



# Governing Body

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Policy Development Section

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## 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.

In the light of the worsening labour market situation in the occupied Arab territories, exacerbated by the impact of the COVID-19 pandemic, the Governing Body is invited to: (i) support the ILO in further reinforcing the Decent Work Agenda and social justice for the Palestinian people; (ii) take note of the achievements made since the last reporting period, and the notable efforts by the tripartite constituents in keeping social dialogue at the heart of COVID-19 response; and (iii) take note of the urgent need for expanded and diversified development assistance that supports Palestinian men and women, particularly youth, in order to enhance labour market outcomes.

**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.337/POL/4](#); [ILC.109/DG/APP](#).

## ▶ I. Background

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1. This document reports on progress made and planned interventions within the context of the ILO programme of development cooperation in the occupied Arab territories. It takes account of the main achievements of the ILO's work in the Occupied Palestinian Territory under the framework of the second Palestinian Decent Work Programme 2018–22 and highlights major developments and challenges in the Palestinian labour market since the last reporting period. It also demonstrates the alignment of ILO work in the Occupied Palestinian Territory with frameworks of the broader UN system and the United Nations country team (UNCT).
2. During the period under review, the world of work was profoundly affected by the COVID-19 pandemic, which has not only become a public health issue, but has transcended into a global economic crisis and produced a formidable shock to the labour market. The Palestinian economy, already stifled by occupation and a labour market characterized by low labour force participation, high unemployment and widespread labour underutilization, is at a grave disadvantage in facing the crisis and its repercussions. There are inherent threats to public welfare, employment and livelihoods, and there is a risk of a further exacerbation of pre-existing inequalities. Young women and men are particularly disadvantaged, as revealed in the high numbers of young Palestinians who are not in school, training or employment.<sup>1</sup>
3. The situation in Gaza is of even greater concern, with unemployment persistently on the rise, soaring to 49 per cent during the second quarter of 2020,<sup>2</sup> and extremely low labour market participation rates for women and youth. Most alarmingly, almost all young women who participate in the labour market in Gaza – nine out of ten – are unemployed, and about two thirds of economically active women and youth are looking for a job.<sup>3</sup>
4. Since the beginning of March 2020, the Occupied Palestinian Territory has been operating under a state of emergency. A comprehensive set of strict containment and prevention measures has been put in place, making it difficult for most enterprises to sustain business operations, and leading to an impending risk of a significant decline in revenues and increased insolvencies and job losses. The risk has been particularly accentuated for smaller enterprises and in sectors most severely impacted by the lockdown, such as the hospitality industry.<sup>4</sup>
5. Nearly 37,000 establishments in the Occupied Palestinian Territory have been closed under one of the world's longest lockdowns. According to the Palestinian Central Bureau of Statistics (PCBS), the unemployment rate reached 27 per cent during the second quarter of 2020,<sup>5</sup> compared to 25 per cent in 2019. At the same time, more than half of all Palestinian workers are in some form of informal employment, and many jobs are

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<sup>1</sup> ILO: *The Situation of Workers of the Occupied Arab Territories*, ILC.109/DG/APP, 2020.

<sup>2</sup> PCBS, Labour Force Survey (April-June, 2020) Round (Q2/2020).

<sup>3</sup> ILC.109/DG/APP.

<sup>4</sup> ILO, *COVID-19 and the World of Work: Impact and Policy Responses*, ILO Monitor, 1st Edition, March 2020.

<sup>5</sup> PCBS, Labour Force Survey, Q2/2020.

dependent on external donor funding,<sup>6</sup> putting the majority of workers in a highly vulnerable position with regard to securing income during the pandemic and beyond.<sup>7</sup>

6. A recent ILO study on the impact of the COVID-19 pandemic on the Palestinian labour market, which uses a forecasting model with scenarios of a four-month and a six-month lockdown, projected that real gross domestic product (GDP) would decline by 6.4 per cent relative to 2019 in the first scenario and by 10.8 per cent in the second scenario. The unemployment rate in 2020 is projected to grow to 31.7 per cent and 33.8 per cent, respectively, in the two scenarios.<sup>8</sup>
7. As a result of the impact on employment, wages are expected to decline in 2020. Workers in all sectors, with the exception of those working in information and communication technologies, would earn 2.1 per cent less on average in the scenario of a four-month lockdown, and 2.8 per cent less under six months of lockdown.<sup>9</sup> Women would stand to be disproportionately affected.
8. Social dialogue has played a critical role in identifying solutions to protect workers and provide a lifeline for businesses in an economy long reeling from stagnant growth and unemployment. A tripartite agreement adopted in March 2020 by the Ministry of Labour and the social partners allowed employers to pay workers only half of their salary for the months of March and April, with the remaining half falling due to workers at the end of the crisis. Smaller enterprises – representing the overwhelming majority of the Palestinian economy – have struggled to meet their obligations and are at high risk of suspending wages and terminating employment.
9. The Emergency Response Plan developed by the Ministry of Labour with support from the ILO calls for a rapid response that focuses the Palestinian Authority's efforts towards mitigating the adverse impact of the pandemic. The Plan underlines the importance of improved tripartite social dialogue and labour relations, the need to build Palestinian workers' awareness of COVID-19 risk mitigation and prevention measures, and the eminent need to protect Palestinian workers' income and ensure business continuity.
10. Solidarity between the Palestinian Authority, the private sector and the Palestinian General Federation of Trade Unions (PGFTU) was fostered through the establishment of a fund for the provision of income support to vulnerable workers, resulting in some 40,000 individuals receiving a one-off payment of 700 new Israeli shekels in May 2020.<sup>10</sup>
11. Based on the UN framework for the immediate socio-economic response to COVID-19, the UNCT drafted a COVID-19 Socio-Economic Response Plan to support the Palestinian Authority's efforts to boost socio-economic recovery in the short to medium term. The Plan established a framework for organizing the UNCT's development work over the next 12 to 18 months to respond specifically to the COVID-19 pandemic, while keeping in view the longer-term impact of the crisis. As a lead agency for Sustainable Development Goal 8 (promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all), the ILO provided substantial contributions to the Socio-Economic Response Plan and has based its proposed interventions on the

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<sup>6</sup> ILC.109/DG/APP.

<sup>7</sup> PCBS, "On the Occasion of the International Workers' Day, H.E. Dr. Ola Awad, President of PCBS, Presents the Current Status of the Palestinian Labour Force", 30 April 2020.

<sup>8</sup> ILO, "Impact of COVID-19 Pandemic on the Labour Market in the Occupied Palestinian Territory: A Forecasting Model Assessment", forthcoming, 2020.

<sup>9</sup> ILO, "Impact of COVID-19".

<sup>10</sup> Ministry of Labour, Press Release, 23 May 2020.

Emergency Response Plan, developed in close cooperation with the Ministry of Labour and the social partners.

12. In his annual report on the situation of workers of the occupied Arab territories, the Director-General emphasized that the Palestinian labour market continues to present a grim picture, with rampant unemployment, failing protection and increasing exclusion of young people. He drew attention to the situation in Gaza, where jobs and all means of livelihoods have become scarce, with growing desperation and hopelessness and the persistent need to keep the enclave on humanitarian life support.<sup>11</sup> Without an adequate and just resolution to the challenges facing the Palestinian labour market, unemployment rates may continue to rise – with a disproportionate impact on women and youth – and dependency ratios and poverty rates are likely to grow.

## ▶ II. Overall progress in programme and partnership development

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13. The reporting period falls midway through the implementation of the second Palestinian Decent Work Programme (2018–22) and of the National Policy Agenda 2017–22. In late 2019, the Prime Minister's office led a mid-term review of the latter and of subsequent sectoral strategies, guided by a cluster approach to development, and a drive for structural reforms through regional specializations in key economic sectors.<sup>12</sup> Accordingly, the ILO is supporting the Ministry of Labour in its review process of the Labour Sector Strategy 2017–22 and the subsector strategy for cooperatives and in the finalization of the National Employment Strategy. The ILO also plans to launch a tripartite consultative process for the review of the Decent Work Programme, which will aim to further align it with the revised national strategies and to incorporate new emerging labour market needs that have been reflected in the Ministry of Labour's Response Plan and the UN country team's COVID-19 Development System Response Plan.
14. The current ILO development cooperation programme in the Occupied Palestinian Territory consists of a portfolio of approximately US\$6.2 million.<sup>13</sup> The largest share – 52 per cent – is allocated under priority 2 of the Decent Work Programme, on strengthening labour governance and the realization of fundamental principles and rights at work. This is followed by 39 per cent under priority 3, on supporting the development and implementation of the social security system and extending social protection to all, with 9 per cent allocated to priority 1, on promoting employment and livelihoods among Palestinian women and men.
15. The ILO development cooperation portfolio in the Occupied Palestinian Territory is a culmination of extensive efforts to mobilize resources and leverage new partnerships, including through significant ILO regular budget supplementary account (RBSA) allocations for the Occupied Palestinian Territory. The latter in particular provided critical means to further the ILO's support to social protection reforms and improving the efficiency of labour administration.
16. In addition to the annual contribution of the Government of Kuwait of US\$500,000 in support of the Decent Work Programme, a joint programme funded by the Multi-Partner

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<sup>11</sup> ILC.109/DG/APP.

<sup>12</sup> ILC.109/DG/APP.

<sup>13</sup> These figures are based on approvals as of September 2020.

Trust Fund and implemented by the ILO, the United Nations Children's Fund (UNICEF) and the World Food Programme, was formally launched in 2020 for a total of US\$2 million, of which the ILO's share is close to US\$700,000.<sup>14</sup> The joint programme, which aims to establish sustainable social protection floors for persons with disabilities and older persons, will build on the findings and reinforce the recommendations of the ILO's assessment of social protection in the Occupied Palestinian Territory, and the targeting methodology and costing options for old-age and disability allowances.

17. In September 2020, the ILO and the Directorate-General for Development Cooperation of the Italian Ministry of Foreign Affairs and International Cooperation signed a third-party cost-sharing agreement for €1.5 million to support cooperatives and social entrepreneurship in the Occupied Palestinian Territory. The programme aims to enhance employment and livelihood opportunities for Palestinian women and men by activating a supportive institutional, regulatory and promotional environment for autonomous and economically self-reliant cooperatives.
18. Moreover, a joint UNDP/ILO/UNIDO concept note on supporting micro, small and medium-sized enterprises in addressing and recovering from COVID-19 has been successfully submitted for the pipeline for funding from the UN COVID-19 Response and Recovery Multi-Partner Trust Fund. The concept note is aligned with the UNCT's Development System Response Plan to COVID-19<sup>15</sup> and supports the Palestinian Authority's socio-economic recovery plan.<sup>16</sup>
19. Further, the ILO is working closely with the UNCT on the development of the humanitarian–development–peace nexus in the territory to provide a common reference point for both the development system and the humanitarian system. The nexus will provide funding and implementing partners with evidence-based joint humanitarian, development and peace programming and financing that offers greater sustainability of results. The ILO will ensure proper integration of the Decent Work Agenda, the ILO Centenary Declaration for the Future of Work, the policy framework for the COVID-19 response and the priorities and needs of its constituents.
20. Since 1995, the ILO has maintained an office of the ILO representative in Jerusalem with four regular budget staff members, supported by the Regional Office for the Arab States. Four development cooperation staff members have been recruited to provide support to the expanding work in the areas of gender equality, cooperative development and social protection.

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

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

21. The ILO continued its efforts to strengthen the capacity of the Ministry of Labour and the social partners in achieving improved labour market analysis and responsive and

<sup>14</sup> Figures are based on approvals as of September 2020.

<sup>15</sup> UNSDG, *UNCT COVID-19 Development System Response Plan*.

<sup>16</sup> United Nations Development Programme, ILO and United Nations Industrial Development Organization, "Adapting to COVID-19 and Building Back Better: Enhancing MSMEs' Recovery and Resilience in Palestine", unpublished.

coherent policy planning that promotes inclusive and sustainable employment creation. The national team established in October 2019 and chaired by the Minister of Labour led the process of developing the National Employment Strategy, with technical support from the ILO, guided by the policy recommendations of the employment diagnostic exercise carried out by the ILO in 2018–19. Since its establishment, the national team has held extensive consultations and is expected to finalize the strategy before the end of 2020.

22. As public employment services will play a key role in the implementation of the National Employment Strategy, the ILO launched a baseline assessment of the public employment services in the Occupied Palestinian Territory in late 2019. The findings and recommendations of the assessment, which is currently under way, should guide the formulation of a strategic plan for strengthening the capacity of and modernizing the public employment services with a view to helping jobseekers access quality services.
23. Following the presentation of the findings of the ILO study on the minimum wage in the Occupied Palestinian Territory to the National Wages Committee in July 2019, five follow-up meetings of the Committee took place in 2019 and early 2020 to discuss adjustments to the minimum wage by reflecting the rate of the increase in the cost of living. While tripartite dialogue on adjustment of the minimum wage made progress, it failed to achieve consensus on the proposed adjustment.<sup>17</sup>
24. As part of its immediate response to the crisis, the ILO commissioned an impact assessment of COVID-19 on the labour market using the PCBS projection model. The analysis helped to derive a set of key policy recommendations for short-term economic interventions to mitigate the impact of the lockdown and medium-term structural reforms. These findings and recommendations are also being incorporated in the National Employment Strategy.
25. In late 2019, the ILO initiated the revision of the Cooperative Law No. (20) of 2017 as a prerequisite to enable the Cooperative Work Agency to carry out its regulatory and promotional role more effectively. The ILO supported a participatory consultative process and provided technical expertise to ensure the revisions are fully aligned with the Promotion of Cooperatives Recommendation, 2002 (No. 193), and international best practices. The final revisions of the law are to be concluded in September 2020 and presented to the Board of the Agency for endorsement.

## **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**

26. The ILO has continued to support reforms of the labour law that are imperative for addressing labour market inequalities and the realization of labour rights. In 2019, the ILO facilitated tripartite dialogue around points of agreement, and bridging disagreements, on proposed amendments to the law. Despite reaching consensus on certain amendments, agreement is yet to be reached on many substantive reforms. The Ministry of Labour therefore plans to hold separate consultations with workers and employers on the proposed amendments, after which tripartite consultations will resume. Furthermore, the labour law was examined in line with the Violence and

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<sup>17</sup> ILC.109/DG/APP.

Harassment Convention, 2019 (No. 190). As a result of this review, 16 new amendments and 19 new recommendations have been proposed.

- 27.** In late 2019, the ILO facilitated a series of capacity-building workshops for workers and employers on collective bargaining and negotiation skills. The training provided participants with guidance on collective bargaining tools and concepts, and promoted bipartite dialogue as an effective tool for sound industrial relations. In the future, the ILO plans to organize trade union literacy trainings on a broad range of topics, with a focus on sectoral bargaining in economic sectors where workers, particularly women, are exposed to poor working conditions.
- 28.** In an effort to advance the promotion of decent work for women in the Palestinian labour market, the ILO supported the launch in late 2019 of the second awareness-raising campaign led by the PGFTU targeting women workers, primarily in private schools and kindergartens. The campaign was successful in introducing 2,500 new women worker affiliates to the PGFTU and establishing 21 work committees, who will benefit from the planned ILO interventions on union literacy and sectoral bargaining.
- 29.** Building on recommendations from the ILO gender review of the labour law and recent data collected by the PGFTU on workplace violations, the ILO and UN Women supported a mapping exercise of potential civil society organizations that could form a strong alliance with the PGFTU in their advocacy campaigns for legislative reform and protection of workers' rights against violence and harassment in the workplace.
- 30.** In December 2019, the ILO organized with the Bureau for Employers' Activities (ACT/EMP) a workshop for 120 members of the Federation of Palestinian Chambers of Commerce, Industry and Agriculture. The workshop focused on building the governance, managerial and organizational capacity of members of the Federation's general assembly to engage more effectively in socio-economic policy dialogue and to represent their members more efficiently.
- 31.** The ILO continued to strengthen the Ministry of Labour's capacity for more effective and responsive labour administration. With ILO support, the first Palestinian Labour Inspection Conference took place in November 2019, with the participation of key ministry officials, local partners and representatives of employers and workers. During the conference, key gaps in the labour inspection system were discussed and successful practices from neighbouring countries presented. As an immediate follow-up to the conference, the ILO conducted a comprehensive assessment of the Palestinian labour inspection system, and a reform plan in line with the Labour Inspection Convention, 1947 (No. 81), is currently being developed.
- 32.** During the last quarter of 2019 the ILO, in collaboration with its International Training Centre in Turin, organized an introductory course for 25 occupational safety and health inspectors in the West Bank and provided fellowships for tripartite representatives to participate in a training course on improving safety and health in small and micro enterprises. In the same period, the ILO conducted a strategic planning compliance workshop targeting senior officials of the labour inspectorate.
- 33.** The efforts of the Ministry of Labour and the social partners to keep tripartite social dialogue at the heart of the COVID-19 response were noticeably demonstrated through the tripartite agreement reached in March 2020, the revitalization of the tripartite Labour Policies Committee in August 2020 and the conference on social dialogue planned for November this year. A commitment to stronger and renewed tripartite social dialogue by tripartite constituents will serve as an important vehicle for advancing the Decent

Work Agenda and for improved planning for the future of work in the Occupied Palestinian Territory.

34. In August 2020, the tripartite Labour Policies Committee met for the first time since 2015 and agreed to hold a conference on social dialogue in November 2020 with support from the ILO. The conference will aim to discuss the impact of COVID-19 on the labour market and to develop an actionable policy paper for institutionalizing social dialogue and reinstating decent work principles in the labour market. A tripartite task force was established to work with the ILO in preparing for the conference.

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

35. Since November 2019, the ILO has continued its support to Palestinian institutions responsible for providing social protection, including for the poorest and most vulnerable. With poverty rates approaching 30 per cent of the total population, access to inclusive social services and income support remain a priority for constituents. The ILO will work jointly with UNICEF and the World Food Programme to assist the Ministry of Social Development in improving delivery of a range of essential social protection benefits and services, particularly among priority groups in situations of vulnerability, such as older persons and persons with disabilities.
36. With respect to social security, the ILO is maintaining its long-standing support to the Palestinian Social Security Corporation to roll out a social security system for Palestinian private sector workers. In December 2019, the ILO proposed a road map for reactivating dialogue on social security reform on the basis of the suspended Social Security Law No. 9 (2016). However, COVID-19 restrictions prevented the subsequent workshops from taking place. Meanwhile, additional conceptual and analytical work is continuing in an effort to support dialogue, including through the conduct of an actuarial analysis and feasibility study for unemployment insurance that began in August 2020. Options for including unemployment insurance among a subset of social security benefits in a first phase of implementation will be presented to a tripartite committee before the end of 2020, and included within a broader national dialogue for a gradual roll-out of social security benefits for private sector workers in the Occupied Palestinian Territory.
37. The ILO actuarial valuation report of the public sector pension scheme was endorsed by the technical team and Board of Directors of the Public Pension Agency earlier this year. Subsequently, a dedicated technical committee will be set up to follow up on development of policy reform recommendations aimed at assisting the Board in ensuring the long-term financial sustainability of the Agency.

## **▶ IV. Next steps**

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38. The worsening labour market situation in the Occupied Palestinian Territory, exacerbated by the COVID-19 outbreak, presents important technical and financial challenges to the Palestinian Authority, particularly in view of the decline in fiscal revenues and the rise in demand for expenditure on health, public welfare and support to the private sector.

39. The Decent Work Agenda and social justice for the Palestinian people can be pursued through enhancing tripartite social dialogue and identifying solutions to protect workers in an economy long reeling from stagnant growth and unemployment. Equally important, as highlighted in the Governing Body's guidance at its 337th Session (October–November 2019), promotion of good governance and effective institutions is a key pillar for Palestinian state-building, and a pivotal instrument for protecting workers and boosting the attractiveness of the private sector.
40. The Governing Body is invited to take note of the urgent need for expanded and diversified development assistance to Palestinian workers, and the Palestinian labour market more broadly. Extending support to include skills development, employability and active labour market programmes, as well as continued assistance to social protection initiatives, will be instrumental in addressing the evolving labour market challenges, particularly during COVID-19.

## ▶ Draft decision

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41. **The Governing Body took note by correspondence of the information provided in GB.340/POL/5.**