



## Governing Body

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**Policy Development Section**  
*Development Cooperation Segment*

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### FOURTH ITEM ON THE AGENDA

## Enhanced programme of development cooperation for the occupied Arab territories

#### Purpose of the document

This document reports on progress made and planned ILO interventions within the context of the programme of development cooperation for the occupied Arab territories. It highlights ongoing ILO initiatives addressing the situation of workers and key challenges.

The Governing Body is invited to take note of: (a) the critical and deteriorating situation of Palestinian workers and support the ILO in further promoting the Decent Work Agenda and social justice in the occupied Arab territories; (b) the achievements made since the last reporting period; and (c) the need for extended and diversified partnerships to support the full implementation of the second Palestinian Decent Work Programme.

**Relevant strategic objective:** Not applicable.

**Main relevant outcome/cross-cutting policy drive:** Not applicable.

**Policy implications:** None.

**Legal implications:** None.

**Financial implications:** None.

**Follow-up action required:** None.

**Author unit:** ILO Regional Office for the Arab States (RO–Arab States).

**Related documents:** ILO: *The situation of workers of the occupied Arab territories*, Report of the Director-General, Appendix, International Labour Conference, 107th Session, Geneva, 2018.



## I. Background

1. This document reports on progress made and planned ILO interventions within the context of the programme of development cooperation for the occupied Arab territories. It covers the ILO's work in the Occupied Palestinian Territory (OPT) under the first Palestinian Decent Work Programme (DWP) 2013–16, extended until the end of 2017, and the second Palestinian DWP 2018–22, signed in April 2018, both implemented in partnership with government institutions and social partners. It highlights ILO initiatives addressing the situation of workers and key challenges since the last reporting period.
2. The period under review has been characterized by increasingly entrenched occupation, a stalled peace process, continued settlement expansion, further deterioration of the labour market and a worsening humanitarian situation in Gaza. The blockade of Gaza is now in its 11th year, and the sustained restrictions on the movement of people and goods continue to impede economic growth and sustainable development in the OPT and hamper the access of Palestinians to decent work.<sup>1</sup>
3. Economic growth in the OPT slowed to 3.1 per cent in 2017 and is forecast to be only 2.5 per cent in 2018. Faltering economic growth is likely to result in a further decrease in per capita income.<sup>2</sup> Declining donor aid to the OPT has led to a projected financing gap of around US\$500 million in 2018 for the Palestinian Authority. The gap has so far been filled by new arrears and additional credit sourced from domestic banks, but despite the Palestinian Authority's proposals for a number of policy measures to increase revenues and rationalize spending, this solution is likely to be unsustainable and there is an increasing risk that domestic financing sources will become exhausted, which could have further widespread damaging consequences for the economy.<sup>3</sup>
4. The dismal economic situation and the constraints imposed by the occupation have been mirrored in the labour market. Overall unemployment in the OPT has increased to 27.4 per cent, the highest in the world.<sup>4</sup> The situation is more dramatic in Gaza, with unemployment reaching a record high of 43.6 per cent in 2017.<sup>5</sup> The acute lack of economic opportunities has resulted in growing disengagement from the labour market. Labour force participation rates are among the lowest in the world, with only 45.5 per cent of working-age Palestinians participating in the labour market.<sup>6</sup>
5. Women are particularly disadvantaged. Despite their higher education levels, only 19 per cent of women in the OPT participate in the labour market, and of those who do participate, almost half remain unemployed.<sup>7</sup> Overall female unemployment reached 47.4 per cent in 2017 (and 69 per cent in Gaza), in part as a result of most newly created jobs being in male-

<sup>1</sup> ILO: *The situation of workers of the occupied Arab territories*, Report of the Director-General, Appendix, International Labour Conference, 107th Session, 2018.

<sup>2</sup> *ibid.*

<sup>3</sup> World Bank: *Economic Monitoring Report to the Ad Hoc Liaison Committee*, 19 Mar., 2018.

<sup>4</sup> ILO: *The situation of workers of the occupied Arab territories*, 2018, *op. cit.*

<sup>5</sup> *ibid.*

<sup>6</sup> *ibid.*

<sup>7</sup> *ibid.*

dominated sectors. The occupation compounds many other obstacles and inequalities facing Palestinian women in accessing decent employment.<sup>8</sup>

6. Youth have also been hit hard by the dire circumstances in the labour market, with youth unemployment fast approaching the 50 per cent mark (and 65 per cent in Gaza). The absence of opportunities among youth triggers a feeling of disempowerment and disenfranchisement, which poses a risk of contributing to radicalization and desperation.<sup>9</sup>
7. Without a major transformation, enabled by a relaxation of external and internal constraints, the economy will not be able to create enough jobs to improve incomes. The private sector remains weak and stifled by Israeli restrictions in the West Bank and the blockade in Gaza. Public-sector employment has long reached its limits. In 2017, the public sector in Gaza was subjected to pay cuts and early retirements, causing further deterioration in the livelihoods and incomes of Gazans. The funding gap of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) is exacerbating the situation. Moreover, the reconciliation agreement signed between Fatah and Hamas in October 2017, which was meant to bring Gaza under the control of the Palestinian Authority, with expected improvements in the overall socio-economic situation, yielded few tangible results.
8. The Director-General, in *The situation of workers of the occupied Arab territories*, emphasized that the deterioration of the Palestinian labour market “should be of deep concern to all involved”. He noted that the cost of inaction was high and that youth face a particularly dire situation. The Report highlighted the need for the ILO and the international community as a whole to remain engaged in their efforts to support dialogue and reach joint solutions to bring about decent work in the occupied Arab territories.<sup>10</sup>

## II. Overall progress in programme development

9. The reporting period witnessed the end of the first Palestinian DWP and the signature of the second DWP for 2018–22, aligned with the National Policy Agenda 2017–22, the Labour Sector Strategy 2017–22 and the United Nations Development Assistance Framework (UNDAF) 2018–22 for Palestine. In the signing ceremony of the new DWP in April 2018, the ILO Director-General, Mr Guy Ryder, highlighted that the Programme represents the ILO’s commitment to continue the work it has been doing, together with its constituents, for a number of years, and reflects impressive achievements. The ILO and its constituents agreed to retain the three priority areas from the first DWP, namely employment and livelihoods, labour market governance and labour rights, and social security and social protection, while putting more emphasis on strengthening social dialogue and freedom of association.
10. The current ILO development cooperation programme consists of a portfolio of projects standing at approximately \$5.4 million<sup>11</sup> distributed among the three DWP priority areas as follows: 50 per cent of resources are allocated to social protection, followed by 29 per cent

<sup>8</sup> *ibid.*

<sup>9</sup> *ibid.*

<sup>10</sup> *ibid.*

<sup>11</sup> This figure includes extra-budgetary development cooperation (XBDC) and regular budget supplementary account (RBSA) resources.

to the promotion of international labour standards and social dialogue, and 21 per cent to employment promotion.

11. The ILO has continued to deepen, expand and diversify its partnership and resource mobilization endeavours throughout the reporting period. The Government of Kuwait maintained its support to address decent work deficit areas in the OPT through its annual contribution of \$500,000. The ILO partnered with the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) and the Food and Agriculture Organization of the United Nations (FAO) to promote women's equal access to decent work and cooperatives development, an area that is likely to receive additional support from other partners. Ongoing dialogue with the European Union and the Governments of Italy and Spain could result in additional support to the Palestinian Social Security Corporation (PSSC).
12. Since 1995, the ILO has maintained the ILO representative in Jerusalem, with four regular budget staff members and currently one development cooperation staff member, supported by the Regional Office for the Arab States.

### **III. Review of progress and achievements in key areas of work**

#### **1. Enhancing employment and livelihood opportunities for Palestinian women and men**

13. In keeping with national priorities, the ILO has continued to undertake a comprehensive programme of interventions at both the policy and downstream levels to address the employment challenge in the OPT.
14. The ILO continued to strengthen labour market analysis capacity, sustainable employment creation and labour market development in the OPT. This includes supporting the development of a national action plan on employment, in line with the OPT employment diagnostic study conducted in 2017. A tripartite technical task force was established to draft the action plan, with continuous technical support from the ILO. The task force has been formulating complementary interventions to improve labour market governance and performance, and the wider employment situation of Palestinian men and women.
15. The ILO is also supporting the Palestinian Fund for Employment and Social Protection in developing its strategic plan 2018–22 to enable it to effectively assume its role and mandate. The draft document has been discussed with the Fund and submitted to the board of directors for endorsement.
16. In October 2017, the ILO entered into a new 12-month partnership with the Palestine Economic Policy Research Institute (MAS), aimed at enhancing its capacity and that of the Palestinian Central Bureau of Statistics, to produce statistical data, forecasts and analysis needed for better planning and policy development in the fields of employment and labour. In addition, this partnership is expected to provide data and analysis in the context of the new global indicator framework for the Sustainable Development Goals (SDGs), primarily under Goal 8, but also under other Goals related to decent work.
17. Following the adoption of the Cooperative Law in November 2017, the ILO has continued to provide technical support on the new governance system for the cooperative sector; namely, by creating a detailed roadmap and proposal for the establishment of the Cooperative Works Agency, which includes developing the Agency's institutional set-up,

establishing by-laws, rules and regulations, and formulating policies. The ILO's support will help to establish the Cooperative Works Agency as a centre of regulation and promotional services for the cooperative sector. The ILO will also continue to provide technical assistance for the establishment of a General Commission for Regulating Cooperatives, an associated Training Institute and a Cooperative Fund, in line with the new Law.

18. At the downstream level, the ILO continues to foster a culture of entrepreneurship among Palestinian youth through targeted business development services and education. The ILO's support in this area has continued to expand the pool of training service providers on the Start and Improve Your Business (SIYB) and Generate Your Business (GYB) programmes in order to reach out to a larger number of young women and men interested in pursuing entrepreneurship as a career option. The Know About Business (KAB) programme also continued to be expanded to new technical colleagues in the West Bank and Gaza as part of the ILO's collaboration with the Ministry of Education and Higher Education and the Palestine for Development Foundation.

## **2. Strengthening labour governance and realizing fundamental principles and rights at work through freedom of association, strengthened collective bargaining and improved social dialogue mechanisms**

19. The period under review has witnessed a strengthening of the legislative framework on labour matters. During consultations with constituents in 2017, leading to the formulation of the second DWP, the tripartite constituents recommitted to advancing the labour law reform process, with the ILO's technical support, in order to strengthen labour market governance and enhance the regulatory framework in line with international labour standards and labour market needs. In response, the ILO is providing technical assistance to the Tripartite Committee on Labour Law Reform, including drafting a legislative paper to identify key issues to be addressed, while integrating cross-cutting issues, namely: gender equality, youth and workers with disabilities. In addition to facilitating a tripartite agreement on key reform issues, the ILO supports the process of drafting amendments to the Labour Law. To this end, the ILO organized a workshop in July 2018 to support the Palestinian General Federation of Trade Unions (PGFTU) in preparing a workers' position paper on labour law reform, bearing in mind that support in the preparation of a paper reflecting the employers' position had been provided to the Federation of Palestinian Chambers of Commerce, Industry and Agriculture (FPCCIA) in 2017.
20. The reporting period also witnessed major achievements in the drafting of the Trade Union Law through social dialogue. The ILO facilitated a bipartite meeting in February 2018 which resulted in the Ministry of Labour and the PGFTU agreeing on a first draft of the law. Building on the findings of this meeting, the ILO convened a second workshop in July 2018, with the participation of the Ministry of Labour, the PGFTU and the FPCCIA, with the aim of reaching tripartite consensus on a final draft of the Trade Union Law for submission to the Council of Ministers.
21. Within the framework of its partnership with UN Women to promote the improved access of women to the labour market by addressing labour market governance deficits, the ILO is also working with the National Committee for Women's Employment to ensure the full inclusion of women's labour rights in the Trade Union Law and in labour law reform.
22. The ILO has continued to address issues related to labour inspection and occupational safety and health, together with its tripartite partners. In January 2018, it conducted a comprehensive labour administration and inspection assessment in both the West Bank and

Gaza, which revealed a number of shortcomings, including a weak legal framework for labour inspection and occupational safety and health; a lack of adequate resources and technical skills; and the absence of a proper mechanism for reporting, recording and investigating occupational accidents and injuries.

23. In November 2017, an ILO project was launched to automate labour inspection activities and to develop an electronic database for labour inspection and occupational safety and health. The automation of processes aims to improve the efficiency and quality of inspection-related data and statistics. An action plan for further labour inspection reforms will be developed on the basis of the assessment conducted.
24. Moving forward, the ILO will continue to provide technical assistance to its tripartite constituents for their institutional development and to help them to effectively engage in strategies to improve compliance with international labour standards. ILO support to increase the knowledge and professional skills of labour inspectors will improve labour inspection services and reinforce the institutional mechanisms and capacities of the labour inspectorate.

### **3. Supporting the implementation and development of the Palestinian social security system and the extension of social protection to all**

25. The ILO continued to support the establishment of the PSSC through both direct financial support and technical backstopping, in line with ILO standards and good practices. The PSSC is responsible for the implementation and administration of the new social security system for private-sector workers and their family members, in particular the collection of contributions, the payment of benefits and the investment of funds of the new social security system. Once fully operational, the new system is expected to provide coverage to more than 80,000 private-sector workers in 2019, with the aim of reaching some 336,000 private-sector workers in the OPT by 2030.
26. With the ongoing technical assistance of the ILO, the PSSC board of directors has established relevant committees, adopted an organizational structure and established new operational headquarters in Ramallah. Following a number of study tours and peer-to-peer exchanges, organized in 2017 as part of an ILO South–South and triangular cooperation initiative for PSSC staff, to social security institutions in Algeria, Jordan and Oman, discussions are currently under way with the latter two institutions to explore the provision of further collaboration and technical support to the PSSC.
27. The ILO also continues to support the tripartite constituents in developing and reviewing rules and regulations related to the PSSC. It furthermore supports the implementation of a public awareness campaign, launched in August 2018 to promote the new scheme, and helps ensure adequate buy-in from private-sector employers and workers.
28. The ILO will also work in the coming period on improving the knowledge base, analytical capacity and sex-disaggregated statistics for the delivery of social protection; and on supporting the progressive implementation of the National Social Protection Floor by undertaking a number of social protection floor studies. It will also conduct an actuarial review of the Public Pension Authority to support it in strengthening its social security programmes.

## IV. Next steps

29. In light of the critical and deteriorating situation for workers and their families in Gaza and the West Bank, the Governing Body is invited to support the ILO in further promoting the Decent Work Agenda and social justice for the Palestinian people.
30. The Governing Body is also invited to take note of the significant achievements seen since the last reporting period, with tripartite consensus on, and the launch of, the second DWP in April 2018. Moreover, taking into account the Governing Body guidance at the 331st Session (October–November 2017) on the need to strengthen social dialogue, the new DWP has had a very positive start, with comprehensive rounds of consultations held among the tripartite constituents to address the employment situation of Palestinian women and men, improve labour-market governance, reform labour legislation, and roll out the new social security system for private-sector workers and their families.
31. The OPT aspires to fulfil all the SDGs by 2030, including achieving comprehensive economic independence, which would enable it to provide decent work for all (Goal 8).<sup>12</sup> The Governing Body is invited to take note of the need for extended and diversified partnerships to support the full implementation of the second DWP to promote decent work, not only as a goal in itself, but as a driver for sustainable development, continued state-building and overall social cohesion.

<sup>12</sup> Palestinian National Voluntary Review on the Implementation of the 2030 Agenda, June 2018.