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Enhanced programme of development cooperation for the occupied Arab territories

Purpose of the document

This document reports on progress made within the framework of the ILO enhanced programme of development cooperation for the occupied Arab territories and highlights the main developments and challenges in the labour market situation (see the draft decision in paragraph 33).

Relevant strategic objective: None.

Main relevant outcome: None.

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: [GB.353/POL/5](#), [GB.353/POL/5/Decision](#), [ILC.113/DG/APP](#).

► I. Background

1. This document reports on progress made within the framework of the ILO enhanced programme of development cooperation for the occupied Arab territories. It reflects the key achievements of the ILO's work under the third Decent Work Programme (DWP) for the Occupied Palestinian Territory for the period 2023–25, as well as the Office's emergency response plan, launched in November 2023, and the associated recovery programme, implementation of which began in June 2024, through additional support provided by key development partners. In addition, this document outlines the main developments and challenges observed since the previous reporting period and presents recent labour market trends in the West Bank and the Gaza Strip. The document further highlights the ILO's role within the United Nations (UN) system in advancing early recovery initiatives, as well as its broader contributions to the draft Early Recovery Action Plan for the period 2026–27, a framework aligned with the Flash Appeal for the Occupied Palestinian Territory 2025 and the United Nations Sustainable Development Cooperation Framework (UNSDCF) and jointly supported by the UN country team and the Government of the State of Palestine ¹
2. In 2025, the Palestinian labour market remains under severe strain, with stark contrasts between the West Bank and Gaza. Between the first quarters of 2023 and 2025, real GDP contracted by 29 per cent, accompanied by an 87.4 per cent collapse in employment in Gaza and a 17.1 per cent decline in employment in the West Bank. By early 2025, unemployment in the West Bank reached 31.7 per cent for men and 33.7 per cent for women. Notably, the long-standing gender gap narrowed sharply and was even reversed in 2024, largely due to the collapse of jobs in Israel, where men had previously constituted the majority of workers. By the first quarter of 2025, Palestinian employment in Israel and Israeli settlements had fallen by over 80.2 per cent, from nearly 178,000 workers before the war to only 35,300. Displaced workers increasingly turned to precarious informal activities, while wages and working hours declined sharply. ²
3. Although official labour force data for 2025 are not yet available, June 2025 estimates for Gaza indicated that unemployment remains at unprecedented levels of 80 per cent or higher, reflecting the near total collapse of the labour market. Youth unemployment, approximately 63 per cent before the war, is now likely near total, with virtually no opportunities of education, training, or early-career jobs, meaning the loss of critical years of learning and work experience for an entire generation. Some 1.9 million people – 90 per cent of the population – have been displaced, often multiple times, facing overcrowded shelters, severe shortages of food and water and near universal poverty. The education system has been devastated, with 95 per cent of schools and all universities damaged or destroyed, leaving over 650,000 children out of

¹ Pursuant to the adoption, by the International Labour Conference at its 113th Session (2025), of the Resolution on the status of Palestine in the ILO and participation rights of Palestine in ILO meetings, the Conference decided that Palestine should be invited to participate in ILO meetings as a non-member observer State. The State of Palestine subsequently informed the Director-General that the designation of "State of Palestine" should be used for Palestine in the ILO. The term "Occupied Palestinian Territory" continues to be used when referring to the geographical territory covering the West Bank, including East Jerusalem, and the Gaza Strip where the context requires. When there is a need to refer to the occupied Syrian Golan in addition to those territories, the term "occupied Arab territories" should continue to be used.

² ILO and Palestinian Central Bureau for Statistics (PCBS), *The Prolonged War in Gaza: Impacts on Employment and Livelihoods in the West Bank: Bulletin No. 6*, ILO Brief, forthcoming.

school for almost 2 years. Temporary and remote learning initiatives reached only a fraction of students and were hampered by recurrent blackouts and poor connectivity.³ The share of young people not in employment, education or training was estimated at 73.8 per cent, with 75.3 per cent among young men and 72.1 per cent among young women. Prolonged exclusion from work and learning, as seen in Gaza, is expected to lead to skills atrophy and scarring, reducing future labour market integration and risking long-term damage to potential output.⁴

4. Employers and workers in the West Bank have reported severe disruptions, with newly installed gates at village entrances often locked for hours or even days, combined with checkpoints and settler attacks, making it nearly impossible to reach workplaces. Barriers and curfews have further delayed the movement of goods, raised costs and forced customers to pay more for produce that often arrives in deteriorated condition. Projections indicate that real GDP in the West Bank will contract by 3.8 per cent in 2025, while labour force participation is expected to fall by 1.5 percentage points for men and 1.9 percentage points for women in comparison with 2024. At the same time, unemployment in the West Bank is projected to reach 38.5 per cent, leaving approximately 363,500 individuals without work and intensifying household vulnerability.⁵
5. A rapid assessment by the ILO and the United Nations Development Programme (UNDP), conducted jointly with the Palestinian Central Bureau of Statistics (PCBS) and the Palestine Economic Policy Research Institute (MAS), found that the war in Gaza has severely disrupted the West Bank labour market, with construction and manufacturing among the sectors hardest hit, while agriculture and commerce showed only modest signs of recovery. The Federation of Palestinian Chambers of Commerce, Industry and Agriculture (FPCCIA) reports that prior to the war, Gaza represented 30 per cent of the West Bank export market. In order to cope, households have sharply reduced both essential and non-essential spending, drawn on savings or family support, defaulted on debts and, in some cases, resorted to negative coping strategies such as reducing healthcare or withdrawing children from school. Despite these hardships, nearly 90 per cent of displaced workers indicated their willingness to return to the Israeli labour market once conditions improve, motivated largely by the higher wages in Israel, more than double those in the West Bank. Among those opting to remain in the West Bank labour market, employment preferences continue to centre on construction, manufacturing and trade, with most workers perceiving little immediate need for reskilling.⁶
6. Despite these challenges, the UN and partners worked with the Government of the State of Palestine to deliver emergency jobs, cash assistance, food aid, education and health support, while also seeking to strengthen institutions. Agencies of the UN system, including the ILO, supported the promotion of human rights and social justice and strengthened livelihoods and social protection systems. Donor support increased in 2024, reaching US\$770 million (16 per cent of government expenditure), an amount nevertheless equivalent to less than half of the revenues withheld by Israel. The United Nations Relief and Works Agency for Palestine

³ European Training Foundation, *The Impact of the Gaza Crisis on Human Capital – June 2025 Update*, 2025.

⁴ ILO, *The Situation of Workers of the Occupied Arab Territories*, International Labour Conference, 113th Session, 2025, ILC.113/DG/APP.

⁵ ILO and PCBS, *The Prolonged War in Gaza*, ILO Brief, forthcoming.

⁶ ILO, UNDP, PCBS and MAS, *Rapid Assessment of the Impact of the War in Gaza on Employment and Labour Market Recovery in the West Bank*, forthcoming, 7.

Refugees in the Near East (UNRWA) continues to face a severe financial crisis, with staff on unpaid leave and delivery capacity at risk, particularly in Gaza.⁷

7. The twenty-point peace plan brokered by the United States of America, with the support of Qatar, Egypt and Türkiye, is expected to unfold in three phases. With the first phase of the plan signed off by Israel and Hamas on 8 October, implementation has begun with an immediate ceasefire including the suspension of hostilities, the release of Israeli hostages and Palestinian detainees and the expansion of humanitarian assistance. The United Nations is supporting the Palestinian Government's plan and strategic preparations to lead national recovery efforts in the Gaza Strip, with international partnership and oversight of donor resources. The Government is already playing an active role in coordination of service delivery in the Gaza Strip in the areas of public health, education, social protection, and employment-intensive-investment programmes under tripartite governance of the Palestinian Employment Fund. Since the ceasefire took effect on 10 October, there have been more than 390,000 Palestinians going back home, mainly from southern to northern Gaza. With the ceasefire in effect, the United Nations and its partners are rapidly scaling up operations and reaching communities that had been inaccessible for months, emphasizing that the needs remain immense and that sustained access and funding are critical.
8. Just before the signing of the peace plan in early October, the Palestinian Minister of Labour launched the National Employment Strategy 2025–27, entitled “Building Resilience, Decent Work and Sustainable Employment”. The strategy builds on the urgent priorities identified by the Palestinian Government and social partners and is the result of a series of consultations held in 2024 and 2025 with local and international partners. It focuses on four main pillars, namely: promoting employment through cash-for-work programmes and wage subsidies; enhancing employability through skills development and vocational training; supporting entrepreneurship, start-ups and micro, small and medium-sized enterprises; and promoting the registration and development of cooperatives.

► II. Overall progress in programme implementation and partnership development

9. The reporting period falls within the final year of implementation of the third DWP for the Occupied Palestinian Territory for the period 2023–25, launched in February 2023. It also occurs more than two years after the events of 7 October 2023 and the subsequent war in Gaza, which led the ILO to activate its emergency response plan and reorient its interventions to address the urgent needs of Palestinian workers and employers affected by the deepening crisis in line with the priorities identified in the emergency response plan.
10. As part of preparations for the new programming framework for the coming years, in June 2025, the office of the ILO Representative in Jerusalem (ILO-Jerusalem), together with the ILO Regional Office for the Arab States, launched a cluster evaluation of the Palestinian DWP and of the emergency response plan and associated recovery programmes. The evaluation reviewed the coherence, relevance and effectiveness of these programmes in addressing the severe labour market disruptions triggered by the ongoing crisis. The exercise aimed to

⁷ UN General Assembly Economic and Social Council, *Assistance to the Palestinian People, Report of the Secretary-General*, May 2025, para. 106.

capture lessons learned, identify good practices and, also, opportunities to expand the scale of the ILO's work in line with the decision of the Governing Body at its 353rd Session (March 2025).⁸ Further, it recommended to ensure that future programming balances urgent emergency response with longer-term strategies for recovery, resilience and decent work while aligning closely with the tripartite constituents' vision for the future, including the recently launched National Employment Strategy (2025–27), and UN-led early recovery frameworks. In addition, the ILO is currently finalizing a six-month plan outlining its immediate actions in Gaza to support income and job restoration, as well as the revitalization of essential livelihoods and business services. It seeks to expand current or recent activities on labour market assessments and skills anticipation, youth outreach and empowerment, employment-intensive reconstruction, support to enterprises, revitalization of vital services of employers' and workers' representative organizations and promotion and delivery of support to social partners in strengthening institutional capacity and enhancing membership outreach, and technical support to national institutions on the delivery of rights-based social protection.

11. At the same time, the World Bank, the European Union, and the United Nations are jointly conducting the Gaza Rapid Damage and Needs Assessment (GRDNA) to evaluate the impacts of the armed conflict in Gaza since 7 October 2023. The GRDNA will build upon and, if necessary, adapt the methodology used in the February 2025 Interim Rapid Damage and Needs Assessment (IRDNA), which was jointly conducted by the European Union, the United Nations, and the World Bank and estimated total recovery and reconstruction needs at US\$53.2 billion. The ILO will lead the employment chapter of the assessment and contribute to the analysis on social protection.
12. Further, the UN country team, with the participation of the ILO, is finalizing its Early Recovery Action Plan, expected to be ready by the end of 2025. This plan outlines a two-year framework (2026–27) to transition from humanitarian relief to Palestinian-led recovery, with priorities on restoring services, rebuilding critical systems and strengthening the capacity of the Government of the State of Palestine to lead reconstruction. It is aligned with the Flash Appeal and the UNSDCF to ensure that immediate emergency measures are connected to long-term development goals. Within this framework, the ILO and the UNDP serve as co-lead agencies for the formulation of the employment and economic recovery pillar. In Gaza, recovery will follow the Government's relief and early recovery priorities, centred on essential public services for employment, health, education and social protection, while in the West Bank the emphasis will be on livelihoods, social protection and governance.
13. Since its launch in June 2024, the ILO's emergency response and recovery programme – part of the Decent Work Programme (DWP) – has mobilized a multi-donor pooled fund totalling US\$6 million, contributed by the Walloon Region of Belgium, Indonesia, the Kingdom of the Netherlands, alongside internal ILO resources and additional support from Kuwait. These funds have been directed toward promoting employment, strengthening social protection, and supporting business recovery in the Occupied Palestinian Territory, while also providing vital institutional assistance to the Palestinian Government and social partners. The programme is scalable and has been extended until June 2026.

⁸ At its 353rd Session, the ILO Governing Body, among other decisions, reaffirmed its commitment to supporting decent work and social justice in the Occupied Palestinian Territory. It endorsed the ILO's emergency response and recovery efforts, commended international financial support, and requested intensified action to address both immediate and long-term employment needs. It also emphasized the importance of safe access for ILO staff.

14. Pursuant to subparagraph (f) of the decision adopted by the Governing Body at its 353rd Session and due to the uncertainty surrounding the time frame for a stable ceasefire and the commencement of Gaza's reconstruction efforts, the Palestinian tripartite constituents, the Minister of Labour, the Palestinian General Federation of Trade Unions (PGFTU) and the FPCCIA, proposed, in late September 2025, postponing the planned resource mobilization meeting to the margins of the 356th Session (March 2026) of the Governing Body. The aim of the meeting is to mobilize resources for scaling up emergency response and early recovery efforts, with a focus on promoting decent work for all Palestinians while addressing both urgent needs and longer-term priorities in the early recovery and reconstruction of Gaza and the West Bank.
15. In order to reinforce implementation on the ground and scale up interventions while ensuring effective monitoring in Gaza, the ILO is partnering with the Palestinian Employment Fund – the Ministry of Labour's implementing arm with tripartite governance – and with the PGFTU, the Gaza Chambers of Commerce and several UN agencies to deliver emergency employment programmes, sustain livelihoods and advance recovery while upholding decent work principles and addressing the urgent needs of affected communities. The partnership also aims to strengthen the capacities of tripartite constituents to lead early recovery initiatives and actively shape longer-term strategies for resilience and inclusive reconstruction.
16. Under the Joint Sustainable Development Goals Fund thematic Window on Fragility and Conflict, Climate Change and Informality and the World Bank's Social Protection Enhancement Project, the ILO, World Bank, World Food Programme and United Nations Children's Fund are implementing a 24-month joint programme to support the operationalization of a shock-responsive social protection strategy for the West Bank and Gaza, guided by the Ministry of Social Development's Strategy 2025–27. As part of this initiative, the ILO will lead a participatory consultative process for the development of a comprehensive, shock-responsive social protection strategy.

► III. Review of progress and achievements

A. Employment promotion and business recovery

17. Since June 2024, the ILO, in partnership with the Palestinian Employment Fund and local stakeholders, has implemented the emergency response plan recovery programme in Gaza and the West Bank. To date, 1,245 short-term decent jobs – equivalent to 112,050 workdays over 2 cycles – have been created through labour-intensive works to maintain and rehabilitate essential infrastructure and deliver critical health, education and social services. These jobs provide immediate income while safeguarding community services, with tasks ranging from rubble removal and road repair to psychosocial support for children and assistance to hospitals.
18. Of the participants, 20 per cent were women and 4.3 per cent persons with disabilities, engaged across unskilled, skilled and highly skilled jobs in key sectors: 828 workers in municipal services restored critical infrastructure; 57 workers supported hospitals and clinics with logistics, maintenance and medical waste management; and 53 engineers and field staff assessed housing damage and carried out urgent repairs in order to enable displaced families to return safely to their homes. The scheme also addressed broader recovery needs, with women graduates delivering educational and psychosocial support in shelters, other workers supporting chambers of commerce and ministries with damage assessments and economic

oversight, others still restoring agricultural assets through planting and irrigation and additional teams maintaining waste and water services to safeguard public health and hygiene in shelters.

19. With a view to supporting the recovery of businesses and promoting employment, the ILO carried out comprehensive sectoral assessments in the West Bank in order to identify gaps facing Palestinian businesses, identify relevant training and vocational opportunities and help enterprises overcome liquidity challenges, and retain and rebuild their workforce. Building on this assessment, the ILO and its tripartite partners, in collaboration with the Palestinian Employment Fund, rolled out the Business Recovery Initiative to stabilize enterprises and support early recovery in Gaza and the West Bank. The initiative provides wage subsidies for over 450 workers to prevent further lay-offs; reintegrate previously laid-off employees and train recent graduates. In addition, a seed funding package will support 60 women-led start-ups in construction, food processing, garments, furniture, trade, tourism and information and communication technologies, combining financial assistance with tailored entrepreneurship training and coaching.
20. The ILO is supporting Palestinian entrepreneurs, particularly women and young people, to build sustainable businesses, strengthen cooperatives and expand access to finance and markets, fostering job creation and inclusive growth. In partnership with the Palestinian Ministry of Labour and with funding from the Government of Italy, the Cooperative Work Agency, with ILO support, adopted a Cooperative Audit Manual and trained 24 staff to improve cooperatives' governance. Capacity-building has been scaled up through the ILO cooperative tools, Think.COOP, Start.COOP and My.COOP, with 13 trainers from the Agency and Al-Quds University previously certified to deliver these trainings. These efforts led to the launch of 5 new youth-led cooperatives, while 25 agricultural cooperatives improved product quality, marketing and value chain integration with ILO support.
21. Financial inclusion was expanded through 2 newly established and 9 reinforced savings and credit cooperatives now serving over 5,000 members, of whom 83 per cent are women. In parallel, the Ministry of Agriculture, the Ministry of Labour, the Cooperative Work Agency and 5 non-governmental organizations adopted the ILO Start and Improve Your Business curriculum, certifying 13 trainers, training 108 entrepreneurs and channelling investments into honey, dairy and renewable energy value chains.
22. The ILO, in partnership with the PGFTU, is supporting the establishment of the State of Palestine's first childcare cooperative in order to promote women's economic participation and cooperative solutions in the care economy. At the same time, progress under the European Union-funded project on youth not in education, employment, or training (NEETs), "Youth NEETs in the Southern Neighbourhood", includes the completion of a statistical profile and Policy and Service Mapping Review, initiation of a public employment services scan with the Ministry of Labour and preparation of a draft road map for priority interventions supporting youth NEETs by the end of 2025.

B. Labour market governance, tripartism and labour protection

23. The ILO is pursuing a comprehensive approach to labour market recovery that integrates decent work principles across all recovery efforts. To this end, it is strengthening the capacity of Palestinian labour market institutions to drive inclusive recovery and ensure tripartite ownership of early recovery efforts.
24. The ILO is working closely with the Ministry of Labour and social partners to reinvigorate social dialogue on completing the reform of the Labour Law of 2000, in line with relevant

international labour standards. Priorities include improving access to labour justice through the establishment of dedicated labour courts and by promoting alternative dispute resolution mechanisms such as mediation, arbitration and sectoral social dialogue.

25. In parallel, the ILO is supporting the Ministry of Labour in developing a comprehensive labour market information system, improving public employment services and promoting inclusive labour market activation programmes. These initiatives aim to raise employability, particularly among crisis-affected workers, through skills training, job-matching, and employment generation measures, ensuring that the Palestinian workforce is competitive, adaptable and prepared for emerging opportunities as the economy recovers and evolves.
26. Additionally, the ILO is working to reinforce the operational and organizational capacities of the Ministry of Labour and the Palestinian Employment Fund as key partners in advancing employment-led recovery and ensuring effective implementation of the emergency response plan. The vision is for the Palestinian Employment Fund to lead large-scale public employment programmes that generate sustainable opportunities across Gaza and the West Bank, while coordinating with community organizations through its tripartite structure and using the Ministry's institutional framework for employment services, supported by an updated labour market information system. To this end, the ILO has carried out an assessment in order to strengthen the Palestinian Employment Fund's capacity to manage employment programmes at scale and developed cash-for-decent-work standard operating procedures, in line with international labour standards and national laws, that are currently under discussion in the Cash Working Group for adoption across the State of Palestine.
27. With employers, a comprehensive assessment of the FPCCIA identified possible areas for improvement in governance, financial sustainability, digital infrastructure and advocacy, alongside the need for stronger crisis management. Building on this, the ILO is supporting the FPCCIA to establish an enterprise support and advocacy unit and a unified management information system to institutionalize research-based advocacy, donor mobilization and evidence-driven services across the State of Palestine. Through the Sustainable and Resilient Enterprises training delivered in partnership with the International Training Centre of the ILO, 20 FPCCIA staff members and members of staff from 12 chambers of commerce in the West Bank have been prepared to train and coach businesses on resilience practices.
28. In Gaza, the ILO worked with the FPCCIA and conducted a rapid institutional assessment to strengthen Gaza-based regional chambers, enabling them to continue serving more than 5,000 businesses despite the collapse of the local market. Support has focused on maintaining essential business services, introducing digital tools to address liquidity shortages and conducting damage assessments to guide early recovery planning. The assessment examined governance, service delivery, financial sustainability and crisis management, identifying major gaps as well as opportunities for reform. The findings provide a road map to strengthen business continuity, improve member services and position chambers in Gaza as frontline institutions for private sector recovery and resilience.
29. The ILO is supporting the PGFTU in strengthening its operational capacity through the planned workers' protection and advocacy unit. An ILO institutional assessment reviewed the governance, service delivery and resources of the PGFTU, outlining functions, structure and a road map for the unit, alongside recommendations to strengthen legal aid, complaint mechanisms and collective bargaining. It was agreed that the functions of the unit would be integrated into the existing PGFTU structure in order to ensure more efficient use of resources, rather than establishing a separate unit. Accordingly, ILO-Jerusalem, with support from the Bureau for Workers' Activities, organized in late October, a workshop led by the PGFTU to

validate the proposed structure and identify capacity-building priorities. The ILO has also supported the PGFTU in undertaking a capacity-building needs assessment of the executive board members newly elected at its 2025 congress that will guide future activities.

C. Social protection for vulnerable groups

30. With support from the European Union, the ILO continued to provide technical assistance to the National Cash Transfer Programme (NCTP), focusing on the rights-based social allowances scheme adopted in September 2023 and implemented since August 2024. The scheme, which marked a shift from poverty targeting to a categorical and life-cycle approach, now provides monthly payments to 17,000 older persons and 14,000 persons with disabilities as part of the common caseload. In order to strengthen the programme's design, the ILO piloted its human rights-based approach toolkit on the poverty-targeted component of the NCTP, assessing alignment with human rights principles across ten dimensions such as eligibility, adequacy and grievance systems. The assessment is generating practical recommendations to enhance rights-based features and lay the foundation for future self-assessments by the Ministry of Social Development. In parallel, the ILO launched a gender analysis to review the design, targeting and delivery of the programme, and to improve the inclusion of women-led and gender-focused organizations in the Social Protection Cash and Voucher Assistance Thematic Working Group (SPCVA TWG).
31. The ILO further supported a comprehensive review of the SPCVA TWG in order to assess its effectiveness, clarify its role within the broader coordination system and propose restructuring options to strengthen its impact within the humanitarian-development-peace-nexus framework, taking into account recent shifts in coordination in the Government of the State of Palestine. The findings and recommendations will be shared through a consultative process with group members in order to build consensus on the way forward and agree on a one-year action plan.
32. Despite these advances, the NCTP continues to face severe funding shortfalls, driven by reduced domestic allocations due to the withholding by Israel of tax revenues and the temporary suspension of contributions from key international partners. Although the ILO supported the shift from quarterly to monthly payments in 2024, only eight payments were made during that year – six of which were funded externally and two through domestic sources. In 2025, only four payments have been disbursed to date, but all from domestic allocations. However, funding for technical assistance has remained in place and was even expanded, allowing the ILO and its partners to continue strengthening programme design, monitoring and delivery systems despite the financial constraints.

► Draft decision

33. The Governing Body:

- (a) **noted the information in document GB.355/POL/4 on the progress of the Office's emergency response plan and recovery programme to meet the urgent needs of Palestinian workers and employers and commended the Office's efforts in line with the Decent Work Agenda and the humanitarian-development-peace nexus;**
- (b) **acknowledged the financial contributions already provided by Member States to the ILO programme and called upon other Member States to contribute to ensure the**

full implementation of the emergency response and recovery programme, in close coordination with ILO constituents, to advance decent work and social justice for all Palestinians;

- (c) welcomed the plan to convene a resource mobilization meeting on the sidelines of the Governing Body at its 356th Session (March 2026);**
- (d) welcomed the ceasefire and requested all parties to work towards peace and stability for an inclusive and sustainable recovery and reconstruction;**
- (e) requested the Director-General to continue providing his good offices to support the rights of Palestinian workers and employers and their access to workplaces, as well as to continue to address long-term priorities as highlighted in several of his annual reports to the International Labour Conference, such as the issue of social security funds and permit system reform.**