

June 30th, 2020

## The Impacts of COVID-19 on Food Security and Agriculture in Palestine

### **I. Introduction**

#### **Covid 19 Highlights in Palestine by June 13, 2020 according to the Ministry of Health:**

- The total number of cases infected with Covid 19 in Palestine has reached 673 cases.
- The cumulative number of domestic quarantine cases in Palestine reached 96,150 cases, with actual cases currently in quarantine amounting 1831.
- The number of deaths reached 5.
- The total active cases who are still infected are 98 cases.

### **II. The Palestinian Government undertook the following policy measures<sup>1</sup>:**

- On March 3, 2020 the Palestinian President declared the State of Emergency in Palestine for a period of thirty days, and it was first extended on April 4, 2020 for another thirty days, and it was again renewed on June 4, 2020 for another thirty days.
- The first cases infected with Covid 19 were first discovered in the City Bethlehem on March 6, 2020. As a result, the city was announced locked down and no movement to and from it would take place.
- Since March 6, 2020, all educational facilities, including kindergartens, schools, institutes and universities, were locked down. This measure was extended on March 23 to include borders and all private and public facilities, mosques and churches, with the exception of bakeries, grocery stores, fuel and gas stations, municipal services, water and electricity who were permitted to operate between the hours of 10:00 - 17:00.
- Movement between cities and governorates was totally banned.
- The security forces and police were deployed in various cities and their entrances to preserve public security and implement full procedures.
- Trucks with vegetables, fruit and broilers weren't allowed to move without prior permissions.
- Agricultural markets in West Bank and Gaza Strip are closed.
- Agri-food related workers weren't allowed to move without prior permissions.

### **III. The current impacts of the Covid 19 pandemic on food security<sup>2</sup>**

- It is estimated that, since the outbreak of the pandemic, 110,000 new families across the oPt, of which over 90 per cent are in the West Bank, have fallen into poverty following the loss of income due to COVID-19 restrictions.
- Rising unemployment and under-employment and decreasing purchasing power, due to the movement restrictions and economic slowdown associated to the COVID-19. Notably, the unprecedented health risks and uncertainties over the future, deriving from the COVID-19 pandemic outbreak, are jeopardizing the foundation of the traditional economic relationships in the agri-food sector and

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<sup>1</sup> <http://www.palgov.ps/ar>

<sup>2</sup> FAO- COVID-19 impacts on the Palestinian food system- Evidences from small and marginal producers+ MoA Response Plan+ FSS COVID-19 Crisis Sitreps

beyond. These proved essential to sustain credit, production, marketing and consumption and to the livelihood of vulnerable groups and small-scale producers.

- Challenges in terms of logistics bottlenecks (not being able to move food from point A to point B), and in the production of high-value commodities (i.e. fruits and vegetables) are encountered while, restrictions of movement and fear of contagion impede farming and processing. Inadequate availability of and access to fertilizers, pesticides, seedling, veterinary medicines and other inputs (fodder, feed) reduce agricultural production and production capacity overall. For the first time, Palestinian food security can be significantly affected by reduced availability of food. Closures of restaurants and less frequent grocery shopping diminish demand for fresh produce and fisheries products, affecting producers and suppliers. Smallholder farmers are particularly vulnerable.

- **The Covid 19 effects on production and access to market**

- Despite exemption from movement restrictions, agricultural production appears affected by unavailability of workers, fearing contagion or facing movement restrictions and/or lack of transportation.
- The basic agriculture production inputs in Palestine come from Israel and are not produced or manufactured at local level; especially in areas such as agricultural fertilizers, seeds of all kinds, and the most important basic feed for livestock. Imports of these goods and materials are linked to international trade, movement restrictions and logistics.
- Availability of fodder and feed proves particularly challenging. In West Bank, amidst increasing prices, the feed and fodder eventually available is of scarce quality as traders cannot check same at origin.
- The terms for purchasing inputs have shifted from credit to upfront cash payments.
- In West Bank, cash-only payments limited bulk purchases, causing a credit crunch and liquidity concerns that ultimately affected traders themselves, finally reusing informal credit to producers with a positive debt repayment record.
- Broiler producers reported an increase in the cost of production that cannot be sustained in light of decreasing demand and plummeting sale prices.
- Fodder unavailability frustrates herders that are now to confront the end of the grazing season.
- In the last period, farmers declared that the price of 1 MT of one kind of fertilizers increased more than double. The price jumped to 2200 ILS instead of 1000 ILS before the Covid 19 virus outbreak.
- Challenges to accessing key agricultural inputs in the market, such as shortages and increasing prices of agricultural inputs. Markets for inputs close earlier than usual and operate at a reduced pace.
- Traders report that border closures limit shipment of agricultural inputs.
- Many producers find it difficult to obtain fertilizers, pesticides and spare parts.
- Availability of fodder is improving, but its price continues to increase, as is the price of seeds and fertilizers. Some cooperatives report decreasing crop quality as a consequence of lacking certain fertilizers.
- Import of inputs from Israel is declining, due to the impact of the lockdown on production.
- Some producers report veterinary services unavailability.
- Fishers reduce their fishing trips, due to declining prices and demand in the West Bank.
- Women cooperatives report operating at a lower scale in West Bank, while in Gaza, production is on hold.
- Weak demand for milk and dairy products. Low demand of cow's milk in West Bank and mainly in the North. 520 tons of cow's milk are produced daily in West Bank, of which 100 tons are produced in the north. 420 tons used to go for factories and the rest is processed at home level. Due to the movement

restrictions imposed by government, sweets shops are closed which led to low demand on cheese and excess of milk. The sweets shops used to consume more than 50 tons of milk /cheese on daily basis.

- Herders are attempting to shift production to longer shelf life products. However, those that do not possess the needed know-how are experiencing losses.
  
- **The Covid 19 effects on market functioning**
  - Market closures, decreased demand, requests for cash-up-front payments, limited credit availability, and widening gap between wholesale and retail prices negatively affected the volume of transactions.
  - Herders report difficulties in selling perishable dairy products and switched to longer shelf life products (stone yoghurt) if possible. However also such products remain unsold and accumulate. Herders, lacking fodder with no grazing pastures, not selling lamb, not dairy products opted for postponing fattening and allowing longer suckling time to lambs.
  - Producers and producers' organizations report not accepting sales on credit.
  - Poultry and livestock traders report less transactions, due to low demand and reduced access to markets.
  - Smallholder poultry farmers continue selling below break-even and are considering ceasing production.
  - Poultry and livestock sales are further limited by low demand (for lamb, the demand is almost non-existent).
  - Some traders are artificially limiting their sales in an attempt to push prices up.
  - Most farmers are unable to sell their produce beyond nearby villages. Gaza weekly markets are closed.
  - Traders buy less products and at reducing prices, due to low demand. Traders and producers report that market transactions are limited because they can't physically meet.
  - Due to movement restrictions, the medical herbs market in the Jordan Valley was affected significantly. The harvesting season has already begun, farmers were not able to export their production at all. Similarly, the Commercial, Industrial and Agriculture Chamber in Tubas issued only 2 certificates of origin - document needed for moving goods inside/outside West Bank - compared to 50 certificates used to be issued in this period for the same group of farmers. The volume of sale has reduced compared to the period before the COVID-19 crisis in both West Bank and Gaza Strip since the number of customers has decreased.
  - Difficulty already existed before COVID 19 in replenishing supplies in the market especially in the case of Gaza Strip.
  
- **The Covid 19 effects on agriculture labor availability**
  - Despite the fact that the agri-food sector is exempted from movement restrictions, workers are unwilling/unable to reach their place of work, due to fear of contagion or lacking transportation.
  - Agriculture workers report that permits for movement are not accepted at checkpoints, at times.
  
- **The Covid 19 effects on export, prices, trade:**
  - In Gaza, a ban on vegetable exports was introduced for few days to prevent price increases and then it was lifted.
  - Shipments (made to the USA) are stuck in the port with daily landing fees paid.
  
- **Food prices increase leading to decline in purchasing power**

- The purchasing power of consumers declined amidst consumer prices moving erratically albeit in an upward rising trend.
  - Increases in food prices, particularly for vegetables and other fresh foods, wheat flour and eggs. Eggs shortages are also reported in East Jerusalem.
  - Prices of rice and wheat continue increasing while vegetable and fruit prices decrease, inverting the trend.
  - Further increases in the prices of vegetables, fresh foods, flour and bread.
- **Negative strategies to cope with food insecurity continue and food stocking increases**
    - Such as borrow food, reduce the number of meals or eat cheaper foods, increase household level stocks of basic commodities such as olive oil, cheese, and za'atar, while some, especially farmers, lack food stocks or at best have stocks for few days. More nutritious food (fruits, meat, fish) is consumed less frequently (2.5 times a week). Only few can rely on own food stocks or production for the coming weeks.
    - Persons in quarantine centres cannot receive food or any kind of assistance from their families outside. Food provided only through the management of the quarantine centres. People lack diversity of food, including fruits and vegetables, as well as special dietary needs for people with health conditions inside the centres. This affects 1,816 persons quarantined in 26 centres.
- **Loss of jobs and employment**
    - Among the 134,800 Palestinian working in Israel and Israeli colonies, at least 16,000 cannot reach their working place, consequentially losing their earnings, worsening their already critical conditions. They need cash and food support. The most vulnerable groups are the informal labour and the poor and food insecure people.
    - 453,300 employed individuals will be affected as a result of the current emergency situation. Those working in the informal sector are around 320,000 and get an average daily wage of NIS 84.7 (NIS 27.2 million, which is equivalent to about USD 7.8 million a day). The second category is represented by 133,300 workers in Israel and settlements who get an average daily wage of about NIS 254 (NIS 33.4 million, which is equivalent to about USD 10 million a day).
    - According to MoSD, approximately 53,000 families are considered falling into poverty. The driver of vulnerability is loss of jobs due to COVID-19 restrictions and further closures. MoSD conducted a quick survey only on the number of families who lost their sources of income according to the type of work of the family breadwinner.
- **The groups most likely to be severely impacted by the COVID 19**
    - Smallholder farmers and producers who are not able to sell their produce or reach the market due to the lockdown.
    - Bedouins and herders.
    - The movement restrictions (in WB) and family obligation (in WB and GS) with children not attending schools are preventing women to access workplace in cooperatives. This is increasing women's vulnerability who are working in cooperatives, especially if they are heading the households, or bringing in a significant portion of the income.

- MoSD received 120,000 family-applications that can be classified as new vulnerable families that have fallen below the poverty line, and should be dealt with as poor families in need for support.

#### **IV. The potential future impacts of the pandemic on food security and agricultural policies**

- **The effects on people's livelihoods**

Around 1.7 million Palestinians (33 % of the population) are food insecure and in need of assistance (OCHA, 2020). The majority of them live in the Gaza Strip and the remainder in the West Bank. The most recent available food security data, gathered through the Socioeconomic Food Security Survey (SEFSEC) in September 2018, showed that food insecurity was particularly severe and worsening in the Gaza Strip where the prevalence of food-insecure people accounted for 68.5 percent. Of these some 47 percent were severely food insecure and 22 percent moderately food insecure. The situation was less severe in the West Bank, although within it the prevalence of food insecurity has a remarkably different incidence, with Area C being worse-off and bearing peaks of food insecurity among vulnerable communities, like Bedouins and herding communities (in Area C), that are similar to Gaza levels.

The prolonged occupation, blockade on Gaza and Israeli attacks have eroded the resilience of Palestinians. They are increasingly less able to cope with sudden shocks, such as spikes in conflict, demolitions in the West Bank, trade restriction and persistent electricity shortage in Gaza, natural and environmental hazards, such as winter storms, the longer-term effects of climate change, inadequate water and sanitation services and electricity cuts (OCHA, January 2020).

The low-income, low-economic growth trap, in which Palestine is stuck, coupled with demographic growth, is not creating jobs fast enough to keep up with a rapidly growing labor force. In particular, the hyper-unemployment in Gaza at 45.1 percent, disproportionately affecting youth (69.3 percent) and women (57.3 percent), already proved to be an intensifying factor of the extent and depth of poverty and food insecurity (SEFSec analysis).

As such, with the unprecedented impacts associated to the COVID-19 Pandemic, it could be expected that up to 50% of the population might face a condition of food crisis or worse. Such worrying perspective, is likely to be even worsened by the Israeli plans to proceed with annexation of parts of Area C.

Rising unemployment and under-employment and decreasing purchasing power, due to the mentioned movement restrictions and economic slowdown associated to the COVID-19, are already showing serious consequences for poor and vulnerable populations in Palestine that was already facing a condition of protracted conflict/insecurity, coupled with an economic downturn.

Notably, with the economic growth already insufficient to keep the Palestinian economy afloat, especially in the face of Gaza's dramatic economic contraction, COVID-19 is having widespread impact on the economy, and for the agriculture sector, primarily, on the more traditional, informal food producers whose operations and livelihoods have been jeopardized by disruption of traditional credit and marketing arrangements, caused by the increased risk, uncertainty and movement restrictions. In addition to this, COVID-19 aggravates the livelihood and food security crisis faced by farmers, herders and fishers in Gaza as result of the persistent energy shortage in the Gaza Strip.

Furthermore, the increasingly likely annexation of parts of the West Bank are expected to deteriorate even more the resilience of vulnerable livelihoods, particularly Bedouins in Area C and small and marginal farmers in the Jordan Valley that will suffer exclusion from the resources (land and water) at the base of their livelihood.

- **The implications on agricultural policies**

MoA started developing Agricultural Sector Response Plan to the Covid 19 Emergency Situation. The plan is based on the basic principles of the National Investment Plan for Food and Nutritional Security and Sustainable Agriculture (NIP). It looks at short term and urgent interventions, as well as longer-term recovery for food security and sustainable agri-food systems development.

- **Public budget diversion towards health and social protection measures**

Under the health threats of Covid 19, a lot of public support was moved to health issues with limited public support to “keep food system alive” and maintain levels of agricultural production. Such policy changes lead to higher levels of vulnerability and food insecurity<sup>3</sup>.

- The MAS Institute prepared a study<sup>4</sup> of the possible effects of Covid 19 on the Palestinian economy within two scenarios: the first extends to three months and the second extends to six months. The following table shows the expected impacts related to this paper.

Economic Indicator	First Scenario (3 month)		Second Scenario (6 month)	
	The variance rate with the baseline scenario & the fixed prices	The loss value at 2019 prices * (million dollars)	The variance rate with the baseline scenario and the fixed prices	The loss value at 2019 prices * (million dollars)
Agriculture and livestock	- 6.1 %	51.2	- 5.2 %	43.5
Local labor	- 17.4 %	-	- 24.6 %	-
Government Revenues	- 24.4 %	1,183	- 32.8 %	1591.4
GDP	- 20.9 %	3008.9	- 35 %	5027

- The **agricultural policies** needs to account for a high degree of uncertainty over the next 12 to 18 months, including whether additional waves of the Covid 19 emerge and require restrictive public health measures, their potential impact on the global, regional and local economies, the quality of Israeli-Palestinian relationship as a result to Israel plans for annexing Palestinian land, and the severity of the Palestinian economic, social, political, and security stresses. The situation in Gaza is fragile and may change at any time.
- As for the level of economic activities, it is expected that all economic activities in Palestine will face losses, but to varying degrees. Expectations indicate that the services sector and other branches are the most affected, as it is expected that its losses will reach \$ 1,175 million distributed as follows: 59% of the loss in wholesale and retail trade activity, 31% of other services, 10% of restaurants and hotels activity due to its complete closure. The second comes the activity of manufacturing industries, whose losses are expected to reach \$ 362 million, followed by construction activities at about \$ 220 million, and finally the activity of agriculture, forestry and fishing with a value of \$ 200 million, while customs duties and net value-added tax on Imports are about \$ 542 million<sup>5</sup>.

<sup>3</sup> MoA Emergency Response plan

<sup>4</sup> MAS and others- 2020- The economic observer: a preliminary assessment of the potential effects on the Palestinian economy of the Covid-19 pandemic in the West Bank (Arabic)

<sup>5</sup> Palestinian Central Bureau of Statistics, 2020. Press report, Economic Predictions for 2020 due to the Corona pandemic.

## **V. Impact of the Covid-19 pandemic on the Palestinian Government's finances<sup>6</sup>**

Because of the necessary restrictions imposed in response to the public health emergency, the Palestinian Government (PG) faces an unprecedented fiscal crisis. The PG's monthly revenues have fallen to the lowest level in at least two decades. The Palestinian Ministry of Finance estimates that, due to the lack of domestic economic activity and external trade, revenues collected will fall by about 85 percent, while clearance revenues will fall by between 50 and 70 percent. Even if the PG can implement emergency cost-cutting measures, the Ministry of Finance estimates a revenue shortfall of at minimum 500 million shekels per month. The PG will have an estimated budget deficit—after grants—of at least US\$1 billion for 2020. A fiscal gap of that order of magnitude threatens the viability of the Palestinian Government. The economic contraction brought about by the Covid-19 pandemic will have an adverse effect on public finances and will result in a sizeable financing gap.

Additional spending to respond to the Covid-19 outbreak will further exacerbate the situation. The PG plans to allocate additional resources in the amount of US\$137 million as an emergency response plan to cover medical costs. In addition, the World Bank recommended additional assistance to the affected households in the amount of US\$127 million, to provide employment opportunities to the youth in the amount of US\$46 million, to provide wage subsidies to suffering businesses in the amount of US\$280 million and also provide support to Local Government Units of about US\$20 million. This additional expenditure needs to start as soon as possible. Altogether, this will result in an increase in the PG's spending by US\$610 million, further widening the financing need to US\$2 billion in 2020.

Given the lack of policy tools and the limited fiscal space, the PG's options to deal with the crises are limited. The PG lacks tools that other countries are currently using to access financing such as issuing bonds and increasing external borrowing. As a result, the only available option going forward to maintain basic service delivery is through creating room within the existing envelope through postponing non-essential expenditures and reprioritizing spending in a way that allows social assistance to be provided to the neediest families, and critical liquidity support to SMEs, while also maintaining priority public services. If such measures are applied for four months, fiscal savings by the PG could reach US\$590 million, reducing the financing need to US\$1.4 billion. Actions by the PG alone will not be enough to cover the fiscal needs, and more drastic delays in public spending would be harmful given the large impact that public spending has on driving the economy.

## **VI. Perspective of cooperation opportunities among the IOC member countries**

Under these circumstances, the need for coordination with the IOC and neighboring countries is more urgent than ever. Across the world, countries have imposed restrictions on domestic activity and international trade in an ad hoc fashion. This has led to more drawn-out impacts of Covid-19 as implementation of response measures is staggered. However, while it is too late for coordinated implementation of restrictions, it is not too late for coordinated removal of them. For Palestine, this implies reaching a shared understanding with the neighboring countries on the timing of eased restrictions, given that movements of people and goods between these countries are critical to fluid economic activity. In the case of Jordan in particular, close coordination would allow a quick resumption of promising initiatives on bilateral trade, supporting a mutually beneficial rebound from recession.

In addition, the coordination with the IOC and neighboring countries would facilitate the exchange of expertise about the best procedures and policies for handling the Covid 19 challenges.

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<sup>6</sup> The World Bank- 2020- "Covid 19: Economic Assessment and Proposed Actions for the Palestinian Authority"