

# THE CRISIS IS NOW:

A Pre-Crisis Market Analysis of  
Credit, Mattresses and Drinking  
Water in the Gaza Strip

Oxfam, September 2018



European Union  
Civil Protection and  
Humanitarian Aid



**OXFAM**



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## LIST OF ACRONYMS

<b>CBT</b>	Cash Based Transfers	<b>MOH</b>	Ministry of Health
<b>CFW</b>	Cash for Work	<b>NFI</b>	Non-Food Items
<b>CMWU</b>	Coastal Municipal Water Utility	<b>NGO</b>	Non-Governmental Organisation
<b>CSI</b>	Coping Strategies Index	<b>OCHA</b>	Office for the Coordination of Humanitarian Affairs
<b>DES</b>	Designated Emergency Shelter	<b>OPT</b>	Occupied Palestinian Territory
<b>DP</b>	Desalination Plant	<b>OPTI</b>	Occupied Palestinian Territory and Israel
<b>EFSVL</b>	Emergency Food Security and Vulnerable Livelihoods	<b>PA</b>	Palestinian Authority
<b>EMMA</b>	Emergency Market Mapping Analysis	<b>PDM</b>	Post Distribution Monitoring
<b>GHT</b>	Global Humanitarian Team	<b>PCBS</b>	Palestinian Bureau of Central Statistics
<b>GRM</b>	Gaza Reconstruction Mechanism	<b>PCMA</b>	Pre-Crisis Market Analysis
<b>GVC</b>	Gruppo di Volontariato Civile	<b>PNCTP</b>	Palestinian National Cash Transfer Programme
<b>HEA</b>	Household Economic Analysis	<b>PWA</b>	Palestinian Water Authority
<b>HH</b>	Household	<b>RAM</b>	Rapid Assessment for Markets
<b>HQ</b>	Headquarters	<b>SGBV</b>	Sexual and Gender Based Violence
<b>HRP</b>	Humanitarian Response Plan	<b>UN</b>	United Nations
<b>ICRC</b>	International Committee of the Red Cross	<b>UNICEF</b>	The United Nations Children's Fund
<b>IDP</b>	Internally Displaced Person	<b>UNDP</b>	United Nations Development Programme
<b>MEAL</b>	Monitoring, Evaluation, Accountability and Learning	<b>UNRWA</b>	The United Nations Relief and Works Agency for Palestine Refugees in the Near East
<b>MFI</b>	Micro Finance Institution	<b>USD</b>	United States Dollar
<b>MPCA</b>	Multipurpose Cash Assistance m <sup>3</sup> Cubic Metres	<b>WASH</b>	Water, Sanitation and Hygiene
<b>ILS</b>	Israeli New Shekels	<b>WFP</b>	World Food Programme
<b>MAG</b>	Market Analysis Guidance	<b>WHO</b>	World Health Organisation

## ACKNOWLEDGEMENTS

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### **National NGO Participants**

- ESDC – Economic and Social Development Centre
- PHG – Palestinian Hydrology Group
- MAAN – MA'AN Development Centre
- UAWC – Union of Agricultural Work Committees
- Bayt El Mostaqbal
- YEC – Youth Empowerment Centre
- ACAD – Arab Centre for Agricultural Development
- Bayader Association for Environment and Development
- Action Against Hunger
- Handicap International
- PARC – Palestinian Agricultural Relief Committees
- RWDS – Rural Women Development Society
- PEF – Palestine Environment Friends

## EXECUTIVE SUMMARY

Markets continue to play a major role in the lives and livelihoods of the population of Gaza - before, during and after times of acute crisis and conflict. As the situation within the Gaza Strip continues to deteriorate into 2018, there are concerns that the current border clashes as part of the 'March of Return' could lead to an escalation of armed conflict with Israel. As part of its ongoing humanitarian response and preparedness work in Gaza, Oxfam undertook a Pre-Crisis Market Analysis (PCMA) for drinking water, credit and mattress markets to better understand how households currently access these critical goods and services and how they might be affected by a future shock. The findings reveal market systems in crisis now ; overburdened with unpaid debts, threatened by cuts to humanitarian aid and ultimately still barely surviving under the weight of the Israeli occupation including the blockade.



Photo: Anas AlBaba

## SECTION 1. CONTEXT AND METHODOLOGY

### 1.1 CONTEXT

2018 marks 51 years of the occupation of the Palestinian Territory, including 11 years of the Gaza blockade. The occupation including the blockade affects every aspect of life for Palestinians living in Gaza. The blockade has devastated Gaza's economy, caused widespread destruction and left most people largely cut off from the outside world.

Since the early 1990s the Government of Israel has implemented a policy of separation that has further isolated Gaza from the West Bank, including East Jerusalem, resulting in the political, social and economic fragmentation of the Occupied Palestinian Territory (OPT). The takeover by Hamas in 2007 led to the Israeli-imposed blockade which has pushed the Gaza economy into steady decline ever since. Conditions in the Gaza Strip, a 41 km long and 6-12 km wide strip of coastal land, have been further exacerbated by subsequent border closures with Egypt in 2014 and more recently the further tightening (then lifting) of restrictions on the sole border for goods (Kerem Shalom) in 2018 - isolating the enclave geographically, socially and politically. Gaza now has the world's highest unemployment rate at 49% (71% among women) and amongst a youthful population - with a third of the population between the ages of 15-29.<sup>1</sup> The 11-year long blockade and three major escalations of hostilities in six years have devastated basic infrastructure, service delivery, livelihood prospects and coping mechanisms.

Following escalations during the 2014 operation 'Protective Edge', more than 16,000 houses were destroyed and 1,492 civilians killed. Four years on, the mass destruction, casualties and trauma have only exacerbated an already deteriorating economic and socio-political situation. Air, land and sea access for both

people and goods remains severely restricted and day to day life in Gaza is beset by electricity shortages, poverty and debt. In recent months Palestinians living in Gaza have been gathering at the border fence with Israel as part of a 'March of Return' demanding the right for Palestinian refugees to return to land they were displaced from. From 30th March to 9th August 2018, 172 Palestinians were killed, and more than 17,000 injured,<sup>2</sup> and despite ongoing talks of a ceasefire, the prospects for long term peace and security grow increasingly remote.

Intra-Palestinian division also persists between the Palestinian Authority (PA) in the West Bank and the de facto authorities in Gaza. In April 2017, the PA imposed punitive measures as a response to Hamas' decision to establish a parallel institution to run local ministries in the Strip. The measures included reducing the salaries of PA employees in Gaza by 30- 50%, forcing the retirement of around 58,000 PA public employees in Gaza and delaying cash assistance for over 74,000 vulnerable households. While the economic situation was already weakened by the ongoing blockade, these measures further crippled the economy and increased the vulnerability of thousands of PA employees and their families who lost their main source of income. The cuts to Gaza's public sector - the largest employer in the Gaza Strip - have also had devastating consequences for the wider economy, which is very dependent on the purchasing power of PA employees.

### 1.2 OBJECTIVES OF THIS PCMA

The global purpose of the Pre-Crisis Market Analysis (PCMA) approach is to enable practitioners to use emergency market tools such as the Emergency Market Mapping and Analysis (EMMA), Oxfam 48hr Tool or ICRC RAM/MAG tools in pre-crisis contexts<sup>3</sup>. It is not a tool in itself but an assessment and analysis of a market for a particular good or service before an anticipated shock occurs, in contrast to using tools in a post-crisis setting. In this context, Oxfam sought to undertake a PCMA to better understand the capacity of markets in Gaza to meet basic needs and support livelihoods recovery in the face of a future shock. This exercise took place over a three-week period in July/August 2018. The dual objectives of this exercise were:

1. To identify appropriate responses to support preparedness activities and meet emergency and early livelihood recovery needs in Gaza, with a particular emphasis on market support activities.
2. To strengthen the market analysis capacity of both national and international NGO staff and make recommendations on gaps in market monitoring and preparedness.

### 1.3 METHODOLOGY

The team undertaking this PCMA opted to use the Emergency Market Mapping Analysis (EMMA) tool for data collection. The EMMA is an iterative 10 step process from preliminary analysis to communication of results, including key analytical steps: market mapping, gap analysis, market analysis and response analysis.<sup>4</sup> The core feature of the approach is the production of market system maps, showing how market actors interact and how the market chain is influenced in its functioning by environmental factors (institutions, rules, norms and trends), as well as by key infrastructure, inputs and market support services. For each market system, two maps were produced, the first showing how the market systems are functioning in the current 'normal' situation (July 2018), and the second capturing the most likely impacts of the future shock scenario on the market system. As is explained later in this report, however, the current situation is already one of crisis and therefore cannot be classified as 'normal'.

The Gaza PCMA analysed and mapped the current challenges facing the chosen market systems and how they could potentially be affected by a future shock. This then allowed for the identification of response options both directly for affected populations and also indirectly to support market actors, for preparedness and also for emergency response.

The exercise was led by two staff from Oxfam's Global Humanitarian Team (GHT) in collaboration with Oxfam Gaza's Saving Lives Team and 13 national NGOs. A desk review of secondary data and 3-days' training was followed by 2 days of fieldwork preparation, 5 days of data collection and an analysis workshop. A total of 197 interviews were conducted across all three market systems, including semi-structured household interviews and focus groups covering 144 households and 53 interviews with a selection of market actors, including key informants, retailers, wholesalers, water truckers, banks and MFIs.



Photo: Amr Al Babtain



## SECTION 2. CRISIS SCENARIO

Three possible scenarios were broadly discussed for this PCMA exercise during the training workshop:

- 1) External conflict with Israel
- 2) Economic crisis and socio-economic breakdown
- 3) Internal conflict/civil unrest

Participants and Oxfam staff agreed, based on both severity of impact and likelihood of occurrence, that Scenario 1 should be used for the future shock scenario in this PCMA exercise.

The scenario chosen was one therefore broadly characterised by the following potential elements:

- 1) External attacks to Gaza inflicted by Israel - both airstrikes and artillery bombardment. This could also include a possible ground invasion by Israeli forces.

- 2) Large-scale destruction of buildings and infrastructure. Areas to the east of the Salah-al-Din road and close to the border with Israel may be worst affected.

- 3) Internal displacement of households in affected areas in the East towards parts of Western Gaza. Up to 600,000 people could be displaced. Most IDPs would be housed in private accommodation and not in Designated Emergency Shelters (DES). A total DES capacity of 140,000 was used (across approximately 70 shelters) and so a figure of 460,000 people was considered as the approximate number of future IDPs who could be housed in private accommodation, either in informal shelters or with host families.

- 4) Possible partial or total closure of Kerem Shalom border for goods (other than humanitarian assistance) and Erez for people. Access to essential goods and services would be severely restricted, and possible division of the Gaza Strip into sections.

Questionnaires for data collection were designed with this scenario in mind and the conflict in 2014 further used as a 'reference point' for comparison where necessary, given the similarities and likelihood of similar events occurring.

It should be noted that this PCMA was undertaken in full acknowledgement that Scenario 2 (Economic breakdown) had already begun to some degree, but it was felt that Scenario 1 (External conflict) would have a more devastating acute impact on populations and was therefore chosen for the analysis in a pre-crisis context. More detail on this analysis can be found in Section 4. Had Scenario 2 been chosen it would have been more appropriate to conduct a standard post-crisis market assessment (for example an EMMA by itself) rather than use pre-crisis analysis approach.

## SECTION 3. SCOPE OF THE ASSESSMENT

### 3.1. GEOGRAPHICAL FOCUS

The data collection focused on three areas (one urban, two rural) to the east of Salah-al-Din road. Data was collected in North Gaza in Beit Hanoun, a rural area close to the Erez border; in Shejaiya, a densely populated urban area to the east of Gaza city; and finally, Khuza'a in Khan Younis which borders the high-risk area in the east. Figures 1 and 2 show the extent of the geographical areas visited for the data collection under this PCMA exercise.

### 3.2. TARGET POPULATION

The target population for this PCMA was, broadly speaking, households to the east of Salah-Al-Din road, who are most at risk of being displaced under a future external conflict scenario.

Target group	Households	Locations
Households living in high-risk areas, at risk of future displacement	192,000 individuals / 34,447 HHS	Shejaiya (130,000/23,214 HH) - urban Khuza'a (11,302/2,018 HH) - rural Beit Hanoun (51,601/9,214 HHS) -rural
Total target population	192,000 individuals / 34,447 HHS	

These figures are according to the latest PCBS data<sup>5</sup> and based on an average HH size of 5.6.<sup>6</sup>

Each market map presents these target populations slightly differently, depending on how they interact with the market and how this would change in a future crisis scenario. This is based on the EMMA logic that 'target population' refers to the mass of people who ultimately benefit from the emergency response.

Oxfam also worked on the assumption of a total displaced population in this scenario of around 600,000 people, 140,000 of whom could be accommodated in 70 Designated Emergency Shelters (DES) (50 UNRWA and 20 PA) leaving around 460,000 individuals to be housed in private accommodation with host families or in informal shelters.<sup>7</sup> Households in future DES are not classed as a future 'target' population for this PCMA as their needs are assumed to be already covered by UNRWA and other agencies managing and supporting the response within the DES.

FIGURE 1: DATA COLLECTION LOCATIONS – NORTH GAZA AND GAZA CITY

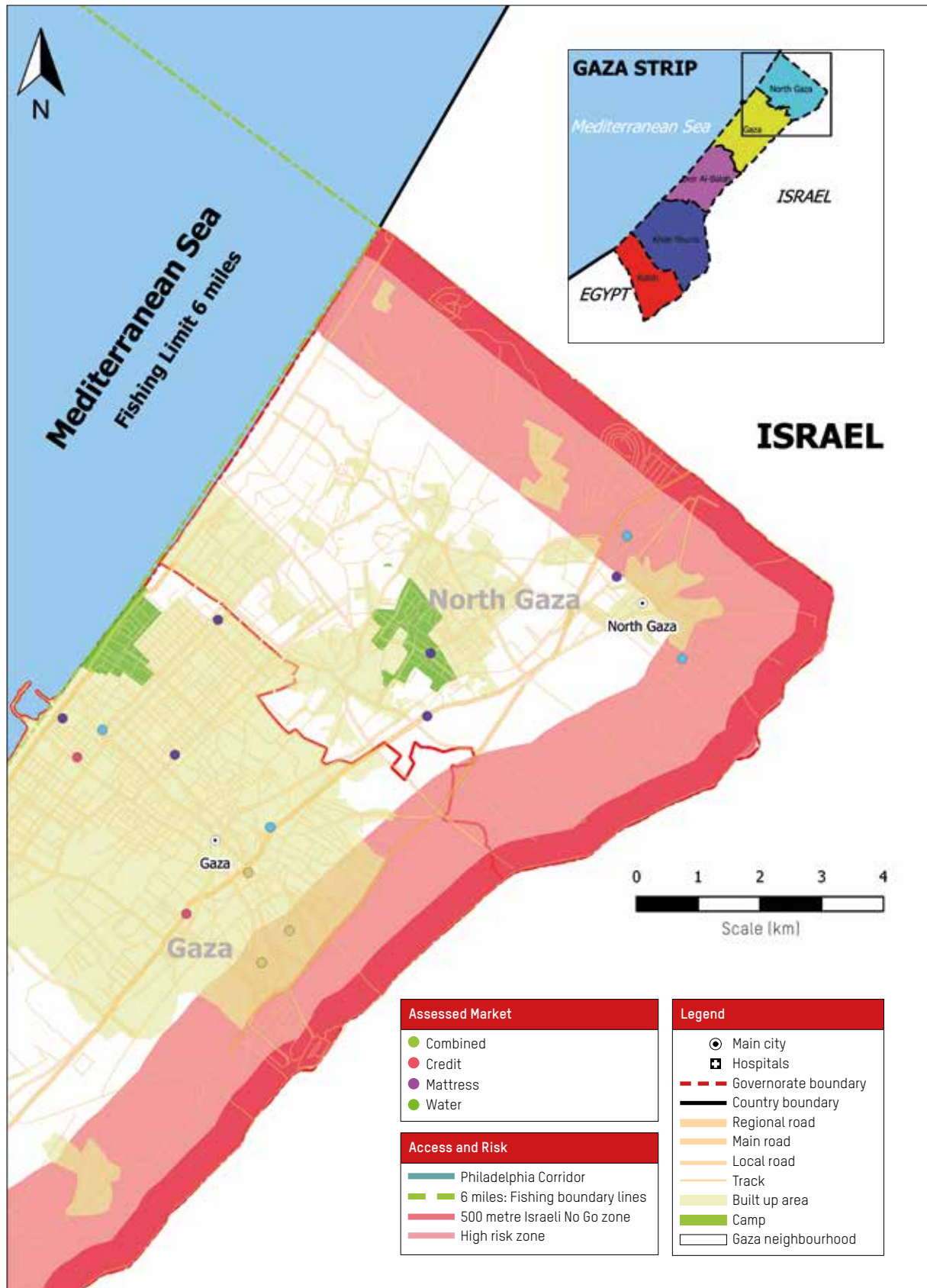
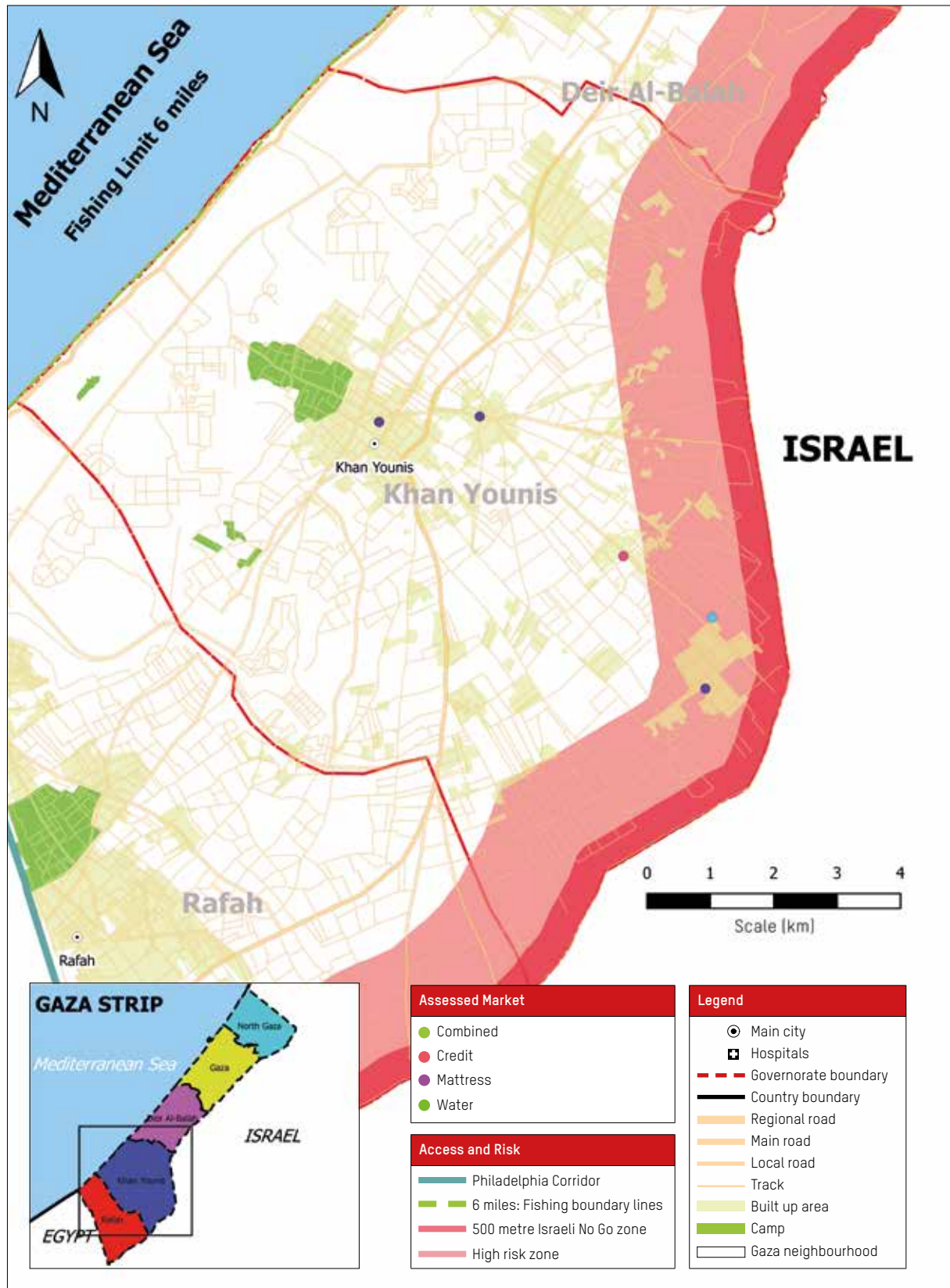


FIGURE 2: DATA COLLECTION LOCATIONS – KHAN YOUNIS



### 3.3. SELECTION OF CRITICAL MARKET SYSTEMS

The markets selected for analysis as part of this PCMA were intended to cover the three sectors of Shelter, Food Security and WASH. The selected markets were:

- **Drinking Water (WASH)**
- **Mattresses (Shelter)**
- **Credit (Food Security)**

The choice of critical markets was undertaken in collaboration with other humanitarian actors and the clusters in Gaza as well as the workshop participants via a ranking exercise.

Mattresses were ranked amongst top needs by households during the 2014 response,<sup>9</sup> and were identified as a critical NFI need in times of crisis by the Gaza Shelter Cluster also, as well as blankets. As both mattresses and blankets are mostly imported from outside Gaza it was also hoped that given supply chain similarities these markets could be 'grouped' and an analysis of one serve as a proxy for the other.

Drinking water was deemed to be the most critical WASH market to analyse, given a high dependence on the market to supply this commodity and the certainty that it would be a key market for meeting basic needs in a future crisis. Water tanks were also discussed – however, these were discounted as it was felt household water storage would be less critical compared to community water storage in the early stages of a response, which was the focus of this PCMA.

Finally, credit was selected given a lack of information on this market in the current response, along with a clear agreement in preliminary discussions with humanitarian actors in Gaza and consensus amongst workshop participants that this market was critical both now and in the future.

### 3.4. ANALYTICAL SCOPE

For all three markets (drinking water, credit and mattresses), the key analytical questions guiding the study were focused around three main issues:

- Assessing the functionality of the market system at present and its capacity to cover needs of the target group both now and in a future crisis scenario;
- Understanding supply and demand constraints for target groups and market actors;
- Considering the analysis, recommending the most appropriate direct and indirect interventions to ensure markets can meet present and future demand for target populations.

The analysis for all three market systems is structured as follows:

- Market system maps: one showing the present baseline situation, and one showing the impacts of the forecasted shock on the market system. Each market map is composed of three layers:
  - Top layer: market environment – key factors such as institutions, rules, norms, trends and practices which influence the functioning of the market chain;
  - Central layer: market chain – key market actors and their linkages. This shows how the commodity or service is produced and supplied to the consumers;
  - Bottom layer: key infrastructure, inputs and market-support services, which support the functioning of the market chain.
- Key findings from the market, gap and response analysis to identify the key constraints in each system and needs of target populations as well as the capacity of the market to cover them.
- Key recommendations for preparedness and emergency responses: these are based on the market and gap analysis and follow a screening of different response options with PCMA participants.

All currency amounts cited in this report are in ILS (Israeli New Shekels) and USD (United States Dollars) using an exchange rate of 0.27.<sup>9</sup>

## SECTION 4. TOPLINE ANALYSIS: OVERARCHING MARKET ISSUES AND RECOMMENDATIONS

All three markets face the same critical environmental issues which significantly affect their ability to meet current needs and bring into question the expandability of the market systems to be able to meet future demand.

### 1. The Omnipresence of debt

- Creeping, overwhelming layers of debt currently exist in Gazan society – a direct result of the ongoing economic crisis and reduction in household purchasing power.

- Households' interactions with critical markets for meeting basic needs and protecting livelihoods are conducted in light of existing debt and often on a cash-free basis in the form of informal credit.

### 2. Expectations and reality of future assistance

- Given the high reliance on humanitarian aid in Gaza at present, challenges and constraints across all markets are compounded by ongoing overall reductions in humanitarian and development funding in 2018.
- Despite this, actors from all three market systems expect an influx of humanitarian assistance in the case of a future shock scenario and some expressed that the economic situation is so desperate that another escalation may even be welcome as it would at least bring some finances into the Gazan economy.

### 3. The Israeli blockade

- No market analysis in Gaza would be accurate without recognition of the abnormal and unjust market conditions that the ongoing Israeli occupation, including the blockade, have created in the OPTI. This included the Gaza Reconstruction Mechanism (GRM) and 'dual use' policy.<sup>10</sup> All three markets are ultimately subject to the direct and indirect consequences of the ongoing Israeli Government policy of separation and occupation.



Photo: Simon Rawles

<b>Key Response Recommendations</b>				
<b>OVERARCHING – ALL MARKETS</b>				
<b>Response activities or combinations of activities</b>	<b>Key risks and assumptions</b>	<b>Likely effect on the market system and target groups</b>	<b>Time</b>	<b>Implementation</b>
<b>Undertake a rapid Household Economic Analysis and/or Debt Survey in Gaza (HHs and Traders)</b>	<p>Assumes time to undertake activity before escalation of conflict</p> <p>Assumes households willing to engage and share potentially sensitive income and expenditure data</p>	<p>Understanding intra- and inter-household debt patterns and quantifying this for livelihood and wealth groups would add significant value to the current humanitarian and development work in Gaza across almost all sectors</p> <p>This could lead to micro and macroeconomic shifts if agencies with funding to spend in Gaza begin to understand and tackle debt</p> <p>Provides basis for ‘do no harm’ approach to aid by understanding financial positions at the household, community level and with economic actors; leads to better identification of constraints, barriers and socio-economic networks so as to inform cash, in kind and protection programming</p>	ASAP	Oxfam hopes to undertake this survey with the support of the Food Security Cluster in Gaza and other interested parties
<b>Advocate for debt sensitive humanitarian response and preparedness programming</b>	<p>Assumes humanitarian actors able to use funds to mainstream a ‘debt sensitive’ approach</p> <p>Risk of lack of buy-in from donors and other NGOs/UN</p>	<p>Aid delivered can begin to meet real needs based on actual expenditure patterns in households</p> <p>Identifies new vulnerabilities related to lack of income and lack of purchasing power – for women and girls in particular</p> <p>Provides opportunities to address potentially predatory lending practices</p>	ASAP	<p>Workshop or sensitisation sessions via relevant clusters and coordination fora in Gaza and Jerusalem</p> <p>Ensuring MEAL plans capture this ‘debt sensitive’ approach and evidence base is formed</p> <p>Production of potential case studies</p>
<b>Advocacy for Kerem Shalom border opening/ on dual use material importation</b>	<p>Assumption that level and magnitude of easing border restrictions will directly benefit target households/benefit markets for critical goods and services</p> <p>Assumption of no imminent escalation of conflict and/or border protests that could lead to closure or increase of restrictions of border</p> <p>Assumption that households will have minimum financial access to markets</p>	<p>Opening of border for sufficient time and to at least minimum level required would ease pressure on economy</p> <p>Market actors across all markets would be able to access critical inputs</p>	Preparedness /Response	<p>Common messages on the obligation of Israel as an occupying power to ensure the accessibility to all means needed for the wellbeing of the occupied population in Gaza Strip</p> <p>More targeted influencing to ensure regular access to goods and materials, especially in active conflict and escalation situations, to ensure no major humanitarian crises are escalated by denying this access</p>

## SECTION 5. THE CREDIT MARKET SYSTEM: MAPS, KEY FINDINGS AND RECOMMENDATIONS

When in need, borrowing food or money either via formal or informal mechanisms is common practice in many Middle Eastern societies. However, the continued reliance on borrowing to cover critical needs is considered a corrosive coping strategy by FSL practitioners globally. According to the 2017 Humanitarian Response Plan, one million Palestinians in Gaza don't have enough food to feed their families, despite receiving food assistance or other forms of support.<sup>11</sup> The WFP estimates high levels of food insecurity are also linked to overlapping nutritional problems with recent surveys showing half of

respondents having 'very low levels of essential minerals and vitamins'.<sup>12</sup> Accessing credit is one of the most frequently cited coping strategies at the household level, with OCHA estimating that following the 2014 hostilities, 87% of households were relying on credit for food and 81% borrowing money to survive even two years later.<sup>13</sup>

Since then, unemployment has dramatically risen, soaring to more than 49%,<sup>14</sup> the highest rate of any country on earth. Almost every other worker in Gaza finds themselves jobless in 2018<sup>15</sup> and this is particularly acute amongst women (71% unemployed) and youth (60%). As the ability to earn a living becomes increasingly rare, dependence on humanitarian assistance/social safety nets and usage of coping strategies to survive is on the increase. Credit was identified as a critical market to analyse by Oxfam's Food Security team in the current situation, specifically looking at informal cash or in-kind food credit but also recognising that credit encompasses all critical markets for households in a sense, as families' access cash credit to cover self-determined basic needs.

The key analytical questions for the credit market were:

- 1) What is the capacity of the credit market to meet the needs of target groups both now and in the future?
- 2) What are the conditions and constraints for target groups to access the credit market?
- 3) What are the appropriate response interventions to improve preparedness for the credit market?

The baseline and crisis maps for the credit market are shown below.

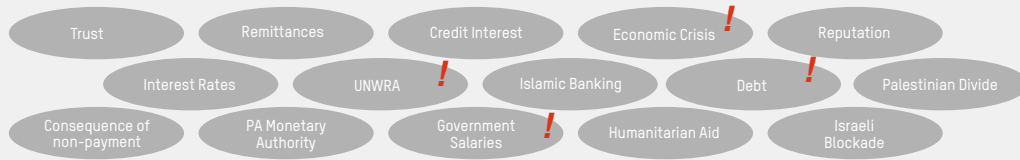


Photo: Nawifa Sharwa

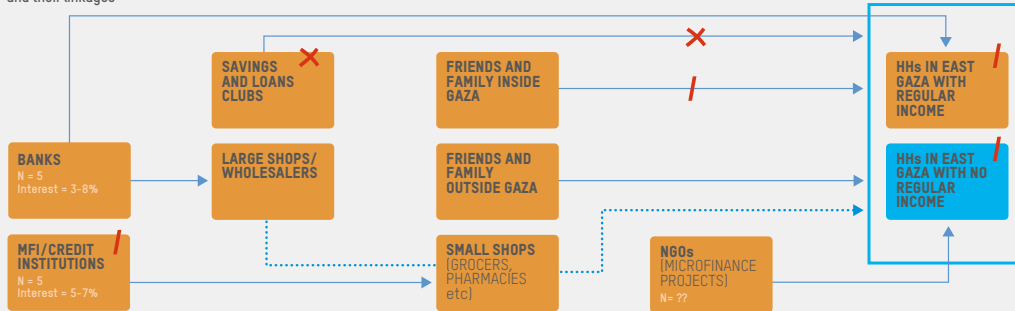


### Credit Market System in Gaza – Current Situation August 2018

The market environment: institutions, rules, norms and trends

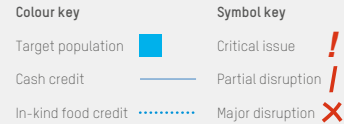
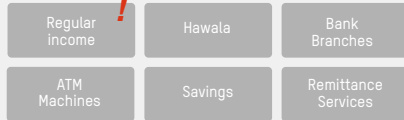


The market chain: market actors and their linkages



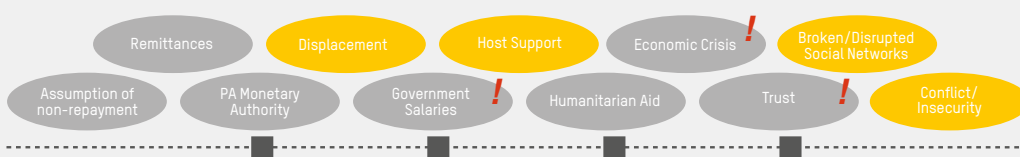
N: Number of actors Average amount borrowed = 2-5000 ILS

Key infrastructure, inputs, market-support services

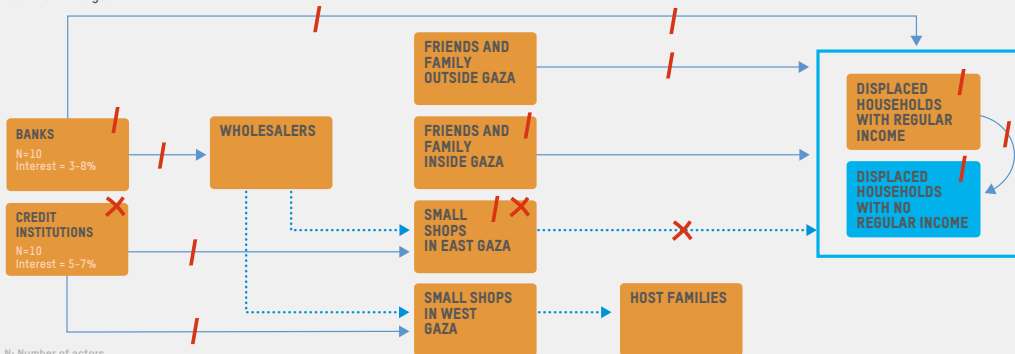


### Credit Market System in Gaza – Crisis Situation August 2018

The market environment: institutions, rules, norms and trends

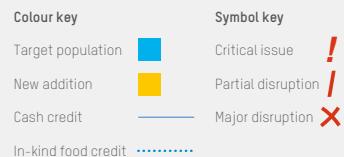
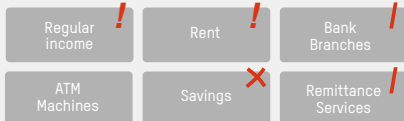


The market chain: market actors and their linkages



N: Number of actors

Key infrastructure, inputs, market-support services



Key findings for the credit market are outlined below:

### A MARKET IN CRISIS

Oxfam interviews revealed what was already suspected by staff and partners – a broken market system on the verge of collapse. Almost all people interviewed, either households or market actors, cited unsustainable levels of formal or informal loans and borrowing and difficulty or inability to repay.

Formal credit via banks was almost exclusively accessed by those who had a regular income – either PA employees or private sector workers, or large retailers and wholesalers. Credit institutions and larger shops sometimes gave credit to households with no regular income in the past, but it is increasingly difficult for those with no income to access formal credit through banks because loans require sponsors with regular income, which are increasingly rare. A key informant in Khuza'a spoke of 90% of Palestinian Authority employees in the area needing to have bank loans to top up their salaries, since salaries were cut by 30-50% in 2017. Neither does it follow that access to a regular income means the ability to repay. FGD participants stated that many with a regular income who have taken out formal loans owe more because they can borrow more – and find themselves even more indebted than those who can only

access informal credit. Environmental factors in recent months, including PA salaries being slashed and cuts to UNRWA staff in Gaza as a result of funding cuts, mean the pool of people with a regular income that can cover their basic needs is an ever shrinking one. This will be further compounded by the recent announcement that the US Government will make significant cuts and ultimately cease funding to UNRWA for 2018 and 2019.<sup>16</sup>

Community leaders (mukhtars) and households alike spoke of 80%-100% of their communities, with or without regular income, currently owing as they were unable to pay back debts accrued. Most households with no regular income said they borrowed in-kind food from small shops or medicine from pharmacies, as well as cash from friends and relatives both inside and outside Gaza. There is also a reported tendency of people to seek credit from electronic stores for appliances such as TVs or washing machines on instalment plans and simply to sell these immediately to get cash.<sup>17</sup> Similarly many households in FGDs spoke of companies who offered instalment plans in return for credit for a wedding, which often became impossible to repay for the newly-weds' families.

In addition, a WFP survey in 2017 found 60% of interviewed shops had credit lines with their main suppliers.<sup>18</sup> Most traders Oxfam interviewed had credit



Photo: Maysun

lines either formally with banks or informally with wholesalers and relied on these to scale up to meet an increase in future demand. It was evident to Oxfam staff and partners during this PCMA that there are multiple, inter-dependent layers of overwhelming debt in the system for credit as it currently stands – as households owe shops, who owe wholesalers, who owe banks.

**COST OF LIVING:** based on the average household expenditure 2016-2017

**POVERTY LINE:**\* based on a budget of a needs for a reference HH of 5 for: -food, clothing, and housing + other necessities including health care, education, transportation, personal care, and housekeeping supplies.

**DEEP POVERTY LINE:** calculated to reflect a budget for food, clothing and housing only for a HH of 5

\*all data from www.pcbs.gov.ps

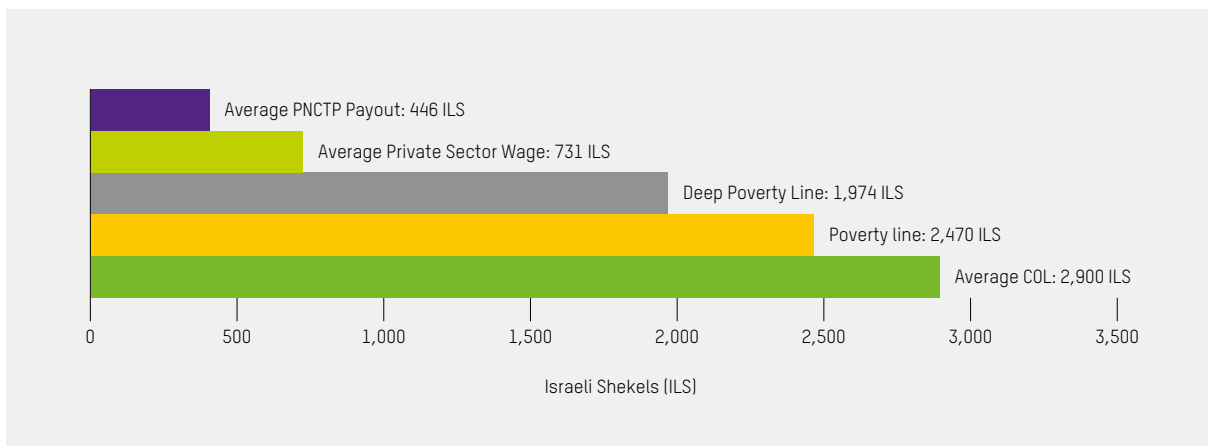
The WFP recently estimated that 70% of their current beneficiaries are heavily indebted, owing on average \$4,500 (\$2,900 for electricity and water, \$260 for groceries, and \$1,340 worth of credit from friends and relatives).<sup>19</sup> Worryingly, many retailers in fact said they would offer more credit to those who were receiving humanitarian assistance at present, however, even if they have been targeted because of their vulnerable status, because they are more likely to be able to pay back than those who do not. A 2012 study into the publicly funded social protection system in Gaza – the Palestinian National Cash Transfer Programme (PNCTP) social safety net found similar results. Findings found an ‘overwhelming majority’ of PNCTP beneficiaries were accessing informal credit to meet essential needs and citing receipt of the social safety net money as acting as

a form of collateral to allow shop owners to know they would repay.<sup>20</sup> Oxfam-led focus groups cited average debt amongst households in the area (given the sensitive nature of discussing personal debt) as between 2-5000 ILS/540-1360 USD and an approximate average monthly income of 410 ILS/112 USD.

The graph below shows how households in Gaza face an almost impossible task if they want to avoid accumulating debts in the current economic climate. It should be noted that residents of the Gaza strip are in a unique situation globally - most living in urban areas, with high levels of education and access to technology, yet in virtually closed economy. The Palestinian Central Bureau of Statistics calculates the average monthly household expenditure in this context at roughly 556 JD or 2900 ILS/ 783 USD for a household of 6.1 people. The Deep Poverty Line stands at 1974 ILS/539 USD per month for a household of 5, yet the average private sector wage amongst the 51% of the population lucky enough to be employed stands at a meagre 731 ILS/200 USD per month - far below the amount in theory needed to secure basic food, shelter and clothing for a household. Add to this that the poorest in Gaza are those without regular income ( the average PNCTP payment is 446 ILS/121 USD per month, on a quarterly basis) and a picture emerges of a society so bereft of basic income for meeting survival and livelihood thresholds that borrowing food and money has become a necessity for many if not the majority of Palestinians in Gaza.

Based on the PCBS figures displaced in Figure 3<sup>21</sup>, the average private sector worker would need to find an additional 1243 ILS/334 USD in order to just scrape above the deep poverty line and 1739 to reach the poverty line. It is little wonder that some 53% of Palestinians are now classed as poor.<sup>22</sup> Disturbingly, this figure does not consider those whose ‘income’ is in the form of the PNCTP assistance, which was only recently paid in August 2018

**FIGURE 3: INCOME AND THE COST OF LIVING**



after a 2 month delay in the June/July cycle. The average PNCTP household in 2016 earned 437 ILS/120 USD per month and received a PNCTP payment of 446 ILS/122 USD per month, distributed on a quarterly basis. This leaves the average PNCTP household living 52% below the deep poverty line.<sup>23</sup>

Borrowing money or food is hence one of the – if not the only way – that a significant percentage of households in Gaza are able to survive. And this mechanism is not only unsustainable but dangerously close to reaching breaking point.

### **SOCIAL NETWORKS AND INFORMAL CREDIT**

The credit market in Gaza relies heavily on social capital – with social networks, trust and reputational issues acting as key environmental factors to facilitate informal credit access in particular. Traders reported offering food on credit for people they know and trust based on ‘good reputation’. However, respondents cited that this trust was also based on assumption of repayment, which was becoming increasingly infrequent as those with public or private sector salaries were now facing challenges of delayed or part salary payments. Many households spoke in FGDs of increasing stigma, particularly amongst young men, in asking to borrow money or being unable to repay, to the point that if a young man was known to have large debts a family could refuse him if he asked for a girl’s hand in marriage. In order to get married, men might potentially secure a loan via one of the aforementioned wedding companies, potentially offering a quick fix for the wedding itself but setting the newlyweds up for a huge amount of unserviceable debt as a result.

Given the importance of family and social networks in Gaza, those who have access to a form of regular income also bear the burden of supporting extended families who rely on them to provide food, money and credit or to help them secure credit by acting as guarantors. This creates what Oxfam staff assumed to be a wide reaching and intertwined web of debt and credit repayments within and between families and friends, anchored in a small handful of people who earn a regular income. This is of course rooted in the kinship ties inherent in Palestinian society, where many businesses are family run and owned and family connections can play a vital role in distributing scarce resources, both within Palestine and overseas. Many FGD participants mentioned remittances as both a key source of income now and during the 2014 war. Money from friends and relatives overseas or in the West Bank was cited as a potential means for households to access informal credit during a future shock also; however, many said in a shock scenario there would not be the expectation of repayment. Little information currently exists around the specific impact of remittances in times of conflict in Gaza; however, the World Bank cites

remittances (alongside aid) as almost the only source of foreign exchange flows which fuel consumption in the economy at present, far exceeding exports and making up about 17% of GDP.<sup>24</sup> Palestine also ranks as the second largest source of international migrants in relation to its population in the world, after Syria.<sup>25</sup>

Households expressed worry that social networks may be broken in displacement, limiting their ability to access credit, but it was also overwhelmingly assumed that in a time of crisis households would receive support without the need for repayment either from family and friends overseas, host families or aid agencies. Before the deterioration of the situation in Gaza, it was reported that some of the larger clans had developed social funds called ‘sunduq’ which were a form of savings and loans groups where tithes were contributed by male members in order to save larger amounts for the wider family as a whole and to lend in times of need.<sup>26</sup> NGO- and community-run savings and loans group were further cited as having existed in communities in recent years. However, no households interviewed were accessing credit in this way any longer as they simply lacked the disposable income to contribute even small amounts.

### **REPERCUSSIONS**

Despite a culture of borrowing, the economic crisis and ongoing blockade have rendered the credit market system highly dysfunctional and debt repayment virtually impossible for many who borrow. A common topic amongst respondents to interviews was repercussions of non-payment, both financial and social.

Both formal and informal creditors seem to offer credit at an increased rate, either transparently in the form of interest for some non-Islamic banks, or by artificially raising the price of items bought on credit as a form of interest for those who lacked liquidity at time of purchase. Key informants estimated that traders bumped up prices 5-10% if bought on credit, and for larger items or ceremonies such as weddings this could be as much as 30-40% more than the cash price. This of course further prolongs repayment time and increases likelihood of non-repayment.

Non-repayment has a slow trickle up as well, as households devoid of income borrow from shops, who borrow from wholesalers, who borrow from banks or salaried workers who also borrow from banks. This market behaviour is symptomatic of an economy in apparent freefall – indeed, there stood a national deficit of USD 1.14 billion in 2017 across the whole of Palestine which the World Bank dubbed ‘a Gaza story’.<sup>27</sup> 400 million ILS/109,180,000 USD of Gazan cheques bounced in 2017 alone.<sup>28</sup>

Respondents talked of being pressured to deplete savings, sell assets such as jewellery or even land, and

traders of selling their shops in order to avoid the ultimate repercussion of non-repayment – the criminal justice system. Gaza still operates a system of debtors' prisons which, because of economic decline and the subsequent malfunctioning credit market system, are seemingly overflowing. Last year more than 42,000 people were arrested over failing to pay their debts in Gaza.<sup>29</sup> Interviews found that issues of non-repayment would be exacerbated in a potential crisis, as infrastructure damage and potential movement restrictions may well limit people's ability to draw salaries, or repay to traders. Most credit suppliers, however, said they would be lenient to those affected by crisis and so would simply prolong the repayment time.

There are obvious psychological implications of accumulating and being unable to repay debt. Households spoke of SGBV cases and domestic violence which was directly linked to inability to repay debts. A UN Women report highlighted the link between lack of economic opportunities, accumulating debts and SGBV in 2017.<sup>30</sup> Disturbingly, despite suicide being rare in Gaza, respondents cited suicidal tendencies amongst people who were unable to repay debts also, and anecdotal evidence suggests rates are on the rise.<sup>31</sup> Furthermore, some communities said there were cases of forced marriage where fathers would marry their daughters to men who could help pay off household debt.

Given the current desperate state of the credit market system in Gaza, it was challenging for Oxfam staff to analyse data pertaining to a future shock scenario. It was clear, however, from both creditors and credit suppliers that an influx of humanitarian aid was assumed to follow such a shock and therefore create an opportunity for an alleviation of the present liquidity squeeze.

FSL practitioners in Gaza agree that borrowing food or money to buy food is a 'severe' coping strategy<sup>32</sup> and therefore current and future programming should be mindful of indebted households and businesses or risk exacerbating food insecurity and vulnerability. Ultimately, however, given FGD feedback, anecdotal evidence<sup>33</sup> and Oxfam's own Post Distribution Monitoring (PDM) from past Cash Based Transfer (CBT) programmes in Gaza, it seems highly likely that aid provided either in-kind or via CBT in any future shock scenario would still in part go to servicing current debts eventually. Indeed, despite the potential devastating effects of a future conflict scenario, there were anticipated 'winners' and 'losers'. Some shops stand poised to profit from an influx of humanitarian aid, anticipating increased ability of customers to repay them and they in turn wholesalers. Whilst households, depending on their economic status and social networks, may borrow more and further in debt themselves or feel able to make piecemeal repayments with the arrival of humanitarian aid.



Photos: Iyad al Baba

MARKET SPECIFIC RECOMMENDATIONS: CREDIT				
Response activities or combinations of activities	Key risks and assumptions	Likely effect on the market system and target groups	Timing*	Implementation
<b>Debt sensitive FSL activities - e.g. IGAs with training on financial management or 'debt repayment for work' as part of CFW</b>	<p>Assumption that donors are willing to fund complementary debt repayment activities or increase in cash amounts based on a % of debt repayment</p> <p>Assumption of willingness of households to receive aid in this way</p> <p>Assumption project-cycle based debt relief will impact household food security and livelihoods</p>	<p>Humanitarian assistance can support households more directly to service debts more directly can support households to service debts</p> <p>Frees up liquidity amongst other market actors (small retailers, wholesalers) as cash 'trickles-up'</p>	Ongoing Response	<p>E.g. Setting aside a small % of CFW payments to be used directly to re-pay informal credit owed to local shops</p> <p>Income Generating Activities accompanied by financial management and risk training and direct support to re-pay debts over time</p>
<b>Establishment of community based debt/ financial management groups (women and men)</b>	<p>Assumes willingness to participate amongst households</p> <p>Risk would exacerbate stigma for those in debt</p>	<p>Would allow for healthier attitudes towards debt and support positive or alternative ways for households to access extra income</p> <p>Could facilitate dialogue and social cohesion</p>	Ongoing Response	<p>Working through established local actors or NGOs to convene groups to discuss, plan for and begin repaying debts</p> <p>May need to be done in conjunction with cash support from NGOs to kick-start repayments</p>
<b>Advocacy towards humanitarian actors to re-evaluate vulnerability criteria considering credit and debt/ Updating the current CSI for Gaza (2010)</b>	<p>Assumes this would improve targeting for current and future response activities</p> <p>Assumes willingness of cluster and other humanitarian actors to redefine and harmonise criteria</p> <p>Assumes agreement in cluster that current CSI needs updating</p>	<p>Supports a more holistic view of vulnerability and response options which do not harm households by further entrenching debt where possible</p> <p>Allows for contextually relevant understanding of coping strategies households are using at present</p>	Preparedness /Ongoing Response	<p>Contingent on HEA or household debt survey to understand how this affects household vulnerability</p> <p>Cluster buy-in to redefine criteria amongst key NGO actors in Gaza</p>

\* Timing (For the credit response, activities are for the present situation rather than a future scenario)

<b>MARKET SPECIFIC RECOMMENDATIONS: CREDIT</b> <i>(continued)</i>				
<b>Response activities or combinations of activities</b>	<b>Key risks and assumptions</b>	<b>Likely effect on the market system and target groups</b>	<b>Timing</b>	<b>Implementation</b>
<b>Identify response modalities in crisis and work with market actors and financial institutions to contract services</b>	Assumes a credit response in emergency  Assumes planning to accommodate awareness of the specific peculiarities of the credit market in the chosen response	Enable planned response that incorporates household and trader debt	Preparedness	Oxfam and other agencies lead the way in programming and designing projects in such a manner  MEAL plans to document learning and create evidence
<b>Advocacy to donors and humanitarian agencies: Improving social safety nets</b>	Assuming willingness and availability of funds  Assuming stability in the area	Combining/improving social safety nets and aid can work towards bringing target households up to the nationally defined deep poverty line and enable households to break the cycle of debt  Can support those currently not eligible for the PNCTP who are in need of support	Ongoing response	Implement multi-year programming and funding cycles and work with humanitarian partners and authorities to ensure a streamlined approach to aid that complements the PNCTP
<b>Advocacy towards NGOs to consider social safety nets in their programming</b>	Assumes humanitarian actors are willing to engage and have funding to do so  Assumes donors are willing to fund social safety net activities	Can foster linkages between humanitarian aid and development assistance that results in economic benefits and the development of local industry and value chains to encourage a more stable economic environment within the context of the blockade and promote political stability  Potential to use in crisis or emergency thus facilitating timeliness	Ongoing response	Advocate for NGOs to urgently increase investment in programming that complements the Palestine National Cash Transfer Programme, whether through topping up payments to existing beneficiaries or extending payments to those excluded with agreed and co-ordinated levels of payment  Ensure this work is undertaken alongside advocacy directed at the PA to fill gaps in the PNCTP.  To more systematically align humanitarian and development programming and share strategies

## SECTION 6. THE DRINKING WATER MARKET SYSTEM: MAPS, KEY FINDINGS AND RECOMMENDATIONS

Drinking water in Gaza is a complex yet critical commodity. Reliant on a rapidly depleting aquifer, most Palestinians in Gaza get drinking water from 282 wells across the Strip. However, a recent study by the Palestinian Water Authority found 96% of Gaza's available groundwater unfit for human consumption.<sup>34</sup> Following the 2014 conflict with Israel, an estimated 370,000 people were directly affected by damage to water installations, with the water supply to

the entire population either cut off or severely restricted during the hostilities.<sup>35</sup> Given that critical water infrastructure continues to be severely affected by ongoing electricity and water shortages, in the face of a potential future shock Oxfam PCMA participants deemed drinking water to be a critical market to understand for meeting survival needs. According to the PWA, 100% of households in Gaza are connected to a municipal domestic water supply via piped household networks.<sup>36</sup> However, this water is unfit for drinking. The focus of this PCMA has exclusively been on understanding the market for drinking water not domestic water, whilst taking into consideration crisis consumption patterns and potential use of domestic water for drinking as well.

The key analytical\* questions for the drinking water market were:

1. What is the capacity of the drinking water market to meet household drinking water needs and how will this be changed in a future crisis scenario?
2. What is the financial and physical ability of populations to access drinking water now and how might this change in a future crisis scenario?
3. What are the most appropriate direct and indirect preparedness and response options for the drinking water market in Gaza?

The baseline and crisis maps for the drinking water market are below:

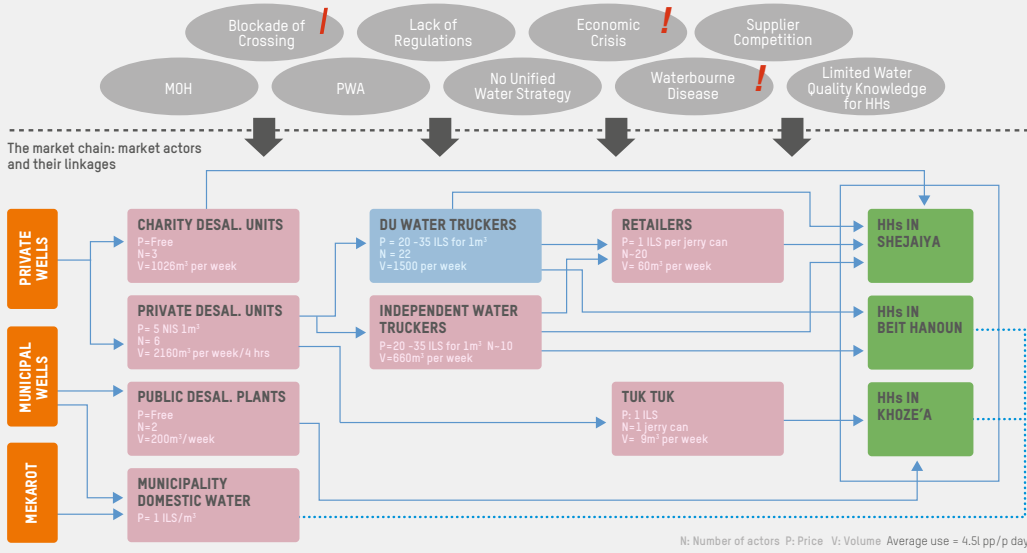


Photo: Iyad al-Baba



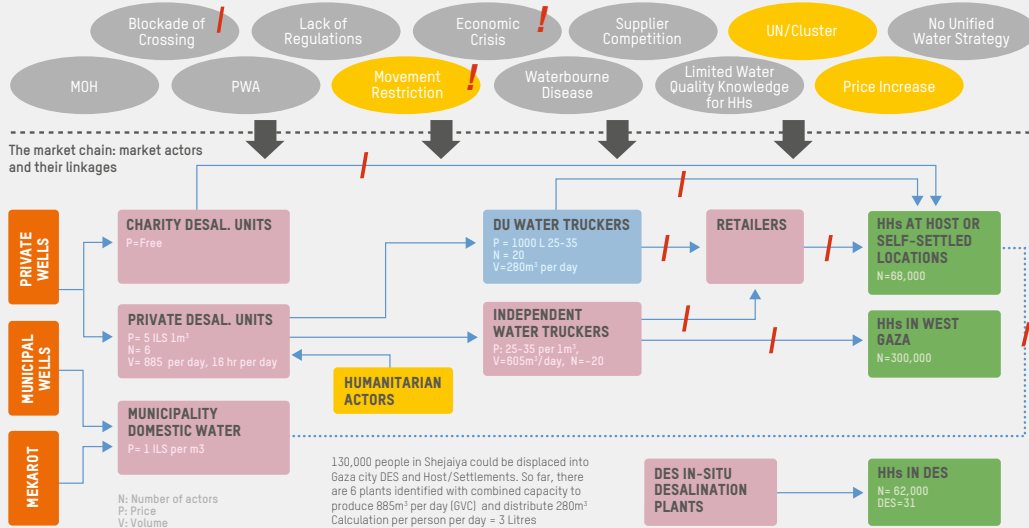
### Drinking Water Market System in Gaza Strip – Current Situation August 2018

The market environment: institutions, rules, norms and trends



### Drinking Water Market System in Gaza – Crisis Shejaiya August 2018

The market environment: institutions, rules, norms and trends



*\*It should be noted that due to the complexity of the market for drinking water in a future shock, the PCMA team only mapped the market for displaced persons in Shejaiya in the future scenario. This was based on the fact that Oxfam is the focal point for Gaza City WASH coordination, and given the larger population of Shejaiya compared to other locations.*

## QUANTITY ISSUES

The drinking water market in Gaza is overwhelmingly reliant on a multitude of desalination plants which render contaminated well and sea water potable, and a network of water truckers, who transport it from plants to homes. UNRWA has long lamented that the eventual ideal solution to Gaza's water crisis is restored water treatment facilities, however up to 70% of the required materials are classified as "dual use" by Israel and are therefore either rejected or delayed from entering Gaza.<sup>37</sup> The Gaza Reconstruction Mechanism (GRM) was designed to facilitate the movement of materials urgently needed for reconstruction following the devastation of 2014, and is increasingly being used for longer-term projects, however it is subject to the same ultimate controls as the blockade itself. WASH infrastructure items which do get clearance face long delays such as the reconstruction of the Al Muntar reservoir- critical for storing Mekorot<sup>38</sup> water which was destroyed in 2014, uploaded into the GRM system in 2015 but the reconstruction of which was not completed until 2016.<sup>39</sup> Ongoing environmental issues also mean that for water market actors there is an increasing concern around capacity as with only 4 hours of electricity guaranteed, there is an increased dependency on fuel for generators or for those plant owners who can afford it – solar energy. The latest closure of the Kerem Shalom border, compounded by funding shortages for emergency fuel, has placed further strain on the capacity of desalination plants given the subsequent price hikes and scarcity of fuel.<sup>40</sup>

Households in Gaza have on average access to 70-90 l of water per day for drinking and domestic use. PCMA data revealed household usage of around 4.5 l/p/day for drinking. No real quantity issues at present were reported in the water market from households, with the main

constraint to quantities of household-level water being around purchasing power and the economic crisis rather than insufficient supply. At all levels of the market, demand issues related to the economic crisis were cited as the main challenge, by truckers, households and key informants alike in the present situation.

For a shock scenario, all agency planning and households' assumptions point to humanitarian agencies supporting desalination plants to produce sufficient water quantity in crisis – either small-scale ones specific to each DES or private plants which will support households outside of DES. Prior to this PCMA exercise, GVC released a presentation of drinking water distribution mapping and desalination plant capacity in Gaza which covered plants that had a minimum distribution capacity of 30 m<sup>3</sup> per day, storage of 50 m<sup>3</sup> and which produce a minimum of 100 m<sup>3</sup> within an eight-hour period.<sup>41</sup> Based on this, GVC mapped capacity of 21 plants across Gaza, with the 6 within Gaza city having a production capacity range from 80-280 m<sup>3</sup> per 8 hours' pumping.<sup>42</sup>

A focused gap analysis exercise for Gaza city only, based on an assumed 130,000 people being displaced into the west from Shejaiya, suggests that for the 6 plants GVC mapped there would be sufficient ability of desalination plants to produce water, if they were able to operate for 16 hours per day. The combined capacity of these plants is 885 m<sup>3</sup> for production and 280 m<sup>3</sup> for distribution. Based on emergency standards of 3 l/p/day, the gap for Gaza city would be 219 m<sup>3</sup> only – which, given that there are a further 29 licensed desalination plants in Gaza which remain uncontracted by GVC (but which may be willing to operate in a shock based on the security situation), Oxfam PCMA teams assumed could easily be covered for this scenario.

This scenario would require 220 trips to distribute sufficient water to an influx of people – and at present truckers stated they do around 8 trips a day, meaning around 28 would be needed with a capacity of 5 m<sup>3</sup>. However, this is heavily dependent on physical access, fuel and spare parts and maintenance of water trucks.

\*Example Gap for Shejaiya displacement into W.Gaza

Population Shejaiya	130,000	Number DeSAL Plants Gaza City (assessed so far)	6
West Gaza Population	300,000	Minimum production capacity (l/day, with 16 hrs pumping) = B	885,000
Total People in DES	62,000 across 31 DES	<b>GAP (A-B) = 219,000 m<sup>3</sup> per day</b>	
Total Potential in Host Families	68,000	Need for trucks, based on 3 l/p, 5m <sup>3</sup> /journey 220.8 journeys	
Total Population in Need	68,000 IDPs + 300,000 = 368,000		
Total Need (l/day) = A	1,104,000		

## QUALITY ISSUES

A joint Oxfam report in 2015 found that 57% of the tanked water in the Gaza Strip is contaminated, either due to the fact that it was already contaminated at the plant, or was contaminated inside the tanks on the water trucks.<sup>43</sup> This, combined with poor water storage, meant that 68% of water reaching homes for drinking was contaminated either via production, transport or storage.<sup>44</sup> Despite this, however, household perceptions of quality remain high – with PCMA households and key informants mostly feeling water quality was good as it was chlorinated. Those who said it wasn't good complained of salinity or that there wasn't sufficient information available to determine if water was of good quality. Indeed, 93% of households across Gaza had 'some knowledge of safe drinking water resources' according to a UNICEF study.<sup>45</sup>

It seems that in the drinking water market regulatory issues remain a challenge, as independent water truckers are not monitored with the level of stringency required by the PWA. Indeed, the fragmented regulatory environment in Gaza was identified by an Oxfam water market assessment in 2013 as impacting water quality, and it seems it continues to do so.<sup>46</sup> Even though the PWA is the main regulatory body across Palestine, the CMWU has the responsibility for delivering, regulating and monitoring water services throughout Gaza. Key informants recognised that this ability has been hampered both by the ongoing economic crisis and political divide between Ramallah and Gaza, as there are governance challenges and a lack of a unified water strategy. In addition, households reported health issues amongst children related to drinking poor quality water at present. According to the World Health Organisation, water-related diseases are the main cause of child morbidity in Gaza and are estimated to account for a quarter of all illnesses.<sup>47</sup> In a future shock scenario, the main challenges around water quality related to storage – for households outside of DES who may struggle to access jerrycans and tanks, and for those in informal settlements who may be particularly vulnerable if they cannot share with host families.

## ACCESS CONSTRAINTS

At present, there are significant access barriers for target populations for drinking water. Water trucking is still the primary source of drinking water for the majority of people in Gaza, with a UNICEF survey finding 85% of a representative sample of the population relying on desalinated water from trucks.<sup>48</sup> PCMA data showed the same for Beit Hanoun and Shejaiya, where households accessed water via commercial truckers who had contracts with individual private desalination plants or independent truckers who filled at a selection of plants. Households in Khuza'a mostly access water via two

public desalination plants (Al Khazan Al Garby and Al Bldeia) owned by CMWU, and using their own means to collect and transport (vehicles, donkey cart) or paying one small tuk-tuk.

Respondents paying for water who were interviewed under this study on average spent between 6-10% of their income on water but there were still issues reported in communities of households unable to pay and requested for credit from shops or water truckers. Whilst accessing credit is evidence of household coping mechanisms, it is also an assumed tactic on behalf of truckers to attract business in an increasingly competitive market.

Truckers Oxfam spoke to mentioned most payments being cash still, but allowing some credit too due to the economic situation. A recent NRC study found similar findings, that for those relying on trucked water it was around 20-30 times more expensive than piped water.<sup>49</sup> Given the economic situation in Gaza, the decrease in real wages and increasing unemployment, it seems the squeeze is being felt for the drinking water market also. Households consistently cited the lack of money to buy water as one of the main challenges they currently faced and many said they would be forced to drink the municipal domestic water if they were unable to continue to pay for the trucked water in the present situation. At present, it is estimated that around 18% of households in Gaza use domestic water as an alternative source of drinking water.<sup>50</sup> This is a dangerous coping mechanism though as the piped water households receive is unfit for human consumption, as it is mixed with groundwater containing high levels of nitrates and chlorides.<sup>51</sup> However, present electricity shortages mean people rarely have domestic water for more than a few hours per day, and during previous conflicts the Israeli National Water Company (Mekorot) has been known to close off the supply of water to Gaza. Hence, if there was an outbreak of conflict, households could not even rely on piped water for domestic use or to drink as a last resort.

Water prices along the chain are pushed up by the price of trucking, as desalination plants Oxfam spoke to on average could produce water and sell for 5 ILS/1.4 USD per 1 m<sup>3</sup>. Yet prices for households were 20-35 ILS/5.5-10 USD per 1 m<sup>3</sup> depending on location. This price hike is related to the high costs of fuel, spare parts and salaries for the commercial water truckers as well as profit margins for independent truckers. Water truckers themselves spoke of the challenges in accessing fuel and spare parts, as well as the increase in the number of water truckers in some areas which spread customers thinly and increased competition. Given high prices and the reduction in household purchasing power, many consumers were buying water in smaller, more expensive

quantities instead of benefitting from the economies of scale in buying 1 m<sup>3</sup> at a time. Financial access in a future shock was expected to not be a problem for almost all respondents, in anticipation that NGOs and the UN would provide water for free in an emergency as in 2014. However, the GVC study anticipates a doubling of water prices in an emergency situation to 10 ILS/2.8 USD per 1 m<sup>3</sup>,<sup>52</sup> costs that will impact households not receiving free water, particularly those hosting IDPs.

It was assumed that in a crisis water would become more expensive to treat and transport; however, the brunt of these costs would be borne by humanitarian actors paying desalination plants directly and not households in the DES. However, current funding restrictions may bring this into question. It should be noted that FGDs mentioned that potential host families would have to bear the extra cost of supporting IDPs drinking water needs as well and may not be considered for assistance based on past experience.

As well as financial access constraints, physical access is a defining factor in this market given its high continued dependence on water trucking. It should be noted that, as with the credit market, the 'baseline' situation for drinking water is also abnormal in this regard as such a high percentage of the population continuing to rely on trucked water is not normal. At present, most household respondents were able to physically access water trucks, shops or wells – with most citing sons or household heads as primarily responsible for water collection. Most households in addition had access to household tanks (capacity 200 m<sup>3</sup>) and jerrycans and almost everyone had access to piped domestic water. In a crisis scenario however, given the high dependency of the drinking water market on water trucking, there were concerns

raised across the chain about how trucks would access households. During non-ceasefire times during the 2014 hostilities there was an overall reduction in the number of private water truckers to many areas due to safety issues and water trucking efforts by the authorities were hampered by a lack of available trucks also.<sup>53</sup>

As outlined above, desalination plants seem to have the capacity to expand in a crisis should large numbers of IDPs move into the west of Gaza. However, should Gaza be divided into sections, or roads and key infrastructure be destroyed, for those outside of the DES it is unclear how far trucks could reach or households could safely walk to access community water points during ceasefires. All truckers Oxfam spoke to were worried about restricted movement and safe passage, as well as inability to access fuel in this instance. It is also a highly risky role in the onset of external conflict as, even with ceasefires, water truckers put their lives at risk in delivering.<sup>54</sup> This could prove to be a bottleneck in the drinking water market in the future if water is simply not able to reach households. Furthermore, Oxfam's work on gender in Gaza suggests that women having a key role in household water quality,<sup>55</sup> yet if displaced outside of DES, women (especially female headed households) could find themselves disadvantaged when accessing community water storage facilities if men and boys are given priority via community or intra-household distribution practices. Lack of access to drinking water already disproportionately impacts women and girls who disproportionately take on unpaid care work and future barriers to access or unequal distribution will undoubtedly add additional time to these tasks, which could eventually restrict women's ability to work post-crisis in an already hostile labour market and increase household vulnerability.<sup>56</sup>

<b>MARKET SPECIFIC RECOMMENDATIONS: DRINKING WATER</b>				
<b>Response activities or combinations of activities</b>	<b>Key risks and assumptions</b>	<b>Likely effect on the market system and target groups</b>	<b>Timing</b>	<b>Implementation</b>
<b>Water Trucker survey across key areas of future displacement and potential establishment of framework agreements</b>	<p>Challenges with Local authorities</p> <p>Risk that private vendors will not expand their business because of the security situation</p> <p>The security situation deteriorates and the DP sites become inaccessible. Could limit ongoing implementation and movement of the vendors</p> <p>Displacement does not occur as presumed</p>	<p>Can support future water distribution and ensure timely delivery of drinking water</p> <p>Can encourage competition and prevent monopolistic behaviour in water delivery in a crisis</p>	Preparedness	<p>Oxfam to coordinate with local authorities before starting of the survey</p> <p>Mapping of key displacement trends and location of DPs in relation to locations</p> <p>Monitor monthly the HH expenditures on water for drinking water (and domestic water in addition)</p> <p>Private and public vendors to be selected based on their previous commitment.</p> <p>Training and capacity building should be conducted to support the private and public vendors in applying the business plans.</p> <p>Community engagement and awareness at HH level – to ensure they understand which water truckers/desal units have been checked/verified (quality control measures) and comprehension of performance indicators to be monitored</p>
<b>Advocacy at the national level on enforcing the role of regulating the drinking water market</b>	There is a risk that internal Palestinian divisions could worsen, thereby delaying the recovery efforts in Gaza	Better quality water is delivered to affected households both now and in crisis	Preparedness	Continue to monitor, raise awareness of the importance of regulation of the water sector, and advocate with relevant authorities.

<b>MARKET SPECIFIC RECOMMENDATIONS: DRINKING WATER</b> <i>(continued)</i>				
<b>Response activities or combinations of activities</b>	<b>Key risks and assumptions</b>	<b>Likely effect on the market system and target groups</b>	<b>Timing</b>	<b>Implementation</b>
<b>Fuel or spare parts vouchers for water truckers</b>	<p>Risk that truckers or vendors are unwilling to engage</p> <p>Assumption that coordination structure works in an emergency and NGOs can negotiate for fuel to be available for humanitarian purposes</p> <p>Risk of lack of fuel or spare parts in the local market in a crisis, and difficulty importing due to items being classified by Israel as 'dual use'</p> <p>Risk of voucher misuse</p> <p>Risk of fuel and spare parts vendors raising prices in an emergency</p>	<p>Can support future water distribution and ensure timely delivery of drinking water to affected populations</p> <p>Does no harm to water trucker role in market, means they do not risk going out of business if fuel or spare parts become expensive or difficult to access in times of crisis</p>	First Phase Response	<p>Based on the Water Trucker survey, identify the needed quantity of fuel or spare parts for each trip</p> <p>Put contracts in place with selected fuel stations/garages in Gaza</p> <p>Agree on a suitable voucher modality with public and private truckers.</p> <p>Agree with water truckers a pragmatic and practical way of measuring their performance and customer satisfaction</p> <p>Conduct awareness sessions to orient all parties regarding the scheme and operational aspects in an emergency</p>
<b>Spare part support for desalination units and wells</b>	<p>Risk of limited access to equipment, spare parts and materials required which could lead to a delay in operations and affect the delivery of safe drinking water to target households</p> <p>Assumes sufficient access to fuel for generators and electricity supply at 4 hr/day</p>	<p>Supports desalination plant capacity and allows existing market actors to respond</p>	First Phase / Preparedness	<p>Rapid market assessment for spare parts</p> <p>Coordinated access with related logistical bodies and through the Gaza reconstruction mechanism (GRM) for additional parts as well as special channels of coordination with PWA</p> <p>Agencies either to give in-kind or restricted cash for spare part purchase depending on availability</p>
<b>Support to desalination plants to find sustainable modes of energy supply (solar etc.)</b>	<p>Risk of poor solar energy coordination amongst humanitarian actors</p> <p>Risk that local materials to support sustainable energy are not available locally or are blocked from crossing Kerem Shalom</p> <p>Assumption of sufficient land/space at desalination plants to support solar panels</p>	<p>Supports desalination plant capacity and allows existing market actors to respond</p> <p>Supports sustainability beyond donor project cycles</p>	Preparedness	<p>Formulate a solar system task force under WASH cluster</p> <p>Desk review of existing data</p> <p>Baseline mapping for the DPs that already have solar energy systems in the Gaza Strip</p> <p>Comprehensive study for using solar energy for the operation of DP in the Gaza Strip, including gaps and needs definition, recommendations for future energy projects and costings</p> <p>Standardised technical guidelines booklet/manual for the installation (BOQ and design) and operation/maintenance of solar energy systems in DP in the Gaza Strip</p>

## SECTION 7. THE MATTRESS MARKET SYSTEM: MAPS, KEY FINDINGS AND RECOMMENDATIONS

As part of the review of the 2014 shelter response, shelter actors in Gaza identified challenges in responding to the scale of the displacement. It was acknowledged that procurement of NFIs outside of Gaza was needed, as quantities within the coastal enclave were insufficient.<sup>57</sup> Mattresses were a priority item, alongside blankets and mats, with agency evaluations reporting that women in particular had noted insufficient mattresses in emergency shelters in 2014

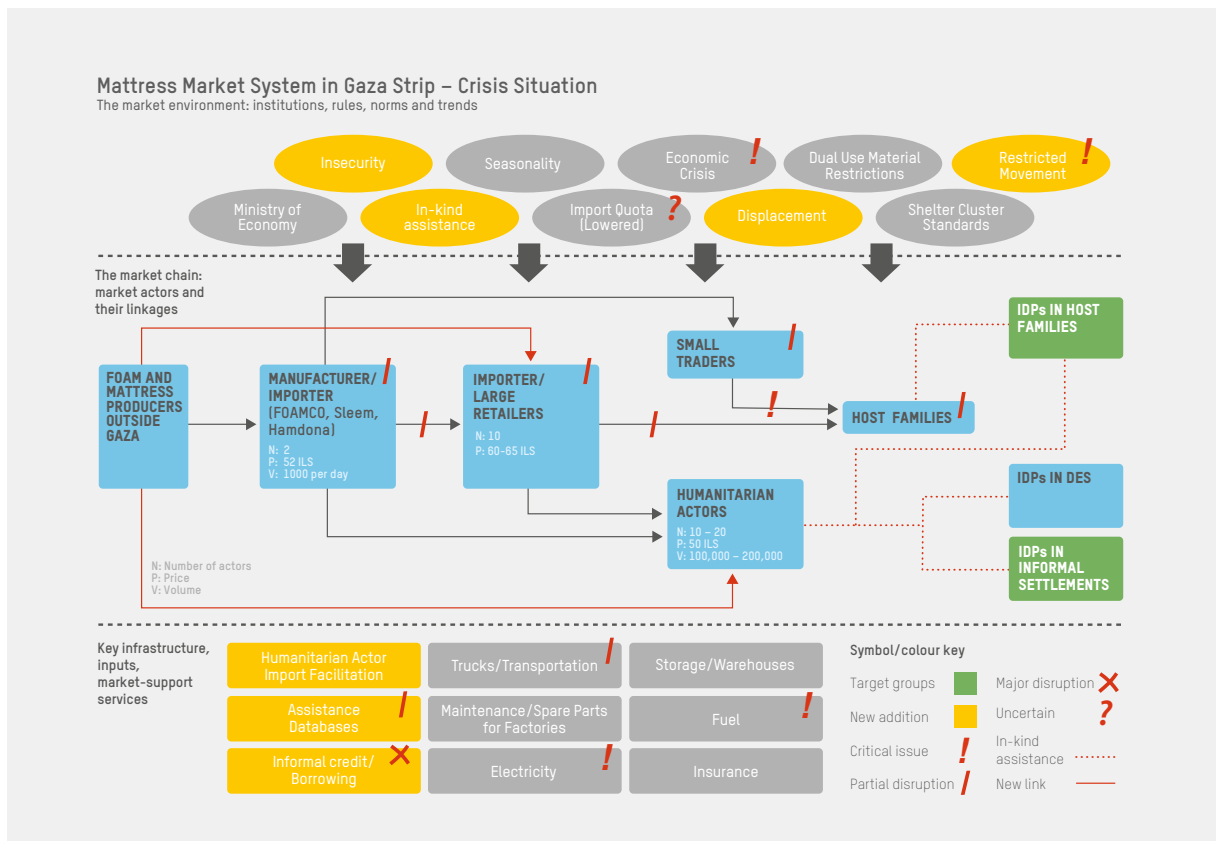
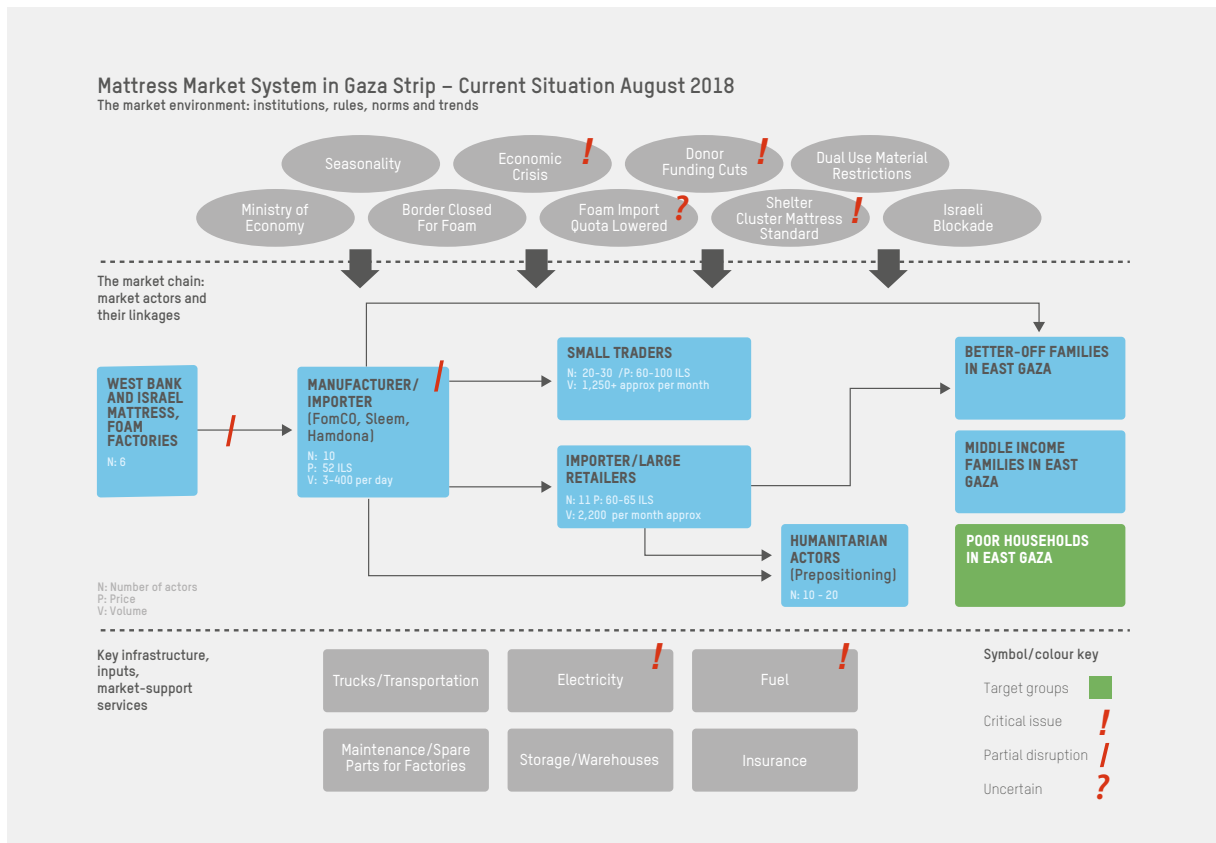
and were sleeping on the floor or cardboard boxes in some cases.<sup>58</sup> UNRWA distributed 223,263 blankets, 63,340 mattresses and 89,649 mats in total during the emergency phase in summer 2014 and ICRC/Palestinian Red Crescent an additional 100,000 mattresses.<sup>59</sup> However, the 2014 conflict took place in the height of summer and depending on the season of a future crisis the need for bedding items could be much higher, given that many people used blankets to sleep on during the summer months. Reasonable efforts have been put into mattress repositioning by Gaza shelter actors since the 2014 hostilities. However, the market for mattresses has suffered increasingly under the ongoing economic crisis. The PCMA team, in consultation with the Gaza Shelter Cluster, focused on mattresses with covers and the following dimensions: 7-9 cm thick, 75x185 cm, pressure 22-27.

The key analytical questions for the mattress market were:

1. What is the capacity of the mattress market in Gaza to meet needs both now and in a future conflict scenario?
2. What are appropriate preparedness and response options (both direct and indirect) for the mattress market?

The baseline and crisis maps for the mattress market are below:







Key findings for the mattress market are outlined below:

### LOW HOUSEHOLD PURCHASING POWER AND DECLINING DEMAND

As the economic situation deteriorates, households are forced to prioritise household spending and mattresses were repeatedly cited as non-critical items in FGDs. All the traders that Oxfam spoke with noted spending patterns changing under the economic crisis, as people prioritised essential items such as food, water and medicine over a mattress. Even though mattresses are critical both now and in an emergency displacement situation, all but the wealthiest Palestinians in Gaza seemed to be now deeming as these too 'luxury' to be purchasing them. Some household respondents had chosen not to purchase a new mattress for 30 years, whilst others said that rather than buy new ones every 3 or so years (the average repurchasing period), they washed their current ones and re-used them. Some women in Shejaiya and Beit Hanoun also spoke of making their own mattresses from wool and polyester with a covering. A 2016 OCHA report further claimed that on average IDPs had moved 2.4 times since the 2014 hostilities.<sup>60</sup> Families Oxfam spoke to said they do not re-buy in the case of repeated unplanned displacement, as mattresses were bulky to transport but they might consider taking lighter blankets.

This decline in demand is directly linked to the declining economic situation outlined above in Sections 4 and 5, whereby household finances can barely cover basic needs let alone non-consumable NFI items like mattresses. At 60-65 ILS/16-18 USD per mattress in urban areas and up to 90 ILS/24.5 USD in areas further from Gaza city, for households Oxfam spoke to whose average income was around 400 ILS/109 USD per month this represents approximately 15% of monthly income, maybe up to 23%. Furthermore, PCBS Cost of Living data showed a decline in average household expenditure on household commodities from 2011-2017, with 20 ILS/5.4 USD spent per capita per month (112 ILS/31 USD per HH) on all 'household supplies' for Gaza populations.<sup>61</sup> Therefore, data suggests that only a small section of the population, mostly the better off, are now purchasing mattresses in the current economic climate.

### IMPORT RESTRICTIONS AND DECREASED LOCAL CAPACITY

A significant issue in the mattress market in Gaza is the inability of manufacturers to produce foam locally, given the restrictions under the 'Dual Use' policy of Israel. Chemicals such as Toluene Diisocyanate needed to produce mattress foam are classified by Israel as 'Dual Use' and are therefore heavily controlled, as Israel asserts they may also have a military application.<sup>62</sup> Whereas mattress retailers told Oxfam staff that

previously they had been able to buy locally-produced mattresses, now foam must be imported in bulk from Israel and the West Bank and the role of manufacturers is limited to cutting and covering the foam blocks. Furthermore, manufacturers who spoke to Oxfam expressed a concern that Israel was in fact limiting the amount of foam which was even eligible to be imported into Gaza, due to the system of worldwide quotas for foam production and the fact that Israel's allowable quota includes the OPTI.<sup>63</sup>

The Israeli imposed import restrictions, as well as additional restrictions on fuel crossing the Kerem Shalom border in August 2018 have also inhibited any current local mattress production- and thus expansion in Gaza should demand increase. Producing mattresses in normal times or at scale in Gaza now depends on fuel for generators to cut mattresses for more than the allotted 4 hours of electricity per day. All manufacturers quoted fuel as a key challenge in their business; however, in mid-July 2018 the crossing was closed for fuel for almost a week which caused price spikes and depletion of stockpiles,<sup>64</sup> followed by a subsequent prohibition of fuel since August 2, 2018.

At present, demand is so depressed, however, that the sole viable manufacturer produces no more than 3-400 mattresses per day and does not need more than 4 hours of electricity for this, as he isn't selling enough stock to warrant using a generator for additional production. However, should demand increase, access to sufficient fuel for producing more than 1000 per day would be a significant issue as the market has shrunk so much that a sole viable manufacturer now exists who can produce at scale. Retailers and manufacturers alike expressed worry that they might eventually all go out of business – which is not without reason, as since the beginning of the blockade estimates are that 90% of factories across all of Gaza have been forced to close.<sup>65</sup> Key informants provided information for up to ten mattress manufacturers in the Gaza Strip, but Oxfam found only two had been in business in recent months. One was barely in business, however, so only one viable manufacturer was deemed to exist under this PCMA.

The two mattress manufacturers who were still in business expressed a desire to work with humanitarian agencies to support affected populations in the face of a future shock. However, this could only be achieved with advocacy support from these agencies to leverage permission to bring in sufficient foam from Israel via the Kerem Shalom crossing. Should agencies need to scale up quickly, it is unlikely that locally produced mattresses (foam cut and covered in Gaza) would be a viable option given that current market actors do not have capacity to meet full demand, unless they had sufficient lead time to stock and support to import foam and fuel for additional production.



It should be noted that, given the current cost of labour in Gaza compared to Israel, it would likely be a lot cheaper to produce mattresses this way. Gaza is yet to approve a minimum wage, but the minimum wage in Israel at 245 ILS/67 USD per day<sup>66</sup> is almost 4 times the current average wage in Gaza of 62.6 ILS/17 USD.<sup>67</sup>

#### POTENTIAL GAP IN HUMANITARIAN ASSISTANCE

Households overwhelmingly stated an expectation to receive mattresses and other NFIs from humanitarian agencies in the event of future external conflict, rather than either travel with mattresses they currently used or buy new ones in displacement. Some households said they might consider carrying lighter items such as blankets. Concern was expressed based on experience that for IDPs to return home to collect critical items such as blankets and mattresses during active conflict was highly risky and something to avoid. It was assumed the only people who would buy mattresses in this scenario would be potential host families as the preference amongst focus groups was to borrow mattresses from host families. However, those who had hosted in the past talked of having 'contingency' items such as mattresses to support future IDPs or being able to borrow from others in the community first, before attempting to purchase new mattresses.

It is assumed UNRWA has resources to cover at least 100,000 individuals in the 50 prepared UNRWA managed DES. The PA have also responsibility for 20 schools at present and would potentially receive mattresses for up to 40,000 people via other humanitarian actors. The PCMA focus is therefore on the large number of households in potential need of mattresses outside of DES in a future conflict scenario. The present reduction of mattress manufacturers and importers due to the ongoing economic crisis (to essentially one sole manufacturer now) would challenge humanitarian agencies wanting to deliver mattresses to the estimated 460,000 people who could be living in private accommodation outside of DES. For expediency's sake and to meet critical needs they may choose to circumvent local market actors in procuring from suppliers in Israel and the West Bank. This situation risks damaging the local mattress market even further and potentially rendering current suppliers unable to operate if an influx of imported mattresses suppresses demand sufficiently. Interviews indicate market actors do appear to have capacity to respond to a portion of demand, but may well be overwhelmed should humanitarian agencies either place large orders in quick succession or distribute cash for NFIs. Indeed, the sole viable manufacturer cited being able to increase capacity more than 100%. The huge numbers of mattresses

distributed by ICRC in 2014 (see above) were predominantly purchased via five suppliers from factories in Ashkelon, Ramallah and Hebron and Gaza (2) – but it was felt that different suppliers have different problems and essentially, they were unable to solely rely on Gaza manufacturers due to constraints around lack of raw materials and electricity. This will almost certainly be the case in a future shock scenario, as the economic conditions in Gaza have significantly deteriorated since 2014 with the possibility that Gaza manufacturers this time are completely circumvented, if there even are any with whom agencies could work.

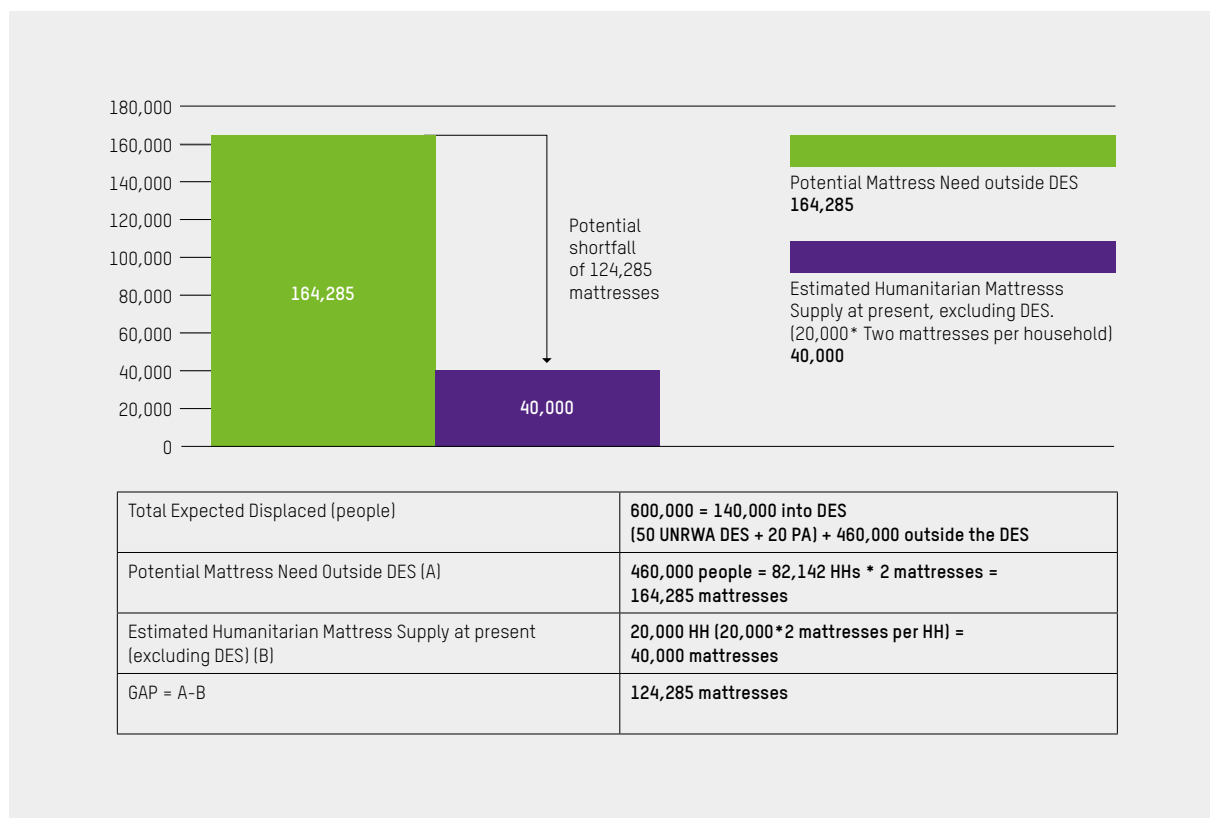
The estimated gap for the mattress market is estimated to be around 124,000 mattresses (see Figure 4 below) in this instance, and it is unlikely the few mattress manufacturers in Gaza could increase capacity to meet this demand in total.

Agencies such as CRS, Mercy Corps, the Palestinian Red Crescent and ICRC are all expected to either distribute mattresses in-kind or give cash or vouchers for NFIs including mattresses in the event of a future crisis, and some have long term agreements with local mattress suppliers.<sup>68</sup> Interviews with a selection of these agencies suggest that this could cover approximately 20,000 HHs

at least during the first phase of an emergency at present. However, as some of this is cash assistance there is a high possibility people may choose to purchase other items instead of a mattress. The shelter cluster standard is 2 mattresses per household of 6 in the first phase of an emergency and 4 mattresses in the second/ recovery phase.

Given a current maximum production capacity of up to 1000 per day/26,000 per month (based on a 6-day working week), for the one viable local manufacturer it would take almost 5 months to produce this number of covered mattresses under current circumstances of 4 hours of electricity per day. The main mattress manufacturer Oxfam interviewed stated this capacity could even reduce significantly in conflict, if borders closed and foam and fuel became less available. Furthermore, his factory is located in North Gaza (Beit Hanoun) – a location considered at high risk of physical damage in the future scenario. However, with a combination of planned prepositioning and support to the mattress market from humanitarian actors there is capacity and willingness within the mattress supply chain to meet an increase in demand in a future crisis which should not be ignored.

**FIGURE 4: THE POTENTIAL GAP IN THE MATTRESS MARKET**



<b>MARKET SPECIFIC RECOMMENDATIONS: MATTRESSES</b>				
<b>Response activities or combinations of activities</b>	<b>Key risks and assumptions</b>	<b>Likely effect on the market system and target groups</b>	<b>Timing</b>	<b>Implementation</b>
<p><b>Combining any direct mattress response with support to local markets at same time – cash/ vouchers/in-kind mattresses for households AND grants for mattress traders, fuel vouchers, transport support etc.</b></p>	<p>Assumption that if given sufficient capital, storage and support that there is capacity in the mattress market to deliver part of the mattress quantity needed in a first phase response</p> <p>Willingness of traders to scale up</p> <p>Assumption households will use cash or vouchers to buy mattresses</p> <p>More cost effective and easy to work with local actors employing wage labour</p>	<p>Market system is not circumvented in an emergency response</p> <p>Market actors supported to scale up within reason and deliver within short timeframes</p> <p>Households access mattresses via local markets – do no harm approach</p>	First Phase	<p>Identify key needs for mattress retailers as part of a rapid needs assessment and offer in-direct support (in-kind or cash) to these actors to support local production</p> <p>Simultaneously provide cash or vouchers to affected populations for mattresses</p>
<p><b>Humanitarian Shelter actors to:</b></p> <p><b>1.Undertake joint rapid trader survey</b></p> <p><b>2.Support advocacy for materials to be imported</b></p>	<p>Assumes the sole viable mattress manufacturer is still in operation at time of crisis</p> <p>Assumes humanitarian actors willing to coordinate and work with local actors</p> <p>Assumes willingness of Israeli government to increase quotas for foam</p>	<p>Allows traders to be considered in delivery of assistance and deliver aid via local mechanisms ignoring the market</p> <p>Current actors can use profit to invest and can reinvigorate the local market potentially</p> <p>Coordination of contracts with multiple suppliers improved – suppliers not overwhelmed.</p>	First Phase/ Preparedness	<p>Rapid trader survey of sample of mattress suppliers (including one large manufacturer) in first phase</p> <p>Shelter Cluster Coordination to ensure no overlapping of contracting and NGO support to local actors who need to import extra foam or mattresses</p>
<p><b>Pre-identify mattress/ NFI suppliers with capacity in crisis and offer support for storage/prepositioning or inputs and stocking via small traders</b></p>	<p>Risk of little interest to preposition as mattress stock can be a fire hazard</p> <p>Risk that funding cuts would restrict capacity to preposition</p> <p>Assumption that support now will mean actors are able to respond in time of crisis</p>	<p>Allows for potential stocking of mattresses at local retailers/ outlets beyond DES and in multiple areas which could be accessible in a future crisis if movement restrictions are in place</p> <p>Enables Shelter Cluster to understand market dynamics and humanitarian agency behaviour in crisis scenario</p>	Preparedness	<p>Mapping of key small traders willing to preposition small amounts</p> <p>Grants to manufacturers and agreements with traders to purchase certain amounts for stocking</p> <p>Small traders could receive incentives such as free storage for other items to act as distributors in times of crisis</p>

## SECTION 8. MONITORING AND UPDATING THE RESULTS

Ongoing monitoring of basic indicators for all three critical market systems aims at identifying any major

changes in how the market functions going forwards that might have implications for programming. This is important as markets in their essence are dynamic and complex, so identifying how they behave beyond the timeframe of the PCMA data collection will ensure the results of this PCMA are still relevant for any future response.

Oxfam has an established network of local partners in Gaza and will incorporate PCMA monitoring into its regular MEAL activities in collaboration with local NGOs. Oxfam also plans to compliment PCMA indicators with a Vulnerability and Risk Assessment in September 2018 to enhance analysis of indicators with a more holistic understanding of root causes. Indicators will also be checked against established monitoring mechanisms in Gaza, such as the HCT Early Warning Indicators or ongoing price monitoring at the Cluster level or through other coordination fora. It should not duplicate but complement existing monitoring. The suggested indicators to monitor for this PCMA exercise are as follows:

	Indicators	Survey Type	Frequency
<b>MATTRESS MARKET</b>	1. Amount of foam available / coming across border	1x Mattress Retailer phone survey	5 traders once every month
	2. Capacity of mattress manufacturers / monthly production		
	3. Number of actors		
	Indicators	Survey Type	Frequency
<b>CREDIT MARKET</b>	1. Household debt and access to credit	Household Interviews	Monthly – amongst non-WFP beneficiaries for comparability
	2. Borrowing as a coping strategy	Household Interviews	Every 3 months
	3. Trader credit levels, number of creditors, monthly increase or decrease, access to credit themselves	Trader Survey	Every month
	Indicators	Survey Type	Frequency
<b>DRINKING WATER MARKET</b>	1. Desalination Plant Capacity – for non GVC mapped plants Number of truckers contracted by plants	DP Survey	Ongoing – yearly full update of list
	2. Water Trucking Capacity: - Price of fuel - Purchase sale price of water from desal unit to water trucker, - Sale price of water from water trucker to HH, - % of HH expenditure spent on water per month - Changes in challenges and constraints	Water Trucker Survey	Monthly – 5 water truckers across various locations, both independent and commercial.

The results of this PCMA and market maps should be updated under 2 circumstances:

- 1) If the foreseen shock scenario occurs and displacement begins
- 2) If there is a dramatic shift in the context outside of the data collected via the market monitoring ( e.g. climatic change, natural disaster, further economic shock etc).

The objective is to verify the anticipated impacts of the shock on the critical markets and update response recommendations accordingly. Any needs assessments relating to drinking water and credit or mattresses in the first phase or second phase of a future response in Gaza should seek to interview actors across the market chain. Oxfam’s Technical Teams are willing to provide input to any future endeavours by agencies to map or understand these or other critical markets in OPTI.

## NOTES

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- <sup>29</sup> ibid
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- <sup>66</sup> <https://www.btl.gov.il/English%20Homepage/Mediniyut/GeneralInformation/Pages/MinimumWage.aspx>
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- <sup>68</sup> Recent significant cuts to UNRWA funding, since the PCMA data collection, may inhibit the capacity of agencies reliant on USAID funds to preposition stocks or put framework agreements in place however.



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