



Framework for an expanded ILO programme of technical cooperation in the occupied Palestinian territory

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BACKGROUND AND RATIONALE

1. The Palestinian socio-economic context

Despite the recently recorded acceleration of economic growth in 2009 (6.8 percent), the economic situation in the oPt remains fragile in reflection of continued political uncertainty that has adversely affected the already precarious socio-economic situation of the Palestinian people. Growth was unevenly distributed between Gaza and the West Bank, with a registered growth rate of 8.5 percent in the West Bank and a mere 1 percent in Gaza. This revival can be attributed to donor assistance, reaching approximately US\$1.4 billion in budget support in 2009, allowing the Palestinian Authority to maintain a sizeable expansionary fiscal stimulus. Nonetheless, the productive sectors of the economy have still to experience any large-scale investment, resulting in a slow private sector growth with the services sector largely dominating the Palestinian economy. Within this context, the employment and labour market situation in 2009 demonstrated an improvement over 2008, which still remains low by international standards. Unemployment in the West Bank and Gaza fell from 250,000 in the fourth quarter of 2008 to 239,000 in the fourth quarter of 2009 - a reduction in the unemployment rate from 19.8 percent to 18.1 percent in the West Bank, and from 44.8 percent to 39.3 percent in Gaza. The labour force participation rate remains extremely low (41.5 percent) due to the staggeringly low rate of participation of women in the labour force.

2. The national development agenda

In August 2009, the vision of the Thirteenth Government was launched focusing on building strong state institutions capable of providing, equitably and effectively, for the needs of the Palestinian people. The Government is committed to developing and implementing sound and sustainable social and economic policies that would bolster the Palestinian society's strength, cohesion, and perseverance. The Government is particularly committed to enhancing national unity, good governance, securing the rights of Palestinians, promoting economic independence and national prosperity, and bringing equality and social justice to its citizens. The state-building agenda and its translation into sectoral policies and strategies has found broad support in the international community. The Ministry of Labour developed a strategy for the development of the labour sector in Palestine, based on an assessment of existing deficits, the presence of multiple government agencies and the recurrence of

programmes, the absence of a national employment strategy, the weak linkage between employment and vocational training, and the need to strengthen the role of the private sector and the social partners. The strategy is centered on six priorities: (1) creating an appropriate environment to create opportunities for decent work; (2) developing vocational training; (3) promoting the cooperative sector; (4) improving working conditions; (5) consultation and effective dialogue; and (6) strengthening regional and international cooperation.

3. ILO response

The ILO has been actively engaged with the Government and the social partners to develop relevant strategies, programmes and projects that address national social and economic priorities. The ILO Palestinian Employment Programme was launched in 2008 to address the rising employment challenges identified in the Palestinian Reform and Development Plan (2008–2011), targeting three main objectives: (1) strengthened labour market governance and rights; (2) improved employability through skills and local economic development; and (3) strengthened entrepreneurship and productivity for private sector growth. This Programme set the stage for an expansion of the ILO technical cooperation programme in the oPt which now stands at US\$4.0 million. In recent years, ILO technical support was extended to the Government and the social partners to ensure the strategic positioning and mainstreaming of employment issues at the core of the development agenda.

ILO interventions implemented thus far are aligned with the Thirteenth Government Programme and key elements of the labour sector strategy. These have included support to the national cooperative reform process, setting the ground for the adoption of a **unified cooperative law**. At the Prime Minister's request and through a series of consultations with relevant partners and institutions, the ILO developed a **policy framework for micro, small and medium enterprises** (MSMEs) in the oPt based on the findings of the assessment on the conditions for MSME development and the creation of more and better employment for women and men. The ILO also focused on the promotion of an **entrepreneurship culture** targeting youth in vocational and secondary schools, in partnership with the Ministry of Labour and the Ministry of Education and Higher Education. To support plans for private sector growth and in partnership with the Federation of Palestinian Chambers of Commerce, Industry and Agriculture (FPCCIA), the ILO carried out a national survey of SME entrepreneurs and managers and a capacity gap analysis of the Federation and the Chambers. The findings and recommendations of these assessments are being used to formulate a capacity building and growth strategy paving the way for the FPCCIA to take the lead in boosting pro-poor growth through a sustainable and inclusive **private sector** development strategy, in a context in which the public sector has reached the end of its absorptive capacity. The programme has also focused on promoting **women's economic empowerment** by mainstreaming the gender dimension within national strategies and programmes. The ILO has in fact been instrumental in the establishment and operationalization of the National Women's Employment Committee, acting as an advisory platform for policymaking initiatives.

In response to the military incursion on Gaza (December 2008 – January 2009), the damage caused to the livelihoods of the Palestinians and to their economy, and the continued tight closures on the Gaza Strip, the ILO partnered with UNRWA and the Cooperative Housing Foundation (CHF) and implemented a series of quick-impact interventions to improve productivity and income-earning opportunities, increase career options and reinforce the potential for job generation through local labour markets. To support reconstruction efforts

and in view of the continuing ban on the import of construction materials, spare parts and other industrial goods, the ILO implemented a skills development programme focusing on upgrading the skills of local workers using alternative technologies, with a specific focus on green construction (i.e. using compressed blocks without the use of cement or other standard materials).

4. The way forward

Based on the achievements highlighted above and the progress made since the inception of the Palestinian Employment Programme, the ILO recently launched a consultative process for the development of a comprehensive strategic framework for ILO interventions in the oPt, ensuring full alignment to national development policies and strategies and advocating for the Decent Work Agenda and key principles under the 2008 ILO Declaration on Social Justice for a Fair Globalization. This process was further supported by a series of specific consultancy processes and assessments which took place during the second half of 2010 and focusing on: (i) a review of the labour inspection system; (ii) social dialogue, (iii) MSMEs, and (iv) the revitalization of the Fund

The objective of this integrated approach is to support the expansion of the decent work response beyond emergency employment and job creation. Specific targeted actions will be formulated to promote mainstreaming of international labour standards into strategies and policies through improved and strengthened industrial relations.

Articulation of the ILO programme with the Palestinian Fund for Employment and Social Protection

Considering the prevailing challenges, the principles outlined in the Thirteenth Government Programme and the labour sector strategy, the employment dimension is now at the forefront of the national development agenda. Within this context, the revitalization of the Palestinian Fund for Employment and Social Protection supports the Palestinian Authority in advancing its reform agenda, as an effective tool to address the rising poverty and unemployment.

Originally established with ILO assistance, the reactivation of the Fund is now a prime objective of the current labour market sector strategy. The Fund is intended to constitute an umbrella for the management and monitoring of employment related programmes and a means through which programmatic synergies can be enhanced.

PRIORITIES FOR ILO SUPPORT

The technical cooperation programme in the oPt will be targeted towards the following priorities: (1) Strengthening labour market governance; (2) Enhancing employability, job creation and private sector growth; and (3) Supporting labour rights and social dialogue.

Priority 1. Strengthening labour market governance

In line with ongoing national state-building efforts and the Government's vision for the development of strong institutions capable of addressing the rising employment challenges, the labour sector strategy targets the creation of strong, specialized, independent and semi-governmental national agencies for the implementation of policies and effective service delivery. Viable mechanisms of management and coordination are required to ensure the inclusive participation of relevant bodies and institutions, availability of labour market information and analyses to inform the development of appropriate laws, legislations and policies, and capacity building of the Ministry of Labour and the social partners to deliver services. The participation of strengthened local government units in the development process is a necessity, bringing the government closer to its citizens.

Key outcomes under priority 1:

A. Institutional capacity for policy development and strategic planning improved:

The ILO has extended technical support to the Ministry of Labour to support capacity building efforts in strategy development, project management and donor coordination. In partnership with the UNDP Programme of Assistance to the Palestinian People, the ILO has supported the establishment of a Technical Advisory Unit at the MOL leveraging ILO's technical expertise in the development, implementation and monitoring of labour market policies. In terms of service delivery at the local level, the International Training Centre of the ILO has developed a municipalities support programme to strengthen the capacities of the Ministry of Local Government and the Joint Service Councils in the Bethlehem and Hebron governorates in the planning and delivery of municipal services. This capacity building programme is financed by the Italian Government.

B. Capacity of the social partners to promote women inclusion in the labour market enhanced:

Within the framework of the joint UN programme on Gender Equality and Women's Empowerment financed from the UNDP/Spain MDG Fund, the ILO has implemented a series of initiatives focusing on gender mainstreaming, including the implementation of gender audits at the MOL, the FPCCIA and the PGFTU, integrating the gender dimension within national statistical exercises, and the establishment of a National Women's Employment Committee, tasked with an advisory, consultative and coordination role. The programme primarily focuses on creating positive enabling environment through for example, increasing the influence of gender advocates and workers' and employers' organizations in decision-making and planning processes through the reform of discriminatory laws and planning for gender-sensitive employment opportunities. It also targets strengthening the capacity of the Ministry of Labour and the social partners to implement specific measures to promote women's employment and their protection in the workplace.

C. Palestinian Fund for Employment and Social Protection revitalized:

The Fund plays a central role in supporting the Palestinian Authority in its reform agenda and in ensuring translating elements of the Thirteenth Government Programme and the labour sector strategy into concrete targeted actions. With the government's recent financial commitment of US\$5.0 million annually starting 2011, the Fund will serve as a separate funding entity with strategic linkages to relevant bodies and institutions, supporting the development of human capital, the recovery of livelihoods of vulnerable groups, as well as upgrading the skills of the labour force to better match labour market needs. The Fund will mobilize the necessary financial resources to support demand-driven

and performance-based active labour market programmes, introducing temporary emergency measures for sustaining businesses, self-employment and small enterprise development, and job creation targeting women and most vulnerable groups.

Projects supporting labour market governance

Ongoing

Gender Equality and Women's Empowerment (MDG-F; US\$1,600,000)

Palestinian Employment Programme (Saudi Arabia; Kuwait; US\$660,000)

Palestinian Municipalities Support Programme (ITC Turin – Italy; €400,000)

Proposed

Revitalization of the Palestinian Fund for Employment and Social Protection

Priority 2. Enhancing employability, job creation and private sector growth

Notwithstanding the recorded economic growth in 2009, the livelihoods of Palestinians remain precarious, with the Gaza socio-economic situation severely aggravated by the repercussions of the 2009 military incursion and the continuing blockade. The fragility of Palestinian employment continues to be affected by ongoing conflicts, restrictions on access and movement of goods and personnel, the fragmentation of the West Bank resulting in limited access to markets by Palestinian businesses and their inability to exploit economies of scale, a sluggish private sector growth rate, and the public sector reaching its full absorptive capacity. The ILO programme has thus focused on improving productivity and income-earning opportunities through skills and local economic development, promoting private sector-driven growth through small enterprise and cooperative development, as well as strengthening the capacity of the FPCCIA to play a leading role in promoting an inclusive and sustainable private sector.

Key outcomes under priority 2:

A. Improving the quality of employment in MSMEs and the role of the FPCCIA in supporting private sector development:

Building on the policy framework on MSMEs which was drafted by the ILO and presented to the national stakeholders in May 2010, the ILO aims to support the Palestinian Authority in providing an integrated response to the challenges and opportunities facing existing and emerging MSMEs. This support will focus on strengthening national capacities to improve the regulatory and administrative framework governing MSMEs to make it more conducive to job creation. The ILO will also continue to support the FPCCIA to take a leading role in private sector development, building on the assessments already made of the SME sector and the institutional capacity gap analysis of the Federation and the Chambers. The ILO has in fact facilitated the establishment of a coordination mechanism within the Federation and between the Chambers and a comprehensive capacity building programme is planned in the upcoming phase, contributing to national private sector development efforts and the improved provision of market-based services to the business community.

B. Entrepreneurship development and opportunities enhanced:

At the grassroots and community levels, ILO support has focused on job creation efforts through strengthening viable and member-controlled cooperatives to work as business enterprises. In the oPt, the actual contribution of cooperatives to the overall economy remains limited due to low membership coverage, limited scope of economic activity, insufficient financial resources, poor management performance and restrictions imposed by the Israeli authorities on their operation within the West Bank and Gaza. Within this context, the ILO has been instrumental in facilitating the development and endorsement of a unified cooperative law by the Council of Ministers in July 2010. The new law is expected to put an end to the dual structure of cooperatives in the West Bank and Gaza, the unification of which will be promoted through the establishment of a General Commission for Regulating Cooperatives, a semi-autonomous service structure, as well as turning weak and inefficient local cooperatives into viable business enterprises.

Within the framework of the joint UN programme on Gender Equality and Women's Empowerment, specific interventions are planned to increase women's employment opportunities in the oPt for low-income women and young women graduates, including those in refugee camps. The strategy focuses on building the capacities of business development service providers to better mainstream and upstream gender equality

considerations for women entrepreneurs, supporting cooperatives to better service low-income women through the provision and management of a integrated grant scheme, and developing and implementing training programmes for women in key areas which are being increasingly in demand by the labour market.

Moreover, the ILO established a strategic partnership with UNDP to promote an entrepreneurship culture amongst young women and men. Under the auspices of the Ministries of Labour and Education and Higher Education, the project rolled out the Know-About-Business training package to vocational and secondary schools to advocate for a culture of entrepreneurship and self-employment. In view of the positive contribution this project has achieved in the targeted areas, a replication strategy is currently under development to ensure the intervention reaches all educational institutions, leading to the nationalization of modernized curricula.

C. Promoting recovery through Skills enhancement and job creation in specific sectors:

Since the 2009 incursion on Gaza, the ILO implemented a series of quick-impact employment and skills development interventions in Gaza to address the destruction caused to the livelihoods of its residents. To support reconstruction efforts, a skills development programme primarily targeting the construction sector in Gaza was implemented, building on international best practices in conflict-affected contexts and adapted to the local context. A strategic partnership was established with UNRWA to increase the skills and employability of key jobs of the construction sector, through the implementation of a capacity building programme targeting engineers on appropriate construction technologies. Moreover, in cooperation with a national youth institution (Sharek), the ILO opened an employment centre tasked with providing guidance on innovative green enterprises. These interventions which will be further expanded in the upcoming phase are instrumental in placing employment at the centre of the recovery and development agenda, along with promoting skills development and labour intensive programmes in post-conflict-settings.

Projects supporting enhancing employability, job creation and private sector growth

Ongoing

- Entrepreneurship Education: Introduction of Know-About-Business (KAB) in vocational and technical education in the oPt (UNDP, Turkey; US\$360,000)
- Equipping the Sheikh Fatima Vocational Rehabilitation Centre in Hebron (IDB; US\$550,000)
- Capacity Development of the FPCCIA – Inception Phase (SIDA; US\$278,970)
- Skills Development Programme Targeting the Construction Sector in Gaza (RBSA; US\$203,378)

Proposed

- Capacity Development of the FPCCIA and the Palestinian System of Chambers of Commerce, Industry and Agriculture (US\$3,200,000)¹
- Support to Palestinian Cooperatives to Create Employment and Income to Reduce Poverty (US\$4,500,000)
- Improving the quality of employment in Palestinian MSMEs (US\$2,600,000)
- Skills Development and job creation to support reconstruction efforts in Gaza (US\$4,000,000)

¹ Based on the progress made under the inception phase, the concept note for the second phase was submitted to the Swedish International Development Cooperation Agency (Sida) for consideration.

Priority 3. Supporting labour rights and social dialogue

The Palestinian Authority has expressed its commitment to respecting international labour standards, with the 2000 labour law putting in place a basic legislative framework for the protection of workers' rights in line with key ILO Conventions and Recommendations. The labour law prompted the establishment of the Tripartite Labour Policies Committee mandated to play a leading role in the development of labour and social policies. The strategy for the development of the labour sector further outlines action to consolidate and complement existing legal protections through labour law reform and strengthened industrial relations. Within this context, the ILO supported the revitalization of the tripartite committee which launched, in February 2010, a declaration outlining its vision, plan of action and institutional framework. The declaration focuses on improving industrial relations, effective and transparent governance of the labour market through social dialogue, reviewing labour agreements based on Arab and international standards, development and effective enhancement of labour administration and labour inspection, reforming the labour law and legislations, whilst recognizing the important role of free, independent and strong and representative workers' and employers' organizations.

Sound industrial relations and effective social dialogue embody good governance instruments that foster cooperation and economic performance, and promote the Decent Work Agenda. They are important for the settlement of labour disputes and compliance with national labour legislations. Labour law reform should be adapted to the changing needs of the labour market, particularly in light of the challenges facing Palestinian workers in the oPt in terms of rights and protection. Sound labour market governance and a strong labour administration system, including labour inspection, is an important instrument for the settlement of labour disputes and compliance with national labour legislation.

Key outcomes under priority 3:

A. Strengthening the institutional mechanisms for social dialogue:

The ILO supports the vision of the Palestinian Authority and the social partners for improved industrial relations and collective bargaining. In full alignment with the February 2010 declaration, the ILO programme of work contributes to an improved mechanism for tripartite and bipartite consultations and consensus-building on national development policies. Collective agreements and social pacts, as well as conflict resolution and labour disputes prevention are also high priority areas. Technical assistance will be extended leading to the enhanced capacities of the social partners and a strengthened labour administration and labour inspection system to engage more effectively in social dialogue. To this end, the ILO is technically supporting the Palestinian counterparts to develop a labour inspection and social dialogue strategy, including outlining the main principles for its implementation. This initiative is complemented with a comprehensive capacity building programme for employers' and workers' organizations.

Projects supporting labour rights and social dialogue

Ongoing

Promotion of Social Dialogue in the Occupied Palestinian Territory (Kuwait/RBSA; US\$380,000)

Proposed

Strengthening the institutional mechanisms for Social Dialogue in the Occupied Palestinian Territory (US\$1,200,000)