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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 in the occupied Arab territories. It highlights ongoing ILO initiatives addressing the situation of workers and key challenges.

Within the context of a deteriorating labour and employment situation in the occupied Arab territories, particularly in Gaza, the Governing Body is invited to: (i) support the Office in further promoting the Decent Work Agenda and social justice for the Palestinian people; (ii) take note of the achievements made since the last reporting period; (iii) take note of and further support the progress made on labour law reform as an important milestone for the realization of good labour governance; and (iv) take note of the need for expanded, diversified and strengthened partnerships and resources for the promotion of decent work for Palestinian women and men.

Relevant strategic objective: Not applicable.

Main relevant outcome/cross-cutting policy driver: 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, 108th Session, Geneva, 2019.

I. Background

1. This document reports on progress made and planned ILO interventions within the context of the programme of development cooperation in the occupied Arab territories. It covers the ILO's work in the Occupied Palestinian Territory under the second *Palestinian Decent Work Programme 2018–2022*, implemented together with government institutions and social partners. It highlights ILO initiatives addressing the situation of workers and key challenges since the last reporting period.
2. During the period under review, the Palestinian economy, associated labour market outcomes and the livelihoods of Palestinians continued to be severely impacted by the entrenched and expanding occupation, the accompanying numerous restrictions and the overall lack of future perspective.¹ Prospects for reaching a peace deal are at a low point. In addition, the Palestinian reconciliation process has stalled. In Gaza, the situation remains dire, the ongoing blockade having eviscerated Gaza's economy and productive base² and taken its toll on people's lives and livelihoods. The death toll in 2018 was the highest since the 2014 war in Gaza, with hundreds of people killed and thousands injured since the onset of the "Great March of Return" demonstrations, which has affected workers in specific sectors, such as health and journalism, and placed a burden on those women who became primary breadwinners or caretakers.
3. Economic growth slowed further in the Occupied Palestinian Territory, reaching less than 1 per cent in 2018; the economy in Gaza contracted by 6.9 per cent. Donor support continued its downward trajectory, with external budgetary aid reaching half of the 2013 level.³ The stand-off over the transfer of clearance revenues by Israel to the Palestinian Authority resulted in a severe fiscal crisis for the Palestinian Authority in 2019, further threatening the economic prospects.⁴
4. The bleak economic situation is reflected in the anaemic labour market. Labour force participation declined further in 2018, with a mere 43.5 per cent of working-age Palestinians participating in the labour market (one of the lowest rates in the world). Overall unemployment in the Occupied Palestinian Territory increased to 26.3 per cent. These trends have been driven mainly by a sharply deteriorating labour market situation in Gaza, where unemployment reached 43.2 per cent in 2018. If current trends continue, every second economically active person in Gaza is likely to soon be unemployed.
5. Palestinian women, many of whom are highly skilled, are particularly disadvantaged in the world of work. At 17.3 per cent, the female labour force participation rate remains low. Female unemployment stands at a staggeringly high 41.9 per cent. Moreover, the gender wage gap persists; working women earn 25 per cent less than their male counterparts. Young

¹ ILO: *The situation of workers of the occupied Arab territories*, Report of the Director-General, International Labour Conference, Appendix, 108th Session, 2019.

² United Nations Conference on Trade and Development (UNCTAD): *Report on UNCTAD assistance to the Palestinian people: Developments in the economy of the Occupied Palestinian Territory*, report to the Trade and Development Board, 65th Session, 2018.

³ International Monetary Fund (IMF): *West Bank and Gaza: Report to the Ad Hoc Liaison Committee*, 6 Sep. 2018.

⁴ World Bank Group: *Economic Monitoring Report to the Ad Hoc Liaison Committee*, 30 Apr. 2019.

people have also been hit hard by the dire circumstances in the labour market, with youth unemployment reaching 42.2 per cent (and 65.1 per cent in Gaza).

6. In addition to the 340,000 unemployed persons in the Occupied Palestinian Territory, there is a growing pool of underutilized labour, which totalled 135,000 workers in 2018. It consists primarily of discouraged workers – people who are available and willing to work, who recently sought work, but have since abandoned their search due to labour market conditions, including the lack of suitable employment opportunities. The number of discouraged workers surged by 78 per cent in 2018 to 83,000 – nearly all of them in Gaza.
7. In the Appendix to his Report to the 108th Session (2019) of the International Labour Conference, *The situation of workers of the occupied Arab territories*, the Director-General emphasized that breaking points for the Occupied Palestinian Territory have been approaching for some time, warning in particular that Gaza is close to collapse. He highlighted that in the context of continued conflict and tension, “there is little hope for meaningful and sustainable improvement in the labour markets of the occupied Arab territories”. The Director-General further noted that the “labour market of Gaza and the West Bank could flourish if allowed to. There is no endogenous reason for economic decline and high unemployment”.

II. Overall progress in programme and partnership development

8. The reporting period saw the continuance of the second *Palestinian Decent Work Programme 2018–2022* aligned with the *National Policy Agenda 2017–2022*, the *Labour Sector Strategy 2017–2022*, the *United Nations Development Assistance Framework: State of Palestine 2018–2022* and the Sustainable Development Goals (SDGs). Building on the first Palestinian Decent Work Programme (DWP), the second DWP prioritizes work on employment and livelihoods, labour market governance and labour rights, and social security and social protection, with increased emphasis on promoting social dialogue and freedom of association.
9. The current ILO development cooperation programme in the Occupied Palestinian Territory consists of a portfolio of interventions worth approximately US\$5.4 million. Forty-five per cent of resources are allocated to work on strengthening gender mainstreamed labour governance and promoting labour rights through improved social dialogue mechanisms (DWP Priority 2). A further 32 per cent are allocated to supporting the development and implementation of the social security system and extending social protection to all (DWP Priority 3) and 23 per cent to promoting employment and livelihoods among Palestinian women and men (DWP Priority 1).
10. The ongoing ILO development cooperation portfolio is the result of resources mobilized in previous years and new voluntary contributions received during the reporting period through expanded partnerships with existing bilateral donors, the United Nations (UN) and international non-governmental organizations (NGOs), in addition to ILO Regular Budget Supplementary Account (RBSA) allocations for the Occupied Palestinian Territory. The Government of Kuwait maintained its annual contribution of US\$500,000 to support the entire DWP. The reporting period also witnessed the signature of two UN-to-UN agreements with UN Women in the area of gender equality for a total amount of approximately US\$1.5 million. The first agreement relates to the second phase of a joint project, funded by the Government of Italy and initiated in 2017, to promote decent work for Palestinian women; the second forms part of a regional joint programme, funded by the Swedish International Development Cooperation Agency (SIDA) on “Promoting Productive Employment and Decent Work for Women in Egypt, Jordan and Palestine”.

11. The ILO also signed a public–private partnership agreement with the Cooperation for the Development of Emerging Countries (COSPE), an Italian NGO, in January 2019 in order to further expand its long-standing support to cooperative development in the Occupied Palestinian Territory. In addition, the ILO allocated US\$1.3 million from the RBSA to allow for continued support in the areas of social protection and social security, and labour inspection and occupational safety and health in the Occupied Palestinian Territory.
12. In terms of prospects for new partnerships, the ILO is currently in the final stages of negotiating an agreement with the Italian Government for €1.5 million to support the work of the newly established Cooperative Work Agency (CWA). Furthermore, the SDG Fund is likely to support a joint programme between the ILO, the United Nations Children’s Fund (UNICEF) and the World Food Programme (WFP) to promote a universal and holistic social protection floor for persons with disabilities and older persons. The programme will build on and reinforce the ILO’s long-standing support to the advancement of social protection in the Occupied Palestinian Territory.
13. In order to further promote the Decent Work Agenda in the Occupied Palestinian Territory and in response to a request made at the Arab Labour Conference during its March session in 2019, the ILO undertook to assist in the organization of a donors’ meeting in the near future to support the creation of employment opportunities for Palestinian women and men.
14. Since 1995, the ILO has maintained the ILO Representative in Jerusalem with four regular budget staff, supported by the Regional Office for the Arab States. Three development cooperation staff members are currently being recruited in order to provide support for the expanding workload in the areas of gender equality and social protection.

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

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

15. The ILO continued to strengthen labour market analysis capacity, sustainable employment creation and labour market development in the Occupied Palestinian Territory. This included supporting the Palestinian Fund for Employment and Social Protection (PFESP) in formulating its strategic plan 2018–22, which was adopted by the board of directors in 2018. The plan, developed in line with the Occupied Palestinian Territory 2018 employment diagnostic study, aims to improve labour market governance and performance and the wider employment situation of Palestinian women and men. The ILO also continued to provide technical advisory support to the Ministry of Labour and the social partners for the establishment of an inter-ministerial committee to formulate a national employment policy and action plan.
16. At the request of the Ministry of Labour and the social partners, the ILO undertook a study on the minimum wage in the Occupied Palestinian Territory, the preliminary findings of which were discussed with the tripartite constituents and the National Wage Committee in July 2019. These consultations will be reflected in an ILO report, which will include guidance relating to the minimum wage setting process in the Occupied Palestinian Territory.
17. During 2018 and 2019, the ILO supported the efforts of the Palestinian Central Bureau of Statistics and the Palestine Economic Policy Research Institute to enhance their capacity to produce the statistical data, forecasts and analysis needed for better planning and policy

development in the fields of employment and labour. This partnership resulted in the development of a chapter on labour in the *Economic Monitor* report, to include labour market forecasts and provide data and analysis in the context of the new global indicator framework for the SDGs in relation to decent work.

18. Furthermore, the Palestinian Central Bureau of Statistics, alongside statistical offices from 15 Arab countries, benefited from a regional training on the measurement of SDGs indicators related to decent work organized in February 2019 as part of a regional South–South and triangular cooperation initiative. This training fostered peer-to-peer exchanges and explored partnerships to improve monitoring and reporting on SDGs.
19. In 2018, the ILO continued to support the cooperative sector and its new governance system, in line with the Cooperative Associations Law (Decree-Law No. 20 of 2017) and international good practices. The ILO finalized an institutional assessment of the legal, organizational and technical development requirements for the effective implementation of the Law, with a view to making the CWA operational. It will continue to focus on building the capacity of members of the sector, including cooperative societies, cooperative unions and core staff of the CWA and its subsidiary educational and financial arms, namely, the Cooperative Development Institute and the Cooperative Development Fund.

2. Strengthen labour governance and the realization of fundamental principles and rights at work through freedom of association, strengthened collective bargaining and improved social dialogue mechanisms

20. The ILO continued to support the strengthening of the legislative framework on labour matters. During the reporting period, the labour law reform process was put back on track and important milestones were reached. Following the technical and capacity-building support provided to the Federation of Palestinian Chambers of Commerce, Industry and Agriculture and to the Palestinian General Federation of Trade Unions (PGFTU) that facilitated the formulation of their positions on the labour law, the ILO undertook a comprehensive review of the labour law, including from a gender perspective.
21. Since December 2018, the ILO has facilitated a series of tripartite consultations with the aim of guiding the labour law review process in line with international labour standards, including on gender equality. The ILO further supported the reform process through developing an issues paper containing specific recommendations on the amendments needed. One proposed area of reform is to respond to concerns over existing legal obstacles to gender equality. The ILO will organize follow-up consultations with the tripartite constituents in the last quarter of 2019 in order to formulate proposed amendments to the law.
22. In response to the request of the Ministry of Labour in 2018, the ILO facilitated bipartite and tripartite social dialogue on the draft trade union organization law, with a view to obtaining consensus while ensuring the alignment of the draft law with international labour standards, in particular the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), and the Right to Organise and Collective Bargaining Convention, 1949 (No. 98). This dialogue resulted in a second draft, which was discussed by the workers and the Government in July 2019 in order to clarify the application of international labour standards to its provisions.

23. The ILO also took action to increase Palestinian women's membership in trade unions. It supported the PGFTU in raising the awareness of 2,500 women workers in the West Bank and Gaza on their labour rights and right to organize, with the result that 1,200 women joined the PGFTU as new members.
24. The ILO continued to address issues related to labour inspection and occupational safety and health with its tripartite constituents, including by supporting the automation of labour inspection, improving compliance with international labour standards and enhancing the knowledge and capacities of the labour inspectorate. The progress of the programme to automate labour inspection activities and develop associated electronic databases for labour inspection and occupational safety and health, launched in late 2017, continued throughout 2018 and in 2019.
25. Lastly, the ILO undertook a series of trainings for labour inspectors in 2018 and 2019 on gender-responsive labour inspection, with a focus on the documentation and monitoring of gender-based violations at the workplace. The ILO will continue to work on reviewing and improving available labour inspection tools in order to ensure that they are gender-responsive and contribute to the broader efforts of promoting gender equality in the world of work.

3. Support the implementation and development of the Palestinian social security system and the extension of social protection to all

26. Social security reforms remain a priority for the Palestinian Authority and social partners. Following protests against the new Social Security Law (Decree-Law No. 19 of 2016) since late 2018, application of the Law was suspended and the majority of Palestinian Social Security Corporation (PSSC) staff were dismissed. In view of these developments, the ILO has continued to support the Corporation both technically and financially in order to ensure that the knowledge capital that it accumulated in past years is preserved.
27. Following a request from the Ministry of Labour, the ILO prepared a technical note in March 2019 assessing the legal and financial implications of the amendments proposed to the Social Security Law by a technical task force, taking into account ILO principles and standards and international financial and good governance principles. Based on the findings of the assessment and on consultations with the PSSC and the tripartite constituents, the ILO will support a contingency plan to put social security reforms back on track. Specifically, the ILO will support an inclusive national dialogue and develop the capacities of the relevant government institution and employers' and workers' organizations, as well as broader civil society organizations, with regard to social protection issues. It will also support the design and implementation of an awareness-raising campaign and a communication strategy on social security reforms.
28. The ILO also conducted an actuarial valuation of the public sector pension scheme, with a view to helping the board of the Palestinian Pension Agency to ensure the long-term financial sustainability of the Agency. In addition, the ILO is conducting an assessment on the social protection floor in the Occupied Palestinian Territory for elderly people and people with disabilities.

IV. Next steps

29. In view of the deteriorating labour and employment situation of workers and their families, particularly in Gaza, and despite the limited scope for Palestinians to improve the labour market outlook in the Occupied Palestinian Territory, there remains a sustained need to

promote good governance and effective institutions. Support for the development of the social security system, a key pillar for Palestinian state-building, is needed more than ever in order to provide protection for workers outside the public sector and boost the attractiveness of the anaemic private sector.

30. Likewise, the support provided to the PFESP, highlighted in the Governing Body guidance at its 334th Session (October–November 2018), can contribute to the revitalization of the economy as well as to improvements in labour market governance and performance and the wider employment situation of Palestinian women and men.
31. The expanded, diversified and strengthened partnerships and resources should enhance Office capacity for the promotion of decent work for Palestinian women and men, a goal which not only is important in its own right but also lies at the heart of the 2030 Agenda and the quest for state-building and social cohesion.

Draft outcome

32. *The Governing Body took note of the information provided in document GB.337/POL/4.*