

P o v e r t y

in the occupied Palestinian territory

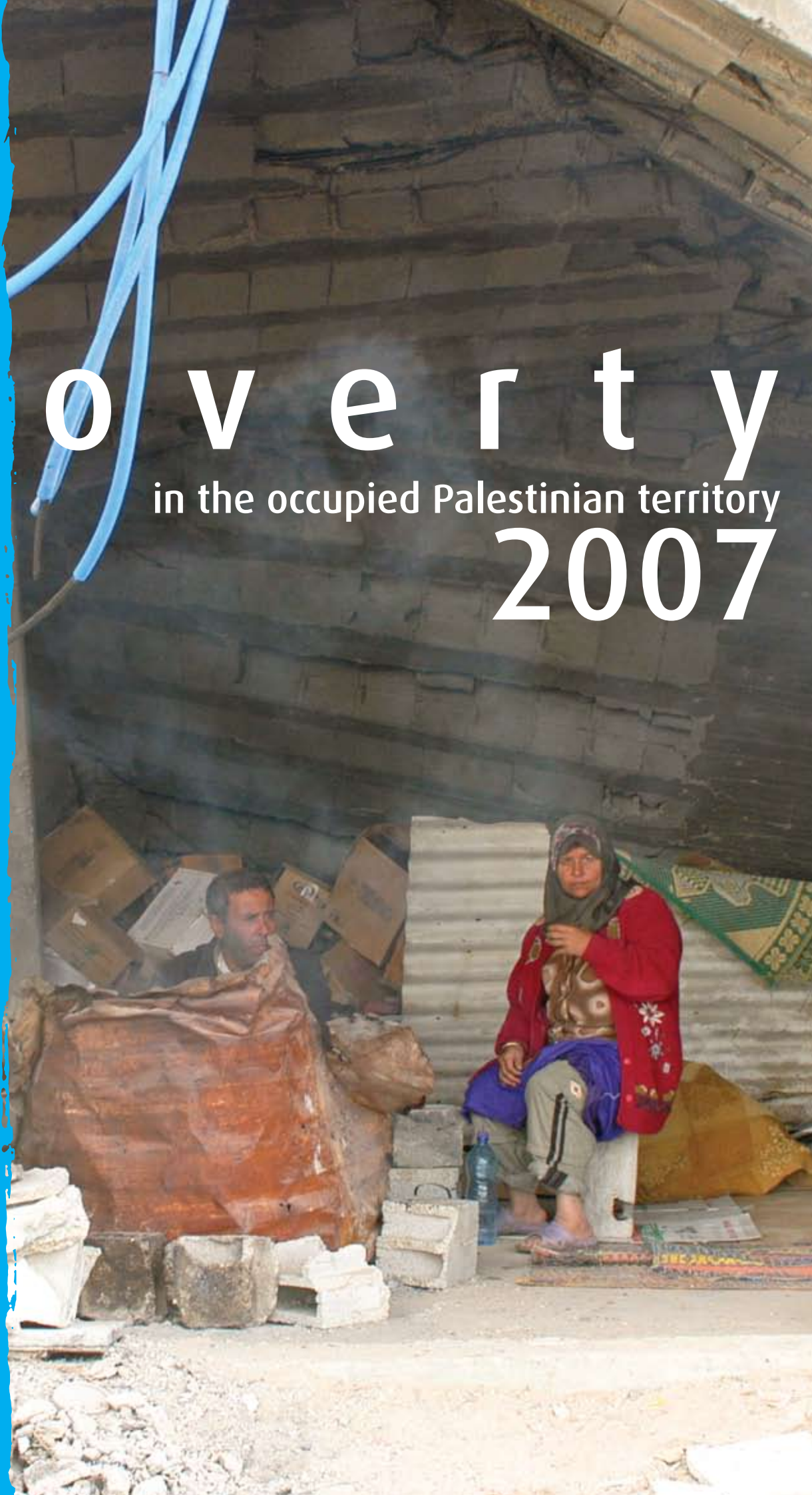
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Poverty in the occupied Palestinian territory **2007**

Briefing Paper May 2009



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Explanatory note

Poverty estimates presented in this report are derived from the latest available comprehensive household consumption and expenditure data for the occupied Palestinian territory (oPt), prepared by the Palestinian Central Bureau of Statistics (PCBS). This data represents the best available estimate of household poverty in the Gaza Strip and West Bank for the period under review.

The Palestinian Expenditure and Consumption Surveys (PECS), conducted by the PCBS since the mid-1990s, represent the only longitudinal data set on household living levels in the oPt. As such, they provide the most robust and consistent framework of analysis for understanding the impacts of the ongoing socio-economic crisis on Palestinian households.

Through detailed analysis of PECS data for 2007, UNRWA is able to better understand the impacts of the tumultuous conditions during that year—marked by the mid-year takeover of Gaza by Hamas and the subsequent lifting of the international embargo on the Palestinian Authority—and to situate these in the persistent socio-economic retrenchment in the oPt since the end of 2000. Through the use of a specially-designed data set from PCBS, UNRWA has also been able to monitor the specific socio-economic impacts on refugees in the oPt.

Due to the delayed release by PCBS of poverty estimates for 2007, results in this report could not be integrated into UNRWA's published general report: *Prolonged Crisis in the Occupied Palestinian Territory: Socio-Economic Developments in 2007*.^a Rather, this report was designed as an internal document to allow UNRWA to better design and monitor the results of its own social safety net interventions among refugees in the oPt. It is now being released to a broader audience as an informal briefing with the intention of generating more and better policy discussion on poverty and the effects of external assistance on poverty in the oPt.

UNRWA extends its appreciation and thanks to our colleagues in the PCBS for producing the data used in this report. While the data were generated by PCBS, the use of that data and the conclusions derived from that data are solely those of UNRWA. Research for this report also benefited from data and various publications of the Palestinian Monetary Authority, the World Bank and the International Monetary Fund. UNRWA hereby acknowledges its debt to the fine work of all these organizations

a. This report is available at: http://www.un.org/unrwa/publications/pubs08/SocioEconomicDevelopments_23July08.pdf

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Executive Summary

A detailed review of revised 2006 and new 2007 data on household living levels and poverty in the occupied Palestinian territory (oPt), as provided by the PCBS, yielded the following results:

1. An overall decline of 6.2 percent in real average monthly household consumption in the oPt was absorbed mainly by refugee households. On a pre-assistance basis overall poverty rates declined in 2007 relative to 2006 while those for refugees increased. In absolute and overall terms, the estimated number of households living below the official poverty line declined a bit, while those living in deep poverty increased marginally. However, the number of official and deep poor refugee households increased significantly in 2007, as the number of poor non-refugee households declined. Refugees accounted for about half of all official poor households in the oPt on a pre-assistance basis in 2007.
2. While external assistance reduced poverty across the board, post-assistance poverty rates in 2007 were not substantially different than in 2006. With continued population growth, it is estimated that there was a 2 percent increase in the number of official poor households and a 2.6 percent increase in the number of deep poor households on post-assistance basis in 2007 relative to 2006. Thus, external assistance was not successful in preventing further growth in poverty in the oPt.
3. More rapid growth in the numbers of deep poor households on a post-assistance basis suggests that poverty in the oPt has deepened in 2007. Moreover, post-assistance poverty rates for non-refugees declined in 2007 as compared to 2006, while those for refugees increased. The growth of poverty among refugees is suggestive of deteriorating socio-economic conditions and/or reduced levels of external assistance in 2007. Refugee poverty rates remained significantly higher than for non-refugees and the gap widened in 2007.
4. Overall rates of poverty reduction—the proportion of the poor lifted out of poverty by external assistance—were lower in 2007 than in 2006, suggesting external assistance was less effective in alleviating poverty. External assistance reduced the absolute number of official poor households by an estimated 13.9 percent in 2006 but only 11.1 percent in 2007. External assistance was responsible for reducing the number of deep poor households by an estimated 22.9 percent in 2006 but only by 21.4 percent in 2007. However, poverty reduction rates among the deep poor remained significantly higher than those for official poverty indicating a degree of efficiency in targeting assistance.

5. The relative effectiveness of external assistance in reducing refugee poverty weakened in 2007. Poverty reduction from external assistance among official poor refugees at the household level was more than twice as effective as for non-refugees in 2006 but only 4.2 percent more effective in 2007. The rate of poverty reduction among deep poor refugee households was 39.2 percent greater than for non-refugees in 2006. In 2007, poverty alleviation among deep poor non-refugee families was actually 21.3 percent greater than among refugee households.

6. The weakened effectiveness of poverty alleviation among refugees may be due to one or more of the following: a) the relatively small size of the PECS samples in both 2006 and 2007 and the underrepresentation of refugees and Gaza resulting in greater statistical bias; b) the total amount of external assistance to the refugee poor, i.e. UNRWA social safety net assistance plus other sources of assistance to refugees, may have been lower in 2007. While assistance provided to refugees by UNRWA increased by some 16.4 percent in 2007, other sources of aid to refugees may have declined resulting in a net decline in assistance to refugees; c) assistance to non-refugees may have either fallen less or increased more than that for refugees; d) the targeting of assistance in 2007 may have been weaker than in 2006, i.e. leakage of assistance to the non-poor may have been greater in 2007; e) as suggested by the declines in refugee household consumption levels, the intensity or depth of poverty among refugees has increased rendering a given level of assistance less effective.

7. Poverty gaps—estimates of the amount of additional assistance that would raise poor household consumption levels to a designated poverty line—increased in 2007 relative to 2006. After adjusting poverty lines to reflect the larger size of poor households, the monthly poverty gap for the average official poor household increased from USD 147 in 2006 to USD 189.4 in 2007. For the average deep poor household, the monthly gap increased from USD 105.3 to USD 141. Growth in these gaps indicates a deepening of poverty in the oPt.

Multiplying the monthly gaps by the average number of oPt households below the adjusted official and deep poverty lines yields estimates of the amount of resources required to eliminate each of the two types of poverty on a monthly basis. Multiplying this result by 12 (annualised basis) suggests that USD 330 million of perfectly targeted additional assistance in 2006 would have eliminated official household poverty in the oPt. This gap grew to approximately USD 405.4 million in 2007, a 22.4 percent increase. To eliminate deep household poverty, the most severe manifestation of poverty, would have required about USD 141.6 million on an annual basis in 2006, but USD 181.2 million in 2007, a 28.3 percent increase.

The corresponding annualised refugee household poverty gaps in 2006 were USD 127.2 million for official poor households and USD 68.4 million for deep poor households. The gaps in 2007 grew to USD 245.3 million for official poor refugee households (a 92 percent increase in nominal USD terms) and USD 128.4 million for deep poor refugee households (86 percent more than 2006). The rise in poverty gaps was a function of growth in the refugee population, but also suggests deterioration in refugee living conditions and, indirectly, the deterioration of conditions in Gaza where nearly 59 percent of refugees reside.

8. UNRWA social safety net assistance in the oPt amounted to USD 102.1 million in 2006. Through the SHC and EA programmes (food distributions, cash assistance and a job creation programmes), assistance was received by an estimated 1.15 million refugees, about USD 88.4 on an annual per capita basis. Of total assistance, about 33.5 percent was distributed to West Bank refugees with 66.4 percent distributed to those in Gaza.

UNRWA assistance rose to USD 118.9 million in 2007, an increase of 16.4 percent relative to 2006. Total estimated recipients were 1.24 million refugees, an increase of about 6.7 percent over 2006. The West Bank's share of total assistance received climbed to 39 percent while Gaza's share of assistance declined to 61 percent.

While there is little doubt that UNRWA assistance is a main factor in reducing poverty rates and the absolute number of poor among refugees, as socio-economic conditions have continued to deteriorate, increasing levels of assistance have been insufficient to stem the growth of poverty among refugees.

9. Evidence in this briefing paper suggests a larger portion of refugee households were poor in 2007 than in 2006, regardless of their place of residence. In fact poverty rates among refugee households in the West Bank (which increased) surpassed those of non-refugees (which fell). In Gaza, there were across-the-board increases in household poverty rates with refugee rates rising somewhat faster than those of non-refugees. The evidence suggests that external assistance—whether from UNRWA or other sources—could not stem the growth of refugee poverty either in the West Bank or in Gaza. ***Given the above estimates of poverty gaps, to eliminate only deep poverty among refugee households in the oPt in 2007 would have required perfectly targeted resources equal to more than twice that distributed by UNRWA that year.***

10. The cause of unprecedented poverty in the oPt is the socio-economic crisis that began in late 2000. The root cause of the crisis remains the system of mobility restrictions in the West Bank, the almost total siege of Gaza, and the isolation of the two territories from each other and the outside world by the Government of Israel.

To seriously address the poverty crisis in the oPt, unimpeded access by Palestinians to all parts of the oPt, and to the outside world, is the fundamental requirement. This would allow the Palestinian private sector to recover, extend and develop export and import markets and generate sufficient employment to absorb a young and growing population and to replace the substantial Palestinian job losses in the Israeli labour market in the past several years. Humanitarian assistance, while important in addressing pressing needs, cannot substitute for an economy with the capacity to produce an acceptable level of living for the population.



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A. Introduction

Measures of poverty in the Occupied Palestinian Territory (oPt) are derived from the Palestinian Expenditure and Consumption Survey (PECS), a detailed household survey conducted by the PCBS.¹ Until the 2006 survey, the number of households actually surveyed was sufficiently large to allow for the disaggregation of data with a reasonable level of statistical confidence by region (West Bank and Gaza) and refugee status. The number of households surveyed in 2006 and 2007, however, were lower than in previous years due to resource constraints and difficulties in fieldwork in Gaza.²

The data for 2006 and 2007 allows for a comparison of living levels and poverty measures with a reasonable level of confidence on two levels: 1) the oPt in the aggregate; 2) the West Bank relative to the Gaza Strip. Comparisons of refugees and non-refugees overall or in the West Bank or Gaza are biased due to the small sample size. ***For this reason, such comparisons in this briefing paper should be treated with caution and used for internal purposes only.***

Moreover, in preparing for the present report, it was learned that 2006 poverty estimates at the regional level (West Bank and Gaza) were incorrect due to a computational error. (The overall oPt poverty rates, however, were not affected by the error.) The previously published PCBS 2006 poverty rates³ and the corrected rates for the West Bank and Gaza are provided in Appendices 1A and 1B. In all cases, the 2006 pre-assistance and post-assistance poverty rates for the West Bank and Gaza have been corrected downward. Thus, the 2006 data and analysis presented in an earlier UNRWA report must be reconsidered in light of these errors.⁴

1 PECS was conducted in 1998, 2001 and 2004-2007.

2 The number of completed household interviews in the statistically representative surveys were as follows: 1998: 2,836; 2001: 3,022; 2004: 3,098; 2005: 2,152; 2006: 1,281; 2007: 1,231. Data provided by PCBS by special request.

3 See PCBS Poverty in the Palestinian Territory, 2006: Main Findings Report (August 2007).

4 See UNRWA Prolonged Crisis in the Occupied Palestinian Territory: Recent Socio-Economic Developments (Report No. 2), November 2007.

Finally, the underlying population estimates used in this report are based on projections developed by the PCBS using the 1997 census data as revised in 2003. The Palestinian census of December 2007 revealed that existing population projections for the oPt are overestimated.⁵ As PCBS has not yet produced revised population data for recent years, and for purposes of consistency, population estimates for 2006 and 2007 in this briefing are based on existing projections.⁶ While the size of the population and the number of households in the present paper are overestimates, the trends implied by changes over time are largely valid. The results of the 2007 census will provide a basis for better estimates of population and households in recent years, as well as a new baseline for projections into the future.

Given these caveats, this briefing paper provides data and analysis on living levels and poverty trends in the oPt in 2007 relative to 2006.

B. Poverty in the Palestinian Context

The definitions of poverty used here are based on ***household expenditures and consumption—and not on income***. Such an approach is considered more accurate in measuring actual living levels and needs.⁷ The two poverty lines used—official poverty and deep poverty—were developed in 1998 by the Palestinian National Commission for Poverty Alleviation on the basis of actual average consumption expenditures of Palestinian households.⁸ The household was defined as a representative household including six persons—two adults and four children—based on then prevailing demographic conditions.

5 For example, preliminary census data for the oPt indicates a total population of 3,761,646 in December 2007. The existing population estimate for fourth-quarter 2007 is 4,081,290. This discrepancy—nearly 320,000 persons—results in an overestimate of 8.4 percent relative to the existing population projections.

6 Absolute estimates of poverty in the oPt using the 2007 population census results are provided in Appendix 2.

7 For a discussion on the relative merits of a consumption approach, refer to UNRWA Prolonged Crisis in the Occupied Palestinian Territory: Recent Socio-Economic Impacts (November 2006).

8 See PNA National Commission for Poverty Alleviation Palestine Poverty Report, 1998.

The **official poverty line** was established taking into account nine categories of goods and services consumed by Palestinian households: food, clothing, housing, utensils and bedding, housekeeping supplies, health care, personal care, education and transportation. Adjusting for size, households are then ranked from highest to lowest on the basis of monthly expenditures for these items. Those households whose consumption of these items is below the average household in the 30th percentile (from the lowest percentile) are defined as the official poor.

For 2007, PCBS estimates the official poverty line to be NIS 2,362 in monthly consumption expenditures for the representative six-person household.⁹ At the prevailing average NIS/USD exchange rate of 4.15, the poverty line for such a household is estimated at USD 569.1. The per capita poverty line would therefore be USD 94.8 in monthly consumption or USD 3.1 in daily per capita consumption expenditures. **Adjusting for household size, households or individuals living below this consumption level are considered to lack some of the material requirements for a minimally dignified life.**

The deep poverty line is calculated with consideration for household consumption of only levels in three categories of goods and services: food, clothing and housing. Households are ranked from highest to lowest with respect to monthly expenditures for these basic sets of items. After adjusting for household size, households whose consumption of the basics is below the average household in the 30th percentile (from the lowest percentile) are defined as deep poor.

The 2007 deep poverty line for the representative household is estimated by PCBS to be NIS 1,886 in monthly consumption expenditures or about USD 454.4. On the basis of the representative family, this translates into a deep per capita poverty line of about USD 76.7 per month or about USD 2.5 per day. **Households or individuals below this level of consumption are considered unable to meet basic needs.**

⁹ Data provided by PCBS by special request.

C. Palestinian Household Consumption

Estimates of household and individual poverty lines are based on PCBS household expenditure and consumption surveys (PECS). The surveys include detailed information on what households consume—whether or not consumption entails monetary expenditures. Table 1 below provides an overview of average monthly household consumption for 2007.

The data is divided into food and non-food components. Half of the non-food consumption items consist mainly of services (items B2-B5, B7 and B9). Except for the “own-produced” items—A9 and B12—consumption is equal to monetary expenditures. These two items entail consumption without expenditures. A9 includes a range of goods from olive oil and vegetables produced from household-owned land and gardens to eggs, milk and cheese from household-owned livestock, etc. “Own-produced non-foods” (item B12) is almost entirely the imputed rental value of household-owned housing.¹⁰ Item B11—“other non-food”—consists of expenditures on financial, legal, translation, copy and printing services, transportation costs for travel outside the country and purchases of jewellery.

¹⁰ Based on standard international practice, the household consumption surveys estimate the value of “housing services” consumed by homeowners as being equal to what the dwelling would rent for in the local market. Rents paid by households who do not own their dwellings are included in item B2.

Table 1

Estimates of Average Monthly Household Consumption in the OPT by Refugee Status, Annual, 2007¹¹ (nominal USD)

	All Households	Refugee Households	Non-Refugee Households
A. Food Consumption	325.1	289.4	350.3
1. Breads and Cereals	48.44	41.75	53.16
2. Meat, Poultry and Fish	89.16	73.29	100.37
3. Dairy Products and Eggs	26.01	23.24	27.97
4. Oils and Fats	11.34	12.77	10.32
5. Fruits, Vegetables and Nuts	67.67	65.99	68.86
6. Sugar, Confections, Salt, Spices	34.46	32.78	35.64
7. Beverages	14.68	12.39	16.30
8. Restaurant/Take Out Food	20.02	19.79	20.19
9. Own-Produced Foods	13.31	7.40	17.49
B. Non-Food Consumption	615.5	556.8	660.2
1. Clothing and Footwear	60.73	53.00	66.19
2. Housing	56.08	53.18	58.13
3. Medical Care	39.72	32.06	45.13
4. Education	29.15	28.85	29.37
5. Transport and Communications	123.34	106.13	135.49
6. Household Operations	15.56	15.45	15.65
7. Personal Care	22.50	23.06	22.11
8. Furniture and Utensils	37.49	35.59	38.82
9. Recreation	20.61	17.96	22.49
10. Tobacco	39.21	34.48	42.55
11. Other Non-Food	32.58	31.36	33.45
12. Own-Produced Non-Foods	138.52	125.64	150.78
C. Total Household Consumption	940.60	846.14	1,010.46
Average Household Size	6.4	6.4	6.3

11 Data are from PCBS expenditure and consumption survey for 2007 by special request. Original NIS values were translated into USD values using the average 2007 NIS/USD exchange rate of USD1 = NIS4.15 as provided by PCBS. Some categories of consumption expenditures have been consolidated for simplicity.

Using the average 2007 NIS/USD exchange rate, it is estimated that the average Palestinian household (see column one in Table 1)—consisting of 6.4 persons—consumed USD 940.6 in goods and services per month in 2007. Of this amount, food accounted for an average of some 34.5 percent of all consumption, housing for about 21 percent, clothing for 6.4 percent, education for 3.1 percent, health care for 4.2 percent each and transportation and communications for 13.1 percent of all consumption. In all, these six basic

items accounted for an average of 82 percent of total consumption. With an average household of 6.4 persons, per capita monthly consumption was an average of USD 147.7—about USD 4.9 per person per day. Average per capita daily consumption was, therefore, about twice that of the deep poor.

Table 1 also indicates that, while refugee and non-refugee households were roughly the same size on average, non-refugee households consumed

about 20 percent more goods and services than refugee households. Refugee household consumption exceeded that of non-refugees in only two categories: oils and fats (by 19.1 percent) and personal care (4.1 percent more). In every other category, non-refugee household consumption was greater and, in several categories, considerably greater. For example, the average non-refugee household consumed more than twice as much in own-produced foods, had 40 percent more in medical care expenditures, 37 percent more in meat, poultry and fish, 31.5 percent more in beverages and 27.6 percent more in transport and communication expenditures

In nominal USD terms, a year-to-year comparison indicates that average household consumption in the oPt increased by about 2.4 percent in 2007 relative to 2006.¹² However, using the USD to measure domestic consumption without adjusting for changes in its purchasing power in the local market distorts real trends. As the NIS is the main currency used in day-to-day transactions, and as the oPt remains inextricably linked to the Israeli economy, real changes in household consumption levels are best measured using deflated NIS values. Such measures are provided for 2006 and 2007 in Table 2.

¹² The average NIS/USD exchange rates of USD1 = NIS 4.44 (2006) and NIS 4.15 (2007) were used to determine nominal USD consumption and expenditures.

As indicated in Table 2, this method suggests a 6.2 percent decline in real average monthly household consumption overall. This consisted of a nearly 5 percent decline in food consumption and a nearly 7 percent decline in non-food expenditures. Amongst food items, there were disproportionately large declines in expenditures on dairy products and eggs, oils and fats, and sugar, confections and spices. There was a smaller than proportional decline in consumption of meats, poultry and fish. Against the backdrop of reduced food expenditures, households increased consumption of home produced foods.

Housing (item B.2, reflecting rental payments) accounted for more than half of the decline in non-food expenditures. Other non-food expenditures (item B.11, including such things as financial and legal services, travel abroad and jewellery) accounted for most of the rest of the decline in non-food expenditures. There was a significant increase in expenditures on recreation and, to a lesser extent, on clothing and footwear and household operations. The largest non-food consumption item remained self-owned "housing services" (included in item B.12), followed by transport and communications. The average Palestinian household size also declined slightly in the 2007 survey relative to 2006, reducing to a small extent the decline in consumption on a per capita basis.



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Table 2

Estimates of Inflation-Adjusted Average Monthly Household Consumption in the OPT, 2006-2007¹³ (NIS with 1997 base year)

	Average 2006	Average 2007	Changes
A. Food Consumption	993.8	944.8	-4.93%
1. Breads and Cereals	149.4	141.5	-5.23%
2. Meat, Poultry and Fish	264.4	260.5	-1.45%
3. Dairy Products and Eggs	85.0	76.0	-10.56%
4. Oils and Fats	38.7	33.1	-14.36%
5. Fruits, Vegetables and Nuts	207.4	197.7	-4.67%
6. Sugar, Confections, Salt, Spices	115.4	100.7	-12.73%
7. Beverages	36.6	37.8	3.33%
8. Restaurant/Take Out Food	60.6	58.5	-3.54%
9. Own-Produced Foods	36.4	38.9	6.74%
B. Non-Food Consumption	1,906.5	1,774.9	-6.90%
1. Clothing and Footwear	204.3	219.9	7.64%
2. Housing	223.9	147.7	-34.05%
3. Medical Care	116.8	120.7	3.33%
4. Education	110.9	91.8	-17.22%
5. Transport and Communications	269.4	269.5	0.04%
6. Household Operations	50.3	54.5	8.33%
7. Personal Care	60.3	58.5	-3.08%
8. Furniture and Utensils	139.8	131.2	-6.14%
9. Recreation	84.0	100.1	19.19%
10. Tobacco	111.7	100.9	-9.67%
11. Other Non-Food	125.6	84.7	-32.58%
12. Own-Produced Non-Foods	409.5	395.6	-3.40%
C. Total Household Consumption	2,900.3	2,719.73	-6.22%
Average Household Size	6.4	6.4	-0.40%

13 The indexes in this table are derived by deflating nominal NIS consumption by commodity group with the corresponding component of the consumer price index with 1997 as the base year.

In real NIS terms, refugee households experienced a 12.1 percent decline in real consumption in 2007 relative to 2006. Given the 2.4 percent decline in the average size of refugee households in the 2007 survey (down to 6.4 persons from 6.6 persons in 2006), the per capita consumption decline for refugees was about 9.8 percent. ***Non-refugees had a 0.3 percent average increase in household consumption.***

With a 2.1 percent increase in the average size of non-refugee households, per capita consumption among non-refugees is estimated to have declined by about 1.7 percent. The decline in refugee household consumption, accounting for nearly all the average decline illustrated in Table 2, resulted in increases in the number of poor refugees and refugee households.

D. Counting the Palestinian Poor

The decline in average real household and per capita consumption in 2007, in and of themselves, are insufficient as indicators of poverty trends. Actual changes in the number of poor households depend on the pre-existing distribution of consumption among households of various levels of means and the ways in which different households are affected by economic crisis. Thus, if the decline in average household consumption was caused by declines in consumption of affluent households only, or by poor households only—assuming no increase in the total number of households—the number of poor households would remain unchanged. In the first case, affluent households would be worse off and the poor households would be no worse off; in the second case, already poor households would be poorer and affluent households would be no worse off. As discussed below, overall poverty rates declined in the oPt in 2007 as average household consumption declined. The implication is that there were consumption declines among relatively wealthy households and/or that the intensity of poverty—the difference between household consumption and the household poverty line—increased among those living at or below the poverty line. This is corroborated by the significant increase in the poverty gaps noted in Table 7 below.

As indicated in Table 3 below, total oPt population is estimated to have grown by some 3.3 percent in 2007, while the number of households is estimated to have increased by 3.7 percent. On a pre-assistance basis, overall official and deep poverty rates declined in the oPt in 2007 both at the household and individual levels. The declines were between 1 and 5 percent in relative terms. **As a result, the estimated number of persons and households living below the official poverty**

line declined by 1-2 percent. At the same time, due to population growth, the estimated number of individuals and households in deep poverty increased between 1.6 and 2.6 percent. On a pre-assistance basis the number of official poor are estimated to have declined to about 1.5 million while those in deep poverty increased to about 1.2 million.¹⁴ Thus some 80 percent of the poor--before factoring in assistance—were in deep poverty in 2007.

1. Refugees in Poverty on a Pre-Assistance Basis, 2006-2007

Table 3 also indicates pre-assistance rates and levels of poverty among refugees to be significantly higher than for non-refugees. In 2006, refugee poverty rates were 7.7-9.7 percentage points above those for non-refugees. In 2007, the disparities grew to 11.4-14.6 percentage points as refugee pre-assistance poverty rates edged upward and those for non-refugees declined.

In absolute terms, and on a pre-assistance basis, the estimated number of official non-refugee poor declined by about 7 percent relative to 2006 while there was a 3.7 percent increase in official poor refugees. The number of deep poor non-refugees fell an estimated 4 percent while the deep poor refugee numbers increased 6.6 percent. On a pre-assistance basis, the absolute number of refugee deep poor exceeded those of non-refugees in 2007.

14 It is important to note that macroeconomic and labour market conditions improved in 2007 relative to 2006. See UNRWA Prolonged Crisis in the Occupied Palestinian Territory: Socio-Economic Developments in 2007 (Report No. 3), Gaza, July 2008. Research indicates a large concentration of Palestinian households with consumption levels at or near the official household poverty line. Thus, small improvements in average household consumption among those clustered just below the official poverty line could push a relatively large number of such households above the poverty line. See PCBS and World Bank Deep Palestinian Poverty in the Midst of Economic Crisis (Ramallah and Jerusalem: October 2004).

Table 3

Estimates of Population, Households and Pre-Assistance Poverty in the OPT by Refugee Status, Annual, 2006-2007¹⁵

	2006	2007	Changes
Total Population	3,888,292	4,016,416	3.30%
of which: refugees	1,587,919	1,643,325	3.49%
of which: non-refugees	2,300,373	2,373,091	3.16%
Total Households	607,546	630,065	3.71%
of which: refugee households	240,594	255,322	6.12%
of which: non-refugee households	366,952	374,743	2.12%
Individual Poverty Rates			
Official Poverty	41.10%	39.00%	-5.11%
-- refugees	47.40%	47.50%	0.21%
--non-refugees	36.70%	32.90%	-10.35%
Deep Poverty	28.20%	27.60%	-2.13%
--refugees	33.30%	34.30%	3.00%
--non-refugees	24.70%	22.80%	-7.69%
Household Poverty Rates			
Official Poverty	35.80%	34.10%	-4.75%
--refugee households	41.30%	42.20%	2.18%
--non-refugee households	32.10%	28.40%	-11.53%
Deep Poverty	24.00%	23.30%	-2.92%
--refugee households	28.60%	30.00%	4.90%
--non-refugee households	20.90%	18.60%	-11.00%
Total Official Poor Persons	1,598,088	1,566,402	-1.98%
of which: refugees	752,674	780,579	3.71%
of which: non-refugees	845,414	785,823	-7.05%
Total Deep Poor Persons	1,096,498	1,108,531	1.10%
of which: refugees	528,777	563,661	6.60%
of which: non-refugees	567,721	544,870	-4.03%
Total Official Poor Households	217,501	214,852	-1.22%
of which: refugee households	99,365	107,746	8.43%
of which: non-refugee households	118,136	107,106	-9.34%
Total Deep Poor Households	145,811	146,805	0.68%
of which: refugee households	68,810	76,597	11.32%
of which: non-refugee households	77,001	70,208	-8.82%

15 Estimates of total population and total households are based on PCBS projections prior to the 2007 census. Data presented assume the share of refugees and refugee-households in the general population to be as indicated by the 1997 census—41.3 and 41.1 percent respectively. Poverty rates are based on PCBS household consumption surveys on a pre-assistance basis. Given the pending recalculation of underlying population size and the underrepresentation of refugees and Gaza in the PECS 2006 and 2007 surveys, results in this table should be used with caution.

At another level, the number of non-refugee households below the official poverty line declined by an estimated 9.3 percent on a pre-assistance basis, while those below the deep poverty line declined by about 8.8 percent. By contrast, refugee households below the official poverty line increased about 8.4 percent, while those in deep poverty rose about 11.3 percent in 2007. **Refugees—who constitute about 42 percent of the population—remained disproportionately poor, accounting for about half of the official poor and 52 percent of the deep poor in 2007 on a pre-assistance basis.**

E. External Assistance and Poverty Alleviation

The PECS survey of households includes questions regarding the amounts and types of external assistance received from all sources—foreign, official and private.¹⁶ Such assistance to the oPt has served to mitigate household and individual poverty. Table 4 provides post-assistance estimates of poverty rates and the numbers of poor at the two poverty lines for 2006 and 2007. In all cases the post-assistance poverty rates are below those on a pre-assistance basis for the respective years. At the household level, the official poverty rate is estimated at 30.3 percent in 2007, down a bit from 30.8 percent in 2006. The deep poverty rate also declined slightly to 18.3 in 2007 from 18.5 percent in 2006.

16 The PA Ministry of Planning, which tracks official donor assistance, indicates that humanitarian assistance to the OPT in 2006 was USD 539.9 million and USD 533.4 million in 2007. (These sums presumably include UNRWA Emergency Assistance funds.) See the PAMS data at the Ministry of Planning website. Official aid is only one part of external assistance as defined by PCBS. Other components include martyr's compensation and special hardship support that commenced after the beginning of the second Intifada, all assistance provided by NGOs, charitable associations and family members whether resident or non-resident. Estimates of non-official assistance are not readily available.

It is noteworthy that post-assistance average poverty rates in 2007 were not substantially different relative to 2006. Nonetheless, given underlying population and household growth, the estimated average number of official poor persons and households increased by 1.2 percent and 2 percent respectively. The estimated number of deep poor persons and households expanded 3.7 percent and 2.6 percent respectively. **Thus, external assistance was insufficient to alter the trend toward growing poverty in the oPt, although it mitigated that growth.** That post-assistance deep poverty grew more rapidly than official poverty suggests a deepening of poverty in the oPt in 2007 and/or that assistance has diminished or been less well targeted.

1. Refugees in Poverty on a Post-Assistance Basis, 2006-2007

As suggested by Table 4, refugee post-assistance rates of poverty remained significantly higher than for non-refugees. In 2006, refugee poverty rates were 2.1—5.3 percentage points above those of non-refugees. **Post-assistance disparities in 2007 rose significantly to 10.3—12.4 percentage points as poverty rates for non-refugees declined and those for refugees moved upward.**

In absolute terms, the number of official non-refugee poor declined 7.6 percent to an estimated 721,750 in 2007 on a post-assistance basis. The corresponding number of refugees increased about 12.4 percent to about 700,000. Meanwhile, the number of deep poor non-refugees declined by 9.7 percent to an estimated 430,600 as the number of deep poor refugees rose by 20.5 percent to 465,000.

Table 4

Estimates of Post-Assistance Poverty in the OPT by Refugee Status, Annual, 2006-2007¹⁷

	2006	2007	Changes
Total Population	3,888,292	4,016,416	3.30%
of which: refugees	1,587,919	1,643,325	3.49%
of which: non-refugees	2,300,373	2,373,091	3.16%
Total Households	607,546	630,065	3.71%
of which: refugee households	240,594	255,322	6.12%
of which: non-refugee households	366,952	374,743	2.12%
Individual Poverty Rates			
Official Poverty	36.10%	35.40%	-1.94%
-- refugees	39.20%	42.60%	8.67%
--non-refugees	33.90%	30.20%	-10.91%
Deep Poverty	22.20%	22.30%	0.45%
--refugees	24.30%	28.30%	16.46%
--non-refugees	20.80%	17.90%	-13.94%
Household Poverty Rates			
Official Poverty	30.80%	30.30%	-1.62%
--refugee households	33.30%	37.40%	12.31%
--non-refugee households	29.10%	25.20%	-13.40%
Deep Poverty	18.50%	18.30%	-1.08%
--refugee households	20.90%	24.30%	16.27%
--non-refugee households	17.00%	14.00%	-17.65%
Total Official Poor Persons	1,403,673	1,421,811	1.29%
of which: refugees	622,464	700,057	12.47%
of which: non-refugees	781,209	721,755	-7.61%
Total Deep Poor Persons	863,201	895,661	3.76%
of which: refugees	385,864	465,061	20.52%
of which: non-refugees	477,337	430,600	-9.79%
Total Official Poor Households	187,124	190,910	2.02%
of which: refugee households	80,118	95,490	19.19%
of which: non-refugee households	107,006	95,419	-10.83%
Total Deep Poor Households	112,396	115,302	2.59%
of which: refugee households	50,284	62,043	23.39%
of which: non-refugee households	62,112	53,259	-14.25%

17 Data provided by PCBS by special request, September, 2008. Poverty rates are based on PECS surveys on a post-assistance basis. Due to the underrepresentation of refugees and Gaza in the 2006 and 2007 surveys, results should be treated with caution.

At the household level, the number of official poor non-refugees declined by 10.8 percent to about 95,400 while the number of refugee households in official poverty grew by an estimated 19.1 percent to about 95,500. Non-refugee households below the deep poverty line declined 14.2 percent to

about 53,250. Refugee households below the deep poverty line increased 23.3 percent to about 62,000. Refugees accounted for all net growth in poverty, suggestive of deteriorating socio-economic conditions, particularly in Gaza, and/or reduced levels of assistance in 2007 relative to 2006.

F. Gauging the Effectiveness of External Assistance on Poverty Reduction

Table 5 indicates that overall rates of poverty reduction were lower in 2007 in comparison to 2006, suggesting external assistance was less effective in alleviating poverty. External assistance was responsible for reducing the absolute number of persons in official poverty by an estimated 12.1 percent in 2006 but by only 9.2 percent in 2007.

The number of deep poor persons was reduced 21.2 percent in 2006 but only 19.2 percent in 2007. At the household level, external assistance reduced the number of official poor by about 13.9 percent in 2006 versus only 11.1 percent in 2007. The number of deep poor households was reduced by an estimated 22.9 percent in 2006 but only by 21.4 percent in 2007.

Table 5
Estimates of Poverty Reduction for Individuals and Households in the OPT by Refugee Status, Annual, 2006-2007

	Absolute Reductions		Rates of Reduction	
	2006	2007	2006	2007
Individuals				
Official Poor Persons	194,415	144,591	12.17%	9.23%
of which: refugees	130,209	80,523	17.30%	10.32%
of which: non-refugees	64,205	64,068	7.59%	8.15%
Deep Poor Persons	233,298	212,870	21.28%	19.20%
of which: refugees	142,913	98,600	27.03%	17.49%
of which: non-refugees	90,385	114,271	15.92%	20.97%
Households				
Official Poor Households	30,377	23,942	13.97%	11.14%
of which: refugee households	19,248	12,255	19.37%	11.37%
of which: non-refugee households	11,130	11,687	9.42%	10.91%
Deep Poor Households	33,415	31,503	22.92%	21.46%
of which: refugee households	18,526	14,553	26.92%	19.00%
of which: non-refugee households	14,889	16,950	19.34%	24.14%

The data in Table 5 indicate deep poverty reduction rates in both years were significantly higher than for official poverty. This is one indication of efficiency in targeting of assistance. The rate of deep poverty reduction among deep poor households was, in relative terms, 65 percent greater than the rate of official poverty reduction in 2006. In 2007, the advantage was 93 percent. This was due to the fact that while all rates of poverty reduction were lower in 2007, the deep poverty reduction rate declined less than the official poverty reduction rate.

1. External Assistance and Refugee Poverty Reduction

Table 5 also indicates that in 2006, for both types of poverty and at the individual and household levels, external assistance was considerably more effective in reducing poverty among refugees relative to non-refugees. Thus, the proportional reduction in official poverty among refugees in 2006 was 127.8 percent greater than for non-refugees at the individual level. At the household level, the proportional advantage in alleviating official poverty among refugees was 105.6 percent while that for deep poverty was 39.2 percent. Thus poverty reduction due to external assistance—from foreign, official and private sources—was more than twice in proportional terms for refugees as compared to non-refugees in 2006.

Data from 2007—also in Table 5—suggests the relative strength of external assistance in refugee poverty reduction was considerably lower than in 2006. The advantage for official poor refugees at the individual level declined to 26.5 percent and at the household level to only 4.2 percent. Among the deep poor, poverty alleviation among non-refugees was more effective than for refugees, reversing a large refugee advantage in 2006. The proportional reduction in deep poverty among non-refugees was 16.6 percent greater in proportional terms relative to refugees at the individual level. At the household level, the non-refugee advantage was 21.3 percent.

As detailed in an earlier UNRWA report,¹⁸ evidence from PECS surveys for 2005 and 2006 showed post-assistance poverty reduction among refugees

to be much stronger than among non-refugees. These results were attributed to better targeting of assistance and, therefore, less “leakage” of assistance to the non-poor and to non-refugees. In an important study of Palestinian poverty,¹⁹ “leakage” of assistance was found to be the least among residents of refugee camps—the localities with the highest poverty rates in the oPt—but the place of residence for less than half of all refugees. The assumption has been that UNRWA’s relatively developed institutional capacity, and its long history of interactions with the people it serves, have resulted in better poverty reduction results for refugees.

The smaller proportional post-assistance declines in poverty among refugees may be due to one or more of the following reasons: First, the relatively small size of the PECS samples in both 2006 and 2007 and the underrepresentation of refugees and Gaza means that the chances for statistical bias in the sample are greater. Thus, the results are less reliable than the larger 2005 PECS survey.

Second, the amount of external assistance directed toward meeting the needs of the poor as a whole may have been lower in 2007. As noted above, estimates of humanitarian assistance from donors—presumably, the bulk of external assistance to households—in 2007 was slightly below that in 2006.²⁰ Social safety net assistance provided by UNRWA to refugees (see below) actually increased in 2007, but other sources of aid to refugees may have declined resulting in a net decline in assistance to refugees. Alternatively, assistance to non-refugees may have either fallen less or increased more than that for refugees.

Third, the targeting of assistance in 2007 may have been weaker than that in 2006. External assistance, as already noted, consists of three components: a foreign component (e.g. donors, international NGOs); a domestic official component (e.g. PA Ministry of Social Affairs,

19 PCBS and World Bank Deep Palestinian Poverty in the Midst of Economic Crisis (Ramallah and Jerusalem: October 2004), p. 30.

20 The PA Ministry of Planning PAMS website indicates that donor humanitarian assistance to the OPT in 2006 was USD 539.9 million and USD 533.4 million in 2007 (16 October 2008). Official aid is only one part of external assistance as defined by PCBS. Other components include martyr’s compensation and special hardship support from the PA, all assistance provided by NGOs, charitable and religious associations and family members, whether resident or non-resident.

18 See UNRWA Prolonged Crisis in the Occupied Palestinian Territory: Recent Socio-Economic Developments (Report No. 2), November 2007.

martyrs' and prisoners' assistance) and; a private component (family, neighbours, friends, domestic NGOs, religious and political organizations). Presumably, the foreign component (including that from UNRWA) and the domestic official component seek to target those most in need. Nonetheless, some foreign and official assistance leaks to the non-poor.²¹ Likewise, private external assistance, due to its ad hoc nature, may or may not be well targeted. One implication is that leakage of assistance to the non-poor may have been greater in 2007, especially assistance directed to refugees. Finally, as suggested by the declines in refugee household consumption levels, the intensity or depth of poverty among refugees has increased, rendering a given level of assistance less effective in reducing poverty.

2. UNRWA Social Safety Net Assistance

UNRWA assistance to poor refugees, as indicated in Table 6, consists of the Special Hardship Case Programme (SHC) and the Emergency Appeal (EA). SHC consists of food, cash and in-kind assistance to needy families due to their specific circumstances. Most SHC families are headed by elderly, disabled or women. In all cases, there is no healthy male adult aged 19-60 in the family and family income is less than two-thirds of the lowest paid UNRWA area staff member in the field of operation.²² EA assistance stems from the particularly adverse conditions created by the last seven years of conflict in the oPt. The social safety net component of the EA consists of food distributions, cash assistance and a job creation programme.²³

21 Based on PCBS data, the World Bank estimated that some 55 percent of emergency assistance distributed in 2003 "leaked" to the "non-needy," defined in the study as those living above "subsistence" poverty (a definition of poverty similar to deep poverty used in the present report). The study indicates, however, that much of the leakage was received by households below the official poverty line. The Bank found that targeting in the oPt was, by international standards, better than average. See PCBS and World Bank *Deep Palestinian Poverty in the Midst of Economic Crisis* (Ramallah and Jerusalem: October 2004), pp. 26-28.

22 See UNRWA *Socio-Economic Analysis of Special Hardship Case Families in the Five Fields of UNRWA Operations*, October 2006.

23 Other components of the EA include the reconstruction of homes destroyed by Israeli military operations, support to municipalities, etc. UNRWA also provides food assistance to refugee pregnant and nursing mothers but this is not tied to hardship or poverty criteria. Likewise, the UNRWA Micro-Finance Programme offers loans to small refugee businesses but is not contingent on poverty criteria.

Total UNRWA social safety net assistance to refugees in the oPt in 2006 was USD 102.1 million of which USD 11.4 million (11.2 percent) was SHC assistance and USD 90.6 million (88.8 percent) was disbursed under the EA. UNRWA assistance was received by a total of some 1.15 million refugees. Per capita assistance to those receiving assistance in 2006 was about USD 88.4. About USD 34.1 million, about one-third of total UNRWA assistance in 2006 was distributed as in-kind food distributions; USD 34.4 million was paid as wages to participants in job creation projects and USD 33.5 million was distributed as cash assistance. Of total assistance provided under the SHC and EA programmes, USD 34.2 million (33.5 percent) was distributed to West Bank refugees with USD 67.8 million (66.4 percent) distributed to those in Gaza.

In 2007, total UNRWA social safety net assistance to refugees in the oPt rose to USD 118.9 million, an increase of 16.4 percent as compared to 2006. UNRWA assistance was received by a total of some 1.24 million refugees, an increase of about 6.7 percent over 2006. Of this amount, USD 14 million (11.7 percent) was distributed through the SHC programme while USD 104.9 million (88.2 percent) was from EA assistance. Food distributions accounted for USD 52.3 million (46 percent) of total assistance; USD 45.9 million (40.2 percent) was paid in wages to participants in job creation projects and USD 15.8 million (13.8 percent) was distributed as cash assistance. The West Bank's share of total assistance received climbed to USD 46.4 million (39 percent of total) while assistance received in Gaza increased to USD 72.5 million, resulting in a decline in its share of the total (to 61 percent). (On a per capita basis, assistance to West Bank refugees was 51 percent greater than assistance to Gaza refugees in 2006. The gap widened to 66.1 percent in 2007. Refer to Table 6.A.)

Table 6
UNRWA Social Safety Net Assistance to Refugees in the OPT, Annual, 2006-2007²⁴ (current USD)

Assistance (USD)	2006	2007	Changes
Special Hardship Case	11,494,701	14,024,099	22.00%
West Bank	3,004,486	3,176,355	5.72%
Gaza Strip	8,490,214	10,847,744	27.77%
Emergency Appeal	90,617,339	104,926,842	15.79%
West Bank	31,213,459	43,227,099	38.49%
Gaza Strip	59,403,880	61,699,743	3.86%
Total Assistance (USD)	102,112,040	118,950,941	16.49%
Beneficiaries			
Special Hardship Case	118,497	121,096	2.19%
West Bank	31,794	31,226	-1.79%
Gaza Strip	86,703	89,870	3.65%
Emergency Appeal	1,036,115	1,110,850	7.21%
West Bank	256,892	311,241	21.16%
Gaza Strip	779,224	799,610	2.62%
Total Beneficiaries	1,154,612	1,231,946	6.70%

24 Figures in this table reflect actual disbursements in the calendar year. Due to distributions that overlap fiscal years, the value of budgeted distributions is not equal to the value of actual distributions. The value of food assistance in the SHC and EA programmes is calculated based on the "free on board" definition of commodity prices, i.e. the cost of procuring the commodities (e.g. flour, rice, cooking oil, etc.) and loading these onto means of transport in the commodities' country of origin. As such, the value of assistance to refugees excludes transport to port, port fees in Israel, and land transportation, storage and distribution costs in the oPt. Likewise the value of assistance excludes UNRWA administrative costs. Data for the Job Creation Programme include only wages paid to those participating and excludes the costs of materials used in projects as well as administrative costs. The number of beneficiaries is estimated so as to avoid double counting, i.e. those persons who may have received more than one type of assistance during a given year.

There can be little doubt that UNRWA assistance is a main factor in reducing poverty rates and the absolute number of poor among refugees, as noted above. Quite apart from the short and long term economic and social benefits to registered refugees of education and health services, as well as micro-finance, provided by UNRWA, the distribution of significant amounts of social safety net assistance has a definite impact on limiting the instance—and reducing the intensity—of poverty. Thus the refugee household official poverty rate in 2007 was reduced from 42.2 percent on a pre-assistance basis to 37.4 percent on a post-assistance basis. In absolute terms, assistance reduced the number of official poor refugee households by more than 11 percent in 2007 while the number of deep poor refugee households was

reduced by about 19 percent. In any given year, UNRWA assistance has the effect of reducing poverty among refugees.

However, over time, as socio-economic conditions have continued to deteriorate, increasing levels of assistance have been insufficient to stem the growth of poverty among refugees. Table 6.A, a re-organization of data in Table 6, indicates that the total value of UNRWA assistance in the West Bank increased by 35.6 percent in 2007, relative to 2006, while that in Gaza increased by 6.8 percent. The total number of beneficiaries in the West Bank increased 18.6 percent but only 2.7 percent in Gaza. Per capita assistance in the West Bank rose 14.3 percent while that in Gaza went up 6.8 percent.

Table 6.A
UNRWA Social Safety Net Assistance to Refugees in the OPT, Annual, 2006-2007

	2006	2007	Changes
Total Assistance (USD)	102,112,040	118,950,941	16.49%
West Bank	34,217,945	46,403,454	35.61%
Gaza Strip	67,894,094	72,547,487	6.85%
Total Beneficiaries	1,154,612	1,231,946	6.70%
West Bank	288,686	342,467	18.63%
Gaza Strip	865,926	889,479	2.72%
Per Capita Annual Assistance (USD)	88.44	96.56	9.18%
West Bank	118.53	135.50	14.32%
Gaza Strip	78.41	81.56	4.02%

Nonetheless, evidence presented below in Table 9 suggests a larger portion of refugee households were poorer in 2007 than in 2006, regardless of their place of residence. In fact poverty rates among refugee households in the West Bank increased sharply with equally sharp declines in non-refugee household poverty rates. The data indicate that refugee household poverty rates surpassed those of non-refugees in the West Bank in 2007.²⁵

²⁵ Due to the relatively small sample size of the PECS surveys in 2006 and 2007, these results should be treated with caution.

In Gaza, there were across-the-board increases in household poverty rates with refugee rates rising somewhat faster than for non-refugees. The evidence suggests that increased UNRWA social safety net assistance could not stem the growth of refugee poverty in the West Bank and Gaza.

G. External Assistance and Poverty Gaps

Estimating poverty gaps entails calculating the average levels of consumption in poor households in relation to the relevant poverty lines. Thus, poverty gaps can also be seen as measures of the severity of poverty, i.e. the extent to which consumption amongst the poor falls below the poverty line. Poverty gaps are defined in this briefing paper as the amount of monthly consumption required—on a post-assistance basis—to elevate poor individuals or households to the respective poverty lines. Alternatively, such gaps can be defined as the amount of additional assistance required to eliminate consumption poverty on a monthly or annual basis.

The estimates of per capita and household monthly official and deep poverty lines presented above are based on representative six-person households—a size smaller than average poor households. Thus, in estimating poverty gaps, it is necessary to adjust the poverty lines to reflect the larger average size of poor households. The simple method used here is to multiply per capita official and deep poverty lines by the average number of persons in official and deep poor households to estimate adjusted official poverty line and adjusted deep poverty line as indicated in Table 7.²⁶

²⁶ Poverty lines are presented in nominal NIS and USD prices and thus reflect increases in the market prices of commodities and services consumed by households, as well as changes in exchange rates.

For the average official poor household, the adjusted monthly consumption poverty line was approximately USD 647.4 in 2006 and USD 711.4 in 2007. For deep poor households, the adjusted poverty line was approximately USD 531 in monthly consumption in 2006 and USD 590.8 in 2007. The difference between the adjusted poverty lines and actual average monthly consumption levels of poor households and persons is the poverty gap, i.e. the amount of expenditures required to raise the consumption level of the average poor person or household to the relevant poverty line.

As indicated in Table 7, the poverty gap for households consuming below the adjusted official poverty line in 2006 was USD 147. That is, on average, USD 147 in monthly consumption expenditures—over and above assistance received—would have lifted the average poor household in the oPt out of poverty. In the same year, an estimated USD 105.3 per month would have elevated the average deep poor household

out of deep poverty, although not out of official poverty. The corresponding gaps in 2007 are estimated at USD 189.4 for the average official poor household (28.4 percent greater than 2006 in USD terms) and USD 141 for the average deep poor household (34 percent greater than in 2006 in USD terms).

Multiplying these gaps by estimates of the average number of households below the adjusted official and deep poverty lines yields the amount of resources required to eliminate the two types of poverty on a monthly basis. By this method, USD 27.5 million in additional monthly assistance in 2006, if perfectly targeted, would have eliminated official poverty for an average of 187,125 households (some 1.4 million persons) in the oPt. On an annual basis, this would have amounted to USD 330 million. To eliminate only the most severe manifestations of poverty, e.g. deep poverty, would have required about USD 11.8 million per month or about USD 141.6 million on an annual basis in 2006.

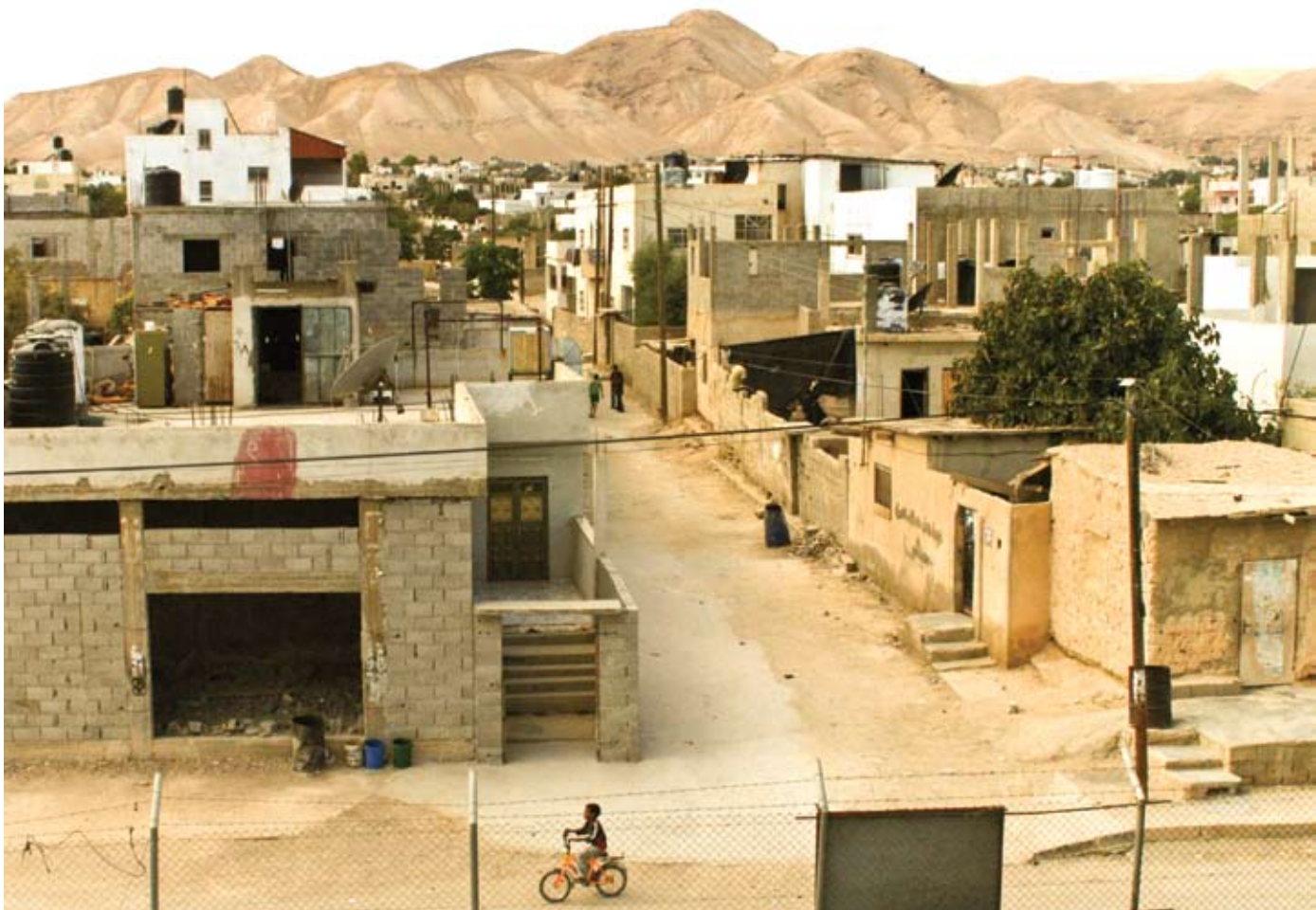


Table 7
Adjusted Monthly Poverty Lines, Post-Assistance Consumption Levels and Monthly Poverty Gaps for All Official and Deep Poor in the OPT, 2006-2007²⁷ (current NIS and USD)

	NIS		USD	
Adjusted Official Poverty Lines	2006	2007	2006	2007
Individual	383.3	393.7	86.3	94.9
Household (2006: 7.5 persons; 2007: 7.5 persons)	2,874	2,953	647.4	711.4
Adjusted Deep Poverty Lines				
Individual	306.2	314.3	69.0	75.7
Household (2006: 7.7 persons; 2007: 7.8 persons)	2,358	2,452	531.0	590.8
Average Monthly Official Poor Consumption				
Individuals	296	289	66.7	69.6
Household (2006: 7.5 persons; 2007: 7.5 persons)	2,220	2,167	499.9	522.1
Average Monthly Deep Poor Consumption				
Individuals	245	239	55.3	57.7
Household (2006: 7.7 persons; 2007: 7.8 persons)	1,890	1,867	425.7	449.8
Monthly Official Poverty Gap				
Individuals	87.30	104.80	19.7	25.3
Households	654.71	785.99	147.5	189.4
Monthly Deep Poverty Gap				
Individuals	60.7	75.0	13.7	18.1
Households	467.4	585.0	105.3	141.0
Post-Assistance Official Poor				
Individuals	1,403,673	1,421,811	1,403,673	1,421,811
Households	187,124	190,910	187,124	190,910
Post-Assistance Deep Poor				
Individuals	863,201	895,661	863,201	895,661
Households	112,396	115,302	112,396	115,302
Monthly Required Resources (Official)				
Individuals	122,533,685	149,003,155	27,597,677	33,559,269
Households	122,512,470	150,052,297	27,592,899	33,795,562
Monthly Required Resources (Deep)				
Individuals	52,396,220	67,168,844	11,800,950	15,128,118
Households	52,532,668	67,445,854	11,831,682	15,190,508
Average NIS/USD Exchange Rates			4.44	4.15

27 Based on PCBS data provided by special request, September 2008.

The official poverty gap at the household level in 2007 grew to approximately USD 33.7 million per month or about USD 405.4 million on an annual basis. This is a 22.4 percent increase in USD terms relative to 2006. At the same time, the deep poverty gap grew to USD 15.1 million on a monthly basis or USD 181.2 million on an annual basis, a 28.3 percent increase over 2006. The growth of monthly and annual poverty gaps is due to one or more of the following factors: a) growth in the number of post-assistance poor households and individuals; b) deepening poverty due to the continuing socio-economic crisis in the oPt; c) consumer price inflation; d) reduced assistance and/or less accurate targeting of assistance, particularly to the deep poor. The results of the PECS surveys indicates external assistance was insufficient to reduce the overall extent and depth of poverty in the oPt in 2007 relative to 2006.

1. External Assistance and Refugee Poverty Gaps²⁸

Table 8 reproduces the adjusted poverty lines found in Table 7. In 2006, the average monthly refugee official and deep poverty gaps at the household level are estimated, respectively, at USD 132.7 and USD 114.3. The refugee household official poverty gap in 2006 is estimated to be smaller than for non-refugee while the refugee household deep poor gap was above that of non-refugees. This suggests that, while refugees were disproportionately represented among the poor, official refugee poverty was less severe than for non-refugees on a post-assistance basis. At the same time, the bigger post-assistance refugee deep poverty gap suggests that the poorest refugees were worse off than the poorest non-refugees.

²⁸ Due to the small sample sizes and underrepresentation of refugees and/or Gaza in the 2006 and 2007 PECS surveys, results presented here should be treated with caution.

An estimated USD 10.6 million per month would have been required to eliminate the refugee household official poverty gap in 2006 and USD 5.7 million per month would have eliminated deep poverty at the household level. On an annual basis the required resources to raise refugee households out of official poverty is estimated at USD 127.2 million while USD 68.4 million would have been required to eliminate deep poverty among refugee households in 2006.

Data for 2007 indicate that the poverty gaps for refugee households exceeded those for non-refugees under both definitions of poverty. Monthly resources required to eliminate official refugee household poverty in 2007 increased to USD 20.4 million while that necessary to eliminate deep household poverty increased to USD 10.7 million. On an annual basis, the required resources would have been USD 245.3 million (92 percent more than 2006 in nominal USD terms) and USD 128.4 million (86 percent more than 2006) respectively.

Despite the significant growth of UNRWA social safety net assistance targeting refugees, the deterioration of socio-economic conditions yielded increases in official and deep poverty gaps among refugees. This was a function of growth in the refugee population but also suggests deterioration in refugee living conditions and, indirectly, the deterioration of conditions in Gaza where nearly 59 percent of refugees reside. Given the above estimates of poverty gaps, to eliminate deep poverty among refugee households in the oPt in 2007 would have required perfectly targeted resources equal to more than twice that distributed by UNRWA that year.

Table 8
Adjusted Monthly Poverty Lines, Post-Assistance Consumption Levels and Monthly Poverty Gaps for Refugee Official and Deep Poor in the OPT, 2006-2007²⁹ (current NIS and USD)

	NIS		USD	
Adjusted Official Poverty Lines	2006	2007	2006	2007
Individual	383.3	393.7	86.3	94.9
Household (2006: 7.5 persons; 2007: 7.5 persons)	2,874.4	2,952.5	647.4	711.4
Adjusted Deep Poverty Lines				
Individual	306.2	314.3	69.0	75.7
Household (2006: 7.7 persons; 2007: 7.8 persons)	2,357.7	2,451.8	531.0	590.8
Monthly Official Poor Consumption				
Refugees	293	283	66.0	68.1
Refugee Households (2006: 7.8 persons; 2007: 7.3 persons)	2,285	2,064	514.7	497.3
Monthly Deep Poor Consumption				
Refugees	240	231	54.1	55.8
Refugee Households (2006: 7.7 persons; 2007: 7.5 persons)	1,850	1,736	416.7	418.3
Monthly Poverty Gap (Official)				
Refugees	90.3	111.0	20.3	26.7
Refugee Households	589	889	132.7	214.1
Monthly Poverty Gap (Deep)				
Refugees	65.9	82.9	14.8	20.0
Refugee Households	507.5	715.8	114.3	172.5
Post-Assistance Poor (Official)				
Refugees	622,464	700,057	622,464	700,057
Refugee Households	80,118	95,490	80,118	95,490
Post-Assistance Poor (Deep)				
Refugees	385,864	465,061	385,864	465,061
Refugee Households	50,284	62,043	50,284	62,043
Monthly Required Resources (Official)				
Refugees	56,195,195	77,675,691	12,656,575	18,717,034
Refugee Households	47,205,113	84,863,742	10,631,782	20,449,094
Monthly Required Resources (Deep)				
Refugees	25,433,728	38,535,306	5,728,317	9,285,616
Refugee Households	25,520,949	44,407,814	5,747,961	10,700,678
Average NIS/USD Exchange Rates			4.44	4.15

29 Based on PCBS data provided by special request, September 2008.

H. Poverty by Region, 2006-2007

On a regional basis, data from all previous PECS surveys indicates that living levels in the Gaza Strip were substantially below those in the West Bank. Table 9 presents post-assistance household official and deep poverty rates for the two regions. In 2006, official poverty rates in Gaza were more than twice that in the West Bank, while

deep poverty rates were more than three times as high. Data for 2007 suggest that the siege has worsened the poverty differentials; overall poverty rates in Gaza increased, as those in the West Bank declined. For the first time, more than half of Gaza households were below the official poverty line in 2007 on a post-assistance basis.

Table 9
Estimates of Post-Assistance Household Consumption Poverty in the West Bank and Gaza Strip, Annual, 2006-2007³⁰

	2006	2007	Relative Changes
West Bank			
Official Household Poverty Rates	22.00%	19.10%	-13.18%
Refugee Households	18.80%	23.80%	26.60%
Non-Refugees Households	25.70%	19.70%	-23.35%
Deep Household Poverty Rates	11.00%	9.70%	-11.82%
Refugee Households	9.90%	12.90%	30.30%
Non-Refugees Households	11.50%	8.20%	-28.70%
Gaza Strip			
Official Household Poverty Rates	47.90%	51.80%	8.14%
Refugee Households	46.20%	50.00%	8.23%
Non-Refugees Households	55.90%	60.20%	7.69%
Deep Household Poverty Rates	33.20%	35.00%	5.42%
Refugee Households	30.70%	35.00%	14.01%
Non-Refugees Households	37.30%	34.90%	-6.43%

30 PCBS data provided by special request, September 2008.

Beyond the growth in regional disparities, Table 9 indicates that a larger portion of refugee households were poorer in 2007, regardless of place of residence. In the West Bank, refugee household poverty rates—both official and deep—increased sharply in relative terms. The official household poverty rate increased by 26.6 percent in relative terms, while deep household poverty increased 30.3 percent among refugee households. The relative declines in non-refugee household poverty rates were equally sharp.

The net result was that refugee household poverty rates surpassed those of non-refugees in the West Bank in 2007. In Gaza, there were across-the-board increases in household poverty rates with refugee rates rising somewhat faster than for non-refugees. Nonetheless, refugee poverty rates remained below those of non-refugees there. The evidence suggests that external assistance—whether from UNRWA or other sources—could not stem the growth of refugee poverty either in the West Bank or in Gaza.

I. A Note on Income Poverty Rates

Income poverty rates, while less accurate as measures of poverty, are nonetheless widely used to describe conditions in the oPt. PCBS has produced estimated income poverty rates on a post-assistance basis for all households in the oPt and for households in the West Bank and Gaza

Strip. Table 10 provides additional evidence of the severity of the poverty crisis in the oPt, confirms the trend toward greater poverty in Gaza in 2007. It also indicates that poverty in Gaza remained substantially greater than in the West Bank and that the disparities have grown in 2007.

Table 10
Household Income Poverty Rates in the OPT by Refugee Status and by Region, Annual, 2006-2007³¹

	2006	2007	Relative Changes
OPT			
Official Household Income Poverty Rates	56.80%	57.20%	0.70%
Deep Household Income Poverty Rates	44.10%	46.30%	4.99%
West Bank			
Official Household Income Poverty Rates	49.10%	45.70%	-6.92%
Deep Household Income Poverty Rates	36.40%	34.10%	-6.32%
Gaza Strip			
Official Household Income Poverty Rates	79.30%	79.40%	0.13%
Deep Household Income Poverty Rates	66.70%	69.90%	4.80%

31 PCBS Poverty in the Palestinian Territory, 2006; Main Findings Report August 2007; Poverty and Living Conditions in the Palestinian Territory, 2007, Press Release, 26 August 2008. Due to the small size of the 2006 and 2007 PECS surveys, results should be treated with caution.

J. Main Trends in Poverty in the OPT, 2007

The above data and analysis reveals some important general trends in poverty in the oPt in 2007. First, while the overall poverty rates on a post-assistance basis declined marginally, the estimated total number of poor individuals and households continued to grow due to underlying population growth and the continuing socio-economic crisis, especially in Gaza. Indeed, the growth in the estimated number of poor was due entirely to conditions in Gaza, as the West Bank witnessed a net decline in the number of poor.

Moreover, the 2007 data indicates that refugees accounted for all of the net increase in poverty, with the number of non-refugee poor declining. Overall refugee poverty rates were above those of non-refugees in 2006 and the gap widened further in 2007. In the West Bank, refugee poverty rates, which were lower than non-refugee rates in 2006, surpassed those of non-refugees in 2007.

Second, while the total amount of external assistance to oPt households is not known, the

ability of such assistance to reduce poverty in 2007 was weaker than in 2006. The estimated rates of poverty reduction were in general smaller, suggesting the reduced effectiveness and/or reduced amounts of total assistance. At the same time, external assistance was targeted fairly well; overall, poverty reduction rates among the deep poor were about twice that for the poor in general.

However, poverty reduction rates among refugees were considerably smaller in 2007 relative to 2006. The previous "refugee advantage" among the official poor was maintained but was much smaller. Among the deep poor, poverty reduction among non-refugees was greater than for refugees in 2007. The reasons for this reversal may be statistical bias in the PECS data due to their relatively small size; reduced amounts of assistance reaching refugees from all sources (and/or greater amounts reaching non-refugees) and/or; less efficient targeting of refugee assistance from all sources (i.e. greater leakage to non-poor refugees or others) in comparison to targeting of assistance to non-refugees.

Third, poverty gaps on a post-assistance basis, i.e. the intensity of poverty, increased in 2007. Not only were there more poor in the oPt, but the depth of poverty was about one-fifth greater on an annual basis. In other words, about one-fifth more assistance would have been necessary to eliminate the poverty gap in the oPt in 2007 as in 2006. Among the deep poor, some 28 percent more would have been required. Among refugees, the estimated 2007 poverty gaps grew 85-90 percent higher than their 2006 levels.

At the very least, the growth in poverty gaps reflects the increase in the number of poor (mainly refugees and mainly residents of Gaza) and the deepening of poverty under the weight of the prolonged socio-economic crisis. Given the results of the PECS surveys, external assistance was neither sufficient to reduce the extent of poverty nor its depth in 2007 relative to 2006.

Despite the growth of UNRWA social safety net assistance targeting refugees, the deterioration of socio-economic conditions yielded increases in official and deep poverty gaps among refugees. The worsened post-assistance poverty results suggest deterioration in refugees living conditions and, indirectly, the deterioration of conditions in Gaza where some 59 percent of refugees reside.

Finally, it must be emphasised that the cause of unprecedented poverty in the oPt is the socio-economic crisis that began in late 2000. The root cause of the crisis remains the system of mobility restrictions in the West Bank, the almost total siege of Gaza and the isolation of the two territories from each other and the outside world by the Government of Israel.

To seriously address the poverty crisis in the oPt, unimpeded access by Palestinians to all parts of the oPt, and to the outside world, is the fundamental requirement. This would allow the Palestinian private sector to recover, extend and develop export and import markets and generate sufficient employment to absorb a young and growing population and to replace the substantial Palestinian job losses in the Israeli labour market in the past several years. Humanitarian assistance, while important in addressing pressing needs, cannot substitute for an economy with the capacity to produce an acceptable level of living for the population.

Appendix 1A

Original and Corrected Pre-Assistance and Post-Assistance Poverty Rates for the West Bank, 2006

	ORIGINAL	CORRECTED
West Bank Pre-Assistance Poverty Rates	2006	2006
All Households (below deep poverty line)	17.3	15.3
All Households (below official poverty line)	28.1	25.6
All Persons (below deep poverty line)	20.0	17.4
All Persons (below official poverty line)	32.0	28.7
Refugee Households (below deep poverty line)	18.4	14.3
Refugee Households (below official poverty line)	30.3	25.5
Refugee Persons (below deep poverty line)	22.0	16.7
Refugee Persons (below official poverty line)	36.0	29.6
	ORIGINAL	CORRECTED
West Bank Post-Assistance Poverty Rates	2006	2006
All Households (below deep poverty line)	13.0	11.0
All Households (below official poverty line)	24.0	22.0
All Persons (below deep poverty line)	15.4	12.9
All Persons (below official poverty line)	28.1	25.7
Refugee Households (below deep poverty line)	13.7	9.9
Refugee Households (below official poverty line)	22.9	18.8
Refugee Persons (below deep poverty line)	16.3	11.6
Refugee Persons (below official poverty line)	28.3	23.7

Appendix 1B

Original and Corrected Pre-Assistance and Post-Assistance Poverty Rates for the Gaza Strip, 2006

	ORIGINAL	CORRECTED
Gaza Pre-Assistance Poverty Rates	2006	2006
All Households (below deep poverty line)	43.6	40.9
All Households (below official poverty line)	58.1	55.6
All Persons (below deep poverty line)	47.7	45.1
All Persons (below official poverty line)	62.3	60.5
Refugee Households (below deep poverty line)	45.4	41.4
Refugee Households (below official poverty line)	59.3	55.4
Refugee Persons (below deep poverty line)	49.3	45.3
Refugee Persons (below official poverty line)	63.7	60.3
	ORIGINAL	CORRECTED
Gaza Post-Assistance Poverty Rates	2006	2006
All Households (below deep poverty line)	34.8	33.2
All Households (below official poverty line)	50.7	47.9
All Persons (below deep poverty line)	38.6	36.8
All Persons (below official poverty line)	54.9	52.3
Refugee Households (below deep poverty line)	32.8	30.7
Refugee Households (below official poverty line)	50.6	46.2
Refugee Persons (below deep poverty line)	35.8	33.4
Refugee Persons (below official poverty line)	55.0	50.4

Appendix 2

Estimates of Pre-Assistance and Post-Assistance Poverty in the OPT, the West Bank and Gaza based on 2007 Population Census Data³²

	OPT	West Bank	Gaza Strip
Total Population	3,761,646	2,345,107	1,416,539
Total Households	646,755	427,533	219,222
Average Household Size	5.8	5.5	6.5
Pre-Assistance Poverty			
Individual Poverty Rates			
Official Poverty	39.00%	24.90%	63.00%
Deep Poverty	27.60%	15.10%	49.00%
Household Poverty Rates			
Official Poverty	34.10%	22.10%	57.50%
Deep Poverty	23.30%	12.90%	43.50%
Total Official Poor Persons	1,467,042	583,932	892,420
Total Deep Poor Persons	1,038,214	354,111	694,104
Total Official Poor Households	220,543	94,485	126,053
Total Deep Poor Households	150,694	55,152	95,362
Post-Assistance Poverty			
Individual Poverty Rates			
Official Poverty	35.40%	22.30%	57.60%
Deep Poverty	22.30%	11.80%	40.00%
Household Poverty Rates			
Official Poverty	30.30%	19.10%	51.80%
Deep Poverty	18.30%	9.70%	35.00%
Total Official Poor Persons	1,331,623	522,959	815,926
Total Deep Poor Persons	838,847	276,723	566,616
Total Official Poor Households	195,967	81,659	113,557
Total Deep Poor Households	118,356	41,471	76,728

³² Note that absolute estimates of the number of poor and poor households in Appendix 2 are smaller than those presented in the briefing paper. The estimates in the briefing paper are based on population projections for 2006 and 2007 which pre-date the 2007 census.



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