select real needy households as Special Hardship Cases. The intended coverage of PEGASE amounts to 42,000 and 45,000 households⁵³, which more or less matches the number of MoSA Special Hardship Cases assisted with WFP food support. For most beneficiaries, the

⁵⁰ PEGASE stands for 'Mécánisme Palestino-Européen de Gestion de l'Aide Socio-Economique' and is an EC and EU Member States funding instrument to support the Palestinian Authority's Reform and Development Plan (PRDP). The mechanism is also open for non-EU contributors. The focus of PEGASE is on the areas of Governance, Social Development (covering social protection, education and health sectors), Economic and Private Sector Development, and Public Infrastructure. The mechanism has been established on 1 February 2008 and replaces the Temporary International Mechanism (TIM) which has been phased out in the first quarter of 2008. See:

http://www.delwbg.ec.europa.eu/en/funding/pegas_documents.htm for more information on PEGASE.

⁵¹ Section is based on interviews with EC PEGASE representatives and Information taken from:

http://www.europarl.europa.eu/meetdocs/2004_2009/documents/dv/wgme20080220_pegasefinaldoc_/wgme20080220_PEGASEfinaldoc_en.pdf

⁵² The previous EC cash assistance programme for Special Hardship Cases through MoSA started in 2006 as part of a Temporary Intervention Mechanism (TIM).

⁵³ From 1st February 2008 up to end June 2008, 2 quarterly payments have been disbursed to 41,000 households, with a total value of € 14.99 million.

PEGASE programme provides them with a cash allowance that complements the WFP-assistance in the form of food rations.

The flat rate of the EC PEGASE cash allowance independent of household size (currently NIS 1000 per household per quarter) results in smaller households getting relatively more cash assistance per capita while larger households get less. Obviously, this is not in line with real needs. The EC envisages the establishment of a system of differentiated levels of contributions to households in the near future which will better reflect the beneficiaries' household size.

Given the success of the programme in terms of total coverage that is achieved, from a practical point of view the PEGASE social protection scheme is an appropriate support mechanism to cushion the impacts of the global food price crisis. However, to maximise targeting efficiency, there is a need to verify whether needy households are indeed properly covered by the programme. This requires a poverty-based eligibility check next to or on top of the status-based eligibility that forms the basis of the current MoSA Special Hardship Cases list. Building on the PMTF experience this could be done by applying a simplified formula based on a set of proxies for poverty, like (a) employment status, (b) assistance through remittances, (c) housing status, and (d) assets possession status.

5.2. Food-based assistance programmes

- UNRWA takes care of the needs of the 1.56 million refugees in West Bank and Gaza Strip (and also of Palestinian refugees living in neighbouring countries). In response to the food price hikes for the second quarterly food distribution round of 2008 UNRWA increased the coverage in the West Bank from the planned 30,000 to 70,816 households (424,896 refugees) but with a smaller food basket (now covering about 18% instead of a planned 37% of dietary needs) while in Gaza Strip 118,000 households were assisted with food aid, which was lower than planned as households of PA employees were removed when salary payments were resumed.
- The World Food Programme is the biggest player for the food-based assistance programmes for non-refugees. An overview of the history of the presence of WFP in oPT is attached as Annex I. The current PRRO 10387.1 runs from September 2007 up to end August 2009. In June 2008, 400,480 people in West Bank and 262,581 people in Gaza Strip were being assisted by WFP, making up a total of 663,061 people in oPT that get food-based support from WFP. As such, WFP was providing food assistance to a total of 54% of the non-refugees in Gaza Strip and 23% of the non-refugees in West Bank (see Table 2⁵⁴). Recent WFP monitoring data demonstrate that the various WFP programmes together cover 85% of food insecure non-refugees in Gaza Strip and 73% in West Bank.

WFP food assistance is partially delivered through MoSA (about 42,000 Special Hardship households⁵⁵ are assisted, total number of beneficiaries 188,000 people) but there are also other programmes through NGOs. An overview of the current coverage of WFP food-based assistance programmes is given in Table 3⁵⁶. Based on current funding outlooks for the PRRO 10387.1, from March 2009 onwards some parts of the WFP programme might have to be suspended.

⁵⁴ Table has been prepared by the VAM unit of the WFP Country Office for oPT.

⁵⁵ MoSA uses the following definition for Special Hardship Cases: belonging to a vulnerable group like elderly with no children living with them, widows with no income, divorced / abandoned women with no income, orphans, disabled, chronically ill.

⁵⁶ This section is based on the August 2008 WFP Operational Brief for occupied Palestinian Territory.

Given the current deterioration in access to food through the market (see § 4.2) because of declining purchasing power this unavoidably will result in many food insecure people in oPT going without safety nets unless WFP will get financial support for starting up new assistance programmes to fill the gaps.

Table 2: Coverage of WFP food-based assistance programmes in oPT in June 2008

Governorate	Total Population (2007 projection based on 1997 census)	Non Refugees (2007 Projection based on 1997 census)	WFP Total No. of Beneficiaries (as of June 2008)	WFP coverage of non-refugees	WFP coverage of total Population
Jenin	256,212	181,051	48,186	27%	19%
Tubas	48,771	40,735	16,099	40%	33%
Tulkarm	158,213	107,391	25,169	23%	16%
Qalqiliya	91,046	54,289	13,779	25%	15%
Salfit	59,464	54,523	11,087	20%	19%
Nablus	321,493	238,187	63,751	27%	20%
Ramallah & Al-Bireh	278,018	194,816	27,179	14%	10%
Jerusalem	362,521	210,460	9,515	5%	3%
Jericho	41,724	20,543	4,154	20%	10%
Bethlehem	176,515	125,904	40,207	32%	23%
Hebron	551,130	450,416	141,354	31%	26%
Total West Bank	2,345,107	1,706,198	400,480	23%	17%
North Gaza	270,245	77,487	42,175	54%	16%
Gaza	496,410	235,231	113,578	48%	23%
Deir Al-Balah	205,534	28,987	22,243	77%	11%
Khan Yunis	270,979	115,788	63,367	55%	23%
Rafah	173,371	27,457	21,218	77%	12%
Total Gaza Strip	1,416,539	488,775	262,581	54%	19%
Total oPT	3,761,646	2,182,609	663,061	30%	18%

Table 3: WFP beneficiaries by type of intervention and location, August 2008

Proportion Gaza strip/West Bank	38%	62%		
Intervention type	Gaza Strip	West Bank	Total OPT	Proportion
Emergency and Protracted Relief				
Special Hardship Cases (MoSA)	90,000	98,000	188,000	43%
Assistance to most vulnerable groups	32,000	43,000	75,000	
Contingency emergency assistance	11,000	12,000	23,000	
Total relief	133,000	153,000	286,000	
Recovery through livelihoods protection and skills development				
Food for Work	45,000	100,000	145,000	57%
Food for IGA and vocational training	22,000	50,000	72,000	
Life skills training	22,000	50,000	72,000	
Food for Education - school feeding	30,000	60,000	90,000	
Total recovery	119,000	260,000	379,000	
TOTAL PRRO	252,000	413,000	665,000	

5.3. Appropriateness of existing safety nets for cushioning rising food prices⁵⁷

Agency	Intervention Type	Achieved coverage and effects	Appropriate safety net channel for cushioning food prices?
World Bank SSNRP through MoSA (7 years 2004 – 2011)	Cash assistance to households selected by application of the <u>PMT-formula</u> . 200 to 500 NIS per household per month depending on family size.	Coverage of 4,000 to 5,000 households with 27,000 beneficiaries in total (1% coverage of non-refugees in oPT). Cash allowance on average about US\$ 100 per household per month, amount depending on household size.	<u>Very appropriate but capacity problems</u> ++ <u>Poverty-based</u> targeting suitable for addressing livelihood security problems + Proportional to household size + MoSA ownership - But capacity constraints and small coverage
EC PEGASE (3-year, 2008 – 2010).	Cash assistance to MoSA list of <u>Special Hardship Cases</u> . 1000 NIS per household per 3 months.	Coverage of 41,000 households (15% coverage of non-refugees in Gaza Strip, 4% in West Bank). Cash allowance equals about US\$ 100 per household per month and is a fixed amount irrespective of household size.	<u>Very appropriate if better targeted</u> ++ Large coverage ± Flat amount per household; adaptation is being considered. - Targeting is <u>status-based</u> , irrespective of income and remittances status
WFP support to MoSA (various donors)	Food ration to <u>Special Hardship Cases</u> . Food ration covers 100% of dietary energy needs.	Coverage of 42,000 households, 188,000 beneficiaries in total. Coverage 18% non-refugees in Gaza Strip, 6% in West Bank. Coverage of 57% of the food-insecure households in Gaza Strip and 52% in West Bank. Current local market value of the food ration is <u>US\$ 11.36 per capita per month</u> .	<u>Reasonably appropriate, targeting not ideal</u> ++ Large coverage + Proportional to household size + Directly meets consumption needs ± MoSA ownership but efficiency problems - High logistics costs - Targeting is <u>status-based</u> , irrespective of income and remittances status
WFP (funded by USAID)	Assistance to Vulnerable Groups (both urban and rural), Food-for-Work and Food-for-Training (mainly rural).	Total for Gaza Strip and West Bank 339,000 beneficiaries (overall coverage 17% of non-refugees; 36% coverage of non-refugees in Gaza Strip and 14% in West Bank). Current local market value of the food ration is <u>US\$ 11.96 (FFW) resp. US\$ 7.59 (other programmes) per capita per month</u> .	<u>Much wider scope (various objectives) and at larger scale, programmes of variable quality</u> +++ Very large coverage + Proportional to household size + Directly meets consumption needs ± <u>Poverty-based</u> and <u>ability-based</u> targeting - High logistics costs - Funding not secured after March 2009.
Various	Job creation programs through MoSA (reaching up to 50,000 households) and through NGOs (much small).	Up to 50,000 households covered through MoSA, more scattered and smaller numbers through NGOs. Emergency programs, all were stopped in 2006 due to the financial crisis in the oPT.	<u>Not existing anymore</u>

⁵⁷ The UNRWA food-based support to refugees in oPT is not included in this table. The mission focused on support to non-refugees through WFP and did not collect sufficient data on food-based support to refugees by UNRWA.

6. OPTIONS FOR WFP TO SUPPORT FOOD INSECURE NON-REFUGEE HOUSEHOLDS IN OPT AFFECTED BY THE FOOD PRICE HIKES

The safety nets study concludes that there is an urgent need for WFP to take action. Although nutrition conditions are still generally good in oPT it is obvious that many people in the occupied Palestinian Territory are facing increasing difficulty to meet household consumption needs and livelihoods are being threatened. In oPT, economic access has been found to be the main determinant of household food insecurity. Especially the urban households are dependent upon the market for their day-to-day food supplies where prices show an upward trend which is not matched by increases in salaries etc. In Gaza Strip, there is the additional problem of availability, but up to now this mainly comprises non-staple foods. From a social protection point of view there is a particular concern with regards to the urban unemployed who only have scarce and irregular daily labour cash incomes but need to purchase all or most of their food at the neighbourhood shops against increasingly inflated price levels. In rural areas fresh food production (like e.g. potatoes and fruits and vegetables) combined with some cash income through the production of grapes and olive oil provide a certain level of resilience against the food price hikes.

The current PRRO 10387.1 will run up to the end of August 2009. Funding levels so far have been reasonable, amounting to 79% for year 1 of the PRRO. However, with the current funding levels for year 2 of the PRRO together with the need to revise the budget in response to the food and fuel price increases, beneficiary numbers might need to be scaled down from April '09 onwards. If no further funding becomes available, suspension of some of the actions will be necessary. In such circumstances, priority should be given to food support to poor households who are directly affected by the food price rises and to the regular vulnerable groups in the population with regards to nutrition (mothers and young children, school children, elderly).

In the light of insufficient funding levels for this second year of the current PRRO and given the increasing donor interest to provide funding to countries that are affected by the international food price hikes, the mission recommends to WFP to start preparing for an Emergency Operation (EMOP) in oPT that centres on providing food assistance to selected urban unemployed / urban poor with low purchasing power in the main cities and towns in West Bank and Gaza Strip. The programme could start from the last quarter of 2008 or January 2009 onwards targeting about 50,000 beneficiaries (about 9,000 households) who are neither being reached through the MoSA Special Hardship Cases programme nor through the WFP Assistance to Vulnerable Groups programme.

The Safety Nets Study has resulted in some clear programming recommendations for WFP operations in oPT. Most fall in the immediate crisis response actions bracket and either should be taken up within the current PRRO 10387.1 or in a separate EMOP specifically designed as Global Price Increases Response Programme as mentioned above. Some suggested actions however are of more medium-term and probably can best be considered when drafting the next PRRO document. Actions recommended to WFP are described in § 6.1 for immediate response options and § 6.2 on intermediate response options.

6.1. Short-term: immediate response actions

- As part of the current PRRO (and hopefully also the next PRRO from September 2009 to August 2011), it is recommended to continue with WFP food assistance to the MoSA programme for Special Hardship cases. However, it should be discussed with MoSA that the food rations should be distributed with priority to the households under the World Bank funded Social Safety Net Reform Project as these households are selected based on poverty levels. Evidently, especially the poorest households will be hardest hit by the current price hikes. At the same time, there is a need for WFP to more closely coordinate with EC PEGASE in discussing with MoSA how the targeting efficiency of the status-based beneficiary selection mechanism can be optimized to achieve a better focus on households that are vulnerable in terms of nutrition and/or food security. In coordination with MoSA it could be considered to reduce the food ration scale for the smaller households who relatively are getting more cash assistance from EC PEGASE which will create room for inclusion of 10% to 20% new cases. Depending on funding status, it is recommended to maintain the same total tonnage for MoSA Special Hardship Cases as in the first year of the current PRRO. In practice this means that WFP budgets for the MoSA caseload will have to increase substantially to cover additional costs related to the international food and fuel price hikes.
- The mission agrees with WFP that the school feeding programme should form the second priority in the current PRRO. The programme is very much appreciated by the Palestine Authority and the community alike. The implementation modalities based on involvement of local women's centres are marked as innovative but the involvement of many women through a Food-for-Work component has greatly inflated the cost levels for this project. There is a need for further piloting, e.g. with a reduction in the number of women involved in the project and a shift to a Cash-for-Work approach (which will be easier to manage and better matches local preferences). The aim should be to identify a workable and sustainable model that can be scaled up at national level and for which the Ministry of Education is likely to gradually take over budget responsibility. There is a need to better anchor health and food education as a complement to the provision of morning snacks. In this respect it should be explored if the programme can be piggybacked onto the UNICEF-supported School Public Health programme.
- It is recommended to add a third element to the immediate response actions that targets poor urban households as these are particularly affected by the food prices crisis. As a practical proxy indicator for poverty it is suggested to focus on assisting households of which the heads are unemployed. These households can rather easily be identified through the city-level Labour syndicates. Such an Emergency Urban Food Support Scheme could target about 50,000 beneficiaries (\pm 9,000 households) in the main cities in West Bank and Gaza Strip. As mentioned above, funding for this programme should be sought through launching a separate one-year EMOP that carries through up to the end of 2009. It is recommended to WFP/oPT to request an appraisal mission to elaborate the modalities of this programme. Some programming ideas are given in the box below.

Proposed Outlines for an Emergency Urban Food Support Scheme for oPT

- The programme is to be implemented by national or international NGOs that already have solid experience in partnering with WFP in oPT. Such an arrangement will facilitate smooth implementation because of the proven management capacity for food assistance programmes in oPT.
- Decision-making for beneficiary targeting should start with the selection of cities and towns where the programme will operate. The programme could be announced through the mass media (newspapers) where interested households are invited to fill an application form. The form could include employment status, housing status and assets possession. Also the WFP Household Expenditure Module⁵⁸ could be added in order to assess the percentage of the household budget that is being spent on food. The recent joint rapid assessments undertaken by WFP/FAO/UNRWA show that urban dwellers spend about 64% of the household income on food. Verification of the poverty status could be through home visits to check information on employment status, housing status and assets possession. The cut-off point for inclusion in the programme could be made dependent on the total number of applications while the total number of households to be selected is kept fixed. In order to increase targeting efficiency and to avoid duplication with other Social Safety nets, selected applicants should be cross-checked with the unemployment lists that are maintained by the City level Labour Syndicates, with the lists of Special Hardship Cases already supported by MoSA, the WFP AVG programme beneficiaries list, and with the refugee lists maintained by UNRWA.
- As a new implementation modality that stays close to regular urban food supply mechanisms and would strengthen the local market by stimulating demand, it is suggested to develop a voucher scheme that provides coupons for bread and cheese through local bakeries and grocery shops. Such a project would also stimulate employment and business opportunities in the food processing and retail sectors in West Bank, and would build on the WFP pilot in Hebron where bread is provided to MoSA beneficiaries instead of wheat flour as it was found that baking normally is not practiced in urban areas and a lot of the wheat flour was actually not being consumed by the household. The mission proposes to add cheese as a nutritive second food commodity that very well goes together with the bread as the staple food. A first take in terms of ration scales would be to provide a daily ration of 100 grams of bread and 20 grams of cheese which would provide about 420 kCal per person per day. Industrially processed cheese is available through two dairy factories present in oPT, it needs to be verified whether production levels are able to meet additional demand of 30 MT per month without undesirable market distortion effects. For Gaza Strip a simple basket of wheat flour and vegetable oil seems more suitable as the bread and cheese vouchers would be less appropriate given more difficult market supply conditions and a known preference for wheat flour and not baked bread. For Gaza, WFP currently is considering to shift to a system of subcontracting to local companies instead of involving NGOs.

⁵⁸ The Vulnerability Assessment and Monitoring (VAM) unit in WFP oPT developed a practical Household Expenditures module that already has been widely used in household surveys with good results.

6.2. Medium-term: intermediate response actions

- The Life Skills programme that forms part of the current PRRO will come to an end by December 2008. The programme currently targets rural communities that are affected by anaemia. This approach is very innovative for oPT. Results measurement in terms of impact on the nutrition status of children and women (haemoglobin levels) forms part of the programme. In general terms, the Positive Deviance approach is marked by this mission as relevant in the oPT nutrition context. In various other countries the approach has shown to be effective for promoting improved dietary and hygiene practices including e.g. breastfeeding, complementary feeding etc. It is suggested to WFP to continue investing in piloting of this new approach for oPT and to further elaborate a Life Skills intervention model that can form part of the next PRRO starting from September 2009 onwards. Possibly UNICEF could be involved for elaboration of training materials and Training of Trainers.
- The experiences in oPT with Food-for-Work and Food-for-Training programmes in the past years have been rather mixed. The programmes mainly have served as food distribution channels with very limited development impact. Nevertheless, from the side of the Palestinian population there is a strong push for continued investment in rural development in order to provide income generation opportunities for people who want to move back to rural areas. There is a lot of interest to become engaged in productive agriculture which can provide food against affordable prices to urban markets and for the local population in the villages. For the next PRRO it is quite imaginable that WFP/oPT will again invest part of the budget in Food-for-Work programmes. However these then would need to be accompanied by higher budgets for complementary cash expenditures (ODOC⁵⁹ in WFP terminology) have a better focus than before, including selection of specific geographical areas and agricultural sectors with clear marketing potential. Otherwise it will hardly be possible to attain tangible results and impacts in terms of improved food security conditions. For these programmes close collaboration should be sought with FAO/oPT, both in the design and during the implementation phase.

⁵⁹ ODOC stands for Other Direct Operational Costs

ANNEX A: TERMS OF REFERENCE

Terms of References for a) Rapid Market Study in the occupied Palestine Territory (oPt) and b) Safety Nets Study; May 2008

Rationale

The global increase in food and fuel prices is severely affecting oPt, triggering its inclusion among a list of 30 countries on a WFP watch list, and resulting in food prices inflation as well as increased operational costs for food aid agencies. Moreover, climatic factor are exacerbating the economic situation as a dry spell followed by frost in the early months of 2008 hit both West Bank and Gaza Strip, putting an additional strain on farmers and livestock herders. The agricultural sector suffered reduced harvest productivity with associated high prices of vegetables across oPt.

A recent WFP/FAO/UNRWA Rapid Food Security survey points out that in average 60% of household expenditure is spent on food, with an increasing number of customers having to buy food on credit, reduce quantity of purchased foods or shifting to cheaper foods. It is worth to mention that 96 % of cereal is imported as local production is very limited, also due to the closure restriction in accessing land in the West Bank. From a food security perspective pronounced changes in the overall food supply chain and price inflation (especially steep increase in food CPI) exacerbates rising poverty trends and may lead to changes in household coping strategies and increased vulnerability over the medium to long term.

In light of the drastic changes since the beginning of the year 2008, WFP VAM requests the support from the OMC Regional Assessment Officer (Markets) to help anticipate the possible effects of recent changes in food prices and markets in oPt as outlined in Component a) as well as support (either from RB/HQ or external) for Component b) yet to be identified. Ideally, the specialists that will carry out the two ToR's components should be fielded at the same time.

Component a) Market Study

(1a) Analyze recent changes in the food supply chain (cereals and fresh vegetables) in light of the Israeli closure and food commodities' prices, as related to food security, specifically

- Analyze market fragmentation and changes in food availability due to the reduction of crossing points (from 12 to 6) for humanitarian and commercial imports into West Bank and effect of closures on local food production and marketing in the West Bank - including possible differential between east and west and across specific areas (e.g., East Jerusalem villages) or towns
- Review possible effects of the global cereal price increase on the staple food (cereals and pulses) supply chain in oPt, including changes in trader behaviors and project possible scenarios, with particular focus on wholesalers
- Investigate reasons for the reduced/ limited stock of several food items reported by both the retail and wholesale in the WBGS (i.e. high cereal prices, reduced purchasing capacity, restricted imports) and its effects on the food supply chain on the medium and long term
- Assess changes in shop keepers ability to extend credit facilities to poor customers (already covered in general in the Rapid Food Security Survey), identify retailers' coping strategies and capacity and project possible scenarios
- Evaluate the impact of the dry spell and frost on raising vegetables' prices, including its effect on net producers (small farmers), middle men and final consumers (already covered in general in the Rapid Food Security Survey) and project possible scenarios

(2a) Advise on key market-related indicators for WFP monitoring and market interventions, specifically

- Review the current sources of market information available and collected by WFP and PCBS in oPt, determine degree of relevancy to markets and food security monitoring
- Identify indicators and tools necessary for market-related monitoring purposes.
- Review the current bi-monthly market monitoring report developed by WFP VAM, recommend improvements and next steps.

Expected Outputs

Market report that (i) analyzes the effects high food prices and markets in the oPt and changes in local food availability due to dry spell and frost, (ii) describe the likely evolution of the market situation over the near to medium term, with particular attention to impact of high food prices on household food security for the most vulnerable groups, (iii) describe changes/reasons in stock levels as reported by retail and wholesalers, (iv) report the effects of high food prices in credit lending capacity, (v) recommends key market-related indicators for joint WFP-FAO market monitoring, as part of food security monitoring systems.

Tasks/Activities

With support from WFP oPt CO, prepare background materials, review relevant WFP-FAO documents, prepare checklists for traders and shopkeepers interviews, hold meetings with key stakeholders and carry out field visits with WFP staff to key markets

Proposed travel and draft report: 3 days Literature review plus 14 days in country mission to oPt in June/July 2008 . Final draft report available for circulation and comments by July/august 2008.

Component b) Safety Nets Study

(1b) Review linkages between price inflation and humanitarian responses, specifically

- Evaluate appropriateness of existing safety nets and identify/propose a set of preferred safety nets interventions that could be implemented (by the PA and humanitarian actors) to mitigate impacts of rising price on the food insecure population (rural and urban). See the world bank report (Economy wide policy interventions and social protection programmes)
- Assess the possible effect of food subsidies and/or cash assistance on food markets in West Bank and Gaza Strip
- Describe the immediate impact of soaring food prices on households' economic behaviour, including estimation of population groups (urban and rural) , profiling of most vulnerable groups and identify proxies to gauge the effect on household food security
- Support the identification of appropriate programming response options (WFP specific and not) including the potential for non food response

Expected Outputs

Safety Net report that (i) summarizes the existing safety nets in oPt and proposes options for better tackling the effects of soaring food prices, (ii) studies the appropriateness of food subsidies and cash interventions and evaluate the impact these safety net options might exert on food markets in oPt, (iii) proposes workable proxies and estimation of the population groups mostly affected by the high prices, (iv) explores the potential for complementary food and non food responses and gives programmatic options, (v) general overview of market trends and impact of soaring food prices on vulnerable/food insecure population and its synergy with the Safety Nets

Tasks/Activities

With support from WFP oPt CO, carry out literature review and hold meetings with key stakeholders (World Bank, PA, UNDP, FAO, UNRWA, MoSA)

Proposed travel and draft report: 3 days Literature review, 3 days overview of Market dynamics plus 10 days mission to oPt in June/July 2008 and 4 days report writing. Final draft report available for circulation and comments by July 2008.

ANNEX B: CONTACTS LIST

Day	Meeting	Contact person	Title	Date	Time	Venue
1	Al Sahel	Amer	Representatives	24 June	9:30 AM	Al Sahel, Ramallah
2	MoSA	1) Fadia, 2) Ayman, 3) Taheeni 4) Lourdes (MoP)	GD and technical staff at MoSA	24 June	11.00 AM	MoSA, Ramallah
2	DCD, HoP	Jacques Higgins, Cecilia Garzon	DCD, HoP	24 June	14.45	WFP
3	UNDP	Nawwaf Al-Atawneh	Project manager	25 June	10:00 AM	UNDP, Ramallah
3	World Bank	John Nasir,	Senior Economist,	25 June	12.00 AM	WB, Al Ram
4	MoE	Khoulud Nasser	Education	26 June	9.30	MoE
4	CRS	Rana Tubaileh , LeAnn and Elias Kreitem	Deputy country representative, operational manager	26 June	1:00	Jerusalem
5	FAO	Santiago Ripoll	Food Security Expert	27 June	9.30	FAO, Jerusalem
5	UNICEF	Najwa Rizkallah	Nutritionist	27 June	11.00	Ramallah
5	AL Sahel	Shawkat	Consultant/expert	27 June	12:00	Al Sahel, Ramallah
7	Field Trip	MoSA	GD	29 June	10.00 AM	Nablus Charitable Committees
8	WFP	Sarah Klonski	West Bank Coordinator	29 June		
8	UNRWA	Sam Rose Sebastien Treves	WBGs Coordinator GS Coordinator	30 June	14.00 PM	UNRWA, Jerusalem
8	UNSCO	Molly Little	UNSCO	30 June	15.30	UNSCO
9	Field Trip	Fadia (MoSA)	GD	1 July	10.00 AM	Hebron Charitable Committees
10	EU-ECHO	Michel Laloge Khader Musleh	Deputy Head of Section Infrastructure, Water, Energy, Environment, Agriculture, Food Security and UNRWA PEGASE	30 June	8.45 9.30	ECTAO, Jerusalem
10	WFP	Nehaia Abu-Nahla	Head of WFP Gaza Strip	30 June	10.30	WFP
10	Islamic Development Bank	Mazen Sinokrot		2 July	12:00	Ramallah
10	USAID	Elisabeth Darbant		2 July	14.00	WFP
10	World Bank	Samira and Eileen Murray	World Bank SSNRP	2 July	15.30	Al Ram
11	Debriefing with WFP	CD, DCD, HoP, VAM, Programme staff		3 July	9.30	WFP
11	Debriefing with Stakeholders	MoSA, MoE, MoP, ECHO, UNDP, Nablus committee, etc		3 July	14.00	MoSA Ramallah

ANNEX C: REFERENCES

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ANNEX D: MAP OF THE OCCUPIED PALESTINIAN TERRITORY

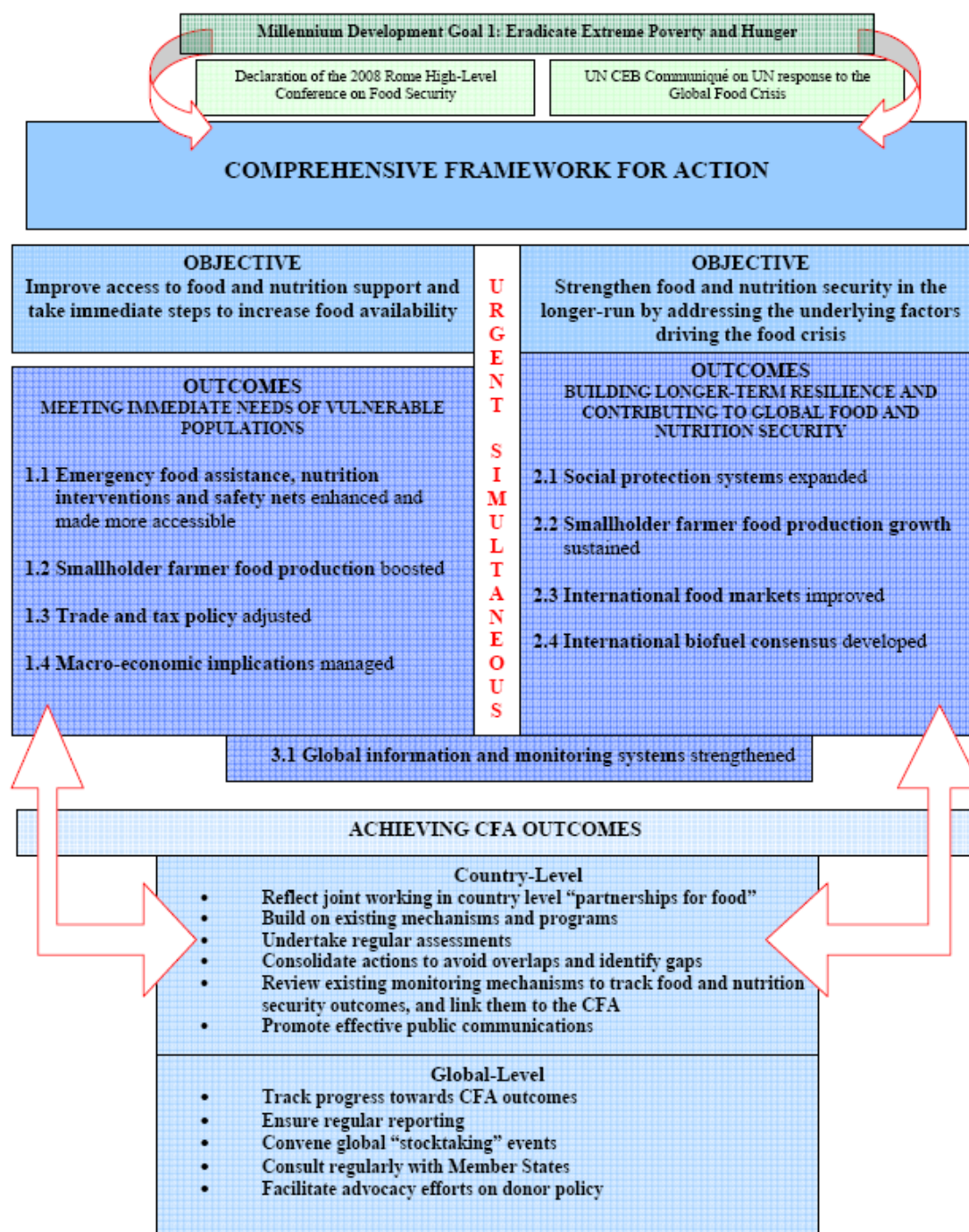


**ANNEX E: OCCUPIED PALESTINIAN TERRITORY POPULATION
FIGURES AT GOVERNORATE LEVEL BROKEN
DOWN IN REFUGEES, NON-REFUGEES AND NOT-
STATED**

Governorate				
	Total Population (2007 projection)	Refugees (UNRWA) (1997 census)	Not stated (1997 census)	Non Refugees (2007 projection based on 1997 census)
Jenin	256,212	73,712	1,449	181,051
Tubas	48,771	7,712	324	40,735
Tulkarm	158,213	49,859	963	107,391
Qalqiliya	91,046	36,297	460	54,289
Salfit	59,464	4,561	380	54,523
Nablus	321,493	81,793	1,513	238,187
Ramallah & Al-Bireh	278,018	80,387	2,815	194,816
Jerusalem	362,521	147,786	4,275	210,460
Jericho	41,724	20,754	426	20,543
Bethlehem	176,515	49,476	1,135	125,904
Hebron	551,130	95,847	4,867	450,416
West Bank	2,345,107	621,330	17,579	1,706,198
North Gaza	270,245	191,510	1,248	77,487
Gaza	496,410	259,335	1,844	235,231
Deir Al-Balah	205,534	175,707	840	28,987
Khan Yunis	270,979	154,307	884	115,788
Rafah	173,371	145,450	464	27,457
Gaza Strip	1,416,539	922,499	5,265	488,775
Palestinian Territory	3,761,646	1,556,315	22,722	2,182,609

(Source: PCBS population figures)

ANNEX F: COMPREHENSIVE FRAMEWORK FOR ACTION



(Source: High-Level Task Force on the Global Food Crisis, 2008)

ANNEX G: WFP's POSITION WITHIN GLOBAL RESPONSE OPTIONS

WFP's position within global response options						
Short-term impact (< 1 year)			Medium-term impact (1-2 years)		Long-term impact (> 2 years)	
national/international		WFP	national/international	WFP	national/international	WFP
Provide/scale up emergency transfers* and safety nets	Food	√√	Stimulate food supply/production	√	Build/strengthen safety net systems	√
	Cash	√√				
	Vouchers/stamps	√√				
Limit increase/reduce/stabilize food prices	Reduce import tariffs	x	Improve market access by smallholders	√	Build/strengthen public and market institutions	x
	Targeted consumer subsidies	x	Build rural infrastructures	√	Invest in agricultural research and technology	x
	Food reserves/stocks	√	Mainstream disaster risk management measures to prevent and mitigate acute hunger (e.g. weather insurance scheme)	√	Reform trade policies	x
	Export restrictions	x				
	Price controls	x				
Improve access to agricultural inputs		x				
WFP cross-cutting activities <ul style="list-style-type: none"> - Food security and vulnerability analysis and mapping, needs/market assessments, emergency preparedness √√ - Logistical support √√ - Food security surveillance √√ and nutrition surveillance √ - Technical support and advice on measures to address hunger √√ - Advocacy for repositioning food and nutrition security in national poverty alleviation agendas √√ 						
Legend: √√ core role for WFP; √ limited role for WFP; x no role for WFP * "Transfers" include conditional (e.g. FFW) and unconditional transfers.						

(Source: WFP (2008b), High Food Prices & WFP, Rome, 12 June 2008)

ANNEX H: FOOD UTILISATION IN OPT

The following section is taken from the Comprehensive Food Security and Vulnerability Analysis report on oPT that was published by FAO and WFP in January 2007.

2.3.2 Desk review of food utilisation

Various nutritional studies and assessments have been conducted during the past ten years, the most relevant being the 2004 Demographic and Health Survey conducted by the PA and PCBS and The State of Nutrition West Bank and Gaza, June 2005, published by the Ministry of Health. However, the quickly changing situation calls for an update to these nutritional

reviews. WFP is in the process of completing an MICS study (2006) that will inform possible interventions in the areas of health and nutrition. Preliminary information about outcomes is presented here.²⁶

1. Wasting: A review of data from 1996 to 2006 show that the rate of wasting declined from a high of 2.8% in 1996 to a low of 1.4 % in 2,000 then increased again to 1.9% in 2004. It is important to note that although these rates are well below any emergency threshold, the rate curve seems to be on the rise. Results from the Multiple Indicator Cluster Survey (MICS) of 2006 will be critical in order to better assess the trend.

2. Stunting: The results seem to show an increase in stunting rates from 7.2% in 1996 to 7.5% in 2000 to 9.9% in 2004. This data seems to be comparable since the same methodology and sample framework has been used in the three different Demographic and Health Surveys (DHS) conducted by PCBS. Also, similar surveys conducted in the same period by Al-Quds University (2002 and 2004), Ard al-Insan, and ACF (2003), among others, seem to confirm these results. It is notable that stunting levels seems to be higher in Gaza with rates of 11% when compared to the West Bank rate of 8.6% in 2004.

3. Iron Deficiency Anemia: In all studies reviewed, Anemia seems to be one of the main public health problems in the WBGS affecting more than one-third of all children and women. The 2004 DHS shows high rates of Anemia in children of less than nine months of age with higher levels (46.5%) in Gaza when compared with 37.2% in the West Bank. Equally, children of 11 to 59 months showed levels of 37.9% and in all the other studies levels above 30% (Al Quds, 2004). Anemia among pregnant women appears at levels of 31.1% and higher levels of 34.8% in non-pregnant women. It is important to note that values of 40% or higher are considered by WHO international standards as a severe public health situation, which clearly applies to the WBGS.

4. Iodine Deficiency: A study conducted in 1997 by the Ministry of Health concluded that 14.9 % of school-age children from 8-10 years old had grade 1 and 2 goitre with the highest levels reported in Jericho and the south of the West Bank. The latest 2004 DHS survey reported that only 65.3% of households consumed iodized salt, which is an increase from figures as low as 37% in 2000. However, goitre rates above 5% are described as a severe public health problem by WHO standards and raise concerns for the WBGS that need to be further investigated.

5. Vitamin A Deficiency: A study conducted by the MARAM project (2004) found that 22% of children from 12-59 months did present some type of sub-clinical Vitamin A Deficiency with retinol levels in serum of < 200ug/l. Since levels higher than 20% are considered a severe public health problem, it is important to gather more national-level data to clearly assess the current situation.

6. Vitamin D Deficiency: The presence of Rickets seems to be a commonly-reported health problem in some areas of the WBGS. During 2003 Gaza reported more cases of Rickets than the West Bank. However since data is not available on a national level, it is very difficult to assess the situation. Vitamin D deficiency is reportedly endemic in the Middle East due perhaps to a diet high in phytic acid found in bread that is the dietary base of the region. Therefore further study is needed.

7. Breastfeeding Practices: Infant and child feeding practice are factors that directly influence child nutrition. In the WBGS a survey done in 2004 by the Ministry of Health reported that only a quarter (25.4%) of the women breastfed exclusively during the first 6 months. However, DHS data shows that more than 95% of mothers breastfed their children during the first 12 months. More accurate and current information is needed in order to inform programme planning to improve outcomes in nutrition.

8. Complementary Practices: There is some evidence that shows that mothers in general introduce unsuitable traditional foods and salty water at an early stage, while protein and iron-rich foods tend to be introduced relatively late. However, more studies are needed to properly assess these practices.

9. Mortality Rates: Infant mortality has remained low during the past decade with a rate of 25 per 1,000 during 2004 and 2000. Equally, under five mortality rates have been maintained during the past 6 years at rates around 28-29 per 1,000. Maternal mortality rates in turn have shown an increase during the past decade with rates of 2.5/10,000 live births in 1996 increasing to 11.0/10,000 live births in 2004 (WHO 2004).

It should be noted that nutritional status is not only determined by adequate food intake, but also by disease patterns, hygiene and care practices. The importance of the public health environment must not be underestimated. To date, food security assessments and nutrition surveys have been carried out separately; therefore, it is difficult to determine the underlying causes of malnutrition.²⁷

ANNEX I: PRESENCE OF WFP IN OPT

WFP has been active in oPT since 1991. In the first ten years, assistance levels were relatively low, with the main focus on assistance of social hardship cases as per MoSA lists. However, after the Closure in 2000, assistance levels were substantially increased in order to meet the needs of the 'new poor' (people who lost their employment in Israel). Since 2000, WFP has provided food assistance in oPT for about 0.5 million beneficiaries (out of a total non-refugee population of 2.18 million⁶⁰).

Title	Period	WFP budget	Beneficiaries and activities
Various	Mrch '91 – Dec '96	US\$ 2.3 million	
5761	Jan – Dec '97	US\$ 3.9 million	Total 50,000 benef. in GS, all MoSA social hardship cases
Dev Proj 5474	Oct '97 – Sept '99	US\$ 7.8 million	Total 64,800 benef. in WB and GS: MoSA 57,000 special hardship cases, FFE 2,200, FFW 1,500
PRRO 6214.0	May '00 – Apr '01	US\$ 2.7 million	Total 104,000 benef: MoSA 100,000 special hardship cases and 4,000 institutional feeding
QAP 6276.0	Dec '00 – Nov '01	US\$ 2.7 million	Total 47,360 benef., all FFW/FFT
EMOP 10190.2	Sept '04 – Aug '05	US\$ 43 million	Total 480,000 benef: social hardship cases, new poor
PRRO 10387.0	Sept '05 – Aug '07	US\$ 80.9 million (later revised to US\$ 103 million)	Total 480,000 benef: MoSA 188,300 chronically poor and 10,600 institutional feeding; 281,100 FFW/FFT for new poor; support small olive producers
PRRO 10387.1	Sept '07 – Aug '09	US\$ 107.2 million (later revised to US\$ 172 million)	Total 665,000 benef: MoSA 188,000 destitute and institutional feeding; vulnerable groups 75,000; FFW / FFT 189,000; FFE 90,000

⁶⁰ In oPT the total population amounts to 3.76 million people of whom 1.56 million refugees taken care of by UNRWA. WFP and the other UN agencies are serving the non-refugee population only.