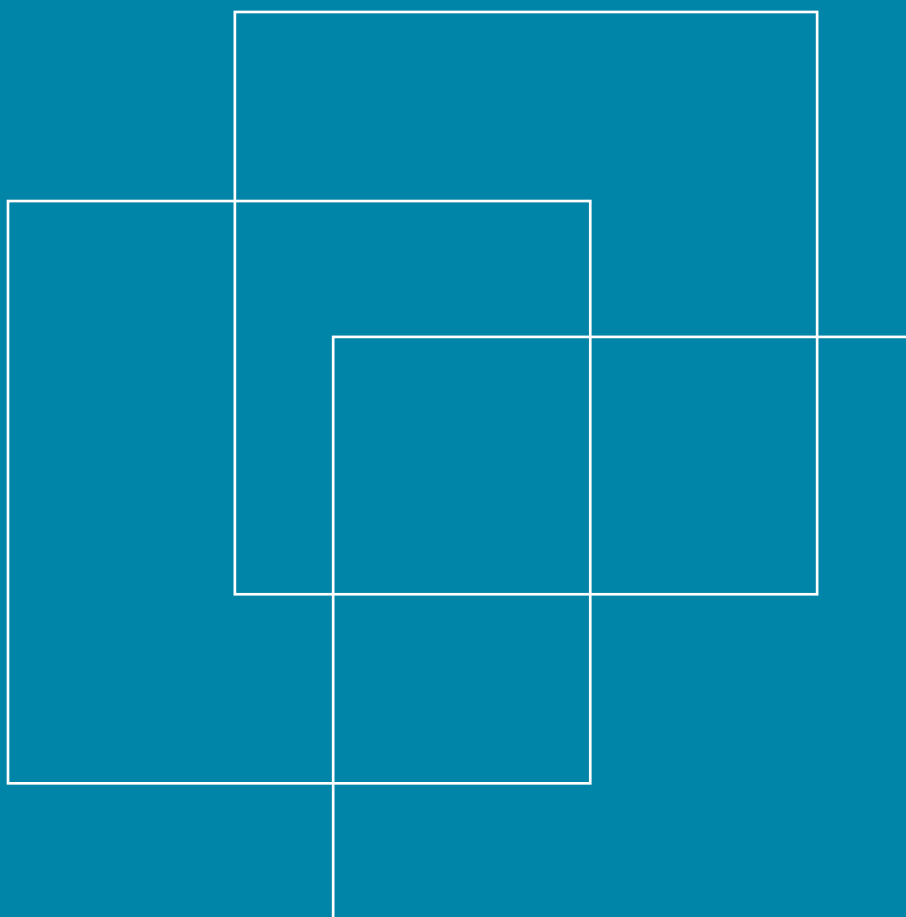




International  
Labour  
Office  
Geneva

REPORT OF THE DIRECTOR-GENERAL  
APPENDIX

# The situation of workers of the occupied Arab territories



INTERNATIONAL LABOUR CONFERENCE  
104th SESSION, 2015

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**International Labour Conference, 104th Session, 2015**

**Report of the Director-General**

**Appendix**

# **The situation of workers of the occupied Arab territories**

**International Labour Office, Geneva**

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## Preface

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In accordance with the mandate given by the International Labour Conference, I again sent a mission to prepare a report on the situation of workers of the occupied Arab territories. The mission visited the West Bank, including East Jerusalem, and Gaza, Israel and the occupied Syrian Golan. It met in Geneva with the Director-General of the Arab Labour Organization. As has been the case since 2012, the mission could not visit the Syrian Arab Republic.

The mission had in-depth discussions with representatives of the Palestinian Authority, the Government of Israel, employers' and workers' organizations in Palestine and Israel, Syrian citizens in the occupied Syrian Golan, and representatives of the United Nations and international and non-governmental organizations. They all provided information which has guided the preparation of this Report. The mission also undertook a number of field visits.

I am grateful for the cooperation extended to the mission by all its interlocutors, which once again reaffirmed the broad support for the values of the International Labour Organization. As always, the mission conducted its work with the aim of producing a comprehensive, accurate and impartial assessment of the current situation of workers in the occupied territories.

The current situation is marked by a very high level of uncertainty, which particularly affects the lives and livelihoods of Palestinian workers and their families. At the time when this Report was finalized, the outcome of the Knesset elections in Israel in terms of Government and government policy were not yet known. The prospects of settling the divide between the two main Palestinian groups remained elusive. The peace process is in a state of suspension. At the less political, less visible daily level, Israeli–Palestinian contacts continue to take place. Security coordination, although resented by many Palestinians, has not been cut off. An ongoing source of contention is the disbursement of clearance revenues, that is, taxes on imports, which are collected by Israel and transferred to the Palestinian Authority. This is significant for the Palestinian budget, including the remuneration of the civil service.

Changes in trends that directly affect the Palestinian workers are felt on the ground. Against the backdrop of expanding Israeli settlements in the West Bank, the Palestinian economy is sagging. At the same time, a certain number of measures relaxing the access of Palestinians to work in the Israeli economy have been taken. A growing number of Palestinians have access to the Israeli labour market, either with or without the required permits.

Any assessment of the overall economic and political trends today has to be made against the background of the frighteningly high human toll and physical destruction at the time of the war in Gaza in July–August 2014. The Gaza Reconstruction Mechanism has been agreed to and is starting to work, and the ILO will bring its contribution to the joint effort. But this process has been painfully slow. Materials for rebuilding are

entering Gaza only to a limited extent. The donors have not released the large sums pledged at the Cairo Conference in October last year. The 1.8 million citizens of Gaza still live under a state of blockade. The Palestinian divide continues to haunt Gaza, and there is an uncertainty of power and governance.

A year ago my Report pointed to tensions that were growing especially in the West Bank, including East Jerusalem. It also called Gaza a tinderbox – a catastrophe waiting to happen. Regrettably, those tensions were played out in a tragic way last summer. The hopes that had been sustained by the negotiating process initiated by US Secretary of State John Kerry had broken down. Despite the setting up of a National Consensus Government composed of technocrats, intra-Palestinian reconciliation remained unfinished business. Kidnappings and murders of both Israeli and Palestinian youths in the West Bank and East Jerusalem fuelled the already high tensions. The situation in Gaza then descended into an all-out war, which took a heavier toll on the Palestinians than at any time since 1967.

In the current uncertain situation, there is a need for action at several levels. On the ground, some short-term measures have been taken by Israel, following the devastation of the war in Gaza and in the light of uncertainties about the economy and employment, especially in the West Bank. At the same time, the political negotiations have come to a halt, and Israeli settlements continue to be expanded. It is urgent to have action at this overarching level, too, and not let the peace process wither away. Its resurrection at any later stage will be a daunting task.

The Palestinians, Israel and the whole international community are again at a crossroads. Much will depend on the outcomes of the processes that are gradually playing themselves out within and between the immediate partners. At the same time, the multiple political, military and humanitarian crises in the region demand urgent international attention, and Israeli–Palestinian relations are not at the top of everyone’s daily agenda. Yet even while hoping for some reasonable calm, the international community knows that it cannot walk away from this crisis. Now, as earlier, its members will have to stand ready to assist, especially if, as it seems, the parties have difficulties in arriving at a situation where they can again have talks between themselves.

The scope of such assistance is a matter for the whole multilateral system, and not least the United Nations which, in different ways, has assumed its responsibilities for all of the past decades. The key supporters on all sides, whether in the United States or Europe, or the Arab region, should not give up on the aims of the peace process, however difficult and elusive they are. Effectively suspending the search for a two-state solution could have a serious and possibly devastating effect on the action to achieve improvements in the employment and livelihoods of Palestinian women and men, which is the focus of this Report I present annually to the International Labour Conference.

Especially on the Palestinian side, the stakes and expectations have been raised to a significant level. Already some time ago there was an international consensus that the institutions for a sovereign Palestinian state had been largely built up. This Report details the latest trends, and some impressive achievements, in this process. The social and labour dimensions of this institution building have been a special concern and a subject for cooperation for the ILO. This includes promoting the Palestinian social dialogue involving the employers’ and workers’ organizations, expanding social protection and implementing a minimum wage. At the local level, there is a pressing need for institutions and procedures to support the rights and opportunities of workers and their families. Yet the ultimate logic of the institutions and laws that have been, and are being, developed is that they would serve as the infrastructure of a sovereign state.

With grim and weakening employment prospects, it is natural that Palestinians are increasingly looking for jobs and incomes in both Israel and the Israeli settlements. The readiness in Israel of both employers and the trade unions to receive more Palestinian workers – in decent conditions and supported by collective bargaining agreements – is to everyone’s mutual advantage. Cooperation between the Histadrut and the Palestinian trade union federation PGFTU is a valuable tool. Yet up to a third of the Palestinians who work in the Israeli economy, and increasingly in the settlements, do not enjoy the benefits that collective bargaining agreements and other organized labour market mechanisms provide. They do not have the required permissions but work in conditions which are unregulated and can be precarious and exploitative. In addition, the possibility to enter the Israeli labour market does not, for the time being, concern the workers in Gaza.

Expanded opportunities for Palestinians to work in the Israeli labour market are to be welcomed. But the driving factor for employment should not be the lack of jobs due to constrained economic performance on the Palestinian side, especially in the West Bank. The combined weight of the continued occupation and the settlements has not permitted the development of a viable, productive Palestinian economy, which could provide sufficient opportunities in terms of decent work. If the current trends continue, the scope for such opportunities will shrink further.

This is a reality which all sides, and the international community, have to recognize for any action to be undertaken. Whether at the overall political level, or in the daily lives of Palestinian workers and their families, there are few beneficial alternatives to a genuine process of negotiations and concomitant building of the institutional and legal framework which can, in an equal and balanced manner, take care of the interests of all, and not least the Palestinian workers and the businesses that employ them.

May 2015

Guy Ryder  
Director-General



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# Introduction

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1. In accordance with the resolution concerning the implications of Israeli settlements in Palestine and other occupied Arab territories in connection with the situation of Arab workers, adopted by the International Labour Conference at its 66th Session (1980), the Director-General again this year sent a mission to Israel and the occupied Arab territories in order to make as full an assessment as possible of the situation of workers of the occupied Arab territories. As in previous years, the mission sought to gather and assess information on the situation of the workers of the Occupied Palestinian Territory (West Bank, including East Jerusalem, and Gaza) and the occupied Syrian Golan.<sup>1</sup>
2. The Director-General's representatives were guided by the principles and objectives laid down in the Constitution of the International Labour Organisation, including the Declaration of Philadelphia, as well as the ILO Declaration on Fundamental Principles and Rights at Work and the ILO Declaration on Social Justice for a Fair Globalization. The representatives were guided by the resolutions adopted by the Conference, as well as the principles laid down in the relevant international labour standards and those enunciated by the supervisory bodies of the ILO.
3. In examining all the issues involved, both during the mission and in the preparation of this Report, the Director-General's representatives bore in mind, as they have always done, the relevant standards of international humanitarian and human rights law, in particular, the Hague Convention of 1907 (respecting the laws and customs of war on land) and the Fourth Geneva Convention of 1949 (relative to the protection of civilian persons in time of war). The mission was guided by the relevant resolutions of the United Nations General Assembly and the Security Council, including Security Council Resolutions 242 (1967), 338 (1973), 497 (1981), 1397 (2002), 1515 (2003), 1850 (2008) and 1860 (2009). It was also mindful of the advisory opinion of 9 July 2004 of the International Court of Justice (ICJ, 2004).
4. The Director-General entrusted Kari Tapiola, as his Special Representative, Tariq Haq, Specialist on Employment Policies in the Employment Policy Department, Katerine Landuyt, Legal Standards Specialist in the International Labour Standards Department, and Martin Oelz, Senior Specialist on Equality and Non-discrimination in the Conditions of Work and Equality Department, with the mission to Israel and the

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<sup>1</sup> As has been pointed out in previous Reports, the position of the Israeli Government regarding the Golan was stated in the following terms: "The ILO mission is meant to collect material for the Director-General's Report on the occupied Arab territories. It is the position of the Government of Israel that the Golan, to which Israeli law, jurisdiction and administration have been applied, is not now such an area. In view of this consideration, approval for a visit of the ILO mission to the Golan was given as a gesture of goodwill and without prejudice. The decision to facilitate such an informal visit shall not serve as a precedent and does not contravene the Israeli Government's position." It is recalled that the Golan was unilaterally annexed by Israel in 1981 and that Security Council Resolution 497 (1981) calls on Israel to rescind its decision to annex the Golan, which has never been recognized by the United Nations.

occupied Arab territories, which took place from 23 to 31 March 2015. Mounir Kleibo, ILO Representative in Jerusalem, and Rasha El Shurafa, Programme Officer in the Office of the ILO Representative in Jerusalem, undertook the preparations for the mission, of which they were full members.

5. The Director-General's representatives held consultations with the Arab Labour Organization in Geneva on 20 March 2015. As has been the case since 2012, owing to United Nations security restrictions, no visit to the Syrian Arab Republic took place for consultations with the Syrian Government and workers' and employers' organizations.

6. In the course of the mission, the Director-General's representatives held numerous discussions with Israeli and Palestinian interlocutors, as well as those from the occupied Syrian Golan.<sup>2</sup> They met with representatives of various ministries and institutions of the Palestinian Authority and of the Government of Israel, Palestinian and Israeli workers' and employers' organizations, non-governmental organizations, research institutions and community leaders. The mission also consulted representatives of the United Nations and other international organizations.

7. Once again the Director-General is pleased to recognize that his representatives enjoyed the full cooperation of all parties in obtaining the factual information on which this Report is based. The written submissions received by the mission are acknowledged with thanks.

8. This Report takes full account of written and oral information obtained on the ground by the mission, and also data, studies and reports available in the public domain. Information obtained in the interviews with various interlocutors was examined in a thorough manner and checked as far as possible with other available information. In examining the situation of Palestinian and other Arab workers, the members of the mission conducted their work with impartiality and objectivity.

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<sup>2</sup> A list of interlocutors is contained in the annex of this Report.

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## 1. When reality catches up

9. In his briefing to the United Nations Security Council on 26 March 2015, the outgoing Special Coordinator for the Middle East Peace Process, Robert Serry, emphasized that the parties cannot run from reality. Indeed, the mission sent by the Director-General of the ILO to examine the situation of workers of the occupied Arab territories is convinced that a stark, irrefutable reality has caught up with all concerned. No meaningful negotiations are taking place; the expansion of Israeli settlements in the West Bank continues; and there is no end in sight to occupation and separation. It is difficult to see any serious new move towards a two-state solution coming from the direct partners themselves. Any initiative would have to come from the international community, but it would also need a genuine engagement by both Israel and the Palestinian Authority. One of the realities of the current situation is that, at least for now, the problems in the Israeli–Palestinian relations are not the main preoccupation in the region, which is experiencing multiple political, military and humanitarian crises.

10. Currently the main impediments to the peace process between Israel and the Palestinian Authority are at the central political level. Since the Knesset elections in Israel on 17 March 2014, no dialogue has taken place between the leaders of what should be two adjacent but separate sovereign and democratic states. Furthermore, despite the renewed efforts of Palestinian Prime Minister Rami Hamdallah, the Palestinian divide has not been overcome. In Gaza, the incomes of tens of thousands of civil servants are directly dependent on the way in which reconciliation is carried out.

11. In the Occupied Palestinian Territory, depressed economic and employment indicators have been further aggravated by the dramatic situation in Gaza. Yet for the Palestinian workers from the West Bank, there is a degree of relief. Permits to work in Israel have been increased and the age limits and other requirements – such as the provision that younger men have to be married with children – have been revised. Irregular work in both Israel and the settlements is increasingly available for Palestinians, but it is often precarious, low-paid and exploitative. There has been a very limited degree of relaxation in the movement of people and goods to and from Gaza. Permits for commercial purposes are increasingly being granted and used. Some more construction material is coming in. While consideration has been given to allowing a few hundred Palestinians from Gaza to work for their former employers in Israel, this has not yet led to permits. Measures for relaxation give relief, and can promise more, but the decisions do not change the basic reality of occupation.

12. There may well be a period of little or no negotiation and movement on the political front. At the same time, measures easing up the economic and employment situation can be subject to case-by-case decisions. The problems of access and water for the modern Palestinian township of Rawabi, north of Ramallah, have been solved, although the mission was unable to obtain from either side details on the arrangements reached. A few Palestinian private sector projects are proceeding. While much-needed relief in terms of employment and income is welcome, such decisions should not become an alternative to political negotiations.

13. With little prospect of progress, it may be natural to think that the situation will at worst be frozen and that, in due time, the peace process could be restarted. In recent annual Reports, reference has been consistently made to the fact that there can be no real status quo under the conditions of expanding settlements and economic restrictions and dependence. The road mapped in Oslo 22 years ago intended to secure the space for, and the building up of, the structures of a Palestinian state. This was to be a process of some

five years. In the last few years, the negotiations have failed; significant economic benefits for the Palestinian population have not materialized; and the expansion of settlements has intensified.

14. The presence of settlements is felt throughout the West Bank. On a drive from Ramallah to Nablus, they are prominently visible on hilltops, from where they extend to a large part of the surrounding land area. Separate entrances and roads and checkpoints abound, and on the roadsides there is an uneasy coexistence between settlers and the Palestinians. If the current trends continue, it will soon be difficult to see how a viable Palestinian state could be set up within the 1967 borders.

15. In the view of the mission, perhaps the most serious casualty of recent events – including the war in Gaza – is the expectation that negotiated solutions can be reached any time soon. A number of trends are constantly shifting the realities on the ground. Even in a moderately positive scenario (that is, without significant armed conflict), for the coming period, settlements will continue to grow, tensions will remain high, and communities will be increasingly separated. There will soon be a whole generation of young people in Gaza who have grown up without interaction with their Israeli neighbours or, for that matter, with other Palestinians in the West Bank.

## Increased search for a living in the Israeli economy

16. On the Palestinian side, the question of more permits and better access for workers to Israel and the Israeli-controlled labour market is of necessity a priority. Over 52,000 Palestinians work legally in Israel, with another estimated 26,000 in the settlements. The total number of Palestinians working in the Israeli economy currently stands at some 107,000, which means that a third of them lack the required permissions. High unemployment in the West Bank pushes people to look for work where it is available, in uncertain and too often exploitative conditions. Without functioning labour exchanges, workers may have to rely on unscrupulous brokers. In cases of work-related accidents, or disputes, remedies are difficult to obtain even under regular circumstances, let alone when permissions have not been granted.

17. Initiatives for boosting the Palestinian private sector have become more hesitant. Expectations of large-scale investment by the Palestinian diaspora are subdued. In addition to Rawabi, the large-scale development projects in Jericho are still under way, as are a housing project in the Jerusalem Governorate and the industrial parks in Jenin and Bethlehem. Progress on these projects is slow, due to both economic and bureaucratic constraints. Beyond these initiatives, success stories are few and far between. Furniture export to Kuwait, or a Palestinian food industry exhibition in Jeddah, are not sufficient cornerstones for growth. The Palestinian economy remains as dependent on Israel as ever, and the cumbersome routes of export to international markets are no real replacement.

## Uncertainty about Gaza's future

18. At no time since 1967 has the number of Palestinians killed been as high as during the 51-day war in Gaza in 2014. On the Palestinian side 2,220 lives were lost, including 1,492 civilians. On the Israeli side the war claimed the lives of 67 soldiers and four civilians (OCHA, 2015a). Once the destruction had come to an end, the International Conference on Palestine, held in Cairo on 12 October 2014, promised US\$5.4 billion for the reconstruction of Gaza. Yet most of the money pledged by donors

at that conference has not been released. Israel has indicated that it will facilitate the reconstruction in the context of the Gaza Reconstruction Mechanism. For the time being, the Palestinian Authority has not gained effective control of the crossings in Gaza. Imports of construction materials have increased but are nowhere near the levels required.

19. Employment in Gaza declined by some 19,000 in 2014, most of it as a direct result of the war, while unemployment soared. Poverty has become endemic, and Gaza remains dependent on food and other aid from the outside world. Whatever recovery Gaza could experience in the near and medium term must be seen against the background of the devastation wrought by the war. At the time of the visit of the mission, negotiations were being undertaken on overcoming the Palestinian divide by integrating civil servants engaged by the Palestinian Authority, and now idle, with those who have been employed by the de facto authorities. Following the establishment of the National Consensus Government such integration is a high priority, especially for the Palestinian Labour Minister, whose office is in Gaza.

20. The aftermath of the war and slow reconstruction is combined with the continuing blockade and the uncertainty of Palestinian reconciliation. The de facto authorities remain in control of Gaza but do not effectively govern it. The ambiguity of the situation is underlined by the fact that since the setting up of the National Consensus Government, the Labour Minister has been able to travel to the West Bank only once, a week before the mission met him in Gaza. The Prime Minister subsequently visited Gaza to advance the integration of civil servants and other measures to overcome the Palestinian divide, but no breakthrough has been achieved by the parties concerned.

## Tensions in the West Bank

21. At the same time, the West Bank is heading towards a serious downturn of economic activity. At the time of the mission, Israel was continuing to withhold the clearance revenues it had blocked since the Palestinian Authority declared that it would join the Rome Statute of the International Criminal Court. The subsequent announcement by Israel that the revenues had been released, but not in full, prompted further controversy. Each time these revenues are withheld or delayed, the pay of Palestinian civil servants is directly affected. Over time, the clearance revenues have been disbursed erratically, and uncertainties regarding these payments will continue to have a major impact in both the economic and the political fields.

22. Tensions and violence are fed by mutually exclusive claims to land, water and the other necessities of productive life. There is resentment due to a long process during which, despite all the negotiations that have taken place, the Palestinians are faced with a constantly diminishing space for economic activity. Expanding control over natural resources by settlers cannot be reconciled with the development of a sustained Palestinian economy.

23. There are now four times more Israeli settlers in the West Bank than when the Oslo Accords were concluded. In addition to accelerating construction, the presence of the settlers is becoming more entrenched by, for instance, the retroactive authorization of so-called outposts. The number of settlers in what has been designated as Area C in the West Bank is higher than the number of Palestinians – in an area which should be the economic backbone of a Palestinian state. As the mission witnessed in the villages of the northern Jordan Valley, there is a risk that the current restrictions on movement and transport of products to market will erode Palestinian farming to a point where it is no

longer viable. Instead, opportunities for employment and income are being sought in the Israeli economy. Some years ago there was hope that Area C could provide the basis for growth of the Palestinian economy, but this hope continues to be frustrated. This is not least due to the fact that only a tiny fraction of this area is available for Palestinian development.

24. There have been violent incidents in East Jerusalem, where tensions are largely due to the lack of economic and employment opportunities. Poverty rates for Palestinian families here are extremely high, estimated at around 70 per cent. A third of the homes of Palestinians do not have the required building permits, and their occupants risk displacement. The fragmented reality of East Jerusalem is underlined by the fact that a large number of Palestinians have become physically separated from the centre of the city, and they need to navigate their way through a system of checkpoints and gates to obtain health-care and other services. There is a risk that zoning decisions and settlement expansion will have the effect of severing all direct links between East Jerusalem and the West Bank.

## Options for the future

25. Four years ago, international financial institutions considered that the framework of a viable Palestinian state had been achieved. The Palestinian institutions created have continuously been strengthened, and several important strategies and programmes have been developed. Many of these policy orientations directly concern the lives and livelihoods of Palestinian workers. The Palestinian Central Bureau of Statistics (PCBS) and the Palestine Monetary Authority (PMA) – the future central bank – are remarkable achievements of institution building, as is the expanding legislative framework, including labour law. A considerable amount of donor support has been disbursed. However, without the prospect of an overall solution, the state-building process could be frustrated, and institutions could be forced into looking for alternatives for their survival. In any case, institution building will continue at the local level, providing more services to the Palestinian people, even in the context of continued occupation and dependency.

26. In a situation where no meaningful negotiations are taking place, the Palestinians are looking to the international community for both political and economic support. Some neighbours, in particular the Gulf States, are providing backing to boost economic activity and employment. Political support is expected from Europe especially, including public opinion and the parliaments, and, naturally, the United Nations system. Since the recognition of Palestine as a non-member observer State by the United Nations General Assembly, the Palestinians have in particular focused on joining the system of international treaties and the bodies and procedures they have set up.

27. As the slow pace of the reconstruction of Gaza shows, achieving any progress depends on several factors, including the political developments both within Israel and between the two sides of the Palestinian divide. The situation becomes more complicated when the preferences and interests of different parts of the international community are added to the equation. There is little cause for immediate comfort here, unless one believes that things have to get worse before they can get better. In the meantime, a debate will be continuing on the consequences of different scenarios – one with a resumption of peace negotiations and the other with more unilateral action and less trust in the wisdom and feasibility of a two-state solution.

28. In his final recommendations to the United Nations Security Council, Robert Serry recognized that the parties may not, at this point in time, be ready to recommence

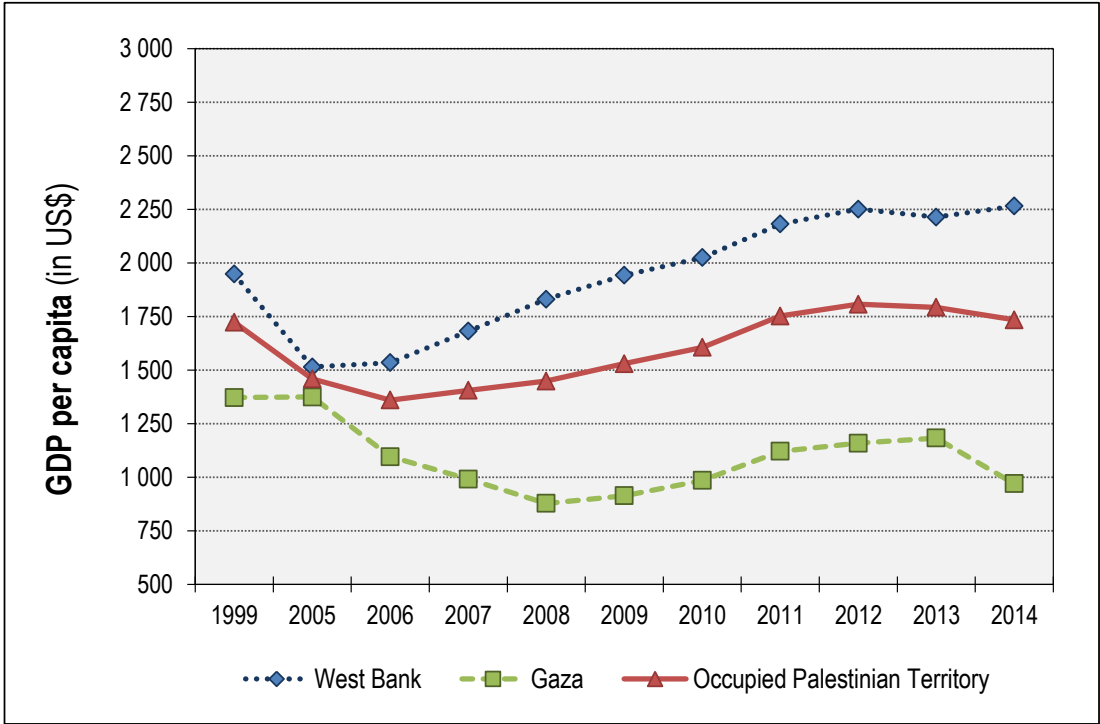
negotiations, and that they should not be rushed back to the table. In his view, in this situation the international community could work out a framework for negotiations and suggest a road forward to reach them. He saw this as possibly the only way of preserving the goal of a two-state solution. These are choices on which the employment and income prospects of Palestinian men and women, workers and entrepreneurs alike, and the parameters of their daily life are directly dependent.



## 2. Economic and labour market decline induced by violence and occupation

29. Against the backdrop of a stalled peace process, heightened tensions in the West Bank and the devastating 51-day war on Gaza, Palestinian Gross Domestic Product (GDP) in 2014 experienced its first year-on-year decline since 2006. Real GDP measured at constant 2004 prices contracted by 0.4 per cent in 2014, comprised of a 15.2 per cent decrease in Gaza and 5.1 per cent growth in the West Bank (PCBS, 2015a). The recession was further reflected in a 3.3 per cent decline in real GDP per capita, which, at US\$1,735, stood virtually at the same level as 15 years earlier, prior to the onset of the second intifada. In Gaza, real GDP per capita was nearly 30 per cent lower than in 1999 (see figure 2.1). By contrast, Israeli per capita GDP, which was estimated to be nearly 13 times that of its Palestinian equivalent in 2014, has grown by over 25 per cent since 1999 (IMF, 2014a).

Figure 2.1. Real GDP per capita at constant 2004 prices, 1999–2014



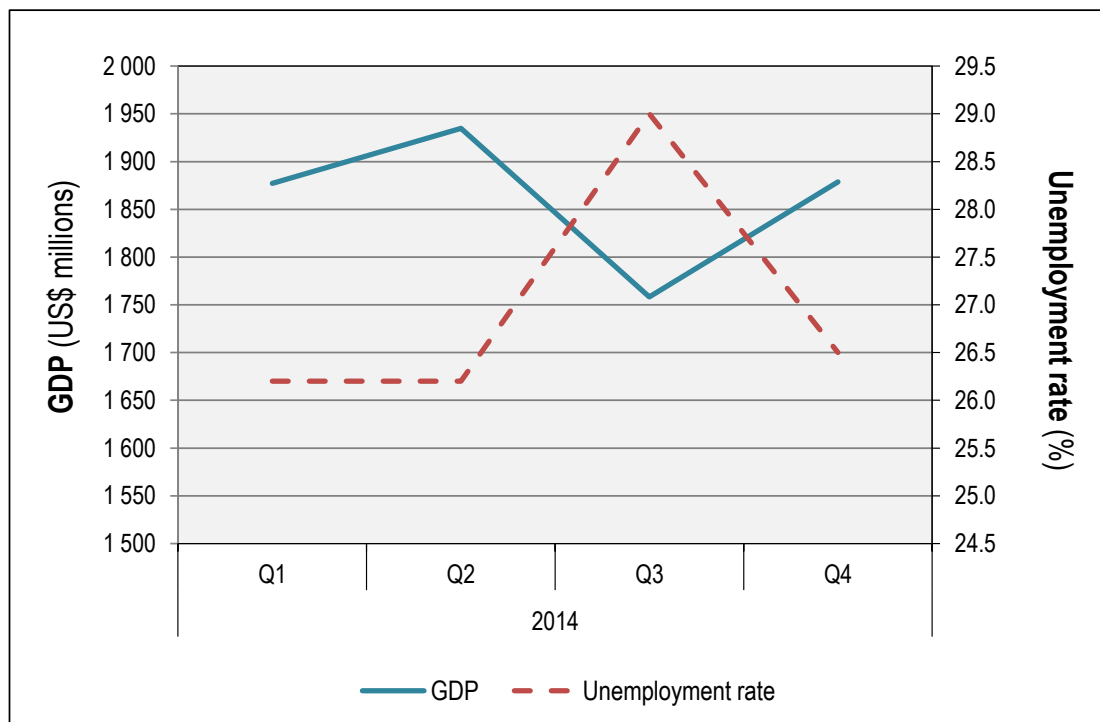
Source: PCBS, National Accounts (2015a).

30. The relatively high, though precarious, Palestinian GDP growth between 2009 and 2011 had already been decelerating since 2012, when a sharp drop in donor aid caused a protracted fiscal crisis in the West Bank. Stoppages in the flow of clearance revenues from Israel and constrained domestic revenue generation, in large part resulting from Israeli restrictions on movement and access, necessitated a fiscal tightening, which led to a significant fall in public and private consumption (World Bank, 2014). In 2014, the Palestinian Authority improved its domestic tax collection and administration efforts. Clearance revenues were also stronger in the first half of the year (IMF, 2014b). However, high net lending and continued shortfalls of donor support led to a further accumulation of arrears. Under such constrained circumstances, the Palestinian Authority has had to resort to partial payment of salaries and allowances in a bid to

contain the wage bill, and it has been unable to boost growth and employment-inducing development expenditures. Moreover, as the US-brokered peace process ground to a halt, there was a surge in unrest in the West Bank, with the highest incidences of violence occurring in Hebron and East Jerusalem. This resulted in further dampened economic activity.

31. With regard to Gaza, Egypt took measures in 2013 and 2014 to shut down the tunnel trade which, albeit illicit, had been the main driver of the economy in the blockaded coastal strip. This was done by flooding and blocking off the extensive network of tunnels under the border at Rafah. Consequently, economic activity, and particularly construction, which depended on imports via the tunnels, had already dried up prior to the launch of the July–August Israeli military campaign, “Operation Protective Edge”. The spike in violence in the third quarter of 2014 was associated with a significant fall in overall economic activity and a surge in the rate of unemployment, which reached 29 per cent. Indeed, figure 2.2 shows a clear inverse relationship between Palestinian GDP and unemployment over the course of the year.

**Figure 2.2. Quarterly real GDP (constant 2004 prices) and unemployment, 2014**



Source: PCBS, National Accounts (2015a) and Labour Force Survey (2015b).

32. The cessation of hostilities resulted in a slight rebounding of economic activity in the fourth quarter of 2014, but at a slower rate than had been forecast, as the Gaza Reconstruction Mechanism has taken time to get off the ground. Only a small fraction of the US\$5.4 billion that had been pledged for the reconstruction of Gaza at the October Cairo Conference had actually materialized by early 2015. Palestinian GDP growth had been expected to recover in 2015 on the back of the anticipated reconstruction of Gaza, but at the time of writing, the reconstruction efforts remained very limited. In parallel, Israel’s withholding of clearance revenues throughout the first quarter of 2015 was severely constraining growth prospects in the West Bank, leading to a downgrading of growth forecasts by both national institutions and international observers. The proposed emergency budget for 2015 would see additional cuts in civil servants’ salaries and

would further call into question the long-term sustainability of the institutions that the Palestinian Authority has been developing in the context of its state-building agenda. Continued bleak economic prospects will also take their toll on the labour market.

## Labour market developments

33. The Palestinian labour force grew by 8.6 per cent in 2014 to reach over 1.25 million. The corresponding labour force participation rate reached 45.8 per cent: still low, but nonetheless 2.2 percentage points higher than in 2013 (see table 2.1). Although the female labour force participation rate grew from 17.3 per cent in 2013 to 19.4 per cent in 2014, it remains extremely low by both global and regional standards, as well as compared to the rate for men (71.5 per cent), and keeps the overall rate subdued. Social, cultural and institutional barriers to women's labour market participation are further exacerbated by Israeli restrictions that impede mobility and perpetuate weak demand for labour in the formal economy, resulting in substantial loss of economic potential, particularly in view of the high levels of educational attainment of Palestinian women.

**Table 2.1. Labour market indicators, 2013–14**

	2013	2014				2014	2014/2013
	Year average	Q1	Q2	Q3	Q4	Year average	% change
Population aged 15+ ('000)	2 650	2 708	2 728	2 754	2 777	2 741.8	3.5
Labour force ('000)	1 156	1 254	1 254	1 239	1 273	1 255.0	8.6
Employment ('000)	885	926	926	880	936	917.0	3.6
West Bank	517	554	561	547	569	557.8	7.8
Gaza	267	261	249	225	259	248.5	-6.8
Israel and settlements	99	110	109	104	105	107.0	7.8
Unemployment ('000)	270	328	329	359	337	338.3	25.2
Labour force participation rate (%)	43.6	46.3	46.0	45.0	45.8	45.8	4.9
<i>Male</i>	69.3	71.9	71.8	70.8	71.6	71.5	3.2
<i>Female</i>	17.3	20.1	19.7	18.5	19.4	19.4	12.4
Unemployment rate (%)	23.4	26.2	26.2	29.0	26.5	27.0	15.5
<i>Male</i>	20.6	23.3	22.6	25.8	23.8	23.9	16.2
<i>Female</i>	35.1	36.5	39.4	41.5	36.5	38.5	9.8
West Bank	18.6	18.2	16.0	19.2	17.4	17.7	-4.8
<i>Male</i>	16.8	15.9	13.2	16.7	15.2	15.3	-9.2
<i>Female</i>	26.0	27.1	26.9	29.6	26.0	27.4	5.5
Gaza	32.5	40.8	44.5	47.4	42.8	43.9	35.1
<i>Male</i>	27.7	37.4	40.1	43.5	39.6	40.2	45.1
<i>Female</i>	53.0	52.4	59.3	61.5	54.3	56.9	7.3

Source: PCBS, Labour Force Survey (2015b).

34. Despite the sizeable increase in the labour force, total employment grew by a more modest 3.6 per cent in 2014, with the addition of approximately 40,000 employed people in the West Bank but a decline of some 19,000 in Gaza. The ensuing employment rate,

measured by total employment as a percentage of the population aged 15 and above, was 33.7 per cent in the fourth quarter of 2014, which is a marginal increase over the 33.3 per cent recorded one year earlier. The employment rate for men was 54.6 per cent, compared to just 12.3 per cent for women.

35. In terms of the composition of employment, the services sector, which contributes nearly half of total GDP, remained predominant, accounting for approximately 32 per cent of working men and 57 per cent of working women (see table 2.2). The commerce and construction sectors were the second and third largest employers of men, leaving the manufacturing and agriculture sectors trailing behind. On the other hand, agriculture was the second largest employer of women, accounting for over 20 per cent of working women in 2014. Yet, the contribution of agriculture to GDP was a mere 3.8 per cent, which was significantly lower than its share in total employment, indicating that the sector is characterized by particularly low levels of output per person employed. Indeed, of the extremely low proportion of women who enter the labour force, those who manage to find employment are often relegated to working in low-productivity, informal activities.

**Table 2.2. Sectoral composition of GDP and employment, 2014**

	Share in GDP (%)	Share in employment (%)		
		Total	Male	Female
Agriculture, fishing and forestry	3.8	10.4	8.2	20.8
Manufacturing, mining and quarrying	14.5	12.6	13.2	9.8
Construction	7.2	15.3	18.4	0.7
Commerce, restaurants and hotels	18.4	20.2	22.3	10.3
Transport, storage and communication	7.4	5.4	6.3	1.3
Services and other branches	49	36.2	31.7	57.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: PCBS, National Accounts (2015a) and Labour Force Survey (2015b).

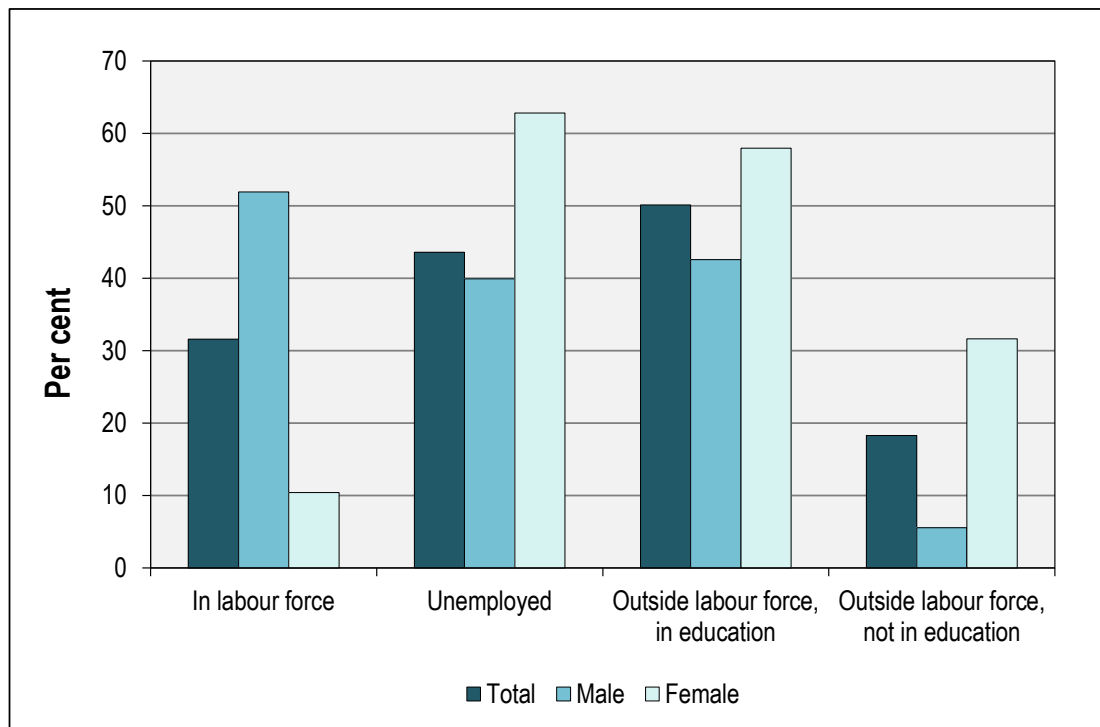
36. Employment of Palestinians in Israel and the settlements continued its upward trend in 2014, growing by 7.8 per cent to reach some 107,000 workers. Such employment remains governed by an intricate and opaque quota and permit system for those West Bank Palestinians who have been granted security clearance and carry a magnetic identification card. The Israeli labour market has been inaccessible to Palestinians from Gaza since April 2006. Measures were taken by the Israeli Coordinator of Government Activities in the Territories (COGAT) to ease access for Palestinians to the Israeli labour market, including through increasing the number of permits for overnight stays in Israel from 10,000 to 14,000, as well as by lowering the minimum age limit from 24 to 22 years of age and eliminating the requirement for the applicants to have children (although they must still be married). The latter measure would imply that employment in Israel could now become an option for a segment of the large cohort of unemployed Palestinian youth; however, representatives of the Israeli private sector informed the mission that, unless the quota for Palestinian workers was also increased, the relaxed criteria would have little impact, as the existing quota was already practically filled. By March 2015, 52,297 Palestinians held permits to work in Israel, out of a total quota of 53,850, with a further 25,957 permits issued for work in the settlements (COGAT, 2015). This implies that some 30,000 workers continue to take high risks to seek work in the Israeli labour market, either without permits or with permits issued for

purposes other than employment, rendering themselves particularly vulnerable to exploitation and abusive practices.

37. Around 60 per cent of Palestinian workers in Israel are employed in the construction sector, followed by manufacturing (11 per cent), agriculture (9 per cent) and commerce (9 per cent) (Manufacturers' Association of Israel, 2015). Five thousand additional permits were issued for work in the construction sector in 2014 (COGAT, 2015), as continued housing shortages in Israel led to sustained demand for construction workers. Consequently, construction retained its share in total Palestinian employment, even though the sector's share in the Palestinian economy shrank from 11.1 per cent of GDP in 2013 to 7.2 per cent in 2014, as construction activity in Gaza dried up with the closure of the tunnel trade and the July–August war.

38. The total number of unemployed Palestinians soared by over 25 per cent in 2014 to reach 338,300, with a peak in the third quarter of the year, during the height of the hostilities (see table 2.1, above). This translated into an unemployment rate of 27 per cent, comprised of 23.9 per cent for men and 38.5 per cent for women. The corresponding rates for Gaza were more than double those of the West Bank, with Gazan men experiencing a much greater proportional increase in unemployment over the course of the year than women. Nonetheless, women still systematically experienced higher rates of unemployment in both Gaza and the West Bank. Specifically in Gaza, more than five out of every ten women who participated in the labour force found themselves unemployed. Those employed tended to be in health and education jobs in the public sector, or else would work informally, in childcare and cleaning jobs, or in agriculture as unpaid contributing family workers.

39. More than 70 per cent of Palestinians are under 30 years of age and, in the context of occupation and economic stagnation, face extreme difficulties in transitioning from education to the labour market. Figure 2.3 shows that over 30 per cent of young women aged 15–24 were outside the labour force and not in education. Of the Palestinian youth who participated in the labour force, almost 40 per cent of young men and 63 per cent of young women were unemployed in 2014. For Gaza, these rates soar to 64.4 and 82.8 per cent, respectively. There is a clear and urgent need for direct job creation and training programmes, such as through the revival of the Palestinian Fund for Employment and Social Protection (PFESP) as well as other large-scale investments, to specifically target youth, so that they are not left to become deskilled and disaffected in the absence of any opportunity to contribute to their economy and society.

**Figure 2.3. Youth (aged 15–24) labour force status, 2014**

Source: PCBS, Labour Force Survey Database (2015b).

## Prices and wages

40. The rate of inflation, as measured by the Palestinian consumer price index, stood at 1.73 per cent in 2014, a similar rate to the 1.72 per cent recorded in 2013 (PCBS, 2015c). Prices rose by 3.84 per cent in East Jerusalem, by 2.85 per cent in Gaza (where consumer goods that had previously been smuggled through the tunnels under the Egyptian border were replaced by more expensive products imported from Israel), and by 1.2 per cent in the West Bank.

41. The highest overall price increases were in the subcategories of cigarettes (10.72 per cent), fresh fruit (5.96 per cent) and fresh vegetables (4.44 per cent), in addition to medical care in East Jerusalem (10.56 per cent) and housing in both East Jerusalem (9.41 per cent) and the West Bank (10.01 per cent). Increases in food prices have the greatest impact on low-income households, who are most vulnerable to food insecurity. In 2013, food insecurity levels reached 57 per cent in Gaza and 19 per cent in the West Bank (PCBS et al., 2014) and are likely to have risen further in 2014 in view of the hostilities and economic decline. Food insecurity among Palestinians is not due to a lack of availability of food, but is a direct consequence of deteriorating socio-economic conditions and high prices. Humanitarian programmes run by the United Nations in the fields of food, agriculture and cash for work have historically played a critical role in mitigating the impact of rising food insecurity, but they have come under pressure in recent years due to reduced donor funding. While sufficient funding is indispensable, the root causes of the crisis, including the ongoing blockade on Gaza and movement and access restrictions in the West Bank, must be addressed in order to achieve any sustainable improvements (ibid.).

42. Real wages earned in the Palestinian economy were unable to keep pace with the moderate level of inflation in 2014. Real public sector wages grew by 0.9 per cent in the

West Bank, while they fell by 3.8 per cent in Gaza (see table 2.3). Private sector wages, which were on average substantially lower than public sector wages, increased by 1.4 per cent in the West Bank, but decreased by 7.5 per cent in Gaza. On the other hand, wages earned for work in Israel and the settlements grew by 5.7 per cent in 2014, boosted by the high proportion of Palestinian workers in the Israeli construction sector, who benefit from a sectoral collective bargaining agreement that raises construction sector wages above the Israeli national minimum wage. The average daily wage earned by West Bank workers in the Israeli economy reached 187.60 new Israeli shekels (NIS), or 2.25 times the average private sector wage in the West Bank. This wage differential clearly explains the continued lure of employment in the Israeli economy, even under adverse circumstances for many workers.

**Table 2.3. Nominal and real average wages and prices, 2014**

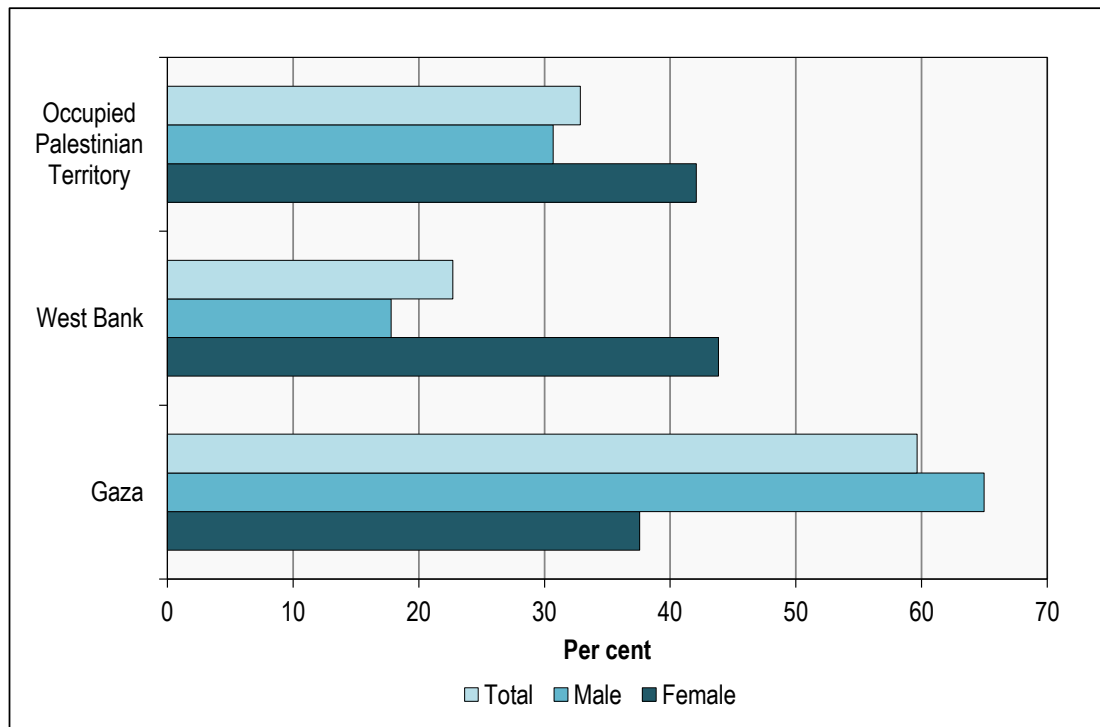
	West Bank	Gaza
Average daily wage (NIS), 2014		
Public sector	104.4	81.1
Private sector	83.3	41.2
Israel and settlements	187.6	–
Real wage change 2014/2013 (in %)		
Public sector	0.9	-3.8
Private sector	1.4	-7.5
Israel and settlements	5.7	–
2014 consumer price index (%)	1.2	2.85

Source: PCBS, Labour Force Survey (2015b) and consumer price index data (2015c).

43. In 2014, 67 per cent of those employed in the Palestinian private sector earned at least the Palestinian minimum wage.<sup>3</sup> Overall, 42.1 per cent of women and 30.7 per cent of men in this sector earned less than the minimum wage (see figure 2.4). Due to both economic conditions and institutional deficiencies, men from Gaza were far less likely to earn the minimum wage than their West Bank counterparts. The lower proportion of women in Gaza earning below the minimum wage relative to men must be seen in the context of the extremely low numbers of working women, particularly outside the public sector, and thus it is not an indicator of labour market advantage. Indeed, the average wage of women employed in the private sector in Gaza was only approximately 70 per cent of the national minimum wage. Public sector salaries, while above the minimum wage in 2014, were under threat as a result of Israel's withholding of clearance revenues in the first quarter of 2015. Salary reductions would further lower consumption levels, potentially pushing even more households into poverty and food insecurity.

<sup>3</sup> The Palestinian minimum wage of NIS1,450 per month, NIS65 per day and NIS8.50 per hour came into effect on 1 January 2013.

**Figure 2.4. Percentage of private sector wage employees earning below the national minimum wage, 2014**



Source: PCBS, Labour Force Survey Database (2015b).

## Constrained development in the West Bank

44. Physical obstacles to movement and access have long characterized the daily lives of Palestinians in the West Bank, separating communities from resources and each other, and limiting economic development. As described by previous missions, a multitude of checkpoints, roadblocks, earth mounds, trenches and gates are spread throughout the West Bank, while the Separation Barrier, which is the single largest obstacle to movement, continues to be built ten years after the International Court of Justice ruling that declared illegal all parts of the Barrier that were built inside the West Bank, rather than along the 1949 Armistice Line (the “Green Line”).<sup>4</sup> In September 2014, the West Bank contained 490 obstacles to movement, including 60 checkpoints, in addition to a further 111 closures in the Hebron H2 district (OCHA, 2014a).<sup>5</sup> Continuing a trend towards easing of movement inside the West Bank, many checkpoints were left unstaffed or only staffed part time, allowing for freer movement between towns and villages in the West Bank. The notable exceptions to this recent trend are the “seam zone” areas between the Barrier and the Green Line, where Palestinian access to

<sup>4</sup> The advisory opinion of the International Court of Justice of 9 July 2004 called for an immediate cessation and reversal of construction activity and for reparations for all damage that had been caused by the Separation Barrier. This was endorsed by the subsequent UN General Assembly Resolution A/RES/ES-10/15 of 20 July 2004.

<sup>5</sup> The special Hebron Protocol signed between Israel and the Palestinian Authority on 17 January 1997 created a separate zone, H2, covering roughly 20 per cent of the city of Hebron, for which the Palestinian Authority would provide administrative services, but Israel would retain full security control. An estimated 500 Israeli settlers reside in this area, protected by a heavy Israeli military presence, in the midst of some 40,000 Palestinians (and roughly 200,000 Palestinians in the city of Hebron as a whole).



agricultural land and water resources is severely limited, and East Jerusalem, access to which remains heavily restricted by the Barrier, checkpoints and the controlling permit regime. While improved movement provides needed relief, the infrastructure of closure remains in place and access can be tightened at any time, as experienced in Hebron during the Israeli search and arrest operations of June–July 2014. Moreover, Palestinian access to farmland and movement between cities is increasingly achieved through a complicated alternative “fabric of life” road network, at the expense of territorial continuity. This contributes to the disruption of traditional routes, loss of land and a continued fragmentation of the West Bank.

45. Area C, as defined by the Oslo Accords and which accounts for over 60 per cent of the West Bank’s land mass and the majority of its natural resources, is what links the otherwise disconnected Palestinian population centres of Areas A and B, and is essential for infrastructural, agricultural and industrial development. Yet Palestinian construction is prohibited in 70 per cent of Area C, which is subsumed by the regional councils of Israeli settlements. It is also heavily restricted in a further 29 per cent, with only roughly 1 per cent planned for Palestinian development by the Israeli Civil Administration (OCHA, 2014b). A 2013 World Bank study found that the potential value-added in seven key sectors from lifting restrictions in Area C would amount to at least US\$2.2 billion per year, with the total benefit to the Palestinian economy reaching US\$3.4 billion (World Bank, 2013).<sup>6</sup> This would generate annual tax revenues of US\$0.8 billion for the Palestinian Authority, thereby greatly reducing donor dependence, and would lift both GDP and employment by an estimated 35 per cent (*ibid.*).

46. The Palestinian private sector is pressing on with some large-scale projects, most of which are yet to come to fruition after years of negotiations with the Israeli Civil Administration over obstacles which include the uncertain granting of permits for development of infrastructure that would fall within Area C. Some (though not all) obstacles that had been hindering the internationally supported industrial parks under development in Jenin, Bethlehem and Jericho have been overcome, and the new city of Rawabi was finally granted access to water in early 2015. Long, costly and unpredictable negotiation procedures that often involve the expenditure of considerable political capital do not bode well for attracting sustained investment. In the depressed economic climate, and with a fiscally constrained Palestinian Authority, some Palestinian entrepreneurs are looking to embark on public–private partnerships with local government administrations to improve local infrastructure and service delivery. While foreign investment, such as from the Palestinian diaspora, would be desirable, the prevailing climate of restrictions and uncertainty may prove to be prohibitive.

47. In addition to access to land and other resources, sustainable economic development also requires access to markets. Palestinian producers have for many years endured shrinking domestic markets, as commercial links between the West Bank, Gaza and East Jerusalem have become increasingly severed. In 2014, the Israeli authorities took measures to allow a limited re-establishment of commercial ties between the West Bank and Gaza, but the volume of trade was extremely low. Israel remains by far the Palestinians’ largest trading partner, accounting for 66 per cent of the Occupied Palestinian Territory’s imports and 87 per cent of its exports (COGAT, 2015), with the terms of trade stacked strongly in Israel’s favour. Exports to Jordan via the Allenby

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<sup>6</sup> The seven key sectors are agriculture, Dead Sea minerals exploitation, stone mining and quarrying, construction, tourism, telecommunications and cosmetics.

(King Hussein) Bridge continued to grow and representatives of the Palestinian private sector informed the mission that they planned to focus on expanding exports to regional markets through this channel. This requires upgrading of the infrastructure at the Israeli-controlled crossing.

48. Palestinian trade with Israel and the rest of the world remains governed by the 1994 Paris Protocol. This was intended to be a five-year interim agreement, but more than two decades later, along with Israel's control over all borders, it has become a binding constraint on the expansion of Palestinian trade with the outside world. Consumer imports substantially outweigh Palestinian exports, while the importation of raw material inputs that are essential for agricultural and industrial development are heavily restricted as "dual-use" items that the Israeli authorities regard as potential security threats. This impedes Palestinian productivity and competitiveness, as does the back-to-back trucking system enforced through the five commercial crossings along the Separation Barrier. The procedures raise costs, create wastage and are characterized by inconvenience, arbitrary limitations and unpredictable operating hours. Such issues would have to be addressed if the Palestinian Authority's recently endorsed National Export Strategy for 2014–18 is to succeed in enhancing Palestinian trade and development in any meaningful way.

## Shattered livelihoods in Gaza

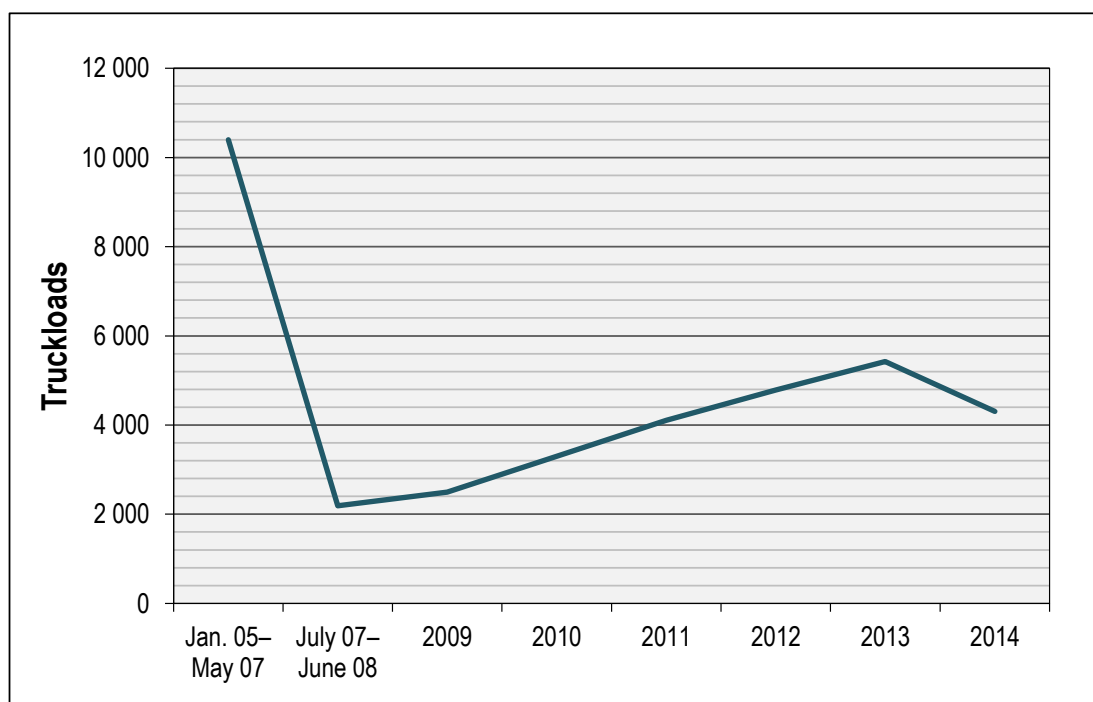
49. Over the course of seven weeks in July and August, war returned to Gaza for the third time in six years. The Israeli military operation "Protective Edge" developed into the longest and deadliest conflict endured by the 1.8 million Gazans, who had been living under a blockade for seven consecutive years. Extensive damage was wrought upon Gaza's already depleted infrastructure. The Gaza power plant and the water and wastewater networks sustained multiple hits, further exacerbating the ongoing energy and water crises. A total of 19,109 housing units were either completely destroyed or severely damaged, while a further 98,421 suffered partial or minor damage, leaving 100,000 people still internally displaced at the end of 2014 (*ibid.*). Some 420 factories and workshops were destroyed or severely damaged, while much of Gaza's 17,000 hectares of farmland and its agricultural infrastructure, including greenhouses, irrigation systems, animal farms, fodder stocks and fishing boats, incurred substantial destruction (IMF, 2014b; FAO, 2014). It is estimated that 17,200 Gazans lost their employment due to the physical destruction of productive assets, which implies additional losses in economic output of approximately US\$80 million in the six months following the cessation of hostilities (from September 2014 to February 2015) (ILO, 2015a).

50. The blockade of Gaza's borders, sea and airspace continued after the war. A "no-go zone" was enforced 100 metres from the border, while fishing boats remained restricted to the six nautical mile limit that was in place prior to the outbreak of hostilities.<sup>7</sup> This limit, which is far less than the 20 nautical miles stipulated in the Oslo Accords, had already greatly impacted the livelihoods of Gaza's fishers, as overfishing in the shallow waters has led to a much depleted catch, with larger, more profitable fish only to be found further out to sea.

<sup>7</sup> Palestinian fishers' access to the sea was mostly prohibited altogether during the war.

51. Kerem Shalom is the sole remaining commercial crossing along Gaza’s border. Located at the southernmost tip of Gaza, it provides for back-to-back trucking and entails higher transportation costs than the other closed crossing points. Most consumer goods are able to enter Gaza via this crossing and have been doing so since the closure of the tunnels under the Egyptian border at Rafah. However, due to an expanded list of dual-use items in force for Gaza, most production inputs are prohibited from entering. The result is that local businesses are unable to compete with cheaper foreign consumer goods, while taxes on these imports collected by the de facto authorities in Gaza do not reach the coffers of the Palestinian Authority. In 2014, an average of 4,307 truckloads of goods entered Gaza per month, down from 5,427 in 2013, due to decreased economic activity and the hostilities. This is only marginally over 40 per cent of the pre-blockade volume of imports (see figure 2.5).

**Figure 2.5. Gaza imports: Average truckloads per month**



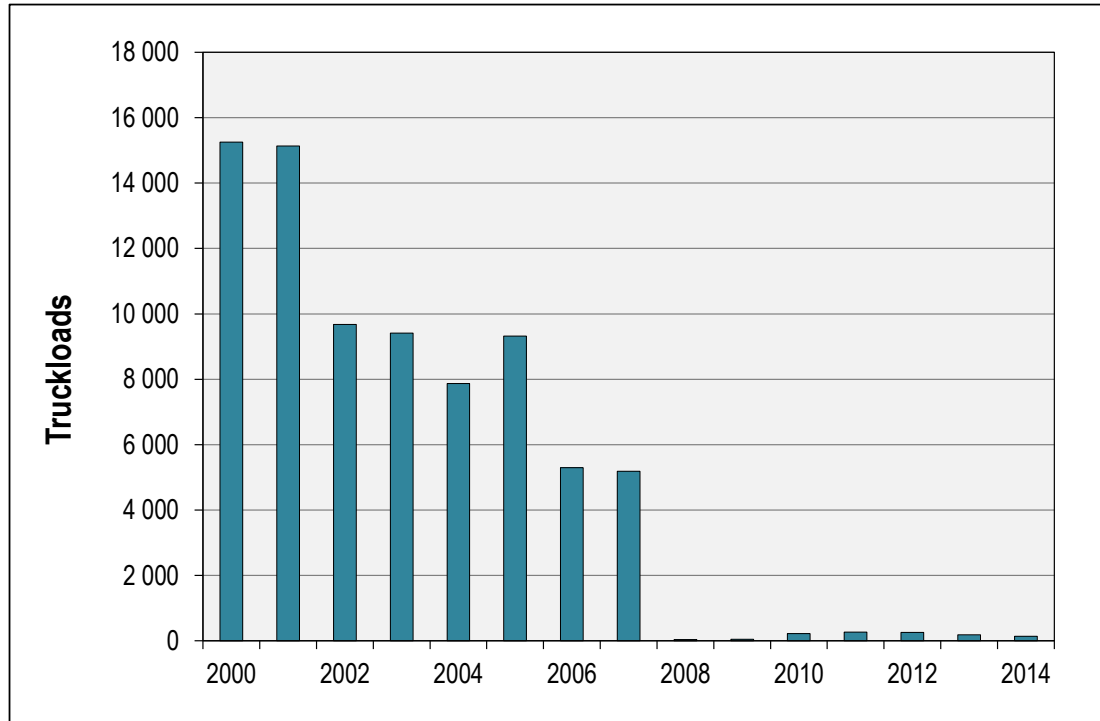
Source: OCHA, Gaza Crossings Activities Database (2015b); PALTRADE, *Gaza Strip Crossings Bi-Monthly Monitoring Report*, December 2009–January 2010 (data until December 2009) (2010).

52. While over 15,000 truckloads of goods were exported from Gaza in 2000, exports have been practically non-existent since the blockade started in 2007. In 2014, a mere 136 truckloads of exports left Gaza (see figure 2.6). It should be recalled that the November 2005 Agreement on Movement and Access called for a daily flow of 400 truckloads of exports from Gaza, a level that was never subsequently attained.

53. Following the end of the war, some improvements were announced, and observed. A resumption of transfers of agricultural produce from Gaza to the West Bank was permitted and small quantities started trickling out in November 2014. In February 2015, transfers of textiles and furniture to the West Bank were also permitted, while the quota of exit permits for Palestinian merchants was increased from 3,000 to 5,000. In addition, construction materials, which had been classified by Israel as dual-use items and thus prohibited from importation into Gaza (other than for limited donor-funded projects), were allowed in for commercial purposes under the application of the Gaza Reconstruction Mechanism. Consequently, in February 2015, imports through Kerem

Shalom had increased by 26 per cent compared to their 2014 monthly average (OCHA, 2015c).

**Figure 2.6. Gaza exports: Total annual truckloads, 2000–14**



Source: OCHA, Gaza Crossings Activities Database (2015b).

54. While all access improvements are welcome, the measures described above represent only very incremental steps, which will not result in any palpable change in the everyday lives of the overwhelming majority of Gazans, who remain blockaded and with few, if any, prospects to rebuild their lost livelihoods. After nearly eight years under siege, including three wars, and with energy and water crises rendering the situation increasingly unsustainable, economic activity in Gaza has ground to a halt. Industrial production is virtually non-existent, agricultural production is greatly reduced, construction activity has dried up and skills are being rapidly eroded. Large-scale reconstruction of homes, businesses and other infrastructure, as well as a comprehensive lifting of the blockade, must be of the highest priority.

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### **3. Palestinian workers' rights in a context of discrimination and economic dependence**

55. The 1980 resolution of the International Labour Conference expressed concern at the establishment of Israeli settlements in the territories occupied in 1967 and at their economic and social consequences which seriously affect the social and economic rights and interests of the Palestinian labour force. Thirty-five years later, the question of the settlements still is a fundamental obstacle to the realization of the rights of Palestinian workers and the emergence of a sustainable and prosperous Palestinian economy. As described in detail by the Reports of the Director-General over many years, the military occupation of the West Bank, including East Jerusalem, enables the continued pursuit of a policy of establishing and expanding Israeli settlements.

56. The continuing occupation fundamentally affects the rights and well-being of Palestinian women and men, including through confiscation of land, forced displacement, a myriad of unpredictable and opaque access and movement restrictions and exposure to violence by Israeli security forces and settlers. Measures taken by the Israeli authorities in the Occupied Palestinian Territory have created separate and different realities that favour Israeli citizens over Palestinians, a situation that contradicts the principle of equality and non-discrimination. In October 2014, the United Nations Human Rights Committee, examining Israel's compliance with the International Covenant on Civil and Political Rights, raised concerns over the discriminatory zoning and planning regime applied by Israel to Palestinians in the West Bank, confiscation of land for settlement expansion, restricted access of Palestinians to land and natural resources, and the Gaza blockade (UN, 2014a).

57. The measures linked to the occupation are firmly entrenched. The system in place allows for easing of restrictions in times of calm, but also for tight controls and interventions of Israeli security forces at any time and place. The territorial fragmentation of the Occupied Palestinian Territory is becoming more and more permanent, and potentially irreversible, with Palestinians in the West Bank being confined to a set of cantons and Gaza placed under a continuing siege. Easing of restrictions is used as a mechanism to diffuse tensions caused by economic hardship rather than to allow the Palestinian economy to progressively realize its potential.

#### **Settlement expansion and authorization of outposts**

58. The number of Israeli settlers living in East Jerusalem stands at 200,000 and an additional 340,000 live in Area C in the West Bank. In Area C, there are some 135 settlements, and about 100 so-called outposts which are illegal even under Israeli regulations but nevertheless receive support from the Israeli authorities (OCHA, 2014b; 2014c; and The Rights Forum, 2015). According to the United Nations, all settlements, including outposts, in the Occupied Palestinian Territory are contrary to international law.

59. Since the previous Report, announcements of new tenders and plans for settlements and construction starts have continued, as documented by the Israeli Central Bureau of Statistics and non-governmental organizations. However, the numbers vary depending on the method of reporting. While the Government of Israel made commitments in the context of the 2003 roadmap to halt settlement expansion pending a peace agreement

and to dismantle outposts, developments on the ground continue to contradict this commitment.

60. According to the non-governmental organization Peace Now, in 2014, construction of 3,100 residential units began in settlements: 2,671 permanent structures and 429 caravans and light constructions. In addition, 165 public buildings and 92 industrial and agricultural structures were built in settlements. Peace Now observed a 40 per cent increase in construction starts in 2014 as compared to 2013, alongside the highest yearly number in a decade of public tenders for new settlement housing units (Peace Now, 2015a).

61. Settlement expansion is not restricted to additional housing units in the large settlement blocks, but also concerns other settlements deep inside the West Bank and the “legalization” of outposts. Recent civil society reports describe a process by which such outposts are being retroactively authorized by being transforming into parts of existing settlements or new settlements altogether (The Rights Forum and Yesh Din, 2015; Peace Now, 2015b). The prospect of receiving subsequent authorization has led to increased construction of outposts.

## The Gaza war and heightened tension in the West Bank: Violence at unprecedented levels

62. The year 2014 saw the highest death toll since 1967, as a result of the war in Gaza in July and August. In addition, 11,231 Palestinians and hundreds of Israelis were injured during the hostilities (OCHA, 2015a). Of the 500,000 Palestinians displaced in Gaza during the war, 100,000 remain in this situation due to their homes being damaged or destroyed (OCHA, 2015d). The United Nations urged for a response strategy that prioritizes the most vulnerable groups among the displaced, including women, children, households where the main breadwinner is disabled, and persons at risk of exposure to explosive remnants of war (OCHA, 2015c).

63. In the West Bank, the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) recorded the highest number of Palestinian fatalities in incidents involving Israeli forces or Israeli settlers since 2007, and the highest number of Palestinian injuries since the agency started collecting such data in 2005. The figures point to 58 Palestinian deaths and 6,028 injuries. They also indicate an increase in Israeli casualties, which amounted to 16 Israeli fatalities and 250 injuries in 2014 (OCHA, 2015a). Violence by settlers against Palestinians remains at high levels in the West Bank, with an increase from 94 incidents in 2013 to 110 in 2014 (OCHA, 2015e).

64. The number of settler-related incidents involving damage to Palestinian property or land in the West Bank remains high, although it decreased from 306 in 2013 to 221 in 2014 (*ibid.*). Despite this reduction in the number of incidences, substantial damage was incurred by Palestinian farmers, including the uprooting or vandalizing of some 9,300 olive trees in 2014. During the month of January 2015 alone, Israeli settlers reportedly uprooted or vandalized 5,600 olive trees in seven incidents across the West Bank (*ibid.*). There was also a sharp rise in incidents leading to damages to Israeli settler property carried out by Palestinians, which increased from 12 in 2013 to a total of 140 in 2014 (*ibid.*).

## A dramatic situation in East Jerusalem

65. East Jerusalem is largely cut off from the other parts of the West Bank, and is undergoing changes that have an increasingly permanent effect on the Palestinian economic and social fabric. Permits to enter East Jerusalem are required for Palestinians residing in other parts of the West Bank, yet they are very difficult to obtain. In 2014, the Israeli authorities further restricted the access of Palestinians to the Al Aqsa Mosque. With increasing levels of tensions and violence in the West Bank, the highest numbers of Palestinian injuries involving Israeli security forces were reported in the Jerusalem Governorate. These were mainly in connection with clashes following the killing of three Israeli teenagers and the subsequent killing of a Palestinian teenager in East Jerusalem, protests against the hostilities in Gaza, and perceived changes to the long-standing status quo of the Al Aqsa Mosque compound (OCHA, 2015a).

66. The number of Palestinians of East Jerusalem, as a proportion of the total population of the city as defined by Israeli regulations, grew from 26 per cent in 1967 to 37 per cent in 2012 (Jerusalem Institute for Israeli Studies, 2014). The lack of economic development and decent employment opportunities for Palestinians in East Jerusalem, particularly young people, contributes to heightened tensions and escalation of violence. The Palestinian Authority is still prevented from exercising its functions in East Jerusalem. Palestinian institutions, such as the Orient House and the Jerusalem Chamber of Commerce, remain closed.

67. The extent of poverty among Palestinians in East Jerusalem is exceptionally high. The poverty rate in 2013 stood at 69.7 per cent for families, 75.4 per cent for individuals and 83.9 per cent for children (National Insurance Institute, 2015).<sup>8</sup> There is a clear link between poverty and access to education, which is compounded by a continuing serious lack of facilities for Palestinian schools, with a shortfall of some 2,200 classrooms (OCHA, 2014c).

68. The Separation Barrier has cut off from the city several Palestinian communities within the Israeli-defined municipality border, with serious consequences for access to public services. Tens of thousands of Palestinians of East Jerusalem are physically separated from the urban centre and must cross crowded checkpoints to access health-care, education and other services (ibid.). Provision of public services, including water supply, is decreasing in these communities (ACRI, 2015). Rising incidence of crime has been observed, as Israeli police no longer enter these neighbourhoods. In a recent development, the Israeli authorities permitted the deployment of police forces of the Palestinian Authority in the Abu Dis, Al-Ram and Biddu communities located in Area B as defined under the Oslo Accords, where Israel retains security control. Parts of these communities are situated within the Israeli-defined municipality borders of Jerusalem (The Times of Israel, 2015).

## A dwindling Palestinian land base and continuing displacement

69. Access to land is fundamental for Palestinian livelihoods and economic development. However, in the 60 per cent of the West Bank designated as Area C, Israel

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<sup>8</sup> The poverty data is for the Jerusalem District Arabs, the vast majority of whom are Palestinians from East Jerusalem. The Jerusalem District is one of Israel's six administrative districts.

retains nearly exclusive control over land and natural resources. An estimated 300,000 Palestinians live in this area, but less than 1 per cent of it is currently allocated for Palestinian development. More than 70 per cent of the Palestinian communities that are entirely located in Area C are not connected to the water network, unlike the 341,000 Israeli settlers living there (OCHA, 2014b).

70. Israeli policies in the West Bank have the effect of ensuring the provision of land for settlements and their expansion, including through declaring land to be “state land”. Settlements are comprised of built-up areas, but they also include large land reserves for future expansion. New outposts are often placed in a manner to connect existing settlements. Access of Palestinians from 90 West Bank communities to their land, which is adjacent to settlements and outposts in the West Bank, is heavily restricted: it is only possible following coordination with the Israeli security forces during the olive harvest season (OCHA 2015a). Similarly, as the Separation Barrier has been routed so that it encompasses Israeli settlements, it has cut off numerous Palestinian communities from their agricultural lands and land reserves. The livelihoods of villagers situated in the so-called seam zone have deteriorated as a result of Barrier-related restrictions. Reduced mobility, due to the Barrier, has particularly affected young women in seasonal agricultural employment or in search of job opportunities outside their communities (Y Care International, 2014).

71. Israeli settlements take up the most fertile land reserves in the West Bank. In the Jordan Valley and the Northern Dead Sea, 87 per cent of the land is designated as Area C, virtually all of which is unavailable for Palestinian use. Instead the land is under the jurisdiction of Israeli settlements, or closed for Israeli military purposes (OCHA, 2012). The Palestinian farmers in communities in Area C, such as Bardala and Kardala, which the mission visited, face serious difficulties in sustaining their livelihoods. Unlike Israeli agricultural enterprises in settlements, they face water shortages. For many of them, continuing to cultivate their lands against the odds is more of an act of defiance rather than a sustainable source of livelihood. Many of them become labourers in nearby settlements or seek work in Israel.

72. As a consequence of the discriminatory effects of Israeli planning schemes and practices, most Palestinians are unable to obtain building permits for homes, animal shelters or other infrastructure for economic activities. Consequently, they have to rely on building without Israeli permits, which, in turn, exposes them to the risk of demolitions and displacement. For 2014, a decrease in the overall number of demolished structures was reported for Area C, but at the same time there was an increase in the number of residential structures demolished, which led to a rise in the number of displaced persons. According to OCHA, the demolition of some 179 residential structures displaced 969 persons (OCHA, 2015a). There are continued reports of the demolition of donor-funded structures. In 2014 Israel also resumed the practice of punitive demolitions that target the family homes of Palestinians accused of or convicted for serious attacks against Israeli civilians or security forces. This is viewed by the United Nations as collective penalty in breach of Article 33 of the Fourth Geneva Convention (*ibid.*).

73. In East Jerusalem, at least a third of all Palestinian homes lack Israeli permits, which means that some 90,000 people are at risk of displacement (OCHA, 2014c). Israel has destroyed some 2,000 Palestinian houses in East Jerusalem since 1967, with 98 demolitions reported for 2014 (*ibid.*). The appropriation of Palestinian property by Israeli settlers and insecure residency status also result in displacement of Palestinians in East Jerusalem. Since 1967, the Israeli authorities have revoked the residency status of at



least 14,000 Palestinians of East Jerusalem, with 107 revocations reported for 2014, including 56 women and 12 minors (HaMoked, 2015).

74. Bedouins and herders residing in Area C in the central West Bank, whose livelihoods depend on land, are at constant risk of forcible transfer, and most families have already received demolition orders. Work by the Israeli authorities is under way to build alternative housing for them. Concerns have been raised regarding the involuntary nature of the relocation and the appropriateness of this alternative housing. In addition, relocation of Bedouin communities from the so-called “E-1” area close to the Ma’ale Adummim settlement is reportedly being pursued, to make space for settlement expansion in this area. This would further disconnect East Jerusalem from the rest of the West Bank (OCHA, 2014d).

## Palestinian workers in Israel and Israeli settlements

75. With a stagnating Palestinian economy, the budget crisis of the Palestinian Authority and the wide range of restrictions arising out of the occupation, seeking work in Israel or in the settlements remains the only option for thousands of Palestinian workers who rely on the incomes from such work to sustain their families. The number of Palestinian men and women entering the Israeli labour market has steadily increased over recent years, as noted in Chapter 2.

76. With rising numbers of Palestinians working in Israel, it becomes more pressing to address the questions of how such employment is contracted, the transparency and predictability of the arrangements for both workers and employers, and the extent of protection workers have against violations of their labour rights. Under the Paris Protocol, the entry of Palestinian workers into the Israeli labour market was to be administered through the Palestinian Authority. However, it appears that many Israeli employers find their Palestinian workers through different channels, including unregulated brokers. The fact that wages earned in Israel are considerably higher than in the Palestinian economy acts as an economic incentive for Israeli and Palestinian intermediaries to collect fees (Bank of Israel, 2015).

77. As observed by the mission, some Palestinians are even given special permits to enter Israel merely to search for work. There are also indications that a number of permits for merchants are used to engage in wage employment and that a growing number of Palestinians work in Israel without a permit altogether, which increases the vulnerability of these workers to exploitation and labour rights violations. The workers without permits tend to be younger people below the age required for obtaining a permit (*ibid.*). Workers unable to obtain permits, including women who have fewer opportunities to do so due to the allocation of quotas to mainly male-dominated economic sectors, take considerable risks in crossing into Israel, including by slipping through or climbing over the Separation Barrier or other closures. The mission was informed that there had been cases of death and serious injuries incurred by workers in such circumstances.

78. In early 2015, the Israeli authorities announced that men and women over the age of 55 and 50 years, respectively, and who carry a magnetic identification card will be allowed to enter Israel without permits. It is too early to conclude precisely how this measure of relaxation will affect Palestinians in practice, as it is currently unclear whether these Palestinian women and men are permitted to work.

79. The Government of Israel has set up mechanisms aimed at ensuring that Palestinian workers in Israel are employed under equal conditions to Israeli workers, including with regard to wages and other benefits. The Payment Division in the Service for Employers and Foreign Employees of the Population, Immigration and Border Authority, which is part of the Ministry of the Interior, allocates employment permits to Israeli employers, calculates deductions from the gross wage reported by the employers and issues payslips. Deductions include contributions for pensions, sick leave and leave pay, among others.

80. Yet, according to the State Comptroller of Israel, Palestinian workers have not fully benefited from their rights under Israeli legislation. A 2014 report by the State Comptroller on the employment of Palestinian workers in Israel's construction sector found serious irregularities in the functioning of the Payment Division. These included the allocation of employment permits to non-registered contractors; issuance of payslips that did not reflect the full salary and entitlements as per the applicable collective agreement and regulations; acceptance of employer declarations below the minimum number of days per month, which allows employers to avoid tax and social contribution payments; and mismanagement of pension contributions (State Comptroller of Israel, 2014).

81. Lack of awareness among Palestinian workers of their labour rights continues to be a cause for concern. Only a tiny fraction of Palestinian workers in Israel have written contracts (Bank of Israel, 2015), and they are being paid in cash, which opens the door to excessive fees and deductions from brokers. The mission was informed of efforts to establish a system whereby employers would transfer the gross wage of Palestinian workers to the Payment Division, which would then transfer the net wage directly to the workers' bank accounts. This would allow better monitoring of minimum-wage compliance and could provide some protection against abusive broker fees. The Israeli trade union federation Histadrut reiterated to the mission its commitment to supporting Palestinian workers in Israel, including by taking on their cases for dispute settlement in cooperation with the Palestinian General Federation of Trade Unions (PGFTU).

82. Large numbers of Palestinians continue to be prevented from applying for work or merchants' permits due to Israeli security preclusions. It is unclear in many cases why workers are precluded. The non-governmental organization MachsomWatch assists blacklisted Palestinians in challenging their status in the courts. In only 15 out of 67 cases handled by the organization in which a decision was issued in 2014 did the court refuse removal from the blacklist. Since starting their initiative in 2005, MachsomWatch has submitted more than 500 appeals, with an overall success rate of 70 per cent. In 2014, MachsomWatch also submitted some 1,300 requests for removal to the Israeli Civil Administration in the West Bank, with a success rate of some 60 per cent (MachsomWatch, 2015). However, workers may see their permit applications rejected for being "under investigation", a status which cannot be appealed. While the numbers of removals from the blacklist are positive, they also suggest that the overall system for security preclusion operates in an arbitrary manner that runs counter to the interests of both Palestinian workers and the Israeli employers.

83. As observed by the mission over several years, the situation of Palestinian workers employed in the settlements established in the West Bank raises fundamental questions. While the number of these Palestinian workers continues to grow, the needed protection from abuse, exploitation and work environments that pose risks to their health and safety is not guaranteed for them. The mission once again received information indicating that Palestinian workers in settlements are not being paid the Israeli minimum wage, and that child labour continues to be a serious problem, particularly in the Jordan Valley.

84. While the Palestinian Authority is prevented under the Oslo Accords from addressing labour issues in Area C where the settlements are located, Israel is applying a small part of its labour legislation by means of military orders, including the minimum wage legislation. Many other laws are not applied, and enforcement has overall been largely absent. An inter-ministerial task force set up to look into the question of the application of Israeli labour laws in the West Bank, referred to by the mission in 2014, has completed its work and submitted a report to the Government. It identifies a set of labour laws considered for application in the West Bank settlements through military orders, including legislation on labour law enforcement, wage protection, working time, sick pay and termination of employment. Views on the proposed measure diverge in Israel, with some emphasizing workers' need for protection, while others see this as gradual annexation of Area C (Haaretz, 2014).

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## 4. Governance and Palestinian institution building

### The limits of the institution-building process

85. Good governance and institution building is one of the main development priorities in the Palestinian National Development Plan 2014–16 (PNA, 2014a). Details of the now finalized plan were discussed in the report of the 2014 mission. While there have been noteworthy achievements in building Palestinian institutions, ensuring sound governance and promoting economic development, the capacity of these institutions to operate effectively in both Gaza and the West Bank continues to be seriously constrained (PNA, 2014b; UN, 2014b).

86. As described in previous chapters, the impediments to further development and institution building are numerous: the entrenched political and institutional Palestinian divide; declining growth and a pressing financial crisis; a dependent Palestinian economy and increased poverty; very high unemployment rates; and the precarious situation of young Palestinian men and women coupled with a stalled peace process and lack of confidence in the future. All of this is exacerbated by the impact of the conflict in Gaza and rising tensions in the West Bank. Consequently, the sustainability of any measures taken under national strategies, plans and programmes adopted is called into question.

87. The National Development Plan sees restoring national unity as a prerequisite for enabling the Palestinian political system to assume its proper role and to consolidate the state institutions and legal system (PNA, 2014a). In June 2014, a Palestinian National Consensus Government, composed of technocrats, was formed as a step towards national reconciliation, but the process remains fragile. While the intention is there to harmonize and integrate previously divided government structures, it is also acknowledged that the National Consensus Government faces major challenges. Government institutions, civil service and legal systems need to be harmonized and control over border crossings obtained (PNA, 2014b). At the same time, reconciliation offers an opportunity to extend recent state-building efforts to Gaza.

88. The current public service arrangements in Gaza based on dual administrative systems is unsustainable (World Bank, 2014). The legal status of the approximately 40,000 civil servants employed by the de facto authorities prior to the National Consensus Government who are still largely running the public administration and service delivery in Gaza has not been clarified. Despite efforts undertaken to integrate these civil servants, the issue remains unresolved. Presidential and parliamentary elections, which under the national reconciliation agreement were to be held within six months of the formation the National Consensus Government, have yet to take place. The Palestinian Legislative Council continues to be paralysed, which impedes prospects for unified legislation to be adopted and implemented.

89. Despite such challenges, some institutions continue to be strengthened. The Palestine Monetary Authority has steadily been building its capacities as a future central bank. A draft Central Bank Law has been prepared, which embodies a financial inclusion component in line with the National Financial Inclusion Strategy. In addition, the PMA promotes financial and banking literacy and awareness across the widest possible social segments, including young people and children. The World Bank Group and the PMA are further discussing the design of a new Credit Guarantee Facility for the private sector in Gaza (PMA, 2015).

## Human rights and decent work for development

90. The National Development Plan, the Palestinian United Nations Development Assistance Framework (UNDAF) for 2014–16 and the Palestinian Decent Work Programme (2013–16) provide a strong human-rights-based framework for development (PNA, 2014; UN, 2013; ILO and PNA, 2013). Respect for human rights is seen as essential for Palestinian legitimacy, the sustainability of good governance and further development of society (PNA, 2014c). Following accession to a number of international human rights instruments in 2014, Palestinian institutions are now preparing to submit the first periodic reports to the relevant treaty bodies.

91. Expanding decent work opportunities remains a top priority, and further measures, however modest, are being taken to promote economic development and decent work in line with the National Development Plan and the Decent Work Programme. The Palestinian Authority is in the process of developing a comprehensive strategic programme for employment in Palestine for the period 2015–20 (PNA, 2015a). The programme is designed around three main priorities: stimulating investment and job opportunities; investing in the Palestinian labour force; and improving the enabling environment. In view of the consequences of the war in the summer of 2014, the immediate focus of employment interventions would need to be on the recovery and reconstruction of Gaza.

92. The Palestinian Fund of Employment and Social Protection for Workers remains an important vehicle for addressing poverty, generating employment opportunities and reducing the high rate of unemployment. The Fund is being restructured and the tripartite Board of Directors has been reactivated. The Fund is implementing projects relating to job creation, business advisory services, and entrepreneurship support through subsidy and/or soft loan credit facilities (PNA, 2015b). Activities have particularly focused on job placement for young graduates, women entrepreneurs and the unemployed in Gaza. The Fund has entered into partnership with Italy, which has pledged almost €22 million in grants and soft loans.

## Labour market governance and labour rights

93. In line with the National Development Plan and the Labour Sector Strategy of the Ministry of Labour, the Decent Work Programme prioritizes technical assistance in the areas of labour market governance, employment and social protection. Recent work has focused on labour law reform and labour inspection, effective institutions and processes to support tripartite social dialogue, and a comprehensive social security system.

94. With the support of the ILO, the tripartite-plus working group on labour law reform continues its comprehensive review of existing labour legislation in order to propose amendments in line with international standards and best practice. Several tripartite technical committees are being established to contribute to the labour law reform. Social partners are particularly committed to adopting amendments or overhauling existing legislation on child labour and youth issues. In view of the continued split between the West Bank and Gaza and a dysfunctional Palestinian Legislative Council, it will be essential that proposed amendments to the Palestinian labour law have the widest possible acceptance from various groups and social partners. The Ministry of Labour is committed to reactivating the National Tripartite Labour Policies Committee, given its significant role in the labour law reform process; it did not meet, however, in 2014.

95. The draft Trade Union Law proposed by the Ministry of Labour received technical comments from the ILO in early 2015. The Ministry reaffirmed that the final text would

be in line with international labour standards, and the PGFTU facilitated wider technical discussions on the draft law among workers' organizations in March 2015. The need for a new unified trade union law is urgent, as the situation of freedom of association remains unsettled.

96. The Decent Work Programme acknowledges that labour inspection is a cornerstone of good governance and labour market regulation (ILO and PNA, 2013). The ILO continues to work with the labour inspectorate in the area of occupational safety and health. This has included training for labour inspectors on the investigation of occupational accidents and diseases and tripartite training on occupational safety and health fundamentals and risk assessments. Discussions are also ongoing regarding the development of a database for enhancing the management of labour inspection.

97. Minimum-wage compliance remains an issue, particularly in female-dominated sectors, including textiles, and services, such as childcare. The National Wage Committee met in 2015 for the first time since the adoption of the minimum-wage policy in October 2012, and agreed on a set of actions in order to ensure proper application of the national minimum wage (ILO, undated). The Ministry of Labour has conducted several campaigns to raise awareness on the minimum wage and has increased labour inspection activities in this area. The effective enforcement of the minimum wage is also fundamental in the context of social security, as social security contributions are based on the minimum wage.

## Social dialogue mechanisms

98. Further progress has been made towards strengthening institutional capacity and mechanisms for social dialogue. The Memorandum of Understanding between the PGFTU and the Federation of Palestinian Chambers of Commerce, Industry and Agriculture (FPCCIA) has contributed to an improved climate of social dialogue. Both organizations, together with the Ministry of Labour, continue to play a significant role in social dialogue through the tripartite technical committees on social security, women's employment and pay equity, occupational safety and health and labour law reform. A tripartite consensus has been reached on a draft National Policy and Programme on Occupational Safety and Health (2015–19), which has been submitted to the Cabinet for endorsement. The policy contains recommendations for the improvement and reform of occupational safety and health legislation.

99. Despite progress in social dialogue, union affiliation rates remain low. Few private sector wage workers are covered by collective agreements, and social dialogue mechanisms need to be further strengthened. Obstacles to increasing unionization include reported restrictions on unions organizing in Gaza, a large informal economy, institutional weaknesses, a lack of awareness of labour rights among workers, and political interference. Incidents of harassment against trade unionists have been reported to the mission.

100. The membership of the 18 chambers under the FPCCIA in the West Bank and Gaza is currently over 70,000 enterprises, of which 40,000 are active members (ILO and FPCCIA, 2015b). In a positive development in 2014, four new chambers were established in Gaza and elections were held. These chambers are currently lacking organizational and governance skills, as well as policies for networking. Hence there is a need to enhance their capacities to function as tripartite partners and actively participate in national social dialogue (*ibid.*). A new Women Entrepreneurs' Center has very recently been established in the Gaza Chamber. The Business Women Forum (BWF) has

continued its backing for the formation of and support to business women's units in local chambers. In addition to the six gender units already established, three more are planned.

## Advances in social protection

101. The development of an integrated social security system and the extension of social protection are clearly set out in the Decent Work Programme (ILO and PNA, 2013) and the National Development Plan. The Tripartite National Social Security Committee, established in 2012, met extensively over the course of 2014 and 2015, and the ILO has continued to support the establishment of the first social security system for private sector workers and their family members. The new system will be financed through contributions paid by workers and employers and it will be administered by a social security institution, managed by a tripartite board of directors. With the support of the ILO, the Palestinian legal drafting team has finalized the draft social security law based on international labour standards and best practice. The draft law has been submitted to the tripartite Social Security Steering Committee for comments and work for the establishment of the social security institution is under way.

102. Concerns remain on the subject of what has been described as a "complementary" private pension scheme, the regulation for which was approved by the Council of Ministers on 18 February 2014. The proposed system is a voluntary pension scheme for private sector workers based on a high contribution rate of 19 per cent rather than on the defined-benefit approach. However, the regulation to introduce it remains suspended.

## Women's empowerment

103. Gender equality and empowerment of women is central to the national development agenda (PNA, 2014a). Despite the many comprehensive policies and plans adopted in recent years, women continue to face many challenges in the labour market. Women's very low labour force participation and high unemployment rates, especially among young graduates, as well as the gender pay gap remain a persistent concern. Education is no guarantee for finding a job. And the levels of violence against women in the aftermath of the war in Gaza remain particularly high.

104. Women's participation in policy-making and decision-making is greatly needed, particularly in view of current efforts to restore national unity and proceed with the reconstruction of Gaza. It is still the case that women are under-represented in formal decision-making bodies and processes. In September 2014, women held three out of 17 ministerial-level posts in the National Consensus Government. And women account for only 15 per cent of judges, 16 per cent of prosecutors and 21 per cent of lawyers, which is a decrease from the previous year (UN, 2014c, paragraph 17).

105. Measures to promote women's empowerment and address gender discrimination have continued, including capacity building for the National Committee for Women's Employment (NCWE) and tripartite stakeholders in promoting pay equity. A pay equity study, to be undertaken by the Palestinian Central Bureau of Statistics with the support of the ILO, was officially launched in March 2015. The study will analyse the gender pay gap in the education sector, which represents a major employer of women in the West Bank and Gaza. The NCWE, which has observer status in the National Tripartite Advisory Committee, remains an important forum for social dialogue. It has launched its implementation plan for 2015–17, which was developed with the support of UN Women. Activities will focus on policies for women in agriculture and the food industries to protect their products.

106. One noteworthy development is the establishment, in September 2014, of the national observatory to monitor violence against women in the labour market. A memorandum of understanding was signed between the NCWE and the Miftah Association to conduct two desk reviews to monitor violence against women in the labour market, particularly in the services and agriculture sectors. The NCWE is coordinating with the Ministry of Women's Affairs to finance the observatory, with support from Italy (NCWE, 2014). The ILO trained staff of the Institute of Women's Studies at Birzeit on the Participatory Gender Audit methodology with a view to equipping them to address issues of discrimination in the workplace, and provided support for research in 2015 on gender-based violence.

107. The FPCCIA continues to take steps to increase women's representation. Representatives of the Federation informed the mission that the number of women joining it had further increased, and collaboration with the BWF continued. Currently there are 1,025 women within the chambers, who are provided with assistance, as well as incentives in the form of symbolic membership fees. The BWF's Business Development Services Centre has scaled up its work on technical skills training for businesswomen and women entrepreneurs that advances and improves women's businesses, including for export purposes. The importance of exchanging expertise and knowledge with peers on the use of materials and equipment is considered of particular importance. The BWF has continued its activities to encourage women to start their own businesses, including arranging internships and assisting women in developing their business plans and bringing them into contact with banks.

108. In Gaza, the situation of women continues to deteriorate. This is particularly true for war widows, female heads of households, and women with disabilities. Women also face legal challenges regarding the rights to bank accounts and the property of their deceased husbands (UN, undated; UN, 2014c). Interlocutors informed the mission that, despite their qualifications, women frequently cannot find employment. They often establish businesses as a survival strategy and to improve family life. The political situation limits economic and business opportunities and product marketing, and the necessary skills training is not available for women wishing to enter non-traditional occupations. Violence against women and non-respect for women's labour rights remain problems in the private sector, with few avenues for redress. Women have set up businesses such as those supplying embroidery, and more recently those supplying cleaning materials and carpeting, but many businesses have been destroyed and resources are lacking.

109. The Gender Unit of the PGFTU has continued its activities to raise awareness among women members about women's rights, and to increase representation of women in its structure and activities. New unions have joined the Federation, and the mission learned that a union for childcare workers had been established. However, the lack of bargaining power of public sector employees is particularly affecting women, who have fewer support mechanisms, and there is a need to improve women's capacity to organize. In Gaza, the falling rate of women's trade union membership is reportedly due to restrictions on freedom of association, the low percentage of women in the private sector, the absence of maternity benefits, a lack of awareness among women regarding their role in the economy, and cultural barriers restricting their freedom of movement.



## Focusing on workers with disabilities

110. The war in Gaza has further aggravated the situation of workers with disabilities, who face increasing challenges in accessing the labour market and finding decent work. With ILO support, the Palestinian Consultative Staff for Developing NGOs (PCS) aims to improve access for persons with disabilities to public employment services and other programmes supporting employment creation. Discussions were held between the Ministry of Labour, workers' and employers' organizations and other relevant organizations on the main challenges facing men and women with disabilities in the labour market, and on gaps in Palestinian Labour Law No. 7 of 2000. In May 2014, an advisory committee involving a wide range of stakeholders was established to guide and oversee activities on mainstreaming disability in labour and employment policies, programmes and services, and to enhance dialogue. The Declaration of the Aqaba Forum for Mainstreaming Disability in Policies of Employment in Palestine, adopted in November 2014, comprises 16 agreed action points, including: a review of existing labour legislation from a disability perspective and taking into account the needs of persons with disabilities; a target of at least 5 per cent for the employment of persons with disabilities in government departments through an action plan for job creation over a three-year period (2016–18); and a confirmation on social responsibility roles for private sector businesses in the employment of persons with disabilities in accordance with human rights and decent work principles (ILO; PCS, 2014).

## Private sector development

111. The private sector continues to be viewed as the main pillar for economic development and, despite the constraints, there remains a conviction that industrial development and improvement of the economy will contribute to state-building (ILO and FPCCIA, 2015b). Initiatives are being taken to support local products and to enhance productivity. Interlocutors referred to the importance of strengthening trade relations with promising markets, and building links with the Palestinian diaspora. However, such prospects are tempered by current restrictions that are hindering investment in Palestine.

112. With regard to women's entrepreneurship, representatives of the NCWE informed the mission that the majority of women's productive activities and businesses are concentrated in food manufacturing, confectionary, traditional handicrafts, and the production of soap and cosmetic creams made from natural materials. Women continue to face problems in marketing their products, both locally and externally, and registration requirements place an additional financial burden on small projects run by women. Women also lack the financial capacity to diversify their businesses. Some are seeking opportunities as designers and manufacturers of clothing and textiles. Women entrepreneurs, and the Palestinian private sector more broadly, face stiff competition in a limited market flooded by Israeli and other foreign goods. Domestic producers need direct support. Otherwise, the private sector will remain dominated by micro and small-scale businesses with few opportunities for growth.

113. The Strategic Plan of the Cooperatives Sector in Palestine for 2014–16 emphasizes the role of cooperatives in social and economic development (PNA, 2013). A 2014 ILO assessment of agricultural cooperatives in the West Bank underscored the need for support for the adoption of the Unified Cooperative Law, incentives for cooperatives to develop administrative and financial policies and procedures, and support for women's cooperatives (ILO, 2014b). The General Directorate of Cooperatives at the Ministry of Labour received ILO support to identify new non-traditional economic sectors for

cooperative development for women. In the context of an ILO project to support livelihoods and job opportunities in the fishing sector in Gaza, training of members of cooperatives in the sector in cooperative management, with a focus on aquaculture, has been identified as a key priority.

## Reconstructing Gaza

114. The National Early Recovery and Reconstruction Plan for Gaza developed by the National Consensus Government and submitted to the October 2014 Cairo Conference presents a comprehensive response to the destruction in Gaza, including measures to support the economy and governance. The plan acknowledges that a functional and unified public administration under the National Consensus Government is pivotal to the success of recovery and reconstruction (PNA, 2014b).

115. In September 2014, the Gaza Reconstruction Mechanism was established on the basis of a temporary agreement between the National Consensus Government and the Government of Israel brokered by the United Nations. The Mechanism represents an important step towards the objective of lifting the blockade (UN, 2014d). The overall objective is to enable construction and reconstruction work on a large scale in Gaza. The Gaza Reconstruction Mechanism was designed to enable the National Consensus Government to lead efforts undertaken by the Gazan private sector to reconstruct housing and infrastructure damaged and destroyed during the latest round of hostilities. It should also address Israeli security concerns. The Mechanism foresees two main streams of work: one led by the National Consensus Government and the other by the United Nations. Both rely on the establishment of a central database within the Palestinian Ministry of Civil Affairs to track the material required and delivered to Gaza. Infrastructure projects will be identified based on the National Early Recovery and Reconstruction Plan for Gaza and will be included in the database after approval by the Israeli authorities. A High-Level Steering Team, consisting of representatives of the Ministry of Civil Affairs, the Coordinator of Government Activities in the Territories and the Office of the United Nations Special Coordinator for the Middle East Peace Process (UNSCO) has been established to ensure that all processes move forward smoothly (*ibid.*).

116. The pace of reconstruction needs to be accelerated, however, if the basic needs of Palestinian men, women and children are to be addressed. The implementation of the Gaza Reconstruction Mechanism has been slow, primarily due to the inadequate disbursement of pledges made by donors during the Cairo Conference, and compounded by delays in the clearance of projects by the Mechanism (OCHA, 2015c). At the time of the mission, incoming construction materials were mainly destined for individual home repairs, rather than for large-scale reconstruction of private sector establishments and other infrastructure.

117. The United Nations Support Plan for the Transformation of the Gaza Strip (2014–16) (UN, 2014e) coordinates the UN input into the National Early Recovery and Reconstruction Plan for Gaza. The ILO's contribution to the reconstruction efforts will focus on three main priorities: emergency employment for the rehabilitation of community infrastructure and improved access to services; enhanced skills and employability of young women and men and people with disabilities to meet the labour market needs associated with reconstruction and recovery; and enhanced knowledge and capacity development for the tripartite constituents and local partners in Gaza to promote a decent work approach to crisis response and recovery.

118. While there is a need for immediate income opportunities, longer-term development needs relating to sustainable livelihoods and decent jobs also have to be addressed. A forward-looking strategy for Gaza should aim to mainstream employment in all other recovery and reconstruction efforts. Short-term priorities should include providing income through wages, developing wage subsidy programmes and intensifying short-cycle skills training in areas where there is labour demand. In the longer term, there are opportunities to focus on non-traditional sectors, thus creating job opportunities for men and women. In addition, training and financial support for the self-employed, business start-up training and financial linkages, as well as income-generating activities for female heads of household will also be necessary (ILO, 2015a).

119. Pre-existing challenges relating to the quality of education and the possibilities for young Gazans to build entrepreneurial and other skills have been amplified by the conflict. The mission was informed that the overwhelming majority of students specialize in humanities, and far fewer opt for scientific studies. Technical and vocational education and training continues to be viewed as an inferior track, despite its potential for closing huge skill gaps and improving employability and productivity. There is an urgent need to increase the number and quality of vocational training centres, but financial means are insufficient. A comprehensive package would seem to be warranted, especially for young women and men, at all levels of education and also taking into account the needs of persons with disabilities.

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## 5. Mounting pressures in the occupied Syrian Golan

120. The pressures faced today by the Syrian citizens of the occupied Syrian Golan are fourfold. The first is the occupation, which has now lasted nearly five decades, including the annexation by Israel in 1981. The second is the continuing discrimination and restrictions in terms of land, water and construction rights. The third arises from the income opportunities available in the Israeli economy, which are accompanied by measures aiming at further integration. The fourth, more recent, stems from the Syrian conflict on the other side of the separation line, which is increasingly affecting the livelihood and career opportunities of the Syrian citizens under occupation.

121. The situation of the Syrian workers, farmers and entrepreneurs in the occupied Syrian Golan has not fundamentally changed. Yet it has become more precarious as the concrete measures of support and protection by the Syrian Arab Republic have been eroded. These include the possibility of selling apples at a guaranteed advantageous price and the opportunities for hundreds of students to receive their higher education free of charge at Damascus University. Once the few remaining students in Damascus have finished their studies, this practical and moral support will no longer be there. The education received in Damascus had opened up career opportunities for young people, especially in the medical field, both in the occupied Syrian Golan and throughout Israel, even if their qualifications were not recognized. Instead, young people are increasingly looking for educational opportunities further afield, in Europe.

122. Syrian citizens of the occupied Syrian Golan follow with great concern, and a degree of trepidation, the developments on the other side of the separation line. Disagreements within their community, and even within families, have roughly replicated the divisions in the Syrian Arab Republic. But peace has prevailed in the communities. In 2014, the mission reported that the Syrian citizens were unanimous in wishing to retain their Syrian identity irrespective of their views on the conflict. The mission was informed that this still is the case, despite pressures to which young people especially may be subject.

123. Given that the Israeli labour market is open to the Syrian citizens of the occupied Syrian Golan, a number of them have chosen to seek their future in Israel. Since the conflict in the Syrian Arab Republic has become more acute, there is a feeling that Israel has intensified policies for integration, through the school curricula as well as sports and cultural activities aimed at young people. With limited opportunities at home, the broader Israeli labour market offers attractive alternatives, which even the most convinced Syrian patriots find difficult to ignore. After all, Syrian citizens of the occupied Syrian Golan deal in daily life with the Israelis without the separation and restrictions that prevail in the Occupied Palestinian Territory.

124. Although the education level of women is high, it is hard for them to find work in the community and even harder to search for it outside. When they do find work, the pay is lower than for men and often well below the minimum wage. Some 50 per cent of teachers are women. In addition, small-scale enterprising has led to women making and selling clothes and setting up hairdressing businesses. Sustaining these businesses can be a struggle in view of limited demand and inadequate entrepreneurial skills. Some women are employed in Israeli settlements in the sorting and packaging of apples, as well as in cleaning jobs. They may be subject to exploitation by both their employers and the local subcontractors who find them these jobs.

125. There has been no significant change in the number of Syrian citizens and Israeli settlers in the occupied Syrian Golan in the past year. Syrian citizens numbered 24,200 in five villages, compared to 19,400 Israeli settlers in 32 settlements (CBS, 2015). However, the existing settlements are growing, with more tourism, construction, an expanding winery business and, over the last three years, exploration for oil. Tourism seems also to increase the number of Israelis who have housing in the area but do not live and work there around the year.

126. The unequal conditions of the Syrian citizens and Israeli settlers are illustrated by the water situation. During the first 15 years of occupation, there was an expansion in farming, especially for apples. But with growing settlement activity, Syrian farmers' access to water became increasingly limited, and water itself became more expensive. For them, water costs US\$1 per cubic metre, while settlers pay 30 cents for the same amount. Settlers also have subsidized access to flood water, whereas the Syrian farmers have not been authorized to build new water reservoirs for nearly 30 years. The 20 cooperatives of Syrian citizens receive 4 million cubic metres of water per year, which amounts to 200 cubic metres per dunam<sup>9</sup> of land. This is compared to 800 cubic metres per dunam received by settlers. Syrian farmers receive only a third of what they consider to be the bare minimum to meet their farming needs. This means that they are able to produce 2.5 tonnes of apples per dunam compared with the settlers' average of 6-8 tonnes.

127. A prominent concrete statue of a red apple at the entry to the village of Majdal Shams reminds the visitor of the economic importance of apple-growing for the occupied Syrian Golan. For the last two years, no apples have gone to the Syrian Arab Republic, where the price of US\$1 per kilogram was up to three times higher than in the Israeli market. However, there are opportunities owing to increased demand in Israel, where land cultivation has been suspended this year to permit a customary regeneration of the land. Of the apples produced during the last harvest, 70 per cent remain in warehouses. In view of the surplus, prices have plummeted. A box of 400 kilograms of apples may fetch NIS700, which is about the same as the cost of production. At best, only 60 per cent of the apples produced will be sold this year. However, even if farming is not profitable, Syrian citizens do not want to give it up, because if the land is not used, it runs the risk of being confiscated by the Israeli authorities.

128. About a fifth of the villages are built without the officially required building permits on Israeli-declared "state land", which nonetheless falls within the villages' municipal boundaries. The Israeli authorities have thus far dealt with such construction mainly through issuing fines, rather than by demolishing the structures. Some people have had to pay annually, which has made the fines resemble a property tax. However, their level has recently been raised considerably, from NIS10,000 to as much as NIS200,000, thus crossing a threshold which may seriously threaten the livelihoods of the Syrian citizens of the occupied Syrian Golan.

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<sup>9</sup> One dunam equals 0.1 hectares.

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## Concluding observations

129. The lives and livelihoods of Palestinian workers and their families continue to be marked by uncertain employment, the lack of growth in the West Bank, the tensions in East Jerusalem, and the slow reconstruction and high level of deprivation in Gaza. Similar factors also affect the Syrian citizens of the occupied Syrian Golan. The basic constraint remains: restrictions arising out of the Israeli occupation and the settlements, which are increasingly entrenched in the occupied territories. There is a feeling that the space for development of the Palestinian society, and ultimately for a sovereign Palestinian state, continues to diminish.

130. Economic and especially political developments appear to be suspended until the internal dynamics of both Israel and the Palestinians produce governing structures which could provide the conditions for resuming the peace process. Without this, it is difficult to see how the confidence could be found for any significant economic activity and investment, either domestic or international, which would allow the Palestinian economy to reverse what looks like a slow but sure downward spiral with consistently bleak employment and income prospects. Donors are liable to disburse the large sums pledged for the reconstruction of Gaza only hesitantly until they are convinced that building activity and repairs to installations can really be carried out.

131. Although confidence is impossible to quantify, and notoriously difficult to foster, it is indispensable for driving the economy forward and promoting investment, growth and jobs. After a long period of failed negotiations, with insecure incomes as a result of uneven growth and unpredictable clearance revenues, and with further violence and war still looking like real possibilities, this is a daunting task. To restore confidence, just muddling through is not enough. There needs to be a concrete aim at the not too distant end of the road. For the Palestinians, over a number of years this has been a promise of a two-state solution.

132. The state- and institution-building process that has taken place during the last years is now facing a potentially existential question. What are the institutions to be used for, if the aim of a sovereign state is seriously delayed or postponed? Institutions need to be able to function fully, in practice, so that the stakeholders benefit from them and acquire and maintain the practice of using them.

133. This concerns not only physical institutions but arrangements and processes, such as governing boards and laws and their implementation. Wherever the economy is squeezed, social programmes, employment and income security, and workers' rights are among the first to be affected. A large array of legislative and institutional arrangements, as well as the Palestinian Decent Work Programme and social dialogue, risk being undermined if uncertainty takes a more permanent hold. This will invariably be felt first by the most disadvantaged groups in society.

134. Another negative effect, already widely felt, is that prospects for private economic activity, be it large projects, small-scale enterprises or the fruits of the labour of individual urban workers or farmers, are negated. With expanding settlements and the restrictions arising out of the occupation, the amount of energy and activity needed for even supposedly simple transactions can become prohibitive. It becomes demoralizing when the occupier's economy and administration can repeatedly produce and deliver much more efficiently – which is possible because of all the advantages it derives from the situation.

135. A comparison of the present and projected wage levels, even with a strengthened application of the Palestinian minimum wage, is sufficient to explain the continuous attraction of the Israeli labour market, including work in the settlements. With the amount of potentially precarious work outside the permit regime, the conditions of recruitment and employment should be addressed as a matter of urgency. In the longer run, for the Palestinians, working in Israel should be an option but not a necessity. However, that will happen only when the parameters of two complementary economies and labour markets are established.

136. The termination of the devastating war in Gaza was accompanied by promises of reconstruction but no agreed roadmap for reaching the result. It is to be hoped that the Gaza Reconstruction Mechanism will be successful and will lead to an end to the continuing blockade. In economic and employment terms, the effect of shutting down the illicit tunnel trade – which was an element of support for the de facto authorities in Gaza – had been a drop in activity and an increase in unemployment already before the war. Beyond the immediate reconstruction efforts, Gaza needs to be able to gain real prospects for economic and commercial development, and it should have access to the markets in the immediate vicinity.

137. Any conceivable approach for a new beginning will immediately have to face the questions of employment and income security as well as the social and labour rights of the workers of the occupied Arab territories. Each time the parties, with whatever international facilitation and support they may have, come to a crossroads, they will have to make choices which directly affect the workers. That is why it is particularly important at this stage to remind them of the interrelated and mutually reinforcing objectives of decent work.

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# Annex

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## List of interlocutors

### Palestinian institutions

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