

Ministry of Labour

National Employment Strategy

2021-2025

Contents

Members of the Technical Committee for Development of the National Employment Strategy 2021-2025 4
Foreword by the Minister of Labour 6
Executive Summary 7
1. Introduction 12
2. Diagnosis of the reality of employment and labour market in Palestine 18
2.1 Economic context 18
2.2 Macroeconomics and fiscal space 24
2.3 Demographic transition in Palestine 26
2.4 The reality of the Palestinian labour market 28
2.4.1 Who are the economically and non-economically active persons? 29
2.4.2 Who are the Palestinian workers and what are their characteristics? 33
2.4.3 What are the characteristics of unemployment and who are the unemployed? 41
2.4.4 Wage structure 50
2.4.5 Minimum wage 52
2.4.6 Size of enterprises, informal employment and financing 53
2.4.7 Entrepreneurship contribution to employment 59
2.4.8 Business environment and investment 61
2.5 Supply factors: Education and alignment with labour market needs 64
2.5.1 Educational outputs 64
2.5.2 TVET 65
2.5.3 Workforce development needs 69
2.6 Legal and institutional framework of the labour market 70
2.6.1 Legal framework 70
2.6.2 Institutional framework 75
2.6.3 ALMPs 83
3. Policy priorities 88
3.1 Key challenges 88
3.2 Priority policies 92
3.2.1 TVET 93

3.2.2 Increasing resilience and developing the private sector 94
3.2.3 Labour market policies 95
4. Strategic direction 98
4.1 Vision and strategic objectives 98
4.2 Results and outputs 100
5. Required financial resources and sources 121
6. Management, monitoring and evaluation 152
Annexes 155
Annex A: Growth in the number of workers and distribution by economic sectors based on the population census results, 2007-2017 155
Annex B: Employment programmes and institutions in Palestine 160

Members of the Technical Committee for Development of the National Employment Strategy 2021-2025

HE Dr. Nasri Abu Jeish	Rapporteur – Minister of Labour
Ms. Niveen Gheidhah	Secretary – General Secretariat of the Council of Minsters
Mr. Abdul Karim Dharaghmeh	Ministry of Labour
Mr. Samer Arqawi	Ministry of Higher Education and Scientific Research
Mr. Osama Ishtayyeh	Ministry of Education
Mr. Hasan al-Ashqar	Ministry of Agriculture
Mr. Ayman Sawalhah	Ministry of Social Development
Mr. Amin Assi	Ministry of Women's Affairs
Mr. Ismail an-Nimes	Ministry of State for Entrepreneurship and Empowerment
Ms. Ghadeer Ismail	General Secretariat of the Council of Minsters
Mr. Saher Sarsour	Palestinian General Federation of Trade Unions
Mr. Nazih Mardawi	Federation of Palestinian Chambers of Commerce, Industry and Agriculture
Ms. Suha Kan'an	Palestinian Central Bureau of Statistics
Mr. Rashad Yousef	Ministry of National Economy
Mr. Mahmoud al-Furoukh	Ministry of State for Entrepreneurship and Empowerment
Mr. Wisam Nakhleh	Ministry of Education
Mr. Azmi Abdul Rahman	Ministry of National Economy
Mr. Nael Zeidan	Ministry of Public Works and Housing
Mr. Atiyyeh as-Sartawi	Ministry of Tourism and Antiquities

Mr. Ahraft Anabtawi	Ministry of Agriculture

Technical Support Expert Team

Dr. Bilal Falah	Palestine Economic Policy Research Institute (MAS)
Dr. Nassr Abdul Karim	Economic Expert
Amer Madhi	International Labour Organisation expert

Foreword by the Minister of Labour



On behalf of the 18th Palestinian Government, it is my honor to present to our people, to our partners on both sides of production, especially employers and workers, and to our international partners, the National Employment Strategy (NES) for the years 2021-2025.

The NES was the result of the joint effort and tireless work of all partners, with the support of the International Labour Organization and its experts. It was built on the basis of an accurate diagnosis of the situation of the Palestinian labour market within the framework of government priorities and in compliance with a comprehensive review of the National Policy Agenda and its sectoral and sub-sectoral plans.

This strategy is launched while being fully aware of the dangers, challenges and obstacles facing our Palestinian people in light of the ongoing occupation. The plans, strategies, policies, and remedies remain incomplete in the absence of a full national sovereignty represented in an end to the occupation and the establishment of the Palestinian State, with East Jerusalem as its capital.

We launch the NES at a time when the occupation is still strengthening its settlement expansion policies towards seizing more land, almost completely preventing the use of resources and investment in Areas classified as (C), which constitute more than 60 per cent of the West Bank. The occupation continues its control over the crossings and borders and movement of goods and individuals, and imposes a continuous siege on the Gaza Strip, which impedes and even destroys all prospects for development.

Such policies have kept the Palestinian economy weak, suffering from fragility, dependence, and the inability to grow and develop, preventing the labour market from absorbing thousands of new entrants and constituted a major and continuous challenge in the persistent high unemployment rates, especially among the youth. It also kept the participation rates in the workforce low, especially the participation of women, thus, forcing thousands of Palestinians to work in the Israeli labour market where working conditions and standards are unfavorable.

This strategy came in response to the government's directives and as a national necessity to give hope to thousands of graduates of both genders by rehabilitating employment, stimulating the market, repairing imbalances in supply and demand, and forming a platform for joint action between partners. It brings a unified reoriented vision for employment projects and programs, and is based on the deep faith and will in the partners' capacities to bring about fundamental change to respond to the needs of our youth to work and live in dignity.

In conclusion, I give my thanks and appreciation to every one of those who contributed in bringing this strategy into existence, and I particularly mention our partners in the International Labour Organization, the Ministerial Technical Committee and experts.

Executive Summary

One of the bitter ironies of the post-colonial era is that Palestine is the only state, which continues to be under occupation and suffers from the consequences of economic exploitation, a familiar practice in former colonies. These undermine the efforts made by the State of Palestine and partners, including international community and Palestinian civil society, to achieve sustainable development. For over a decade, efforts have been exerted by successive Palestinian governments to build state institutions and improve public service delivery to Palestinian citizens in the West Bank, including East Jerusalem, and Gaza Strip. However, Palestine is crippled by the vicious cycle created by the ongoing Israeli occupation and expansionist settlement policy across the West Bank, including East Jerusalem. Palestinians are unable to access and use their land and natural resources in Israeli-controlled areas, which comprise some 62 percent of the West Bank. Israeli policies do not only throw overboard all international conventions and customs, but also violate Israel's obligations as an occupying Power under International Law and International Humanitarian Law.

Governing Palestinian-Israeli relations, the Oslo Agreements were supposed to reach a two-state solution in the 1990s. Israeli measures on the ground run counter to these agreements, which have been incapable of serving the purpose for which they were concluded. Israel obstructs freedom of movement and trade, unilaterally alters borders, and withholds and deducts customs and tax revenues it collects on behalf of the State of Palestine.

In addition to Israeli physical constraints, Israel is in control of almost two thirds of the State of Palestine's revenues, weighing heavily on the Palestinian economy. In early 2019, Israel withheld 6 percent of Palestinian revenues from customs clearance and VAT collections for unfounded reasons, which the Palestinian government refused. Palestine decided not to accept any incomplete transfers of its financial rights with the Israeli side. In the context of a steady decline in foreign support to the State of Palestine's budget and development programmes, the outbreak of the coronavirus (COVID-19) pandemic has further gravely impacted the Palestinian economy and labour market.

Instability imposed by the current context has cast a heavy shadow over the Palestinian economy, particularly the labour market. Economic growth has continued to shrink and deteriorate. In 2019 and 2020, GDP grew by just 1 percent, negatively reflecting on GDP per capita which dropped by 1.7 percent, forewarning a heavy shock to livelihoods and living standards. All labour market indicators have also been affected. While unemployment soared, labour force participation continued to decrease, particularly in the besieged Gaza Strip. Estimates show that if the current situation continues, half of economically active persons will fall into joblessness and poverty in the not-so-distant

future. Meantime, about two thirds of women and youth in the labour market are already faced with unemployment – among the worst in the world.

Tackling challenges posed by the continued occupation on the Palestinian labour market, in particular, requires more than ever before that we determine future policy directions, which prevent further decline in economic and living conditions and maintain longstanding community cohesion. Against this backdrop, this National Employment Strategy (NES) 2021-2025 serves as a consolidated reference for employment policy goals and priorities in Palestine. These will be implemented through active labour market programmes (ALMPs) and cross-cutting measures, with wide participation by social partners, line ministries, government agencies, and stakeholders. The NES 2021-2025 frames national efforts in economic and social development areas. It enhances and places these efforts within an integrated policy and programme framework, based on employment and decent work. While ensuring stability and preventing deterioration of the labour market, this framework will pave the way to positive transformations in the Palestinian economy performance.

A significant challenge is placed by the current employment context, particularly among youth, and increasingly weak formal economic activity among women. This has been compounded by the economic impact of the COVID-19 pandemic. Hence, a preventive and remedial approach needs to be adopted to address issues of supply and demand for workforce and promote national employment services. In essence, the NES 2021-2025 adheres to and reflects this approach. The Strategy addresses inadequate productivity in economic production sectors; improves performance of technical and vocational education and training (TVET) system; supports making active labour market policies and programmes, including creation of self-employment opportunities for both men and women; and encourages private investment in priority production sectors to restructure the Palestinian economy and rejuvenate the agriculture, industry and tourism sectors. To this avail, the NES 2021-2025 sets the framework, through which the Palestinian government and partners will achieve employment and decent work objectives, ultimately serving socioeconomic development.

The vision of national employment is to "**achieve full, productive and freely chosen employment for jobseekers, particularly youth and women**". The NES 2021-2025 will achieve this vision through the following objectives:

1. **Strengthen the labour market governance and develop active labour market policies and programmes, ensuring stronger linkages and more efficient alignment between supply and demand sides.**

This objective focuses on improving the effectiveness of labour market institutions to achieve employment policy objectives as well as this Strategy. Labour-intensive

programmes will be designed and implemented in the sectors most affected by COVID-19 and in areas most impacted by Israeli policies, ensuring a specific number of working days on annual basis for the unemployed. Accordingly, drawing on current reforms within the framework of Labour Sector Strategy, efforts made to promote labour market governance and efficiency as well as ALMPs are underpinned by the achievement of six results. These involve (1) building institutional capacity in employment policy making, based on an in-depth analysis of the labour market reality and directions; (2) implementing employment policies to ensure enhancing responsive, effective and efficient services, including through decentralised design and implementation; (3) expanding and ensuring better response of active, labour-intensive labour market policies and programmes to long-term unemployment, including through temporary labour-intensive employment programmes aimed at developing public infrastructure and local socioeconomic development; (4) promoting inspection to consolidate compliance with decent work principles; (5) promoting labour culture and relations between production parties; and (6) improving integration between employment and social protection services, including by rebuilding the social security system. This objective involves six results, as follows:

- Promote coordination and effective control over employment programme implementation.
- Public employment services are more responsive to jobseekers and employers.
- Create complementarity between employment and social protection programmes (to meet the needs of social assistance programme beneficiaries, including women, youth, persons with disability, youth who are not in employment, education or training (NEET), and workers who experience involuntary unemployment.
- Strengthen the inspection system to reduce informal labour, especially among women and youth, and promote compliance with the Labour Law.
- Encourage establishments to transition to formal economy and sensitise workers and jobseekers of their labour rights.
- Consolidate the institutional structure of social dialogue and social security.

2. Improve alignment of education and higher education with labour market needs

Access to the workforce through appropriate education and training is vital for socioeconomic development. Affecting several sectors, inadequate workforce with the education and training needed by the labour market does not only risk increasing unemployment rates, but also undermines any potential economic growth. Accordingly, this objective focuses on accelerating the development and reform of TVET and

continuing education to achieve two main results, which build on previous achievements and ongoing efforts to develop the Palestinian education system: (1) align TVET with the labour market needs, both quantitatively and qualitatively in close private-public partnership; and (2) encourage TVET enrolment, particularly among females. In this context, progress is measured through the following indicators:

- Increase TVET enrolment rate (currently standing at 4.8 percent) of the total number of 10^{th} graders.
- Increase the percentage of students registered and enrolled in TVET institutions (from 11.3 percent) of the total number of students who successfully complete secondary education by 2025.
- Increase the number of schools with integrated TVET and general education.
- Unemployed male and female youth (aged 15-29) acquire and develop life skills to undertake employment in an occupation.

The impact of TVET reform and development will produce mid- to long-term results. To address TVET weaknesses in the short run, continuing education will be promoted to meet employability needs of persons who cannot benefit from improved TVET results. Still, if the economy's ability to create decent employment opportunities is not addressed, increasing youth employability will erode benefits of the more educated young workers. The third priority objective is, therefore,

3. **Strengthen the private sector resilience and capability of growing productivity and creating decent employment opportunities to jobseekers, particularly youth and women**

Addressing unemployment and increasing employment opportunities in the Palestinian context primarily rely on the private sector ability to maintain current employment levels to preclude higher unemployment. These also depend on the private sector catalyst and capability of investment and creation of decent employment opportunities for a large number of jobseekers and new labour market entrants. As employment in the Palestinian economy largely depends on family, micro- and small-sized enterprises, incentivising youth to engage in self-employment, freelance work, and entrepreneurship in start-ups and innovation companies and reducing administrative and procedure obstacles, particularly in production and technical sectors, are a cornerstone of the Palestinian private sector development, achieving the vision of employment. Improved regulation and control over domestic commodity markets is another central plank of protection of both consumers and local products against unfair competition, maintaining private sector capability of investing in increasing competitiveness and employments. This priority objective will build on recent achievements in competiveness, innovation, and entrepreneurship; promote the legal framework for economic growth based on employment and decent work; enhance employment by strengthening growth on grounds

of import substitution and export promotion; and promote freelance work, innovation, and IT development to serve business growth. These targets will be accomplished through the following results: (1) develop legal and institutional frameworks to facilitate doing business and incentivise private investment; (2) strengthen the capacity of private sector entities, including cooperatives, in priority sectors in the Gaza Strip, Jerusalem and Israeli-controlled areas to preserve their operational and competitive capabilities and improve working conditions; (3) develop business services and financing in support of entrepreneurship; and (4) improve control and inspection over commodity markets to ensure fair competition for local products and consumer protection. These results and relevant outputs are detailed below.

Within the framework of this priority objective, efforts will strengthen the private sector entities' capacity of resilience, competitiveness and productivity. This will mainly achieve the following:

- Increase women's participation in the labour market.
- Raise employment opportunities created by the private sector, particularly in production sectors.
- Reduce unemployment, especially among youth and women.

The total cost of implementing the NES 2021-2025 is estimated at US$ 243.076 million. Of this, about US$ 78.5 million is available through government budget programmes in relevant sectors or donor-funded technical cooperation exercises. The funding gap, US$ 164.576 million, is expected to be bridged by technical cooperation projects funded by donors with interest in the employment sector. Costs are distributed to strategic objectives as follows:

1. Strengthen the labour market governance and develop active labour market policies and programmes, ensuring stronger linkages and more efficient alignment between supply and demand – US$ 43.546 million.
2. Improve alignment of education and higher education with labour market needs – US$ 125.710 million.
3. Strengthen the private sector resilience and capability of growing productivity and creating decent employment opportunities to jobseekers, particularly youth and women – US$ 73.820 million.

1. Introduction

In view of its socioeconomic consequences, unemployment is a major problem that faces the State of Palestine. In 2019, the number of unemployed was close to 344,000 out of a total workforce of 1.357 million. Unemployment poses a significant challenge to our young society, requiring extensive national efforts for an integrated response. This should ensure a better balance between economic development and employment, achieve goals of the national pursuit of economic independence and disengagement from the occupation, and rebuild the production base of the Palestinian economy.

The problem of employment is all the more grave due to the considerable challenges imposed by the ongoing Israeli occupation and expansionist settlement policies on the Palestinian economy potential to create annual employment opportunities to counter poverty, low wages, increasing number of labour market entrants every year, and poor women's participation and retention in the labour market. The risks of pervasive unemployment have been heightened with the outbreak of COVID-19 in Palestine, resulting in lockdown and movement restrictions. According to World Bank projections, in 2020, the Palestinian economy would shrink by 7.6-11 percent due to the COVID-19 pandemic. Meantime, the State of Palestine is affected by a widening financing gap in the public budget, potentially up to US$ 1.5 billion in 2020. An abrupt decline in economic activities and pressure on the State of Palestine's financial resources has highly jeopardised Palestinians' livelihoods. The COVID-19 impact continues to seriously impair the economy.

It is difficult to find quick and comprehensive solutions to unemployment in Palestine because it is linked principally to the ongoing occupation and targeting of the Palestinian economy. However, aspects of supply and demand in the labour market and institutional framework of the labour sector can be developed, achieving greater potential to counter new challenges posed by the COVID-19 pandemic. As the key element in Palestinian economic development, human capital will be built. Employment opportunities will be created for youth and women. Israel disrupts the education process and prevents construction of schools and universities in areas under full Israeli control – some 62 percent of the West Bank area. Still, Palestine has managed to maintain its status in terms of indicators for enrolment in primary and secondary education. Palestinian workers have constructed infrastructure of the nascent State of Palestine. Farmers have cultivated Palestinian mountains and plains. Physicians and engineers have incorporated leading companies in pharmaceuticals and construction works in both Palestine and Arab countries, including some with high-level competitiveness at regional and international levels. In spite of significant challenges to the agriculture and industry sectors, Palestine has also managed to upgrade food processing industries and penetrate domestic, regional, and global markets. Additionally, achievements have been made by the service sectors, including banking, insurance, health, and transportation. All these are promising sectors

in view of increasing demand. As shown below, however, Palestine is impacted by the declining quality of educational outputs and inadequate alignment to the Palestinian labour market needs. This underlines the need for an integrated solution.

Truly, the unemployment challenge is tough under the occupation and new constraints created by the COVID-19 pandemic. This challenge can, still, be faced and toned down by effective planning and sound management to resolve problems affecting the labour market and provide an integrated alignment. Rather than absent analysis and diagnosis of problems and plans, employment is extremely challenging due to poor follow-up of plan implementation and creation of an institutional environment to help coordinate policies and provide monitoring and evaluation (M&E) to achieve desired results, namely, creating sustainable employment opportunities in the local economy.

In this context, since it took office, the 18th Palestinian government has adopted the Cluster-Based Development Strategy in the agriculture, industry and tourism sectors. By this, the government seeks to promote investment in these sectors towards gradual disengagement from the relationship with Israel, which is dictated by the occupation. The Palestinian economy potential will be bolstered to ensure self-reliance, create employment opportunities, generate income, and raise the purchasing power of the population. Improvement will address imbalance in the labour market, including the latest consequences of the COVID-19 pandemic. The government has also launched a programme of action to develop TVET, provide needed skills to the labour market, and expand access to profit-generating businesses. In line with the institution building programme, in addition to present TVET centres, the government plans to establish a TVET university college within a consolidated national programme to create new occupations.

In relation to demand for workforce, significant impediments clearly face the Palestinian economy, limiting its ability to create adequate employment opportunities and score progress in production value chains, ultimately providing better wages and working conditions for Palestinian workers. These obstacles reflect on the macro- and micro-levels of the Palestinian economy. Given that macroeconomic stability is a key factor for realising economic growth and stimulating demand for workforce, to achieve fiscal stability, Palestine has mainly focused on alleviating the impact of Israeli control over Palestinian resources. Through its fiscal policy, Palestine has sought to control public budget deficit and promote investment. However, due to the ongoing occupation, absent control over monetary policy instruments has largely reduced the fiscal policy effectiveness to achieve economic development. Domestic investments have remained mediocre and concentrated in the real estate sector, keeping the macroeconomics vulnerable and volatile. In the context of the COVID-19 pandemic, it is projected that public finances of the State of Palestine be increasingly difficult due to declining revenues and sharp rise in public spending on medical, social and economic needs. Even

with the reallocation of some expenses, to properly meet these needs, the financing gap can disconcertingly jumpstart form the already high US$ 800 million in 2019 to over US$ 1.5 billion in 2020.

Although the private sector has scored some achievements, penetrating domestic, regional and global markets, doing business and competitiveness indicators were substandard in most sectors so as to effectively contribute to generating employment opportunities. The Palestinian economy continues to be traditional with a structure that reflects a decline in production sectors in favour of service sectors. The private sector also increasingly relies on (unskilled) workers in Israel, making it vulnerable to economic volatility. Nevertheless, a number of promising sectors are capable of making progress in respective value chains towards greater use of more skilled workers. These can also strengthen the Palestinian economy capacity to substitute imports and trade through exports. To grab available opportunities in such sectors, public policies and economic incentives will be provided to promote investment and improve productivity, competitiveness and content in consistence with the creation of employment opportunities in the private sector. In this vein, the most daunting challenge is to address obstacles to SMEs and household enterprises – the largest employer of workers in the Palestinian private sector. Challenges to demand in the labour market should not override significant challenges to the Palestinian economy in terms of supply in this market. Clearly, supply and demand are both quantitatively and qualitatively incompatible. This is described in some detail below.

A significant challenge is placed by the current employment context, particularly among youth in the context of the COVID-19 pandemic, and increasingly weak formal economic activity among women. Hence, a preventive and remedial approach needs to be adopted to address issues of supply and demand for workforce. Preventive action involves spontaneous interventions and policies, preventing and curbing further deterioration of unemployment informal labour, including by promoting and developing social protection programmes and ALMPs. Remedial procedures entail policy making and long-term programmes to deal with the labour market imbalance. These feature supply by the education system and demand for industrial, financial, banking, social protection and other policies, as well as governance of the labour market and tripartite production relations. The NES 2021-2025 addresses inadequate productivity in economic production sectors; improves the TVET system performance; supports developing active labour market policies and programmes, including creation of self-employment opportunities for both men and women; and encourages private investment in priority production sectors to restructure the Palestinian economy and rejuvenate the agriculture, industry and tourism sectors. To this avail, the Strategy sets the framework, through which the Palestinian government and partners will achieve employment and decent work objectives, ultimately serving socioeconomic development.

Tackling challenges posed by the ongoing Israeli occupation on the Palestinian labour market, in particular, requires more than ever before that employment be dealt with as issue interlinked with development as a comprehensive concept. Employment is not only associated with the labour sector in isolation form other socioeconomic sectors. A national employment strategy has, therefore, been needed to determine future policy directions to be implemented throughout sectors to address as much problems originating in employment and decent work as possible under the ongoing occupation. This should maintain longstanding community cohesion in Palestine. An integrated national employment policy will reflect the government's coordinated and coherent vision and will be realised by multidimensional interventions in agreement with all production parties. This policy is of paramount importance, particularly in the context of major socioeconomic challenges imposed by the COVID-19 pandemic.

Based on a national employment policy and plan, the NES 2021-2025 serves as a consolidated reference for employment policy goals and priorities in Palestine. These will be implemented through ALMPs and cross-cutting measures in 2021-2025, with wide participation by social partners, line ministries, public institutions, and stakeholders. The NES needs to be viewed as a policy tool to preserve remaining stability and prevent further degradation and deterioration. To this end, the Strategy is premised on principles which ensuring that (1) more employment opportunities are provided to jobseekers; (2) employment is as decent as possible; and (3) jobseekers enjoy freedom to choose employment and full opportunity for career growth without discrimination. This is why the NES 2021-2025 places employment at the heart of socioeconomic development, viewing employment and decent work as a key focus to achieve stability, address the adverse consequences of COVID-19 on the Palestinian labour market, and respond to threats posed by the ongoing Israeli occupation to the Palestinian national project, namely, establishment of a fully sovereign Palestinian state on the 4 June 1976 border, with East Jerusalem as its capital.

The NES 2021-2025 is grounded in three main, interconnected principles, which take account of the State of Palestine's narrow fiscal space and crucial need to lay the foundations needed to realise positive transformations in the Palestinian economy performance. These principles are as follows:

- **Cost effectiveness**

The Palestinian government is crippled by a financial crisis due to Israeli measures, declining budget support, and setback in economic performance as a result of the COVID-19 pandemic. Against this background, the NES 2021-2025 emphasises interventions that achieve maximum impact on the Palestinian labour market performance and promote relevant government interventions without increasing financial burden on the public budget. Therefore, proposed intervention priorities build on and

develop interventions which expand on current successful employment and ALMPs, particularly those which serve more than one objective of the NES 2021-2025.

- **Relevance to context and changing needs**

The NES 2021-2025 relevance to the Palestinian context is faced by two major challenges. Firstly, proposed policies and interventions need to be aligned with recent economic and social changes after the National Policy Agenda (NPA) 2017-2022 was developed. Particular attention will be paid to the COVID-19 socioeconomic impacts, which were compounding at the time this Strategy was being compiled. Secondly, the future of Palestine is uncertain as Israel plans to annex parts of the West Bank and proceeds with settlement and expansionist policies. Palestine is further unable to predict Israeli measures that might affect the size of Palestinian employment in Israel and Israeli settlements, which has increased markedly over the past few years (see Chapter 2 below). To address these challenges, based on the NES 2021-2025, employment policies and plan of action include tools that allow much coping and resilience in implementation. Interventions are prioritised according to their importance. In addition to phased implementation, periodic reviews cover the progress in implementing and adjusting proposed interventions as relevant contexts change.

- **Policy consistence and integration**

The NES 2021-2025 ensures a balanced approach to preserving interests of the three production parties in the State of Palestine, ensuring realisation of objectives of the national employment vision, promoting consistence of national policies, and serving to achieve relevant policy objectives. To this effect, this Strategy involves a review of national policies on employment and labour market in different sectors. Having produced a desk review, consultations were made with employer organisations and trade unions to identify gaps in and propose improvement of these policies. Policies were reviewed from the perspective of the new reality imposed by the COVID-19 pandemic on the Palestinian labour market and economy. The results of both activities were integrated in the plan of action and taken into account in implementation measures. This effort will continue through the NES 2021-2025 implementation cycle.

The NES 2021-2025 did not start from scratch. It is informed by the NPA 2017-2022 and relevant sector strategies, namely, the Labour Sector Strategy 2017-2022, Education Sector Strategy 2017-2022, Higher Education and Scientific Research Sector Strategy 2017-2022, Economy Sector Strategy 2017-2022, Social Development Sector Strategy 2017-2022, and Agriculture Sector Strategy 2017-2022. The NES 2021-2025 also builds on findings and recommendations of a 2017 International Labour Organisation (ILO) diagnostic study on the employment sector and policies, which used a diagnostic participatory approach with the Palestinian Ministry of Labour (MoL), trade unions, and

employer organisations. The Strategy is also informed by, *inter alia*, an extended number of studies and reports released by the Palestine Economic Policy Research Institute (MAS), World Bank, and European Training Foundation (ETF). Sources of information, data, and analysis are provided by the extensive database of the Palestinian Central Bureau of Statistics (PCBS) surveys.

To ensure broad participation in the NES 2021-2025 development process, a national team was established, representing relevant public institutions and civil society actors. Led by the Minister of Labour, the team received technical support from the ILO and experts delegated by the Palestinian Fund for Employment and Social Protection (PFESP) and Palestinian General Federation of Trade Unions (PGFTU). The team was tasked to develop the Strategy along the lines of a cross-cutting consultation process. Members were selected from leading ministries and public bodies of labour, education, higher education, economy, agriculture, social development, women's affairs, entrepreneurship and empowerment, trade unions, employer groups, PCBS, and General Secretariat of the Council of Ministers. In the West Bank and Gaza, the national team convened several consultation sessions with private sector entities and representatives of workers and NGOs involved in employment services. Consultations provided significant contributions, which were taken into consideration when proposed objectives and interventions were set. Compiled concurrently with sector strategy updates, the NES 2021-2025 was also guided by special consultation sessions held by most sectors to discuss employment issues from a sector planning perspective, also contributing to the Strategy.

This document reviews outputs of these consultations and findings of analysis and planning in six chapters. After this Introduction, Chapter 2 diagnoses the reality of employment and labour market. Examining working conditions and unemployment in Palestine, it reviews this reality by analysing factors bearing on the supply and demand in, as well as the institutional structure of, the labour market. Chapter 3 provides a synopsis of major employment challenges and problems and overviews government priority policies to deal with these challenges. Chapter 4 highlights the way forward, presents the national employment vision, and sets strategic objectives, goals and relevant outputs. Chapter 5 outlines financial resources needed to implement the NES 2021-2025. Finally, Chapter 6 presents the management and M&E plan. Annexes include a list of the names of members on the national team and technical committee, matrix of objectives and interventions, and proposed projects.

2. Diagnosis of the reality of employment and labour market in Palestine

2.1 Economic context

Palestine is the only state, which continues to be under occupation and affected by economic exploitation of Palestinian resources and wealth by the occupying Power. Israel undermines efforts made by the State of Palestine and partners, including international community and Palestinian civil society, to achieve sustainable development. For over a decade, efforts have been exerted by successive Palestinian governments to build Palestinian state institutions and improve public service delivery to Palestinian citizens in the West Bank, including East Jerusalem, and Gaza Strip. However, Palestine is crippled by the vicious cycle created by the ongoing Israeli occupation and expansionist settlement policy across the West Bank, including East Jerusalem. Palestinians are unable to access and use their land and natural resources in Israeli-controlled areas, making up some 62 percent of the West Bank. Israeli policies do not only throw overboard all international conventions and customs, but also violate Israel's obligations as an occupying Power under International Law and International Humanitarian Law.

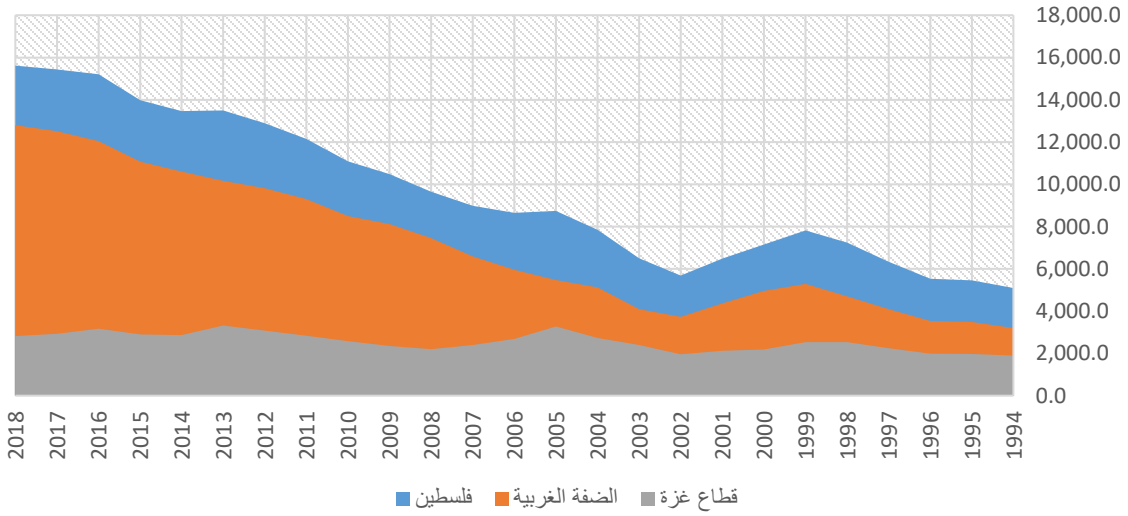
Fifty years after the Israeli occupation, Israel continues to dominate all walks of Palestinian life in the West Bank, including East Jerusalem, and Gaza. The occupation is increasingly intractable. In addition to movement restrictions, demolitions and forced displacement, Israel threatens to annex more Palestinian lands to ever growing Israeli settlements. East Jerusalem is isolated from its landscape and ripped apart by the Apartheid Wall.

According to World Bank estimates, if access restrictions on Area C are removed, the West Bank economy can grow by an additional one third in eight years. Instead, in violation of the UN Security Council Resolution 2334, Israeli settlement activity continues unabated throughout the West Bank. Compared to 2018, 2019 saw more new housing units constructed and slated for construction in settlements. Some 400,000 settlers currently live in settlements and settlement outposts in Area C. Another 210,000 settlers reside in East Jerusalem. Israel has also reinvigorated legislative and administrative initiatives to alter the Israeli policy towards the West Bank and land use. Most recently, an amendment to the Basic Law: Jerusalem is the Capital of Israel has made it extremely difficult to any Israeli government to return land currently located within the Israeli-defined Jerusalem boundaries to a future Palestinian state. Sanctioned by the United States, this amendment was a prelude to Israel's plan to annex the West Bank in 2020. These and other Israeli measures on the ground eliminate prospects for the two-state solution based on international legitimacy, which has long been upheld by the State of Palestine.

Due to Israel's full control over the Palestinian economy, the desired impact of effective Palestinian policies and donor support have long been undermined and limited by variables created by Israel. The financial burden of humanitarian crises and losses caused by the occupation have shifted donor aid from development to humanitarian interventions and budget support. In addition to political uncertainty, the Palestinian economy has been unstable, proving to be incapable of needed performance to support basic standards of living. In 2017, 29.2 percent of the total Palestinian population lived below the national poverty line, including 13.9 percent in the West Bank and 53 percent in the Gaza Strip.[1] Extreme poverty affected 17.8 percent of the population, including 5.8 percent in the West Bank and 33.8 percent in the Gaza Strip.[2] In the West Bank, pockets of poverty and vulnerability to poverty are concentrated in close proximity to Israeli settlements and military installations as well as in access-restricted areas. Over the past years, the flow of international aid has played a considerable role in lifting households out of poverty, at least temporarily. This aid has had a relatively limited impact in relation to employment and creation of employment opportunities.

The Palestinian economy is relatively small. In 2015 fixed prices, GDP was close to US$ 15.6 billion in 2018 (see Chart 1). The Palestinian economy is largely affected by political events and instability. Charts 2 and 3 below show how economic downturn (2000-2002, 2006, 2014, and 2018) coincided with the second Intifada and Israeli blockade on Gaza.

Chart 1: Added value in Palestine, 1994-2018 (in fixed prices: baseline year 2015) (US$ million)



[1] PCBS. (2017). Poverty Benchmarks in Palestine.
[2] Ibid.

Chart 2: GDP growth (in fixed prices, 2015), 1999-2018

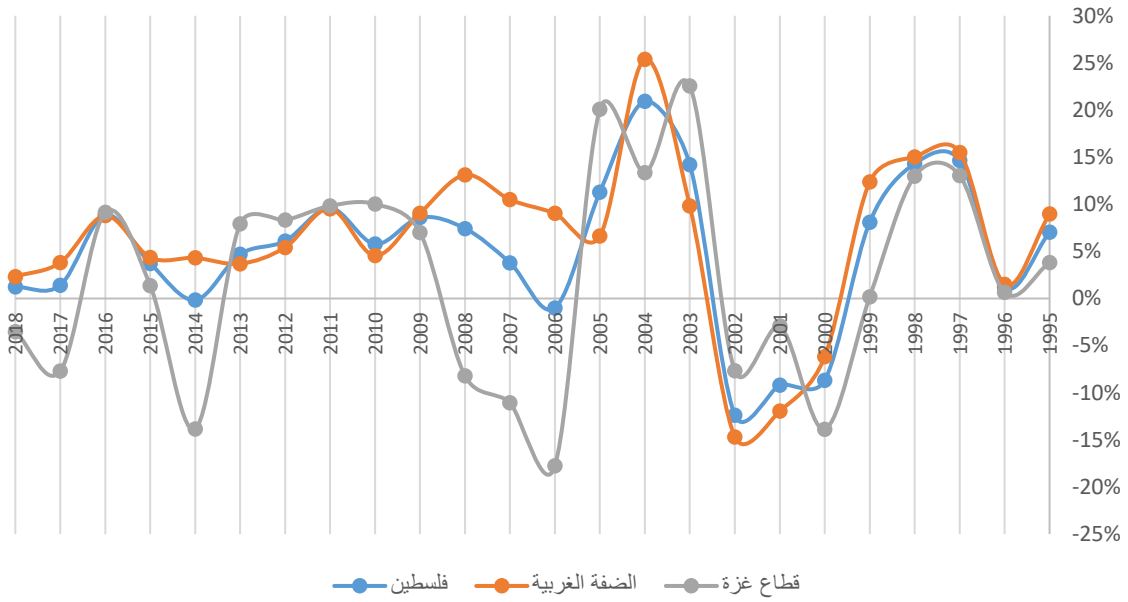
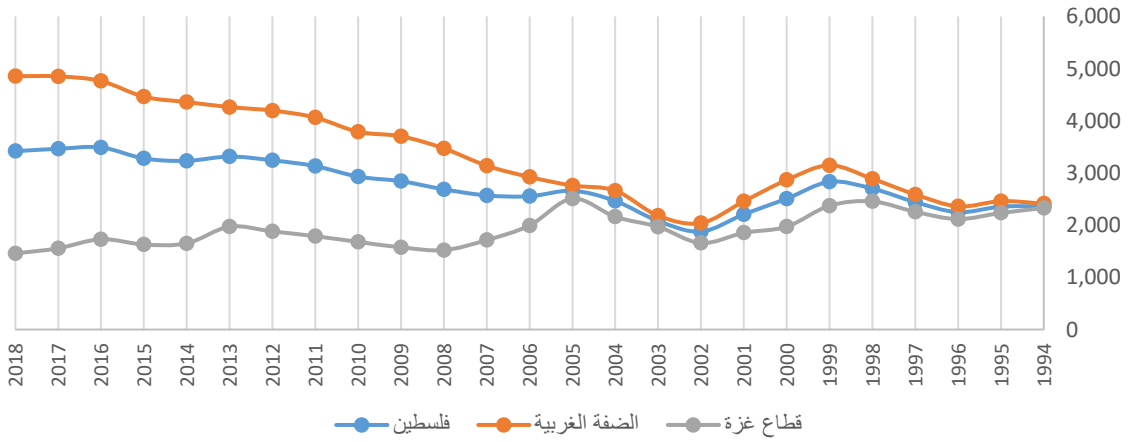


Chart 3: GDP per capita (in fixed prices, 2015), 1999-2018

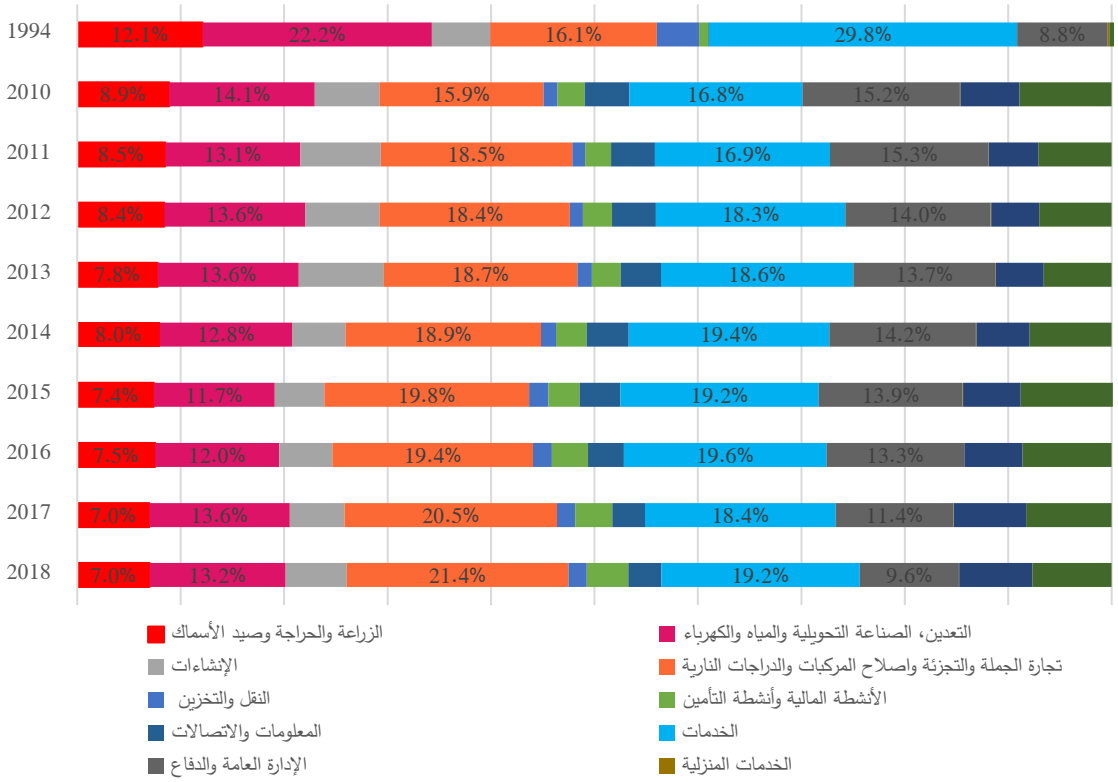


In 2019, Palestine registered a GDP growth of 0.9 percent, maintaining the growth rate of 2018 in spite of the financial crisis that hit the economy. Then, Palestinian clearance revenues were withheld for over six months in a row, resulting in liquidity problems, build-up of arrears, and continued decline in foreign grants and aid, particularly cut off of US assistance to the government and civil society organisations (UNRWA and USAID). However, growth was paralleled by a 1.3 percent drop of GDP per capita in comparison to 2018. GDP growth did not keep pace with natural population growth. In Q1 2019, real

GDP decreased by 3.3 percent by contrast with Q4 2018. Compared to Q1 2019, decline plummeted further to 2.0 percent in Q2 2019 due to the clearance (two thirds of the Palestinian government revenues) crisis with Israel. To manage the financial crisis, the government enacted an emergency budget, which resulted in partial payment of the public wage bill. In Q3 2019, estimates showed a slight improvement in economic activity, rising by 1.0 percent compared to the earlier quarter. In Q4 2019, GDP continued to increase, registering a growth of 3.6 percent in contrast with Q3 2019. This was driven by projected recovery of domestic demand, particularly household consumption expenditure, improved pace of major economic activities, and accelerating government expenditure after a large portion of clearance revenues were transferred to the government and on a monthly basis retroactively for previous months in 2019. The government paid a significant amount of arrears to public sector staff and private providers.

The COVID-19 crisis has come at a time the Palestinian economy marked growth in non-tradable sectors, particularly services, wholesale and retail trade, and housing. In these areas, subsectors require a small capital for investment and are relatively less susceptible to political risks. This growth was at the expense of production sectors, such as agriculture and manufacturing, which were historically among the most important employment sectors. Usually a key driver of export-led growth, manufacturing sector contribution to GDP dropped from 22.2 percent in 1994 to 13.2 percent in 2018. Agriculture sector share also decreased from 12.1 to 7 percent during the same period. Currently, the service sector accounts for some 42 percent of total GDP. This sector is dominated by low-productivity activities, including government and domestic trade which basically rely on imports. Hence, service sector growth at the expense of other sectors might be unconducive to achieving economic development based on employment and enhanced competitiveness.

Chart 4: Economic activity contribution to GDP (in fixed prices, 2015): selected years

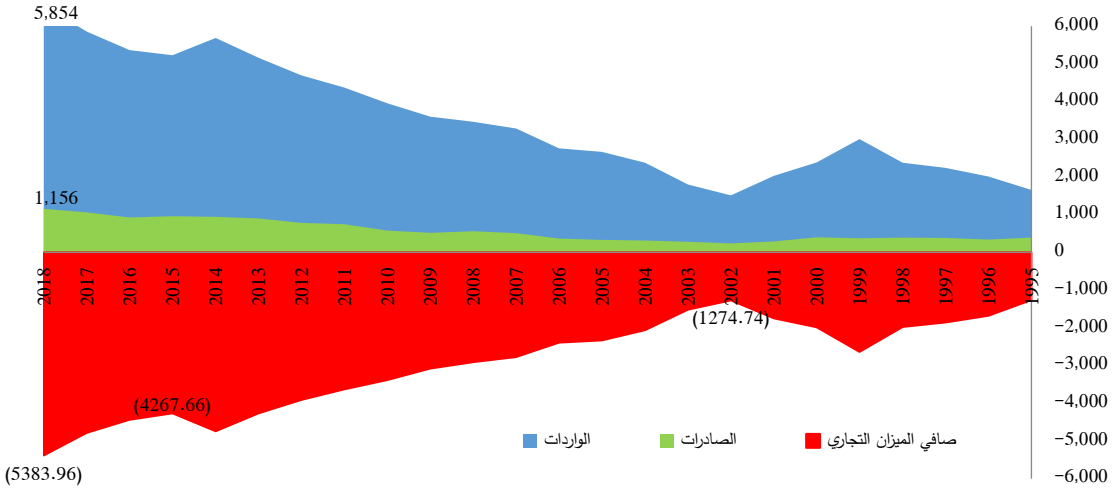


Declining GDP share of agriculture and industry sectors is linked to two factors. First, government policies have not paid adequate attention to developing these sectors, nor have they been prioritised by government interventions and services needed to create an enabling institutional environment to develop and contribute to increasing their competitiveness, market share, and exports. Agriculture and industry have not been given priority by reconstruction and development programmes implemented since 1994. Second, in addition to settlement expansion, Israel prevents Palestinian investment in land and natural resources across the West Bank, creating a disabling environment of agricultural and industrial development. Israeli constraints on the Palestinian agriculture sector include denial of access for farmers to Palestinian water sources, land grab, isolation of villages from cultivated land by the Wall, destruction of trees and crops, demolition of homes and production assets, and restriction of the movement of workers and goods on checkpoints, roadblocks, and trenches. Imposed since 2007, the siege on Gaza has led to large-scale breakdown of Gaza's economy. Hundreds of economic enterprises have closed down due to restricted movement from and into Gaza and disrupted power supply, the primary raw material in employment and manufacturing exercises. The three wars waged on Gaza since 2008 have resulted in the destruction of hundreds of industrial establishments, which have not so far been able to recover.

Because of the blockade, almost 80 percent of the Gaza population mainly depend on humanitarian assistance.[3]

For a small economy such as Palestine's, to achieve sustainable growth largely depends on competitiveness in both domestic and external markets and increase in commodity and service exports. The Palestinian economy has lost this capability due to poor policies designed to boost competitiveness, external restrictions on trade and access to resources, political instability, and weak business environment. In spite of improving export performance in recent years, trade deficit has been on the rise since 2002. Chart 5 below shows that average net trade balance deficit has increased by 10 percent since 2002, reflecting on the local economy ability to maintain and create employment opportunities. It also pinpoints the growing inability of Palestinian production to grow.

Chart 5: Amount of exports, imports and net trade balance (US$ million), 1995-2018



Palestinian commodity exports mainly include limestone and agricultural produce. Most of these are of value or low added value in view of limited processing. In the future, focus needs to be placed on increasing the Palestinian economy capacity to diversify commodity experts and develop production value chains to add value to commodities before exportation. The evolution and continued growth of some high-value sectors, including pharmaceuticals, furniture, agricultural industries, ICT, energy and communications hubs, highlight the opportunities provided by these sectors and contribution to employment-based economic development.

[3] United Nations Office for the Coordination of Humanitarian Affairs (OCHA). (2018) . Humanitarian Monitor.

Trade with Israel accounts for the greatest portion of Palestine's trade with the outside world. In 2018, 83.7 percent of Palestinian commodity exports were destined to Israel. By contrast, 55.5 percent of commodities were imported from Israel. Commodity trade deficit with Israel neared 49.4 percent compared to that with other countries. This reveals how dependent the Palestinian economy is on Israel's and on trade with Israel.

Chronic and accelerating trade balance deficit in Palestine is attributed to objective factors, including Israeli restrictions on Palestinian production and trade, reducing production potential and competiveness of the Palestinian economy. Israel also seizes control of natural resources, imposes conditions on development, particularly in Area C, places restrictions and charges high duties on imports, exports, and movement of persons and goods on international crossings. In parallel, domestic factors play a pivotal role. Namely, Palestine lacks a national strategy to be jointly implemented by various local parties, including the government, private sector, and civil society in collaboration with international friends. Conversely, while investment and development expenditures are neglected, priorities are set to increase government import and export revenues.

2.2 Macroeconomics and fiscal space

In 2019, rather than announcing a public budget, the Palestinian government enacted an emergency budget in late February 2019. Actual financial statements released by the Ministry of Finance and Planning (MoFP) indicate that actual current budget deficit amounted to US$ 700 million, higher than in previous years. The 2020 budget proposal is still in the making at the MoFP or Council of Ministers. In the current political and economic circumstances, greater attention has been given to the budget, financial position of State of Palestine, and ability to meet liabilities. Totalling US$ 5 billion, the last approved public budget was that of 2018.

The Palestinian government relies on three sources to finance expenditures. First, domestic duties and taxes mainly include income tax, VAT, and property tax. Estimated at US$ 1.25 billion per annum, domestic taxes represent 25 percent of total government revenues. Second, according to the 1994 Paris Protocol, clearance revenues comprise taxes on Palestinian imports via Israeli ports and tax on purchases from Israeli importers. Amounting to US$ 2.5 billion annually, this cash receipt constitutes 50 percent of all government revenues. Third, estimated at US$ 1.25 billion, foreign aid accounts for 25 percent of the budget financing delivered by international and Arab development agencies.

The majority of Palestinian budget expenditure (US$ 4.98 billion) is generally earmarked to current expenses and net lending. Very high by any standard, the wage bill takes up as much as 50 percent of budget expenditure. To minimise the wage bill, the government

has used a zero-based approach to appointments; that is, new employees are only appointed in place of retired staff. According to the 2018 budget, US$ 821 million were allocated to development expenditures. These sums are usually in the form of projects, some of which are funded by international donors. In most years, depending on available aid, actual spending on development projects is much less than budget allocations. In other words, 90 percent of public expenditures is spent on operating expenses and just 10 percent on development projects. This flawed public spending distribution poses a challenge to using public fiscal policy to create employment opportunities by spending on infrastructure projects and supporting production sectors.

All imports enter Palestine via Israel. Hence, the Palestinian government does not control customs duties, VAT, and many other tax revenues. Importers pay customs duties, VAT, purchase tax and other taxes to Israel. After it deducts 3 percent in administrative and other costs, Israeli transfers these taxes to the MoFP, provided that the latter submits corresponding importer invoices. Given that situation, the Palestinian government lacks control over a major portion of its revenues. Most often, significant tax evasion takes place, with consequences reflecting on the financial position of the State of Palestine. In early 2016, Palestinian-Israeli ministerial meetings scored good progress towards putting an end to financial wastage due for Palestine. However, a systematic mechanism should be developed to eliminate this problem in its entirety.

The Palestinian public budget is affected by a fragile and unsustainable financial position. It consistently experiences deficit in current balance and balance after grants and aid due to poor revenues and lack of government control over revenue collection. According to the 2018 budget, this meant a deficit of some US$ 1 billion. The situation was further compounded when Israel withheld clearance revenue transfers to the Palestinian government in early February 2019. The United States halted grants and support to Palestinian projects in late 2018, creating a considerable financial gap. In light of irregular transfers and forcible deduction of clearance revenues, if no states offset US aid, the Palestinian government will face a larger fiscal deficit, putting its own continuity at stake.

As a result of increasing expenditures, current deficit and public debt have built up. In spite of institutional expansion, proper foundations for development are lacking. Attention is not paid to economic conditions, size of resources under Palestinian control, low domestic tax revenues, and Palestinian government inability to levy other taxes. More importantly, Israel seizes control over local resources, borders, and clearance transfers. Consequently, an analytical study of the Palestinian budget is urgently needed to recommend a budget restructure in consistence with a more sustainable fiscal and economic position. For example, a portion of the budget will be channelled to agricultural and development activities with a view to generating income, creating employment opportunities, reducing pervasive unemployment, and broadening budgetary fiscal space.

Already weakened by the liquidity shock in 2019, the State of Palestine's financial position now faces further deterioration in the context of the COVID-19 crisis. The liquidity shock resulted in a budget deficit of about US$ 800 million, or 4.6 percent of the 2019 GDP. This implies that the financial position is too weak to deal with the additional challenges imposed by the COVID-19 pandemic. Government estimates show that this crisis will lead to a significant decrease in government revenues in 2020, while at same time increasing demand for spending on health, social assistance, and private sector support. The World Bank estimates that, in 2020, government budget will face a financing gap of over US$ 1.5 billion to properly meet these needs. This requires more rationalised spending and reallocation that depart from priorities already set for various sectors. These will be directed to promoting social protection, strengthening private sector resilience, and creating employment opportunities.

Table 1: Budget indicators, 2011-2018 (US$ million)

Indicator	Years							
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
1. Revenues	3,461.0	3,312.8	4,049.2	4,447.6	4,112.2	4,713.0	4,764.6	4,453.2
2. Total expenditure	3,629.3	3,616.4	3,927.3	4,285.8	4,428.1	4,600.7	4,983.7	4,643.5
2.1 Current expenses	3,403.5	3,452.8	3,783.6	4,106.1	4,100.2	4,315.8	4,695.7	4,370.1
2.2 Capital expenses	225.80	163.60	143.70	179.70	327.90	284.9	288	273.4

2.3 Demographic transition in Palestine

In 2017, the population in Palestine was 4.7 million, including 2.88 million in the West Bank and 1.89 million in the Gaza Strip. Despite census results indicating a decline in the fertility rate in Palestine in recent years, birth rates continued to be high (35 and 66 per 1,000 in the West Bank and Gaza respectively). Natural population growth (2.83 percent) was still high, particularly in Gaza where the population growth was 3.3 percent (compared to 2.5 percent in the West Bank). In view of demographic distribution, the age structure of the Palestinian society was young. Results of the 2017 general population census showed that minors (0-14 years) and youth (15-29 years) comprised 25 and 29 percent of the total population respectively. The elderly (65 years and older) represented just 2.9 percent of the total population.

Main direct determining factors of the current fertility rate include widespread early marriage and low use of modern family planning techniques among women. However, education, particularly female education, is the key determining factor of the fertility rate and, by consequence, population growth in Palestine. Findings of a United Nations Population Fund (UNFPA) study demonstrated that in Palestine, like many countries, fertility rates inversely correlated with improved levels of education (from primary to secondary education, and from secondary to higher education) and transition to work. Accordingly, in the years ahead, population growth and structure will be dramatically affected by advancement in education levels and smooth transition from education to work in Palestine.

UNFPA demographic projections (2016) showed that Palestine was about to witness significant changes in its demographic structure. In spite of projected low fertility rates, population is expected to double (9.5 million) by 2050. A major part of this population boom is expected to take place in Gaza, where the population will exceed those in the West Bank. The Gaza population will rise by 50.3 percent, all living within 365 square kilometres. This is, indeed, one of the most densely populated areas in the world. Analysis showed that the demographic structure will change in favour of the Palestinian population of working age due to the following shifts:

- Significant decrease in the under-15 group from 25 to 20 percent in 2050.
- The elderly group will more than double, up to 7.7 percent by 2050. Although it is not alarming, this considerable rise begs for a serious rethinking of preparations to provide healthcare and social protection requirements.
- Population of working age (15-64 years) will exceed 67 percent by 2050.
- Finally, dependency ratio will be down from 0.73 to 0.49 by 2050, providing an enabling factor for increasing savings, investments, and GDP growth.

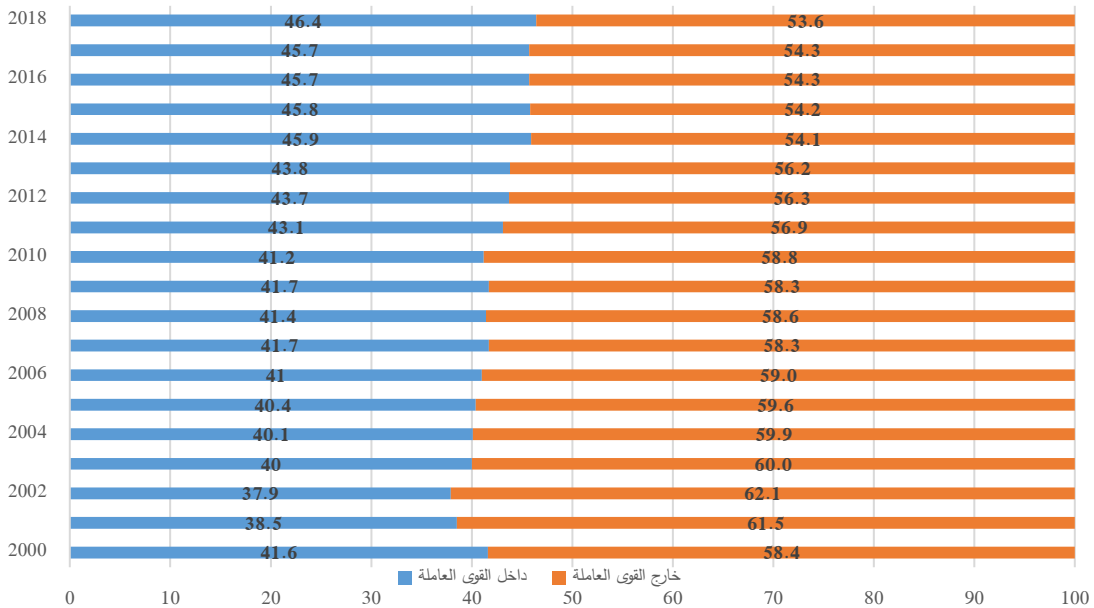
According to the UNFPA, by 2050, the Palestinian economy is projected to have 3.8 million in the labour market, up from 1.38 million 2018. To keep current employment rates, this requires an increase of 72,000 employment opportunities by 2030. After that year, a greater portion of new job will need to be provided in Gaza due to high fertility rates. Currently high unemployment rates, especially in Gaza, make projected demand for job a matter of grave concern. As demonstrated below, this is due to the limited absorptive capacity of Gaza labour market under the Israeli siege and continued Palestinian political divide. PCBS data show that, between 2010 and 2017, the labour market accommodated some 39,000 new workers per year on average, leaving 16,000 new entrants unemployed every year.

2.4 The reality of the Palestinian labour market

A close look at the Palestinian labour market data and conditions show a magnitude of challenges and opportunities to build an independent economy that is capable of creating decent employment opportunities to Palestinian citizens. As mentioned above, projections of the current demographic structure in the West Bank, including East Jerusalem, and Gaza Strip stress the need for investing immunising the labour market performance and capabilities of creating decent employment opportunities, enabling investment of projected demographic shifts to develop the employment-based Palestinian economy.

Key challenges to making use of these demographic shifts involve poor economic activity of a majority of population of working age, particularly women, and rising unemployment rates among youth. Significant obstacles are placed by the ongoing Israeli occupation on natural resources and movement of persons and goods, constraining investment and preventing private sector ability to create decent and sustainable employment opportunities to jobseekers, particularly new labour market entrants every year. As shown in Chart 6 below, participation of Palestinians of working age in the labour market was at best 46.7 percent over the past 20 years, with considerable variations however, between males and females.

Chart 6: Percentage breakdown of individuals aged 15 and above in Palestine according to relation to the work force, 2000-2018



Critically, several questions need to be answered. Who are the non-economically active persons? Why are they inactive? What are their approaches to the labour market? Who are the economically active persons? What are their characteristics in terms of gender, educational attainment, and workplace? Who are the employed and what are their characteristics? What is the salary structure and how has evolved? How many jobs are created by the Palestinian economy annually and what gaps are there? Answers to these questions will allow a correct diagnosis of the current context of the labour market (see below) and proposal of a package economic, fiscal, and industrial policies to address these issues. These will ultimately contributed to setting needed cross-cutting programmes, projects, and interventions to implement these policies.

2.4.1 Who are the economically and non-economically active persons?

In 2019, participation rate in the workforce was 46 percent. This downward trend is essentially attributed to low female participation, marking 20.7 percent compared to 71.5 for males. Economic literature interpret differences in female participation in the labour market in reference to many demographic factors, sociocultural structure, and husband or householder's income. Still, the education level is a key factor that accounts for the Palestinian case. To bring this issue to light, analysis draws a distinction between males and females according to the level of education (those with educational attainment higher and lower than secondary education). Data show that participation rate for educated women reached 67 percent in comparison to 10 percent of less educated females. Regarding males, it does not seem that education plays a critical role: participation rate for the educated was 87 percent compared to 81 percent among those with less educational attainment. This is primarily due to the functional family role of males, who engage in income-generating activities.

Prospects for finding a job plays a crucial role in women's decision to participate in the labour market. Evidence is drawn from a 2019 MAS study findings on changes to the Palestinian labour market between 1999 and 2018. For those who completed their education, the study distinguishes between the education level and age (to demonstrate change in supply and demand for new labour market entrants) in the West Bank and Gaza. This is linked to change in employment rates. Quarterly data of the PCBS Labour Force Survey show that, in the West Bank, young female (aged 19-29 years) participation was on a downward trajectory after the second Intifada (2000-2004), but was not dramatically affected during the Intifada when Israel tightened closure and prevented Palestinian workers from accessing the Israeli labour market.

In the West Bank, during and after the second Intifada and following gradual easing of Israeli restrictions on the Palestinian economy, the participation rate in the labour market

registered an improvement among the more educated male youth and older educated females, with the exception of educated young women. The latter's participation began to decline and has thus far maintained this trend. Also, participation rate for older educated females decreased after 2013. Regarding the participation rate in the workforce for less educated groups, Chart 7 shows wide discrepancies between males and females. While male participation tended to cross an 80 percent threshold in recent years, female maintained a low participation rate, less than 20 percent. Chart 8 reflects a slight improvement in female participation towards 2007, but soon mounted a downward trajectory towards 2018.

Chart 7: Change in participation rate for educated individuals in the West Bank, 1999-2018

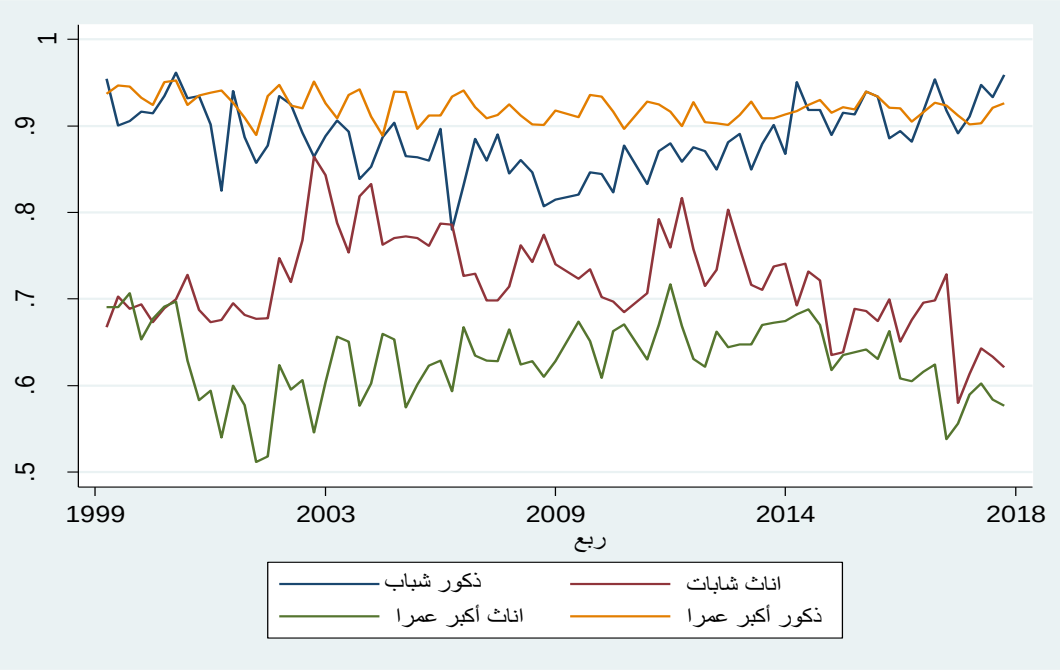
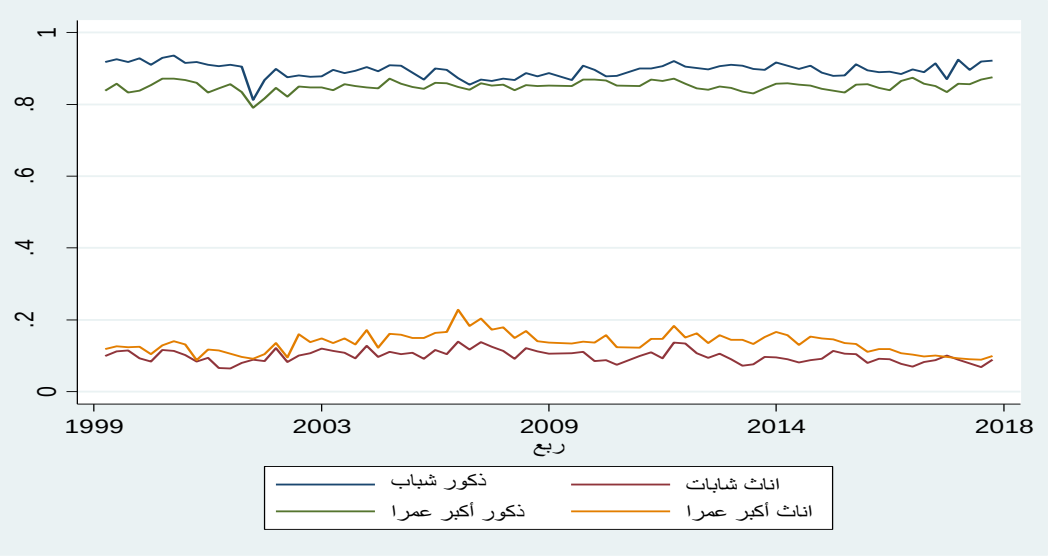


Chart 8: Change in participation rate for less educated individuals in the West Bank, 1999-2018



Results of participation rate in the workforce show a convergence between Gaza and West Bank, particularly among educated males (Charts 9 and 10). In past years, educated female participation were in an opposite direction, marking an upward trajectory since the Palestinian divide in 2007. Participation rate among less educated females slightly rose after 2004, but remained below 20 percent.

Chart 9: Changes in workforce participation rates among individuals in Gaza, 199-2018

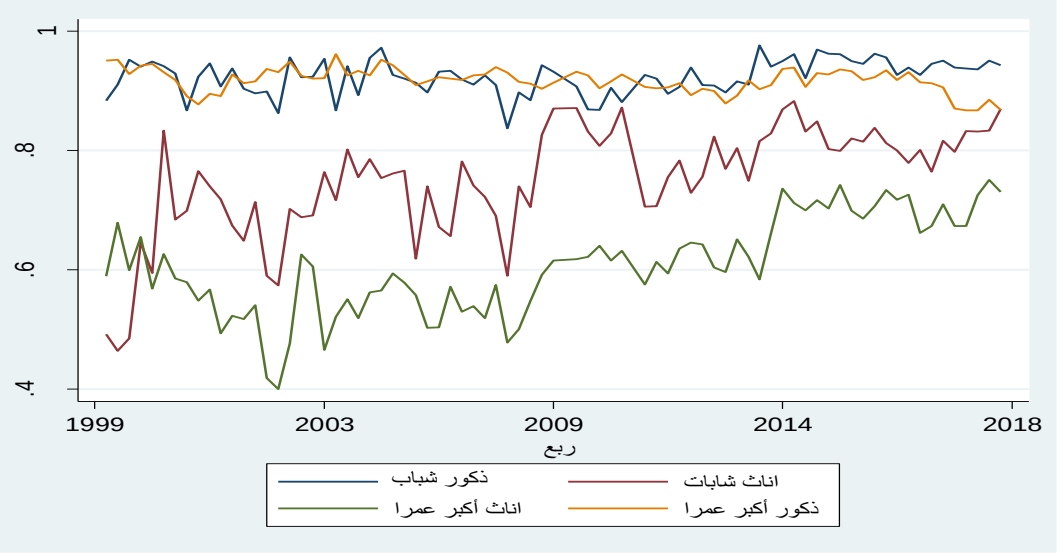
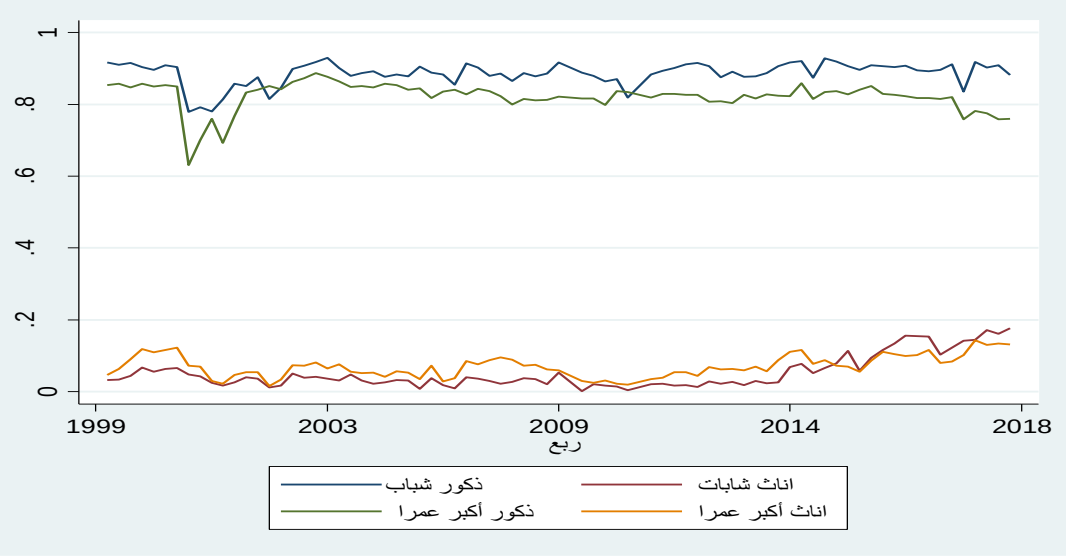
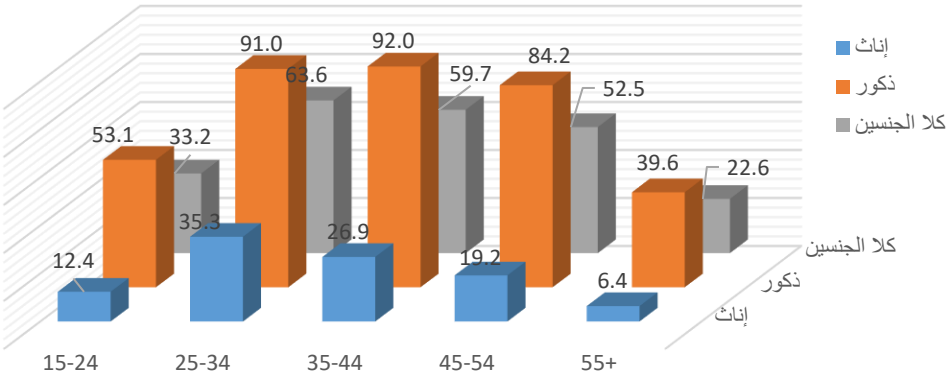


Chart 10: Changes in workforce participation rates among less educated individuals in Gaza, 199-2018



While males show a high level of participation in the labour market at a relatively young age, female partipcation rates are inadequate. Female workers are out of the labour market at a rapid speed. Evidently, Chart 11 demonstrates that almost 54 percent of males in the 15-24 age group become economically active, reaching a zenith at 44 years of age, but declining sharply after 55 years. For females in the 25-34 age group, the trajectory rises slowly to a climax at an early age (where 35.5 percent of females are in the 25-34 age group), it takes a rapid downward spiral, and a quicker pace among males. This is because many women drop out of the workforce when they get married, particularly after they have their first babies, due to a poor childcare system and employers' inadequate compliance with the Labour Law, which ensures minimum rights to maternity and childcare leaves for women.

Chart 11: Workforce participation rates among individuals aged 15 and above in Palestine by age, 2000-2018



Labour force survey findings support the conclusion that women face difficulties at work or stay at home after they get married. According to Table 2, data show that participation rate for married women is markedly lower than unmarried ones, whether more or less educated. On the other hand, marriage does not significantly change male participation. Figures may also reflect the relatively inadequate social protection and care facilities as well as disproportionate burden on women, including living and household responsibilities.

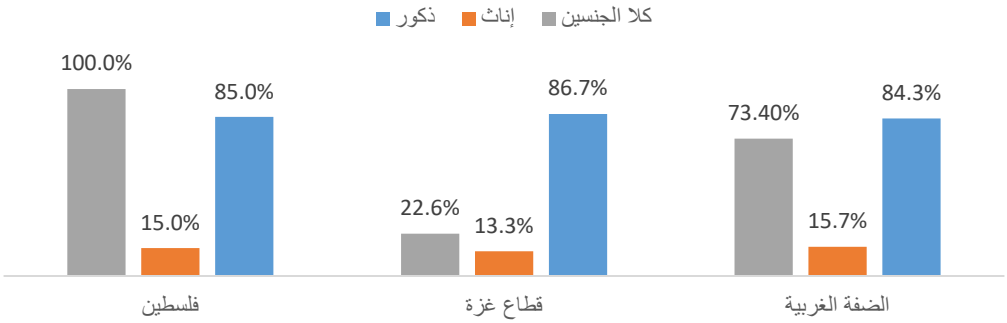
Table 2: Workforce participation rate among males and females according to education level and marital status

Group	Married	Never married
More educated females	86%	58%
More educated males	93%	85%
Less educated females	20%	8%
Less educated males	84%	81%

2.4.2 Who are the Palestinian workers and what are their characteristics?

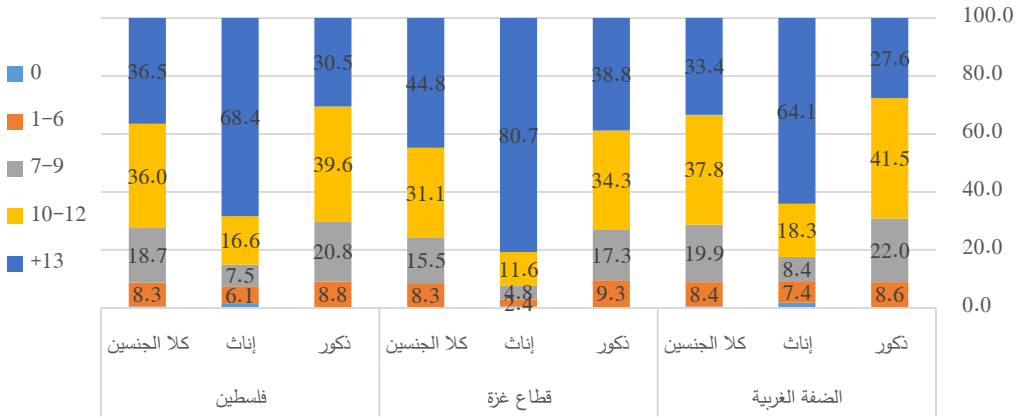
In 2000-2018, the number of Palestinian workers rose by 384,000, bringing the total number of workers in Palestine in 2018 to 956,000, including 702,000 (73.4 percent) in the West Bank and 254,000 (22.6 percent) in Gaza. During the same period, the number of economically active persons increased by 715,000. While annual increase of workers was just 20,200, the annual rise of economically active persons was close to 40,000, reflecting the diminished capability of Palestinian economy to create and maintain employment opportunities.

Chart 12: Palestinian worker breakdown by area and gender, 2018



As shown in Chart 12 below, males represent 85 percent of all workers. While 36.5 percent of workers completed at least 13 years of schooling, this percentage varies considerably in favour of females. Working women with secondary education certificate or higher (68.4 percent) are more than double male workers with the same level of education (30.5 percent). The percentage of male and female workers with secondary education certificates or higher is higher in Gaza than in the West Bank (see Chart 13 below).

Chart 13: Percentage breakdown of Palestinian workers by gender, schooling years and workplace, 2018

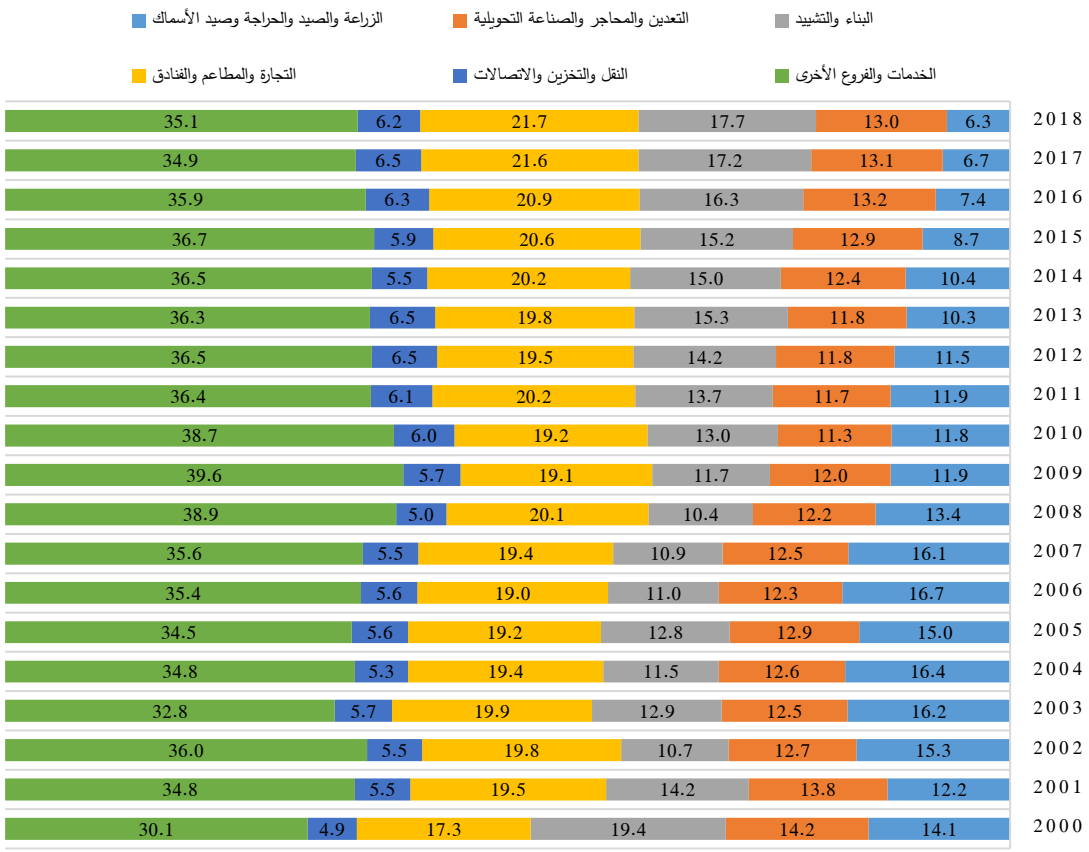


Unsurprisingly, as discussed above, transformation in the Palestinian economy structure has reflected on employment and productivity structure. As shown in Chart 14, in 2018, agricultural workers represented 6.3 percent of total workforce, the lowest since 2000. This demonstrates that the agriculture sector is still unable to provide decent employment opportunities to Palestinian workers despite the increasing value of agricultural production over the last 10 years. Along this vein, service and trade sectors continued to be growing components of Palestinian economy. In terms of contribution to employment, these employed almost 57 percent of all workers in 2018, a rise of 83 percent since 200. Service sector contribution to employment increase in view of declining intake by the

public sector, which employs some 30 percent of working women, in recent years. This indicates that much of this increase is driven by rising government employment. Meantime, a significant part of employment growth in the trade sector was led by a growing workforce in tourism, indicating potential growth in this subsector.

In spite of some interesting changes, other sectors mostly retained the same level of contribution to employment. For example, although the mining, quarrying and manufacturing sector share is still lower than the 2000 level (over 1 percent), this sector has seen an increasing share of employment in the past 10 years, indicating that it is experiencing recovery which can be invested to promote growth based on decent productive work. While it had a higher share of employment by percentage points since 2000, transportation, storage and communications sector does not demonstrate capacity to contribute more to employment in the current political circumstances. Albeit significant from an economic growth perspective, this sector is therefore the least important for investment in employment. Though crucial to employment, construction sector contribution was mostly driven by demand for workforce in Israeli and settlements. This has increased dependence of the Palestinian labour market on Israel and made it more susceptible to negative impacts of the political situation.

Chart 14: Percentage breakdown of Palestinian 15-and-over workers by economic activity, 200-2018

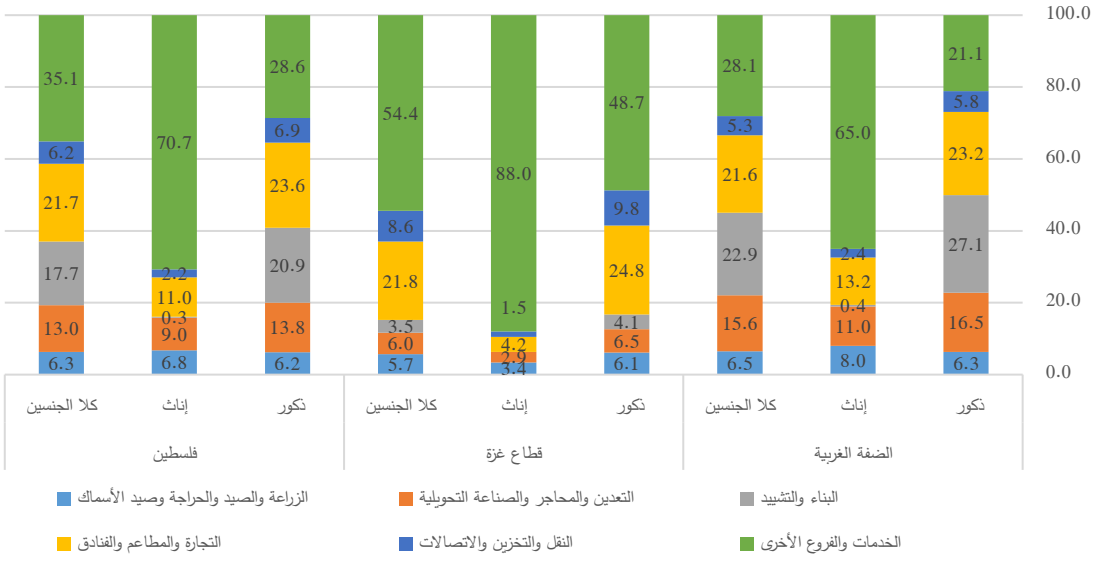


Labour Force Survey results indicate major gender inequalities in the sectoral composition of employment, particularly in service, construction, trade, hotel and restaurant sectors, which employ 70.7, 11, and 9 percent respectively of all Palestinian working women, in comparison to 28.6, 23.6 and 13.8 percent of the male workforce. Results also show substantial male-female parities in the work done by women in sectors compared to males. While percentage breakdown of male occupations indicates male distribution to most jobs, the majority of working women are employed as technicians, specialists, assistants, and clerks (57.6 percent), and to a lesser extent as service providers and vendors (16.5 percent). Variations are clearer between male and female workers in Gaza than in the West Bank (see Chart 15 below).

Bearing in mind that increasing employment opportunities for women is necessary for Palestinian benefit from the "demographic dividend", barriers to female participation deserves a greater focus of attention. The foregoing presentation shows significant disparities in the labour market from a gender perspective, disproportionately affecting working women. These women opt for employment in service and trade businesses due to lacking proper opportunities in other sectors and overall community acceptance and encouragement for women to work in these businesses. Policies should, therefore, be made to promote female employment opportunities in the service sector, ensuring decent

work requirements for workers. At the same time, more attention will be paid to and barriers to female engagement in male-dominated sectors, particularly production ones. Needed policies and strategies will be in place to reduce these obstacles and minimise horizontal gender segregation in the labour market.

Chart 15: Percentage breakdown of 15-and-over Palestinian workers by gender and economic activity, 2018



A 2012 Mercy Corps study shows how horizontal gender segregation in the labour market weakens women's access to growth opportunities in various sectors. While in 2013 construction sector growth was the main driver of a general increase in employment in Gaza, women were primarily employed in the education sector, which has long been viewed by the Palestinian society as the most suitable for female employment. The study highlights a number of multidimensional challenges to disrupting horizontal gender segregation in the labour market, including access restrictions and (culture-driven) weak demand for women's work, lacking credit (as anywhere else), and poor competitiveness of sectors where women are active (e.g. handicrafts or food processing) with Israeli and imported products. Additional predicaments involve limited higher education and TVET options, which lead to limited and traditional occupations. Employment-related regulations inadequately provide for incentivising and overcoming obstacles to female employment. Generally speaking, current approaches motivate the employment of women have had a minimal impact on addressing horizontal gender segregation in the labour market. While many have concentrated on female employment in traditional sectors, these approaches have made little effort (and investment) to create a common space for sector integration or upgrade the level, quality, and status women's employment

in the value chain with a view to achieving growth based on highly productive employment.

On the other hand, the vast majority of Palestinian male and female workers are predominantly engaged in wage employment. Without any significant differences in comparison to previous years, paid employees comprised some 70 percent of the total workforce in 2018. In the same year, self-employed were as much as 19 percent of all workers in Palestine. The rest included employers who employ others or unpaid workers (mostly for their households), representing 7.1 and 4.3 percent respectively of all workers. These percentages cover regional disparities and others related to employment by gender. Differences should be taken into account in planning for promoting an employment economy in Palestine.

- While paid employment is the general character of Palestinian workers, attention should be paid to variations between the West Bank and Gaza in terms of percentages of paid employees, self-employed, and employers hiring others. The first group is 11.3 percent higher in Gaza than in the West Bank. The last group is 9.5 percent higher in the West Bank than in Gaza. These discrepancies mainly reflect difficulties faced by jobseekers in Gaza in finding employment opportunities vis-à-vis their counterparts in the West Bank. Hence, many opt for self-employment (e.g. running vendor stalls for selling services they can provide) as a last resort to escape unemployment.
- In terms of gender, employment in all categories clearly differs among males and females. Male business owners or self-employed males are 12 percent higher than females. Female paid employees and unpaid female employees at household enterprises are higher than males by almost 7 and 5 percent respectively. This indicates that female face more socioeconomic constraints than males in starting their own enterprises. With the exception of paid employees, difference are more obvious in the West Bank than in Gaza.

Table 3: Percentage breakdown of 15-and-over Palestinian workers by area, status and gender, 2018

Area	Employment	Males	Females	Both
West Bank	Employer	9.5	2.5	8.4
	Self-employed	21.2	14.4	20.1
	Paid employee	65.6	72.8	66.7

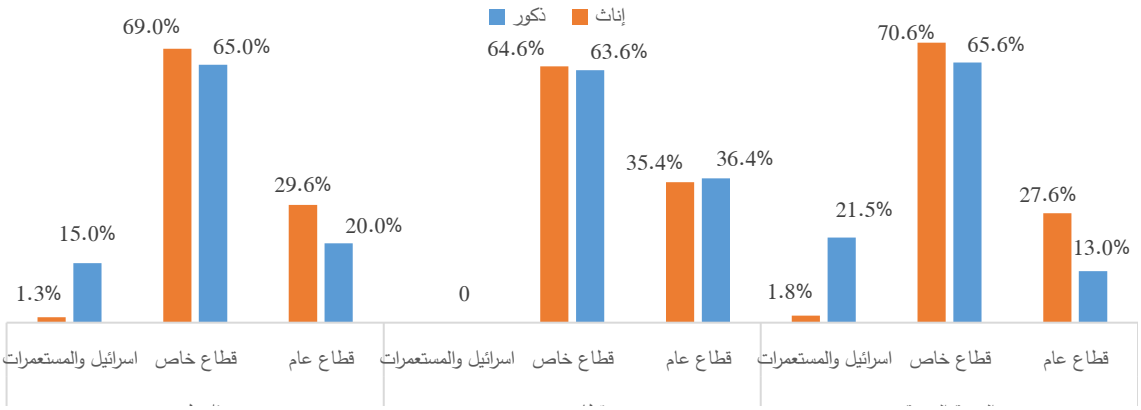
	Unpaid household member	3.7	10.3	4.8
Gaza	Employer	3.6	2.3	3.4
	Self-employed	16.5	10.2	15.6
	Paid employee	77.1	83.4	78
	Unpaid household member	2.8	4.1	3
Palestine	Employer	7.9	2.4	7.1
	Self-employed	19.9	13.4	18.9
	Paid employee	68.7	75.4	69.7
	Unpaid household member	3.5	8.8	4.3

In terms of employment, the private sector is the largest employer of paid employees in Palestine. There were almost two thirds (65.6 percent) of paid employees (66.2 in the West Bank and 63.4 percent in Gaza) working in the private sector in 2018. However, the private sector capacity to invest in business development and employment generation continues to be restrained by Israel. It could not, therefore, absorb new entrants and jobseekers into the labour market. Consequently, percentage trends of paid employees in the private sector slightly declined in the last 10 years (2009-2018), ranging from 64.9 to 67.6 percent. A World Bank investment climate assessment indicates that innovation and business development activities in the Palestinian private sector have decreased significantly in recent years. This is primarily attributed to declining activity in Gaza. For example, the assessment finds out the percentage of companies providing formal training, investment in product development and operation and sunk between 22006 and 2013. Most companies did not have real plans to invest in increasing or developing relevant human resources.

Hiring 24.8 percent of (paid and unpaid) employees in Palestine in 2009, the public sector has also seen a dwindling contribution to employment in recent years. Particularly in Gaza, public sector contribution was down from 48.2 percent in 2009 to 36.6 in 2018. In the West Bank, it dropped from 21.6 to 16.5 percent during the same period. Worth noting is the key role played by the public sector in employing women. Approximately 20 percent of working women were employed in this sector, including 27.6 percent in the West Bank and 35.4 in Gaza. This pinpoints the major impact which public sector

employment policies potentially have in female employment and, possibly, economic participation.

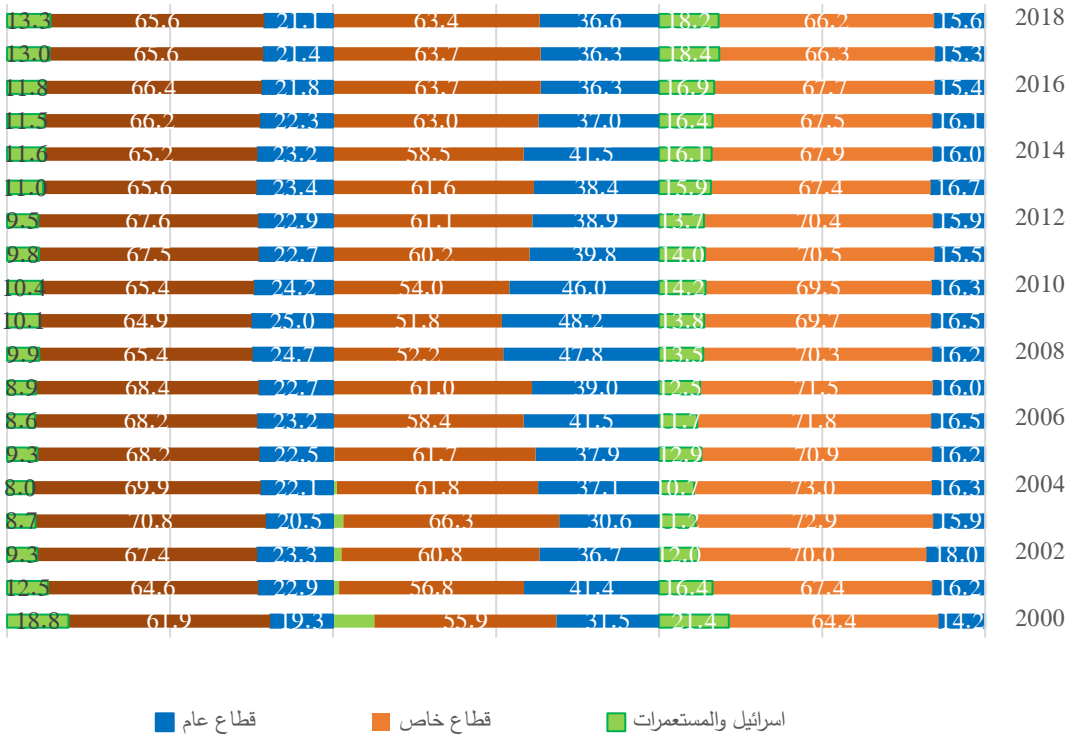
Chart 16: Percentage breakdown of 15-and-over male and female workers by gender and employer, 2017



In view of inadequate employment opportunities in the domestic market to assimilate new entrants and jobseekers into the labour market, an increasing number of Palestinians have been employed in Israel and Israeli settlements, resulting in reduced unemployment in the West Bank in particular, and in Palestine in general. In 2009-2018, the number of Palestinians employed in Israel and settlement rose to some 127,000 in 2018 (13.3 percent of the total Palestinian workforce and 18.2 percent of all workers in the West Bank). Apart from growing manpower in Israel and settlements, the workforce grew by less than 0.5 in 2018 compared to 2017.

Regrettably, for most Palestinian workers in Israel, employment is affected by high costs, vulnerability, and suffering. Virtually half of workers with work permits in Israel rely on brokers to obtain needed documents. According to the MoL estimates, a third of wage earnings by Palestinians employed in Israel and settlements are spent brokerage costs. It should be noted that working conditions of Palestinian workers in Israel and settlements are unstable, particularly for more than 40,000 who do not hold work permits. In addition, according to ILOSTAT, occupational injuries and deaths at Israeli construction sites are among the highest in the OECD countries. Many workers leaves their homes long before dawn and wait for extended hours at crossing points along the Wall to access Israel. In similar circumstances, the majority return home late on the same day through the same crossing points.

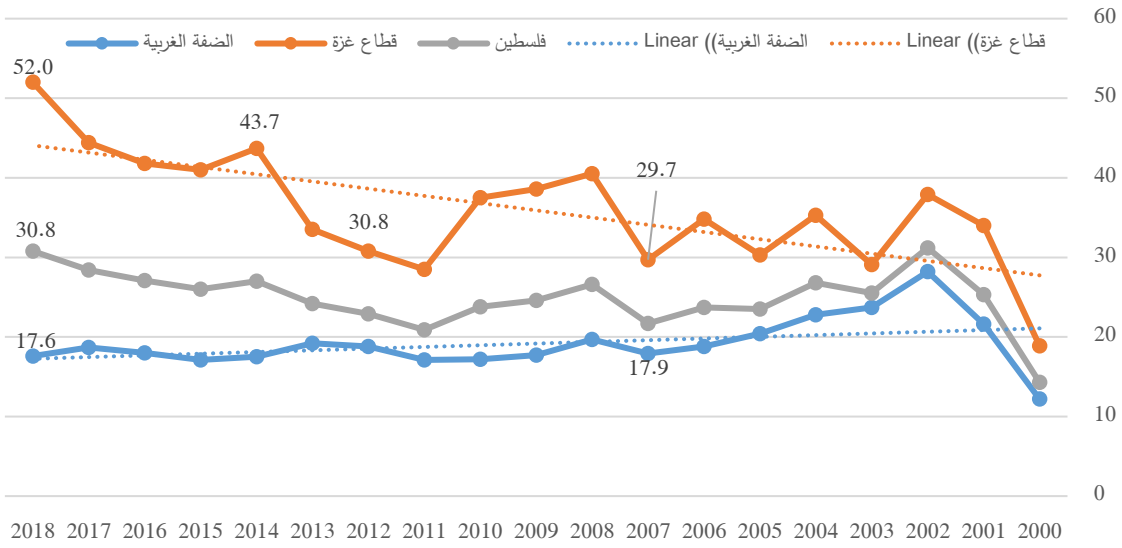
Chart 17: Percentage breakdown of 15-and-over Palestinian workers by area and sector, 2000-2008



2.4.3 What are the characteristics of unemployment and who are the unemployed?

Besides poor trends of participation in employment and workforce, in 2018, unemployment rates rose to its highest level since 2000, reaching 30.8 percent. This is the highest unemployment rate in 170 countries and regions with current estimates around the world. in addition to 426,000 unemployed persons, over 22,000 workers are affected by time-related underemployment; i.e. working for less hours than they are ready or wish for. Almost 90,000 persons were available for work, but did not seek a job because they lost hope in finding one.

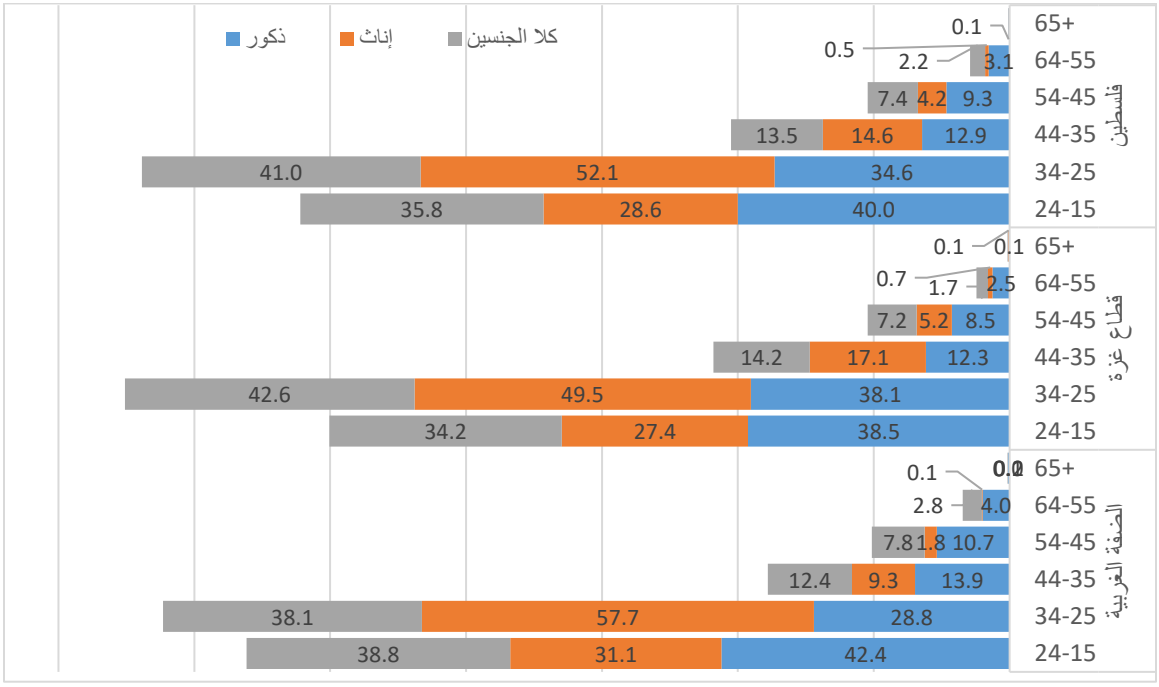
Chart 18: Percentage of unemployment in Palestine by area, 2000-2018



In Gaza, unemployment rates have been clearly impacted by the Israeli siege imposed since 2007, subsequent Israeli wars on Gaza (20012 and 2014), and sealing of smuggling tunnels by Egypt. In the immediate aftermath of the siege, these tunnels provided the main lifeline for the Gazan economy. In 2007-2018, unemployment rates jumpstarted by some 12 percentage points, reaching 52 percent in 2018. During the same period, despite the high number of Palestinians employed in Israel, unemployment rates in the West Bank showed no significant change. Over the 12-month period, unemployment only dropped by 3 tenths of one percent, but remained much higher than it was before 2000. This is a clear indicator of the Palestinian economy's weak capacity to create adequate employment opportunities for a large number of new labour market entrants. Wherever they can, a significant number of workers also tend to move from the West Bank to Israel in search of higher wages.

Unemployment poses a chronic problem to the unemployed, particularly youth and women and in Gaza. The prospects for employing these are adversely impacted due to high cost of reintegration and training from the viewpoint of employers. In this context, the 2018 PCBS Labour Force Survey results indicate that 46.4 percent of the unemployed (13.3 percent in the West Bank and 64.5 percent in Gaza) had been jobless for over a year. Women were notably more vulnerable than men to be chronically unemployed. Once they become unemployed, women were 1.6 times more susceptible to chronic unemployment than men. This the likelihood is greater in the West Bank as unemployment rate is much lower among men than in Gaza. In the West Bank, women are three times more likely to remain unemployed than men. Long-term unemployment (and inactivity) have negative consequences on employability and morale, especially among skilled workers and youth, stressing the need for further measures to integrate persons who lost confidence in themselves and provide skills needed for the current labour market.

Chart 19: Percentage breakdown of unemployment by age, gender and area, 2018

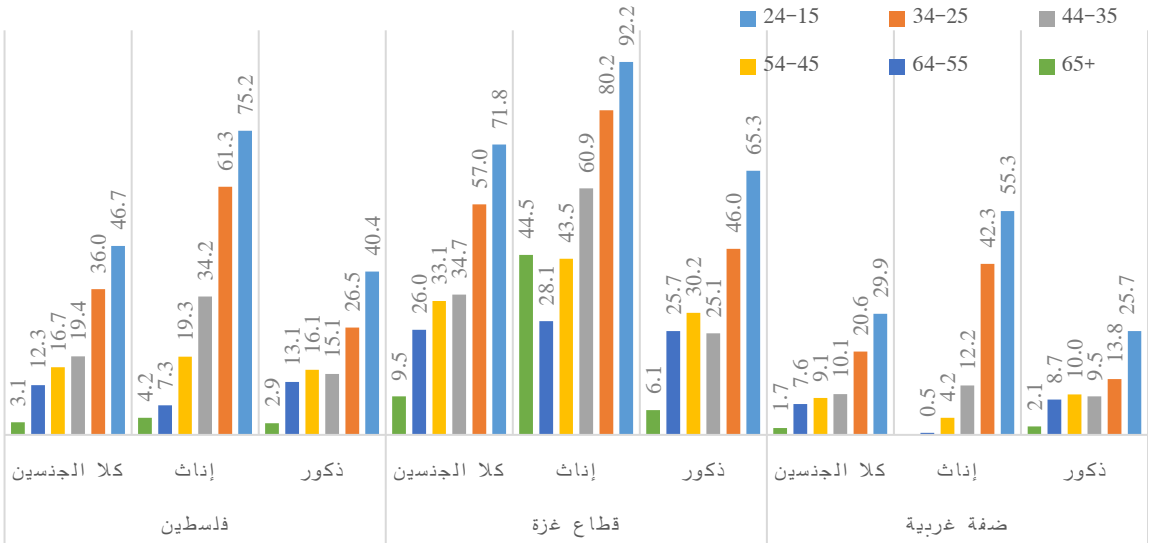


In spite of improving unemployment rate in Q4 2019, it remained high and is projected to increase further with the outbreak of COVID-19. In H1 2019, unemployment rate rose due to economic slowdown, standing at 26.8 percent. In Q4 2019, it declined to 24 percent after the dispute over clearance revenues had been resolved. Still, this analysis does not unfold the significantly different unemployment rates between the West Bank and Gaza. In Q4 2019, 42.7 percent of the workforce were unemployed in Gaza, representing a rise of 2 percentage points in comparison to Q4 2018. The situation was completely different in the West Bank, where unemployment rate stood at 17 percent in recent years, but decreased to 13.4 percent in Q4 2019. With the COVID-19 outbreak, a large number of workers lost their jobs, particularly in those sector most affected by the lockdown and social distancing measures. For example, due to the pandemic, almost two thirds of tourist facilities and restaurants continue to be closed down. The number of new unemployed in the tourism sector is estimated at 40,000 workers. Estimates of the Ministry of National Economy (MoNE) show that almost two thirds of establishments operating in Palestine have been wholly and partly affected by the lockdown and health protocols and measures. Over 100,000 establishments have, therefore, been disrupted, reflecting directly on the Palestinian economy. In addition to an increasing number of unemployed, disruptions have negatively impacted the size of trade and purchasing power due to underpayment of salaries and low income.

Like many countries, unemployment in Palestine particularly affects the youth. Unemployed in the 15-29 age group represented 35.8 percent of total unemployment, including 38.8 percent in the West Bank and 34.2 percent in Gaza. A gender-based examination of unemployment rates reveals a sharp parity between men and women as well. Women under 45 years of age are more unemployed than men, particularly in 15-24 and 35-44 age groups. As shown in Chart 16 above, discrepancies are clearer in the West Bank. Divergence does not only reflect a limited female workforce, but also projections of disproportionately weaker employment of women under prevalent socioeconomic conditions.

The scale of youth unemployment is manifest when pervasive unemployment among the youth is investigated as one unit. Unemployment among the youth (aged 15-24) was close to 47 percent in 2018, including 30 percent in the West Bank and 72 percent in Gaza. As shown in Chart 20 below, youth are, therefore, the most affected by unemployment of all age groups.

Chart 20: Unemployment among age groups by area and gender, 2018



Link between labour market participation and change in demand for employment and unemployment: According to the Labour Force Survey data, the West Bank unemployment rate showed a reverse trajectory to labour market participation trends (see Chart 11 above). In relation to educated females, unemployment rate maintained a linear increase at an accelerated pace among young females after the second Intifada (2003), reaching 58 percent in comparison to 25 percent among older educated females. Regarding more educated youth, unemployment rate marked a slight drop after the

second Intifada, but soon stood at 20 percent. Among older and more educated males, unemployment rate was on the same trajectory, but at a low level of some 5 percent.

Data also divulge a similar link among less educated youth, particularly males (see Chart 21 below). Unemployment rate registered 22 percent among male youths and 12 percent among older males. Data show that less educated females marked a different trend from more educated ones. Unemployment rate reached 18 percent among young females and 3 percent among older females. However, caution is necessary when changes in the unemployment rate of less educated females are interpreted due to their low labour market participation, as shown below.

Worth noting is that unemployment rate of less educated males is linked to demand for Palestinian workers in Israel and settlements. Demand for Palestinian workers is largely confined to Israeli construction and agriculture sectors as well as occupations that do not required a high level of education. During the second Intifada, closure of the Israeli labour market forced most Palestinian workers to look for employment in the West Bank. In this context, a MAS study (Falah 2016) explains that increase/decrease in the number of Palestinians employed in Israel and settlements is offset by a corresponding decrease/increase in value of unemployment rate among less educated males in the West Bank (see more discussion on the Israeli labour market below).

From this analysis, it can be inferred that decrease/increase in participation of more educated females (more educated males) is linked to increase/decrease of unemployment rate among these groups respectively. This finding is consistent with labour market economic theories, stating that decline/improvement of labour market performance is underpinned by discouraging/encouraging individuals to leave/enter the labour market. At the policy level, this finding demonstrates that government interventions to incentivise female participation, particularly educated ones, in the labour market should take account of incentivising demand for sectors employing this group.

Chart 21: Changes in unemployment rate for more educated individuals in the West Bank, 1999-2018

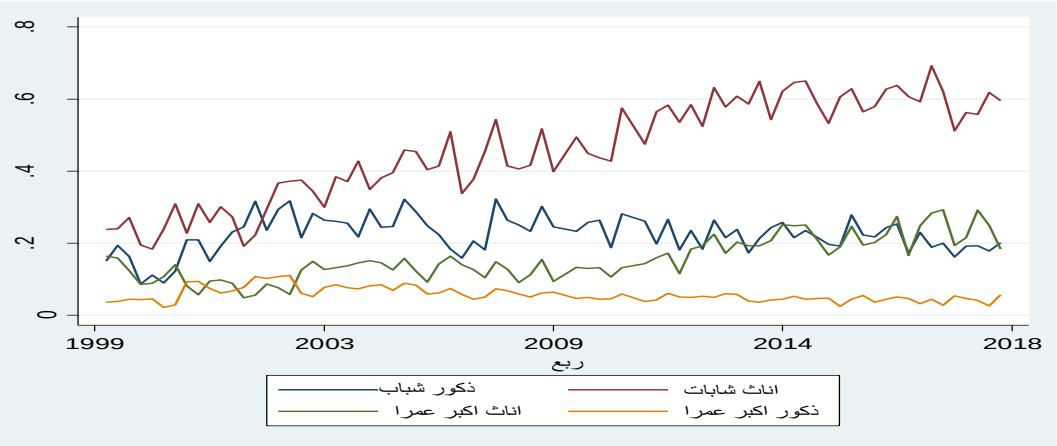
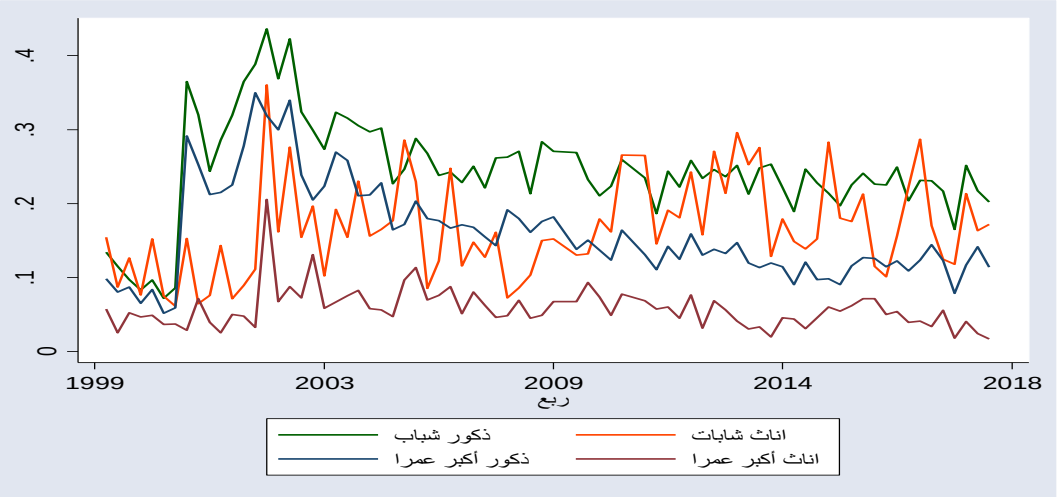


Chart 22: Changes in unemployment rate for less educated individuals in the West Bank, 1999-2018



In Gaza, after the second Intifada, unemployment rate increased rapidly among all educated persons, with the exception of older males, reaching 62 percent among more educated young males and 86 percent among more educated young females, but stood at 15 percent among older educated males (see Chart 23 below). For all less educated persons (see Chart 24 below), unemployment rate was on the rise too. Beyond doubt, in addition to Israeli wars in recent years, soaring unemployment rates in Gaza are mainly attributed to the Israeli siege imposed in 2005 and tightened after Hamas took control over Gaza in 2007. By contrast, rising unemployment in the West Bank, particularly among educated females, occurred along with an increase in female labour market participation. This link can be explained in reference of added worker effect, which draws a link between decline in labour market indicators and entry of females,

particularly married ones, into the labour market to support householders and offset income shortfall.

Chart 23: Changes in unemployment rate for more educated individuals in Gaza, 1999-2018

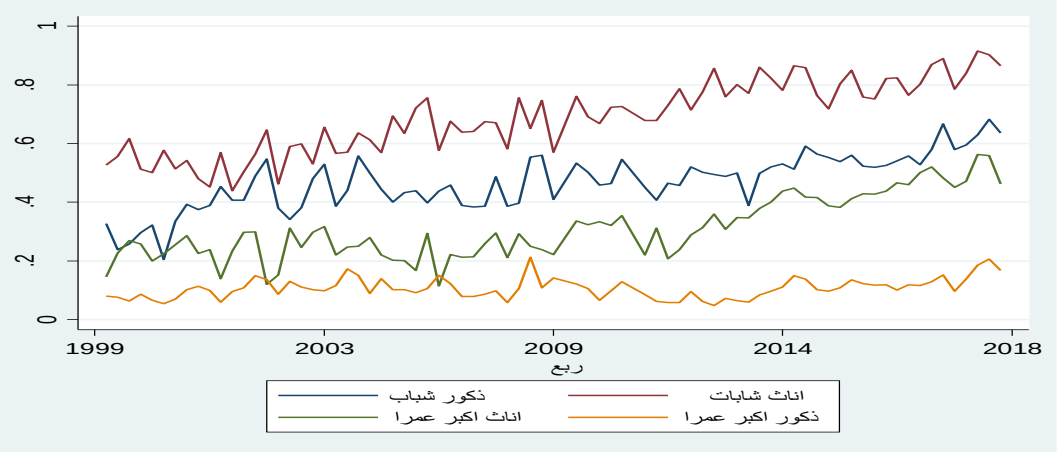
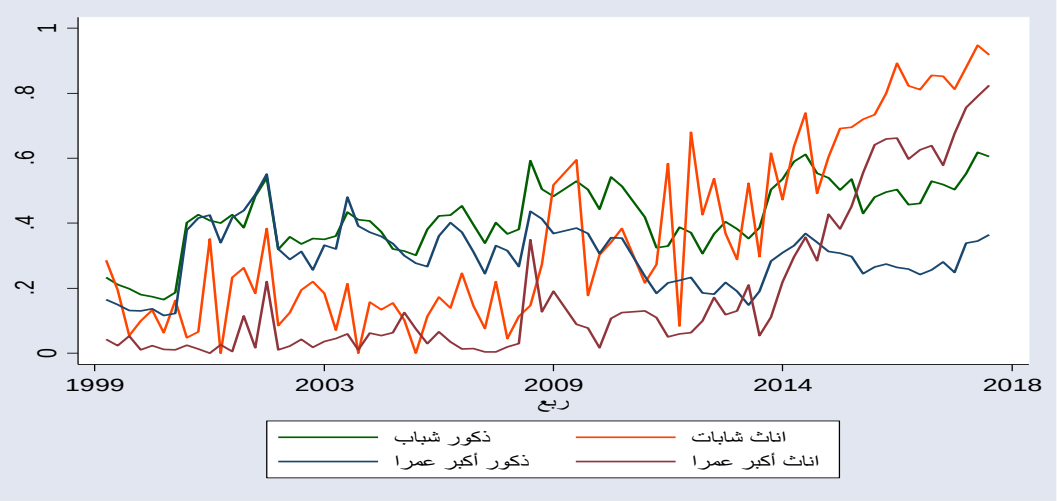


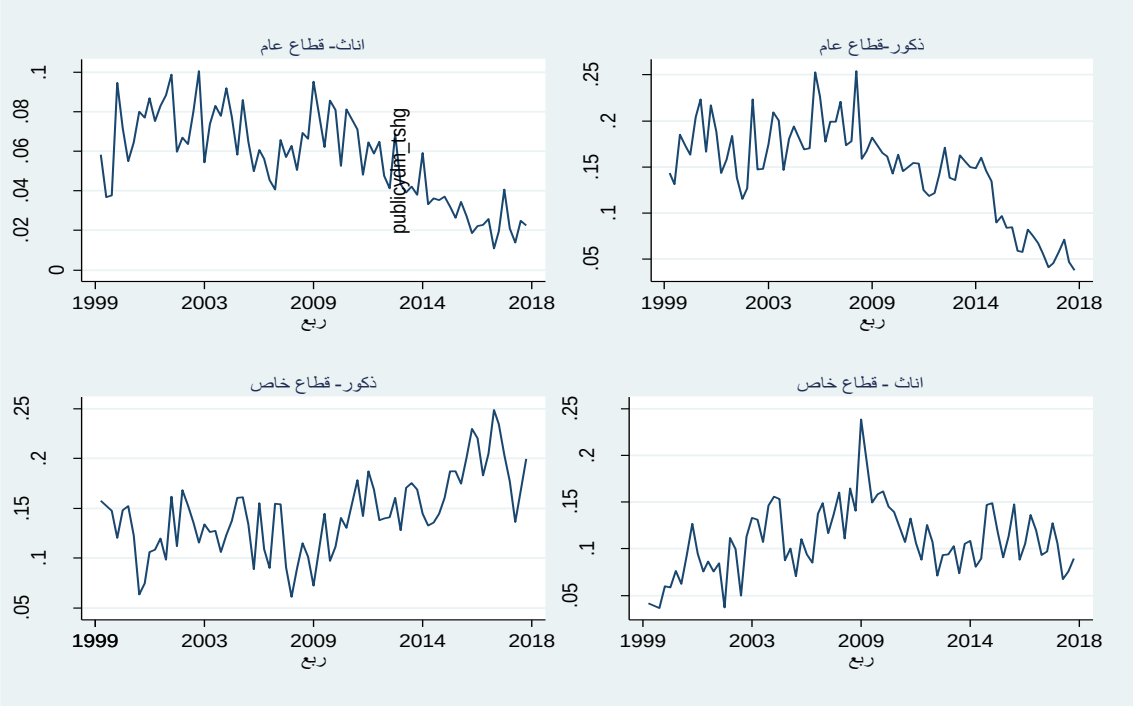
Chart 24: Changes in unemployment rate for less educated individuals in Gaza, 1999-2018



In the West Bank, rising unemployment rate among more educated young females is driven by low demand for their employment in the public sector, the main employer of females in Palestine, and private sector. According to 2018 Labour Force Survey, the public sector employed some 41 percent of all more educated females. The education sector is the principal employer, providing jobs to almost 70 percent of female public sector employees. The Ministry of Education (MoE) data shows that the number of available positions in education sharply dropped in recent years. To illustrate the change

in demand for more educated females in West Bank labour market, demand for this group is compared to corresponding males in private and public sectors. This exercise shows the demand for new labour market entrants (youth). Chart 25 makes clear that the percentage of public sector employees of both groups has decreased since early 2009. However, the drop was in conjunction with an increase/decrease of male/female public sector employees. Put differently, decreasing public sector employment was relatively offset by private sector employment of males only, while demand for females diminished (see more discussion on unemployment below).

Chart 25: Changes in employment quotas of educated youths and counterparts in public and private sectors: West Bank, 1999-2018



Illustrating low demand for employees in the education sector, MoE data show that the number of annual available education positions in the West Bank dropped from 2,371 to 1,250 vacancies in 2018. Several reasons lie behind the tendency for women to seek jobs in the public sector, particularly education. Most notably, working conditions are fit with responsibilities set by society for women's role, namely, family and child care. Average working hours are less than in the private sector. Female public sector employees work for 33 hours in comparison to 40 hours worked by women in the private sector. As approved by the Palestinian Labour Law and Civil Service Law, female public sector staff also enjoy rights to paid vacations and maternity leaves. By contrast, most private employers do not abide by these regulations (see further discussion below). In view of

public sector privileges, a large number of women tend to major in education-related disciplines. PCBS population census data demonstrate that some 44 percent of females with higher education enrolled in such specialisations as education, languages, biology, mathematics, and statistics.

Unlike males (22 percent), female concentration in these disciplines limit their ability to find employment opportunities due to reduced public sector employment. It seems that the new educated generation have decided to shift their academic disciplines away from the education field. Table 4 data show that females aged 19-44 years, who majored in education, represented 28.5 percent compared to 34.8 percent for older females. By contrast, data reveal that females tend to major in business administration, marking 28.4 percent in comparison to 19.5 percent of the second age group. The same change also occur in the male group. Majors in which most individuals enrol are conventional and somehow reflect the economy structure, which relies on traditional services, such as trade and public sector activities. In view of poor demand, enrolment is still weak in majors related to industrial and advanced economic activities, including IT, engineering, and mathematics.

Table 4: Percentage breakdown of academic disciplines by gender and age, 2017

Major	Males 19-44	Males 45-65+	Males All	Females 19-44	Females 45-65+	Females All
Education	12.6%	18.1%	14.2%	28.5%	34.8%	29.4%
Arts	2.1%	1.0%	1.8%	2.0%	1.0%	1.8%
Humanities (excl. languages)	1.6%	2.6%	1.8%	2.6%	2.4%	2.6%
Languages	2.3%	9.4%	4.3%	8.2%	15.8%	9.3%
Social and behavioural sciences	4.2%	4.9%	4.4%	3.2%	3.7%	3.2%
Journalism	3.1%	0.9%	2.5%	1.7%	0.8%	1.6%
Business administration	28.4%	19.5%	25.9%	21.5%	13.8%	20.3%
Law	6.6%	5.3%	6.2%	3.6%	2.9%	3.5%
Biology and related sciences	0.3%	0.6%	0.4%	1.0%	0.9%	1.0%
Environment	0.0%	0.1%	0.1%	0.1%	0.0%	0.0%
Physics	1.2%	2.9%	1.7%	2.0%	1.4%	1.9%

Mathematics and statistics	0.8%	1.9%	1.1%	2.1%	2.7%	2.2%
ICT	5.9%	2.0%	4.8%	3.7%	1.4%	3.3%
Engineering and engineering trades	9.4%	8.5%	9.1%	2.0%	0.6%	1.8%
Manufacturing and processing	0.2%	0.2%	0.2%	0.1%	0.3%	0.2%
Architecture and construction	4.5%	6.3%	5.0%	1.8%	0.9%	1.7%
Agriculture	0.8%	1.8%	1.1%	0.2%	0.2%	0.2%
Veterinary medicine	0.2%	0.2%	0.2%	0.0%	0.0%	0.0%
Health	10.1%	10.4%	10.2%	9.4%	10.6%	9.6%
Welfare	3.3%	1.9%	2.9%	5.4%	3.6%	5.1%
Personal services	1.2%	0.6%	1.1%	0.6%	1.7%	0.7%
Security services	1.0%	0.7%	0.9%	0.0%	0.0%	0.0%
Transportation services	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%
Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Undefined	0.2%	0.3%	0.2%	0.2%	0.3%	0.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

2.4.4 Wage structure

Wage rate vary widely between the West Bank and Gaza. This is expected in light of the perceived contrast in unemployment rates and private sector capability of resilience and coping with or overcoming obstacles placed by Israel in both areas. Male wages also vary from females' in identical employments. In the West Bank, apart from workers in the Israeli labour market, the daily wage rate was NIS 110, including NIS 113 for females and NIS 98 for males, in 2018. Table 5 below shows a discrepancy between public and private sector wages. Daily wage rate is less by NIS 16 in the private sector. Disparity is greater by gender, with female daily wage in the private sector comprising almost two thirds of that in the public sector.

In Gaza, daily wage rate was NIS 70, 36 percent lower than in the West Bank. Variation is higher when wage differentials in public and private sectors are analysed. Contrary to the disparity in the West Bank, female wage rate is higher than that of males'. This is

because most females are employed in the government sector, where average wage is three times higher than private sector wage rate.

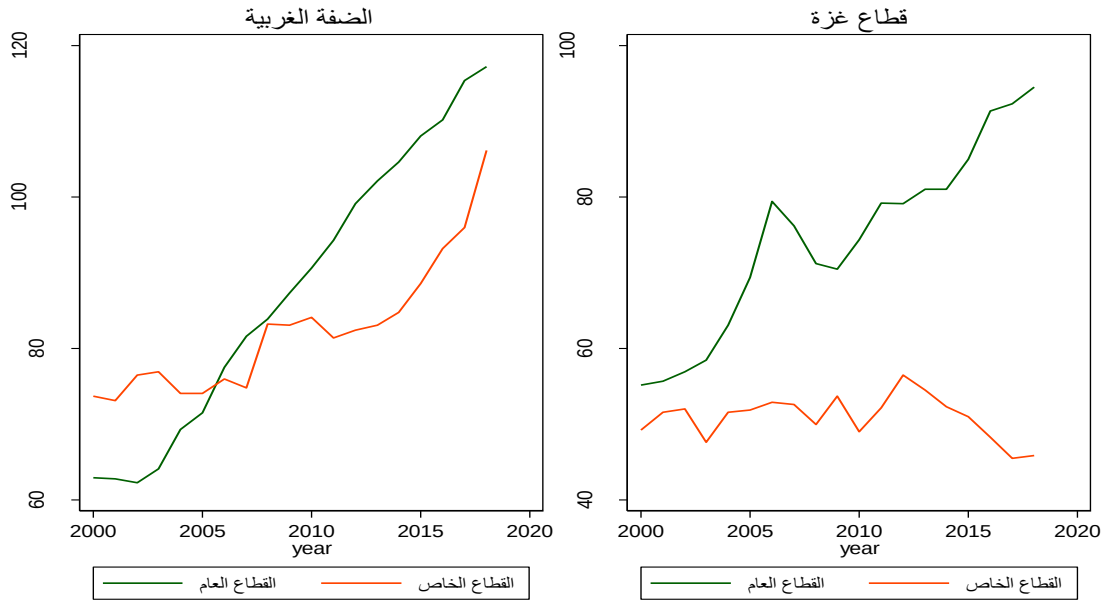
Table 5: Wage breakdown in the West Bank and Gaza, 2018

	West Bank Public sector	West Bank Private sector	Gaza Public sector	Gaza Private sector	Gaza
Wage rate	120	104	96	34	70
Wage rate – males	121	110	97	35	67
Wage rate – females	119	77	96	29	84

Worth of note is that public-private wage disparity can be explained by different mechanisms used to set wage levels. Private sector wages are set on the basis of interplay of supply and demand: the higher the wages, the less surplus supply of workers (higher demand), and vice versa. In the public sector, the wage level essentially relies on the government budget and pressure by labour unions to raise wages. Along this line, public-private wage rate vary considerably in Gaza. The private sector received several blows as a result of the ongoing Israeli siege and wars in recent years, limiting its capacity to generate employment and increase demand for workers.

Chart 26 below illustrates changes to the wage rate in the West Bank and Gaza in 2000-2018. In the West Bank, public sector wage rate increased linearly during this period. While it surpassed private sector wage rate after the second Intifada, the gap widened in most subsequent years. The adverse impacts the private sector experience during the second Intifada were not over. Most notable is the restriction of the percentage of Palestinians employed in the Israeli labour market, which continues to be substandard in comparison to previous years. This has led to a cumulative surplus of labour and higher wages at an increased tempo. Chart 26 shows a relatively stable private sector wage rate, revolving around NIS 52 towards 2014, then a drop in subsequent years. Public sector wage rate maintained a volatile rising trend during the reporting period.

Chart 26: Daily wage rate of public-private sector employees in the West Bank and Gaza, 2000-2018

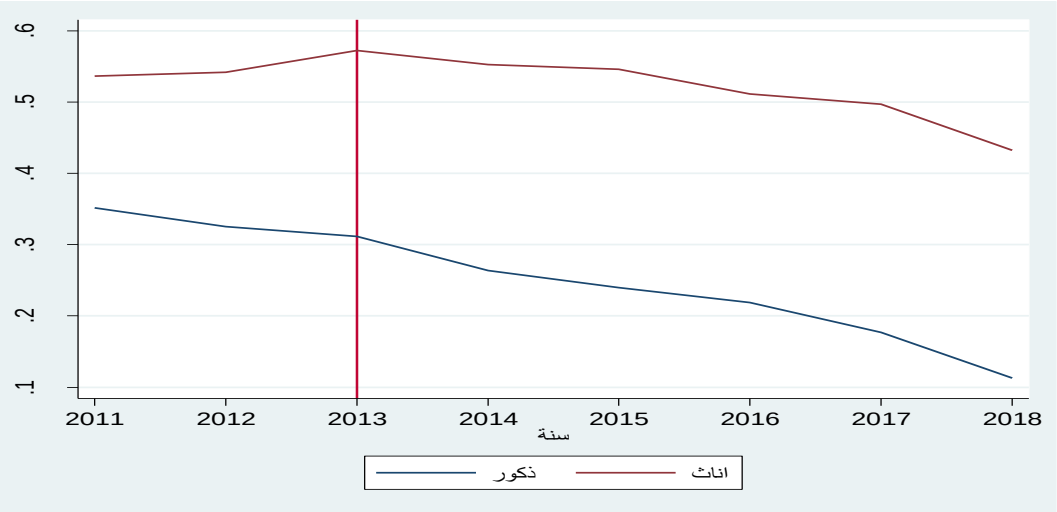


2.4.5 Minimum wage

In 2012, the Council of Ministers promulgated Decision No. 11, approving a monthly minimum wage of NIS 1,450; per diem minimum wage of NIS 65, particularly for informal day-workers; and seasonal minimum wage of NIS 65 per day. The beginning of 2013 was set the date of enforcement of the decision. Below is a documentation of private sector application of the decision, tracking changes in the percentage of workers with earnings below the minimum wage.

Chart 27 reports on minimum wage changes with respect to the private sector employees in the West Bank, with a male-female breakdown. Gaza is excluded from this analysis owing to the Palestinian divide. The Council of Ministers' decision was adopted in the West Bank. Additionally, the basis for establishing the minimum wage level relies on living conditions and nature of the labour market in the West Bank. Data show a significant disparity in the compliance rate between males and females. At the end of the first year of application, compliance rate registered 32 percent for males and over 50 percent for females. This rate soon declined sharply among males to 11 percent, and slightly among females to 43 percent in 2018. The question remains whether the reduced percentage of workers paid below the minimum wage reflects employers' compliance with the government decision, or rise in wags as a result of supply and demand mechanisms. Two studies released by MAS 2014 and 2019 provided answers to this question, attributing causes to rising wage levels.

Chart 27: Percentage of workers paid below the minimum wage



2.4.6 Size of enterprises, informal employment and financing

According to the Council of Ministers' Decision of 2011, in Palestine, economic enterprises fall into four categories, namely, micro-, small-, medium- and large-sized enterprises. Based on the 2017 PCBS Population, Housing and Establishments Census, there were 142,383 economic enterprises operating in Palestine, including 13.5 percent in the industry sector, 54.9 percent in the domestic trade sector, 31.0 percent in the service sector, and 0.6 percent in the construction sector. These enterprises employ as many as 424,852 workers. Disaggregated by size, economic enterprises include micro enterprises (88.6 percent), small enterprises (7.4 percent), medium enterprises (2.6 percent), and large scale enterprises (1.4 percent). Unsurprisingly, the absolute majority of SEs are family owned. Many of these are either of low productivity or seasonally operated. Only 137 economic enterprises employ over 100 workers.

MSMEs and large enterprises contribute differently to economic growth, creation of employment opportunities, and poverty alleviation. They face various restrictions, however. Large companies tend to benefit from economy of scale, invest more in research and development, and be more innovative. Although they play a pivotal role in economic growth, employment, and poverty reduction, MSMEs are characterised by similar operations, poor integration of value chains, or more "repetitive" than being more "innovative". This evidence demonstrates public policy should seek to create an enabling business environment that promotes integration and innovation in production value chains from the perspective of enhancing employment-based production and productivity.

It will encourage informal enterprises to join the formal sector and overcome obstacles to increasing production through tax and investment policies and industry development programmes. In particulars, constraints on SMEs will be removed.

Financing is a prime example of restrictions on SMEs and large enterprises. In recent years, the Palestinian banking sector has witnessed a steady growth, clearly evidenced in growing credit facilities offered by local banks to public and private sectors. As the most important component of the financial sector, the banking sector plays a critical role in financing real estate/housing activity, household consumption, and stimulation of public demand.

Palestine Monetary Authority (PMA) data show credit facilities granted by banks in Palestine rose from US$ 1,750 million in 2007 to US$ 4,199 million in 2013, then jumpstarted to US$ 6,865 million in 2019, and further up to some US$ 9 billion in 2019. The private sector has the lion's share of the bank credit facility portfolio, with an average share of 79 percent of the total outstanding bank facilities. The rest is granted to the public sector. Sectoral distribution of facilities has remained almost unchanged in recent years. Consumer loans continued to account for 25 percent of the facilities given to the private sector. While the real estate and construction sector had 22 percent, domestic and foreign trade received 20 percent of these facilities. By contrast, production sector obtained a small proportion of facilities, with the industry, agriculture and tourism sector shares representing 6, 2, and 1.8 percent respectively. Ityani and Al-Hajj Ali (2009) and more recently Abdul Karim (2018) indicate that private sector entities operating in the Palestinian territory suffer from reduced lending by banks. According to PMA estimates, banks cover just 15 percent of the financing needs of SMEs, some of which are active in production sector. A MAS study (Murrar 2016) stresses the need to motivate banks to properly channel credit facilities to more sustainable economic sectors and activities, which can expand the production base, boost employment, and achieve sustained GDP growth.

Reduced credit facilities to production and investment sectors is driven by different reasons. Some are linked to supply-side and others to demand-side factors. Investment in vital sectors, such as agriculture, industry and tourism, entails many risks in light of an unstable political and economic situation in Palestine, particularly in buffer zones, Area C, and Gaza. Hence, compared to short-term facilities for personal and consumer purposes, banks pursue a more caution and stringent credit policy towards financing these sectors. At the same time, many customers refrain from borrowing for investment due to uncertainty of their capacity to pay back loans and high interests on these loans. Sufficient guarantees that can be offered to persons active in these sectors are lacking. Another reason is the persistent decline of the economic role of these sectors in favour of trade, service and construction sectors. In 2016, affected sectors contributed less than 15 percent to GDP. In 2018, agriculture make less than 7 percent contribution and

manufacturing some 13 percent. Short bank financing might already be one cause of decline. This requires that banks be incentivised to direct more credit facilities to these sectors to enhance their prospects of expansion and growth, eventually serving both the economy and banks' mid- and long-term interests. Adequate financing on acceptable terms is one factor impacting investment levels and trends in these sectors.

Regardless of their type and terms, bank facilities are projected to have favourable economic impacts. It is also expected that volume, depth and timeframe of impacts be broader when facilities are granted for investment and production purposes compared to consumption and personal use. The first type has a sustained impact on economy because it creates employment opportunities as well as new commodities and services to meet consumer needs. It improves domestic tax collections, reduces trade balance deficit, and contributes to alleviating volatile commodity and service prices in the local market to some extent. The second type bears a direct and immediate economic influence through consumption. However, it is short term and does not impact substantially the local economy trajectory or structure. Particularly in the Palestinian context, directing lending to production sectors is of paramount importance in view of major impact on sustainable economic growth in comparison to facilities granted to investment and trade. The economy structure features a clear and deep structural imbalance in favour of trade and services at the expense of production sector. A greater portion of projected economic returns from a consumption increase resulting from bank loans will go to importing countries, leaving little benefit to the Palestinian economy. Against this backdrop, finding ways to incentivise banks to raise financing grants to vital production sector, including agriculture, industry and tourism, must be a key objective of the PMA, other government bodies, and relevant civil society actors.

Based on a MAS study (Murrar 2016), macroeconomic data analysis highlights an overall favourable impact of growth on credit to the private sector on economic growth, namely, real GDP growth. By contrast, it has not been established that increasing credit to the public sector have a significant impact on economic growth in the short or long term. With respect to total credit, Murrar (2016) concludes a statistically significant relationship between increase in gross facilities on economic growth, but with a lower coefficient of elasticity than that granted to the private sector. This demonstrates that credit to the public sector has negatively impacted the link between total credit and economic growth. On the linkage between credit facilities to the private sector and short-term economic growth, findings indicate that economic growth in Palestine is absolutely necessary for the banking sector development in the short term. This supports the link between banking sector development and economic growth. The later leads to increasing demand for banking services for saving deposits or demand for loans for investment. However, an investigation of the casual link between credit facilities to the private sector and economic growth in the long term shows that the banking sector growth plays a key

role in overall economy development. Murrar also concludes that total credit facilities have played a positive role in reducing unemployment in the short and long terms. Increasing credit facilities to the private sector has raised to demand for workforce and decreased unemployment. Credit facilities to the public sector have minimised unemployment in the short term.

Murrar (2016) does not find out a short- or long-term causal link between total credit facilities and economic growth. This is consistent with an extended number of studies on developing countries, demonstrating ineffective credit policy in economic growth stimulation. Absence of this link is attributed to inefficient credit policy and ineffective distribution, inhibiting support to investment activities. Alternatively, it originates in poor production process or limited capacities of production structure. That is, although financial resources are available, public and private entities could not increase production in response to effective demand generated by increasing public and private sources of spending, leading to dwindling government spending multiplier and private investment multiplier in economy. This has resulted in fiscal leakage and increase in commodity imports. At the level of economic activities, sector analysis results show that credit facility growth does not have a statistically significant impact on the productivity of industry, trade, hotel, transportation and service sectors. Evidently, bank loans are ineffective to improve GDP contribution of economic activities. This is probably because a large portion of credit facilities to these sector is allocated to purchasing mostly imported intermediate goods, particularly in the industry sector, negatively impact economic growth. The single positive impact was featured in the construction sector, perhaps due to the large volume of credit facilities – approximately US$ 790 million in 2014. It is also generally acknowledged that the construction sector in Palestine is strongly active, exhibiting considerable growth and increasing demand for buildings, particularly housing units, in the past decade.

Clearly, available concessional financing is a prerequisite for investment expansion, particularly in labour-intensive production sectors. Apparently, bank financing to these sector is limited. Albeit mediocre, financing is granted at a relatively high cost, posing a considerable challenge to current or prospective investors. As is known, private investment in these sectors is a key channel to creating employment opportunities. This assumes added significance in the Palestinian context due to public sector's limited employment capacity, chronic and accumulated public budget deficit, and large wage bill share in public spending structure.

Does the problem lie in bank financing supplied to meet production needs? Is limited bank financing to production sector related to the supply side; i.e. to bank credit policy? If so, is this policy premised on hedge against risks, which can be greater in the case of financing granted to the production sector compared to other sectors? Is it about high profitability of facilities oriented towards trade, consumption and personal purposes

compared to those channelled to production and investment sectors? From banks' perspective, what are high-risk sources? What are the legal and other technical impediments that limit the capacity of banks to direct a greater portion of credit facilities to these sectors? Is there a lack of incentive ways and tools provided by the PMA and other bodies concerted with the Palestinian economy management to direct adequate financing to these compared to other sectors?

Is limited financing to production sector linked to demand for bank financing by businesses in these sectors? Is low demand associated with business inability to access banking services due to their working conditions and legal characteristics? Is it linked to harsh bank borrowing terms, which sector enterprises cannot fulfil, such as high loan costs, inappropriate loan maturities, and unavailable guarantees? Is it related to poor sector growth, hence discontinued financing needs in the first place? In a nutshell, does the problem lie in the lack of adequate lending opportunities in these sector event if banks have and are willing to offer sufficient financial resources?

Eventually, banks look for good borrowers with repayment capacity and adequate solvency. Banks are unwilling to grant facilities at any cost to anybody? The bank financing formula is clear: lucrative returns with the least possible risk. In the end, banks prefer to grant credit facilities to individuals and institutions that provide adequate guarantees, such as salaries, severance pay, real estates, and cars with active demand. Banks are extremely cautious in granting high-risk facilities based on a professional assessment of a borrower's credit capacity, rather than guarantees applicable to production sectors. It is not expected that banks priorities and prefer credit facilities to individuals and enterprises in production sectors to personal or consumer loans unless supply- or demand-side incentives are available to offset any potential risks or losses. However, the validity and lawfulness of this bank credit conduct cannot be taken for granted because political risks affect all facilities regardless of respective purposes or beneficiaries. Facilities to production sectors are only distinguished by potential business risks associated with market volatility. Other risks of solvency, assignment of receivables and mortgage are more qualitative that salaries. Additionally, the cost of company loans is less due to varied sizes of loan amounts.

Abdul Karim (2018) finds out that demand for bank services by production sector enterprises is weak for several reasons. These include negative growth rate in these sectors, declining contribution to GDP, and poor capital and operating investment growth rate due to relatively high risks and particular sensitivity to political and security developments on the ground. Consequently, investors abstain from investing in these sectors, hence diminishing their need for bank borrowing. Other reasons are also related to features of sector enterprises. A large number of these enterprises are not legally registered because they operate in the informal sector, do not keep accounting books in due form, and incapable of providing guarantees. Also, enterprises do not deal with the

banking sector as a whole, neither through demand for facilities nor by opening accounts and deposits. Tax incentives to these sectors are seemingly inadequate to promote investments or encourage transition from informal to formal economy. Transition can make enterprises more rigorous in keeping accounts duly and presenting audited and reliable financial statements to banks to receive loans.

In sum, limited bank credits to production sectors is driven by supply and demand. On one hand, banks do not seem to be motivated or ready to offer more credit facilities to production sectors in light of poor incentives at the level of risk reduction or promotion bank profitability from these sectors vis-à-vis others. On the other hand, demand for bank credit by economically active actors in these sectors remains limited due to many obstacles to benefiting bank financing opportunities even if they so desire. Methods to incentivise supply and demand need to be in place, consequently bridging the gap between both sides. It can be said that the problem appears to affect demand for credit facilities for production purposes more than supply. Banks operating in Palestine have and wish to invest surplus liquidity, but avoid to assume excessive, incalculable and unjustified risks, originating in the uncertainty of production sectors in Palestine. However, this does not exempt banks from bearing some responsibility for inappropriate distribution of financing and failure to create proper operational methods to evaluate credit requests and manage associated risks. In principle, banks will bear reasonable measure of risks. This features goes hand in hand with financial market investment activities throughout the world, rather than in Palestine alone. The unique context of the Palestinian economy requires that that banks be bolder and less cautious in granting credit to production sectors, which are supposed to lead the sustainable growth process, even at the cost of net profits, but definitely without affecting their financial stability and depositor rights.

Financing from specialised lending institutions: These institutions play a complementary role in financing MSEs in particular because they face greater barriers than others in accessing bank financing. Represented by nongovernmental lending institutions, informal and semiformal lending plays a leading role, which yet needs to be expanded, in this area. Credit portfolio of specialised lending institutions currently total US$ 300 million. This is small compared to the bank portfolio. This finding is affirmed by Abdul Karim, Aabed and Abu Zeitoun (2013), indicating that this sector is still relatively small in size. This can be attributed to surrounding economic, social, political, and security factors. It is of the view that unstable political and security environment weakens demand for loans due to the absence of needed stability to implement economic enterprises. Added to this is inadequate awareness and dominant religious perceptions, which drive individuals away from loans, thereby reducing specialised lending and growth of this sector. On average, most loans from this sector are small and target a certain segment of Palestinian society, namely, those with the capacity to borrow from

banks in view of lacking guarantees required by banks. Hence, a large proportion of loan grants are concentrated in the countryside and refugee camps, highlighting that specialised lending institutions are practically in tandem with their announced vision of targeting poor and vulnerable groups in Palestinian society.

Loans from specialised lending institutions were variably distributed to different economic sectors. Housing and improvement of housing conditions had the highest proportion of loans – 25.7 percent or US$ 21.3 million – possibly because specialised institutions exist and grant these loans. This is followed by the trade sector (23.1 percent, or US$ 19.3 million), agriculture (19.6 percent, or US$ 16.3 million), and services (14.5 percent, or US$ 12 million). Remaining proportions were distributed to industry and consumption (10.8 and 6.3 percent respectively). A comparison of this sectoral distribution of loans to that of bank facilities show that loans from specialised lending institutions are directed to serve relevant objectives: roll out loans and customers by geographical area and support the agriculture sector and development SMEs.

A review of sectoral distribution of the banking and specialised lending institutions reveals that latter focus on supporting sectors (e.g. agriculture) accorded insufficient importance by banks. The agriculture sector's share is just 2.4 percent of total bank facilities, but is over 19 percent of specialised lending institution facilities. This is probably because banks do not sufficient lending opportunities in these sector so as to fulfil required terms, including legal registration of operating enterprises and lack of guarantees to protect banks from default on repayment. Lending institutions' operations, objectives, vision, and interest in social corporate responsibility are a fundamental reason for directing loans to SMEs in marginalised economic sector. Further, these institutions are less interested than banks in making maximum profits with the least possible risk. As they are non-profit institutions, they are more concerned with realising their social goals than with maximising profits. Most loans from the specialised lending sector are granted for production purposes. Comprising 50 percent of all loans, these include agricultural, industrial, and trade loans. The majority of loan beneficiaries maintain and develop their businesses, assisting compliance with repayment on time. At these institutions, repayment rate amounted to some 94 percent.

2.4.7 Entrepreneurship contribution to employment

Socially minded investors and donors' interest in promoting entrepreneurship, start-ups, and ICT sector growth has provided a driver for entrepreneurial activity in Palestine in recent years. As a result, the entrepreneurship environment has been quickly developed in Palestine. Many initiatives have been launched to support the substantial entrepreneurial value chain and necessary support services. An example of such initiatives is common

work spaces for entrepreneurs in digitisation with a view to promoting a community sense among ICT start-ups, industrial incubators and accelerators providing development and technical services. These also involve capital funds for IT projects aimed at early investments and donor-funded projects that facilitate and provide private investment incentives. Still, entrepreneurial activities are in the start-up phase and face many challenges and constraints to be overcome. For instance, a Global Entrepreneurship Monitor (GEM) report asserts that, in 2010-2012, that all five entrepreneurship development indicators declined in Palestine: entrepreneurial finance, government support, taxes and bureaucracy, government programmes, and entrepreneurial education at school stage. Ever since, the report has not bene updated. Interviewed agencies agreed that these indicators did not see any significant changes. However, some improvements were introduced to enterprise registration. A set of laws and procedures were enacted to facilitate immovable property registration and use for financing purposes.

Initiatives were funded by many donors. Focus was placed on entrepreneurship preparedness by integrating project development and entrepreneurship skills into education programmes at various stages. Still, many agree that the Palestinian education system has not promote entrepreneurship. Experts describe university curricula as "impractical" and lacking many required elements to equip students with basic technical and life skills to use entrepreneurial thinking and follow up on economic project ideas. Consequently, instead of highlighting key projects based on investment in start-ups, most business incubators and accelerators in Palestine focus their effort and energy on providing coaching and mentoring to key projects and enhancing relevant skills to help future entrepreneurs develop and launch their economic ideas. This undercuts the efficiency of operations in the context of a changing and dynamic global working environment, thus impacting ongoing projects and macroeconomics. Along this vein, GEM data show that 42 percent of Palestinian entrepreneurs (and two thirds of young men and women) opt for this type of employment out of necessity, rather than opportunities. This negative indicator is consistent with soaring unemployment rates among Palestinian youth.

Interviewed in the context of developing the NES 2021-2025, many business incubators and accelerators expressed concern over incompatible demand with their expectations of business acceleration and incubation services they deliver, especially in Gaza. Most interviewees stated that unemployed youth who applies for support of their entrepreneurial ideas were neither prepared for support nor had clear ideas. Clearly, prevalent cultural customs and values across Palestine do not encourage or appreciate entrepreneurship. Families do not usually encourage children to engage in entrepreneurial activities, linking traditional jobs to better stability and value. As put by a business accelerator manager, "most youth who visit accelerators aim at finding an employment

opportunity. Once they realise they were are not employers, they ask about the nature of our work. Then, they present an inconsistent idea."

Widespread consensus exists between relevant actors in entrepreneurship and SME financing and incubation on the importance of SME evolution to achieve employment-based economic growth and promote employment capacity. However, the occupation and restrictions on movement and trade impede and pose considerable challenges to economic development, growth, and entrepreneurship activity. Access to low cost, effective and state-of-the-art technology (4G, e-payment systems, satellites, and sensors), and basic services (water, electricity, and freight) are all impacted by Israeli measures constraining economic activity, entrepreneurship, and other relevant services.

Consequently, current entrepreneurial initiatives in Palestine are focused on digital services and ICT sector. While this focus furnish opportunities to women and educated persons, benefits of entrepreneurship development will be narrowed down and reserved for youth with higher education and distinctive skills (apart for the poor and vulnerable). Albeit at its inception, a technology-based entrepreneurship hub is an encouraging development and reflects growth capacities. In particular, it stimulates support by broader regional initiatives. The fact that entrepreneurship capital investment funds exist is a key component, which can be invested and engaged to develop this sector, increasing investment in production sector.

2.4.8 Business environment and investment

In recent years, the Palestinian government initiated many good steps, which indeed scored progress towards strengthening public policy and services to promote private investment. However, developments and improvements were hindered by failure to make progress on the political front. Even if effective fiscal and economic policies are adopted and implemented meticulously, current prospects for creating broad-ranging employment opportunities and addressing chronically high unemployment rates and growing workforce in a constrained, uncertain and perilous economy are so difficult and complicated. Besides the high cost incurred by Israeli closure and measures under the guise of security, as mentioned above, other distortions increase production costs and depress the competitiveness of the Palestinian economy. These include high transportation cost in the West Bank and Gaza due to the lack of ports, resulting in the rise of production and marketing costs, final prices, and cost of raw materials needed for production and facilities, such as land, electricity and water supply. Low investment is not a surprise in such circumstances. For years, new restrictions have been placed on cargo transport from and to the West Bank. Movement of persons and goods in and out of Gaza has been further curtailed.

The table below sums up aspects of the political context with clearly adverse impact on the investment climate, drawing a distinction between companies in the West Bank, including East Jerusalem, and Gaza. Differences are attributed to the considerable variation of experience with the investment climate. While most disparities are somehow associated with political instability and absence of a political solution, others share characteristics of a developing country context.

Table 6: Factors influencing investment climate in Palestine by region

West Bank	Gaza	oPt (West Banka and Gaza)
Relatively high dependence on external sources for power generation and high energy prices, limiting industry development capacity and negatively impacting national industry competiveness; frequent and lengthy water cuts, negatively affecting investment capacities, production cost, and productivity.	Lack of a reliable power supply, consequently impacting companies' productivity, competiveness, and capacity to hire workforce.	Restrictions on the movement of persons and goods.
Restrictions on the economic use of land, particularly Area C, negatively impacting basic service provision.	Restriction of access to the sea, reflecting on productivity and employment opportunities.	Legal and regulatory frameworks in the West Bank and Gaza have been increasingly ripped apart due to the political and administrative divide since 2007, rendering business movement and trade between both areas more difficult and costly. Almost all aspects of business regulation are affected by the divide, including business registration, licences and authorisations, bank services, taxes, investment incentives, courts, contract enforcement, and competitiveness, leading to further economic disintegration.
Land administration is absent is Areas A and B, where most land is unregistered, resulting in widespread land disputes and		

very slow systematic registration.		

According to the World Bank Doing Business Report 2020, in ease of doing business, Palestine ranked 117th among the 190 countries in the world, showing noticeable improvement from the 143rd rank of 2015. Still, between 2015 and 2020, Palestine's ranking fell to 173 from 159 in starting a business indicators, and to 112 from 52 in paying taxes. On the other hand, a slight improvement was scored in dealing with construction permits, getting electricity, getting credit, trading across borders, enforcing contracts, and resolving insolvency. The report stresses the importance of accelerating reform and development of administrative processes and doing business requirements to overcome obstacles to starting a business and registering companies as a key element of incentivising investment, creating employment opportunities, and shifting to formal economy, particularly focusing on young and female entrepreneurs.

While noting the negative impact of the overall political context and resulting disintegration and absence of investment climate horizon in Palestine, World Bank Investment Climate Assessment 2014 indicated positive aspects of the investment climate in Palestine (World Bank 2014). the incidence of petty corruption remains relatively low, the financial sector continues to be stable and liquid, and despite the political division between the West Bank and Gaza, most aspects of the bureaucracy are still functional. In terms of movement and access restrictions, there have been significant improvements on physical restrictions such as checkpoints within the West Bank, but new restrictions on trade into and out of the West Bank, as well as severe restrictions on Gaza movement and trade. Political risk insurance (PRI) have been finally available.

After eleven years of relative inactivity, the PRI programme offered in the Palestinian territories by the Multilateral Investment Guarantee Agency (MIGA) is currently being actively deployed. In fact, it is approaching its capacity limit in terms of commitment and interest. This turn-around is due to relative improvements in the investment environment since the period following the second Intifada when the PRI fund was first launched. Improvements include: the promotion of joint ventures by bilateral donors which largely subsidised the purchase of political risk insurance, and most importantly perhaps, the modification of the Fund's Operational Rules. This modification allowed it to facilitate and support local private sector investment.

2.5 Supply factors: Education and alignment with labour market needs

A mismatch between supply and demand for workforce in Palestine can be noted in terms of quantity and quality. However, related basic education, higher education, and TVET issues are broad, complex, and beyond the scope of this Strategy. Focus is, therefore, placed on analysing and identifying mismatches most relevant to short- and mid-term employment issues as specified by TVET. The analysis builds on recommendations of the national education, higher education, and labour strategies.

2.5.1 Educational outputs

Since the Palestinian National Authority (PNA) was established in 1994, higher education has seen a paradigmatic shift, experiencing a steady increase in the number of institutions and diversity in programmes and degrees across disciplines. In academic year 2018-2019, there were 17 universities, 17 university colleges, and 18 community colleges. Enrolling over 218,000 students, these institutions provided employment to some 16,500 employees, including academic, administrative and service staff. In recent years, higher education enrolment rates have seen a significant increase among males and females. In 2018-2019, enrolment rate among persons in the 18-22 age group was over 45 percent, higher than in most neighbouring countries, including Jordan (31 percent), or even middle-income countries, such as Mexico (40 percent). Particularly noted was the high enrolment rate among females, representing 61 percent of total enrolment in higher educational institutions in Palestine in 2018-2019.

Notwithstanding this achievement, enrolment rates at Palestinian higher education institutions are imbalanced in terms of the share of individuals institutions of these rates. A review of the distribution of students registered at and attending higher education institutions shows that two thirds are enrolled in traditional universities. Enrolment at university and technical community colleges is as low as 13 percent of total students enrolled in Palestinian higher education institutions. Imbalance is also reflected in the share of various majors among gross enrolment. For example, in 2018-2019, Palestinian higher education institutions graduated 45,722 students, the majority of whom (55.6 percent) with BA degrees in education, business administration, and law. As they comprise a majority of entrants, most disciplines are female-dominated. By contrast, males dominate applied sciences, such as engineering, manufacturing and construction, are male-dominated (63 percent males vs. 37 percent females); agriculture (67 percent males vs. 33 percent females); and to lesser extent ICT (52 percent males vs. 48 percent females). In general, the number of students majoring in education, humanities, and non-TVET areas is in excess of demand.

Education at community colleges faces greater challenges. While they provide TVET skills needed in the labour market to students and graduates, in recent years, many community colleges have introduced academic programmes, including humanities and natural sciences. Some have transformed into university colleges after they managed to present bridging programmes, allowing students whose secondary education examination results do not enable them to enrol in traditional universities and receive a university degree by "bridging" to a university programme. This has created an inverted pyramid, whereby higher education institutions graduate a large number of engineers, but an insufficient number of engineer assistants, surveyors, or construction professionals. This is also the case of many dentists, but fewer dentist assistants, and many lawyers, but fewer legal assistants.

This mismatch is not confined to quantity, but also to quality. Humanities and social sciences students are provided with needed workplace skills. Even in scientific, technical, and engineering fields, employers complain of poor applied aspects and skills, including basic life skills, among graduates. This prompts many employers to avoid employing new graduates even if they need high-level staff in their enterprises. There is an urgent need to have a more precise and in-depth understanding of mismatches between supply and demand sides. Attention should focus on this phenomenon in the course of developing Palestinian education policies in general, and higher education in particular.

Problems associated with quantity and quality are symptoms of a deeper crisis of the higher education system. This crisis involves funding, governance, and quality control. In terms of funding, many higher education institutions are under extreme budget pressure due to poor financial resources, high wage bill (note that over half of staff are non-academics), and primary reliance on grants and donations to develop facilities and infrastructure. In relation to governance and quality control, Palestine is yet to find the right balance between granting full independence to universities so that they become innovative, while at the same time maintaining quality control to ensure that education standards are not prejudiced. Although they are beyond the immediate scope of this Strategy, these issue are of relevance to employment, wages, and productivity. The NPA and Higher Education and Scientific Research (MoHESR) Strategy 2017-2022 delineate a significant set of policy interventions to address a number of these issue. This Strategy builds on bridge these interventions to accomplish the national employment vision.

2.5.2 TVET

In Palestine, there are 76 TVET centres, including 58 managed by the MoE (vocational and industrial schools) and MoL (vocational training centres). In addition, over 200 educational and cultural centres provide TVET services. Still, enrolment in these schools

and centres is still minimal. In 2018, TVET students comprised 5 percent of total secondary education students (10-12 grades). Only 1,950 students joined MoL TVET centres for reasons of limited absorptive capacity. In 2019, some 4,500 students applies for these centres.

Table 7: TVET institutions by responsible body

Responsible body	TVET institution	Number	Duration	Admission requirements
MoE	Vocational schools (industry, agriculture, hotel management, and home economics)	18	Two years	10th graders
	Vocational units at academic schools	53		
	Schools with an entrepreneurship stream	9		
MoL	Vocational training centres	14	6-10 months	10th graders
Ministry of Agriculture (MoA)	14 youth rehabilitation centres	16	Two years	Target groups
Other institutions (government sector)	Prisoners' Club (Abu Jihad Centre) and National Institute for Information Technology	2	2-9 months/30-1,200 training hours	Target groups
UNRWA	Vocational training centres	3	Two years	9th-12th graders and target groups
NGOs	Vocational schools (industry and hotel streams)	6	Two years	10th graders
	Vocational training centres	7	11 months-two years	Target groups
	Vocational training centres	3	6-11 months	10th-12th graders

Other institutions (private sector, cultural centres, women's organisations)	Over 200 centres registered by the MoE, MoHESR, and MoL		30-300 training hours	Depending on training/education subject
		76		

The Palestinian government has opted for increasing enrolment at TVET centres as a priority in education, higher education, and labour sectors to counter unemployment and bridge supply-demand gap in the labour market. Within this framework, work is underway to approved the Law on the National TVET Commission to promote an effective and responsive TVET system to labour market needs and growth requirements. This policy priority is informed by workforce survey data, which consistently indicate that unemployment among TVET graduates is lower than those of academic programmes. In addition, TVET accommodates skilled workers. However, a drawbacks of TVET is a relatively high cost of incorporation and low wages compared to those earned by university graduates. Also, most TVET graduates are employed in the service sector despite inadequate government and private sector engagement in this sector. On the other hand, TVET programmes entrench horizontal gender segregation in the labour market, whereby women end up with traditional occupations and jobs.

National education strategies have stressed the need for increasing the number of secondary education students in TVET streams. Progress is still slow, particularly with respect to girls. Compared to the scientific stream, the literary branch continued to grow, with relevant students unable to bridge later to major in scientific disciplines. This raises serious questions about how prepared graduates are to meet labour market needs.

TVET remains unattractive to many students as they are stigmatised for taking up this career path to earn a wage. It is noted that students who engage in TVET are low-educated. TVET schools are often regarded to be of a lower esteem and undesired. In general, community perceptions of TVET are unfavourable. Most students and parents do not prefer TVET because they opt for university enrolment after secondary education. To improve TVET enrolment rate and encourage students to join TVET schools, by means of exposure, the MoE has integrated some TVET themes in the 7^{th}, 8^{th}, and 9^{th} grade education curriculum and inaugurated more TVET schools and majors for both boys and girls. The Ministry has also widened access for TVET students to enrol in different university specialisations. However, TVET development is moving forward rather slowly.

TVET is encumbered by several problems and challenges, which preclude contribution to bridging the gap between supply and demand side in the labour market, notably the following:

- Fragmentation and poor control over outputs: Though in place, the TVET Strategic Plan has not been translated into action, particularly in relation to coordination and governance. TVET service providers continue to operate within a fragmented framework, reporting to various ministries. A consolidated accreditation and certification system is not in place. The Council of Ministers has adopted the proposed TVET governance structures, which was agreed by key TVET partners, in the form of a TVET national commission. Probably, this will address years-long gaps in management and coordination.
- Weak linkages between TVET and the labour market: Coordination between TVET programmes and private sector seem to be so weak. Coordination is indispensable to assess labour market needs and help students enter the workforce. The next section discusses details of a needs assessment to develop and plan workforce.
- Poor industrial/vocational apprenticeship curricula in building the working relationship between students and employers, alongside nascent and limited vocational bilateral studies: In Palestine, most students engaging vocational apprenticeship activities do not received any wages, with the exception of a mediocre transportation allowance. Most NGO-funded vocational apprenticeship programmes are neither adequately organised nor do they award recognised TVET certificates. In-training and on-site rewards to vocational apprentices helps employers build a workforce, rather than only training apprentices who leave the facility after training and move to another workplace. Rolling out new vocational apprenticeship and bilateral studies programmes throughout TVET schools will bring them closer to reality and attract more students to enrol in TVET streams. The National Qualifications Framework (NQF) and Palestinian Occupational Classification (POC) are a basic foundation for determining previously unrecognised qualifications, drawing further attention to and providing more employment opportunities to an extended number of professionals. TVET school expansion aims at attracting and increasing the number of female students.
- Inadequate prospects for employment beyond the scope of occupational fields: Employers report that TVET graduates lack life skills, including languages, customer service, and persistence. In some areas, they also need other basic skills, such as mathematics and English, to ensure successful employment. In non-occupational sectors, there is evidence that the private sector gives precedence to and trains candidates with academic degrees and general skills, instead of investing in basic skills of TVET graduates with corresponding job descriptions.

- Teaching staff lack proper qualifications to keep pace with changing labour market, and sometimes TVET, needs: Despite achievements in teacher qualification, most teachers at TVET schools and vocational centres are unqualified in line with the National TVET Strategy. In 2019, qualified teachers represented 80 percent. While they are knowledgeable of particular industries, many lack development and class instruction skills. TVET teachers and trainers under immense burden in view of considerable demand for TVET.
- Poor human resources, facilities, and infrastructure: Many TVET schools and vocational centres are insufficiently funded to develop respective facilities and infrastructure, as well as to expand and develop programmes to be more appealing or beneficial. A key reason might be limited majors offered by these institutions and weak linkage to the labour market.

2.5.3 Workforce development needs

To maintain employment-based growth and decent work, workforce development requires an accurate assessment of needed labour market skills, ongoing human resource development, and engagement of employers in structuring the education system and workforce development agenda. Employers will also be incentivised to support skills improvement. Albeit modest, some positive steps have been take to institutionalise the participation of employers and evaluate the economic impacts of skills at the local level. However, stakeholders consulted in the context of the Strategy preparation unanimously agreed that assessments need to be more developed and fine-tuned.

Employers and industrialists play a limited role in prioritising workforce development, particularly at a strategic level. These make little contributions to address constraints on skills. Assigned to institutionalise employer engagement, the Higher TVET Council has not been active to this end. Activity of the Tripartite Committee of Production Parties continued to be limited. Including representatives of the government, employers and workers, this committee was established to propose general policies, with direct relevance to TVET. It also holds meetings every four months, but these have been focused on minimum wage and labour disputes at the expense of relevant skills and policy making. Locally, employers and industrialists routinely assist in setting workforce development priorities through participation in employment boards, which have been established in several governorates. However, this engagement does not adequately highlight the debate over and prioritisation of workforce development in relevant sectors. These boards focus their attention on production, separately from production-related education and skills improvement. Still, there is agreement on the importance of investment in promoting TVET in close partnership with employers. Investment in and

development of continuing professional education programmes, which private sector entities can use in enhancing their human resources, are equally significant.

2.6 Legal and institutional framework of the labour market

2.6.1 Legal framework

2.6.1.1 Labour Law and MoL role in law enforcement

The Palestinian Labour Law No. 7 of 2000 was enacted in the context of reforms to consolidate fragmented legal systems in Palestine and produce a set of key laws that pave the way to a modern legal setting. The Labour Law was approved in line with the ILO and Arab Labour Organisation standards. The law provides that "[e]mployment shall be a right for each citizen, who is capable thereof." The PNA shall provide it on the basis of equal opportunities and without any kind of discrimination. The provisions of the law are not applicable to civil servants, domestic workers, and employers' family members up to the first degree. Over 30 regulations have been promulgated to support enforcement of, or introduce amendments to, the law. These regulations and amendments cover several matters, including minimum wage approval by the Wages Committee, approval of foreign worker permits, social security, particular occupational issues, workplace safety, common safety standards, religious holidays, anti-discrimination measures, first aid training requirements, and domestic work. Employing 900 staff members at its Ramallah-based headquarters and district directorate offices, the MoL is responsible for enforcing the Labour law through inspection over workplaces, as well as making other main policies, such as promotions, working conditions, and labour relations.

The Labour Law and regulations on workers' rights are consistent with international conventions, ILO standards, and consolidated legal framework in the West Bank and Gaza. However, employers' compliance and MoL capability of enforcement are still limited. As mentioned above, in addition to poor commitment to the minimum wage by employers, PCBS 2018 Labour Force Survey data indicate a real problem associated with noncompliance with an extended set of workers' rights enshrined in the Labour Law (see Table 8 below).

Table 8: Private sector paid workers who receive employment benefits by area, 2018

Workers' rights	West Bank	Gaza	Palestine
Severance pay	27.9%	18.7	25.1

Paid annual leave	27.7	19.6	25.2
Paid sick leave	26.6	20.1	24.7
Paid maternity leave	42	46	42.8
Free/partially free private health insurance	14.1	3.6	10.9
Insurance against work injury	17.9	10.3	15.6

In the context of the ILO Decent Work Programme in Palestine, the ILO supports a consultation process to reform labour legislation, expected to continue until 2020. Within this framework, a number of tripartite technical committees have been established to address main aspects of the reform process, including working conditions, occupational safety and health, and labour inspection. With support from the ILO, discussions and consultations are underway between main stakeholders about the Draft Trade Union Law to ensure it is fully consistent with relevant ILO standards. Additionally, following several requests from trade unions, the National Wages Committee is reviewing the minimum wage level, which has not been modified since 2012.

The ILO and German Development Cooperation (GIZ) also support capacity building programmes at the MoL Inspection and Labour Protection Directorate General to enforce the Labour Law. To this end, the ILO and GIZ provide technical and financial support to developing inspection over workplace to ensure proper working conditions. This includes inspection over child labour and working conditions of child workers. Capacity building provision has improved functions of this directorate, including in terms of coverage and quality of inspection services and improvement of institutional infrastructure of inspection. However, the directorate continues to be confined by short human, physical and financial resources. It is also challenged by inadequate integration and coordination with other MoL directorates (e.g. Employment and Labour Relations Directorates General). Other gaps involve capacities directly related to human resources at the MoL district directorate offices: lack of a realistic monitoring place; relatively low remuneration; no allocations to labour inspects as in other sectors (e.g. health inspectors); absence of a clearly defined career path for inspectors; limited prospects for professional development and promotion; short resources; and lack of specialised labour courts. Combined, these risk undermining professional motivation and efficiency among labour inspection team members, negatively impact the MoL ability to promote decent work and ensure compliance with labour regulations.

In Israel, the Israeli Labour Law and collective agreements reached in accordance with this law are applicable. However, enforcement of the Israeli Labour Law to Palestinian

workers remains piecemeal. Palestinians employed in Israel face difficulties in claiming compensations and access to healthcare for many reasons. Most notable is fear of losing employment, unawareness of labour rights under the Israeli law, and informal working conditions. Therefore, the situation of Palestinian workers in the Israeli labour market largely depend on the Israeli Inspection Department's ability to enforce the applicable law. In this context, in 2007, the Israeli High Court of Justice ruled that Israeli employers in the West Bank should comply with and apply Israeli labour regulations to the Palestinian workers they employed. This ruling is not effectively enforced, however, making Palestinian workers in settlements subject to the whims and arbitrariness of employers without any legal protection.

2.6.1.2 Social Security Law

In February 2016, for the first time ever, the Social Security Law was adopted and applied by the Palestinian government to private sector worker employees and their families. The law was signed by President Mahmoud Abbas a month later.[4] The law was revised owing to concerns raised by civil society representatives. The amended law was promulgated by President Abbas on 29 September 2016. In addition to work injuries, the amendment provides for certain benefits for senility, disability, and death. It also introduces maternity protection insurance to encourage employers to hire more women and, consequently, contribute to increasing female labour market participation. According to the Law, a social insurance incorporation was created to manage social security and other operations. It was anticipated that first contributions be collected by January 2018. The new system would cover more than 300,000 workers by 2015.

Notwithstanding these achievements, as a number of private sector entities registered at and started to transfer theirs and their workers' contributions to the Social Security Incorporation, protests escalated against planned enforcement of the social security system. As protests reached a climax, the Palestinian government had to decide to suspend enforcement of and relaunch in national consultations about the Social Security Law.

2.6.1.3 Tax legislation and enforcement

Taxes play a critical role in the economies of both developed and developing countries. Providing a key source of public budget revenues, taxes are used as a fiscal policy instrument by the state to guide national economy and influence social conditions of

[4] Social Security Law No. 6 of 2016, Official Gazette, 20 March 2016.

intended taxpayers. The tax system must be fair, transparent, clear, and user friendly to obtain appropriate and adequate revenues, meet the state needs and expenditures, and promote private investments.

Since it was established and took over responsibility for Palestinian land administration in 1994, the PNA has inherited and encountered economic and social challenges, as well as multiple and mostly conflicting regulations, first and foremost those relating to taxes. In that connection, the PNA took expedited action to enact and amend many economic laws, most notably was the Income Tax Law. On the other hand, the PNA has not enacted any regulations on indirect taxes, sufficing with amending existent laws through bylaws and directives one at a times.

Income Tax Law: Promulgated in 2004, the Palestinian Income Tax Law was amended on several occasions. Having mapped and shaped the Palestinian tax system, amendments mainly aimed at increasing tax revenues, promoting investments, and redistributing incomes among different segments of society. Introduced in 2016, the last of these amendments involves major issues and aspects of the Income Tax Law, mostly affecting tax brackets, rates, and exemptions. Annual exemption was raised from NIS 30,000 to NIS 36,000 for all taxpayers irrespective of their personal conditions as was already the case. Tax brackets were also largely amended and made more generous to taxpayers.

The new law has kept taxable income earned from agriculture by individuals and companies despite significant outcry against imposing this tax for the first time in 2011. Where the amount of revenues/sales is less than NIS 300,000 a year, individual and corporate income from agriculture was tax exempted, and so were pensions. Taxation of agricultural income faced considerable difficulties in enforcement. These mainly concern an untenable accounting of agricultural expenses and revenues derived from agriculture as well as with the specific character of the agriculture sector. The latter is associated with land, which is a prime target of confiscation and settlement activity by Israel. Agricultural income taxation was also in conflict with the official and popular approach to strengthening perseverance of farmers on their land. The agriculture sector also has a significant impact on broad low-income social groups on both the production and the consumption sides. Any tax levied on trade in agricultural products will influence prices. As traders can transfer tax burden to consumers, Palestinian households will not be able to access these products at affordable prices that correspond to their financial means. On the other hand, tax on pensions was incompatible with the Labour Law and workers' rights to full savings and severance pay benefits.

Indirect taxes: These taxes are levied on the consumption of goods and services and on domestic and foreign trade. They involve different types of taxes, most notably VAT, customs duties, excise, purchase tax, and fuel tax. According to the Paris Economic

Protocol, indirect taxes are collected locally and by Israel on behalf of the State of Palestine's treasury.

Amounting to 16 percent, VAT is applicable to all local and imported commodities and services. VAT exemptions are only granted to projects benefiting from or supported by the PNA, and to approved activities funded by the United Nations and donors. VAT exemptions are not directly given to private companies. Income generated by these companies is subject to the normal tax rate. VAT refunds is approved for companies that submit evidence on entitlement to these refunds. If any, these are paid following the respective maturity date.

VAT refunds have been an important component of the arrears the PNA have accumulated in recent years, with the consequent impacts on financing derived from current operations in favour of beneficiary companies. Also, pursuant to the Paris Protocol, Palestinians may not be allowed to reduce VAT by more than 2 percent than the VAT rate in Israel. This does not only constrain the fiscal space available to the PNA, but also impacts market-oriented tax policies and makes the Palestinian economy dependent on Israel, negatively affecting competitiveness and growth.

Customs duties and excise, are the largest tax revenue source, contributing some 36 percent of total indirect taxes. Like VAT, customs duties have increased year after year due to deteriorating trade balance deficit with countries around the world, other than Israel. This was also driven by increasing direct imports at the expense of imports via Israeli agents and mediators, particularly over the five past years. The rise in customs duties is not projected to go on in the future as Israel – with whom Palestine is linked by a single customs envelope, with some notable exceptions – is in the process of removing customs duties on all imports towards 2020 in line with its obligations as an ILO member.

Levied on all fuel purchases without distinction, fuel tax ranks third in terms of contribution to tax revenues in general, and indirect taxes in particularly. Fuel tax represents some 30 percent of indirect revenues and 26 percent of total revues. On a consolidated basis, it comprises 50 percent of the final sales price to the consumer. Worth noting is that reducing fuel tax burden has long been demanded by broad production sectors in Palestine with a view to incentivising production, improving competitiveness of Palestinian products, and promoting import substitution, particularly Israeli imports whose producers enjoy multiple tax exemptions.

An analytical study of the Palestinian tax system (Abdul Karim 2016) demonstrates that workers in the formal economy are weighed down by direct taxes. Nominal thresholds for tax exempted income are relatively low, disproportionate to living costs, and do not take account of households conditions and needs of individual taxpayers. This means that the

model instrument for distinction between taxpayers involves tax exemption. This mostly features tax exemption offered to particular activities, such as exportation, tourism, agriculture, and companies with high capital intensity, in order to promote private investment. It does not take account of the fact that over 95 percent of business enterprises in Palestine are SMEs. VAT or customs duties (levied indirectly on consumption) are inherently unfair because they do not heed differences in citizens' consumption behaviour and financial capacities. Everybody pays tax regardless of their level of income. This is particularly the case when tax rates are consolidated and do not draw a distinction between basic and luxury commodities.

The most critical problem in the Palestinian tax system probably lies in low tax compliance, partly because of a large-scale informal economy and widespread cash payment of part of the salaries. Poor technical and institutional capacities of tax departments inhibit verification of the real taxable income. Additionally, the tax base is not inclusive as a significant number of self-employed taxpayers are beyond tax monitoring. Pervasive and complex tax discounts and deductions facilitate tax avoidance. Penal tax systems can render tax evasion easier if penalties are strictly applied.

As mentioned above, the Income Tax Law does not distinguish between taxpayers with the higher income category. Everybody pays that same tax rate (15 percent), irrespective of whether their net income is in excess of NIS 150,000. In this context, overlooking the nature of taxable enterprises and companies, the law levies the same tax rate on businesses regardless of their operations, be they industry, agriculture, services, or trade. Neither doe the law draw a distinction between enterprises based on their venues. In other words, a geographical dimension is absent from the income taxation process. This is one aspect of the law that requires a serious reconsideration, particularly in the context of the government cluster-based development approach and investment promotion in Area C.

2.6.2 Institutional framework

2.6.2.1 Union freedoms

Ensuring the right to form trade unions, Article 26(2) of the Palestinian Basic Law provides that Palestinians have the right to "form and establish unions, associations, societies, clubs and popular institutions in accordance with the law." However, a law does not regulate union activity in the Palestinian territory. The Palestinian Labour Law No. 7 of 2000 repealed the Jordanian Labour Law No. 2 of 1965, which used to govern union activity among workers. The Labour Law includes some provisions on the right to collective bargaining:

- The right to collective bargaining is safeguarded. Collective bargaining will be conducted in a free manner and without pressure or influence.
- Collective bargaining will be facilitated between trade unions or representatives and employer unions or representatives and conclude collective agreements on the regulation of employment terms and conditions. For example, relevant bodies must provide needed information and data at the request of any party of the collective bargaining.
- Collective disputes are settled by means of reconciliation.

The Palestinian Labour Law places some regulatory restrictions on the right to collective bargaining. At the level of establishments, collective bargaining takes place between the employer or establishment management and worker representatives only. In this case, as the union may not negotiate with the establishment manager, a strong union needs to be in place within the establishment. At the level of a particular economic activity, bargaining is initiated between the employers and relevant trade union, requiring that employer orgnaisations and trades unions have broad representation. At the national level, bargaining is launched between the employer union and PGFTU. Obviously, this necessitates that trade unions be in place and enjoy a membership base that enables them to engage in bargaining and implement resultant agreements. The fact that the Labour Law determines the levels of bargaining requires a certain type of union structure, which is not available in many sectors. Adopting and establishing this structure is inconsistent with union freedom or right to trade union pluralism.

The Labour Law addresses some issues pertaining to trade unions, such as labour disputes, collective bargaining, strikes and lockouts (establishments are shut down by managers). However, the law leaves trade union regulation to a union law. This has created a vacuum in legislative norms, which ensure union freedom and govern union activities of both workers and employers. Although a draft law on the regulation of trade union activity in Palestine was developed, it has not so far been approved. This is one of the main underlying causes of the decline, poor governance and disintegration of union activity in the West Bank and Gaza.

2.6.2.2 Union intensity and trade unions

In Palestine, there were 572 trade unions in 2019, up from 536 in 2017. Trade union federations numbered 14 in 2019. The PGFTU is the largest trade union in Palestine, representing approximately 200,000 workers. The PGFTU seeks to defend workers' rights and labour, strengthen financial independence, and increase membership base, particularly among women. Currently, PGFTU functions are split in Gaza and the West Bank. In Gaza, eight trade unions represent workers in various sectors, namely,

agriculture, food processing, textiles, transportation, services, trade, metalworking, construction, woodworking, post and telecommunications, and municipality staff.

Trade unions are more widespread at the local level. In the West Bank, 168 local trade unions operate under the umbrella of 12 major national unions, representing workers in food processing, agriculture, textiles, transportation, banks, insurance, tailoring, leatherwork, construction, public services, telecommunications, post, print and graphic design, health, chemistry, and health. In 2019, local unions had some 230,000 members, including 190,000 men and 40,000 women. Union activity is relatively more intense in health, social work, education, and public administration sectors, but are is less intense in most private sector entities (PCBS, 2015).

In 2018, only 19.5 percent of workers reported they were affiliated with trade unions. Affiliation was higher among females (28.7 percent) than among males (17.8 percent). It is also higher among Gaza workers (37.1 percent) than among West Bank employees (13.1 percent). Low union membership is mainly attributed to poor union governance, lack of awareness among workers, and weak worker confidence in the value of union activity.

2.6.2.3 PFESP and MoL Employment Directorate General

Established in 2003 under Presidential Decree No. 9 of 2003, the PFESP is a semi-government, independent body. It enjoys corporate personality and is financially and administratively independent. Chaired by the Minister of Labour, the PFESP board membership brings together representatives of the MoFP, MoSD, MoNE, Federation of Palestinian Chambers of Commerce, Industry and Agriculture (FPCCIA), PGFTU, women's organisations, civil society, and national figures. The PFESP is tasked to reduce poverty, promote employment, and implement labour market policies. To do so, the Fund supports implementation of active labour market policies and measures and influences national policies promoting employment and creation of employment opportunities. The PFESP works closely with beneficiaries and through partners in the West Bank and Gaza. It provides services in the following areas:

- Business Opportunity Development, by enhancing access to adequate financing for male and female youth.
- Business Development Programme, by supporting young and SME entrepreneurs, including packages of technical support through coaching, mentorship, and business development services. The Fund also offers adequate and concessional financing programmes through partners local banks and microcredit institutions. Within the framework, the PFESP develops focused business development

programmes, targets particular groups and sectors in consistence with the PNA and relevant sector strategies, and supports youth to create their own enterprises.

- Programmes for Skills Acquisition through Temporary and Emergency Employment, by building partnerships with the private sector and civil society to create temporary employment opportunities to unemployed youth, particularly new graduates from academic institutions and TVET centres. These are tailored to improve youth skills and increase their competitiveness to enter the labour market. The PFESP also implements emergency employment programmes to provide minimum income to unemployed youth.
- Community Infrastructure Support Programme, by supporting employment capacities at national institutions to enhance service delivery, especially in marginalised areas. The programme also supports sustainability and develops institutional capability and structure of these organisations.

In 2016, the Council of Ministers decided to adopt the PFESP as the national umbrella of all employment programmes, creation of employment opportunities, and entrepreneurship development in Palestine. The government instructed all ministries and bodies dealing with employment to provide the PFESP with their detailed activities and coordinate all future programmes and support initiatives with the Fund. The impact of this decision on current and future active labour market policies is still unclear, however.

The 2019 PFESP Annual Report indicates that approximately 19,000 persons, relatively evenly distributed across males and females, benefited directly from the PFESP programmes and projects since its establishment. Since 2016, aggregate funding of the PFESP programmes has totalled US$ 26.8 million. Financially managed by the Bank of Palestine, PFESP's *Mashrou'ak* [Your Enterprise] programme is worth US$ 50 million. The PFESP provides technical support to and helps beneficiaries develop and follow up on the implementation of their business plans to incorporate or develop SEs. According to the PFESP report, since 2016, 2,354 income-generating enterprises have been incorporated and developed. The Fund has created 4,572 employment opportunities through self-employment support programmes and 2,341 temporary employment opportunities through emergency and temporary employment programmes. A future top priority of the PFESP is to promote service delivery through strategic partners, including the MoL through district employment offices and chambers of commerce, as hubs to provide employment services. The PFESP develops specialised programmes, builds new effective strategic partnerships, and influences policy making on employment promotion. It also seeks to develop a performance measurement system, which would enable M&E of the impact of PFESP achievements on improving employment policies, particularly those relating to ALMPs. Recently, the PFESP has bolstered and enhanced its organisational structure and technical capacities, contributing to new partnerships with local and international partners. The Fund also promote the government role in

emergency response to the COVID-19 pandemic through a number of projects and programmes in support of affected establishments and unemployed.

District employment offices of the MoL Directorate General provides a set of employment services and register jobseekers. There are 16 employment offices in the West Bank and five in Gaza. In the West Bank,[5] employment offices provide job placements and issue certificates of eligibility for free health insurance to the unemployed, and Palestinians engaged in short-term employment in the Israeli labour market. With support from GIZ, eight West Bank offices were transformed into one-stop shops, providing a comprehensive set of professional consultations, including vocational guidance, employment advice, instruction on self-employment (freelance work) and SE incorporation, search for employment, and support of job applications, information, and work permits in Israel. In addition to innovation, GIZ supports administrative and technical capacity building at these one-stop shops. Technical staff were trained on new employment services, including vocational guidance, industrial relations, and collaboration with employers. In addition to employment matching, it is expected that these centres make available qualified employees in line with employer requirements and standards. District employment centres will also provide a variety of opportunities and services to women. Besides, the MoL signed agreements with ten universities and two community colleges to establish vocational guidance offices on campus.

Despite the tangible progress towards capacity building at one-stop shops, human and logistical capacities are still incapable of providing the services for which they have been established. Key weaknesses include short qualified staff, limited communicability with employers, inadequate means of transportation, and unclear roles and responsibilities. As mentioned above, a few unemployed persons have registered at or request advice from employment offices.

2.6.2.4 Labour market information system

A main service of the Employment Directorate General, the labour market information system (LMIS) has been implemented under the MoL umbrella. LMIS aims at creating an effective training and education system in Palestine, provide accurate and up-to-date data on supply and demand in the labour market, and assist decision-makers, employers and individuals in identifying current and future needs for different skills and occupations. LMIS results are supposed to inform the development of employment and education policies. LMIS comprises four subsystems: (1) population (demographic and labour data); (2) education (higher education, formal and informal education, TVET, and

[5] The MoL has no control over Gaza employment offices due to political and geographical split from the West Bank.

occupational-retraining data); (3) projects (unmet needs, layoffs, companies, skills, sectors, and professional experience); and (4) labour market (unemployment, jobseekers, vacancies, and filled vacancies). Apparently, the MoL, MoHESR, private sectors, chambers of commerce, PCBS, jobseekers, and graduates are all stakeholders in the LMIS subsystems.

However, the LMIS is ineffective and unproductive due to poor contributions by stakeholders, including the MoL, and short financial and human resources needed to upgrade the system at the Employment Directorate General. A better understanding of LMIS user needs, providing incentives, and willingness to spend on labour market information can transform the LMIS from an ineffective and unsustainable system into one that provides self-stained, effective and demand-driven services.

2.6.2.5 Chambers of commerce, industry and agriculture

Besides the FPCCIA, there are 18 chambers of commerce, industry and agriculture in Palestine: 13 in the West Bank, including East Jerusalem, and five in Gaza. These chambers provide a wide range of services to members and the public. Services are primarily aimed at improving competitive advantages and assisting members to extend their reach to markets, including training provision, trade facilitation, and organisation of fairs. They also make available information on business and social environment of the private sector. Currently, chambers have a membership of 65,000 businesses, or some 40 percent of all establishments in Palestine. Still, in most districts, active members (i.e. those who paid annual membership fees) are less than total number of membership.

Under the law, chambers of commerce, industry and agriculture are allowed to present an exclusive set of service, ensuring a steady access to revenues. However, capacity gaps and poor business models, particularly within smaller or subsidiary chambers, constrain the ability to develop services and fulfil legal obligations.

- In 1989, the FPCCIA was established in Jerusalem as a hub of all chambers operating in the West Bank and Gaza. It also serves as an independent legal body, which represents interests of all chambers and private sector at large. The FPCCIA General Assembly comprises all chambers of commerce, industry and agriculture.
- Elections were held in the West Bank and Jerusalem in late 2018 and early 2019, and in Gaza in 2014.
- The FPCCIA mandate is governed by the Palestinian Law on Chambers of Commerce, Industry and Agriculture of 2011, which sets the legal bounds of the FPCCIA operations. The law provides for the compulsory registration of all establishments at chambers. However, the law is not enforced by relevant bodies,

particularly the MoNE – legal point of reference with influence no business sector representation and service.

Below are the FPCCIA main goals:

- Enhance performance and promote of contribution member chambers to national and domestic development through high-quality services.
- Exert pressure and advocacy to protect member and private sector interests.
- Strengthen chambers' network of relations at national, regional and international levels.
- Contribute to increasing market share of Palestinian products and exports to other parts of the world.

2.6.2.6 Palestinian Private Sector Coordinating Council

The Palestinian Private Sector Coordinating Council (PSCC) is the broadest framework for private sector coordination in Palestine. It includes 12 private entities and institutions, namely, the Associations of Banks in Palestine (ABP), Palestinian Contractors' Union (PCU), FPCCIA, Palestinian Insurance Federation (PIF), Palestinian Federation of Industries (PFI), Palestinian Businessmen Association (PBA), Palestine Trade Center (PalTrade), Palestinian Information Technology Association (PITA), Palestinian Shippers' Council (PSC), and Arab Hotels Association (AHA). Since 2017, the Businesswomen's Forum and Palestinian Association of Certified Public Accountants have been members of the PSCC. These entities cover major private (non-agriculture) economy sector, reflecting and defending broader business communities and agendas. For most private entities, membership on the PSCC is voluntary. However, membership on many PSCC members is legally obligatory, including on the PIF, ABP, PFI, FPCCIA, and PITA. Membership introduces these entities as official private sector partners with the government, on higher councils, or with international counterparts. Hence, the PSCC is viewed as the chief representative of employer interests and political demands, either collectively or on a sector-basis. The government deals with the PSCC accordingly. The Council plays a key role in coordinating between all 12 members. The PSCC is not an independent institution per se, nor does it have a permanent secretariat or a website. Chairmanship is rotated among members twice a year.

Active PSCC members mainly comprise dozens or hundreds of medium- and large-sized enterprises. An exception is FPCCIA, which includes most establishments officially registered at the MoNE, and PFI which brings together several thousand members. Higher councils of PSCC members are managed by boards elected from among respective members. Most often, board members are from major and most active

companies. Membership benefits of PSCC member entities vary, but commonly involve general problem solving, certification, technical assistance and, in particular, representation of members' interest in social dialogue with the government. Activities include implementation of donor-funded projects and organisation of conferences and consultations with the government.

2.6.2.7 National Committee for Women's Employment

With support from the ILO and UN Women, the MoL played a leading role in establishing the National Committee for Women's Employment (NCWE) in 2012. It serves as an advisory committee mandate to support the government in developing legislation, policies, and programmes to promote employment and increase women's participation in the labour market. In addition to the MoL, employer organisations and trade unions, NCWE membership includes representatives of over 20 government bodies and NGOs. Chaired by the Minister of Labour, the MoL Gender Unit serves as general secretariat of the NCWE. The Committee has a permanent office, including elected representatives of member ministries, government agencies, and NGOs. The office is coordinated by an elected coordinator.

The NCWE roles and responsibilities are as follows:

- Make policies to promote and increase economic participation and protect and ensure rights of women.
- Propose and follow up on draft laws and regulations on the NCWE goals with relevant authorities for approval.
- Provide capacity building to government bodies and NGOs with corresponding goals with the NCWE by providing technical support and consultation.
- Support and assist the MoL as the official body in charge of safeguarding, monitoring, and enforcing the Labour Law.
- Promote and mainstream gender equality in policies, programmes, and plans on women's employment.
- Prioritise gender equality advocacy, media interest, public awareness raising, and mobilisation for women's employment in Palestine.
- Strengthen monitoring, control, and lobbying to scale up employment opportunities for women.

To develop a strategic framework for its functions, the NCWE has received significant support and technical assistance from the ILO and UN Women. It also had technical and financial support to implement its operations. Although major progress was made towards capacity building and institutionalisation, the Committee's ability to deliver

technical tasks is still minimal. Activity and capability of plan implementation largely depends on external technical aid.

2.6.3 ALMPs

Over the past 50 years, ALMPs have emerged as a policy intervention, frequently used by developed and developing countries to increase employment opportunities. Concurrently, ALMPs address social problems that often accompany rising unemployment rates, including low labour market participation. The most universally prominent objective of ALMPs is to promote and develop labour market demand side, incentivise demand for manpower, and enhance labour market performance in the long term. ALMPs resolve some market flaws by focusing on human resource development with a view to achieving more favourable and sustainable employment outcomes.

A recent study released by the International Monetary Fund (IMF) finds a positive correlation between spending on ALMPs as a percentage of GDP and the employment rate in the business sector in the 1990s. For a 1993-2000 sub-sample of 15 industrial countries, a 1 percentage point increase in ALMP spending (as a share of GDP) is associated with an increase in the business employment rate of 1.9 percentage points. Accordingly, ALMPs can provide an effective tool to address unemployment. It is important to target ALMPs to achieve maximum labour market benefit from spending on employment programmes.

During the past 15 years, dozens of ALMPs have been launched in Palestine to help counter high unemployment rates and overcome obstacles to employment opportunities by improving skills of the unemployed, particularly youth and new graduates, and enhancing employability opportunities. With contributions from the Palestinian government and private sector, donors have been the most prominent financier of ALMPs. ALMPs have also sought to bridge the gap between educational outputs and labour market needs. Estimates show that over 130 ALMPs have been implemented in the West Bank and Gaza (MAS and PFESP survey).

The table below sums up general characteristics of key ALMPs in Palestine.

Table 9: Main employment programmes, services, and target groups

Sector	Programme	Number of organisations	Main services	Target group

Entrepreneurship, SEs, and assistance programmes	Pre-incubation programmes	6	Initial incubation activities, including lectures, workshops, entrepreneur camps (start-up "weekends"), business ideas competition, and business planning	Mainly university students, and start-ups
	Incubation programmes	9	Technical and administrative support, individual training, and provision of a start-up fund, and linkage with investors	Start-ups and individual businesspeople, with a focus on ICT
	Business acceleration services	3	Individual sessions with experts, access to relevant training courses, start-up fund, and access to venture capital	Start-ups and individual businesspeople
	Business entrepreneurship programmes	2	Incubator capacity development and easy access to financing	Incubators and business accelerators
	SME incorporation and development	6	Capacity building, training, business planning, feasibility studies, and access to financial services	Youth, women, and unemployed
General employment services	Local education and training councils	4	Promote social dialogue, strengthen local employment initiatives, and maintain linkages and contact between various employment stakeholders	Organisations with employment programmes

	Employment offices	16	Job placement; certificates of eligibility for free health insurance; vocational guidance; vocational training services; support and information to search for employment opportunities; job applications; and work permits in Israel	Unemployed
	Employment units (Employment Corner) – chambers of commerce, industry and agriculture	4	Provide employment and training services in partnership with the MoL	Jobseekers with technical skills and establishments seeking to fill specialist positions
	LMIS	-	Provide data on labour market supply and demand to assist decision-makers	All labour market actors
	On-the-job training; training programmes	19	A training programme to bridge the gap between educational outputs and labour market demand; paid on-the-job training	New graduates
	Internet-based job search and training programmes	3	Connect jobseekers with organisations and training courses online	New graduates and unemployed
Private sector programmes	Capacity building and scholarships programmes	5	Many training courses to provide students with life skills and vocational training; scholarships	University students and new graduates

	Vocational skills development programme in partnership with the Cologne Chamber of Commerce	1	Hold focused courses on vocational skills, e.g. hybrid car maintenance and solar power, through TVET units established at West Bank chambers	Employees of member enterprises of West Bank chambers of commerce
Other programmes	Poverty reduction programmes	5	Access to a set of financial and non-financial services (social safety net promotional activities); cash-for-work programme	Poor households

In spite of inadequate data to support assessment of ALMPs impact, effectiveness and efficiency, collectively or individually, there is a national consensus that they have played a key role in cultivating skills of thousands of Palestinian workers, particularly youth and new graduates, and improving their employment opportunities. Entrepreneurship programmes have favourably impacted a business enabling environment in Palestinian society. Based on cash transfers, emergency employment programmes have contributed to building and developing community assets and reducing poverty, albeit unsustainably, among beneficiaries. Still, ALMPs continue to face a set of obstacles in Palestine. These are, in a nutshell:

- The vast majority of employment programmes in Palestine rely entirely on donor financial support. Many programmes, particularly short-term employment exercises run by small NGOs, are not sufficiently institutionalised by implementing organisations. These also include private sector-run employment programmes, which taken external financing into account in the budgeting process. Long-term project sustainability is, therefore, at risk when financing is lacking.
- ALMPs undergo little or no review and assessment. Most policies only pay attention to tracking the progress of operations, implementation indicators and outputs. Hence, measuring the impact and effectiveness of most ALMPs becomes almost impossible. This is problematic because it undermines policy making and accountability for ALMPs. Most organisations lack a mechanism for systematic monitoring of beneficiaries after programmes come to an end. In cases where they

reported they had one, organisations did not apply monitoring mechanisms on a systematic basis. Monitoring is provided sporadically or randomly. No steps are taken to address problems or weakness surfacing from the monitoring process.

- In the West Bank and Gaza, ALMPs are disintegrated and fragmented. Oftentimes, ALMPs share the same overlapping and unnecessarily coordinated goals, objectives, and target groups. These programmes are usually implemented by different organisations or funded by multiple donors. Dispersion of ALMPs usually results in many inefficiencies (e.g. double targeting). Many organisations would serve the same target groups, often unnecessarily the most vulnerable or disadvantaged. This stresses the need for more regulation and coordination between different ALMPs.
- ALMPs significantly contribute to developing Palestinian skills to correspond to labour market needs. However, structural problems of the labour market and limited capacity to assimilate the considerable number of new labour market entrants every year scale down contribution to reducing unemployment rates because ALMPs are not implemented along the lines of an integrated policy framework, enabling these programmes to effectively address the challenge of demand-side unemployment. To effect this change, market labour policies must be integrated within a comprehensive policy and strategy framework, taking account of macroeconomic policies, labour-intensive investment policies, labour market regulations, social security system, legal framework for labour, and tax system. In a similar vein, ALMPs focusing on entrepreneurship promotion are still relatively new in the Palestinian context. More time is needed to assess the impact of these exercises. Indeed, business entrepreneurship faces significant challenges, including a lack of policies that boost and support start-ups. Additionally, educational outputs do not promote entrepreneurship and innovation. Most people opt for traditional employment at the expense of self-employment. A few sources provide an appropriate incubator for innovated trade ideas. Finally, needed core funding is not available to incubate and accelerate innovated start-ups.
- Most ALMPs with an entrepreneurship focus have their eyes only on ICT. This may be driven by relative low investments needed to incubate ICT companies in comparison to other sectors. While limiting the scope of work of ALMPs, this prevents other entrepreneurs from receiving potentially vital services for manufacturing or other sectors.
- Oftentimes, short-term employment programmes based on on-the-job training are not purposefully designed in partnership with the private sector, limiting sustainable employment opportunities when the duration of wage subsidies offered in the context of these programmes is over.

3. Policy priorities

3.1 Key challenges

Ongoing occupation of the West Bank, including East Jerusalem, and Gaza obstructs prospects of economic development in Palestine, largely reflecting on the Palestinian labour market. Efforts made by the State of Palestine to develop and bolster resilience of the Palestinian economy have expanded the private sector activity in several sectors and increased domestic demand. However, employment continues to face a pressing challenge, particularly now by the adverse effects of the COVID-19 pandemic on broad economic sectors and labour market. Labour market data, and youth employment in specific, show the following:

- Pervasive unemployment and stagnant wage impede economic growth, poverty reduction, and social stability, requiring immediate action. Workforce participation rate is structurally low, particularly among women. One of every ten women in the working age is employed or seeking employment. Unemployment is on the rise and currently affecting almost a third of the workforce. This is the largest unemployment rate recorded in two decades. Especially in Gaza, workforce suffers from unemployment as over half of half of the labour market workers are unemployed. Generally, unemployment economic participation levels feature wide geographic disparities, indicating significant geographical fragmentation of the labour market.
- Youth and women, in particular, suffer from unemployment. In Gaza, almost seven of every ten youths are employed (eight of every 10 female youths). Over six of every ten find employment in informal jobs, debilitating worker protection and employment productivity. More specifically, youth with higher education, particularly females, are affected by low participation and more employment than low-educated counterparts. They are also more susceptible to be employed in low-quality jobs, mostly in informal economy which employs approximately half of the youth in the private sector. It seems that employment in informal economy is the only chance for youth with low skills. It provides a mean to many other acquire working experience required by employers.
- Despite higher educational attainment, many male youth – in Gaza and female youth in the West Bank and Gaza in particular – face problems in smooth transition from education to work. This is because educational outputs are incompatible with the labour market requirements and private sector is unable to create adequate employment opportunities. A large number of employees are still confined to temporary and seasonal jobs and low wages, which they find difficult to avoid. A worrying aspect of youth transition is the significant proportion of

youth who are neither at school nor in employment. In 2018, 33.4 percent of NEET youth aged 15-24 (39.2 percent females and 27.9 percent males).

- Over the past ten years, employment opportunities created in the private sector have been focused on non-tradable services, such as mostly low-productive retail trade, diminishing overall employment productivity. This inefficiency is driven by a structure that centres on small and low productivity, often taking place in local market-oriented informal establishments. The Palestinian economy is affected by weak linkages between its components. Not only does this undermine added value of production, but also weakens the capacity to create employment opportunities value added activities in various production chains, particularly agriculture and industry sectors. This is due primarily to external factors involving restrictions placed by Israel, the occupying Power, on economic development. Such factors are embroiled together, fuelling a vicious cycle of economic, social and political instability. Israeli constraints on trade severely limit the prospects of export-based growth, particularly damaging as a small economy as Palestine's and considerably affecting its capacity to create and maintain employment opportunities. Israeli constraints on Palestinian access to natural resources, especially in Area C, and on the movement persons and goods in the West Bank represent an insurmountable barrier that disables inclusive sustainable development. For years, the Gaza economy has been crippled by siege imposed in 2007. While easing restrictions will have a far-reaching impact on stabilisation and enabling infrastructure investment needed to achieve growth based on employment and decent work, the influence of external factors is compounded due to a number of internal factors, which continue to constrain private investment with a view to creating decent employment opportunities.

Overall, recent economic, industrial and social policies have not had a significant impact on employment, particularly among youth and women. These policies have paid sufficient attention to addressing constraints on the private sector in the course of creating more employment opportunities, including tax, investment and market regulation policies, ensuring protection of local products against unfair competition. Employment prospects in many private sector companies are hindered by administrative barriers to starting and scaling up businesses, limited government resource allocations in support of economy sector development, employment and social protection programmes, high business cost, and inadequately developed industrial, tax and fiscal policies. These policies have not sufficiently addressed problems caused by unconsolidated legal and regulatory frameworks of different business sectors, limited bank financing to small companies, poor market regulation, and inadequate infrastructure, inhibiting fair competitiveness of the Palestinian private sector.

Adopted financial, tax, industrial and social policies viewed employment as a secondary issue, assuming that unemployment and decent work will be addressed indirectly through macroeconomic policies, rather than considering employment as an objective in and of itself. Fiscal policies adopted to date have managed to achieve some stability through good governance of public sector operating expenses, rationalisation of expenditures, and partial payment of government liabilities to the private sector. However, policies have failed to promote production in production sectors, ensuring private sector employment growth. Tax policies have also had a profound impact in enhancing government tax revenues and reducing tax evasion. However, these policies have not succeeded in incenstivising employment and boosting the economy and formal employment. Besides industrial and sector policies, financial sector development strategies and policies, including financial inclusion and legal framework improvement, have favourably impacted the business climate. However, private enterprises still face a number of constraints in production, internally (i.e. administrative capacities, technology, equipment, workforce skills base, and access to resources), and externally (i.e. effective state institutions and policies, enabling business environment, and conducive employment setting).

Strategies approved to date to address informal economy and employment are limited in focus and implementation. Mainly centring on reducing tax burden on major companies or intensifying inspection over working conditions, these strategies pay little attention to informal parameters of companies and employees. Consequently, these measures have yielded limited results as to shift workers and establishments to formal economy.

The education and training system is still unable to resolve employment challenges to Palestinian youth. Despite many achievements in enrolment and expansion of kindergarten programmes, gross quantitative increase in education was not matched by greater quality and alignment with the rapidly changing labour market and future. Many reforms are yet to be introduced to TVET. Interest in TVET is still substandard as it does not attract enough students, particularly females. TVET-private sector linkages continue to be poor. Most TVET curricula focus on narrow occupations and teaching methods are still teacher-centred. The situation is further compounded by the lack of a NQF and POC, reflecting new competences, as well as a reliable LMIS.

In relation to the institutional framework of the labour sector and employment services, an extended set of challenges need to countered. Most notable is weakly institutionalised tripartite dialogue, lacking several key regulations (e.g. a union regulation law), fragmented employment services, poor M&E mechanisms for ALMPs, weak linkages between active and inactive LMPs, including social programmes exercises. Financial and human resources of labour market organisations are too limited to ensure effective enforcement of the Labour Law.

Table 10 below sums up main employment parameters in four key aspects, reviewed above.

Table 10: Main employment parameters in Palestine

Employment aspects	**Key problems**
Macroeconomic framework	High trade deficit; (domestic and foreign) investment still inadequate to promote employment-based growth; inferior economic capacity to create employment opportunities and ensure decent work conditions; weak workforce qualifications, particularly among new graduates; increasing economic activity and employment in informal sector; limited monetary policy instruments (confined to changing bank compulsory reserves) and poor targeting of these instruments to help the private sector create employment opportunities; financial policies not favourable to restructuring government spending and serve employment objectives.
Education and training	Poor educational outputs, leading to low-quality education; educational outputs unaligned with labour market needs; linkages between the education system, private sector and labour market still mediocre; entrepreneurship and TVET still limited at few education institutions; low levels of vocational continuing education, retraining and rehabilitation (quantitatively and qualitatively); substandard vocational guidance; negative view of TVET; NQF, POC and recognition of prior learning still in the making.
Private sector capacity to generate employment opportunities	Limited capacity of the formal sector, in particular, to create employment opportunities and preserve current ones due to Israeli restrictions and internal obstacles on private establishment capacities. SME promotion frameworks and programmes are slowed down by the fact that public policies are not adapted to SME development needs and engagement in formal economy, including administrative barriers and complications that inhibit doing business, starting and scaling up enterprises. Inadequate coordination to boost SMEs, local development, infrastructure, and agriculture; insufficient initiatives to regulate youth enterprise; employers' limited access to credit facilities and consultation services and networks; weak culture of entrepreneurship and entrepreneurial knowledge.
Labour market	Low labour market participation, particularly among women and youth. Slow employment increase in conjunction with a high percentage of long-term unemployed persons, including youth transitioning from education to labour.

	High temporary, casual and seasonal employment; growing cases of informal employment. Poor financial and human capacities for Labour Law enforcement, particularly worker protection and minim wage application. ALMPs poorly designed and targeted; lack of coordination between ALMPs and inactive labour market programmes; absence of an institutional framework to assess effectiveness and impact of ALMPs, feeding into policy-making process. Weak tripartite dialogue mechanisms, including poor engagement of active social partners in policy making, implementation, and M&E.

3.2 Priority policies

Macroeconomic and fiscal policies to be implemented by the Palestinian government in 2020-2025 will focus on maintaining macroeconomic stability by means of possible fiscal policies. GDP growth will be boosted by supporting the private sector to resume operations under the COVID-19 pandemic. Private investment, particularly in production sectors such as agriculture, industry and tourism, will be promoted, ensuring trade deficit is incrementally bridged and COVID-19 crisis impacts are overcome. The government will find ways to reduce operating expenses by expanding development expenses and mobilising external financing to cover these expenditures.

Priority policies rely on the underlying premise that the government is able to mobilise external financing needed to implement the NES 2021-2025 interventions, particularly those which require investments to support employment and infrastructure programmes. Proposed policies are premised on a scenario, which assumes continuation of the political status quo between the State of Palestine and Israel as it was in 2019. Namely, barriers to the movement of persons and goods to and from Palestine will go on. Palestinian government policies will continue to be implemented towards a gradual economic disengagement from Israeli. These involve supporting and developing economic clusters, increasing credit facilities, leveraging government transfers, and enhancing income tax and clearance revenue collection, rising current foreign transfers to private sector, and improving international grants and aid in support of development projects, particularly to cope with the COVID-19 pandemic impacts, counter unemployment, and boost employment.

As Palestinian economic performance projects a 1.5-11 percent decline in GDP in 2020, this year will see a notable rise in unemployment, especially among youth and women. Since youth employment is more sensitive to the business cycle than to total employment,

growth will remain limited in 2021 until production accelerates in the following years. Still, the NES 2021-2025 policies designed to generate higher levels of domestic investment are expected to increase demand for employment. These will have a positive effect on reducing unemployment and creating new jobs. Given the space available for public policies, employment improvement priorities affect fiscal policies, banking sector regulation policies, education and training policies, industrial policies (private sector development), social policies (particularly social protection of unemployed due to the COVID-19 pandemic and creating an enabling environment to increase female labour market participation), and labour market policies.

At the heart of this Strategy is this incremental and complementary approach, which focuses on keeping the pace of ongoing reform and development in relevant sectors by highlighting missing elements in current national and sector plans. Not only does this approach bolster the effectiveness of proposed interventions, but also allows room to reformulate policies. It is also expected that interplay between these policies in the medium term (3-5 years) and long term (6-10 years) create an enabling environment to generate private employment opportunities, particularly for youth and women, and prevent further decline in the private sector's capability of survival and retention of employed workforce.

3.2.1 TVET

The following policy options are possible in the short- to mid-term to stress the important of TVET and facilitate youth integration in the labour market.

- Accelerate TVET development as already provided by MoE, MoHESR, MoSD, and MoL development programmes and government strategy to shift Palestinian education systems from teaching and learning by (a) expanding TVET system and opportunities, particularly at university level, including establishment and development of TVET institutions; (b) addressing TVET system shortfalls which lead to low educational outputs; (c) upgrading TVET curricula to include life and non-vocational skills and work-based learning; (d) providing capacity building to TVET schools and staff to develop work- and competency-based education by, *inter alia*, upgrading facilities, expanding schools, increasing enrolment rates, and building partnerships between schools, TVET colleges and private sector to design and implement work-based learning programmes; (e) supporting the MoL and MoHESR to bridge institutional, legal and financial gaps to ensure full NQF implementation and application (this should include submission of professional skills certificates, recognition of prior learning and current competencies, and efficiency standards of skills as essential components to implement NQF); (f)

promoting education management information systems as education planning tools and monitoring the importance of education outcomes; and (g) align educational outputs with labour market needs through partnership with private entrepreneurial establishments in manufacturing, agriculture, banking, and ICT sectors to experiment developing an continuing TVET programme and use it to inform curriculum development at TVET institutions.

- Promote training and retraining systems and programmes to (a) provide youth with labour market skills; (b) deliver training programmes on occupations most in demand in partnership with the private sector; and (c) encourage and integrate entrepreneurship and cooperative education within formal and informal education and training programmes.
- Strengthen linkages between education, training and work by providing professional information and vocational guidance to youth in and out of school.

The high percentage of unemployed youth with secondary education indicate the higher education is not enough in itself to enter and remain in the labour market, particularly among females. Despite improved education performance in Palestine, reforms are in desperate need of acceleration. Hence, the policies above primarily focus on preventive policy options. For example, developing and expanding university TVET opportunities and reforming all levels of education will be mostly to the benefit of future generations of Palestinian youth. However, relatively less attention has been paid to remedial policy options; e.g. addressing current skills mismatch affecting youth as a number of existing programmes pursue this end. These skills will be basically enriched.

3.2.2 Increasing resilience and developing the private sector

The following policy options are possible in the short to mid term to complement current investments, develop the private sector, and enhance impact on youth employment in particular.

- Strengthen private sector resilience by (a) increasing the efficiency of and control over commodity market regulatory policies to allow equal opportunities to local producers and prevent unfair competition by imported products; (b) aligning ALMPs, including integration of jobs and employment services with the government pursuit of investment promotion and enhance competitiveness in agriculture, industry, tourism and IT sectors; and (c) facilitate trade linkages between the Palestinian private sector and international purchasers, particularly in high-impact sectors.
- Promote labour-intensive growth by (a) shifting investment policies and plans to high-impact employment initiatives; (b) developing policies that encourage

enterprises to promote investment in human capital, increase youth employment opportunities, and spur innovations in human capital development; and (c) supporting development, financing and implementation of technological advancement strategies in agriculture, industry and tourism sectors by supporting the development and operation of industrial estates and promoting cluster development in agriculture, industry and tourism sector.

- Reduce informal economy and employment by (a) strengthening the labour inspection system; (b) adopting a tax incentive package and minimising registration fees and requirements for worker and company shift to formal economy; and (c) sensitising workers, particularly youth, of their workers' rights.
- Promote entrepreneurial spirit among youth by (a) rolling out entrepreneurship learning in and out of school; (b) developing national competitions to encourage and reward innovation among young entrepreneurs; and (c) supporting experimentation and development of innovations in agriculture, industry, tourism and IT by providing competitive grants.

3.2.3 Labour market policies

Addressing the challenge of unemployment and poverty in Palestine requires that ALMPs be reformulated to ensure developing existing and strengthening linkages between ALMPs, including long-term and emergency social protection programmes (also known as passive labour market programmes). Investment in these programmes are still limited, belittling their scope, extent, and coverage. In addition to external financing, there is a genuine policy need to allocate a percentage of public sector service revenues to economic sectors and labour market, and maybe by the recently established PFESP to finance employment programmes. Also, services aimed at enhancing youth employment opportunities must be more focused, have a broader scope, and exhibit better coordination with guidance services, including social protection services and programmes.

Work is underway to develop the PFESP and restructure MoL directorates general with a view to promoting employment services, decent work, and labour relations. This action will scale up MoL labour management functions and interactions with the PFESP and other executive ministries. Against this backdrop, employment measure should take into account that labour market interventions, which aim at addressing multiple disadvantages faced by many youth, need to be developed so as to present a comprehensive package of employment services. This will include components of basic functional literacy, life skills training, and a set of programmes combining training and work for employment.

To promote employment programmes and ALMPs, key issues to be addressed involve ongoing poor government financial support to the PFESP, inadequate PFESP legal framework, and limited human and financial resources which the MoL Employment Directorate General needs to provide effective and efficient employment services. To strengthen this capability, a number of responsibilities and roles of district employment offices, particularly in relation to labour market programme management, should be decentralised. Reliable and timely provision of labour market information is a prerequisite for implementing such a system. To fulfil this condition, LMISs should be developed in a way that is integrated, sustainable, and user-oriented, including by empowering linkages between LMIS and other relevant information systems at different line ministries and government bodies (e.g. MoNE and PCBS), employers, employer organisations, and job posting platforms. Critically, a system should also be in place to monitoring effective employment service delivery, including developing an administrative system to enable every employment office to determine outcomes to be achieved by available resources.

So far, ALMPs implemented by the MoL, PFESP and other actors have paid little attention to resolving the problem of mismatch between jobseekers' expertise and skills and employer needs. Importantly, ALMP design should be improved to better target jobseekers based on their individual characteristics (e.g. age, educational level, and socioeconomic background) and difficulties they face in entering or remaining in the labour market. ALMPs will also more responsive to labour market needs. To enhance these initiatives, adequate financial resources should be provided. Employer organisations and trade unions need to more closely engage in designing, implementing, monitoring and evaluating ALMPs.

Below are overall policy options needed to promote and increase integration between current ALMPs:

- Strengthen ALMPs implemented by public institutions by (a) developing MoL and PFESP human, physical and financial capacities to design, implement, coordinate, and monitor inclusive and integrated employment services, including self-employment; and (b) bridge the information gap on national workforce development requirements through a strong private sector engagement in education and employment policy and programme making.
- Develop and finance targeting mechanisms used by ALMPs by (a) developing a system that allow early and current identification of unemployed youth, including through the LMIS; (b) setting a special financing programme for youth employment, facilitating the alignment of resources to youth transition to decent work; and (c) creating a proper M&E system to measure the net impact of ALMPs on beneficiaries.

- Enhance the linkage of employment and social protection services by putting in place an effective system for transfers between employment services provided by ALMPs and social services, including unemployment schemes when they become available.

4. Strategic direction

4.1 Vision and strategic objectives

The vision of national employment is to "**achieve full, productive and freely chosen employment for jobseekers, particularly youth and women**".

The Palestinian government implements the NPA 2017-2022 as well as relevant sector and cross-cutting strategies, which collectively identity the government policy framework. While this framework includes several ALMP elements, objectives are not clearly interlinked or integrated. Hence, the first priority strategic objective of the NES 2021-2025 is cross-cutting and aims to:

1. **Strengthen the labour market governance and develop active labour market policies and programmes, ensuring stronger linkages and more efficient alignment between supply and demand sides.**

This objective focuses on improving the effectiveness of labour market institutions to achieve employment policy objectives as well as this Strategy. Labour-intensive programmes will be designed and implemented in the sectors most affected by Israeli policies, ensuring a specific number of working days on annual basis for the unemployed.

Enhanced quality and alignment of education and training to the labour market needs and development requirements provide the highest rate of return on promoting the employability of new labour market entrants and developing capacities of the workforce wishing to return to the labour market. Hence, the second strategic objective of the NES 2021-2025 will:

2. **Improve alignment of education and higher education with labour market needs**

Access to the workforce through appropriate education and training is vital for socioeconomic development and welfare. Affecting several sectors, inadequate workforce with the education and training needed by the labour market does not only risk increasing unemployment rates, but also undermines any potential economic growth. Accordingly, this objective focuses on accelerating the development and reform of TVET and continuing education to achieve the following:

- Increase TVET enrolment rate (currently standing at 4.8 percent) of the total number of 10^{th} graders.

- Increase the percentage of students registered and enrolled in TVET institutions (from 11.3 percent) of the total number of students who successfully complete secondary education by 2025.
- Increase the number of schools with integrated TVET and general education.
- Unemployed male and female youth (aged 15-29) acquire and develop life skills to undertake employment in an occupation.

The impact of TVET reform and development will produce mid- to long-term results. To address TVET weaknesses in the short run, continuing education opportunities will be promoted to meet employability needs of persons who cannot benefit from improved TVET results. Still, if the economy's ability to create decent employment opportunities is not addressed, increasing youth employability will erode benefits of the more educated young workers. The third priority objective will, therefore,

3. **Strengthen the private sector resilience and capability of growing productivity and creating decent employment opportunities to jobseekers, particularly youth and women**

Within the framework of this priority objective, efforts will strengthen the private sector entities' capacity of resilience, competitiveness and productivity. This will mainly achieve the following:

- Increase women's participation in the labour market.
- Raise employment opportunities created by the private sector, particularly in production sectors.
- Reduce unemployment, especially among youth and women.

These objectives are underpinned by the assumption that economic and fiscal policies will be modified as described by relevant sector strategies as much as necessary to achieve the objectives of this Strategy as well. Objectives are also informed by the assumption that the political and financial setting will improve by mid-2021. If the worst-case scenario materialises (e.g. economic and fiscal policies are incapable of maintaining domestic demand with a view to promoting employment opportunities or health, political and economic conditions change for the worse and limit the fiscal space available to the State of Palestine (or donors), the action plan will need to be revised so as to take account of the unfavourable economic cycle. In case of such incidents, more focus will be placed on short-term labour-intensive programmes. Additionally, deteriorating economic prospects may prompt some supporters to transfer resources to emergency measures, instead of taking effective steps to address with the causes of unemployment and depletion of employment opportunities. At the same time, public expenditure containment procedures may impact total resources available to ALMPs. It is, therefore,

important to review the progress scored against the plans of this Strategy on an annual basis, and revisit its objectives and goals accordingly.

4.2 Results and outputs

This section highlights the rules and outputs to be achieved in order to realise the objectives above. It also casts light on the indicators to be used to measure performance and progress towards accomplishing results overtime. The matrix under Chapter 3 above summarises and links the NES 2021-2025 objectives, goals, and outputs to needed resources and agencies in charge of implementation.

Objective 1: Strengthen the labour market governance and develop active labour market policies and programmes, ensuring stronger linkages and more efficient alignment between supply and demand sides

Effective labour market policies and ALMs are a fundamental pillar of the government agenda. The priority given to labour market reform and governance reflects the need to strike a balance between employers' demands for enhancing labour market efficient and flexibility and workers' needs for employment stability. It will ensure enforcement of the Labour Law by employers, consolidate social protection, expand the scope of social insurance coverage, and develop labour relations, tripartite partnership, freedom of association, and union representation. Consequently, the government remains particularly focused on strengthening labour market governance to reach such a balance and make sure that the policies needed for the reform process are not only in place, but are also implemented in an integrated manner to enhance labour market performance. This will be achieved by aligning supply and demand sides and providing high-quality employment services.

Skilled manpower is significantly lacking in the Palestinian labour market, increasing the risk of higher unemployment rates and further decline in economic growth. Hence, the government believes it has a primary responsibility for aiding employers to find the skilled manpower they need as well as for boosting economic growth based on decent work. An important part of this process does not only involve employment services, but also seeks to prepare unemployed men and women, who lack relevant education, training and experience, to fill vacancies, thereby realising economic growth, addressing unemployment and bringing about welfare in Palestine.

Accordingly, drawing on current reforms within the framework of NES 2021-2025, efforts made to promote labour market governance and efficiency as well as ALMPs are

underpinned by achieving six results. These involve (1) building institutional capacity in employment policy making, based on an in-depth analysis of the labour market reality and directions; (2) implementing employment policies to ensure enhancing responsive, effective and efficient services, including through decentralised design and implementation; (3) expanding and ensuring better response of active, labour-intensive labour market policies and programmes to long-term unemployment, including through temporary labour-intensive employment programmes aimed at developing public infrastructure and local socioeconomic development; (4) promoting inspection to consolidate compliance with decent work principles; (5) promoting labour culture and relations between production parties; and (6) improving integration between employment and social protection services, including by rebuilding the social security system.

This objective will be achieved as follows:

Result 1.1 Promote coordination and effective control over employment programme implementation

Performance indicators:
• Number and percentage of employment programmes implemented in partnership with labour sector institutions of total programmes. • Number of employment programmes evaluated to ensure evidence-based analysis of their appropriateness, effectiveness, and impact. • An interlinked LMIS, providing updated information to jobseekers, employers, and policy-makers on the labour market performance and various employment programmes. • Percentage of unemployed registered on the LMIS to benefit from ALMPs by gender and age

The MoL has been recently entrusted with the responsibility of leading employment policy making, including creating an integrated LMIS to service as a pillar of reform of the Palestinian labour market. This is part of the growing recognition that labour sector reform requires the adoption of a more inclusive and integrated approach to fulfilling pressing needs for information from workers and employers. The Palestinian government is also determined to enhance the roles of labour market institutions and LMIS as key components of national economic development planning in the years to come.

LMIS can only succeed in improving labour market performance when data generation and service delivery functions are considered as part and parcel of an inclusive and integrated administrative and statistical information system. This necessitates concerted

efforts of an extended number of government agencies, NGOs, trade unions, and employer organisations. Without a good capacity to generate reliable descriptive information on the labour market orientation and needs, employment services ALMPs will not rightly match this market requirements and dynamics because the analysis and information it provides will be short of directing these services and programmes. At the same time, the LMIS will not achieve aspired labour market performance improvement if needed measures are not taken to use generated information by employment programme managements on one hand, and by workers and employers on the other.

Accordingly, within the framework of Result 1.1, the government adheres to achieving the following outputs:

- Output 1.1.1 An integrated LMIS underpinned by public-private collaboration, includes interfaces designed for different users (youth, workers, employers, mediators, students, policy-makers, and researchers), and allows linkage between jobseekers and employers.
- Output 1.1.2 The MoL has adequate human and financial resources to coordinate, manage, use, and develop the LMIS.
- Output 1.1.3 Employment programmes are regularly monitored and evaluated, with relevant information provided on the LMIS.

Result 1.2 Public employment services are more responsive to jobseekers and employers

Performance indicators:
• Number of MoL directorates supported to provide employment services through one-stop shops/multiservice employment offices, in direct coordination with the PFESP. • Number of jobseekers benefiting from employment services provided by multiservice employment offices (including in collaboration with the PFESP) by gender, age, and type of basic service delivery. • Number of employers benefiting from alignment services provided by multiservice employment office in collaboration with the PFESP. • Percentage of beneficiary (jobseeker and employer) satisfaction with employment service received from MoL directorates.

This goal envisages the provision of capacity building to the MoL, particularly Employment Directorate General, and technical and financial support to the PFESP to design and implement ALMPs. This investment is of paramount importance in view of

the recent restructure of the Employment Directorate General, which placed employment services at the core of this Directorate's functions. On the other hand, the PFESP is responsible for coordinating employment programmes implemented in Palestine, including promoting freelance work and assisting those seeking self-employment to start their enterprises.

Effective labour market policies require employment management, efficient use of financial resources, and better targeting and design of ALMPs. Therefore, this goal also requires a multilevel system at MoL district directorate offices to better respond to various needs of jobseekers and employers. This includes technical and financial support to employment offices to design and implement ALMPs and employment services. To enhance efficiency, decentralised employment services will be invigorated through one-stop shops, which will improve coordination between the Employment Directorate General and PFESP, and between the MoL and ministries with functions directly related to business facilitation and registration. Potentially integrating with employment services, ministries include, for instance, the MoNE (enterprise registration), MoA (licensing agricultural enterprises), and agencies providing social protection services to poor households, including the MoSD (economic empowerment for the poor). This requires (1) a system to measure performance and monitor the impact of employment services on beneficiaries; (2) a mechanism to provide information on the decentralised delivery of quantity and quality of employment services; (3) a results-based management system, whereby every employment office determines the employment services it will provide within available financial allocations and those provided by employment programme partners, including PFESP.

In this context, cooperation and coordination should be upgraded between ministries and relevant structures at both central and local levels to address employment issues. Capacity building will be provided to local labour market institutions and local employment boards to design, monitor, and evaluate youth employment interventions to make available the information needed to modify these interventions and relevant general policies.

To achieve Result 1.2, the following outputs will be in place:

- Output 1.2.1 Multiservice employment offices have developed human and organisational capacities, enabling planning, implementation, and monitoring of employment services in coordination and partnership with the PFESP.
- Output 1.2.2 An IT-based system is developed and used throughout employment offices and PFESP to manage and monitor ALMP performance.
- Output 1.2.3 Public employment services are developed quantitatively and qualitatively, including by creating on-the-job training programmes to promote first-time employment opportunities in the private sector for male and female

youths, and training during education programmes to facilitate student transition to the labour market in partnership between the MoL and PFESP.

- Output 1.2.4 Employment services in at least five governorates are evaluated two years after implementation to measure their effectiveness and impact.
- Output 1.2.5 Organisation and capacities of local employment boards are strengthened to plan and implement employment programmes.
- Output 1.2.6 An entrepreneurial databank, ideas, and opportunities contributes to directing youth to self-employment opportunities and SE ideas is developed by the PFESP.

Result 1.3 Create complementarity between employment and social protection programmes (to meet the needs of social assistance programme beneficiaries, including women, youth, persons with disability, NEET youth, and workers who experience involuntary unemployment

Performance indicators:
• Number of NEET youth aged 15-29 years integrated in the labour market by gender and age group. • Number of beneficiaries from the cash transfer programme, to whom employment services are provided by gender, age group, and type of disability (if any), and poverty gap among them. • Number of beneficiaries from employment services, who receive social assistance and worked their way out of poverty by gender, age group, and type of disability (if any). • Number of beneficiaries from emergency employment programmes.

The Palestinian government is committed to combating poverty and marginalisation by improving social assistance targeting and integrating socioeconomic empowerment programmes with this assistance. The likelihood of falling into poverty among Palestinian households is affected by two main factors: (1) household members' level of economic activity and individual and total labour intensity of the household (employed, unemployed, and inactive); and (2) household members' level of education. The impact of these factors on the probability that the household be poor marginalised vary depending on other individual factors (e.g. gender and place of residence). Low education reduces employment opportunities and, consequently, leads into poverty and marginalisation in view of the direct impact on the disposable income of the individual and household. By contrast, living in a poor households can often propagate poverty, perpetuate deprivation, and limit opportunities for poor household members to find

decent work and choose employment freely. To this avail, employment and decent work provisions are the most capable of altering conditions and empowering individuals to perpetually achieving self-sufficiency. Recognising that integrated employment and social protection must be at the heart of poverty, marginalisation and exclusion reduction policies, work within the framework of this goal will be focused on promoting cooperation between the MoL, MoSD, and PFESP to develop a set of programmes and services tailored to employ and secure productive work to unemployed household members at risk of poverty and marginalisation, particularly youth and women.

ALMPs, including employment services, implemented in Palestine are ineffective due to an inadequate match between jobseeker and labour market needs on one hand, and untimely provision of these programmes and services on the other. Fragmented as they are, ALMPs do not integrally address needs of unemployed and labour market entrants. As reviewed in Chapter 3 above, active and inactive LMPs should better target jobseeker needs and be more capable of identifying workers and jobseekers most at risk of poverty and chronic unemployment early in unemployment spells. Accordingly, work within this goal will include (1) developing an early identification and targeting system to tackle multiple barriers that prevent youth and women from entering the labour market, particularly among households benefiting from social assistance as well as NEET male and female youth aged 15-29 years; (2) designing and implementing employment services and programmes for these groups; and (3) providing a guaranteed number of working days – through public employment and labour-intensive community development programmes – to unemployed youth and women in areas and communities disproportionately impacted by Israeli policies.

Outputs of Result 1.3 will include the following:

- Output 1.3.1 A system created in collaboration between the MoE, MoL, MoSD, and PFESP to identify and target NEET male and female youth aged 15-29 years by employment services for transition to the labour market.
- Output 1.3.2 A programme to employ unemployed youth and women from among poor households benefiting from social assistance programmes is developed and financed to implement employment interventions and transition to decent work.
- Output 1.3.3 An emergency employment programme is designed and implemented in partnership with the private sector, civil society, and PFESP to provide at least 120 productive working days for involuntarily unemployed, including as a result of the COVID-19 pandemic, in the West Bank and Gaza.

Result 1.4 Strengthen the inspection system to reduce informal labour, especially among women and youth, and promote compliance with the Labour Law

Performance indicators:
• Percentage of increase in the number of workers covered by inspection visits. • Percentage of increase in visited establishments with proven compliance with the Labour Law, by economic sector and aspects of compliance with the law. • Increase in the number of workers (by gender) registered as formal workers in sectors with predominantly informal sectors by 5 percent annually. • Percentage of decrease in the number of workers (by gender) earning less than the minimum wage, by economic sector. • Percentage of decrease in work injuries, by sector. • Number of children (under age 16) taken off of the labour market and reintegrated into TVET. • Percentage of reduction of child labour, by sector and gender. • Percentage of increase in inspection visits implemented in partnership between the MoL and other ministries in charge of regulating and supervising visited establishments.

Capacity building will be provided to the MoL Inspection and Labour Protection Directorate General to increase the effectiveness and efficiency of inspection operations. This will cover the ability to coordinate and lead joint inspection operations with different ministries with relevant inspection responsibilities, such as the Ministry of Health (MoH), Ministry of Tourism and Antiquities (MoTA), MoA, Ministry of Transportation (MoT), and MoE. A permanent system will be in place to feed into the database of various companies and business sectors, and compliance with legal requirements. Capacity building activities will include increasing human capabilities of the Inspection Directorate General by employing new labour inspections and training inspection teams to bridge knowledge and skill gaps based on a training needs assessment. Financial resources, including means of transportation, equipment and devices, will be provided to enable inspection teach to take on relevant responsibilities effectively and efficiently. Internal regulations and procedures will be reviewed and aligned with the inspection system development requirements.

Special attention will be paid to expanding the scope and coverage of labour inspection to include informal enterprises with a high proportion of youth and women, and sectors with widespread child labour. In coordination with relevant ministries, intensive work will be initiated with enterprises that demonstrate poor compliance with the Labour Law so that their positions are corrected gradually and in tandem with their capacities and sector conditions. Focus will be placed on immediate prosecution of grave violations detected by the Inspection Directorate. Relevant information will be exchanged with other law enforcement agencies. This action is informed by a review of the penalties prescribed by

the Labour Law for noncompliance with labour regulations on occupational health and safety. Necessary amendments will be adopted if penalties do not provide an effective deterrent to legislation on labour protection.

Outputs to be achieved within the framework of Result 1.4 include the following:

- Output 1.4.1 Number of labour inspections is increased.
- Output 1.4.2 Labour inspectors acquire new knowledge and skills, enabling them to discharge their responsibilities more effectively.
- Output 1.4.3 Inspection regulations and procedures are reviewed and developed.
- Output 1.4.4 Inspection teams have means of transportation, and equipment and devices needed to improve inspection both quantitatively and qualitatively.

Result 1.5 Encourage establishments to move to formal economy and sensitise workers and jobseekers of their labour rights

Performance indicators:
• Number of participants (by gender and age) in legal awareness and education activities implemented through the National Programme of Workers' Rights Education. • Percentage of individuals in the working age who can state at least eight workers' rights, by gender, relation with the labour market, age group, years of work and education. • Percentage of increase in formal enterprises out of total establishments. • Percentage of increase in formal workforce in enterprises.

Productive and rewarding employment is a key aspiration of manpower in Palestine, particularly among youth, women, and workers employed in work that lacks minimum standards of decent employment. Still, these aspirations are unmet due to poor access to good employment opportunities following education and transition to the labour market, particularly for youth and women. The Palestinian private sector increasingly stipulates higher education and practical experience to reduce operating expenses and increase return on investment in employment and human resources. To gain practical experience required by the private sector, youth and women resort to working informal economy, mostly in jobs that do not match their expectations. In addition to little knowledge of their labour rights, this situation makes male and female employees susceptible to exploitation.

In this context, the government will support surveys and studies to foster a deeper understanding of the factors that contribute to informal economy growth and provided

needed information to better assess decent work deficits in formal and informal economy. A key focus of these exercises will involve an analysis of the legal and institutional framework, which helps enterprises survive in informal economy. Where necessary, in close cooperation with the MoL, the PCBS will develop new tools to measure informal labour relations and worker benefits in periodic labour force surveys to (1) improve and develop labour and inspection management programmes; (2) raise awareness about the negative impact of informal economy on worker welfare and economic development; and (3) provide information needed to review employer and trade union structures and practices, ensuring that informal workers and entrepreneurs (need- and opportunity-driven entrepreneurs) take part in the labour market policy making process.

Based on the results of these surveys and studies, the MoL will work in partnership with trade unions and employer organisations to launch nationwide media and awareness-raising campaigns to publicise the negative impact of informal economy and encourage business transition to formal economy. These campaigns will be paralleled by implementing a national programme to sensitise youth and women, in particular, about their labour rights. Ad hoc training and educational packages will be designed to be implemented in partnership with trade unions, employer organisations, and relevant NGOs. These will be delivered through training workshops, educational handouts distributed to industrial school students, higher education institutions, and jobseekers who apply for employment services at MoL district directorate offices and PFESP.

Outputs to be achieved within the framework of Result 1.5 include the following:

- Output 1.5.1 A tool to measure decent work deficits is developed and incorporated into periodic labour force surveys.
- Output 1.5.2 Ten economic studies on service and production sectors are compiled to examine the reality of informal labour from the perspective of workers and employers.
- Output 1.5.3 An awareness-raising programme on disadvantages of informal economy and labour rights is implemented in partnership with social partners throughout governorates, targeting at least 100,000 workers and jobseekers.

Result 1.6 Consolidate the institutional structure of social dialogue and social security

Performance indicators:
• Number of annual meetings of the Economic and Social Council. • Number of annual meetings of Labour Policy Committee. • Number and nature of legislation and policies adopted to promote union

activity or improve labour relations.

- Number of trade unions registered or reactivated.
- Percentage of increase in union intensity.
- Annual increase in the number of workers registered at the Social Security Incorporation relative to total employees in the nongovernmental sector.

The difficult reality of the Palestinian labour market requires ways and mechanisms to consolidate the relationship between production parties with a view to achieving growth driven by employment and decent work. This calls for promoting social dialogue as a means of bargaining and building consensus among three labour parties: government, trade unions, and employer organisations. Relevant Palestinian experience shows that social dialogue, supported by fundamental labour principles and rights, is capable of elevating social and economic progress to be a regulatory tool to enhance labour and a necessary means to implement socioeconomic development, including social security for workers. Despite inadequate institutional and legislative aspects, social dialogue in Palestine has not demonstrated a positive impact on wages, improvement of labour conditions, and employment productivity. Social dialogue is a critical element in poverty reduction, promotion of gender equality and justice, and building of strong institutions.

Accordingly, the government will intensify social dialogue and build confidence between three production parties. At all levels, social dialogue will be a major tool to implement this Strategy. In this context, the government will focus on using social dialogue to mobilise support and acceptance needed to revise and enforce the Social Security Law. This includes rebuilding the social security system to achieve justice for workers and serve interests of workers and employers. The government will also strengthen institutional structure of social dialogue, including by progressively addressing inadequate governance embodied in weak labour relations in different economic sectors. Legislative aspects of the Labour Law will be strengthened to develop and enhance union freedom. Social dialogue mechanisms will be upgraded to consolidate the right to participation. In addition to developing social relations, solutions will be facilitated to for challenges to the labour market and future by bringing together economic, social and governmental parties. By these efforts, supported by some national dialogue experiences, the government will build confidence among partners and raise awareness of the favourable impacts generated by social dialogue and capacity building.

Accordingly, the following outputs will be achieved within the framework of Result 1.6:

- Output 1.6.1 The Economic and Social Council is rejuvenated, its functions institutionalised, and its capacities built to play its role effectively.
- Output 1.6.2 The Labour Policy Committee is reestablished and its functions institutionalised. Capacity building is also provided to the committee members.

- Output 1.6.3 The Trade Union Regulatory Law is revised with the active participation of the three production parties and approved for enforcement.
- Output 1.6.4 The Social Security Law is revised by consensus with the active participation of the three production parties and approved for enforcement.
- Output 1.6.5 The Palestinian Social Security Incorporation initiates its functions after it is reinstitutionalised.
- Output 1.6.6 A capacity building programme targeting trade unions and employer organisations in labour relations and collective bargaining management is implemented and institutionalised at the MoL.

Objective 2: Promote employability of youth, women, and those seeking to return to the labour market

Achieving this objective relies on two main results, which build on previous achievements and ongoing efforts to develop the Palestinian education system: (1) align TVET with the labour market needs, both quantitatively and qualitatively in close private-public partnership; and (2) encourage TVET enrolment, particularly among females. These results are detailed below.

Result 2.1 Align TVET with the labour market needs, both quantitatively and qualitatively in close private-public partnership

Performance indicators:
• Number and nature of TVET programmes developed or created on the basis of market labour needs, and number of students enrolled in these programmes by gender. • Rate of annual increase in TVET institutions which introduce entrepreneurship and life skills courses or programmes within compulsory education programmes. • Percentage of students enrolled in TVET and receive labour market training. • Percentage of qualified teachers by vocational qualification competencies. • Percentage of employer satisfaction with TVET processes and outputs.

Increasing employability of youth and women ensures they acquire the skills, knowledge, and attitudes that allow them to find employment and deal with unexpected labour market changes throughout their working lives. While the Education Sector Strategy attaches great importance to this at the level of primary and secondary education, this NES 2021-

2025 focuses on complementary interventions at the TVET level, imparting skills to qualify students enrolled in vocational schools and TVET centres for a smooth transition to the labour market. Along this vein, TVET will be more diversified, integrating basic skills needed by the labour market and addressing concerns of the wider youth community. Involving practice in a real working environment, education curricula will be increased to improve students' ability to shift acquired skills to the labour market, enhancing their employability. To ensure promoting TVET status and quality, expedited action will be taken to develop the NQF, ensuring development of mechanisms to recognise and accredit TVET programmes and find ways to recognise past experience of professionals, contributing to organising and upgrading the labour market.

Aligning educational outputs to labour market needs is premised on close cooperation between education and training providers, higher education institutions, and private sector (industry). In that sense, vocational standards based on competencies to be identified in partnership with the private sector and employer organisations will provide the ground for developing TVET curricula and labour market training plans, including accreditation criteria for TVET programmes and expertise as well as NQF development. Regular monitoring of TVET outcomes and graduate employment rates will also provide information on the employment results achieved (tracer studies and employer surveys) and incorporated into the education, training, and forecasting planning system. Achievement of this result will be monitored through MoE education management information system. In the medium term, a system will be created to collect administrative information on education and employment (data storage) to automatically measure graduates' success in the labour market through learning achievement and flow. Against this backdrop, specific outputs that will lead to Result 2.1 are as follows:

- Output 2.1.1 NQF and vocational descriptions are finalised and vocational standards are developed on the basis of identified competencies in close partnership with private employers.
- Output 2.1.2 The institutional framework for TVET programme accreditation is developed, ensuring consolidated TVET accreditation points of references and standards at all levels.
- Output 2.1.3 TVET curricula are developed and upgraded to ensure that students at vocational schools, TVET centres, and higher education institutions, as well as workers wishing to improve their employment opportunities or work acquire labour market competencies.
- Output 2.1.4 Specialised programmes to train TVET employees in line with the TVET Strategy is implemented to the benefit of at least 200 teachers on a yearly basis.

- Output 2.1.5 New 11 schools and eight TVET centres are constructed and equipped in tandem educational and physical standards and requirements of new vocational curricula and majors.
- Output 2.1.6 Current absorptive capacity of TVET schools and centres is increased by at least 20 percent, including by establishing a governmental TVET university.
- Output 2.1.7 Infrastructure of three higher TVET institutions are developed in harmony with study plans and labour requirements.
- Output 2.1.8 A national system for the early identification of and bridging of the educational gap for students, who experience difficulties in achieving educational results, is developed.
- Output 2.1.9 A unified system to track TVET graduates, measure employer satisfaction with graduate competencies, forecast labour market needs for competencies is created and utilised in developing the TVET system.

Result 2.2 Encourage TVET enrolment, particularly among females

Performance indicators:
• Percentage of increase in TVET enrolment rates, by gender. • Percentage of academic schools with active TVET units, by gender of students.

TVET quality improvement and alignment to labour market needs will progressively contribute to encourage enrolment, but will not do so directly in view of prevalent negative societal perception of TVET. Within the framework of this Strategy, in conjunction with the achievements made under Result 2.1, action will be taken to raise public awareness, and among primary and secondary school students in particular, of the importance of TVET and employment prospects it provides in different areas. This will be accomplished by building on existing interventions, which have proved instrumental for promoting TVET enrolment in recent years. New needed interventions will be implemented. These will include establishing vocational units at government schools, preparing teaching staff to use these units, and intensifying and upgrading vocational guidance, including by building partnership with the private sector and engaging media outlets to raise public awareness of TVET.

To this avail, the following specific outputs will be achieved within the framework of Result 2.2:

- Output 2.2.1 Vocational units are established and equipped for immediate use in at least 100 schools.

- Output 2.2.2 At least 50 training of trainer course are held on using vocational units, targeting at least 1,000 teachers, in partnership with employers.
- Output 2.2.3 A system to examine students' preferences is developed and tested in 2021, and carried out in a decentralised manner through schools in 2022.
- Output 2.2.4 An awareness and guidance programme is designed in 2012 and implemented nationwide in 2022 in partnership with the private sector to the benefit of secondary school students.
- Output 2.2.5 Local media programmes on TVET are prepared and rolled out in partnership with governmental and private media outlets.

Objective 3: Strengthen the private sector resilience and capability of growing productivity and creating decent employment opportunities to jobseekers, particularly youth and women

Addressing unemployment and increasing employment opportunities in the Palestinian context primarily rely on the private sector ability maintain current employment levels to preclude higher unemployment. These also depend on private sector catalyst and capability of investment and creation of decent employment opportunities for a large number of jobseekers and new labour market entrants. As employment in the Palestinian economy largely depends on family, micro- and small-sized enterprises, incentivising youth to engage in self-employment, freelance work, and entrepreneurship in start-ups and innovation companies and reducing administrative and procedure obstacles, particularly in production and technical sectors, are a cornerstone of the Palestinian private sector development, achieving the vision of employment. Improved regulation and control over domestic commodity markets is another central plank of protection of both consumers and local products against unfair competition, maintaining private sector ability to invest in increasing competitiveness and employments. This priority objective will build on recent achievements in competiveness, innovation, and entrepreneurship; promote the legal framework for economic growth based on employment and decent work; enhance employment by strengthening growth on grounds of import substitution and export promotion; and promote freelance work, innovation, and IT development to serve business growth. These targets will be accomplished through the following results: (1) develop legal and institutional frameworks to facilitate doing business and incentivise private investment; (2) strengthen the capacity of private sector entities, including cooperatives, in priority sectors in the Gaza Strip, Jerusalem and Israeli-controlled areas to preserve their operational and competitive capabilities and improve working conditions; (3) develop business services and financing in support of entrepreneurship; and (4) improve control and inspection over commodity markets to ensure fair

competition for local products and consumer protection. These results and relevant outputs are detailed below.

Result 3.1 Develop the legal and regulatory setting, facilitating doing business and incentivising private investment

Performance indicators:
• Palestine's ranking on the doing business index (World Bank) will improve by at least five ranks by 2023. • Palestine will enhance its ranking by scoring at least 62 on the ease of doing business index by 2023. • Palestine will be among the top ten countries with most business environment reforms by 2025. • Percentage of annual increase in the size of investments in start-ups, by sector and type of company. Percentage of annual increase in the number of companies registered by the MoNE, by type of company.

Based on recent Palestinian achievements in business environment improvement in recent years, and within the framework within this Strategy, the Palestinian government is committed to further enhancing the legal and regulatory business setting as a main driver to stimulate growth and investment in employment. Particular emphasis will be placed on investment promotion by facilitating company registration processes and requirements, including for high-tech start-ups, consolidating registration and licensing terms of reference, and reforming property and patent registration and protection in line with the best international standards. Topmost priority will be given to amending and approving a contemporary company law. The Law on the Palestinian Industrial Estate and Free Zone Authority will be revised and amended, together within finalising relevant bylaws. The Competition Law will be developed and approved and its bylaws completed. In addition to approving the Accreditation and Quality Assurance Commission Law, the Law on Standards and Specifications will be revised, ensuring promotion of competitiveness and serving the status of local products in the market. While licensing and registration procedures are developed and automated, the Law on the Regulation of Commercial Agents' Business will be upgraded.

In the context of this result, outputs are as follows:

- Output 3.1.1 Amendments and reforms within the legal and regulatory business framework to reduce cost of starting and doing business, including to overcome

the COVID-19 crisis, are identified in close partnership with the private sector and initiated by the government.

- Output 3.1.2 Awareness raising progrmme on legal amendments and new reforms are implemented to incentivise benefits in various economic sectors.

Result 3.2 Strengthen the capacity of private sector entities, including cooperatives, in priority sectors in the Gaza Strip, Jerusalem and Israeli-controlled areas to preserve their operational and competitive capabilities and improve working conditions

Performance indicators:
• Percentage of enterprises targeted by industry support programmes, benefited from government emergency support packages, and managed to maintain employment levels six months after targeting. • Number of employment opportunities (by gender and age group) directly created in priority sectors as a result of incentives and support programmes. • Percentage of enterprises targeted by industry support programmes, benefited from government emergency support packages, and managed to increase employment levels after targeting, by number and gender of new employees. • Number of targeted enterprises with improved working conditions in line with collective agreements. • Number male and female youth trained by the human resource development programme. • Percentage of increase in labour productivity at targeted enterprises.

The Palestinian economy has long suffered from restrictions on movement, access to resources, and trade, leading to decline in investment to the barest minimum and eroding production base. Financial aid provided by the international community have played a critical role in mitigating the impact of constraints on growth and boosting public and private consumption. Although it does not provide a sustainable alternative for economic growth requirements, this aid remains of paramount importance to prevent erosion and decline of employment in the business sector, especially in Gaza and areas under full Israeli control in the West Bank, including East Jerusalem. Gaza's dwindling economy is at an important crossroads due to hardship caused by a sharp decline in the flow of reconstruction aid from US$ 400 million in 2016 to US$ 55 million in 2017. Economic blockade continues to be imposed on Gaza.

Restrictions on movement and access to resources, particularly in Area C, have also weighed on economic activity in the West Bank. If these constraints are removed, an additional cumulative growth of 33 percent can be stimulated by 2015. Trade restrictions have further limited the growth of export activities, which serve as a critical enabler of the relatively small Palestinian economy. These have inhibited private sector development and ability to maintain employment levels and create employment opportunities. Overall, the World Bank estimates that removal of Israeli constraints will increase GDP by some 36 percent in the West Bank and 40 percent in Gaza by 2015.

Within the framework of this result, the National Economy Strategy measures will be finalised to address three major obstacles to developing private businesses, particularly SMEs in Gaza and priority development zones in Area C and East Jerusalem in the West Bank: (1) supply-demand gap in skilled workforce; (2) administrative constraints, poor services, and inadequate credit, hampering the start-up and expansion of SMEs; and (3) lack of incentives for investment in human resources in priority economic sectors and less developed areas.

The growing supply-demand gap in skilled workforce and high-risk investment are key impediments to increasing investment and developing new branches of economy. Hence, this Strategy prioritises, examines needs to develop, and improve employability in sectors with high employment flexibility. The Strategy, then, works towards empowering the private sector retain current employment levels, particularly in the Gaza Strip, and stimulating corporate investment in these sectors to enhance competitiveness, provide development and training to new workers, and increase returns on investment. This will be achieved by developing existing incentive and investment guarantee programmes and upgrading private sector-oriented industry in these sectors. These programmes will expanded and enabled to better respond to the needs and reality of targeted companies, including by spurring investment in worker training, particularly youth and women who have newly entered the labour market. Incentive packages will be developed and provided to companies operating in certain economic sectors, providing youth employment in less developed areas, and/or working in sectors targeted by the government cluster-based development approach, especially SMEs in agriculture, industry and tourism sectors. All these efforts will be integrated with the outputs to be achieved within the framework of Result 3.1 above, particularly those concerned with strengthening the legal and regulatory framework for doing business.

Under Result 3.2, outputs are as follows:

- Output 3.2.1 A comprehensive survey is conducted to measure flexibility of youth employment and working conditions in different economic sectors in order to determine priority subsector interventions.

- Output 3.2.2 A mechanism to ensure accelerating start-up and expansion of enterprises in sectors with high flexibility of youth and women employment is created in partnership with all relevant government bodies.
- Output 3.2.3 Credit opportunities and other business development services available to institutions investing in priority sectors with high flexibility of youth and women employment are developed, ensuring provision of decent work opportunities.
- Output 3.2.4 A programme to develop human resources and training at priority sector enterprises is designed and implemented to improve worker productivity.
- Output 3.2.5 An emergency support programmes is implemented, targeting at least 1,000 enterprises in priority sectors to achieve the objectives of enhance working conditions and productivity.

Result 3.3 Develop business services and financing in support of small entrepreneurs and self-employed to promote employment

Performance indicators:
• Number of coordinating and specialised forums and frameworks for small entrepreneurs and self-employed established with regular meetings held at least on a quarterly basis. • Number of participants in the annual national conference on entrepreneurship. • The amount of investment portfolios for, and actual investment in, start-ups in Palestine. • Percentage of annual increase in the number of enterprises joining incubators, disaggregated by phases. • Percentage of increase in the number of entrepreneurs to whom incubation services are provided for annual investment, by gender. • Number of beneficiaries from business incubation services other than incubation for investment (excluding incubated entrepreneurs), by gender and nature of services. • Percentage of increase in the number of persons registered on online freelance work platforms, by gender.

Result 3.3. mainly seeks to develop services needed by entrepreneurs to develop their businesses, improve the quality of these services for need-driven entrepreneurs, and promote self-employment. This result integrates with the government approach led by the Ministry of Entrepreneurship and Empowerment (MoEE) and Higher Council for Innovation and Excellence (HCIE) with a view to developing innovative start-ups in the

high-tech sector. In this context, Result 3.3 places its focus on fulfilling entrepreneur needs, particularly male and female youth, providing a diversified and appropriate package of financing instruments and financial services that correspond to their social, economic, and cultural conditions. These packages include bank facilities, Islamic financing, and access to credit and guarantees.

Result 3.3 will also feed into the national efforts to combat poverty and unemployment by investing in SME and self-employment development. Targeting vulnerable groups, entrepreneurship services will be developed in two main directions. Firstly, capacity building (technical and life expertise, skills, and perceptions) will be provided to individuals so that they are more capable of incorporating and developing their own economic enterprises, enabling self-sufficiency and breaking cycles of poverty and marginalisation. Within this framework, sensitisation, guidance and training services will be delivered. Entrepreneurship will also be integrated within the education system as a long-term strategy to scale up entrepreneurship. Secondly, matching their their social, economic, and cultural conditions, a diversified and appropriate package of financial incentives and services will be given to need-driven entrepreneurs to start up and develop their own enterprises.

In addition to enabling need-driven entrepreneurs to access investment opportunities, developing capacities of business incubators and accelerators to provide incubation and acceleration services is a central plank of entrepreneurship development in Palestine. This pursuit will be achieved by this Strategy as well. While competition among business incubators and accelerators is favourable to entrepreneurship evolution, coordination, integration, exchange of experiences are also needed to enhance competitiveness and develop value chain of this system. This is particularly the case as all sector actors are in agreement that relevant efforts are fragment and piecemeal, an issue to be worked on within this framework.

Result 3.3 will be accomplished through the following outputs:

- Output 3.3.1 A training programme on entrepreneurship targeting male and female youth is designed and implemented in partnership with the PFESP, business incubators and accelerators, and relevant education and training institutions to the benefit of these youth.
- Output 3.3.2 At least 2,000 male and female youth receive guidance and technical support to start up or develop their enterprises.
- Output 3.3.3 A national charter to promote and focus financing of SEs is compiled and adopted by banks, lending institutions, business incubators, and national and foreign economic empowerment programmes, under auspices of the MoEE, PMA, and HCIE.

- Output 3.3.4 A programme to provide capacity building to business incubators and accelerators in technical support of SEs in specialised sectors is implemented to the benefit of 40 business incubators and accelerators, enhancing quality of service delivery and geographical coverage.
- Output 3.3.5 A programme to guarantee loans and bank facilities to SEs is created in partnership between the PFESP and lending institutions to the benefit of at least 500 SEs.
- Output 3.3.6 A media programme raise awareness and promote community acceptance of entrepreneurship is developed and publicised in mainstream media.

Result 3.4 Improve control over commodity markets to ensure fair competition for local products

Performance indicators:
• Percentage of annual increase in specimens taken from commodity markets to ensure compliance with Palestinian standards and specifications, according to the International Commodity Classification System. • Percentage of annual increase in specimens, demonstrating compliance with Palestinian standards and specifications, according to the International Commodity Classification System. • Percentage of increase in the number of MoNE inspection tours and number of premises visited annually.

Local products are the backbone of national economy. Albeit most critical in various economic sectors, local products need serious government support to be capable of competitiveness in the domestic and neighbouring markets. In light of major acceleration in global industries and continuous emergency of new industries, a strategy for promoting local products and encouraging investors to engage in industries, produce new commodities, improve employment and tackle unemployment requires market control and governance to ensure strengthening and protecting local products against unfair competition. In the Palestinian context in particular, and given that the Palestinian government is unable to regulate trade on Israeli-controlled commercial crossings, market regulation and control are key requirements for employment-based economic development. Unfair competition facing local products is among the most important factors that hinder private investment and employment capacity.

Commodity market regulation requires finding ways to prevent trade in commodities that do not conform to Palestinian minimum standards and specifications. To this avail,

market regulation capacities of relevant bodies will be strengthened, particularly consumer protection associations, Palestine Standards Institute (PSI), and MoNE. This action will empower locally produced commodities to compete with imported products. It will reinforce results of the government-led process in partnership with the private hector towards promoting Palestinian industry in line with the cluster-based development approach and on the basis of horizontal expansion in industry, agriculture, and tourism to all Palestinian governorates. It will also consolidate outcomes of a strengthened legal and institutional for the business sector, as envisaged by Result 3.1 above.

The MoNE Consumer Protection Department is in charge of control and inspection to prevent fraudulent commercial practices and initiates investigation, research, and analysis to check the integrity and safety of commodities, conducts laboratory tests, and looks for commercial violations, including piracy and counterfeiting. The Department also ensures the conformity of existing and imported commodities on the marketplace with Palestinian standards and relevant compulsory technical directives. In addition to analysing results, it submits recommendations to relevant agencies for adoption of necessary measures. Still, lacking technical standards and specifications of many commodities on the market is a significant disadvantage, which needs to be addressed as soon as practicable with a view to empowering and enhancing the private sector's competitiveness and capability of investment and employment. The fact that compulsory technical instructions and standards of a number of approved Palestinian specifications results in "voluntary" application of these specifications. To this end, MoNE and PSI efforts will be built on to finalise compulsory technical specifications of all commodities on the Palestinian market. Technical and human capacities will be strengthened to monitor compliance with these specifications, preventing traders, producers, or suppliers from evading specifications, allegedly because technical instructions are lacking. This is particularly the case of locally produced products with imported alternatives.

To strengthen resilience and support the private sector, outputs to be achieved within the framework of Result 3.4 are as follows:

- Output 3.4.1 Compulsory technical instructions and specifications are set for at least 100 locally produced products with imported alternatives.
- Output 3.4.2 Human and technical (laboratory) capacities for market regulation and control are developed to ensure conformity with compulsory technical standards.
- Output 3.4.3 A media and awareness-raising programme is implemented in partnership between the MoNE, PSI, consumer protection associations, and employer organisations to inform consumers of compulsory technical specifications and quality assurance standards.

5. Required financial resources and sources

The total cost of implementing the NES 2021-2025 is estimated at US$ 243.076 million. Of this, about US$ 68.5 million is available through government budget programmes in relevant sectors or donor-funded technical cooperation projects and programmes. The funding gap, US$ 174.576 million, is expected to be bridged by technical cooperation projects funded by donors with interest in the employment sector. Costs are distributed to strategic objectives as follows:

1. Strengthen the labour market governance and develop active labour market policies and programmes, ensuring stronger linkages and more efficient alignment between supply and demand – US$ 43.546 million.
2. Improve alignment of education and higher education with labour market needs – US$ 125.710 million.
3. Strengthen the private sector resilience and capability of growing productivity and creating decent employment opportunities to jobseekers, particularly youth and women – US$ 73.820 million.

The table below shows the estimated cost of each strategic results, as well as responsible agencies, according to planned outputs.

Table 11: Financial resources needed to implement the NES 2021-2025

Results	Outputs	Priority 1 = High 2 = Medium 3 = Low	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
						2021	2022	2023	2024	2025
1.1 Promote coordination and effective control over employment programme implementation	1.1.1 An integrated LMIS underpinned by public-private collaboration, includes interfaces designed for different users (youth, workers, employers, mediators, students, policy-makers, and researchers), and allows linkage between jobseekers and employers	2	MoL, MoNE, PCBS, FPCCIA, PGFTU	MoL	680000	180000	250000	250000	0	0
	1.1.2 The MoL has adequate human and financial resources to coordinate,	2	MoL	MoL	250000	20000	50000	50000	60000	70000

Results	Outputs	Priority	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
		1 = High 2 = Medium 3 = Low				2021	2022	2023	2024	2025
	manage, use, and develop the LMIS.									
	1.1.3 Employment programmes are regularly monitored and evaluated, with relevant information provided on the LMIS	1	MoL	MoL	100000	0	25000	25000	25000	25000
1.2 Public employment services are more responsive to jobseekers and employers	1.2.1 Multiservice employment offices have developed human and organisational capacities, enabling planning, implementation, and monitoring of employment services in	1	MoL, PFESP	MoL	180000	50000	50000	35000	25000	20000

Results	Outputs	Priority 1 = High 2 = Medium 3 = Low	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
						2021	2022	2023	2024	2025
	coordination and partnership with the PFESP									
	1.2.2 An IT-based system is developed and used throughout employment offices and PFESP to manage and monitor ALMP performance	1	MoL, PFESP	MoL	100000	0	80000	20000	0	0
	1.2.3 Public employment services are developed quantitatively and qualitatively, including by creating on-the-job training programmes to	1	MoL, PFESP, MoNE, MoA, Ministry of Women's Affairs (MoWA), MoHESR, MoTA,	MoL	2500000	600000	500000	400000	300000	200000

Results	Outputs	Priority	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
		1 = High 2 = Medium 3 = Low				2021	2022	2023	2024	2025
	promote first-time employment opportunities in the private sector for male and female youths, and training during education programmes to facilitate student transition to the labour market in partnership between the MoL and PFESP		MoEE							
	1.2.4 Employment services in at least five governorates are evaluated two years after implementation to measure their	2	MoL	MoL	60000	0	30000	0	30000	0

Results	Outputs	Priority	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
		1 = High 2 = Medium 3 = Low				2021	2022	2023	2024	2025
	effectiveness and impact									
	1.2.5 Organisation and capacities of local employment boards are strengthened to plan and implement employment programmes	3	MoL, MoNE, MoWA, MoE, FPCCIA, PGFTU	MoL	300000	60000	80000	80000	40000	40000
	1.2.6 An entrepreneurial databank, ideas, and opportunities contributes to directing youth to self-employment opportunities and SE ideas is developed by the	2	PFESP	PFESP	300000	150000	100000	50000	0	0

Results	Outputs	Priority 1 = High 2 = Medium 3 = Low	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
						2021	2022	2023	2024	2025
	PFESP									
1.3 Create complementarity between employment and social protection programmes (to meet needs of social assistance programme beneficiaries, including women, youth, and persons with disability, NEET youth, and workers who experience involuntary unemployment	1.3.1 A system created in collaboration between the MoE, MoL, MoSD, and PFESP to identify and target NEET male and female youth aged 15-29 years by employment services for transition to the labour market	1	MoSD, MoE, MoL, PFESP	MoSD	500000	100000	200000	200000	0	0
	1.3.2 A programme to employ unemployed youth and women from among poor	1	MoSD, MoWA	MOSD	3000000	1000000	1000000	500000	250000	250000

Results	Outputs	Priority 1 = High 2 = Medium 3 = Low	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
						2021	2022	2023	2024	2025
	households benefiting from social assistance programmes is developed and financed to implement employment interventions and transition to decent work									
	1.3.3 An emergency employment programme is designed and implemented in partnership with the private sector, civil society, and PFESP to provide at least 120 productive	1	PFESP, MoL, MoNE, MoA, MoTA, Ministry of Public Works and Housing (MoPWH),	MoL	30000000	12000000	8000000	4000000	3000000	3000000

Results	Outputs	Priority	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
		1 = High 2 = Medium 3 = Low				2021	2022	2023	2024	2025
	working days for involuntarily unemployed, including as a result of the COVID-19 pandemic, in the West Bank and Gaza		MoWA, MoSD, FPCCIA, PGFTU							
1.4 Strengthen the inspection system to reduce informal labour, especially among women and youth, and promote compliance with the Labour Law	1.4.1 Number of labour inspections is increased	2	MoL	MoL	1500000	500000	300000	300000	200000	200000
	1.4.2 Labour inspectors acquire new knowledge and skills, enabling them to discharge their responsibilities more effectively	2	MoL, MoWA	MoL	245000	45000	45000	45000	50000	60000
	1.4.3 Inspection	3	MoL	MoL	100000	0	80000	20000		

Results	Outputs	Priority	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
		1 = High 2 = Medium 3 = Low				2021	2022	2023	2024	2025
	regulations and procedures are reviewed and developed									
	1.4.4 Inspection teams have means of transportation, and equipment and devices needed to improve inspection both quantitatively and qualitatively	1	MoL	MoL	720000	220000	200000	120000	100000	80000
1.5 Encourage establishments to transition to formal economy and sensitise workers and jobseekers of	1.5.1 A tool to measure decent work deficits is developed and incorporated into periodic labour force surveys	1	PCBS, MoL, MoWA	MoL	25000	25000	0	0	0	0

Results	Outputs	Priority	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
		1 = High 2 = Medium 3 = Low				2021	2022	2023	2024	2025
their labour rights	1.5.2 Ten economic studies on service and production sectors are compiled to examine the reality of informal labour from the perspective of workers and employers	3	MoL, MoWA, MoNE	MoL	200000	40000	40000	40000	40000	40000
	1.5.3 An awareness-raising programme on disadvantages of informal economy and labour rights is implemented in partnership with social partners throughout governorates, targeting at least	3	MoL, MoNE, MoWA	MoL	150000	35000	35000	350000	23000	22000

Results	Outputs	Priority	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
		1 = High 2 = Medium 3 = Low				2021	2022	2023	2024	2025
	100,000 workers and jobseekers									
1.6 Consolidate the institutional structure of social dialogue and social security	1.6.1 The Economic and Social Council is rejuvenated, its functions institutionalised, and its capacities built to play its role effectively	1	MoL, MoNE, MoSD, MoWA, MoA, MoTA, MoE, MoHESR, MoEE, PSCC, PGFTU	MoL	110000	30000	20000	20000	20000	20000
	1.6.2 The Labour Policy Committee is reestablished and its functions institutionalised. Capacity building is also provided to the	1	MoL	MoL	50000	30000	10000	10000	0	0

Results	Outputs	Priority 1 = High 2 = Medium 3 = Low	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
						2021	2022	2023	2024	2025
	committee members									
	1.6.3 The Trade Union Regulatory Law is revised with the active participation of the three production parties and approved for enforcement		MoL, PGFTU, FPCCIA, MoNE	MoL	16000	8000	8000	0	0	0
	1.6.4 The Social Security Law is revised by consensus with the active participation of the three production parties and approved for enforcement	1	MoL, MoNE, MoSD, MoWA, MoA, MoTA, PSCC, PGFTU	MoL	200000	100000	80000	20000	0	0

Results	Outputs	Priority	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
		1 = High 2 = Medium 3 = Low				2021	2022	2023	2024	2025
	1.6.5 The Palestinian Social Security Incorporation initiates its functions after it is reinstitutionalised	1	MoL	MoL	1500000	0	0	600000	600000	300000
	1.6.6 A capacity building programme targeting trade unions and employer organisations in labour relations and collective bargaining management is implemented and institutionalised at the MoL	3	FPCCIA, PGFTU, MoL	MoL	760000	155000	155000	150000	150000	150000

Results	Outputs	Priority	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
		1 = High 2 = Medium 3 = Low				2021	2022	2023	2024	2025
2.1 Align TVET with the labour market needs, both quantitatively and qualitatively in close private-public partnership	2.1.1 NQF and vocational descriptions are finalised and vocational standards are developed on the basis of identified competencies in close partnership with private employers	1	MoE, MoL, MoHESR, FPCCIA,	MoE	150000	30000	60000	60000	0	0
	2.1.2 The institutional framework for TVET programme accreditation is developed, ensuring consolidated TVET accreditation points of references and	2	MoE, MoL, MoHESR, MoSD, Accreditation and Quality Assurance Commission	MoE	50000	50000	0	0	0	0

Results	Outputs	Priority	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
		1 = High 2 = Medium 3 = Low				2021	2022	2023	2024	2025
	standards at all levels		(AQAC)							
	2.1.3 TVET curricula are developed and upgraded to ensure that students at vocational schools, TVET centres, and higher education institutions, as well as workers wishing to improve their employment opportunities or work acquire labour market competencies	1	MoE, MoL, MoSD, MoHESR	MoE, MoHESR	3200000	500000	1000000	7000000	500000	500000
	2.1.4 Specialised programmes to train	1	MoE, MoL, MoHESR,	MoE	1900000	250000	300000	400000	450000	500000

Results	Outputs	Priority	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
		1 = High 2 = Medium 3 = Low				2021	2022	2023	2024	2025
	TVET employees in line with the TVET Strategy is implemented to the benefit of at least 200 teachers on a yearly basis		MoSD							
	2.1.5 New 11 schools and eight TVET centres are constructed and equipped in tandem educational and physical standards and requirements of new vocational curricula and majors		MoE, MOL, MoHESR, MoSD	MoE	103000000	20000000	20000000	2000000	20000000	23000000
	2.1.6 Current absorptive capacity of TVET schools	2	MoE, MOL, MoHESR,	MoE	8800000	1500000	1500000	1800000	2000000	2000000

Results	Outputs	Priority	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
		1 = High 2 = Medium 3 = Low				2021	2022	2023	2024	2025
	and centres is increased by at least 20 percent, including by establishing a governmental TVET university		MoSD							
	2.1.7 Infrastructure of three higher TVET institutions are developed in harmony with study plans and labour requirements	2	MoHESR	MoHESR	3000000	0	500000	1000000	1000000	500000
	2.1.8 A national system for the early identification of and bridging of the educational gap for students, who	1	MoE	MoE	150000	50000	50000	50000	0	0

Results	Outputs	Priority 1 = High 2 = Medium 3 = Low	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
						2021	2022	2023	2024	2025
	experience difficulties in achieving educational results, is developed									
	2.1.9 A unified system to track TVET graduates, measure employer satisfaction with graduate competencies, forecast labour market needs for competencies is created and utilised in developing the TVET system	3	MoE, MoL, MoHESR	MoE	500000	100000	100000	100000	50000	50000
2.2 Encourage TVET	2.2.1 Vocational units are established	2	MoE	MoE	3500000	1500000	1000000	500000	200000	300000

Results	Outputs	Priority	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
		1 = High 2 = Medium 3 = Low				2021	2022	2023	2024	2025
enrolment, particularly among females	and equipped for immediate use in at least 100 schools.									
	2.2.2 At least 50 training of trainer course are held on using vocational units, targeting at least 1,000 teachers, in partnership with employers		MoE	MoE	1000000	200000	200000	200000	200000	200000
	2.2.3 A system to examine students' preferences is developed and tested in 2021, and carried out in a decentralised manner through	2	MoE	MoE	120000	40000	20000	20000	20000	20000

Results	Outputs	Priority	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
		1 = High 2 = Medium 3 = Low				2021	2022	2023	2024	2025
	schools in 2022.									
	2.2.4 An awareness and guidance programme is designed in 2012 and implemented nationwide in 2022 in partnership with the private sector to the benefit of secondary school students.	1	MoE	MoE	220000	20000	50000	50000	50000	50000
	2.2.5 Local media programmes on TVET are prepared and rolled out in partnership with governmental and private media	2	MoE, MoL, MoHESR	MoE	120000	30000	30000	20000	20000	20000

Results	Outputs	Priority 1 = High 2 = Medium 3 = Low	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
						2021	2022	2023	2024	2025
	outlets									
3.1 Develop the legal and regulatory setting, facilitating doing business and incentivising private investment	3.1.1 Amendments and reforms within the legal and regulatory business framework to reduce cost of starting and doing business, including to overcome the COVID-19 crisis, are identified in close partnership with the private sector and initiated by the government.	1	MoNE, MoWA, PSCC	MoNE	100000	30000	50000	20000	0	0
	3.1.2 Awareness raising programme on legal amendments and	3	MoNE	MoNE	80000	0	40000	20000	20000	0

Results	Outputs	Priority 1 = High 2 = Medium 3 = Low	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
						2021	2022	2023	2024	2025
	new reforms are implemented to incentivise benefits in various economic sectors									
3.2 Strengthen the capacity of private sector entities, including cooperatives, in priority sectors in the Gaza Strip, Jerusalem and Israeli-controlled areas to preserve their operational and competitive capabilities and	3.2.1 A comprehensive survey is conducted to measure flexibility of youth employment and working conditions in different economic sectors in order to determine priority subsector interventions	2	MoL, MoNE	MoL	800000	0	0	800000	0	0
	3.2.2 A mechanism to ensure accelerating start-up	2	MoNE, MoL, MoA, MoTA,	MoNE	120000	0	120000	0	0	0

Results	Outputs	Priority 1 = High 2 = Medium 3 = Low	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
						2021	2022	2023	2024	2025
improve working conditions	and expansion of enterprises in sectors with high flexibility of youth and women employment is created in partnership with all relevant government bodies		MoEE, MoWA, MoC, PFESP							
	3.2.3 Credit opportunities and other business development services available to institutions investing in priority sectors with high flexibility of youth and women employment are	1	MoNE, MoL, PFESP	PFESP	25000000	8000000	8000000	5000000	2000000	1000000

Results	Outputs	Priority 1 = High 2 = Medium 3 = Low	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
						2021	2022	2023	2024	2025
	developed, ensuring provision of decent work opportunities									
	3.2.4 A programme to develop human resources and training at priority sector enterprises is designed and implemented to improve worker productivity	3	MoNE, MoL, MoTA, MoC, MoA, PSCC	MoNE	5000000	1000000	1000000	1000000	1000000	1000000
	3.2.5 An emergency support programmes is implemented, targeting at least 1,000 enterprises in priority sectors to achieve the	1	MoNE, MoL, MoA, MoTA, MoC, PSCC, PFESP	MoNE	30000000	15000000	1000000	50000	0	0

Results	Outputs	Priority	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
		1 = High 2 = Medium 3 = Low				2021	2022	2023	2024	2025
	objectives of enhance working conditions and productivity									
3.3 Develop business services and financing in support of small entrepreneurs and self-employed to promote employment	3.3.1 A training programme on entrepreneurship targeting male and female youth is designed and implemented in partnership with the PFESP, business incubators and accelerators, and relevant education and training institutions to the benefit of these youth	2	MoEE, PFESP	PFESP	2000000	300000	300000	400000	500000	500000

Results	Outputs	Priority	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
		1 = High 2 = Medium 3 = Low				2021	2022	2023	2024	2025
	3.3.2 At least 2,000 male and female youth receive guidance and technical support to start up or develop their enterprises	1	MoEE, PFESP	PFESP	5100000	700000	1000000	1300000	1000000	1000000
	3.3.3 A national charter to promote and focus financing of SEs is compiled and adopted by banks, lending institutions, business incubators, and national and foreign economic empowerment programmes, under auspices of the MoEE, PMA, and	1	MoEE, PFESP, PSCC, PMA	MoEE	35000	0	35000	0	0	0

Results	Outputs	Priority	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
		1 = High 2 = Medium 3 = Low				2021	2022	2023	2024	2025
	HCIE									
	3.3.4 A programme to provide capacity building to business incubators and accelerators in technical support of SEs in specialised sectors is implemented to the benefit of 40 business incubators and accelerators, enhancing quality of service delivery and geographical coverage	2	MoEE	MoEE	3000000	500000	800000	700000	500000	500000
	3.3.5 A programme to guarantee loans and bank facilities	1	MoEE, PFESP	PFESP	2000000	2000000	3000000	4000000	5000000	6000000

Results	Outputs	Priority	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
		1 = High 2 = Medium 3 = Low				2021	2022	2023	2024	2025
	to SEs is created in partnership between the PFESP and lending institutions to the benefit of at least 500 SEs									
	3.3.6 A media programme raise awareness and promote community acceptance of entrepreneurship is developed and publicised in mainstream media	3	MoEE, MoL, PFESP	MoL	250000	50000	50000	50000	50000	50000
3.4 Improve control over commodity markets to ensure fair	3.4.1 Compulsory technical instructions and specifications are set for at least 100	1	PSI	PSI	85000	17000	17000	17000	17000	17000

Results	Outputs	Priority	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
		1 = High 2 = Medium 3 = Low				2021	2022	2023	2024	2025
competition for local products	locally produced products with imported alternatives									
	3.4.2 Human and technical (laboratory) capacities for market regulation and control are developed to ensure conformity with compulsory technical standards	1	MoNE, PSI	PSI	200000	40000	40000	40000	40000	40000
	3.4.3 A media and awareness-raising programme is implemented in partnership between the MoNE, PSI,	3	MoNE, PSI	MoNE	50000	10000	10000	10000	10000	10000

Results	Outputs	Priority 1 = High 2 = Medium 3 = Low	Agencies directly related implementation	Agency in charge of implementation coordination and monitoring	Total estimated cost (US$)	Budget allocation to achieve outputs by year (US$)				
						2021	2022	2023	2024	2025
	consumer protection associations, and employer organisations to inform consumers of compulsory technical specifications and quality assurance standards									
	Total financial resource requirements				**243076000**	**67265000**	**51610000**	**33892000**	**39540000**	**41734000**

6. Management, monitoring and evaluation

To ensure effective management and implementation, the NES 2021-2025 needs to be integrated in the national planning and budgeting process as one of the national cross-cutting strategies. Planned to be rolled out, the mid-term review of sector and cross-cutting strategies and budget circular 2021-2023 provide an important opportunity in this regard. In view of the difficult unemployment and employment situation in Palestine, it is of utmost importance to make sure that the policies and processes embraced to implement this Strategy move to effective and rapid implementation, while taking into account a chronological sequence and prioritisation. This calls for building a strong institutional capacity to supervise and guide the implementation process. Given the long-term unemployment challenge, it is imperative to put in place sustainable institutional arrangements, ensuring that employment is kept central to public policies. Within this framework, the NES 2021-2025 implementation and coordination depends on the following administrative arrangements:

- Competent line ministries and government bodies will be responsible for implementing policies and measures laid out in this Strategy. Detailed programmes will be developed by relevant agency and responsibility centre to facilitate implementation and promote accountability, ensuring that administrative structures and functions of each centre are directed to consolidate operating linkages. The National Team, made up of various line ministries and social partners who contributed to developing the NES 2021-2025, will serve as an advisory group to the Strategy Management Team (see below) during implementation, when necessary.
- A working group (Employment Taskforce), including officials of the MoFP, MoL, MoHESR, MoNE, MoA, MoTA, MoSD, MoWA, MoEE, PFESP, employer organisations and trade unions, will develop annual plans (in consistence with the budget cycle) and supervise implementation. A dedicated secretariat will be established for this purposes. The Employment Taskforce will be assigned to submit regular progress reports to the government.
- The Employment Taskforce will work closely with relevant agencies to coordinate and manage budget support programmes and technical support from donor countries at the MoFP and Prime Minister's Office. The Taskforce will be in touch with ministries in charge of the action plan implementation, as well as with social partners and organisations that represent employers and employees' interests and carry on executive responsibilities within the framework of this Strategy.

- Civil society groups and employer organisations will play a critical role in facilitating implementation and providing needed information to monitor progress.

Table 11 above outlines general responsibilities of key line ministries and government agencies for achieving the Strategy outputs. Specific implementation responsibilities of sector ministries and technical departments and sections will be detailed in the course of developing annual action plans.

The NES 2021-2025 M&E will include a regular examination of resources, outcomes, and results of relevant policy interventions set out in the Strategy. M&E will be informed by an information collection system and analysis of performance indicators. The Employment Taskforce will be responsible for organising and submitting to the government monitoring information flowing from line ministries and local government units (LGUs). The Employment Taskforce Secretariat will play a pivotal role in coordinating and managing M&E processes.

Based on available financial resources, each relevant ministry will develop annual action plans, translating the NES 2021-2025 into operational activities. These plans will provide a detailed description of activities to be implemented and expected rules. They will also set schedules, persons, and/or institutions responsible for providing inputs and achieving results. The matrix in the chapter above presents the general framework for monitoring expected results.

Line ministries and social partners are responsible for collecting and providing information and data needed to monitor progress in the implementation of the Strategy based on listed performance indicators. Permanent structures of relevant sector and cross-cutting strategies will submit their own progress reports.

Two evaluations will cover the progress towards employment objectives and results under the NES 2021-2025: (1) a general mid-term evaluation in late 2002; and (2) a final evaluation in 2025. The Employment Taskforce will be responsible for coordinating both the mid-term and the final evaluations, including supervision of any research and surveys that feed into the evaluation processes.

Mid-term evaluation will analyse intervention outputs and results, financial management, and quality control and implementation. In comparison to the initial situation, focus will be placed on changes in the general context, judging whether objectives are still relevant. Mid-term evaluation will also see if priority and policy development involves a problem of cohesion. The evaluation will be premised on information derived from the monitoring system and general context. It will develop this information into feedback into operational planning management.

To be conducted in late 2025, final evaluation will judge the Strategy in its entirety, particularly its general impact. It will use resources and report on the effectiveness and efficiency of interventions and achievement of projected outputs. Preliminary questions on evaluation and research will look into the significance, effectiveness, efficiency, utility, and sustainability of the action plan. Specific evaluation questions will be formulated by the Employment Taskforce.

Both evaluations will use a multiple set of research techniques and tools to measure the general impact: employer and beneficiary surveys and cost-effectiveness analysis. Hence, implementation actors will be requested to keep reliance track records. For this purpose, The Strategy Team will put in place a M&E framework within the first year of Strategy implementation.

Annexes

Annex A: Growth in the number of workers and distribution by economic sectors based on the population census results, 2007-2017

This annex examines change in the number of jobs created by the Palestinian economy and Israeli labour market in recent years at overall and cross-cutting levels. This analysis is instrument in identifying structural changes in the nature of (either growing or shrinking) economic activities. It also helps examine the Palestinian economy capacity to generate employments in harmony with the rapid population growth and in the context of Israeli restrictions. To achieve these objectives, PCBS 2007-2017 population census data as well as economic and labour force surveys will be used.

In 2007-2017, the number of workers in the West Bank and Gaza increased from 579,500 to 881,500. The West Bank contributed some 78 percent (284,000) of this increase. As is known, this share does not reflect the relative weight of the population factor in both areas. The Israeli siege on Gaza and preventing workers from having access to the Israeli labour market have left Gaza in sustained economic recession. Gender breakdown reveals an increase in the number of male workers by 186,300 and female workers by 342,000 in the West Bank. In Gaza, male workers grew by 54,150 and female workers by 9,360.

Table 12 below documents the West Bank workforce distribution by economic activities in 2007. Data show that the workforce is concentrated in construction, manufacturing, wholesale and retail trade, public administration and defence, and education activities. These sectors account for almost 73 percent of total workers. The construction sector is the largest employment provider because it includes workers in the Israeli labour market. Most Palestinian workers (some two thirds) are employed in this sector. With the exception of a rising share of the construction sector, data demonstrate that this distribution did not change significantly during the past decade. Sectors that marked a drop in employment share mainly include the agriculture sector, from 7 percent to 5 percent. According to Table 12, percentage gender breakdown also shows that these sectors, expect for education, were the mean employer of males. By contrast, education sector is the main employer of females (42 percent of total female workforce), followed by a wide margin by health, public administration, and manufacturing sectors.

Table 12 data also outline each economic sector's share of the overall increase in the number of workers in 2007-2017. Results show that workforce growth in the construction sector accounted for almost one third of the total rise, highlighting the role played by the Israeli labour market in employing Palestinian workers. During the same period, according to PCBS labour force surveys, the number of Palestinians employed in Israel increased from 61,000 to 127,000. By a wide margin, this sector is followed by wholesale

and retail trade and manufacturing. This result applies to the increase in the number of male workers. For females, the education sector ranked first (some 30 percent), followed by public administration, health, and wholesale and retail trade. Against this backdrop, it can be concluded that the public sector is the main generator of employment for females. In general, according to the 2017 labour force survey data, the West Bank-based public sector comprised 16 percent of total employees, compared to the private sector (66 percent) and Israeli labour market (18 percent).

Table 12: West Bank workforce distribution by economic activities, 2007-2017

Economic sector	Total		Males		Females		All	Males	Females
	2007	2017	2007	2017	2007	2017			
Agriculture, hunting, forestry and fishing	7%	5%	7%	5%	5%	2%	1%	1%	-3.00%
Mining and quarrying	0.005%	0.005%	1%	1%	0%	0%	0%	1%	0.00%
Manufacturing	14%	14%	15%	15%	12%	8%	12%	15%	-0.10%
Electricity, gas and water supplies	0%	1%	0%	1%	0%	0%	1%	1%	0.50%
Construction	21%	25%	24%	29%	0%	1%	32%	38%	0.80%
Wholesale and retail trade	17%	16%	19%	17%	7%	8%	13%	13%	11.60%
Transportation, storage and communications	5%	5%	6%	6%	1%	2%	4%	4%	3.70%
Hotels and restaurants	2%	3%	2%	3%	0%	1%	4%	4%	2.30%
Financial brokerage	1%	1%	1%	1%	2%	3%	2%	1%	4.20%
Real estate, leases and commerce	2%	3%	2%	3%	3%	5%	5%	4%	8.10%
Public administration, defence, and social security	10%	9%	11%	9%	9%	13%	8%	5%	20.70%
Education	11%	9%	6%	4%	42%	38%	6%	2%	30.70%
Health and social work	3%	3%	2%	2%	10%	10%	3%	2%	10.40%
Other social/personal services	0%	0%	0%	0%	0%	0%	0%	0%	0.20%
Households employing members in	3%	3%	2%	2%	6%	6%	3%	2%	6.40%

family businesses									
Non-regional organisations and bodies	1%	0%	1%	0%	1%	1%	0%	0%	0.60%
Unspecified	1%	2%	1%	2%	1%	2%	5%	6%	2.70%
Percentage total	100%	100%	100%	100%	100%	100%	100%	100%	100.00%
Grand total ('000)	**4115**	**6320**	**3519**	**5383**	**595**	**937**			

In Gaza, results show a different economic distribution, with the public sector playing a central role in employment (see Table 13 below). In 2017, the public sector's share of employment was about 38 percent, following by a significant margin by education and wholesale and retail trade sectors. Despite its low employment share (some 10 percentage points) in 2017, the public administration sector continues to be the main employer. No substantial change was seen in the distribution of other economic sectors. The only exception was the construction sector, which doubled during reporting period in spite of its small share. General analysis demonstrates the same distribution, albeit with a larger share of the public administration sector. The governmental and UNRWA-run education sector employ half of the female workforce, followed by public administration and health sectors.

The UNRWA plays an important role in female employment, providing jobs to almost 19 percent of total female employees. Regarding economic sector contribution to the total increase in the number of male workers in 2007-2017, at an overall level, wholesale and retail trade came first, followed by construction, transportation, storage and communications, and education. By contrast, the education sector accounted for more than half of the workforce growth, followed by public administration and health.

Table 13: Gaza workforce distribution by economic activities, 2007-2017

Economic sector	**Total**		**Males**		**Females**		**All**	**Males**	**Females**
	2007	2017	2007	2017	2007	2017			
Agriculture, hunting, forestry and fishing	4.9%	4.7%	5.5%	5.4%	1.2%	0.2%	4.0%	5.1%	-2.2%
Mining and quarrying	0.0%	0.1%	0.0%	0.1%	0.0%	0.0%	0.2%	0.2%	0.0%

Manufacturing	5.0%	6.1%	5.5%	6.8%	1.9%	1.2%	9.1%	10.8%	-0.7%
Electricity, gas and water supplies	0.5%	0.7%	0.5%	0.8%	0.2%	0.2%	1.2%	1.4%	0.3%
Construction	3.1%	6.0%	3.5%	6.9%	0.2%	0.2%	14.4%	16.9%	0.2%
Wholesale and retail trade	14.5%	16.5%	16.4%	18.6%	2.6%	2.8%	22.1%	25.4%	3.3%
Transportation, storage and communications	5.9%	7.2%	6.6%	8.1%	1.1%	1.7%	11.2%	12.6%	3.2%
Hotels and restaurants	0.9%	1.7%	1.0%	1.9%	0.1%	0.2%	4.0%	4.6%	0.3%
Financial brokerage	0.8%	0.8%	0.8%	0.8%	0.9%	0.9%	0.9%	0.8%	1.1%
Real estate, leases and commerce	1.3%	1.9%	1.3%	2.0%	1.0%	1.6%	3.8%	3.9%	3.1%
Public administration, defence, and social security	37.7%	28.4%	40.9%	30.4%	16.4%	15.1%	1.0%	-0.8%	11.7%
Education	14.4%	13.5%	8.8%	7.4%	51.3%	52.3%	11.1%	3.5%	54.9%
Health and social work	5.9%	5.1%	4.8%	3.9%	13.0%	12.4%	2.5%	1.1%	10.7%
Other social/personal services	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%
Households employing members in family businesses	2.9%	4.7%	2.2%	4.3%	7.3%	7.0%	9.9%	10.5%	6.2%
Non-regional organisations and bodies	1.5%	1.6%	1.4%	1.4%	2.0%	3.2%	2.1%	1.4%	6.4%
Unspecified	0.6%	1.1%	0.6%	1.1%	0.8%	1.0%	2.3%	2.5%	1.5%
Percentage total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Grand total	**186,010**	**249,519**	**161,420**	**215,566**	**24,590**	**33,953**			

Data above demonstrate a constant employment share of manufacturing in the West Bank compared to a slight growth in Gaza. Table 14 below monitors change in the Palestinian industry sector structure over a more extended period, from 1999 to 2017. Derived from economic survey series in the same period, enterprise data showed that while industry sectors grew, others shrank. There was a percentage increase in enterprises operating in food processing, beverages, printing, reproduction of recorded media, mining, and

mineral exploitation. On the other hand, percentages plummeted in industry sectors of metal production, clothing, leather and relevant products. Data also show variation by area. In Gaza, while garment industry declined significantly, other industry shares expanded, including fabricated metal products and furniture. In the West Bank, food processing and beverages marked an appreciable expansion, but metal production diminished.

Table 14: Distribution of enterprises across different industrial activities, 1999-2017

	Palestine	**West Bank**	**Gaza**	**Palestine**	**West Bank**	**Gaza**
	1999			2017		
Other mining and mineral exploitation	*0%*	3%	3%	0%	6%	5%
Food processing and beverages	*17%*	9%	8%	17%	16%	16%
Textile industry	*7%*	2%	1%	0%	2%	1%
Garment industry	*35%*	15%	12%	3%	10%	9%
Leather and relevant products	*0%*	6%	7%	0%	6%	5%
Reproduction of recorded media	*2%*	3%	2%	6%	4%	4%
Metal production	*11%*	30%	33%	9%	24%	22%
Fabricated metal products, excl. machines and equipment	*4%*	14%	15%	31%	14%	16%
Furniture	*15%*	12%	12%	26%	12%	14%
Other industries	*9%*	5%	6%	9%	7%	7%
Total	*100%*	100%	100%	100%	100%	100%

Annex B: Employment programmes and institutions in Palestine

ALMPs

Over the past 50 years, ALMPs have emerged as a policy intervention, frequently used by developed and developing countries to increase employment opportunities. Concurrently, ALMPs address social problems that often accompany rising unemployment rates, including low labour market participation. The most universally prominent objective of ALMPs is to promote and develop labour market demand side, incentivise demand for manpower, and enhance labour market performance in the long term. ALMPs resolve some market flaws by focusing on human resource development with a view to achieving more favourable and sustainable employment outcomes.

A recent IMF study finds a positive correlation between spending on ALMPs as a percentage of GDP and the employment rate in the business sector in the 1990s. For a 1993-2000 sub-sample of 15 industrial countries, a 1 percentage point increase in ALMP spending (as a share of GDP) is associated with an increase in the business employment rate of 1.9 percentage points. Accordingly, ALMPs can provide an effective tool to address unemployment. It is important to target ALMPs to achieve maximum labour market benefit from spending on employment programmes.

During the past 15 years, dozens of ALMPs have been launched in Palestine to help counter high unemployment rates and overcome obstacles to employment opportunities by improving skills of the unemployed, particularly youth and new graduates, and enhancing employability opportunities. With contributions from the Palestinian government and private sector, donors have been the most prominent financier of ALMPs. ALMPs have also sought to bridge the gap between educational outputs and labour market needs. Estimates show that over 130 ALMPs have been implemented in the West Bank and Gaza (MAS and PFESP survey).

A recurring theme of ALMP planning exercises is limited coordination between implementing parties and private sector. Coordination is indispensable for precise direction of ALMPs to meet labour market needs. Some ALMPs are well-financed. It is never expected that resources are channelled to developing unneeded skills or those which do not help Palestinian unemployed or inadequately employed to enter the labour market. It is also unreasonable that these resources do not contribute to supporting growth of and empowering the private sector to utilise workforce skills and experience. Of note, some ALMPs are being implemented as if they were emergency or humanitarian programmes. Accordingly, emergency assistance should be aligned with long-term development goals (this can be partly achieved by integrating market needs assessments with employer priorities). This will be priority to ensure that resources are not wasted.

Employment programmes

ALMPs in the West Bank and Gaza can be set out in two main categories:

- Entrepreneur programmes: These usually target the unemployed to start up their own enterprises and create employment opportunities for others. This is achieved by a wide range of programmes, including pre-incubation, incubation, acceleration, and entrepreneurship support programmes, as well as SME incorporation and development services.
- Employment and training programmes: These encompass a broad range of programmes, including temporary employment, in-house training, training, capacity building, job search, online training, and poverty reduction programmes. These employment services are provided by public institutions, NGOs, private sector entities, and donors.

Entrepreneur programmes

Actively provided by six organisations, these programmes commonly target and help university students and new graduates to generate business ideas and promote the culture of entrepreneurship among them. Programmes usually cover initial incubation activities, lectures, workshops, business entrepreneur camps ("Start-up Weekend"), and business ideas competition to assist target groups in improving and developing their business ideas. Mentoring and coaching are also provided to persons, who demonstrate promising business ideas. Beneficiaries receive promotional services to engage in training on how to present and discuss their business ideas with investors or incubators. In very limited cases, when financial resources are available, a predetermined number of business ideas can be supported with small amounts (up to US$ 2,000) as a contribution to developing business ideas and bringing entrepreneurs in contact with organisations that can incubate their businesses.

Incubation programmes

Nine business incubators operate in the West Bank and Gaza, all established after 2004. These target start-ups and individuals with entrepreneurial ideas, who manage to develop a basic product (one with minimum viability) to provide them with technical equipment and administrative and financial support to periods ranging from four to ten months. Most incubators focus on the ICT sector, but some also cover other specialisations, such as media, science, and engineering.

Business acceleration services

There are three business accelerators in the West Bank and Gaza, targeting university students and business entrepreneurs with business ideas. These accelerators provide support to target groups by translating their ideas into reality and inaugurating their own business activities. They provide seed financing to start-ups, together with office space, technical equipment, experienced mentors. Most accelerators deliver coaching sessions with experts from different professional sectors and training courses on business development. Usually, business entrepreneurs who successfully complete the first acceleration phase receive more financing from either or both investors or venture capital funds. In return for their services, accelerators have a share in these investments. The central challenge facing accelerators is immature business ideas, usually presented by youth, and little work experience of business entrepreneurs. Many accelerators stated that it was difficult to work with university students or new graduates in view of recent labour market participation and scarce work experience. This is why the vast majority of incubated enterprises, which manage to pass the first four-month phase and end up as successful companies, are led by persons with work experience and market knowledge in relevant business, rather than by university students.

Programmes for entrepreneurship development and MSME incorporation and development

These programmes aim at facilitating MSME incorporation in the West bank and Gaza and promoting skills of entrepreneurs to make their start-ups more competitive and financially sustainable. It is estimated that over 20 NGOs provide MSME development services in the West Bank and Gaza. These usually target unemployed youth and women to develop their capacities and help them start up their businesses.

A variety of development services is delivered to different various groups, including capacity building, business administration training, marketing, promotion, accounts management, pricing, and other areas needed to align skills with the labour market. Beneficiaries also receive support in incorporating income-generating enterprises and developing relevant business plans and feasibility studies. Additionally, these programmes support existing MSMEs in developing their businesses by providing concessional loans and grants to help purchase production assets and equipment need to increase production capacity. Sometimes, MSMEs receive services and are encouraged and guided to register their business activities.

Employment, training and self-employment programmes

These programmes are designed to enhance skills of the unemployed, meet labour market needs, and increase employment opportunities. Below are the most prominent services and institutions.

Employment services in public and NGO sectors

Established in 2003 under Presidential Decree No. 9 of 2003, the **PFESP** is a semi-autonomous body that is tasked to reduce poverty, promote employment, and implement labour market policies. It supports implementation of active labour market policies and measures in Palestine and works closely with beneficiaries and through partners in the West Bank and Gaza. Partners include trade unions, NGOs, industrial unions, cooperatives, TVET centres, among others. The PFESP provides services in the following areas:

Business Opportunity Development works towards enhancing access to adequate financing for male and female youth. To this avail, the PFESP assumes the risk of default in payment by providing MoFP-backed guarantees against default. The PFESP signed memorandums of understanding (MoUs) with many backs to provide a total of US$ 100 million in loans to entrepreneurs nominated by the Fund. It also received a US$ 1 billion pledge from the MoFP to provide guarantees against default on loans.

- Entrepreneurship development through business incubation and acceleration: The PFESP signed MoUs with many business incubators and accelerators in the West Bank and Gaza to provide technical support to the entrepreneurs it nominates in return for a financial allowance. In line with this arrangement, the PFESP provides co-financing to start up enterprises.
- Training and preparation: The PFESP implemented many training programmes on the labour market in the West Bank and Gaza, using business activities (on-the-job training) and job placement strategies. The PFESP will continue to implement these programmes in the future.
- Private sector employment incentives: The PFESP partnered with many organisations to promote the employability of unemployed university and TVET graduates through wage subsidies to employers. This programmes will continue in the future.

The Council of Ministers has recently decided to transform the PFESP into a national umbrella of all employment programmes, creation of employment opportunities, and entrepreneurship development in Palestine. The government instructed the MoL to request that all relevant stakeholders provide the PFESP with applicable ALMPs and

coordinate all future programmes and support exercises with the Ministry. The impact of this decision on current and future active labour market policies is still unclear. However, discussions with the PFESP indicate that it needs support to develop mechanisms to enable effective coordination and ALMP management.

The 2019 PFESP Annual Report indicates that approximately 19,000 persons, relatively evenly distributed across males and females, benefited directly from the PFESP programmes and projects since its establishment. Since 2016, aggregate funding of the PFESP programmes has totalled US$ 26.8 million. Financially managed by the Bank of Palestine, PFESP's *Mashrou'ak* [Your Enterprise] programme is worth US$ 50 million. The PFESP provides technical support in return for a proportion to cover administrative costs only. According to the PFESP report, since 2016, 2,354 income-generating enterprises have been incorporated and developed. The Fund has created 4,572 employment opportunities through self-employment support programmes and 2,341 temporary employment opportunities through emergency and temporary employment programmes. Like most partner organisations and ALMPs, the PFESP lacks data on the impact of its support on beneficiaries, rendering impact assessment impossible. A future top priority of the PFESP is to develop a performance measurement system, which would enable M&E of the impact of PFESP achievements.

The MoL established the Local Education and Training Council in cooperation with PNA, private sector, and civil society representatives. The council aims at promoting social dialogue and local employment initiatives. The councils' main role is maintain linkages and communication between different employment stakeholders and support partnerships. There are now four councils operating in Hebron, Nablus, Ramallah, and Bethlehem.

MoL-supported **employment offices/one-stop shops** provide a set of employment services and jobseeker registration. There are 16 employment offices in the West Bank and five in Gaza. In the West Bank,[6] employment offices provide job placements and issue certificates of eligibility for free health insurance to the unemployed in the West Bank and Gaza and Palestinians engaged in short-term employment in the Israeli labour market. The MoL has been active in using these employment offices to provide a comprehensive set of services. With support from GIZ, eight West Bank offices were transformed into one-stop shops, providing a comprehensive range of professional consultations, including vocational guidance, employment advice, instruction on self-employment (freelance work) and SE incorporation, search for employment, and support of job applications, information, and work permits in Israel. In addition to innovation, GIZ supports administrative and technical capacity building at these one-stop shops.

[6] The MoL has no control over Gaza employment offices due to political and geographical split from the West Bank.

Technical staff were trained on new employment services, including vocational guidance, industrial relations, and collaboration with employers.

In addition to employment matching, it is expected that these centres make available qualified employees in line with employer requirements and standards. Employment centres will also provide a variety of opportunities and services to women. Besides, the MoL signed agreements with ten universities and two community colleges to establish vocational guidance offices on campus.

Despite the tangible progress towards capacity building at one-stop shops, human and logistical capacities are still incapable of providing the services for which they have been established. Key weaknesses include short qualified staff, limited communicability with employers, inadequate means of transportation, and unclear roles and responsibilities. As mentioned above, a few unemployed persons have registered at or request advice from employment offices.

In the NGO sector, employment programmes in the West Bank and Gaza usually target women, university graduates, new graduates and, to a lesser extent, the unemployed. These programmes can be set out in three categories:

- **Training and capacity building programmes**: These seek to encourage extraordinary skills among male and female university students and new graduates. Highlighting life and technical skills, these programmes attempt to bridge the gap between educational outputs and labour market demand and overcome obstacles to employment opportunities by improving youth skills. Life skills training assists youth to pay attention to be good-looking and more self-confident. Training covers a wide range of themes, including leadership skills, time management, preparation of curricula vitae, dealings with customers, presentation skills, team building, writing skills, etc. On the other hand, professional skills focus on specialised areas, which fulfil specific needs of target groups, such as ICT, engineering, graphic design, and other relevant fields. In the pursuit to reach out more university students, some institution (mainly Education for Employment, Sharek Youth Forum, and International Youth Foundation) have targeted and provided capacity building to employment units and graduate programmes at Palestinian universities to provide students with needed labour market skills and increase their employability. Relevant staff receive intensive training on necessary skills. Units have been provided with equipment and logistical resources to help staff perform their functions.
- **Apprenticeship/on-the-job training programmes**: These usually target university students with a view to bridging the gap between educational outputs and labour market demand. After training, these programmes facilitate linkages between beneficiaries and local organisations to enable participation in paid

training for period ranging from three to six months (Usually, a monthly honorarium of US$ 600 is disbursed to beneficiaries, including US$ 300 by the respective programme and the rest by the organisation). The main benefit of this training is that it furnishes an opportunity to new graduates to gain practical experience, receive an honorarium, and have a good employment opportunity at local organisation, which train them.

- **Internet-based job search and training programmes**: Three civil society organisations[7] jointly developed a portal (Palestine Ta3mal) to enable new graduates to forge links with enterprises operating in Palestine and across the Arab region. Graduates upload their CVs and qualifications on the portal, which also allows users to access available employment opportunities, online training courses, and successful enterprises in Palestine and region. According to the website management, more than 20,000 university graduates have uploaded their CVs and managed to access online training courses. Some graduates did find employment opportunities on the portal.

Private sector employment programmes

Capacity building and scholarships programmes: Many private sector entities implement employment programmes as part of relevant human resources management or social corporate responsibility functions. However, five entities can be said to be most salient in this regard: Arab Bank, Bank of Palestine, Massar Group, PADICO Holding, and Paltel Group. The main employment programme run by these companies targets university students and new graduates. The programme involves a three-six month training course, allowing an opportunity to university students to access many life skills trainings (e.g. leadership skills, time management, preparation of curricula vitae, dealings with customers, presentation skills, team building, writing skills, etc.) as well as in-house training. In some cases, beneficiaries receive a US$ 200-400 monthly honorarium. Training programmes typically target 250-300 persons a year. Of these, almost 70 percent manage to have permanent employment opportunities at these companies. In addition, Paltel Group has introduced many employment programmes, which targeted different groups in Palestine. A scholarship programme has covered some 3,000 poor students over the past nine years. The programme allowed these students to enrol in universities and complete higher education. Paltel Group also runs the Right for Decent Life programme, which targets and provides necessary means to 70 poor households to start up their own livelihood enterprises.

[7] Education for Employment, Sharek Youth Forum, and International Youth Foundation.