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Enhanced programme of development cooperation for the occupied Arab territories

Purpose of the document

This document reports on progress made under the ILO's enhanced programme of development cooperation for the occupied Arab territories and provides an update on key developments and challenges in the labour market and recovery context (see the draft decision in paragraph 34).

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.355/POL/4](#), [GB.355/POL/4/Decision](#), [ILC/114/DG/APP](#).

► I. Background

1. This document reports on progress made under the ILO enhanced programme of development cooperation for the occupied Arab territories. Specifically, it reflects the key developments in and achievements of the ILO's work in the Occupied Palestinian Territory, including the completion of the third Decent Work Programme for the Occupied Palestinian Territory for the period 2023–25, the conclusion of the Office's Emergency Response Plan and associated Recovery Programme, and the transition to the Decent Work and Recovery Programme for the Occupied Palestinian Territory (2026–29). The document also provides an update on key developments and challenges in the evolving labour market and recovery context since the previous reporting period and on the Office's contribution to coordinated United Nations (UN) recovery efforts.
2. Since the last report to the Governing Body in November 2025,¹ the Palestinian labour market has remained under severe strain, with the labour market in Gaza largely devastated and recovery in the West Bank remaining fragile. According to the Gaza Strip Rapid Damage and Needs Assessment, over 252,000 jobs were lost in Gaza between the third quarter of 2023 and the third quarter of 2025.² Unemployment reached 85.1 per cent in the third quarter of 2025, up from 45.1 per cent in the third quarter of 2023, while cumulative labour income losses amounted to approximately US\$2.8 billion. The highest proportional employment losses were recorded in the public sector (91 per cent) and among Palestinian workers in Israel (100 per cent). In absolute terms, however, the private sector sustained the largest losses, with 147,600 jobs lost, amid widespread enterprise closures, disruptions to supply chains and the movement of goods, and repeated population displacement.³
3. The collapse of the labour market in Gaza has significantly affected household livelihoods and consumption. Many households have lost their principal or sole sources of income and, with over 90 per cent of households dependent on humanitarian assistance in July 2026, expenditure has fallen sharply compared with pre-war levels. Restoring employment and income-generating opportunities, including through the recovery of Gaza's private sector and productive capacity, will therefore be central to rebuilding livelihoods, reducing dependence on humanitarian assistance and supporting broader economic recovery.⁴
4. The deterioration in livelihoods is compounded by the acute food insecurity faced by 77 per cent of Gaza's population, while the destruction of productive assets and workplaces and continued constraints on economic activity have left productive employment opportunities extremely scarce. The resulting disruption to learning and skills acquisition is further weakening the prospects for productive employment, including future school-to-work transitions. Formal schooling was interrupted for two academic years and has resumed only

¹ GB.355/POL/4.

² World Bank, European Union and United Nations, *Gaza Strip: Rapid Damage and Needs Assessment*, April 2026, 49.

³ ILO and Palestinian Central Bureau of Statistics (PCBS), *Labour market update and recovery outlook in the Occupied Palestinian Territory*, Bulletin No. 7, ILO Brief, 14 August 2026.

⁴ ILO and PCBS, *Labour market update and recovery outlook in the Occupied Palestinian Territory*.

partially, including in temporary learning spaces operating with shortened schedules, while more than 650,000 children remain out of school.⁵

5. In the West Bank, the latest Labour Force Survey conducted by the Palestinian Central Bureau of Statistics (PCBS) indicates a modest improvement in labour market conditions in the second quarter of 2026, although significant challenges persist. Employment increased from approximately 700,000 persons in the first quarter of 2026 to 733,000 in the second quarter, while unemployment declined from approximately 294,000 to 284,000 persons during the same period, with the unemployment rate falling from 29.5 to 27.9 per cent. Labour underutilization stood at 29.9 per cent. Employment quality remains a concern: in the second quarter of 2026, 42.1 per cent of private-sector wage employees had no employment contract, only 35.5 per cent benefited from pension or end-of-service provisions, and 15.5 per cent earned below the statutory minimum wage.⁶
6. Significant gender and youth disparities persist across the Palestinian labour market. In the West Bank, women's labour force participation stood at 17.9 per cent in the second quarter of 2026, compared with 71.0 per cent for men, while unemployment was 30.5 per cent among women and 27.2 per cent among men.⁷ These disparities are particularly pronounced among young people. In 2025, unemployment among economically active young people aged 15–29 in the West Bank reached 46.5 per cent for young women, compared with 34.8 per cent for young men, while 44.6 per cent of young women and 29.9 per cent of young men were young people not in employment, education or training (young NEETs). In Gaza, youth unemployment reached 94.0 per cent among young women in 2025 and 81.3 per cent among young men.⁸
7. These disparities persist despite the relatively high educational attainment of women. In Gaza, they have been compounded by the crisis. In the West Bank, although 25 per cent of young women aged 18–29 held a bachelor's degree or higher in 2025, compared with 14 per cent of young men, unemployment among young graduates reached 52.7 per cent for women, compared with 30.2 per cent for men.⁹ In Gaza, between the third quarter of 2023 and the third quarter of 2025, men's labour force participation fell from 62.8 to 36.2 per cent, while women's participation increased from 16.5 to 19.7 per cent. This increase partly reflects the growing number of women entering the labour force in response to declining household incomes and assuming primary breadwinner roles, rather than an expansion of employment opportunities.¹⁰ These trends point to persistent structural and crisis-induced barriers to translating women's education and labour force participation into decent and productive employment.
8. The ceasefire that entered into effect on 10 October 2025 created an important opportunity for early recovery, rebuilding Palestinian communities and the restoration of Palestinian livelihoods. In its resolution 2803 (2025), the UN Security Council endorsed the Comprehensive Plan to End the Gaza Conflict and welcomed the establishment of the Board of Peace to support

⁵ ILO, *The Situation of Workers of the Occupied Arab Territories*, International Labour Conference, 114th Session, 2026, ILC.114/DG/APP, paras 34 and 35.

⁶ PCBS, "Press Release on the Results of the Labour Force Survey in the West Bank, Second Quarter (April–June 2026) Round", 11 August 2026.

⁷ PCBS, "Press Release on the Results of the Labour Force Survey in the West Bank, Second Quarter (April–June 2026) Round".

⁸ PCBS, "The International Youth Day: Highlighting the Situation of the Youth in the Palestinian Society", 12 August 2026.

⁹ PCBS, "The International Youth Day: Highlighting the Situation of the Youth in the Palestinian Society".

¹⁰ ILO, *The Situation of Workers of the Occupied Arab Territories*, ILC.114/DG/APP, para. 33.

Gaza's reconstruction through transitional governance arrangements.¹¹ These arrangements include the appointment of a High Representative for Gaza and the establishment of the [National Committee for the Administration of Gaza](#), a technocratic Palestinian body responsible for civilian administration and public service delivery during the transition. At the time of drafting the present document, humanitarian needs, displacement and unemployment remain high.

9. In parallel with these evolving institutional arrangements, international efforts have increasingly focused on linking humanitarian assistance with early recovery and longer-term reconstruction. In April 2026, the United Nations established the [Horizon Fund](#) as a coordinated financing mechanism for early and medium-term recovery across the Occupied Palestinian Territory, with a primary focus on Gaza and with Palestinian leadership and ownership among its guiding principles. The Fund seeks to support recovery through three funding windows: early recovery; emergency support for small and medium-sized enterprises and investment generation; and reform, institutional development and governance. It aims to promote joint UN programming in areas including critical infrastructure and services, livelihoods and economic activity, the recovery of micro, small and medium-sized enterprises (MSMEs), social protection and institutional development, in alignment with Palestinian national priorities and the broader recovery and reconstruction framework.
10. These efforts have been complemented by strengthened international donor coordination. At the second [Palestine Donor Group](#) meeting, held in Brussels on 13 July 2026 and co-chaired at the ministerial level by the European Commissioner for the Mediterranean Dubravka Šuica and Palestinian Prime Minister Mohammad Mustafa, partners reviewed the Palestinian Authority's economic situation and reform agenda and sought to strengthen coordinated international support for early recovery in Gaza. The meeting also launched the [Team Gaza Initiative](#), bringing together the European Commission and international partners with an initial envelope of approximately €884 million for ongoing and planned early recovery interventions. The initiative is intended to coordinate with the Board of Peace and transitional structures while supporting a Palestinian-led and Palestinian-owned recovery process, in cooperation with the Palestinian Authority.
11. As outlined by the Director-General in the appendix to his report to the 114th Session (2026) of the International Labour Conference, a jobs-centred recovery will require employment, social protection and workers' rights to be firmly embedded in recovery and reconstruction efforts. Guided by its Decent Work and Recovery Programme, the Office will continue to support employment-intensive recovery, enterprise recovery, skills development and pathways to sustainable employment, particularly for women and young people, underpinned by international labour standards, stronger labour market institutions and social dialogue.¹²

► II. Overall progress in programme implementation and partnership development

12. As mentioned above, the reporting period covers the transition from the third Decent Work Programme for the Occupied Palestinian Territory for the period 2023–25 to the Decent Work

¹¹ UN Security Council, [resolution 2803 \(2025\)](#) adopted by the Security Council at its 10046th meeting, on 17 November 2025, paras 1 and 2.

¹² ILO, *The Situation of Workers of the Occupied Arab Territories*, ILC.114/DG/APP, pp. 35 and 36.

and Recovery Programme for the Occupied Palestinian Territory (2026–29). It also follows the ceasefire of October 2025, which marked a shift from emergency interventions during active hostilities towards a more structured phase of early recovery and systems strengthening. Renewed hostilities in early 2026, however, heightened uncertainty and instability, while the labour market and socio-economic consequences of more than two years of war continued to shape the Office's programme of work throughout the reporting period.

13. The cluster evaluation of the third Decent Work Programme and the Emergency Response Plan and associated Recovery Programme, completed in 2025, confirmed the relevance and coherence of the Decent Work Programme and its contribution to institution-building, policy development and tripartite engagement. The evaluation also recognized the ILO's ability to respond rapidly to the crisis while maintaining strategic continuity and recommended that future programming should combine immediate recovery measures with longer-term efforts to strengthen institutional resilience and advance decent work.
14. Building on these findings and consultations with the tripartite constituents, the Office developed the Decent Work and Recovery Programme for the Occupied Palestinian Territory (2026–29) as the strategic framework for ILO engagement over the next four years. Anchored in the UN Sustainable Development Cooperation Framework and aligned with national priorities, the Decent Work and Recovery Programme focuses on employment and livelihoods recovery, MSME revitalization, rights-based social protection, and strengthened labour market governance and social dialogue. It combines immediate support to restore livelihoods and economic activity with longer-term efforts to strengthen institutions and promote an inclusive, resilient and decent work-centred recovery across Gaza and the West Bank.
15. The Emergency Response Plan and associated Recovery Programme, launched in June 2024 with more than US\$6 million in funding, entered its final phase of implementation during the reporting period and is expected to be formally completed in November 2026. A final independent evaluation of the Recovery Programme is currently under way to assess its achievements and effectiveness and identify lessons learned to inform future ILO programming.
16. New partnerships and resources were mobilized during the reporting period. In March 2026, with funding of US\$566,666 from the Government of Japan, the ILO launched the "[Economic empowerment and resilience for at-risk families in Jericho and the Jordan Valley](#)" project to strengthen the livelihoods of vulnerable small-scale farming families through productive support, skills development and improved market linkages, with particular attention to women and young people. In April 2026, the ILO received Kuwait's annual contribution of US\$500,000 in support of the ILO's work in the Occupied Palestinian Territory, providing flexible funding for constituent priorities across employment, social protection and labour market governance. In addition, the ILO and the Italian Agency for Development Cooperation are finalizing a €5 million agreement to support early recovery in Gaza through MSME recovery, strengthened employers' organizations and chambers, and the restoration and creation of decent employment opportunities.
17. The ILO is also exploring additional funding opportunities with the European Union and the Governments of Indonesia, Kuwait and the Kingdom of the Netherlands to support the implementation of the Decent Work and Recovery Programme, with a particular focus on early recovery in Gaza.
18. The ILO continued to contribute to coordinated UN early recovery efforts. For example, it led the preparation of the employment chapter of the Gaza Strip Rapid Damage and Needs Assessment referred to above and contributed to the analysis on social protection. The

assessment estimated overall recovery and reconstruction needs at approximately US\$71.4 billion, including US\$11.3 billion in the early recovery period (0–8 months) and up to US\$15.4 billion in the short-term recovery period (up to 18 months). Employment-related damage and losses were estimated at US\$16.8 million and US\$2.77 billion, respectively, with recovery needs for the employment sector estimated at US\$1.24 billion.¹³ The ILO is also participating in 6 of the 16 joint and integrated early recovery projects developed by the UN country team, expected to be implemented partly through the Horizon Fund.

19. The Office had planned to convene a resource mobilization meeting on the margins of the 356th Session (March–April 2026) of the Governing Body, involving development partners, Governing Body members and the relevant constituents, with a view to mobilizing support for the ILO programme of work in the Occupied Palestinian Territory. This initiative was welcomed by the Governing Body at its 355th Session (November 2025). In view of the circumstances prevailing at the time, and following consultations with the Palestinian tripartite constituents, the meeting was postponed. The Director-General subsequently decided, in consultation with the Palestinian tripartite constituents, to convene the meeting in the margins of 358th Session (November 2026), to mobilize support for the implementation of the Decent Work and Recovery Programme, including early recovery interventions in Gaza.
20. To strengthen national ownership and institutional capacity, the ILO continued to anchor the design and implementation of the Decent Work and Recovery Programme and related interventions in tripartite governance and social dialogue, working closely with the Ministry of Labour and other relevant public authorities, the Palestinian General Federation of Trade Unions (PGFTU) and the Federation of Palestinian Chambers of Commerce, Industry and Agriculture (FPCCIA). The tripartite constituents provided strategic guidance on programme priorities, priority sectors and beneficiary selection criteria, ensuring alignment with constituent priorities and evolving labour market and recovery needs.

► III. Review of progress and achievements

A. Employment promotion and business recovery

21. As part of the Emergency Response Plan and associated Recovery Programme, the ILO implemented a short-term employment scheme applying the Employment-Intensive Investment Programme (EIIP) approach, in partnership with the Palestinian Employment Fund. The scheme incorporated labour, environmental and social safeguards, including compliant employment contracts, a code of conduct, decent work orientation, and occupational safety and health measures, including training and the provision of personal protective equipment. It also strengthened national capacity to apply EIIP methodologies and safeguards.
22. Building on this experience, the ILO assessed wage-setting practices in employment-intensive and cash-for-work interventions, by mapping activities across 17 organizations and surveying 600 workers in the West Bank and Gaza. The findings informed practical guidance developed in collaboration with the United Nations Office for the Coordination of Humanitarian Affairs and other humanitarian actors to promote fair and consistent wage-setting practices and respect for labour standards and workers' rights. The guidance also supports a progressive

¹³ World Bank, EU and UN, *Gaza Strip: Rapid Damage and Needs Assessment*, April 2026, 49 and 50.

transition from short-term humanitarian employment towards more structured employment and recovery approaches through national institutions.

23. Implementation of the Business Recovery Initiative, led by the ILO and the Palestinian Employment Fund in coordination with the Ministry of Labour, the PGFTU and the FPCCIA, continued during the reporting period. Of 413 enterprise applications, 110 MSMEs (62 in Gaza and 48 in the West Bank) were selected based on transparent economic and social criteria. Contractual arrangements were reviewed by a tripartite technical committee to ensure respect for the fundamental principles and rights at work, decent working conditions and compliance with a code of conduct. The Initiative supported 395 workers (210 in Gaza and 185 in the West Bank) through wage support for worker retention, workforce reactivation and placements for young graduates. It also provided entrepreneurship training, coaching and performance-based grants to 84 women-led start-ups (39 in Gaza and 45 in the West Bank). Participating enterprises reported that wage support helped to stabilize cash flow, safeguard jobs and resume or expand productive activity.
24. The first Palestinian childcare cooperative, established with ILO and PGFTU support, was formally registered and launched in September 2026. Its childcare centre in Nablus provides affordable childcare while creating decent employment opportunities in the care sector. The initiative aims to address a key barrier to women's labour force participation by expanding access to childcare and promoting women's employment and investment in the care economy.
25. Under the European Union-funded "Youth NEETs in Southern Neighbourhood countries" project, the ILO completed assessments of public employment services, the situation of young NEETs, and relevant policies and services. The findings informed the development, in collaboration with the Ministry of Labour, of a pilot activation scheme to mobilize and engage young NEETs, aligned with national systems and recovery priorities. Cross-regional exchanges, including workshops in Amman and Catalonia on statistics and data-based policymaking for young NEETs, integrated employment services and youth outreach are further informing the design of national activation measures.
26. As part of the "Economic empowerment and resilience for at-risk families in Jericho and the Jordan Valley" project, a rapid needs assessment identified key constraints and informed the selection of 50 farmers now receiving tailored technical training. EIIP-supported rehabilitation works will also improve agricultural infrastructure and generate short-term decent employment.

B. Labour market governance, tripartism and labour protection

27. The ILO continued to support the Ministry of Labour and the social partners in advancing labour law reform through a structured tripartite process, with the Tripartite Labour Policies Committee agreeing on steps towards finalizing a modernized Labour Law aligned with international labour standards. The ILO also supported efforts to reactivate the tripartite mediation mechanism, including through capacity-building and the development of updated guidance. It also continued to support efforts to strengthen labour market systems, including the Labour Market Compass, to improve skills anticipation and support evidence-based employment promotion programmes.
28. Support to employers' organizations advanced from institutional assessment to operational delivery with the establishment of the Enterprise Support and Advocacy Unit within the FPCCIA. The Unit is now operational, with procedures, strategies and institutional frameworks in place and three core staff recruited, including a Gaza-based staff member, enabling it to provide support to enterprises and chambers across the West Bank and Gaza.

29. The capacity-building and institutional strengthening of the network of chambers of commerce, industry and agriculture affiliated with the FPCCIA also progressed. Under the Sustainable and Resilient Enterprises (SURE) programme, around 25 chamber representatives received training as trainers, and subsequently provided enterprise resilience training for more than 200 MSMEs. Furthermore, ten chamber representatives completed training as trainers under the Start and Improve Your Business (SIYB) programme delivered by the International Training Centre of the ILO. A needs assessment and analysis for a unified management information system for regional chambers was completed, and the development of the system is under way. Through the Enterprise Support and Advocacy Unit, the FPCCIA also provided advanced project management training to around 30 regional chamber representatives, including participants from Gaza
30. Support to workers' organizations focused on strengthening the capacity of the PGFTU in respect of worker protection, advocacy and engagement in recovery efforts. The ILO is supporting the establishment of a labour rights observatory and the provision of legal aid services to strengthen the monitoring of workers' rights, the handling of grievances and evidence-based advocacy. In Gaza, a consultation workshop with 24 participants, organized with the targeted technical assistance of the ILO, led to the development of a road map for strengthening the role of the PGFTU and its affiliated unions in recovery and reconstruction.
31. The ILO also continued to strengthen the evidence base for labour market policymaking and programming. The seventh joint ILO-PCBS labour market bulletin was published in August 2026.¹⁴ The ILO also supported the PCBS in conducting a rapid labour force and qualifications assessment in Gaza, providing technical support on its methodology and tools. Data collection has been completed and analysis is under way, with the final report expected before the end of 2026.

C. Social protection for vulnerable groups

32. With support from the European Union, the ILO continued to contribute to strengthening the capacity of the Ministry of Social Development and other national institutions to advance a more coherent and nationally owned social protection system, including through improved coordination across the humanitarian-development-peace nexus. Implementation took place amid severe humanitarian, fiscal and institutional pressures, including displacement in Gaza and the northern West Bank and changes in national arrangements for delivering social assistance. Despite these challenges, an adaptive approach enabled the ILO to sustain coordination, advance technical and institutional reforms and safeguard progress towards strengthening the national social protection system.
33. A key achievement was the restructuring and strengthening of the Social Protection Cash and Voucher Assistance Thematic Working Group, the principal platform for coordination among government, humanitarian and development partners. Following a comprehensive stocktaking exercise, the Thematic Working Group's governance arrangements, reporting mechanisms and workstreams were revised to improve coordination, accountability and joint planning, including for recovery. In parallel, the ILO continued to support rights-based approaches to social protection, stronger social protection data systems and efforts to restore national social assistance delivery in Gaza, thereby helping to preserve the institutional foundations of a more coherent, resilient and nationally owned social protection system.

¹⁴ ILO and PCBS, *Labour market update and recovery outlook in the Occupied Palestinian Territory*.

► Draft decision

34. The Governing Body:

- (a) noted the information contained in document GB.358/POL/6 on the progress made to date in implementing the ILO's Decent Work and Recovery Programme for the Occupied Palestinian Territory (2026-29) and commended the Office for its efforts to address the urgent needs of Palestinian workers and employers;**
- (b) acknowledged with appreciation the financial contributions provided by Member States to the ILO's Decent Work and Recovery Programme and called on other Member States and development partners to provide additional resources to support its full implementation, in close coordination with the Palestinian tripartite constituents;**
- (c) welcomed the successful convening of the resource mobilization meeting in the margins of its 358th Session (November 2026);**
- (d) 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.**