

# WEST BANK AND GAZA STRIP

## COUNTRY PLAN 2007

### 1. Socioeconomic background

The West Bank and Gaza Strip (WBGS) is divided into three zones that have varying degrees of autonomy, and is administered by the Palestinian Authority (PA). The conflict between Israel and WBGS has had serious implications for the economic and social development of the territory. The conditions for economic development are greatly affected by the complicated authority structure; by the wall erected between the two and the permanent conflict situation; by the difficult export conditions resulting from a lack of a harbour, airports and other transport facilities that would provide reliable access to export markets; and at present by the unstable internal political conditions between Palestinian factions, together with a certain isolation imposed by the difficult relations between the government elected in early 2006 and the donor community. This has led to a very unstable and unpredictable political, economic and social environment in the territory, and has emphasised the urgency of the need to create a highly skilled workforce able to meet the challenges of an emerging state and an independent dynamic economy able to secure economic growth and prosperity.

Over the past ten years the PA has been faced with a number of challenges, namely: providing adequate education, housing, health care and employment opportunities for a young and fast-growing population; building a Palestinian public administration that did not exist prior to 1994, and that can deliver the aforementioned services; and undertaking these tasks in a very unstable and unpredictable political, economic and social environment and under severe restrictions. Improved governance, which has been high on the political agenda and has recorded significant achievements in recent years, is now at risk after the developments of 2006. Up until the end of 2005 the PA, with the municipalities and the NGOs and massive donor assistance, were maintaining a core of services to reasonable standards. An unavoidable decline has occurred as a result of access restrictions and strained public finances.

Between 2000 and 2002 economic activity decreased by a third and foreign investment fell by 90%. According to World Bank sources, poverty is estimated to affect at least 44% of the population of WBGS (and two-thirds of the population in Gaza). An estimated 15% of the population is living in extreme poverty. Based on the distribution of household expenditure<sup>1</sup>, the World Bank estimates that before the intifada 21% of the population were living below the poverty line of USD 2.1 per day. This had increased to 33% by December 2000, to 46% by December 2001 and to 60% by December 2002, with a rapidly deteriorating situation in 2006.

With regard to demography, the number of Palestinians in the world in 2004 was estimated to be 10 million. Just over half (51%) lived outside the area<sup>2</sup>, 11% lived in Israel, 24% in the West Bank and 14% in Gaza. The number of Palestinians in WBGS at the end of 2005 was estimated to be 3,762,005<sup>3</sup>, 63% (2,372,216) of whom lived in the West Bank and 37% (1,389,789) in the Gaza Strip. Demographically, WBGS is traditionally one of the booming territories of the region, with a very marked growth in the number of young people, which has important implications in terms of human resource development (HRD) issues, particularly education and access to employment. Time-series data shows a slight but steady increase in the median age of Palestinian society, rising from 16.4 to 16.6 years during the period 1997 – 2004. However, it remains one of the youngest societies in the region.

<sup>1</sup> World Bank, *Twenty seven months – intifada, closures and Palestinian economic crises: An Assessment*, 2003.

<sup>2</sup> PCBS, *Special report on 57<sup>th</sup> anniversary of Al Nakba*, 2005.

<sup>3</sup> PCBS & MAS, *Quarterly Economic and Social Monitor*, April 2005.

Economic crises followed the imposition of tight restrictions by Israel in 2000, in the aftermath of the intifada. Between 2000 and 2002, Palestinian exports and imports decreased by a third and investment fell by 90%. The economic collapse has led to a 35% reduction in per capita income and a 16% increase in the average rate of unemployment since the second intifada began in 2000. The Palestinian economy witnessed a partial recovery in 2004 – 2005, with real GDP growing by more than 6%. At that pace it would have been possible to recover to pre-intifada conditions by 2010. Recent events, in particular the suspension of Israeli transfers of custom revenue and VAT receipts, and the limitations placed by western donors on political contacts and financial support to the present government, have more than reversed the gains of the past two years. According to World Bank forecasts, a decline in real GDP of around 27% is expected, with the possibility of two thirds of the population living below the poverty line.

Unemployment in WBGS is mainly associated with the economic recession; economic scenarios do not predict that this will change over the next few years. Growth in the labour force leading to unemployment is more gradual and slow, though it still poses a major challenge given the current high fertility rates. Structural unemployment resulting mainly from fluctuations in economic sectors such as construction, which is highly dependent on work in Israel, poses another challenge.

The growth of the service and IT sectors perhaps requires different qualifications to those currently found in the labour force. The move to an export-oriented economy will only be possible with a major change in the political setting, which is very hard to envisage. Job-creation and poverty-alleviation policies have played an important role in previous years, but have failed to produce tangible and sustainable effects.

In 2004, 528,000 people (66.8% of the labour force) were employed. The participation of women in the labour force was only 13.5% in 2004, and this constitutes one of the lowest female labour force participation rates in the world.

Some 66% of employed persons in WBGS worked in the private sector, 24% were employed in the public sector, and less than 10% worked in Israel and the settlements.

Small- and medium-sized enterprises (SMEs) constitute the majority of firms in WBGS: in 2004, 91% of enterprises employed 0–4 employees and 6% employed 5–9 employees. Only 0.2% employed more than 50 employees.

With regard to sectors, only IT has shown definite capacity for growth under the current conditions. Sectors that cater to local demand have stronger potential for growth and job creation than export-oriented sectors. These sectors include agriculture, construction, food processing and pharmaceuticals. The public sector has expanded from employing 57,000 persons in 1995 to employing over 130,000 in 2003. The situation of public sector employees, whose salaries depend on grants provided by donors and the subsidies blocked by Israel, was extremely critical during 2006.

Unemployment rose from 25.6% (23.8% in WB and 29.2% in GS) in 2003 to 26.8% (22.9% in WB and 35.4% in GS; 28.1% of males and 20.1% of females) in 2004. The unemployment rate decreased to 26.3% during the first quarter of 2005. Unemployment in the first quarter of 2005 showed a slight increase in WB and a slight decrease in GS compared to the fourth quarter of 2004. Under the current conditions in 2006, the unemployment rate could reach 40%. The number of Palestinian workers in Israel<sup>4</sup> has fluctuated widely, reaching a peak of 146,000 in the third quarter of 2000. The number has significantly reduced, falling to 33,000 in the second quarter of 2002 and recovering slightly to around 56,000 by the end of 2002. During 2004 the number was around 50,000. The number of Palestinian workers in Israel reflects the political situation in general. Security measures that affect access to the Israeli labour market include changes in the total number of permits granted to Palestinian workers, and partial and general border closures. Again, the 2006 situation has greatly affected these numbers.

In 2003 there were 98,727 people (91,074 males and 7,653 females) engaged in establishments in the informal sector in WBGS. There are no time-line surveys showing trends in the informal sector. However, the feeling is that the informal sector has been growing over the past few years, as demonstrated by the rapid increase in the number of salespeople and vendors near checkpoints and the growth of the unregulated transportation sector.

There appear to be no significant migratory flows taking place into or out of WBGS. Highly skilled Palestinians often look for better job opportunities abroad. There are well-established expatriate

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<sup>4</sup> Ibid

networks that facilitate job search and integration abroad. Although this is becoming harder to do, this kind of 'selective' high-skilled migration is causing 'brain drain' and depriving the country of some of its best young qualified people.

With regard to the education system, it needs to be pointed out that Palestinians are relatively highly literate. The literacy rate in 2004 stood at 92.3% (96.5% for males and 88.0% for females). This is mainly attributed to a well-established education system that consists of four levels, including tertiary education.

However, the current economic recession has hit the private sector hard, and private sector participation in HRD is limited. The economy is unable to generate new work opportunities for a rapidly growing number of annual entrants to the labour force under the prevailing circumstances. The public and non-formal sectors have reached saturation over the past few years. These factors have all placed a significant burden on the HRD system.

In conclusion, unemployment, poverty, and the decline in all health and educational indicators have made humanitarian and emergency programming the priorities, rather than long-term developmental programming in which HRD plays the pivotal role.

## **2. Key policy issues and strategies in human resource development**

### **Current employment policy measures**

Job creation is a main pillar of the PA Mid-Term Development Plan (MTDP, 2006 – 2008). A variety of measures have been undertaken by the PA, civil society and donors to create employment, guided by a national job-creation strategy.

A review of employment-generation schemes<sup>5</sup> between October 2000 and January 2002 was produced by the World Bank on behalf of the donor community, and coordinated by the Sector Working Group on Employment Creation. The review concluded that job creation is humanitarian aid rather than development aid. However, the review demonstrated that the delivery of this type of humanitarian aid could be made more efficient. The review's findings and recommendations were formally endorsed by PA, and constituted the basis of a strategy paper on job creation formulated by the Palestinian Ministry of Planning. The strategy envisages that local communities be responsible for the technical implementation of job-creation projects. Some larger municipalities have the technical capacity to implement such projects. Other smaller communities need to be supported by larger municipalities, governorates, NGOs and donors.

A variety of institutions gather and analyse data on trends in the labour market. The Palestinian Central Bureau of Statistics (PCBS) is well established and produces regular and reliable data in line with the highest international standards. In 1998 the Ministry of Labour established a labour market information system with the help of the International Labour Organization and the PCBS.

### **HRD policies**

In general, HRD systems and strategies in WBGS are influenced by a highly unstable and unpredictable political environment which greatly affects access to work and services, as well as the whole education system. The implementation of strategies is hampered by many factors: the continuation of the occupation and its restraining measures, limited capacities, financial constraints, lack of real will and resistance to change, unrealistic expectations of immediate impacts, and fear of taking the right and necessary actions in a highly volatile and insecure environment, all stand in the way of timely and effective implementation of HRD strategies.

Although technical and vocational education and training (TVET) is declared to be the main pillar of the Palestinian developmental priorities as stated in the MTDP, this is not adequately reflected either in budgets or in the willingness to take the necessary steps required to implement the TVET National Strategy. This requires a high-quality labour force that is able to compete, and that can only be developed and maintained through a well-developed TVET system. In addition, the critical situation

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<sup>5</sup> World Bank, *A review of employment generation schemes between October 2000 and January 2002*, 2002.

that developed during 2006 has not helped to steer the implementation of some of the measures that were supposed to enter into force during last year.

Reform of the TVET system started in 1996 with the development of the National Strategy for TVET by all the various stakeholders and social partners. The aim of the strategy was to create a TVET system that is relevant, flexible, effective, efficient, accessible and sustainable, and that fulfils its general obligations towards Palestinian society. A detailed implementation plan was developed in October 1999, and was formally adopted, along with the National Strategy, by the Palestinian president and cabinet. The implementation plan was revised and updated in 2003, the main features being the establishment of a Higher Council on TVET, an Executive Board and a TVET Planning and Development Centre. During 2005 many of the reform elements proposed in 2003 took on a new dynamic. The Higher Council on VET was empowered and is functioning, and the TVET Planning and Development Centre is in the process of being established as an operational unit. However, the implementation of many of these elements was slowed down during 2006 as a result of the critical situation within the public service. Donor support to the sector has also been largely postponed.

The TVET system is not as efficient as it should be. Vocational schools and technical colleges are still only used during the mornings; student-teacher ratios are still relatively low.

There is great potential for improvements in the quality and effectiveness of the system. Improvements are necessary in all aspects affecting quality, namely the quality of teachers and trainers, the curricula used, and the physical resources available.

Trends in recent years have shown a decline in the quality of the outputs of the HRD system at almost all levels as the system has attempted to keep up with quantitative expansion needs.

Under the circumstances the system is generally relevant to the needs of the labour market, a fact demonstrated by the high level of employability of TVET graduates compared to those of other systems, as most training institutions base their decisions to introduce new specialisations or cease offering others on labour market information.

However, the system is still seen as attracting the lower achievers. It is not considered to be meeting the higher end of the training needs of businesses and industries.

The TVET system depends heavily on government and donor funding. Almost all infrastructure and development expenses are covered by the donor community, with the PA paying basic running cost and salaries.

Social partners are involved in TVET, though their involvement is limited. The main reasons for this are limited capacity, limited channels for involvement, lack of incentives, and the economic recession. However, the situation is gradually changing with the establishment and empowerment of the Higher Council on TVET. There is a recognition that the HRD system cannot be left solely in the hands of the government. The establishment of the Accreditation and Quality Assurance Commission and the Higher Council on TVET and the attempts at reforming the Council for Higher Education are indicators that social partners as well as other stakeholders will start to have more say in the development of the HRD system.

The situation with regard to teachers and trainers is critical, particularly in the present context. The HRD system at all levels will not be able to retain or attract highly qualified and professional staff if it does not address the working conditions of these staff (including pay, benefits and personal development opportunities). External 'brain drain', and movement out of the HRD system to work in the private and other sectors, will continue to occur.

Facilitating the creation of efficient, professional, empowered and well-funded TVET governing bodies and increasing the appeal of TVET to students and social partners are some of the main technical issues to be faced in WBGS. At the same time, factors such as high unemployment, the limited growth of new work opportunities, and the high level of growth of the labour force will continue to have an influence in the development of TVET systems.

### **3. EU and other donor policies and interventions**

WBGS constitutes a special case in terms of donor support. The state and the administration are largely supported by donor contributions. At the same time, given the special conditions of conflict in

the territories, most of the donor support goes towards humanitarian aid and infrastructure, together with maintenance of the basic services and of the public administration. During the past year, complex contacts with the Hamas government, together with growing insecurity in the area, have resulted in delays and restrictions in the delivery of donor aid and difficulties in communication in all donor-supported processes.

The EU is the major donor in WBGS, but most of its support goes in humanitarian aid, public service maintenance and infrastructure. Given the unstable political situation, the EC does not have a mid-term national indicative programme for WBGS, but priorities are decided on annual programmes. In training and education, the support given by the EU to WBGS has been rather limited compared to that given to other territories in the region. The major EU intervention has been to support the establishment of a multipurpose TVET Centre; the project has a total budget of USD 4.3 million and is expected to be completed by 2006. With the Palestinian Economic Council for Development and Reconstruction, the EU has supported the expansion of the Khan Younes College of Science and Technology. In addition, WBGS participates, where possible given the restrictive conditions, in regional programmes such as MEDA Education and Training for Employment (MEDA-ETE).

In the current external relations context, WBGS is part of the Neighbourhood Policy and future aid will be channelled through the ENP Action Plan. Under the Action Plan there is a clear priority oriented towards the development of a modern education system based on peace, tolerance and mutual understanding. Some of the objectives included under this priority make reference to ensuring continued progress on the new Palestinian Authority School Curriculum for all grades, upgrading the higher education system, enhancing regional cooperation in the field of education and young people, promoting intercultural dialogue, and youth exchanges, including cooperation through youth and other relevant cultural cooperation programmes. There is a very specific action relating to TVET, namely that of contributing to the implementation of the National Strategy for TVET through capacity building and human resource development. The implementation of this Action Plan has been hampered to a certain extent during the past year by the above-mentioned difficulties in the political situation.

With regard to other donors, the most significant and active in the field of HR of are:

- World Bank, which is constructing and equipping four vocational units, and more recently, has implemented the Tertiary Education Project (USD 10 million) which is aimed at improving the regulatory environment, increasing the efficiency of the system and creating incentives for quality and relevance of the sector;
- Gesellschaft für Technische Zusammenarbeit (GTZ), which has on-going projects in apprenticeships and teacher training;
- United States Agency for International Development (USAID), which gives support to technical colleges and schools;
- the Belgian government, which gives several types of support to the education sector, including building seven new schools in WBGS.

In 2005 donor coordination was becoming an increasingly urgent issue, particularly in the light of the EU expansion of support to WBGS that was planned at that time. The issue was being addressed not only by the donor community but also by the PA, in order to increase its institutional capacity in this field. In the past ten years around USD 50 million dollars from various donors has been spent on TVET, the majority on infrastructure development. However, the limitations placed by western donors on political contacts with the present government and the growing insecurity in the territories have completely altered plans.

Since the establishment of the PA, the Palestinian Economic Council for Development and Reconstruction (PECDAR), the Ministry of Finance and the Ministry of Planning have managed international assistance to the PA. The largest share of assistance is absorbed by a limited number of ministries, including the Ministries of Education and Higher Education, of Health, and of Local Government.

It is anticipated that the new TVET structure, with the Higher Council on TVET, Executive Board, and the TVET Planning and Development Centre, will facilitate donor coordination and substantially enhance the capacity to handle and coordinate donor support. However, the potential action of donors

in this field will be strongly influenced by the political situation in the territories, security conditions and the possibilities of dialogue with the government.

#### **4. Mid-term perspective ETF intervention strategies contributing to added value in national, EU and donor reform-support policies**

In accordance with its mid-term perspective 2007 – 2013, the ETF will seek to improve HRD in WBGS in the areas of education and training in a lifelong learning context and related labour market issues. The ETF's strategy aims to contribute to prosperity and development in the European Neighbourhood through cooperation and partnership in human resource policy development and implementation.

In WBGS, given the particular conflict context, the specificity of the actions of the EU in support of the PA (which are not focusing on HR at present, although there are plans for expansion) and the limitations on direct contacts with the Hamas government, the ETF will closely follow the strategy and indications from the European Commission in terms of its support to the territories.

In particular, during 2007 the ETF will focus on contributing to the participation of WBGS in the Neighbourhood Policy, by means of providing the EC with monitoring information on the implementation of the ENP Action Plan in terms of its HR-related aspects. This exercise will combine keeping 'country intelligence', that is, updated information on the state of HR issues in WBGS, and networking, that is, maintaining contact at technical and expert level with relevant stakeholders.

At the same time the ETF will foster the participation of WBGS in the EU regional programmes in which it is involved, namely the Education and Training for Employment MEDA programme (MEDA-ETE), implemented by the ETF, and the Euro-Med Charter for Enterprises.

Moreover, 2007 is a year when the ETF will develop conceptual work for the establishment of its future networks. Apart from the expert networks that exist in programmes such as MEDA-ETE, the ETF will develop its concept for networks in the ENP region, of which WBGS is also part.

In the mid term, providing there is a mandate from the EU and the political and security conditions are stabilising, the ETF would envisage supporting more content-related aspects of the reform of TVET in WBGS. This would be done under two strands:

1. support and participation in discussion on key issues of the reform of the system, in coordination with other donors, such as the governance of the VET system (building capacity in institutions crucial to the running of the system, such as the TVET Planning and Development centre or the TVET High Council), and financing (support to the potential establishment of a TVET Training Fund for innovation and quality improvement pilot projects);
2. link existing initiatives in WBGS with specific ETF projects that have a capacity-building orientation, in particular the Observatory project and the activity of the PCBS and the labour market information system, and the National Qualifications Framework project and the Accreditation and Quality Assessment Committee.

<b>ETF 2007 activities in West Bank and Gaza Strip</b>							
ETF mid-term objective: To contribute to the development of HR in WBGS, in line with EU assistance and in particular fostering the regional cooperation dimension							
Project Number	Project Title	Specific country objective	Expected outcomes	Achievement indicators	Sources of verification	(Yearly) Outputs	Project duration
ENPI07-01	Facility to respond to Commission requests	To contribute to the implementation of the ENP objectives in WBGS in the HRD field	As a result of the monitoring of the ENP Action Plan, analysis and relevant information are provided as input to EU programming and as a contribution to the definition and monitoring of EU external policies	A report on the monitoring of HRD priorities in the action plan for WBGS is provided by ETF at the request of EC services.  ETF input is considered in the EC documents	EC reports on monitoring of the Action Plan, other programming documents	Input to EC services on the state of implementation of ENP Action plan on VET-related issues	2007
ENPI07-02	Entrepreneurship learning and skills development	To support the Commission in the implementation of the Euro-Med Charter for SMEs	Data prepared on progress and status in line with the objectives of the Charter, to enable comparisons with countries covered by the MEDA programme  Synergies created between developments in the Euro-Med charter MEDA regional project on education and training  Dissemination and exchange of experiences between the Euro-Med Charter and MEDA regional project participants on entrepreneurship and skills development	Contribution to the work of the working group on entrepreneurship  Monitoring indicators of Euro-Med charter developed and put in place	DG Enterprise  National coordinators for the implementation of the Charter  Progress reports	Progress Report 2008  Report by the working group on entrepreneurship	2007

ENPI07-03	MEDA regional project on Education and Training for Employment (MEDA-ETE)	To support MEDA partners in the design of relevant TVET policies that can contribute to promote employment through a regional approach	<p>Enhancement of national capacities on specific issues linked to education and training reform</p> <p>Contribution to the setting up of a permanent Observatory network at national level through exposure and participation in the regional Observatory network</p> <p>Provision of relevant information and analysis on issues relevant to education and training reform in WBGS (in particular apprenticeship and quality)</p> <p>Enhancement of dissemination and exchange of experiences on issues related to education and training reform between EU member states, partner countries and other donors</p>	<p>Participation of appropriate Palestinian stakeholders in the Annual Forum</p> <p>Participation of appropriate Palestinian stakeholders in the events organised for each component</p> <p>Expert input by Palestinian stakeholders is provided in the preparation of thematic and comparative reports</p>	<p>European Commission</p> <p>National authorities in countries covered by the MEDA programme</p> <p>Mission reports</p> <p>Progress report</p>	<p>Forum annuel du projet</p> <p>Work plan annuel</p> <p>Rapports semestriels de progrès</p>	2007-2008
ENPI07-07	Networking	To reinforce regional exchange of experience of sector policy development and implementation	<p>Strengthening of policy formulation and implementation capacities of WBGS stakeholders in overall or specific reform issues</p> <p>Dissemination and networking activities (including peer reviews) carried out to expose WBGS stakeholders to EU policies and member state and other partner country experiences on education and training sector reform in the region</p>	<p>Selected stakeholders participate in network activities and provide relevant input when requested</p> <p>The new networks are fully working in an integrated manner at national and regional level and in coordination with the other ETF networks</p>	<p>ETF quarterly reports</p> <p>Project plan for 2008</p>	<p>Rapport sur organisation de la visite d'étude (mars 2007)</p>	2007