



SIXTH ITEM ON THE AGENDA

Enhanced programme of technical cooperation for the occupied Palestinian territories**I. The context**

1. The Director-General, responding to the debate on the occupied territories that took place at the 284th Session of the Governing Body (21 June 2002), noted the strong mandate for the ILO's proposals included in his Report to the 90th Session of the International Labour Conference,¹ and reiterated what he said in the introduction to that Report "to report to the Governing Body in November 2002 on the actions taken to enhance the ILO's technical cooperation programme with Palestinian constituents". The present note reports on the progress made to date and the plans for follow-up.
2. The Director-General's report proposed an expanded programme of technical assistance, tailored to the particular situation in the territories, which comprised action in four areas:
 - **Reassessment** of existing projects focusing on emergency schemes related to employment creation through the reconstruction projects.
 - Technical assistance for the creation of the "*Palestinian Fund for Employment and Social Protection*" (the *Fund*).
 - **Capacity building** for the social partners by supporting the Palestine General Federation of Trade Unions (PGFTU), the Federation of Palestinian Chambers of Commerce, Industry and Agriculture, and the Ministry of Labour.
 - Creating a platform for Palestinian and Israeli constituents for **social dialogue** as a contribution to creating an atmosphere of mutual respect, trust building and easing of tensions.

¹ ILO: Report of the Director-General on the situation of workers of the occupied Arab territories, Geneva, June 2002.

3. The International Labour Conference endorsed this approach, and the 284th Session of the Governing Body (21 June 2002) urged the ILO to implement technical cooperation programmes in the areas of employment, social protection and social dialogue, and asked member States to contribute generously towards the establishment of a *Palestinian Fund for Employment and Social Protection*.
4. In a letter addressed to the Director-General, Chairman Arafat expressed “*the support of the Palestinian National Authority for your intentions to launch an integrated programme of technical cooperation for the benefit of our workers in Palestine*”, and urged “*a speedy start of this programme*”.
5. The Director-General has established an interdepartmental task force to ensure the implementation of this programme.
6. Given the urgency of implementing this programme, the Director-General took the following immediate steps:
 - **Identification of needs:** At the invitation of the Director-General, a tripartite delegation from the occupied territories visited the ILO on 11 and 12 July 2002. The delegation was headed by the Minister of Labour and included the Secretary-General of the PGFTU and the President of the Nablus Chamber of Commerce and Industry. The delegation conveyed to the Director-General their perceived needs and the priorities they assign to the different components of the technical cooperation package.
 - **ILO immediate assistance:** The Director-General has allocated US\$300,000 from ILO resources to meet key immediate needs of the Palestinian constituents for technical cooperation.

II. Expanded programme of technical cooperation

7. The present situation makes it difficult to think in terms of traditional technical cooperation programmes that assume normal conditions. An innovative approach is required taking into account:
 - the present situation where mobility is extremely limited and infrastructure is in a bad state of disrepair;
 - difficulty to import or export from the territories;
 - fragility of the economy in the West Bank and Gaza and inability to generate sufficient demand for labour.

It is within this perspective that the ILO has been requested to assist in a number of areas especially the establishment of the *Fund*.

A. The Palestinian Fund for Employment and Social Protection

8. There is a consensus that, in the present circumstances, the creation of the *Fund* is the most effective mechanism for dealing with the mounting problems of unemployment and

poverty. In fact, the Arab Labour Organization has passed a resolution calling on the ILO to contribute effectively towards the creation of such a fund.

9. The objective of this *Fund* is to provide the institutional framework for promoting decent work among Palestinians, especially youth, thus reducing the insecurity of the majority of workers by dealing with one of the root causes of violence: unemployment and loss of livelihood. To achieve this objective the *Fund* will have the following major components:
 - **Youth training and employment programme:** Three-month in-class vocational training for youth (age group to be determined) and three months' apprenticeship in enterprises, with a subsidy (amount to be determined, for example, 80 per cent of minimum wage).
 - Subsidy scheme for small enterprises (sizes to be determined) to retain their present workforce (amount to be determined, for example, 50 per cent of labour cost to employer) for a renewable period of three months.
 - Public works programme to rehabilitate infrastructure and services damaged as a result of military incursion, to be implemented through municipalities; priority to be given to unemployed.
 - Subsidies to families (income group to be defined) to rehabilitate family plots or family farms in order to grow food (farm implements, seeds, and the like, total amount per family to be determined).
10. In designing the *Fund*, it is essential to aim at the creation of a semi-autonomous institution with outreach to employers' and workers' organizations, NGOs (which are extremely effective in the territories) and local-level organizations.
11. The ILO will be drawing on the experience of social development funds (for example, in Egypt), which provide a good illustration of the range of employment-related activities that can be financed with such a mechanism. Small projects are implemented in close collaboration with local government and communities. The feasibility of setting up a *Palestinian Fund for Employment and Social Protection* is being investigated, in close consultation with donors regarding funding and with technical agencies and units in the occupied territories on implementation mechanisms. The ILO will draw on its expertise to provide technical assistance to the Palestinian Authority in order to carry out a study of the desirability and feasibility of such an institution in cooperation with donor countries and other multilateral organizations. It will also initiate projects in some of the areas mentioned above while the creation of the *Fund* is being considered. Such a fund would need to complement rather than supplant existing assistance already provided by donors, the United Nations and international financial institutions.
12. While the ILO is financing the technical assistance phase to set up the *Fund*, the donor community will be expected to contribute the funds necessary for the investment activities, as is the case with other social development funds.
13. A feasibility study has been carried out for the establishment of the *Fund* drawing on ILO resources, and completed by October 2002. It has been drafted in consultation with donor countries and key multilateral agencies. The Director-General intends to allocate ILO resources through specific initial projects as seed money for the *Fund*. Once the design of the *Fund* is completed, the ILO would sponsor a donors' meeting, which will be held in the most appropriate existing multilateral cooperation framework. It should be considered as an ILO contribution to the wider efforts of the international community and should be part of an integrated programme. Based on the results of the donors' meeting in Oslo (May

2002), and interest expressed by certain donors to the ILO (notably the European Union, Switzerland, Italy, Belgium and Turkey) the meeting will bring together both multilateral and Arab development funds and will be held by December 2002. The idea has also received support of international employers' and workers' organizations, notably the International Confederation of Free Trade Unions. The Director-General had submitted the idea of the *Fund* to the "quartet" of international bodies engaged in the Middle East peace process (United Nations, European Union, Russian Federation and United States).

B. Capacity building

14. At the request of the Minister of Labour, the ILO fielded a mission to assist with the reconstruction of the Ministry within the broader framework of the Palestinian Authority reform. The mission worked closely with the constituents (Ramallah, 8-15 September 2002), and its report provided a road map for reform and possible ILO assistance. Similar exercises with employers' and workers' organizations are envisaged in the near future. Funding to respond to the immediate requirements of the Ministry and of workers' and employers' organizations are included in the recommendations on the use of the surplus.

C. Social protection

15. First, initial ILO work on the design of a Palestinian social protection system will be pursued. Rather than starting with a fully fledged system that would invariably face financial limitations, an incremental approach is preferable, giving priority to one or only a few contingencies. Preliminary discussions suggest these might be occupational injuries and disabilities, and old-age pensions. The absence of any institutionalized form of income support for persons in old age is a significant cause of poverty. The *Fund* will play an important role in implementing this programme.
16. Second, the terms of the Paris Protocol on the transfer of social security rights accumulated by Palestinian workers working in Israel need to be given effect (Paris Protocol, 1994). The ILO will undertake an initial exploration of the possible mechanisms by which Palestinian workers could be guaranteed more transparent access to information on their social security rights, as well as a more effective disbursement mechanism. Close consultations with employers' and workers' organizations in Israel and in the occupied territories will provide the basis for resuming dialogue between the two sides.

D. Social dialogue

17. The ILO will enhance the support provided to strengthening the institutional capacity of employers' and workers' organizations. In particular, their ability to provide services to their members will be expanded. In parallel, some innovative approaches to social dialogue will be adopted, with institutional training on issues such as conflict resolution and building constructive relations. This is an area of ILO expertise that can be mobilized with universities abroad (for example, the School of Industrial and Labor Relations at Cornell University, Ithaca, New York, and York University, Toronto) or institutions in the West Bank and Gaza, such as PASSIA and Al-Quds University. The ILO International Training Centre in Turin will also be used as a "neutral" place where such training could be conducted. The dialogue between the Palestinians and Israelis will be facilitated to negotiate two important issues:

- (i) the reimbursement of the money due to Palestinian workers in Israel; and
- (ii) exploring the possibilities of lifting the closure to allow the return of Palestinian workers to work in Israel.

E. Strengthening the ILO Office in Jerusalem

- 18.** To advance on these issues, as well as others that may come up, the ILO Jerusalem Office will be strengthened using mainly ILO resources.

Geneva, 14 October 2002.

Submitted for information and observations.