

REPORT OF THE DIRECTOR-GENERAL

APPENDIX

THE SITUATION OF WORKERS OF THE
OCCUPIED ARAB TERRITORIES

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Preface

For the second year running, I have fielded a high-level mission to examine the situation of workers of the occupied Arab territories. This is a reflection of the importance the ILO assigns to the need to defuse the conflict in the region, and a response to the appreciation shown by the different parties of the ILO's role and what it could offer. Both in the Governing Body and at the Conference, a keen interest has been expressed in a constructive role for the ILO in a tense and difficult context. The mission has endeavoured to provide an objective assessment of the situation and to contribute, however modestly, to easing the situation of the Palestinian workers and their families.

Recent developments in the Middle East have demonstrated beyond doubt that the Israeli-Palestinian conflict is at the basis of the broader instability of the region. It is therefore imperative that we view the conclusions of the ILO mission and its recommendations for the future within the context of contributing to initiating a meaningful dialogue to improve overall political, economic and social conditions in the region.

The mission report provides a detailed and, I trust, balanced analysis of the situation. What emerges is a picture of two peoples locked in a disastrous conflict. In the occupied Arab territories in general and in the West Bank and Gaza in particular, the economic and social situation of workers and their families has worsened. Their situation would have been even more dramatic had it not been for the exceptional humanitarian and development assistance provided by the Arab and international community. Unfortunately, all this leads to the same conclusion as that reached last year: that the present situation is untenable, and cannot be allowed to continue. The tragic scenes frequently witnessed in the West Bank and Gaza underscore the validity of such a conclusion. The tragedy, and the insecurity it engenders, extends to the streets of Jerusalem, Tel Aviv and beyond. The negative repercussions of the Palestinian crisis on the Israeli economy are felt in its longest recession ever, according to the Bank of Israel.

Despite the dire situation, many hope that there will be a light at the end of the tunnel and see certain indications of movement towards a breakthrough in the present conflict. To start with, there has been a slight improvement in the performance of the Palestinian economy, attributable to a combination of factors: the good crop last year; the resilience of Palestinian workers and employers; and the flow of international aid. But the fact remains that the situation is stabilizing at a low level. "We are living in a catastrophe, but we are still living" is the way a prominent human rights advocate in Jerusalem summed up the situation. Similarly, the Israeli employers told the mission that "the peace dividend would be tremendous". All this is an expression of the desire to put an end to two-and-a-half years of a vicious cycle of violence and counter-violence. The Road Map proposed by the Quartet represents a window of opportunity. It provides an economic and political agenda both for the parties concerned and for the multilateral system at large. It deserves to be given a chance, and all efforts should be made to prevent the enemies of an honourable peace from achieving their objective.

It is within this perspective that the ILO has spared no effort to implement the enhanced programme of technical cooperation, which I proposed last year notwithstanding the difficult situation in the occupied territories. This programme, developed in close cooperation with our tripartite constituents, comprised a number of projects for capacity building of the employers' and workers' organizations and the Ministry of Labour; the establishment of a Palestinian Fund for Employment and Social Protection (the Fund); and the promotion of social dialogue as a prerequisite for lasting peace.

I am glad to report that this programme has been largely implemented. A Small Business Advocacy, Training and Service Unit has been established in the Federation of Palestinian Chambers of Commerce, Industry and Agriculture (FPCCIA); a workers' education project has been set up in the Palestine General Federation of Trade Unions (PGFTU); and three projects with the Ministry of Labour cover capacity building, a labour market information system, and training for better skills. A decree has now been promulgated to set up the Fund, and a meeting is planned in Jerusalem (May 2003) to present the concept of the Fund to relevant actors, especially representatives of donor countries and institutions, in preparation for the donors' meeting to raise the investment capital. Special efforts will be made to involve regional donors and development funds.

This year again, the mission has taken into account the immediate and priority needs of the social partners in the occupied territories, and translated this into new areas for technical assistance. Four major orientations may be highlighted:

- assisting the Palestinian Authority in implementing its reform agenda and the establishment of statehood;
- cooperating with the Ministry of Labour and the employers' and workers' organizations in transcending their present situation to become fully functioning institutions within a democratic State;
- providing technical assistance for the establishment and running of the Palestinian Fund for Employment and Social Protection; and
- assisting in the creation of a badly needed system of social protection.

While the ILO will spare no effort to achieve these objectives, it will be necessary for the donor community to assist in the implementation of these tasks.

The ILO has also responded positively to the request that it provide a platform for constructive dialogue on labour issues between Palestinians and Israelis. I appreciate the confidence placed in the ILO, in fulfilment of our historic mandate as the arena for social dialogue. The Secretary-General of the PGFTU summed it up as follows: "The ILO is the house of dialogue; it is our parliament." Any success in this endeavour, no matter how modest, is our contribution to the easing of tension in the region.

In the final analysis, the success of the ILO's programmes with our constituents is premised on positive political developments and collective cooperation. We shall always be prepared to support dialogue for peace. All of us must nurture hope and move ahead.

May 2003.

Juan Somavia,
Director-General.

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Introduction

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 missions to Israel and the occupied Arab territories and to the Syrian Arab Republic in order to make as full an assessment as possible of the employment conditions of workers of the territories (the West Bank, including East Jerusalem, the Gaza Strip and the Golan).¹
2. The Director-General entrusted Mr. Friedrich Buttler, Regional Director for Europe and Central Asia, Ms. Catherine Comtet, Registrar of the ILO Administrative Tribunal, Mr. Giovanni di Cola, Senior Official of the Development Cooperation Department, and Mr. Philippe Egger, Senior Economist of the Bureau of Programming and Management, with the mission to Israel and the Palestinian territories in the West Bank and Gaza, as well as the Golan, from 24 April to 3 May 2003. Mr. Khaled Doudine, ILO representative in the West Bank and Gaza, undertook all the preparations for the mission, of which he was a full member.
3. In addition to strengthening the technical capacity of the mission, the Director-General, as last year, upgraded the mission in order to ensure the necessary contacts with high-level policy- and opinion-makers both in Israel and in the occupied territories. He asked Mr. Don Skerrett, Executive Director for Technical Cooperation and the Regions, and Mr. Samir Radwan, Adviser to the Director-General on Development Policies and Counsellor on Arab Countries, to visit the region. Mr. Skerrett joined the mission to the occupied territories from 29 April to 2 May, and Mr. Radwan from 24 April to 3 May.
4. Mr. Taleb Rifai, Regional Director for the Arab States, and Mr. Lee Swepston, Chief of the Equality and Employment Branch, were entrusted with the mission to the Syrian Arab Republic and Egypt from 2 to 5 May. Mr. Samir Radwan joined this mission in Cairo.
5. This report is based on information obtained on the spot by the missions mentioned above, as well as on the documentation submitted by the missions' interlocutors and other documentation publicly available. In examining the situation of Arab workers of the occupied territories the mission conducted its work with impartiality and objectivity. The Director-General is particularly grateful to all the parties involved, and wishes to acknowledge that, in spite of the difficult circumstances in which this year's mission to Israel and the occupied territories was carried out, his representatives enjoyed, as they have always done, the fullest cooperation of all the parties, both Arab and Israeli, including representatives of organizations of the United Nations system, especially the United Nations Development Programme (UNDP), and the World Bank, in obtaining the factual information on which this report is based. He is also grateful to the Syrian and the

¹ 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." This is disputed by the Government of the Syrian Arab Republic and the Golan inhabitants, who consider the Golan as an occupied part of the Syrian Arab Republic.

Egyptian authorities for the full cooperation that they too extended to his representatives in their respective countries. The International Confederation of Arab Trade Unions (ICATU) in Damascus and the League of Arab States in Cairo were most cooperative. The Director-General sees this cooperation as an indication of the continuing confidence placed by all the parties in the ILO and its efforts to contribute to promoting the economic and social development of the territories, which is an essential prerequisite for a satisfactory settlement of the present conflict.

6. 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 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), of which Israel is a co-signatory. More specifically, as regards equality of opportunity and treatment of workers of the occupied Arab territories, and the issue of rights at work both in the territories and in Israel, the representatives of the Director-General were guided by the principles and objectives laid down in the Constitution of the International Labour Organization, including the Declaration of Philadelphia, the standards and resolutions adopted by the International Labour Conference, and by the principles enunciated by the supervisory bodies of the ILO. The report is also based on the relevant legislation within the ILO's area of competence and on the information obtained concerning actual practice regarding equality of opportunity and treatment of the workers of the occupied Arab territories in respect of employment, conditions of work and social benefits, and rights at work.
7. In the course of this mission, the Director-General's representatives held numerous discussions and meetings both on the Israeli and on the Palestinian side; despite strict security measures they made many trips within Israel and in the occupied Arab territories of the West Bank (including East Jerusalem), the Gaza Strip and the Golan to meet with their interlocutors.²

I. Further economic and social deterioration in 2002 and low-level stabilization in early 2003

A turning point?

8. Recent developments in the region since early 2003, and in particular the issuing of the Road Map (described below in section II), give reason for cautious optimism. There are strong expectations that this new initiative will reverse the untenable situation prevailing since September 2000.
9. In his report to the Conference on the situation of workers of the occupied Arab territories in 2002, the Director-General was obliged to note that the economic and social situation in the territories was deteriorating daily, with rising levels of poverty and unemployment, leading to an unprecedented humanitarian crisis. The nature and extent of the violence on both sides had heightened the sense of general insecurity, and it was clear that a crisis situation had been reached. Violence, however, prevented the negotiation and dialogue that might restore a more normal situation, making it inevitable that conditions deteriorate even further. In June 2002, the Office of the United Nations Special Coordinator for the Middle

² A list of the missions' interlocutors is appended to this report (Annex I).

East Peace Process (UNSCO) described the situation as “dire” with regard to the high level of poverty (UNSCO, 2003).

10. The period from June 2002 to May 2003 was marked by a deepening of the economic and social crisis in the occupied territories and its likely stabilization at a very low level. The severe restrictions on movements of persons and goods within the occupied territories and between these and Israel have resulted in a dramatic decline in consumption, income and employment levels, and unprecedented contraction of economic activity, including output, trade and investment. It is estimated that in 2002 some 60 per cent of the population in the occupied territories (or 1.94 million persons) lived on an income of less than US\$2.15 per day.
11. Massive donor assistance, estimated at US\$1.1 billion in 2002, has helped to avert the worst effects of the unfolding humanitarian crisis. However, dependency on donor-funded short-term employment projects and food aid is not a long-term solution.
12. Recent observations and data point to a moderate easing of closures as of early 2003 compared with the near-complete closure imposed during Operation Defensive Shield in March-April 2002. Along with an increase in the number of work permits issued to Palestinian workers for employment in Israel and resumption of tax payments collected by Israel on behalf of the Palestinian Authority, informed opinions suggest that the economic and social situation may have stabilized in the first half of 2003, albeit at a significantly lower level than before the outbreak of the intifada in September 2000.
13. The high cost of security operations in the territories and in Israel, along with the effects of suicide attacks on consumer confidence, have combined with external factors and pushed Israel’s economy into its most severe recession ever. The year 2002 saw negative growth for the second consecutive year, with higher unemployment and a fiscal deficit induced by low output growth. In so far as Israel is the main trading partner of the occupied territories, demand for Palestinian exports has also declined.

Closures and insecurity

14. Closures remain the dominant feature of daily life in the occupied territories today, maintained through a tight network of some 160 checkpoints operated by the Israel Defense Forces (IDF). Closures have effectively partitioned the Gaza Strip into three separate areas and the West Bank into seven areas, approximately following district boundary lines. Physical partitioning tends to be followed by administrative fragmentation as the IDF liaise separately with local authorities on administration and essential services.
15. Movement of persons and goods within each area has eased since the IDF retreated to the outskirts of major towns in the latter half of 2002. Movement between areas remains difficult and subject to great variation and uncertainty. Data collected by the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) suggest that the Palestinian population of the West Bank subject to total or partial curfew has declined from approximately 850,000 persons in the first half of July 2002 to 400,000 on average from November 2002 to mid-February 2003 and further to 150,000 in April 2003 (OCHA, 2003b). According to the Coordinator of Government Activities in the Territories (COGAT) of the Israeli Ministry of Defense, daytime curfews have been lifted in most cities as of early 2003 (COGAT, 2003).
16. The immediate impact of the closures is felt in a drastic increase in the resources and time spent on travel – much of it wasted queuing at checkpoints. The World Bank has registered

a significant rise in such costs in June 2001 compared to one year earlier. Firms reported a 102 per cent increase in distance, 208 per cent in travel time and 82 per cent in travel costs. Households in the West Bank experienced increases in travel time to workplaces and to markets of between 25 and 130 per cent (World Bank, 2002). Another reliable indicator is the consumer price index (CPI), which shows an increase in transport and communications costs over 2.6 times higher than the increase in the CPI for all major groups of expenditure between January 2001 and March 2003 (22.2 per cent as against 8.5 per cent, respectively) (PCBS, 2003b). Such a steep increase in transport costs is directly attributable to the closures imposed throughout the occupied territories. The increase in the cost of transport and the hardship it entails were corroborated to the ILO mission by several interlocutors.

17. Beyond lost income and employment due to closures, the feeling of insecurity among Palestinian workers as a result of the military occupation was emphasized to the ILO mission by the Palestine General Federation of Trade Unions (PGFTU) in Nablus and in Gaza. Workers and their families live in constant fear of the possible physical, economic and social consequences of occupation. Violence occurs daily and at any time, causing severe psychological stress.

External closures

18. Although movement of Palestinian persons and goods from the Gaza Strip and the West Bank into or through Israel remains severely restricted, two indicators suggest a moderate easing of restrictions in late 2002 and early 2003. Information supplied by COGAT indicates that work permits issued to Palestinian workers increased to 31,018 in the fourth quarter of 2002 (19,798 in the Gaza Strip, including employment in industrial estates, and 11,220 in the West Bank) from a low of 7,531 in the second quarter of 2002 (COGAT, 2003). Information provided by OCHA indicates that 31,032 work permits had been issued until March 2003. These permits are subject to strict conditions as to age and marital status (OCHA, 2003a, update 15 March to 3 April 2003). Palestinian men applying for work in Israel must be married and aged over 35 years. A lower age limit of 25 years is applied to workers in industrial estates. Permits for traders and businesspersons also increased in late 2002 and early 2003. Data collected by COGAT on movement of goods entering Israel from Gaza and the West Bank suggest that these have regained the levels observed in the last quarter of 2001 (COGAT, 2003).
19. However, prolonged complete closure still occurs, as was the case in the Gaza Strip from 16 to 24 April 2003, coinciding with the Jewish Passover holiday. The consequences for workers and dependants denied access to their workplaces are severe, the more so when such complete closures are recurrent (OCHA, 2003a, update 2 April to 2 May 2003).
20. The Federation of Palestinian Chambers of Commerce, Industry and Agriculture (FPCCIA) shared with the ILO mission its concern over what it perceived as increasing economic dependency on Israel resulting from a highly selective and unequal treatment of Palestinian exports to Israel, compared to Israeli imports to the territories. Such unfair competition harmed their members' economic interests, often to the point of bringing enterprises' activity to a complete standstill.

The separation wall

21. In June 2002 the Government of Israel started construction of a separation wall along the western border of the West Bank. The ILO mission discussed this new development with various interlocutors in the occupied territories, who expressed concern over the likely implications of such a physical separation. The mission also visited the town of Qalqiliya

(population of approximately 32,000), now virtually encircled by a fence and an eight-meter-high concrete wall, and held talks with the mayor. A detailed report on the separation wall was commissioned by the Local Aid Coordination Committee (LACC) (LACC, 2003). Some 150 km are currently under active construction, with only small portions of several kilometres completed as of early May 2003, in the north-western governorates of Jenin, Tulkarm, Qalqiliya and Salfit and near Bethlehem and Jerusalem. The separation wall comes in various combinations of elements, including a concrete wall, guard towers, electric fencing and large ditches, with buffer zones and patrol zones of various depths. The report's main conclusions coincide with the observations made by the ILO mission, highlighting the follow key points:

- (i) the alignment of the separation wall does not follow the Green Line separating the West Bank from Israel. At times the wall is located as much as 6 km inside the West Bank. As a result, some 12,000 Palestinians will be physically separated from the remainder of the occupied territories. This number is based on the current construction phase and could increase significantly in the future, depending on subsequent phases and the exact path of the separation barrier;
 - (ii) the barrier currently erected and under construction separates farmers and towns from land, water resources and markets, further contracting economic activity and employment. The barrier design has taken care to preserve access of settlements to land and water, and to roads leading into Israel;
 - (iii) the wall is being constructed on Palestinian lands expropriated through military orders. The land so far requisitioned is estimated at 11,500 dunums (1,150 hectares), with as many as 83,000 fruit and olive trees uprooted. Buffer zones of various depths, up to 150 meters facing the West Bank side, further deplete vital agricultural land and resources.
22. The plight of Palestinians separated from their resources by a physical barrier has been further documented in the press (*Haaretz Magazine*, 2003, and *The Economist*, 2003) and described as “death by asphyxiation”.
23. The mayor of Qalqiliya who met with the ILO mission deplored the economic and social effects on his once-thriving town. Some 600 shops and enterprises had already closed, and many who could were leaving the town. The rest increasingly lived on food rations from donors. What future could he offer to the younger generation? The alignment of the wall suggested to him that its true motive was not security but rather resources, namely land and water, with which Qalqiliya was richly endowed.
24. The Government of Israel argues that the separation barrier is a temporary security measure required to protect its citizens from Palestinian attacks. The abovementioned LACC report and the ILO mission observe that the separation wall has immediate and dire consequences for the employment, social and living conditions of the Palestinians directly affected – which may well be of a permanent nature.

Military incursions, destruction and loss of life

25. Continuous military incursions into the Gaza Strip and the West Bank have led to repeated demonstrations of “excessive use of force” and extrajudicial killings, as deplored by the United Nations Secretary-General (United Nations, 2003b).
26. The actions taken by Israel and the IDF in the name of security and protection were questioned by the Special Rapporteur to the United Nations Commission on Human Rights

in March 2003 (United Nations, 2003a). The use of military force has resulted in heavy loss of human life. Between 1 January 2001 and 27 April 2003, 1,729 Palestinians have been killed, mostly unarmed civilians, including 275 (15.9 per cent) children and youth (under 18 years). In April 2003, some 5,272 Palestinians were detained or imprisoned on security-related grounds by Israel (B'Tselem, 2003c).

27. The policy of house demolitions as a punishment inflicted on families of suspected perpetrators of attacks on Israeli citizens has continued, with 187 houses demolished in 2002 and 89 in 2003 (as at 29 April 2003) (B'Tselem, 2003b). As a result of such destruction many workers and families are left homeless. The United Nations and human rights organizations have repeatedly condemned such forms of collective punishment, which is prohibited under the Fourth Geneva Convention of 1949. The punitive house demolition policy is well documented in Darcy (2003).
28. Destruction and demolition of economic assets by the IDF have continued in the occupied territories. The Governor of Gaza informed the ILO mission that over 120 enterprises had been demolished on security grounds over the last few months. The FPCCIA handed a detailed report to the ILO mission on the impact of occupation on private sector enterprises and the economy. The document cites the case of 55 factories destroyed and of large tracts of agricultural land, fruit and olive trees, wells, hothouses and nursery plants seriously damaged, confiscated or destroyed (FPCCIA, 2002). Other sources report similar recurrent practices of destroying economic assets.

The Israeli settlements

29. The construction of Israeli settlements in the occupied Arab territories has always been a major source of contention between the parties. Several United Nations resolutions, including Security Council resolutions, as well as the Mitchell report (Sharm el-Sheikh Fact-Finding Committee, 2001), have called for a freeze on the construction of settlements. Phase I of the Road Map also requires a freeze on settlement activity in parallel with putting an end to violence on the Palestinian side.
30. The pursuit of the Israeli settlements policy has dramatic economic and employment consequences for the Palestinian and Arab populations affected by it. In particular, this policy has a considerable impact in two areas: the confiscation of land and water resources, and relations between settlers and the Palestinian and Arab populations. The confiscation of land and other infrastructural resources for the construction of settlements and bypass roads that connect them to each other and to Israel has been detrimental to the development of these lands and resources, thereby seriously affecting the employment and livelihood of the local population whose lands were seized. Palestinians usually reject compensation when it is offered, for fear of this being construed as abdication of their rights.
31. B'Tselem estimates that 41.9 per cent of the total land area of the West Bank (excluding no-man's land and the Dead Sea) is effectively under control of the settlements, including developed areas, non-developed municipal areas and land reserves (B'Tselem, 2002, table 9).
32. The number of settlements in the occupied territories, including the Golan, is a matter of dispute (table 1). The *Statistical Abstract of Israel* (Central Bureau of Statistics, 2002) reports only a marginal increase in the number of settlements between 1995 and 2001. The *Statistical Abstract of Palestine* (PCBS, 2002, table 3.1.3), records 242 settlements in the West Bank in the year 2000. This figure may include a number of outposts or settlements in the making, usually around one or a few mobile homes, of which one estimate suggests there are currently 108 in the West Bank (*Jerusalem Post*, 2003).

Table 1. Number of settlements and population

	1995		2001		Average annual change in population (%)
	No. of settlements	Population ('000)	No. of settlements	Population ('000)	
East Jerusalem	n.a.	155.0	n.a.	176.9	2.2
Gaza	16	5.0	16	7.0	5.8
West Bank	122	129.2	123	201.3	7.7
Golan	31	13.4	32	15.9	2.9
Total	169	302.6	171	401.1	4.8

n.a.: Not available.
Sources: Central Bureau of Statistics, 2002, table 2.7; B'Tselem, 2002.

- 33.** The settler population in the occupied territories, including East Jerusalem and the Golan, was estimated at some 401,000 persons in December 2001. This population increased on average by 4.8 per cent per year between 1995 and 2001, or more than double the rate of population growth in Israel (2.2 per cent). Rapid demographic growth among settlers is registered in the West Bank, at 7.7 per cent per year on average.
- 34.** Maintaining settlements is not without cost to the Israeli economy. Government financial incentives for settlement in the occupied territories provide extensive subsidies of various kinds to families and local councils. Individual and collective benefits in the areas of housing, education, taxation, enterprise and infrastructure development and social welfare are substantially higher than those available to citizens in Israel. Per capita financial transfers to local authorities in settlements in the West Bank and the Golan throughout the 1990s were on average 150 per cent above those available to local authorities in Israel. The per capita income of settlers in the West Bank is 45 per cent higher than in Israel (B'Tselem, 2002).
- 35.** The cost of ensuring the security of settlements is also high. For instance, the Governor of Gaza remarked to the ILO mission that in Gaza city one settlement of six families is permanently protected by over 500 IDF soldiers.
- 36.** Perhaps even more important than the size of settlements is their location, usually close to and surrounding major Palestinian towns, particularly in the West Bank, thereby blocking their urban development and adding to the physical fragmentation of the occupied territories.
- 37.** Tensions are high between Israeli settlers and Palestinians, particularly during periods of unrest, for example throughout the year 2002. According to the United States Department of State (2002), settlers harassed, attacked and killed at least five Palestinians in the occupied territories in 2002. According to the same report, they also caused significant economic damage to Palestinians by attacking and damaging greenhouses and agricultural equipment, destroying orchards, uprooting olive trees and damaging other valuable crops. Settlers were rarely sentenced if convicted of a crime against Palestinians. For their part, Palestinian armed attacks on settlements were responsible for the death of some 90 Israeli civilians in 2002 (B'Tselem, 2003a). It is to be hoped that the provisions of the Road Map regarding settlements provide a good start, and that future negotiations between the parties will focus on finding a solution to this important problem.

The situation in the Golan

- 38.** In accordance with their mandate, the representatives of the Director-General visited the occupied territory of the Golan and met with members of the Arab community in the village of Majdal Shams. A second mission visited the Syrian Arab Republic and was presented with a comprehensive report on the situation in the Golan, prepared by the Minister of Labour and Social Affairs, with contributions from the General Federation of Syrian Trade Unions, the Syrian Chambers of Industry and the Governor of Quneitra.
- 39.** It may be recalled that the Golan has been occupied by Israel since 1967 and was unilaterally annexed by Israel in 1981, a decision that was never recognized by the United Nations³ or by the indigenous Arab population of the region, which has always called itself Syrian. The representatives of the Druze community of the Golan expressed their appreciation of the ILO mission, emphasizing the importance they attach to the continued interest of the international community in their circumstances. Their situation remains basically unchanged, and they continue to experience discrimination with regard to land, water resources, agriculture, education, employment and building permits. Committed as they are to their Syrian identity, the Druze inhabitants continue to resist Israeli pressure to accept Israeli citizenship. The mission was also informed that the 2,000 or so who worked in Israel were experiencing discrimination in employment as a result of the increased insecurity there.
- 40.** The Golan is an agricultural region, and its approximately 18,000 local Druze inhabitants⁴ live mainly from the cultivation of apples. The farmers continue to experience difficulties of access to the water supply, which is controlled by the Israeli water company (Mekorot). Unlike the Israeli settlers, who obtain all the water they need, Druze farmers get less than they request for irrigation, and sometimes none at all, and they are still prohibited from building additional water tanks. This results in a reduction of agricultural output and a corresponding drop in income. In addition, heavy taxes are levied on the use of water, agricultural land, produce and transportation. The land available for cultivation and housing continues to be reduced through confiscation for military or settlement construction purposes. With less land available for pasture, livestock breeders often have to give up their livelihood and seek employment in Israel or in settlements. In the past year, access to markets for local produce was even more affected by the closure in the West Bank, resulting in lower prices and income (box 1).
- 41.** The consolidated report submitted by the Minister of Labour and Social Affairs of the Syrian Arab Republic emphasized the fact that workers in the Golan were being deprived of their right to work, and to work in occupations that were suited to their qualifications. They were also denied the right to freedom of association, since only Israeli citizens were allowed to form and join trade unions. As a result these workers could not obtain comparable wages and hours of work.

³ On 17 December 1981, the United Nations Security Council adopted resolution 497 calling on Israel to rescind its decision.

⁴ According to the *Statistical Abstract of Israel* (Central Bureau of Statistics, 2002), as at 31 December 2001, the total population of the Golan was 35,400 persons, of whom 15,900 were Jews (as well as non-Arab Christians and others not classified by religion), and 19,500 Arabs. The Syrian authorities gave the following figures: 26,000 Jewish settlers (in 44 settlements) and 25,000 Arab inhabitants.

**Box 1.
In the Golan**

“Land and apples are the only things that really matter to us here. The quality of both is excellent, but what is the benefit if we cannot sell our apples? With the mobility restrictions we are faced with three challenges: lower prices, bigger stocks and unfair competition with the apples produced in the kibbutzim.”

“We pay the cubic metre of water NIS2 while the kibbutzim are paying NIS0.50. How can we afford it? We need to store our produce and wait until the price gets higher. We have a few cool houses and we need to invest a lot to build others.”

Much land has been confiscated for the kibbutzim. In one particular case, an appeal was lodged and brought before the Israeli Supreme Court. After more than 16 years of legal battles, the rights of the Arab owners were upheld. “Even with a favourable decision from the Supreme Court, we were unable to get back our land, which is the only wealth we have. It means identity to us.”

The Arab people of the Golan, who number nearly 18,000 according to official statistics, cannot travel easily to meet with their families in the Syrian Arab Republic. “Only students are allowed to travel, even though for security reasons they are sometimes stopped and cannot go back to finish their university studies. Meeting with the families is a humanitarian matter and has nothing to do with security. I have cousins and relatives who died and I could not see them.” The Arab population of the Golan complains about the way they are treated by the Israelis, but they appreciate it when a rule is applied to everyone, as in the case of the national examinations to become a doctor or a lawyer. “This is fair because everyone has to pass it. The problem for us is that once we have passed the examination, we have to exercise our profession elsewhere as there are no jobs here in the Golan, apart from agriculture.”

“In the field of education, Israel ignores the historical and cultural aspects of our Syrian national identity.”

Continuous decline in per capita income

42. The economy of the occupied territories has suffered a massive shock resulting from the closures and restrictions that translate into a decline in output and per capita income (table 2). The drop in real per capita gross national income (GNI) is unprecedented. In 2002 the economy registered its third consecutive year of decline. The cumulative drop in per capita income in 2002 is impressive, at 47.7 per cent of the 1999 level. The decline seems to have deepened, with 2002 marking the sharpest annual change, estimated at 26.4 per cent. The actual reduction in income for the poorer segments of the population must have been more severe.

Table 2. Gross national income (GNI) and gross domestic product (GDP) in the occupied territories, 1999-2002

	1999	2000	2001	2002	Average annual change (%)
Real GNI per capita (in US\$)	1 818.0	1 682.0	1 292.0	951.0	-15.0
Index	100	92.5	71.1	52.3	
Real GDP per capita (in US\$)	1 509.0	1 429.0	1 150.0	857.0	-13.2
Index	100	94.7	72.6	56.8	
Total fixed investment (US\$ million)	2 403.3	1 723.2	398.1	62.9	-59.8
Index	100	71.7	16.6	2.6	
Exports (US\$ million)	400.8	365.5	316.5	206.4	-15.3
Index	100	91.2	79.0	51.5	

Sources: PCBS, 2002; World Bank, 2003a and 2003b.

43. Exports and fixed investment show similar trends. Exports melted away by half between 1999 and 2002, whereas fixed investment virtually ceased, with a 97 per cent drop over the same period.

- 44.** Within the regional context, the economy of the occupied territories is increasingly out of step (table 3). Its GDP growth performance over 1990-2001, at 1.8 percentage points lower than the regional average, is at best disappointing. All the neighbouring countries have performed much better, with an average annual GDP growth of 4.9 per cent. Clearly, structural elements specific to occupation come into play in explaining the poor economic performance observed in the territories. The steep economic decline over the last three years is set against a backdrop of lacklustre growth for over a decade. This weakness may explain why, in conjunction with the external shock imposed on the economy, the incidence of poverty (people living on incomes below US\$2.15 a day) increased so dramatically in the space of four years. Declining levels of aggregate demand, including its domestic and foreign components, and disruptions in production and marketing combine in the crisis. In both cases, the lack or impossibility of employment is a key aggravating factor in the downward spiral.

Table 3. Economic growth and poverty in the region

	GDP average annual growth 1990-2001 (%)	GNI per capita in US\$ 2001	Poverty: Population below \$2.15 a day (%)
Egypt	4.5	1 530	43.9 (2000)
Israel	4.7	16 750	
Jordan	4.8	1 750	7.4 (1997)
Lebanon	5.4	4 010	
Syrian Arab Republic	4.8	1 040	
West Bank and Gaza	1.2	1 350	60.0 (2002)
Middle East/North Africa	3.0	2 220	

Source: World Bank: World Development Indicators, 2003, at www.worldbank.org.

- 45.** There is a close correlation between the tightness of closures and economic decline. This can be tracked in trade volumes and in employment levels, whose lowest points coincide with the near-total closure under Operation Defensive Shield in the occupied territories in March-April 2002. Conversely, the relative easing of closures observed in the first months of 2003 should allow the economy to halt its precipitous decline and possibly to stabilize at a very low level.
- 46.** A number of elements suggest such a trend, at least for the first half of 2003. The Government of Israel has resumed payments of tax revenues (import and export clearances) collected on behalf of the Palestinian Authority, including arrears withheld as of December 2002. This was confirmed to the ILO mission by the Palestinian Minister of Finance. This allows the timely payment of wages to public sector employees, as well as the settlement of Palestinian Authority debts to the private sector. Employment in Israel has regained some strength. Movement of goods within the occupied territories and to and from Israel is recovering. Donor support more than doubled in 2002 compared to its 1999 level; this went mainly to budgetary support to the Palestinian Authority, humanitarian assistance and short-term employment generation in the reconstruction of damaged infrastructure. Lastly, the olive harvest in 2002 was exceptionally bountiful and should provide needed support to families that process and sell olive products.
- 47.** It is too early to tell whether the economy stabilized in early 2003 and absorbed the shocks of March-April 2002, or whether only the rate of decline of economic output has eased somewhat. What is clear, however, is that genuine recovery will require a set of conditions that only a political settlement can provide.

Low levels and deteriorating quality of employment

48. Indicators of the labour market point to a further deterioration of participation and employment levels in 2002 compared to 2001 (table 4). The labour force participation rate further declined by 1.6 per cent to 38.1 per cent, and employment contracted by 4.3 per cent, in spite of a 5.5 per cent increase in the population of working age. Consequently, unemployment rose to 31.3 per cent, higher in Gaza (38.0 per cent) by 10 percentage points than in the West Bank (28.3 per cent). The employment rate reached a low point of 26.2 per cent, or one employed person in every four persons aged 15 years and above (one in five in Gaza). Not only did employment further contract and unemployment rise, but the number of persons of working age outside the labour force has increased. This suggests a certain “discouraged worker” effect – workers without work but not or no longer seeking employment. This appears to be a direct reflection of the closures and reliance on a fragile domestic economy.

Table 4. Labour market indicators

	2001 Annual average	2002				2002 Annual average	Annual average change (%)
		Q1	Q2	Q3	Q4		
Occupied territories							
Population aged 15+ ('000)	1 759.0	1 818.0	1 844.0	1 869.0	1 894.0	1 856.0	5.5
Labour force ('000)	682.0	705.0	680.0	703.0	742.0	707.0	3.7
Employment ('000)	508.0	501.0	451.0	453.0	539.0	486.0	-4.3
Of which in Israel and settlements ('000)	70.0	59.0	33.0	53.0	56.0	50.0	-28.6
Unemployment ('000)	174.0	204.0	229.0	250.0	203.0	221.0	27.0
Labour force participation rate (%)	38.7	38.8	36.9	37.6	39.2	38.1	-1.6
Employment rate (%)	28.9	27.6	24.5	24.2	28.5	26.2	-9.3
Unemployment rate (%)	25.5	28.9	33.6	35.6	27.3	31.3	22.7
West Bank							
Population aged 15+ ('000)	1 160.0	1 198.0	1 213.0	1 228.0	1 244.0	1 220.0	5.2
Labour force ('000)	482.0	485.0	452.0	492.0	524.0	488.0	1.2
Employment ('000)	376.0	361.0	318.0	339.0	383.0	350.0	-6.9
Of which in Israel and settlements ('000)	67.0	57.0	31.0	51.0	49.0	47.0	-29.9
Unemployment ('000)	106.0	124.0	134.0	152.5	142.0	138.0	30.2
Labour force participation rate (%)	41.5	40.4	37.3	40.1	42.1	40.0	-3.6
Employment rate (%)	32.4	30.1	26.2	27.6	30.8	28.7	-11.4
Unemployment rate (%)	22.0	25.5	29.7	31.1	27.0	28.3	28.6
Gaza Strip							
Population aged 15+ ('000)	599.0	620.0	631.0	641.0	650.0	636.0	6.2
Labour force ('000)	200.0	220.0	228.0	211.0	218.0	219.0	9.5
Employment ('000)	132.0	140.0	133.0	113.0	157.0	136.0	3.0
Of which in Israel and settlements ('000)	2.0	2.0	2.0	2.0	7.0	3.0	50.0
Unemployment ('000)	68.0	80.0	94.0	98.0	61.0	83.0	22.1
Labour force participation rate (%)	33.4	35.5	36.1	32.9	33.5	34.4	3.1
Employment rate (%)	22.0	22.6	21.1	17.6	24.2	21.4	-2.7
Unemployment rate (%)	34.2	36.3	41.4	46.5	28.0	38.0	11.1
Q1: First quarter, etc.							
Source: PCBS, 2003a.							

49. Labour market indicators in the occupied territories seem to be exceptional by any standards. The unemployment rate is the highest among those recorded in the 2002 edition

of the ILO *Yearbook of Labour Statistics* for the 2000-02 period; very few countries have registered comparably high rates of unemployment in situations of conflict. Labour force participation rates for women and men are similar to those observed in Egypt and Jordan, with some notable variations (table 5). However, the employment-to-population ratio is clearly lower in the territories than in the two comparator countries for both women and men.

Table 5. Labour market indicators by sex (percentages)

	Occupied territories (2002)		Egypt (1998)		Jordan (2000)	
	Female	Male	Female	Male	Female	Male
Labour force participation rate	10.4	65.5	19.6	71.5	11.6	63.6
Employment rate	8.6	43.6	15.6	66.1	10.7	59.0
Unemployment rate	17.2	33.6	5.1	19.9	20.7	11.8

Sources: PCBS, 2003a; ILO: *Key indicators of the labour market 2001-02*.

50. The younger population (15 to 24 years) pays a heavy price for this deterioration in the labour market situation (table 6). Not only is unemployment very high among this age group (41.8 per cent), but the employment rate is abysmally low, at 14.1 per cent of the population in 2002. Young people outside the labour force outnumber those in the labour force by over three to one. Most of these are recorded as studying. These data suggest that of every ten young persons, one is employed, one is unemployed and eight are outside the labour force, of which five are pursuing studies. However, many schools and universities were closed for prolonged periods during 2002, with an evident detrimental impact on education and higher learning, which are so essential to future generations. In Gaza the ILO mission was informed that over 60 per cent of students of the five universities were unable to attend classes owing to the closures.

Table 6. Population aged 15 to 24 years and the labour market, 2002

	Total	Female	Male
Population aged 15-24 ('000)	668.0	326.0	342.0
Labour force ('000)	165.0	20.0	145.0
Labour force participation rate (%)	24.4	6.1	42.4
Employment rate (%)	14.1	3.7	24.0
Unemployment rate (%)	41.8	41.5	41.9
Outside the labour force ('000)	504.0	307.0	197.0
Of which studying	325.0	167.0	158.0

Source: PCBS, 2003a.

51. The quarterly disaggregation of employment data in table 4 points to a low point in April-June 2002, followed by a recovery in the last quarter of 2002. Some 539,000 persons were employed (according to the ILO definition) in October-December 2002 – a 6.1 per cent increase over the average level for 2001. This can clearly be linked to the moderate easing of closures noted above. The number of Palestinians working in Israel and settlements reached 56,000 in the last quarter of 2002, mostly from the West Bank, possibly including a good share of workers without permits. The resilience of public sector employment is also to be noted, at an average of 115,000 for 2002, or 47.5 per cent of all wage employment within the occupied territories. With regard to the high level of public sector employment, two points should be borne in mind. First, it is a subsidized income generator, which is important to alleviate poverty. Second, its low productivity level cannot be sustained. A significant recovery in private sector employment within the territories is also observed, reaching 366,000 in the last quarter of 2002. This represents an

increase of 19.2 per cent over the first nine months of 2002, and of 14.1 per cent over 2001 (PCBS, 2003a).

52. However, some concern may be raised over the quality of such employment. Only 39.3 per cent of all private sector employment within the territories in the last quarter of 2002 is wage employment, compared to 48.7 per cent in 1999 (PCBS, 2003a). Much of the increase in employment is in the form of self-employment. This trend is illustrated in table 7. An increase in self-employment is most certainly an expression of an adaptation strategy, with workers substituting lost wage employment with some form of self-employment activity, albeit at much lower levels of productivity and income.

Table 7. Employment by situation in employment (percentage)

	1995	1999	2002
Employer	6.9	5.5	3.7
Self-employment	21.2	18.7	26.8
Wage employment	61.7	67.8	59.2
Unpaid family work	10.2	8.0	10.3
Total	100.0	100.0	100.0

Source: PCBS, 2003a.

53. Deteriorating quality of employment is further reflected in the distribution of employed persons by economic activity in 2002 (table 8). Agriculture remains an important provider of employment, and is possibly underestimated owing to under-reporting of women's work and the second occupation phenomenon frequent in agriculture. Construction is especially important among Palestinians working in Israel, which is consistent with the pattern of low-skilled labour exports. The employment level in manufacturing is especially low, at 12.5 per cent, reflecting the difficulties of investment in industrial development in the occupied territories.

Table 8. Employment by economic activity, 2002 (percentage)

	West Bank	Gaza	Israel and settlements	Total
Agriculture, fishing and forestry	20.2	15.1	8.7	17.6
Mining, quarrying and manufacturing	13.3	9.0	17.2	12.5
Construction	8.8	8.7	46.5	12.7
Commerce, restaurants and hotels	19.8	17.1	15.4	18.6
Transport, storage and communications	6.2	4.7	3.6	5.5
Services	31.6	45.4	8.6	33.1
Total	100.0	100.0	100.0	100.0

Source: PCBS, 2003a.

Moderate decline in real wages

54. Data on trends in real average daily wages are presented in table 9. The overall trend points to a moderate decline in wages of the order of 1 per cent per year over the 2000-02 period. Wages in the private sector are 1.3 times higher than wages in the public sector. Likewise, wages in the West Bank are higher than in Gaza on account of greater economic diversification and opportunities. Finally, wages in Israel are 1.7 times higher than private sector wages in the territories, and show a positive trend, contrary to the decline observed in real wages in the West Bank and Gaza. Donor assistance to the Palestinian Authority

has enabled it to maintain an oversized public sector. In the current crisis situation, this is an effective contribution to a social safety net.

Table 9. Real average daily wages in new Israeli shekels (NIS)

	2000	2001	2002	Average annual change (%)
Public	51.85	52.28	49.91	-1.26
Private	63.72	64.20	62.82	-0.48
In Israel	107.40	102.74	106.64	-0.20
Gaza	51.85	52.28	49.91	-1.26
West Bank	65.28	63.05	63.09	-1.10
Jerusalem	90.67	89.57	92.37	0.60

Source: PCBS, 2003a.

- 55.** It is important to bear in mind that these data report daily wages, not monthly wages or income. First, the total number of wage workers has declined significantly in recent months. Second, the number of days actually worked has varied considerably, depending on whether workers are physically able to reach their workplaces, which may or may not involve crossing one or often several military checkpoints. The ILO mission was informed of numerous cases of workers dismissed in Israel by employers for failing to report to work, or turning up late, owing to closures. There have also been a number of casualties, including fatalities, of workers attempting to reach their workplaces in spite of closures through unguarded footpaths. The PGFTU cited some 20 cases in recent months of workers killed while attempting to reach their jobs. It was also reported that workers resort to residing at their workplaces, both in Israel (illegally) and in the territories, in order to avoid problems in getting to work.

Sharp rise in the incidence of poverty

- 56.** The World Bank has estimated the incidence of poverty in the occupied territories, using a poverty line of US\$2.15 per day per person. The data presented in table 10 indicate that the share of the population living below the poverty line tripled between 1999 and 2002. UNSCO estimates the population below the poverty line in 2002 at 70 per cent in Gaza and 55 per cent in the West Bank (UNSCO, 2002). In absolute numbers, the population living in poverty in 2002 is close to 2 million persons. Such a rapid and massive increase in poverty is unprecedented. The exceptional situation of the Palestinians in the occupied territories is the backdrop to a severe humanitarian crisis.

Table 10. Population below the poverty line

	1999	2000	2001	2002
Poverty incidence (% of population)	20.1	30.7	45.7	60.0
Population in poverty ('000)	571.2	910.6	1 415.0	1 939.0

Source: World Bank estimates, 2003.

- 57.** Poverty does not only mean low income. It quickly affects nutrition and health. A nutritional assessment carried out among children aged 6 to 59 months in the West Bank and Gaza by Al-Quds University and Johns Hopkins University and issued in September 2002 points to a humanitarian emergency, particularly in Gaza (Abdeen et al., 2002). The survey found a prevalence of global acute malnutrition among children aged under 5 years of 13.3 per cent in Gaza and 4.3 per cent in the West Bank. A normally nourished population would display an incidence of 2.3 per cent. Some correlation was found between income level and malnutrition, with children in lower income households showing

higher levels of malnutrition. The Palestinian Ministry of Health has designed a nutritional emergency plan to address this situation.

Impact of the crisis on the Israeli economy

- 58.** The crisis entails important implications for the economy in Israel that cannot be ignored. The Israeli economy underwent a second year of recession in 2002 with negative GDP growth. The outlook for 2003 is a moderate recovery. Leading indicators of the crisis are reported in table 11. The proximate causes of the crisis have evolved. In 2001 Israel was hit by the intifada and by the slowdown in high-technology exports. The first element showed up mainly in tourism (-33 per cent in 2001) and construction (Bank of Israel, 2002). The second is reflected in the steep fall in exports in 2001 (-12 per cent). However, these elements bottomed out in 2002. The main cause of the recession in 2002 is the decline in private consumption (-0.6 per cent), with per capita private consumption falling by as much as 2.5 per cent. The adjustment in the expenditure pattern of households has hit traditional industries and services, particularly in the latter half of 2002. This can be linked to the attacks on Israelis within Israel (220 casualties from January 2002 to 27 April 2003, including 36 children and adolescents aged under 18 years, B'Tselem, 2003). Security concerns affect consumer confidence and lead households to adjust their income expectations and expenditure plans in the light of the continuing crisis.

Table 11. Economic indicators in Israel

	2001 (% change)	2002 (% change)	2003 ¹ (% change)
Real GDP	-0.9	-1.0	0.5
Private consumption	2.5	-0.6	0.8
Public consumption	3.3	5.5	1.2
Gross fixed capital formation	-2.6	-8.0	-4.5
Exports	-11.7	-5.4	3.4
Imports	-4.5	-3.0	1.3
Unemployment (%)	9.3	10.5	10.9
Real wages	3.0	-5.7	n.a.
CPI (average)	1.1	5.7	1.8
Central government balance (% of GDP)	-4.5	-4.0	-3.0
Current account balance (% of GDP)	-1.7	-2.1	-1.5

¹ IMF projections.

n.a.: Not available.

Sources: Bank of Israel, 2002; IMF, 2003.

- 59.** The Bank of Israel has estimated the cost of the intifada to the economy at between 3 and 3.8 per cent of GDP in 2002 (Bank of Israel, 2002). This estimate includes the direct and indirect costs of the conflict. The Manufacturers' Association of Israel shared its concerns over the depressed state of the economy with the ILO mission. Its members underscored the practical and psychological difficulties of employing Palestinian workers in Israel. Security concerns militate against such employment, especially with the increase in suicide bombings.
- 60.** As a result of the recession and contributing to it, unemployment has risen sharply to 10.5 per cent in 2002, and is expected to be as high as 12 per cent in 2003. The increase in unemployment is particularly noteworthy in view of the sharp decline in the number of Palestinians working in Israel, which was partly offset by the employment of foreign workers, estimated at 260,000 in 2002. This and the increase in public sector employment

should have cushioned the drop in labour demand in the private sector, were it not for the size of the contraction observed. Unemployment rose in 2002 despite a severe drop in real wages of 5.7 per cent, explained by high inflation and declining labour demand. The average duration of unemployment spells increased to 26 weeks.

- 61.** Having contributed to the recession in 2001, the intifada has become a major factor in its persistence and deepening in 2002. The costs entailed for the economy and for workers and citizens in Israel are considerable and cumulative. In view of the close dependence of the Palestinian economy on Israel, the effects of the recession in Israel further weaken the Palestinian economy.

II. Building labour institutions

The Road Map

- 62.** Efforts made by the international community have recently led to the nomination by President Arafat of a Prime Minister, Mr. Mahmoud Abbas (Abu Mazen), with clearly defined powers and responsibilities. On 10 March 2003, the Palestinian Legislative Council approved an amendment to the Palestinian Basic Law creating the position of Prime Minister. On 29 April 2003, the new Cabinet proposed by the Prime Minister was confirmed by the Legislative Council, enabling the grouping known as the Quartet (consisting of representatives of the United Nations, the European Union, the United States and the Russian Federation) to present to both parties its Road Map,⁵ an elaborate plan aimed at creating an independent Palestinian State and ending the long-standing Israeli-Palestinian conflict within two years. It is within the framework of this process that building labour institutions becomes an essential component towards statehood.
- 63.** Phase I of the Road Map provides for ending terrorism and violence; normalizing Palestinian life; improving the humanitarian situation in the territories; and rebuilding Palestinian institutions. The onus is on the Palestinians to “immediately undertake an unconditional cessation of violence [...]”; such action should be accompanied by supportive measures undertaken by Israel”. For its part, Israel is required to take “all necessary steps to help normalize Palestinian life”, withdraw from Palestinian areas occupied since September 2000, and freeze all settlement activity.
- 64.** Phase II focuses on the creation of an independent Palestinian State, with “provisional borders and attributes of sovereignty”. This phase is intended to start after Palestinian elections and end with the establishment of an independent Palestinian State. The Quartet is to convene an international conference on Palestinian economic recovery.
- 65.** The objectives of Phase III include the “consolidation of reform and stabilization of Palestinian institutions, sustained, effective Palestinian security performance, and Israeli-Palestinian negotiations aimed at a permanent status agreement in 2005”.
- 66.** The monitoring system set up by the Road Map will focus on security, political issues including settlements, institutional reforms and humanitarian and socio-economic issues. It is believed that each of the members of the Quartet will have a role to play in this monitoring mechanism. UNSCO could be charged with the socio-economic and

⁵ United Nations, 2003c.

humanitarian issues calling for United Nations expertise. It is here that the ILO will have a role to play in dealing with issues of employment, social security and social dialogue.

Labour market institutions

- 67.** The Road Map provides for the establishment of an independent and democratic Palestinian State living side by side in peace and security with Israel and other neighbours; this requires the building of a viable market economy with appropriate institutions to sustain it. Measures are being taken to alleviate the humanitarian crisis in the occupied territories and to improve the lives of Palestinians, aiming towards the resumption of normal economic activity. To sustain these efforts, an institutional reform agenda has been drawn up which is central to the Road Map and its ability to deliver on its objectives.
- 68.** A viable market economy will require intensive consultation and cooperation among those institutions and representative organizations primarily concerned with economic and social policy. Institutions can play a critical role in building and sustaining strong economic growth of a kind that generates productive employment, taking into account current labour market constraints in the occupied territories. Strong institutions rely on three pillars: democratic representation, technical capacity to address and discuss major policy issues, and mechanisms for consultation and social dialogue. These three dimensions need considerable strengthening in the occupied territories. An agenda for developing them must be drawn up and implemented in the context of the reform of Palestinian institutions. As the Palestinian Authority moves towards statehood and seeks to consolidate its democratic legitimacy and technical capacity, so must employers' and workers' organizations. Representative organizations sanctioned by free and fair elections are the basis on which strong organizations can be developed. A radical departure from the current conditions of closures is a prerequisite for such elections.
- 69.** It was often repeated to the mission that a viable Palestinian economy cannot rely as heavily on labour exports as before the second intifada. What form such an economy should take is now the subject of lively debate. The mission's interlocutors in the Israeli Government and the World Bank mentioned between 50,000 and 60,000 jobs for Palestinians in Israel as a realistic target. There are two reasons why this figure is lower than the pre-intifada level of some 150,000 legal jobs: on the one hand, there will be fewer job opportunities in Israel, while on the other a less vulnerable labour market needs to be built up in the West Bank and Gaza Strip. But there is no trade-off between exporting labour and developing the internal labour market, because incomes earned by exported labour to a large extent feed macroeconomic demand in the occupied territories, and this contributes to encouraging the internal demand for labour.
- 70.** In view of the rapid growth of the labour force, possible limitations on the number of Palestinians working in Israel, and the urgent need to raise living standards, employment generation should be a central concern of economic and social development. Although economic development will closely depend on the outcome of political negotiations, decisions are and will be taken by the Palestinian Authority in order to move the economy from its present crisis situation to gradual recovery and on to sustained growth. This can be greatly facilitated if employers' and workers' organizations are closely associated with policy design and decision-making. A high degree of coordination and coherence will be required in a number of policy areas, ranging from wage policy to investment, taxation, social protection and training, among others. In all these areas, policy coherence can be attained if policy decisions are technically well prepared and thoroughly discussed in advance within well-functioning mechanisms of social dialogue.

71. The Palestinian reform agenda must include employers' and workers' organizations and mechanisms for social dialogue. The ILO is well placed to assist its constituents in these areas and facilitate the required technical cooperation.

Social security

72. In addition to the measures of social protection contained in the collective agreements that are applicable to Palestinian workers who have permits to work in Israel and who are registered with the Israeli Employment Service, there is a supplementary (compulsory) national insurance scheme run by the National Insurance Institute (NII) of Israel. Palestinian workers in Israel pay the same contributions to the NII as Israeli workers but receive fewer benefits in return. This has been the case since 1970, and the subject of much controversy, and even court action, over the years, as mentioned in previous reports of the Director-General to the International Labour Conference on the situation of workers of the occupied Arab territories.⁶ The 1994 Paris Protocol on Economic Relations provided that "Israel will transfer, on a monthly basis, to a relevant pension insurance institution to be established by the Palestinian Authority, pension insurance deductions collected after the establishment of the above institution" (Paris Protocol, Article VII, paragraph 4). As noted in the 2002 report to the International Labour Conference (paragraph 70), this provision is still in force but has never been implemented. Israel continues to hold the monies so deducted from the wages of Palestinians who have worked in Israel in an Equalization Fund, pending the creation by the Palestinian Authority of an adequate social security structure to which these sums can be transferred. As reported in 2002 (paragraph 38 of the report), Palestinian workers with accumulated social security entitlements in the NII have increasingly opted to collect their contributions in the form of a lump-sum payment: in 2001, some 40,000 workers chose to do so, compared to 7,000 in 2000.
73. In recent years attempts have been made by the Palestinian Authority to set up a social security system, and a draft social security code was submitted to the Palestinian Legislative Council for first reading in 2000. The process was interrupted as a result of the situation that developed after September of that year.
74. As the mission was informed by the Palestinian Minister of Social Affairs, the Palestinian Authority is working on a social security scheme for Palestinian civil servants. It is important to coordinate the efforts to establish social security systems for Palestinians working in Israel, and for those working in both the private and the public sectors in the occupied territories. A careful study should be made of the systems to be established and their implications for present and future financial inflows and outflows before considering the methods by which monies should be transferred. The mission discussed the need for establishing a social accounting system, to which the ILO can contribute its experience, with the Palestinian Minister of Labour and Minister of Finance, as well as the Israeli Government. It was agreed that this work has to be included in the technical cooperation to be provided by the ILO during the next months.

Working conditions

75. The mission reviewed the conditions in which Palestinian workers of the West Bank and Gaza Strip work, both in the territories and in Israel, the institutions that exist to assist

⁶ See paras. 71-72 of the 1990 report; para. 50 of the 1991 report; paras. 75-76 of the 1992 report; and paras. 71-74 of the 1994 report.

them in their efforts and promote their interests, and the way in which these institutions interact. In so doing, the mission took account of all the information provided by its interlocutors, including documentation supplied by the PGFTU, FPCCIA and the ICATU.

- 76.** An important development has been the promulgation of a new Palestinian Labour Code on 1 May 2001. Theoretically at least, this legislation is in force throughout the West Bank and the Gaza Strip and puts an end to the application, in respect of labour matters, of the law hitherto applicable in the territories and derived from Jordanian, Egyptian, British Mandate and Ottoman law, as well as Israeli military orders. Although not entirely in line with generally recognized international principles on freedom of association and collective bargaining, the new Code has been welcomed by all the parties as providing a framework within which labour relations in the territories can function more effectively and in a manner that will be conducive to the economic and social development of the Palestinian territories. That said, both employers' and workers' organizations – for different reasons – are not entirely satisfied with the provisions of the new Code. The mission was informed that a number of implementing regulations have been drafted and are being discussed with the Law Centre of Birzeit University. According to the PGFTU (West Bank), however, other regulations affecting more fundamental issues of freedom of association and collective bargaining are so complex that they need to be discussed on a tripartite basis, with ILO assistance and participation.
- 77.** When the new Labour Code was conceived and drafted, in a period of relative peace, and even prosperity, it was heralded as the beginning of a new era in labour relations in the territories and as a framework within which the Palestinian authorities and the social partners could work more closely in a true tripartite relationship and establish the kind of labour relations that would be consistent with enhanced economic and social progress in the territories.
- 78.** However, the current disastrous economic and social situation in the territories will not be improved by a new labour law, no matter how progressive it may be; other measures will have to be taken, both by the Palestinian Authority (in particular, the Ministry of Labour) and by the Israeli Government, to create an environment in which Palestinian workers can find decent work and support their families in conditions that are fair and adequately protected by the provisions of the new law. Mechanisms for adequate safety and health regulations and an efficient labour inspection service will have to be established to guarantee decent working conditions in the territories. The closures and curfews have prevented many workers either from getting to work in the territories or in Israel, or from returning home after work. The mission was informed that many workers have to sleep in their factories or other places of work, in conditions which are harmful to their health. There are also cases of Palestinian employers paying very low wages to workers and failing to improve substandard conditions of work.
- 79.** The Minister of Labour of the Palestinian Authority is acutely aware of the complexity of the situation, the problems it poses for the Palestinian workers and the inadequacy of his Ministry at present to offer credible solutions. However, with ILO technical support, he is making considerable efforts to restructure the Ministry and increase its capacity in the fields of vocational training, employment services and labour inspection, as well as improving overall administration. This is consistent with the Palestinian civil reform agenda that is being monitored and supported by the Task Force on Palestinian Reform, composed of representatives of the Quartet, plus Norway, Japan, Canada, the World Bank and the International Monetary Fund. This restructuring of the Ministry will not in itself create jobs, but it may help – through better labour market institutions, such as employment services – to improve future working conditions.

- 80.** A National Employment Commission for Palestine has also been created, and is presided over by the Minister of Labour. With the close involvement of other key ministries, as well as of employers' and workers' organizations, this Commission should have had an important role to play in the formulation and implementation of a national labour market and employment policy for the benefit of the territories and their workers. The mission was informed, however, that only one meeting of the Commission had taken place – in September 2002 – and that there had been no follow-up since. In the view of the PGFTU, preference should be given to the creation of a commission on wages aiming at greater fairness for workers. The priority for the FPCCIA would be to hold serious discussions about the distortions in the labour market, the relationship between the Palestinian and Israeli economies and the question of Palestinians who work in Israel.

Social dialogue

- 81.** The experience with the National Employment Commission demonstrates that the institutions for social dialogue have to be developed with a view to building statehood. This applies to the Government as well as to the social partners. The social partners will have to define their role, shape their institutional structure and build their actors' capacities within that framework, supporting the emergence of statehood at the same time. Trade unions, which have done admirable work in serving humanitarian needs, will have to assume their role as partners in development, giving voice to the Palestinian workers' and their families' needs and aspirations. Employers' associations, as the voice of enterprises, should emerge and complement the work of the Palestinian Chambers of Commerce, Industry and Agriculture (PCCIA). As soon as allowed under improved political conditions, both employers' and workers' organizations should be able to develop their internal democratic structures by holding free elections.
- 82.** The FPCCIA has not yet been able to fully play its role to effectively function and translate its mission statement into results. There are a number of reasons for this: (a) the years of occupation have weakened the Chambers, and the Jerusalem Chamber has been closed recently by the Israelis; (b) the financial situation of the Federation is relatively weak compared with the dynamism of a few chambers.
- 83.** Most trade unions in the West Bank and Gaza are affiliated to the PGFTU. There are 11 affiliated unions in the West Bank and eight in the Gaza Strip. According to the PGFTU, an estimated 297,000 workers in the West Bank are members of the PGFTU unions, and some 179,000 workers are registered members of the eight federations that make up the PGFTU in the Gaza Strip. The West Bank figure includes 130,000 workers who were said to have enrolled as members, but had paid no contributions. The considerable increase in membership can, at least partly, be attributed to the fact that a large amount of humanitarian aid, in the form of money and food aid supplied by Saudi Arabia, the League of Arab States and Egypt, is being channelled through the PGFTU for distribution to its members. In meetings with the leadership of the PGFTU both in the West Bank and in Gaza, the mission was informed that trade union activities and collective bargaining had been seriously impeded over the past year by the prevailing political situation. Their main role in these difficult times was to distribute aid and help their members to find work or keep their jobs. They were also fully engaged in encouraging solidarity amongst their members by trying to ensure that those workers who had incomes helped others who had none.
- 84.** In addition to the distribution of food, the PGFTU unions were active in arranging for the "adoption" of poor families by Saudi Arabia (5,000 families in the West Bank and Gaza Strip), which sends each family about US\$130 per month. The unions have also negotiated deductions from the salaries of government workers to be paid towards assistance to

workers, along with donations and solidarity payments made by other Arab trade unions and national trade unions in Europe. The mission was told that, from the beginning of the second intifada up to June 2002, payments of NIS500 each had been made to 95,000 workers in the West Bank and 94,374 in Gaza. The unions in Gaza have succeeded in negotiating free health insurance coverage for workers. They also participate in job-creation committees that not only find jobs for the unemployed but protect the jobs of workers who are in employment. For example, the PGFTU in Gaza told the mission that, through the job-creation programme, they had found jobs for 19,000 workers in municipalities, ministries and even at PGFTU headquarters. An agreement signed with the employers in Gaza whereby the PGFTU covers NIS500 of workers' wages has also helped to save jobs and assist employers to stay in business. A smaller but nevertheless significant success was the negotiation by the Gaza PGFTU of the relief of workers from payment of annual school fees for their children. The PGFTU also informed the mission that many workers who had received vocational training under the ILO programme with the PGFTU had managed to find jobs. All these examples show how the unions supported the coping strategies of Palestinian families in the crisis situation.

- 85.** Palestinian workers who had permits to work in Israel could not be given any protection or be represented by the PGFTU unions, although some were members of these unions and enjoyed certain benefits of membership. To obtain a work permit it was essential first to obtain a magnetic card from the Israeli authorities, which was becoming more and more difficult. Palestinian workers could not become members of the main Israeli trade union federation, the Histadrut, although they were required to pay 1 per cent of their wages to the Histadrut as an agency fee. In exchange for this the workers were entitled to some benefits obtained through collective bargaining and legal representation if their labour rights were infringed. According to the PGFTU, there were many workers with jobs in Israel who had been prevented by closures or curfews from going to work even if they held permits. At checkpoints they were often harassed and insulted by the Israeli military, who sometimes refused to recognize their work permits. Difficulties also existed in obtaining wages, severance pay and other benefits from Israeli employers when these were due to workers. This problem was compounded by the fact that closures prevented access of workers to Histadrut lawyers dealing with their cases. According to a decree issued by the Israeli Minister of Defence in October 2000, Israelis are prohibited from entering the Palestinian territories. The Israeli Ministry of Defence and the Manufacturers' Association of Israel told the mission that up to 40,000 Palestinian workers were working illegally in Israel. These illegal workers are in an extremely vulnerable position vis-à-vis their Israeli employers. Palestinian workers' rights in Israel will continue to be an important subject for social dialogue.
- 86.** The PGFTU enjoys fraternal relations with the international trade union movement, in particular with the International Confederation of Free Trade Unions (ICFTU), to which it became formally affiliated in December 2002. This affiliation should enhance the capacity of the PGFTU to improve its structures and administration, as well as services to its members.
- 87.** Direct negotiations were maintained between the PGFTU and the leadership of the Histadrut, and in 1995 and 1997 agreements between the two organizations were signed, the first providing for the return to the PGFTU of half of the 1 per cent dues paid to the Histadrut by Palestinian workers since 1970; the second setting forth the modalities for the legal representation of Palestinian workers in Israel, using the other half of the 1 per cent contribution. As for the 1995 agreement concerning the repayment of half of the contribution, approximately US\$2 million out of a total of US\$6 million has been returned to the PGFTU. In November 2000, however, the Israeli Minister of Finance decided that all future payments by the Histadrut to the PGFTU would be suspended until further notice.

- 88.** The Chairman of the Histadrut told the mission that he was anxious to see those unique agreements reinstated and fully implemented. The Histadrut also wished to increase its collaboration with the PGFTU in organizing and participating in joint seminars and workshops to deal with practical issues of future cooperation.
- 89.** To sum up, the social partners in the occupied territories were not able to properly exercise their functions in the crisis situation. Instead, they were compelled to reduce their activities and give priority to humanitarian aid. This is commendable. However, the ILO's technical cooperation has to concentrate on strengthening the future role of the tripartite partners on the road to Palestinian statehood.

III. Development assistance in the occupied territories

From humanitarian aid to development assistance: A shift in emphasis

- 90.** Official development assistance to the occupied territories and the Palestinian Authority has increased very rapidly since 2000. In 2002 total donor disbursements reached US\$1.1 billion – more than double the amount in 1999. At US\$355 per person, per capita donor assistance in 2002 was the highest in the world, followed closely by Israel, which enjoys a high level of donor aid (US\$128 per person in 2000, World Bank, 2003b).
- 91.** Much of the increase in development assistance went to emergency humanitarian aid, as well as to budgetary support to the Palestinian Authority. UNSCO reports an inversion of the ratio between emergency aid and development assistance (from 1:7 in 2000 to 5:1 in 2002) as most donors increased their contributions to emergency operations. A United Nations Technical Assessment Mission in October 2002 recommended, inter alia, the introduction of a massive emergency employment programme in order to boost the purchasing power of Palestinians living in economic hardship through a combination of temporary and sustainable employment opportunities; and increase the capacity of Palestinian institutions to deliver emergency employment services to the poor (United Nations, 2002). A number of measures have been taken to this end by several donors, including the World Bank, UNDP and UNRWA.
- 92.** 1. Humanitarian assistance was urgently necessary to alleviate human suffering during the unfolding crisis. Nevertheless, donors are keenly aware of the need for a shift in emphasis from emergency aid to development assistance in order to strengthen the economy in the occupied territories. At its meeting in February 2003, the Ad Hoc Liaison Committee (AHLC), chaired by Norway and co-chaired by the European Union, with wide participation from the donor community, stressed the need for long-term development assistance. Emphasis was placed on support to the reform of Palestinian institutions with a view to building accountability, strengthening democracy and promoting the functioning of a market economy. The donor community reaffirmed its support for Palestinian reform efforts, and praised the Palestinian commitment to reform. However, donors also made it clear that a significant number of important reform measures were directly or indirectly affected by Israeli actions and urged Israel to facilitate the Palestinian reform efforts, in particular by easing restrictions on the movement of people and goods.

Box 2.

**Coordination of development assistance in the West Bank and Gaza Strip:
Report of the United Nations Technical Assessment Mission**

The architecture of development assistance coordination relating to the situation in the occupied Palestinian territories is remarkably complex, not just internationally but also locally (see Annex II of this report).

Traditionally, technical coordination issues were delegated to the Local Aid Coordination Committee (LACC) Sectoral Working Groups (SWGs) concerned with long-term development planning and monitoring. They have been playing a role in the overall crisis management effort since September 2000 and in several cases (e.g. health and water) have maintained and updated their long-term strategic planning capability.

Both during the mission of the United Nations Secretary-General's Personal Humanitarian Envoy in August 2002 and during the United Nations Technical Assessment Mission in October 2002, interlocutors in the region stressed the need to strengthen coordination mechanisms in several specific areas. Accordingly, the latter Mission proposed in its report a coordination mechanism which would both build on and streamline existing structures.

The proposed coordination mechanism is intended to provide a framework for interaction and information sharing, collaborative planning, assessment of needs and response capacities, implementation and evaluation of assistance activities well beyond the humanitarian crisis. It is also aimed at promoting discussion of critical policy issues and coherent responses to the needs of the Palestinians.

The Secretary-General's Personal Humanitarian Envoy also recommended that UNSCO put in place mechanisms that permit the comprehensive tracking of and appropriate follow-up regarding compliance with commitments made to the United Nations. Accordingly, UNSCO has developed a commitment-tracking matrix in which commitments are linked with a number of monitorable benchmarks. Such engagement can take place at various levels, including through the Quartet and locally through the Task Force on Project Implementation (TFPI).

Donors will also have a role to play under the monitoring scheme set up by the Road Map, which will enhance coordination and will focus on security, political issues including settlements, institutional reforms and humanitarian and socio-economic issues.

Source: United Nations, 2002 and 2003c.

Ongoing ILO technical cooperation programme

- 93.** Concrete steps have been taken to implement the enhanced programme of technical cooperation for the occupied Arab territories, which was proposed by the Director-General at the 90th Session of the International Labour Conference in 2002, and endorsed by the Governing Body (ILO, 2003a; it must be noted that the document covers only the occupied Palestinian territories). This programme comprised a number of projects for capacity building of employers' and workers' organizations and the Ministry of Labour; the establishment of a Palestinian Fund for Employment and Social Protection (the Fund); and the promotion of social dialogue as a prerequisite for peace.
- 94.** In addition to the US\$603,000 allocated by the Director-General to meet key immediate needs of the Palestinian constituents, the Governing Body approved in November 2002 a further allocation of US\$800,000 out of the 2000-01 budget surplus, thus bringing the total ILO contribution from its own resources to US\$1.4 million, the bulk of which goes to support the establishment of the Fund.
- 95.** A Small Business Advocacy, Training and Service Unit has been established in the FPCCIA; a workers' education project has been set up in the PGFTU; and three projects with the Ministry of Labour cover capacity building, a labour market information system and training for better skills.

- 96.** In addition, the following ongoing technical cooperation projects continue to be carried out by the ILO with extra-budgetary funding:⁷
- Sheikha Fatima Vocational Rehabilitation Centre for People with Disabilities and Youth with Special Needs, Hebron (funded by the United Arab Emirates);
 - establishment of Sheikh Khalifa Vocational Rehabilitation Centre, Nablus (funded by the United Arab Emirates);
 - technical assistance to the PGFTU (funded by the Italian Workers’ Bankers Association).
- 97.** An assessment of the role of the Ministry of Labour was made in September 2002 by a senior ILO consultant, which recommended assistance to the Minister in: (i) developing a greater understanding of the role and objectives of the labour administration system; (ii) defining the strategy to be adopted in order to devise a system that enhances economic development in a clear and transparent legal framework; (iii) involving the social partners and developing relations with other ministries to deal with social policies through a multidisciplinary approach; and (iv) implementing the strategy so defined through a structure that would take into consideration the basic requirements of the Ministry of Labour (ILO, 2002).
- 98.** Concrete projects for capacity building are being implemented, including the following:
- an internal task force comprising experts and academics, as well as senior officials from the Ministry, has been set up in order to provide further advice to the Minister in the process of restructuring the Ministry, both centrally and at the district level;
 - the project activities mentioned above on labour market information systems and better skills for a better future have been adapted to the needs of the Ministry of Labour;
 - ILO technical cooperation has also been instrumental in strengthening the Ministry of Labour’s functions and offices, particularly with the definition of a Palestinian Employment Strategy whose elements are still valid in the event of a shift away from emergency programmes towards sustainable employment. The ILO has contributed to establishing 17 employment offices in the West Bank and Gaza and training their staff.

Future ILO assistance

- 99.** The Road Map, the Palestinian reform agenda and donor priorities point towards the strengthening of Palestinian institutions, democracy and an effective market economy in the occupied territories. In many ways these are interlinked sets of issues that need to be addressed comprehensively. Within this broad agenda, there are a number of important matters that pertain to labour, employment and social protection which are of direct relevance to the ILO’s constituents. It is crucial for the ILO to redefine its programme of technical cooperation in the context of new developments. The central focus is on strengthening the Palestinian Ministry of Labour and employers’ and workers’

⁷ The project “National programme of support to youth development and the elimination of the worst forms of child labour based in the West Bank and Gaza”, which was approved for funding in 2001, needs further assessment.

organizations, which is in line with the programme of assistance the ILO has been developing over the last year. Nevertheless, a number of important areas require further attention. These are briefly described below.

Palestinian Fund for Employment and Social Protection

- 100.** A feasibility study on the establishment of the Palestinian Fund for Employment and Social Protection (the Fund) has been conducted by the ILO after reviewing and comparing the experiences of 30 different funds around the world, and having consulted the major key players in the territories (ILO, 2003b). The feasibility study demonstrated that bottom-up approaches are possible in the creation of a Palestinian-owned sustainable employment and job-creation scheme linked to the market economy and aimed at promoting a dynamic private sector.
- 101.** The ILO mission held wide consultations on future steps to set up the Fund. A decree formally establishing the Fund has been adopted by the Palestinian Authority, and a meeting of all the actors concerned (relevant ministries of the Palestinian Authority and social partners, the Palestinian Economic Council for Development and Reconstruction (PECDAR), UNDP, UNSCO, the World Bank, the Quartet and donor representatives) is to be held in May 2003 in order to build support for the Fund.

Capacity building in the Ministry of Labour

- 102.** The Ministry of Labour has an important role to play to facilitate economic recovery and promote employment of a decent standard. Much has already been done which culminated in the adoption of a new Palestinian Labour Code. Much more remains to be achieved if the Ministry is to fully play its part in the Palestinian reform agenda and in economic recovery and social development.
- 103.** In the following three areas, the ILO should step up its technical assistance to the Ministry of Labour with a view to providing it with technical expertise and training:
- the drafting of regulations under the Labour Code calls for specific expertise in various areas, including freedom of association and collective bargaining;
 - the promotion of extensive social dialogue on major economic, employment and social protection issues requires both the skills to conduct social dialogue and expertise on technical issues, such as wage policy, terms and conditions of employment, training policies and youth employment;
 - during the mission the ILO was requested to assist the Palestinian Authority in designing a social security scheme for private sector workers. A needs assessment mission and a workshop are planned as a preliminary step to setting up such a scheme.
- 104.** In addition to the above, the ILO has again been requested to facilitate dialogue between Palestinians and constituents in Israel with regard to the social security entitlements acquired by Palestinian workers in Israel.

Capacity building in employers' and workers' organizations

- 105.** Three major challenges face Palestinian employers' and workers' organizations:

- democratic representation;
- professional services to members;
- technical capacity to participate in tripartite policy dialogue.

106. It is vital for Palestinian employers' and workers' organizations to step up their participation in policy discussions regarding economic recovery, social development and working conditions. This forms part of the larger institutional reform agenda. For this to happen, representative organizations of employers and workers must strengthen their respective institutions with regard to the three points mentioned above. International organizations of employers and workers could assist in shepherding democratic representation. Through its technical assistance and training schemes and facilities, the ILO should enable the social partners to build a cadre of technical staff with the capacity to develop the necessary services for members, and participate in technical policy discussions. The ILO should also facilitate collaboration and support by employers' and workers' organizations from other countries willing to assist their Palestinian counterparts.

Conclusions

107. During the period covered by this report, there has been a further marked deterioration in the situation in the occupied Arab territories. Human security, rights at work, incomes, access to employment and social protection are under constant threat. The crisis is also deeply felt in Israel, where security concerns exacerbate the economic recession. And in turn, the effects of recession in Israel further contribute to the crisis in the occupied territories, in view of their close dependence on the Israeli economy. An easing of the closures and other measures in the first months of 2003 may have led to a low-level stabilization of the rate of economic deterioration in the occupied territories. This clearly shows how vital it is to halt the spiralling decline and bring about an urgently needed improvement in the livelihoods of people, workers and their families in the occupied Arab territories.

108. In assessing opportunities for constructive dialogue and action, the mission has always been aware of the interlinkage between political and social factors which affect the situation both in the occupied Arab territories and in Israel. Security in Israel cannot be separated from security for the Palestinian population living in the occupied territories. And the additional dramatic rise in absolute poverty during the last year is a reminder of the warning in the Declaration of Philadelphia annexed to the ILO Constitution that "poverty anywhere constitutes a danger to prosperity everywhere".

109. The ILO has taken and will continue to take steps to strengthen its technical cooperation programme aimed at creating sustainable jobs and future employment opportunities and reforming labour institutions. It has responded to the call to redirect emergency aid towards development assistance by providing continuous technical cooperation.

110. The Road Map presented in early May 2003 to the parties by the members of the Quartet brings fresh momentum to political negotiations. It sets forth a wide range of measures spanning security, institutional and economic aspects. The ILO has been asked to contribute its technical assistance to institutional reforms in the labour, employment and social protection fields. There is a clear role for healthy social dialogue to prepare and accompany the many reforms required to lead to economic recovery and provide Palestinian workers with rights at work and productive and remunerative employment and protection. Such dialogue is contingent on an improvement in the general situation. It also requires the implementation of reforms to strengthen the social partners. The contribution

the ILO can make to these reforms is spelled out in the report. There is genuine scope for dialogue among constituents from both sides of the conflict. The ILO will continue to seek to facilitate this dialogue, which is a key element of the wider political discussions within the framework of the Road Map.

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Annex I

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Palestinian Red Crescent Society

Haidar Abdel Shafi, President

Qalqiliya Municipality, West Bank

Maa'rouf Zahran, Mayor

Representative Office of Norway to the Palestinian Authority

Nils Ragnar Kamsvåg, Ambassador

Jens Mjaugedal, Counsellor

United Nations Development Programme (UNDP)

Timothy Rothermel, Special Representative of the Administrator of the UNDP Programme of Assistance to the Palestinian People (UNDP/PAPP)

Lana J. Abu-Hijleh, Assistant Resident Representative, Head of Environment and Infrastructure Unit, UNDP/PAPP

Khaled Abdel Shafi, Head of Gaza Office, UNDP/PAPP

United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA)

Karen Koning AbuZayd, Deputy Commissioner-General

Christer Nordahl, Deputy Director of UNRWA Operations, Gaza

Alex Pollock, Chief, Microfinance and Microenterprise Programme

Andrew Whitley, Director, External Relations Department

World Bank, Jerusalem

Nigel Roberts, Country Director, West Bank and Gaza Department

Meetings in the Golan

Majd Abu Saleh, member of the Arab community

Taher Abu Saleh, member of the Arab community

Kenj Abu Saleh, member of the Arab community

Meeting in Jerusalem

Chris August, General Manager and CEO, Palestinian Banking Corporation

Meetings in Damascus, Syrian Arab Republic

Ghada Al Jabi, Minister of Labour and Social Affairs

Walid Al Muallem, Deputy Minister for Foreign Affairs

Nawaf Al Faresse, Governor of Quneitra

Hacene Djemam, General Secretary of the International Confederation of Arab Trade Unions (ICATU)

M. Shaban Azzouz, President of the General Federation of Trade Unions of the Syrian Arab Republic

M. Khaled Moree, Secretary of Labour Affairs, General Federation of Trade Unions of the Syrian Arab Republic

Haytham Al-Yafi, Member of Management Board, Damascus Chamber of Commerce

Tarek Akkash, Director of International Relations, Ministry of Labour and Social Affairs

Rakan Ibrahim, Director of Labour, Ministry of Labour and Social Affairs

Zouka Al Jabi, Director of the Bureau of the Minister of Labour and Social Affairs

Meetings in Cairo, Egypt

Ahmad El-Amawy, Minister of Manpower and Migration

Khalid El-Defrawy, Manager, Loan Portfolio Quality Department, Social Fund for Development

Hussein El-Gammal, Former Managing Director, Social Fund for Development

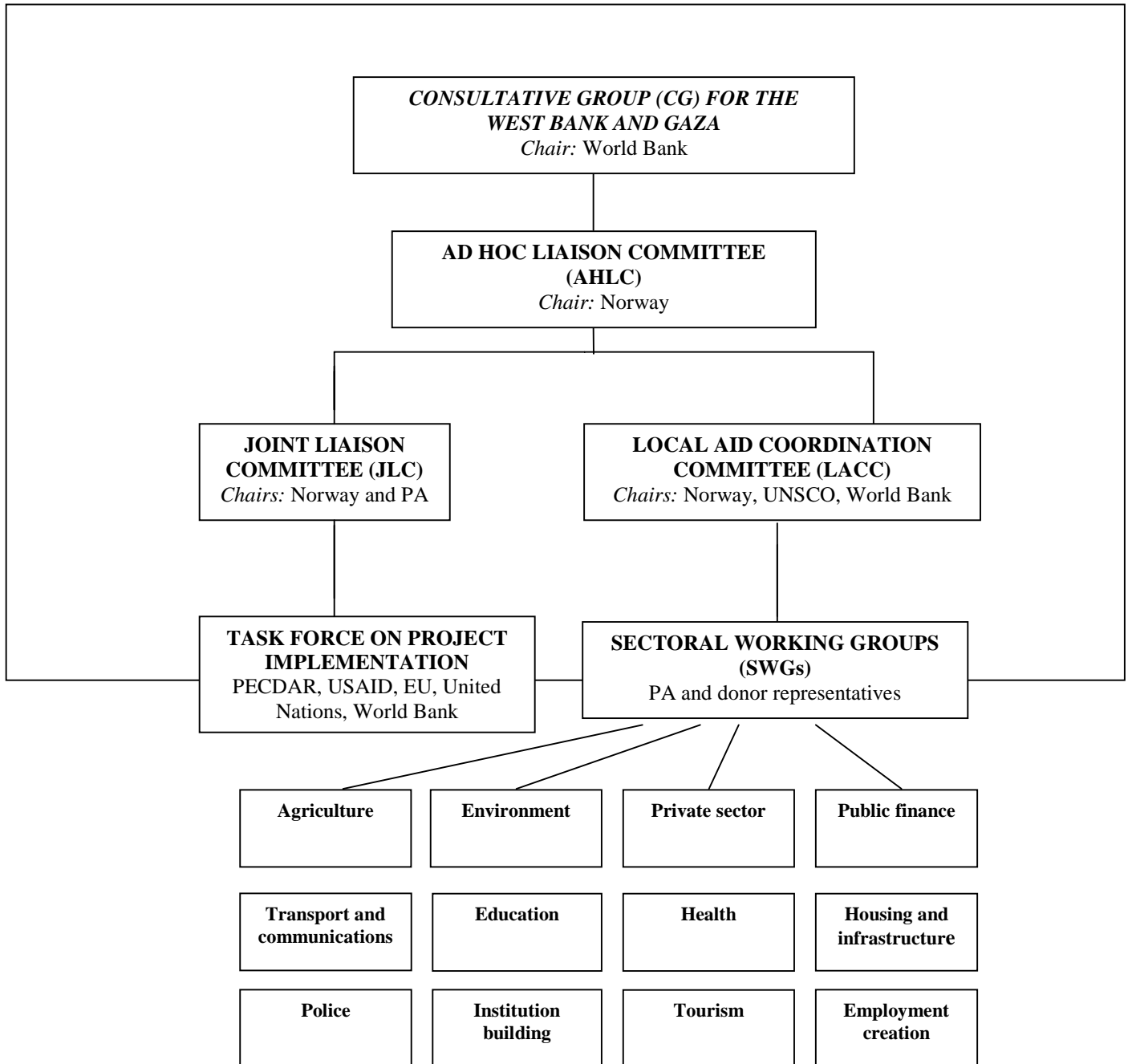
Said Kamal, Assistant Secretary-General for Palestine Affairs, League of Arab States

Gihan Khalid Sultan, Second Secretary, League of Arab States

Ghaleb Saad, Head of the Reconstruction and Development Section, Palestine Department, League of Arab States

Annex II

Mechanisms of donor coordination in the West Bank and Gaza Strip



Source: Palestinian Academic Society for the Study of International Affairs (PASSIA).