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# ► On the road to universal social protection: A social protection floor assessment in the Occupied Palestinian Territory

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# On the road to universal social protection: A social protection floor assessment in the Occupied Palestinian Territory

**October 2021**

**Luca Pellerano** ILO Senior Social Security Specialist for the Arab States

**James Canonge** ILO Social Protection Technical Officer, Jerusalem

**Tareq Abu al Haj** ILO International Expert

**Guido Thomas Heins** ILO International Expert

**Arthur van de Meerendonk** ILO International Expert

Regional Office for Arab States  
International Labour Organization

## Foreword

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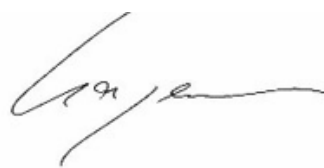
Since its creation in 1919, the International Labour Organization (ILO) has supported its tripartite partners in their endeavours to make the right to social protection, enshrined in international labour standards, a reality in their respective national contexts.

The pace of development of social protection systems has hastened in recent years. While the COVID-19 pandemic has revealed significant gaps in coverage, comprehensiveness and adequacy of social protection systems around the world, it has also generated renewed momentum for investment in robust and inclusive social protection systems and accelerated reforms. In the Global Call to Action, which was adopted at the 109<sup>th</sup> International Labour Conference in 2021, ILO constituents renewed their commitment to achieve universal access to comprehensive, adequate and sustainable social protection for a human-centred recovery from the COVID-19 crisis.

The Palestinian Authority has made strengthening social protection a longstanding priority. It has made strides towards strengthening social assistance and working towards the progressive implementation of a Palestinian social protection floor, prioritizing coverage for poor and vulnerable groups. It has also long pursued the critically important project of establishing of a comprehensive and sustainable social security system for Palestinian workers in the private sector.

This report examines the current state of social protection in the Occupied Palestinian Territory as well as emergency provisions introduced in response to the pandemic. It provides a comprehensive review of existing programmes, and provides recommendations for improving policy, governance and administration of social protection in light of ILO standards as reflected especially in Recommendation 202 on Social Protection Floors.

It is my hope that it will serve as an important tool for the further development of a robust, equitable and sustainable social protection system for the Palestinian people.



Frank Hagemann  
Deputy Director, Regional Office for Arab States  
International Labour Organization

## ► Executive summary

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Social protection can be a powerful tool to prevent and tackle poverty and vulnerability, and is used in different ways by governments and international aid agencies around the world. The approach to social protection adopted by member State constituents of the International Labour Organization (ILO) is based on a two-dimensional strategy, which aims at implementing national social protection floors containing basic social security guarantees, in line with ILO Social Protection Floors Recommendation, 2012 (No. 202), and the achievement of higher, or more adequate, levels of protection over time.

In the Occupied Palestinian Territory (OPT), the government has committed to making social protection a top policy objective and the strengthening of social protection a priority under the National Policy Agenda (2017-2022). As a part of their COVID-19 response, the government and international partners have prioritized social protection interventions, including through the use of cash and in-kind transfers, to provide rapid relief to households impacted by the crisis. Moving forward, the Palestinian Ministry of Social Development (MoSD) is considering options for the progressive implementation of a responsive, national social protection floor, as outlined in its Social Development Sector Strategy (SDSS), updated in 2020.

This assessment is primarily based on information that pre-dates the COVID-19 crisis and, as such, identifies pre-crisis structural weaknesses and proposes medium-term priorities for reform in the sector, with a view toward gradually realizing the vision of a comprehensive social protection floor in OPT. It uses domestic policy planning frameworks and the ILO's Recommendation 202 (R202) as benchmarks to identify emerging gaps in coverage and in the adequacy of benefits, before concluding with an analysis on poverty impacts of key programmes and recommendations for expanding and improving coverage.

### **Poverty and vulnerability trends across the West Bank and Gaza**

**Prior to the COVID-19 crisis, both poverty and extreme poverty had increased throughout the territory since 2011.** An increase in poverty was driven by a worsening situation in Gaza, mitigated somewhat by modestly declining poverty in the West Bank. Meanwhile, the overall share of the population classified as either poor or vulnerable to poverty had remain unchanged, meaning many who were previously considered merely vulnerable to poverty had ultimately slipped into poverty and deep poverty since 2011.

**The COVID-19 crisis is believed to have caused significant losses in welfare, although the real magnitude of the impact on poverty is uncertain.** Due to a lack of economic growth, the poverty rate was forecasted to rise from 29.2 percent in 2017 to 30.0 percent in 2019 and to 31.1 percent in 2020 without accounting for the COVID-19 crisis. The COVID-19 crisis is expected to push poverty levels further upwards, albeit modestly, to reach 31.9 percent in 2020. While the real impact of the crisis on poverty is still unclear, welfare loss due to the crisis appear to be concentrated among wealthier groups.

**Before 2017, higher poverty rates can be observed among households with more members, limited economic activity, lower education levels, and in rural and refugee camp settings.** Large families are at a higher risk of experiencing poverty as are those dependent on just one of two



economically active members. Households with a less educated head and those without a regular job or with a poor quality job are also at significantly higher risk of being poor or deep poor. Many of the characteristics associated with poverty (larger families, unemployment) are especially prevalent in rural settings and, in particular, refugee camps where the highest poverty rates are observed. Among the elderly, data show significantly higher poverty levels in refugee camps and urban areas, while there is a decrease in poverty among the rural elderly population.

**Poverty rates are relatively stable across the lifecycle, with significant shares of working poor.**

**However, urban and refugee camp residents experience spikes in old age.** According to the last nationwide government survey in 2017, the poverty rate was highest among working age adults aged 26 to 35 years old. Between 2011 and 2017, poverty appears to have increased particularly for young children, young adults and the elderly (60 and above). However, a lack of significant variation in poverty across the life cycle suggest an important role for covariate shocks, rather than idiosyncratic life-cycle related events, in influencing poverty. While joblessness can often be associated with poverty, there are large numbers of households with working members—including many engaged in formal employment—who live in poverty.

**Persons with disabilities are 30 per cent likelier to experience poverty and 40 per cent more likely to experience extreme poverty than their non-disabled counterparts.**

Nearly two in five persons with disabilities are poor and one in four is living in extreme poverty. Poverty rates amongst persons with disabilities are higher than the rest of the population at each stage of the lifecycle, though the gap appears to be larger during working age.

## **The Palestinian social protection system**

### *Social protection financing*

**Tax-financed programmes make up the bulk of government social protection initiatives, with budgets subjected to recurrent fiscal crises.**

Social contributions are only used to fund schemes administered by the Palestinian Pension Agency (PPA), which covers civil servants and members of the security forces. In the absence of contribution-financed benefits for private sector workers, the bulk of government social protection efforts rely on volatile public revenues. The Palestinian Authority collects roughly one-third of its revenues, but is dependent on Israel's transfer of clearance revenues for the remaining two thirds. That transfer has become increasingly politicized, however, leading to large and longstanding non-payment and repeated fiscal crises.

**Total social protection expenditure has been declining and increasingly reliant upon external support.**

In 2020, government and non-governmental expenditures on non-contributory social protection combined represented just 2 per cent of Palestinian GDP, slightly above the regional average of 1.5 per cent. A significant portion of non-contributory social protection expenditure is financed directly or indirectly by international donors, through a combination of financing of national social assistance and humanitarian schemes. When looking at government expenditure alone, social protection represented just 0.76 per cent of GDP in 2020. Overall, government and non-governmental expenditure has declined from its most recent peak of 2.34 per cent of GDP in 2014.

### *Social assistance*

**Coverage of social assistance is widespread. But low transfer amounts severely limit impacts on poverty.**

The cumulative caseload of the main in-kind and in cash transfers from government and non-government sources could potentially reach up to 68 per cent of poor households in West Bank and 88 per cent of all households in Gaza. Yet due to lack of coordination across schemes effective

coverage of the poor is significantly lower. Moreover, the adequacy of transfers under individual programmes and their efficacy in combating poverty and vulnerability is limited. The main government transfer accounts for just 15 per cent of the individual poverty line, on average, with larger families enjoying much lower transfers per capita. Nearly half of beneficiary households who are covered by assistance programmes remain poor after receiving a transfer, due to low transfer values.

**Humanitarian interventions cover large swaths of the population, but lack of coordination limits their effectiveness.** Humanitarian safety net programmes initially conceived for emergencies have become structural over time, and represent a significant part of the social protection system. The largest are the operations of the UN Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and World Food Programme (WFP). Cash and in-kind transfers distributed to beneficiaries of the government's flagship transfer programme amounted to NIS 409 million in 2020. By comparison, UNRWA spent NIS 528 million and WFP spent NIS 197.3 million on cash and food assistance that same year. While sizeable in reach, insufficient coordination across the international and government actors, as well as significant variation in transfer typology and levels of benefits, have led to a fragmented and ineffective system.

**Social assistance remains highly dependent upon shrinking external financing together with volatile government allocations.** Total allocation to the social protection system has declined by 25 per cent between 2015 and 2018. During the same period, the share of external financing in the system increased from 53 per cent to 58 per cent, without accounting for external contributions to the Palestinian National Cash Transfer Programme (PNCTP). Per-beneficiary expenditure has also reduced during the period for all programmes, putting into question the adequacy and resulting efficacy of interventions.

**There is no encompassing or rights-based legal framework for social protection.** While social protection policy, planning and, to some degree, budgeting are organized within a larger sectoral framework for social development, there is currently no dedicated national social protection policy nor one with a basis in national law. Social protection schemes and their coverage are largely determined on the basis of assessed needs and the availability of government resources.

**Coverage under the programme has ebbed and flowed over time, with a decrease in both coverage and adequacy in recent years.** The PNCTP is the main pillar of national social assistance system, but remains dependent upon external financing together with volatile government allocations. The total number of beneficiary households decreased from mid-2015 to mid-2019, and the total number of individuals covered under the programme decreased even more starkly over the same time period. The decrease occurred both in Gaza and in West Bank, and across all categories (children, elderly, persons with disabilities, etc.). In 2020, the number of households increased with a temporary expansion to 10,000 additional households in Gaza who would normally qualify for benefits but remain on a "waiting list" due to resource constraints. In each of the last three years, MoSD has cancelled one of the four quarterly payments citing budget constraints, which reduce overall annual transfer amounts to beneficiary households. The programme currently covers about 10 per cent of children, 12 per cent of adults, 22 per cent of all older persons, and just 12 per cent of persons with disabilities.

**In response to the COVID-19 crisis, the government registered tens of thousands of affected households for temporary emergency cash and other support.** Through their respective response plans, both MoSD and MoL registered newly poor or otherwise affected households in need of support. Households were prioritized according to criteria developed by each of ministries to direct

one-time payments of between NIS 500 and NIS 700 to those most affected. Additional external financing allowed both ministries to eventually expand their cash-based responses beyond the initial transfers, which are supposed to eventually reach more than 100,000 households in 2021.

#### *In depth assessment of the PNCTP*

**The current scope of PNCTP is theoretically sufficient to cover 40 per cent of all poor Palestinians and over 80 per cent of the deep poor.** Despite the potential for broad coverage of the poor and deep poor, the proxy-means test formula (PMF-T) used to target benefits leads to high exclusion and inclusion errors, hence the programme reaches in effect only 44 per cent of the deep poor and an even smaller share of the poor. Much of the current exclusion errors are inevitable due to the narrow focus on extreme poverty – hence insufficient coverage - in the context of widespread vulnerabilities. Increasing coverage leverage levels is the most effective way of reducing exclusion.

**The PNCTP is supposed to provide more to those facing greater hardship. But the PMT-F does not appear able to distinguish varying degrees of poverty experienced by beneficiaries.** In the analysis, many beneficiary households determined to be close the poverty line according to PMT-F are, in contrast, far from it when evaluated according to their reported consumption levels, and vice versa. The result is a seemingly near-arbitrary determination of transfer levels accorded to PNCTP beneficiaries.

**The current benefits determination formula used by the PNCTP effectively penalizes larger households, whose per-capita benefit adequacy is lowest.** Because it is used not only in determining eligibility but also the amount of the transfers to be made to beneficiaries, inefficiencies in the current PMT-F also affect benefits level determinations. As benefits are redistributed within households, the per-capita adequacy of cash transfers is severely eroded for larger families.

**Larger households and those with younger heads are being left behind by the programme.**

Small households and female or elderly-headed households tend to be greater priority in accessing PNCTP, sometimes even despite lower needs, over larger households and those with younger heads. As a result, coverage is lower amongst young children and young adults, a gap partially filled by non-governmental aid programmes.

**Coverage of government assistance is lowest among the working poor.** Households with limited access to labour market opportunities are prioritized by the PMT-F over households with access to employment opportunities, despite significant rates of working poverty. As a result coverage of the PNCTP is lower amongst the working poor and higher for families with members who are unemployed or out of the labour force.

**Persons with disabilities face greater hardship throughout the lifecycle, but receive government cash assistance at rates similar to the general population.** Persons with disabilities in OPT are facing consistently higher levels of poverty when compared to their non-disabled counterparts. Despite facing outside levels of poverty compared with other groups, persons with disabilities are covered by government cash benefits at rates similar to general population. The result is a large coverage deficit of persons with disabilities living in deep poverty without access to government cash support, particularly in Gaza.

#### *Social insurance*

**Coverage of contributory social insurance is extremely limited, depriving the government of an otherwise effective tool for combating poverty.** Currently, only civil servants and members of the security forces enjoy social security coverage through the Palestinian Pension Agency (PPA). The share

of Palestinian households receiving PPA or private pensions is small, or just 5 per cent of the population nationally. Most workers in the private sector rely on employer-liability protections found in the labour law for maternity, old-age, work injury and unemployment risks. The relative few pension benefits that are enjoyed, however, are large and highly effective in eliminating poverty among households that receive them. Even if elderly are the primary recipients of pensions, redistribution within the household results in an overall reduction of poverty across the life cycle.

**Absent social security, private sector workers rely on provisions under the labour law, which came under stress during the COVID-19 pandemic.** Under the employer-liability arrangements, employers directly finance compensation to workers affected by sickness, maternity, workplace injury and other risks. Such provisions place the management of social risk — and associated financial risk — on employers who are responsible for maintaining the cash flow required for payouts when triggered. During the COVID-19 pandemic, many businesses were faced with the choice of paying full wages for a period of reduced productivity, or dismissing workers outright triggering payments for terminations due under the law. A tripartite agreement was ultimately reached to defer wage payments during the crisis. During that time, many affected workers were forced to seek support from strained anti-poverty programmes or through exceptional one-off payments offered by MoL and MoSD.

#### *Active labour market and livelihoods programmes*

**Government active labour market and livelihoods support interventions are extremely limited in reach.** There are few economic activation or livelihoods measures used within social development programming. There are also inadequate links between cash assistance and active labour market programmes administered by the Ministry of Social Development or Ministry of Labour to promote poverty graduation and mitigate demand for assistance. Labour market activation or entrepreneurship opportunities linked with cash transfers or aimed at their beneficiaries could lead to eventual graduation by beneficiaries from poverty and exit from cash assistance programmes.

### **Summary of key findings**

The current scope of the Palestinian social protection system, including large-scale humanitarian interventions, has the potential to cover sizeable shares of households and individuals living in poverty. However, benefits are not always reaching those with the greatest needs or providing the type or level of support necessary to have lasting poverty impacts.

- ▶ There is high coverage of social assistance, but **insufficient “focus” and inadequate transfer levels** to make significant inroads against poverty.
- ▶ **Fragmentation of the social assistance system**, between government programmes and international humanitarian efforts, severely limits the system’s potential impacts. Non-governmental programmes currently have very limited impacts on poverty reduction, and, in the absence of sufficient coordination, there is a significant risk of duplications of effort and a lack of synergies with government programming.
- ▶ The current poverty-targeting mechanism yields **high levels of exclusion** among even the deep poor, excessively **static** compared to dynamic poverty trends, and appears **ill-suited for determining transfer amounts** for PNCTP beneficiaries.

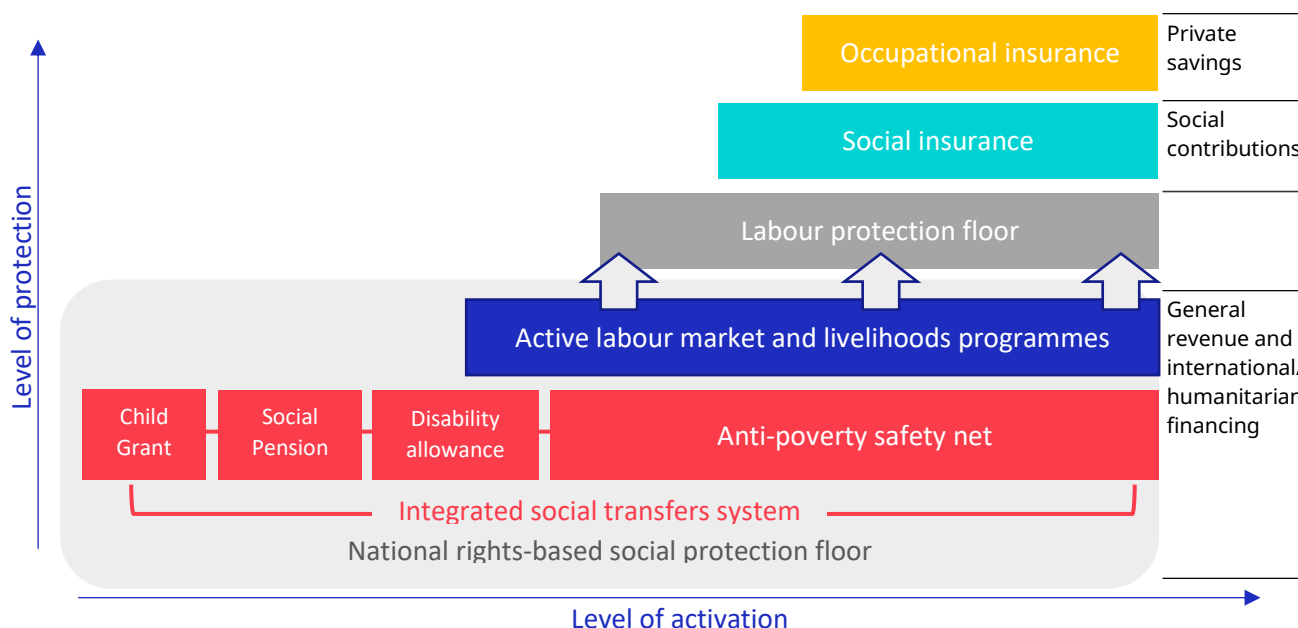


- ▶ **Lifecycle vulnerabilities such as disability are not sufficiently addressed** by current programmes. Despite a targeting approach that considers disability status, persons with disabilities only enjoy assistance at rates on par with that of the general population. In Gaza, rates are actually lower for persons with disabilities than for the general population.
- ▶ There is **limited use of active labour market and livelihoods measures** to complement cash assistance and promote economic activation among transfer beneficiaries.
- ▶ The **absence of a contributory social insurance scheme** for the private sector deprives government of an effective tool for combating poverty and for mitigating demand for assistance among workers. Existing contributory schemes have significant impacts on poverty, but are very limited in coverage.
- ▶ Available **domestic and international financing for social protection has declined**, and the system remains **highly dependent upon external support**.
- ▶ There is **no current legal framework** for rights-based social protection.
- ▶ Financing of social protection is **heavily dependent upon external donor support**, with fewer international donors becoming responsible for larger shares of the envelope. Nearly all government programmes are financed through **increasingly volatile tax revenues**, with no safeguards for social protection outlays in the budget and leading to the cancellation of transfer payments to beneficiaries. Meanwhile, the **contributory capacity of workers goes unharnessed**, in the absence of a social security scheme for the private sector, to grow and diversify the financing base through the introduction of social contributions.

## Strategic directions and recommendations

**A reimagined Palestinian social protection system is one of purpose-specific programmes, with diversified and integrated funding sources, and promoting economic potential among beneficiaries.** Many national social protection systems are multi-tiered, integrating components targeted for different segments of the population facing different types and levels of risk and financial vulnerabilities. Figure 45 presents a vision for such a system in OPT built upon the foundation of a rights-based social protection floor with an integrated system of social transfers, which are financed by general government revenues and through humanitarian initiatives via improved nexus coordination. The transfer system is designed to holistically manage priority lifecycle risks (e.g., old-age, disability, etc.) and provide support to those facing economic hardships, while linking beneficiaries to economic activation programmes, where appropriate. For those who do (re)enter the labour market, applicable labour law and statutory social insurance then provide higher levels of protection, financed from social contributions on wages and, additionally, through private insurance arrangements.

*Increasing levels of protection through a rights-based social protection floor and multi-pillar social protection system*



From the vision above the following strategic directions of reform and recommendations follow:

**Strategic direction 1. Align humanitarian-development efforts towards the development of an integrated national social transfers system for increased impact, cost-effectiveness, operational efficiency and shock-responsiveness.** Strengthening coordination across the nexus will allow to identify redundancies and close gaps in coverage and adequacy. Furthermore, alignment of programme designs and sharing of administrative resources will increase the efficiency of operations and could generate gains to finance additional transfers or increase their adequacy.

- ▶ **Recommendation 1.1. Progressively integrate all in-kind and in-cash assistance through a single national system, including through an integrated financing and programmatic framework to improve coordination across the nexus.** Streamline existing social assistance programmes (MoSD, UNRWA, WFP, Zakat, etc.) to achieve increased efficiency, coverage and consistency for administrators and beneficiaries. In the short term, this will entail developing an integrated cross-nexus social protection framework, with common monitoring and reporting, harmonizing selection rules and criteria for eligibility determination across programmes, harmonizing criteria for determination of transfer levels and integrate data management for coordination of coverage (e.g., humanitarian access and contribution to the national registry). Additional steps in the medium term should include integrating payment systems (potentially moving towards electronic payments) and remaining cash distribution networks, and integrating the financing system for social protection, options for which include multi-donor trust funds for financing of benefits under unified system.
- ▶ **Recommendation 1.2. Enhance shock responsiveness of the national social protection system.** Strengthen capacity for vertical/horizontal responses and contingency planning, and link with humanitarian programmes and financing. Develop the necessary policy, planning and administrative tools to increase shock responsive capacity of the social

protection system. Identify procedures for unlocking or activating contingency financing for vertical and/or horizontal expansion of benefits, leveraging national and international sources of revenue. Institutionalize expedited methods of beneficiary identification and selection.

**Strategic direction 2. Rethink the social assistance architecture to recognize the need to differentiate instruments according to their desired function, whether to tackle extreme poverty or address life-cycle vulnerabilities.**

Efforts should now be made to improve social protection coverage, including through the introduction of categorically-targeted benefits for priority groups, particularly those being left behind by the system's current exclusive anti-poverty focus (e.g. persons with disabilities in Gaza, urban elderly, etc.). At the same time, anti-poverty initiatives should tap into economic potential where it exists among beneficiaries, and provide a pathway to graduate from assistance. From the reviews undertaken in this assessment, it is clear that a single programme such as the PNCTP cannot successfully perform both of these functions, but that an integrated system of objective-specific programming is needed, including core SPF guarantees.

- ▶ **Recommendation 2.1. Refine design of the PNCTP as core anti-poverty needs based safety net programme.** Delink transfer amounts from somewhat arbitrary determinations of poverty gap produced by the PMT-F to **prevent erosion and enhance per capita adequacy of benefits** and associate the transfer amount instead with household size, increasing as a function of the number of members. Increase efforts to **reduce exclusion errors** by adopting a combination of the PMT-F and other selection mechanisms incorporating broader definitions of poverty or other indicators. Establish clear protocols for dynamic verification of eligibility of new potential beneficiaries during regular times and at time of crisis. Establish clear protocols for programme exit, linked with economic graduation strategies (see Recommendation 3.1 below).
- ▶ **Recommendation 2.2. Progressively introduce life-cycle rights-based social allowances.** Periodic cash benefits should be introduced to address structural vulnerabilities and ensure income security of groups experiencing risks during the lifecycle, such as persons with disabilities, older persons, pregnant women and eventually children. Initially, categorical benefits could be subject to an "affluence test," either using the PMT-F, which is more accurate at approximating consumption levels among households in higher income groups, or a simplified series of administrative cross-checks (e.g. pension receipt, income tax filing, etc.) to disqualify candidates in the upper income deciles. Progressively move from household-based toward individual (and rights-based) benefits, modifying the transfer values as appropriate to support implementation. The results from a preliminary costing exercise with different gradual approaches for introducing social allowances are contained in the Annex.

**Strategic direction 3. Better integrate social protection with employment activation. Link social assistance beneficiaries with economic potential with labour market activation initiatives such as skills, jobs matching, and transitioning into social security as part of "graduation" pathway.**

Expanding and better linking active labour market policies, livelihoods programmes and credit access to assistance will create pathways for beneficiaries to exit poverty and anti-poverty programmes,

when it is appropriate, and improve the sustainability prospects of the social protection system over the medium and long-term.

- ▶ **Recommendation 3.1.** Link cash benefits to enhanced offering of active labour market and livelihoods interventions to **promote economic activation, graduation of beneficiaries and financial sustainability of the programme**. This should entail integrating beneficiary data regarding education and skills into collection at intake and as part of case management activities and national registry population, as well as enhance the referral system to facilitate linkages between cash and activation programmes, including those developed by the newly created Palestinian National Economic Empowerment Institution (PNEEI) and potentially Ministry of Labour and Palestinian Fund for Employment and Social Protection (PFESP), and ensure awareness of relevant programmes among frontline social workers

**Strategic direction 4. Strengthen framework for employment-linked social insurance and labour protection.** Currently, only workers in the public sector are covered by social insurance provisions. The absence of such a system was made apparent throughout the COVID-19 crisis, which saw large number of workers forced to seek government assistance typically reserved for the ultra-poor. With a larger number of workers covered under social insurance, the impact of future crises and resulting demand for social protection benefits would not be borne solely by social assistance programmes. Explicit effort should be put in ensuring the design and administration of the new system accommodates and promotes participation in social insurance by lower income workers of the informal sector.

- ▶ **Recommendation 4.1: Establish a social security system for private sector workers.** Create synergies between the new contributory and non-contributory systems (including for informal workers who may straddle between them) to move toward universal coverage of both short-term (e.g., unemployment or other loss of income) and long term risks (e.g., pensions and disability) with a more diversified financing base (general tax revenues and social contributions).
- ▶ **Recommendation 4.2: Strengthen systems to support the application of existing labour law and decent working conditions.** The strengthening of the labour protection floor, including enforcement of existing legal provisions such as the minimum wage, for formal and informal-sector workers will help create inroads against working poverty and lessen among workers the need for regular government and other assistance. Based upon ILO estimates, the enforcement of minimum wage for full-time regular workers would lead by itself to a reduction of poverty rates by 1.1 per cent in the West Bank and 7.7 per cent in Gaza.

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## Acronyms

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The following is a list of acronyms defined and referred to throughout the analysis.

<b>ALMP</b>	active labour market policies
<b>COVID-19</b>	Coronavirus Disease 2019
<b>DEEP</b>	Deprived Families Economic Empowerment Programme (UNDP)
<b>EA</b>	Emergency Appeal programme (UNRWA)
<b>ESCWA</b>	United Nations Economic and Social Commission for Western Asia
<b>GDP</b>	gross domestic product
<b>ILO</b>	International Labour Organization
<b>IMF</b>	International Monetary Fund
<b>LFS</b>	labour force survey
<b>MENA</b>	Middle East and North Africa
<b>MNE</b>	Ministry of National Economy
<b>MoARA</b>	Ministry of Awqaf and Religious Affairs
<b>MoEHE</b>	Ministry of Education and Higher Education
<b>MoF</b>	Ministry of Finance
<b>MoH</b>	Ministry of Health
<b>MoL</b>	Ministry of Labour
<b>MoSD</b>	Ministry of Social Development
<b>NIS</b>	New Israeli Shekel
<b>OPT</b>	Occupied Palestinian Territory
<b>PAPP</b>	Programme of Assistance to the Palestinian People (UNDP)
<b>PCBS</b>	Palestinian Central Bureau of Statistics
<b>PECS</b>	Palestinian Expenditure and Consumption Survey
<b>PFESP</b>	Palestinian Employment and Social Protection Fund
<b>PMA</b>	Palestinian Monetary Authority
<b>PNCTP</b>	Palestinian National Cash Transfer Programme
<b>PNEEI</b>	Palestinian National Economic Empowerment Institution
<b>PPA</b>	Palestinian Pension Agency
<b>SPF</b>	social protection floor
<b>SSN</b>	Social Safety Net programme (UNRWA)
<b>UNDP</b>	United Nations Development Programme
<b>UNFPA</b>	United Nations Population Fund
<b>UNICEF</b>	United Nations Children's Fund
<b>UNRWA</b>	United Nations Relief and Works Agency for Palestine Refugees in the Near East
<b>USD</b>	United States Dollar
<b>WFP</b>	World Food Programme
<b>WHO</b>	World Health Organization



# 1: Introduction

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Across the Occupied Palestinian Territory (OPT), approximately 30 per cent of the population lived below the national poverty line as of 2017, with that rate rising above 50 per cent when looking at Gaza alone. Following decades of conflict, entrenched joblessness and periodic clashes with Israel have limited growth and employment opportunities. The result has caused many Palestinian families to rely on essential assistance from government and international organizations, including those serving over two million registered Palestine refugees living in the West Bank and Gaza. Meanwhile, with the arrival of COVID-19 and associated lockdowns in 2020, tens of thousands of new poor who have lost livelihoods as a result have registered with government in the hopes of receiving assistance. This report looks at the Palestinian social protection system, spanning government and international efforts, to better understand how programmes can work together toward the introduction of a Palestinian social protection floor.

## 1.1 Objective of the assessment

The social protection floor (SPF) is a comprehensive approach to rights-based social protection expansion that promotes the involvement of a wide variety of national and international, public and private sector stakeholders. In addition, working under the banner of the Social Protection Floor Initiative (UN SPF-I) facilitates cooperation and partnerships with sister agencies and other development partners (WHO, UNICEF, WFP, FAO, World Bank etc.), which are of key importance for certain social protection areas.

The SPF approach was formally endorsed by ILO member States, including governments, workers' and employers' organizations, and codified into the body of international labour standards through the adoption of the ILO Social Protection Floors Recommendation, 2012 (No. 202). The approach aligns with the encompassing Sustainable Development Goals (SDG) subsequently adopted in 2015 and, in particular, with respect to the achievement of SDG 1.3 on the "[implementation of] nationally appropriate social protection systems and measures for all, including floors, and by 2030 [achievement of] substantial coverage of the poor and the vulnerable." The themes in this report are therefore relevant for SDG 1, but also to SDGs 5, 8 and 10, and contributing to a wide range of initiatives on the eradication of poverty, increasing access to health, fostering greater gender equality and reducing economic inequality.<sup>1</sup>

Domestically, the Palestinian National Policy Agenda (NPA) 2017-22 lays out key policy objectives and interventions to support economic and social development in OPT, and includes improving the effectiveness and coherence of the social protection system. The progressive establishment of a Palestinian SPF is also the subject of several development cooperation efforts between the Palestinian Authority and international development organizations, including those of the United Nations. As a part of its COVID-19 response efforts, the government and international partners have prioritized social protection interventions, including cash and in-kind transfers, to provide rapid relief to households impacted by the crisis.

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<sup>1</sup> Sustainable Development Goals (SDG) which are most directly related to the UN Social Protection Floor Initiative are: 1. Ending poverty, 2. Zero hunger, 3. Good health and well-being, 4. Inclusive and equitable quality education and promoting life-long learning, 5. Gender equality and empowerment of women and girls, 8. Sustainable and inclusive economic growth and decent work, and 10. Reduced inequalities. Additionally, there are indirect linkages with other SDGs as well.

This assessment seeks to measure the performance of the social protection system in OPT using existing domestic policy planning frameworks and ILO Recommendation 202 and other international frameworks as benchmarks. It will then seek to identify emerging gaps in coverage and in the adequacy of benefits, before concluding with a distributive analysis on poverty impacts of key programmes and recommendations for expanding and improving coverage.

#### Box 1: The UN Social Protection Floor Initiative (UN SPF-I)

##### **The UN Social Protection Floor Initiative (UN SPF-I)**

The social protection floor concept is based on the notion that social protection is a human right, enshrined as such in Articles 22 and 25 of the Universal Declaration of Human Rights (1948), Article 9 of the International Covenant on Economic, Social and Cultural Rights (1966), and in other major United Nations human rights instruments.

The United Nations Social Protection Floor Initiative (UN SPF-I), launched in 2009 as a broad UN crisis initiative, is grounded in a rights-based framework. Its concept is based on shared principles of social justice and reflects the call of the Declaration of Human Rights for adequate living standards, access to health, education, food, housing and social security. It focuses both on the supply side (ensuring that good quality health care, clean water, food, social services, etc., are available and accessible) and on the demand side (providing cash and in-kind transfers to those who are in need). The UN SPF-I was further strengthened with the adoption of the ILO Social Protection Floors Recommendation, 2012 (No. 202).

This Recommendation (R202) calls upon member States to establish a social protection floor and to build coherent social protection systems. It defines national social protection floors as nationally-defined sets of basic social security guarantees that secure protection aimed at preventing or alleviating ill health, poverty and vulnerability and social exclusion. These guarantees should ensure that, over the life cycle, all in need have access to at least essential health care and basic income security. Together these guarantees ensure effective access to essential goods and services defined as necessary at the national level.

## **1.2 Conceptual framework**

The assessment begins with a review of existing information regarding trends in poverty and vulnerability throughout the West Bank and Gaza, as well as a mapping of existing social protection provisions in OPT and analysis of the extent to which these provisions meet the social protection needs of the Palestinian population. Subsequently, a recommendations will be elaborated for kick-starting reforms aimed at increasing the scope and effectiveness of income support provisions for Palestinian families and individuals, throughout the lifecycle.

The NPA 2017-22, includes a section listing strategic objectives in social protection and human development, with a view to establish a rights-based, gender-responsive, and inclusive, integrated and sustainable social protection system (Palestine, 2016). The ILO definition of social protection addresses the risks and adversities that are to be remedied by social protection. It states that social protection comprises “all measures providing benefits whether in cash or in kind to secure protection, inter alia from (i) lack of work-related income (or insufficient income) caused by sickness, disability, maternity, employment injury, unemployment, old age or death of a family member, (ii) lack of access or

unaffordable access to health care, and (iii) insufficient family support, particularly for children and adult dependants (iv) general poverty and social exclusion” (ILO, 2017).

## 1.3 Method, data and structure of the report

For the evaluation of the existing social protection provisions, the ILO’s approach of constructing a mapping of social programmes has been applied. This exercise takes into account existing programmes’ main design characteristics, legislative basis, expenditure levels and actual coverage with their design and implementation gaps.

Information and data inputs. The report is based on the following sources of information:

1. Official government records and statistics, such as the annual budget of the Government and various reports and data from the Palestinian Central Bureau of Statistics (PCBS), including tabulations extracted from the Census 2017
2. Data received from agencies administering the various social protection programmes
3. International data sources, including from the IMF, ILO, UNRWA, WFP, UNICEF, WHO and World Bank
4. Microdata, as far as available and relevant, from the Palestinian Expenditure and Consumption Survey (PECS 2017), the SEFSec (2012), and the Labour Force Surveys (2018, 2019 and 2020)
5. Relevant academic studies and reports from national and international organizations.
6. Insights from interviews with stakeholders and other experts

During 2019 and 2020, the Multiple Indicator Cluster Survey (MICS) was administered by UNICEF and PCBS that captured some information on social protection coverage among target populations. Different methodologies and survey question formulations, however, may cause variations between figures indicated in the MICS and in this analysis, which, for broad coverage figures of government, non-governmental and pension coverage, relies survey data taken from the PECS 2017. Among the main differences is the reported duration of receipt of social protection benefits. Whereas PECS captures benefits reported received during the previous 12 months prior to the survey, MICS counts benefits reported received within the three months prior to the survey. For pensions, this analysis counts benefits received during the one month pre-dating the survey. These differences may cause variations in reported coverage levels if, for example, annual benefits are received outside of the current quarter, or if transfers are received as lump-sums at non-monthly intervals, as can be the case for Zakat. Other differences may be due to coverage variations emerging in the time elapsed between the two surveys. The MICS results remain an invaluable complementary insight into social protection coverage levels in OPT.

Supplemental to survey data, and unique to this analysis providing a more complete picture, is the supplemental use of administrative data for analysis of coverage and adequacy of PNCTP, as well as those of programmes administered by UNRWA and WFP, which are provided separately with actual reported values. Data taken from administrative and survey sources on governmental and non-governmental transfers use household as primary units of analysis. For comparability with individual-level coverage data, as well as for comparison with individual characteristics, the coverage and the adequacy analyses in this report assume that individuals are indirect recipients of the household level transfers, where household benefits are presumed to be redistributed among all household residents. MoSD’s administrative data separates the families covered by the PNCTP in three groups. The first is

considered the “core caseload” of the cash transfer programme and includes all households living in extreme poverty conditions. The second and third identify the “additional caseload.” This group includes all individuals living in poverty and non-poor households that may be eligible based on vulnerabilities assessed through the proxy-means test formula (PMT-F). The analysis highlights the differences between the total PNCTP coverage and the coverage of individuals in the core caseload alone (extreme poor). Through this difference, the analysis provides a nuanced picture of the characteristics of targeted households and individuals under the additional caseload.

The report is structured as follows: Chapter 2 discusses demographic trends and comes with a profile of the poor and vulnerable in OPT. Chapter 3 discusses the macroeconomic and fiscal environment, as well as labour market trends. Chapter 4 provides a mapping and expenditure data on the current Palestinian social protection framework. Chapter 5 considers the gaps in coverage left by the current set of programmes and levels of adequacy in terms of benefits provided and the depth of poverty explored in Chapter 2. It also includes an assessment of the overall efficacy of the social protection system in impacting upon poverty. Finally, Chapter 6 lists the conclusions from the exercise.

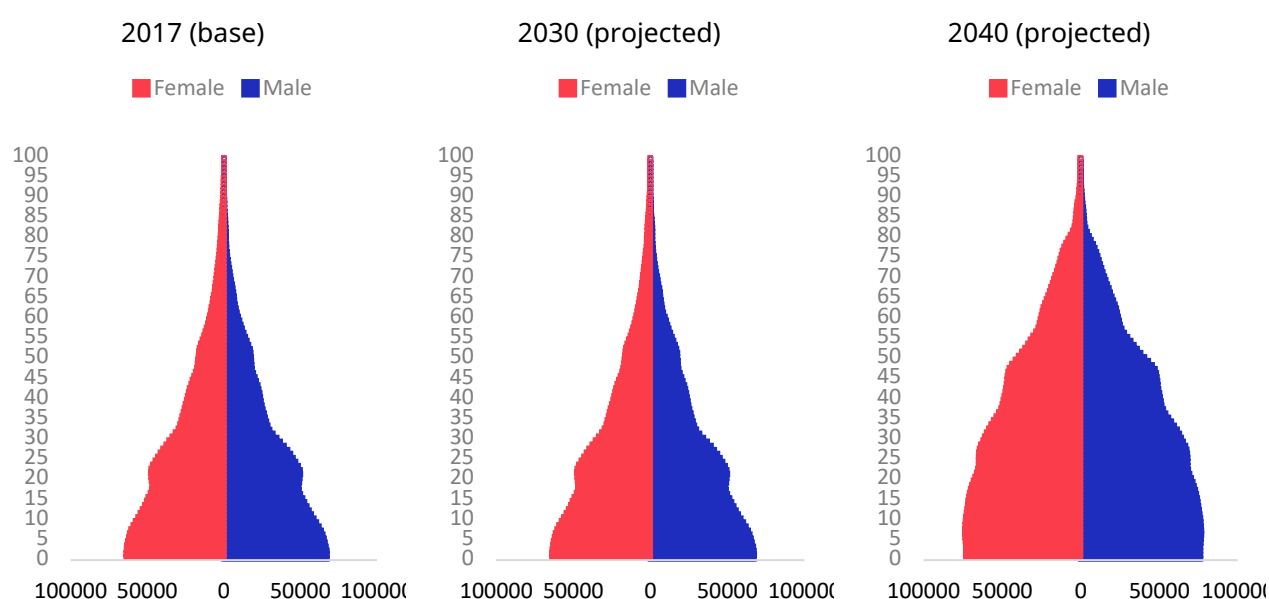
## ► 2: Poverty and vulnerability trends

Poverty is chronic and widespread, and labour force participation remains limited. The impacts of COVID-19 are anticipated to increase poverty to some degree, and increase vulnerability to poverty by even more. This chapter provides a brief overview of population projections (section 2.1) and goes on to profile historic and anticipated trends in poverty and vulnerability across the West Bank and Gaza throughout various stages of the life cycle, as well as key relationships with characteristics such as gender, disability status, types of employment and education level, among others (section 2.2).

### 2.1 Population projections

**Palestinian society remains relatively young, and will continue to be until at least 2040.** The last official population census was conducted in 2017. From the previous census of 2007, the total population rose from 3.8 million to 5.1 million in 2020 (PCBS, 2020a). Following the existing census data, the UN Population Fund (UNFPA) and the ILO's Actuarial Valuation of the Palestinian Pension Agency (PPA) assume population to increase from 5.1 million in 2020 to 6.5 million in 2030 and 7.7 million in 2040. Figure 1 shows the evolution in the composition of the Palestinian population in the period leading up to 2030.

Figure 1: Population gender/age breakdown and projections, OPT 2017-2040



Source: PCBS 2017, UNFPA 2018 (projections based on 2017 Census and UNFPA 2018 projections)

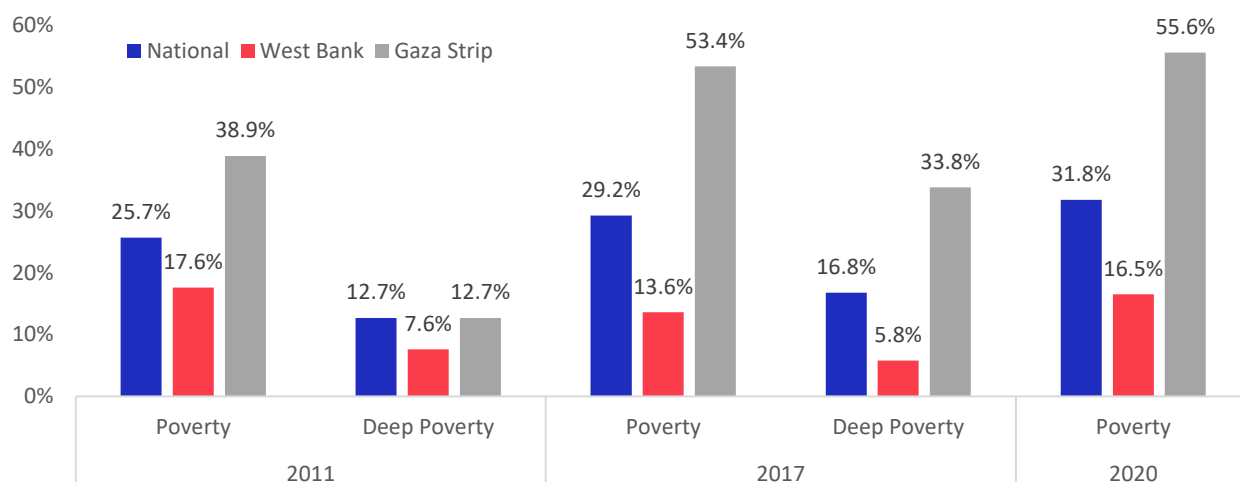
### 2.2 Poverty structure and trends

**Prior to the crisis, national poverty levels were being driven upward by a worsening situation in Gaza.** By 2017, both poverty and deep poverty had been reduced since 2011 throughout the West Bank, from 17.6 and 7.5 per cent, respectively, in 2011 to 13.6 per cent and 5.8 per cent in 2017. However, a sharp divergent trend in Gaza, which saw poverty and deep poverty increase from 38.9 and 12.7 per cent, respectively, in 2011 to 53.4 and 33.8 per cent in 2017, pushed overall national poverty



rates upward. By 2017, the overall national incidence of poverty had increased by 3.4 percentage points over the 2011 figure, reaching 29.2 percent (Figure 2).

Figure 2: Poverty headcounts (poverty and deep poverty), by region and year

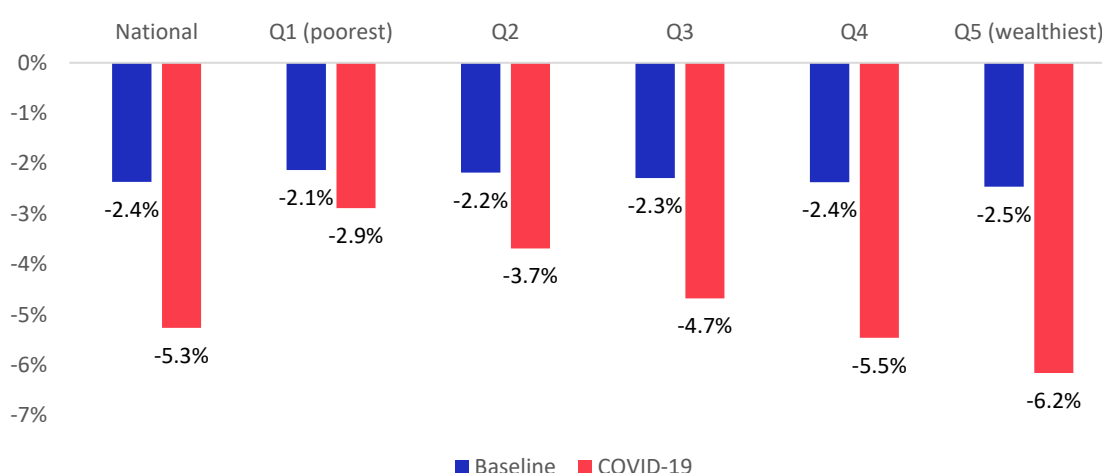


Source: SEFSec 2011, PECS 2017 and ILO, 2020b

Note: While survey data has been used to indicate poverty and deep poverty rates for 2011 and 2017, 2020 data is limited to the nominal poverty rate and is based on estimates including anticipated impacts of the COVID-19 crisis

**Poverty rates are now expected to rise further, with greater impact of the COVID crisis felt in the West Bank.** From 2017 onward, the poverty rate was forecasted to rise due to a lack of economic growth, from 29.2 percent in 2017 to 30.0 percent in 2019 and to 31.1 percent in 2020. Under an ILO simulation based upon COVID-impacted sectoral growth predictions made by PCBS, the crisis is expected to impact economic activity and push poverty levels upwards, albeit modestly, to reach 31.8 percent in 2020. Restrictions are forecasted to lead to rising poverty in both the West Bank and Gaza, with the former experiencing a greater relative impact (Figure 2).

Figure 3: Real growth in consumption expenditures under baseline and COVID-19 conditions, 2020



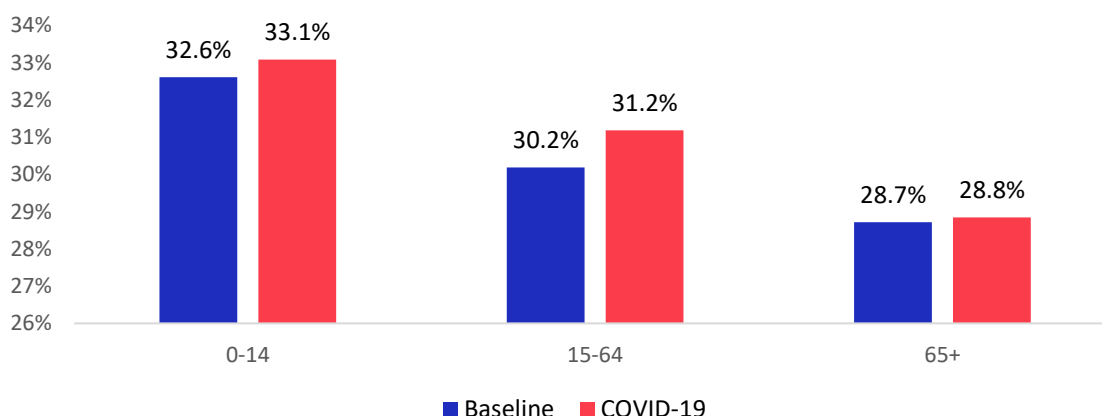
Source: ILO, 2020b

**The ILO estimates the impact on poverty levels may be mitigated by the distribution of COVID-related welfare loss concentrated among wealthier groups.** The simulated reductions in consumption due to COVID-19 restrictions appear unequal across wealth quintiles, with the greatest

reductions experienced by the wealthiest groups. The simulation results indicate that COVID-19 restrictions may reduce real consumption expenditure by up to 0.8 percentage points more than that forecasted for the poorest quintile in 2020. However, this reduction is greater for wealthier groups, rising up to 3.7 percentage points among the wealthiest quintile (Figure 3).

**While the distribution of welfare loss reduces inequality generally, males and those in active age will likely bear the brunt.** The unequal impact of COVID-19 restrictions on welfare across the wealth spectrum is expected to lead to a reduction in levels of inequality. The simulation results indicate that the Gini index is likely to fall down to 0.331, down from a forecasted baseline of 0.337 in 2020. However, disaggregating poverty forecasts by age group shows that COVID-19 restrictions have a higher impact on working age individuals (in this case between 15 and 64 years old), compared to other age groups. Those in active age are estimated to experience poverty at rates 1.0 percentage points greater than in the baseline scenario, compared with 0.5 additional percentage points for children under the age of 15 and just 0.1 percent points for elderly individuals over 64 years old (Figure 4). Similarly, disaggregating poverty forecasts by sex suggests that COVID-19 restrictions have a relatively higher impact on the male population, reflecting the employment-related pathway of the impact of the crisis across different sectors of the economy. The relatively low aggregate poverty rates for older persons shown in Figure 4 actually masks higher levels of poverty observed in urban and refugee settings among older persons relative to other age groups also living in those settings (Figure 10).

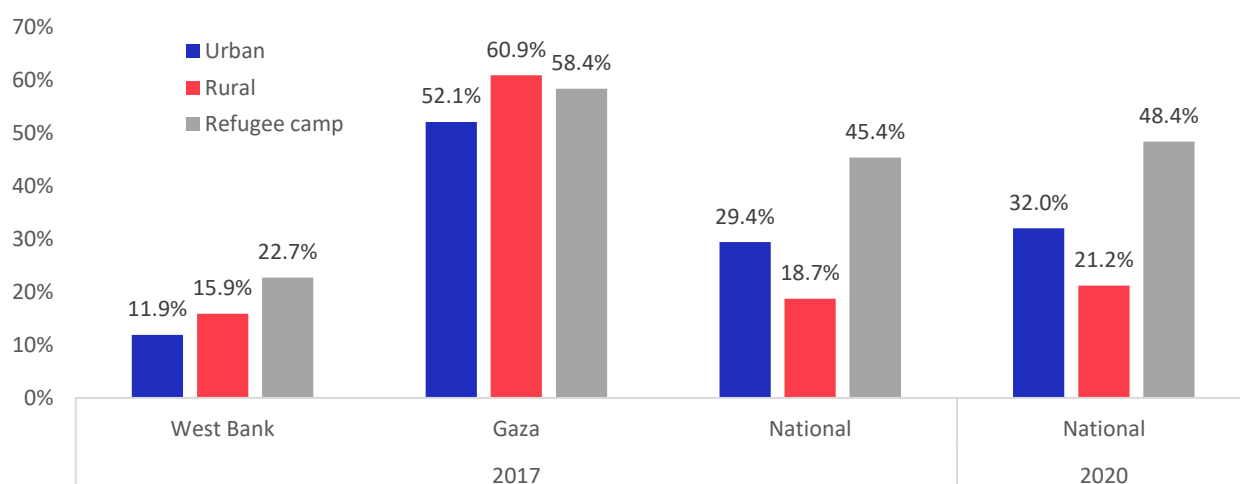
Figure 4: Poverty headcount forecast by age group under baseline and COVID-19 conditions, OPT 2020



Source: ILO, 2020b

**Disaggregated by region, rural residents and those in refugee camps experience the highest levels of poverty.** In 2017, the incidence of poverty was lowest in urban areas across the West Bank (11.9 per cent) and Gaza (52.1 per cent) when compared with other localities. In the West Bank, the highest rate of poverty was observed among those in refugee camps (22.7 per cent) followed by those in rural settings (15.9 per cent). Meanwhile, in Gaza, rural residents experienced the highest levels of poverty (60.9 per cent) followed by those in refugee camps (58.4 per cent). Throughout OPT, COVID-19 restrictions are forecasted to lead to rising poverty across all locality types, with the greatest impacts expected for residents of refugee camps with a 3 percentage point increase in poverty, followed by an increase for residents in urban areas (2.6 percentage points) and urban localities (2.5 percentage points) compared to 2017 figures (Figure 5).

Figure 5: Poverty headcount by locality type and year, OPT



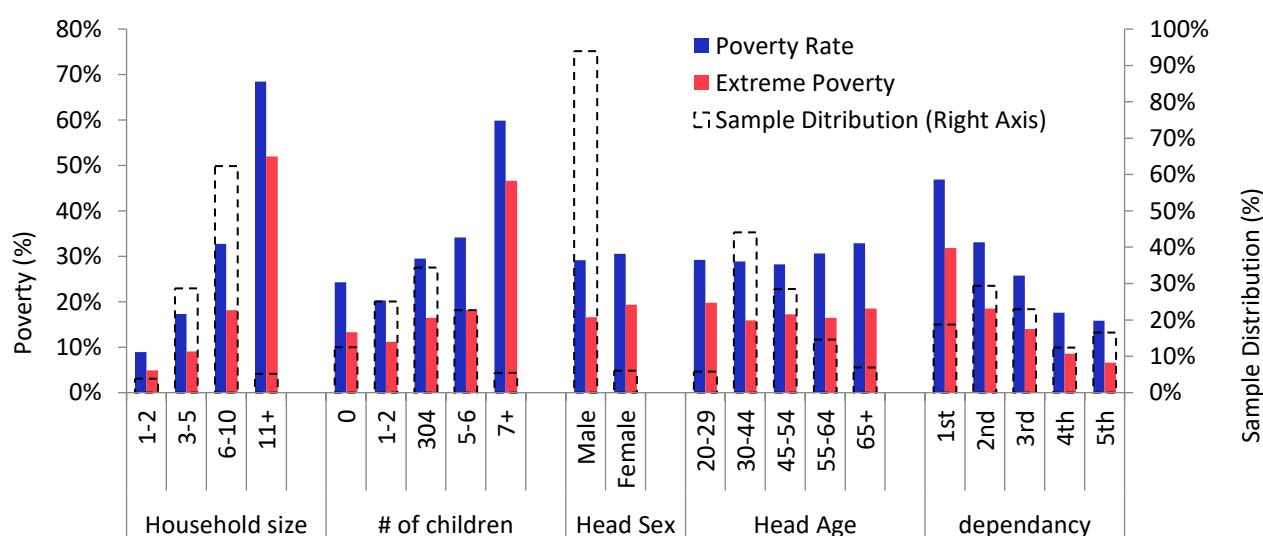
Source: PECS 2017 and ILO, 2020b

Note: While survey data has been used to indicate poverty rates for 2017, 2020 rates are based upon poverty estimates including anticipated impacts of the COVID-19 crisis

**Larger households and those with predominantly elderly and child members are often associated with higher poverty levels.**

Individuals living in households with 11 or more members experience the highest rates of poverty and deep poverty at 68 per cent and 52 per cent, respectively, while those living in households with just one or two members experience the lowest rates; just 9 per cent are considered poor and 5 per cent deep poor. At the same time, poverty rates are highest among individuals living in households with seven or more children, 68 per cent of whom are considered poor and 47 per cent considered deep poor. While the risk of poverty increases modestly with an increase in the household head age, households with higher demographic dependency ratios (in which there are larger numbers of members outside of working compared to working-aged adults) experience at higher rates, on average, than do most other categories of households with lower ratios (Figure 6).

Figure 6: Poverty headcount by household characteristics, OPT 2017



Source: PECS 2017

**Poverty appears less likely among those living with household heads exercising an economic activity. But a significant risk of working poverty remains.** Those living in households with heads unemployed or outside the labour force experience some of the highest rates of poverty at 59.5 per cent and 42.7 per cent, respectively. Economically active household heads, in general, are associated with comparatively lower poverty rates. However, economic activity is no guarantee against poverty. While gainfully employed (waged employed, employer) household heads are associated with lower incidences of poverty among household members, poverty rates are significantly higher for individuals who live in households where the head has poor quality jobs (self-employed, irregular wage worker). In fact, those living with irregular waged household heads experience the second highest rate of poverty (49.1 per cent) and the highest poverty gap and severity indices (20.2 per cent and 10.6 per cent) of any other category, indicating a significant risk of working poverty (Table 1).

Table 1: Poverty Headcount among Population by Employment Status of Head of Household, 2017

		Poverty rate	Poverty gap (P)	Poverty severity (P <sup>2</sup> )	Deep poverty rate
<i>Employment status of household head</i>	<i>In the labour force</i>	25.7%	6.5%	2.5%	13.6%
	<i>Employed</i>	24.0%	5.8%	2.2%	12.3%
	<i>Employer</i>	14.4%	3.0%	0.9%	5.7%
	<i>Self-employed</i>	29.2%	7.7%	2.9%	17.1%
	<i>Waged employee</i>	23.7%	5.3%	1.8%	11.4%
	<i>Irregular waged employee</i>	49.1%	20.2%	10.6%	38.9%
	<i>Unemployed</i>	59.5%	19.8%	8.6%	38.7%
	<i>Out of the labour force</i>	42.7%	13.1%	5.6%	28.9%

Source: PECS 2017

**Higher levels of education among household head also appear to be associated with a lower risk of poverty among household members.** Those living in households with heads who had achieved higher levels of education appear to experience poverty at reducing frequencies and depths. Both the poverty and deep poverty rates were lowest for individuals in households whose heads had achieved more than secondary education (1.0 per cent and 7.0 per cent, respectively). Conversely those whose heads had less than elementary educational achievement experienced the highest average poverty rate (13.6 per cent) and deep poverty rate (30.1 per cent) above any other category. The same relationship can be observed with respect to increasing degrees of the poverty gap and of poverty severity with lower levels of educational achievement among households heads (Table 2).

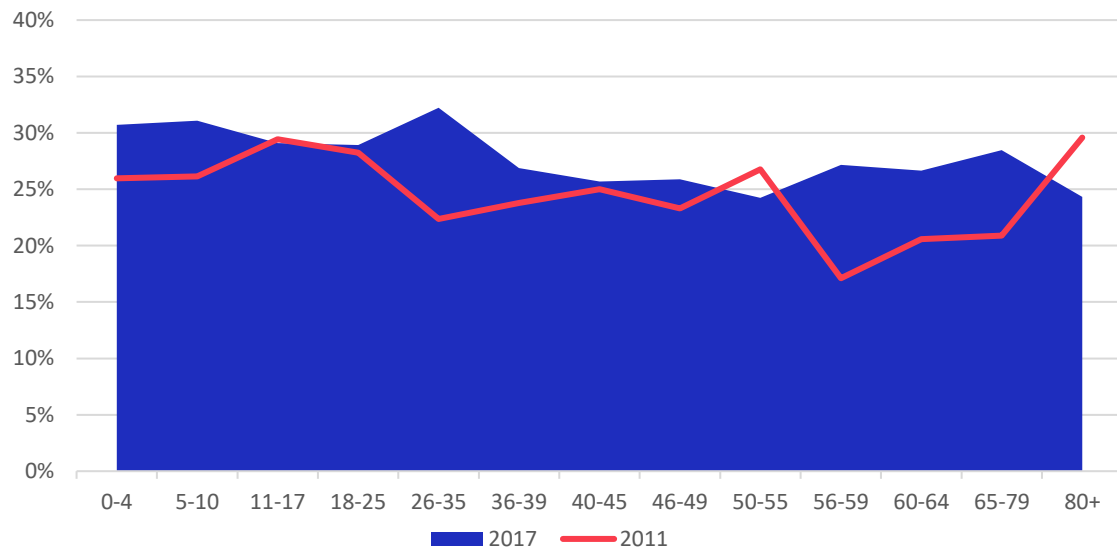
Table 2: Poverty headcount among population by education level of head of household, 2017

		Poverty rate	Poverty gap (P)	Poverty severity (P <sup>2</sup> )	Deep poverty rate
<i>Education level of head</i>	<i>Less than elementary education</i>	41.1%	13.6%	6.1%	30.1%
	<i>At least elementary to secondary education</i>	31.4%	8.4%	3.3%	17.4%
	<i>More than secondary education</i>	15.1%	3.2%	1.0%	7.0%

Source: PECS 2017

**Poverty has risen for most groups, and remains fairly consistent across the lifecycle.** There is limited variation in the prevalence of Palestinian poverty between age groups, indicating that much of the poverty experienced is the result of covariate shocks rather than idiosyncratic lifecycle related events. In 2017, the poverty rate was highest among adults aged 26-35 years old, compared with 2011 when the poverty headcount rate was highest among the elderly over 79 years old. The elderly over 79 years old and individuals ages 50-55 were the only groups to witness a reduction in poverty rates. (Figure 7).

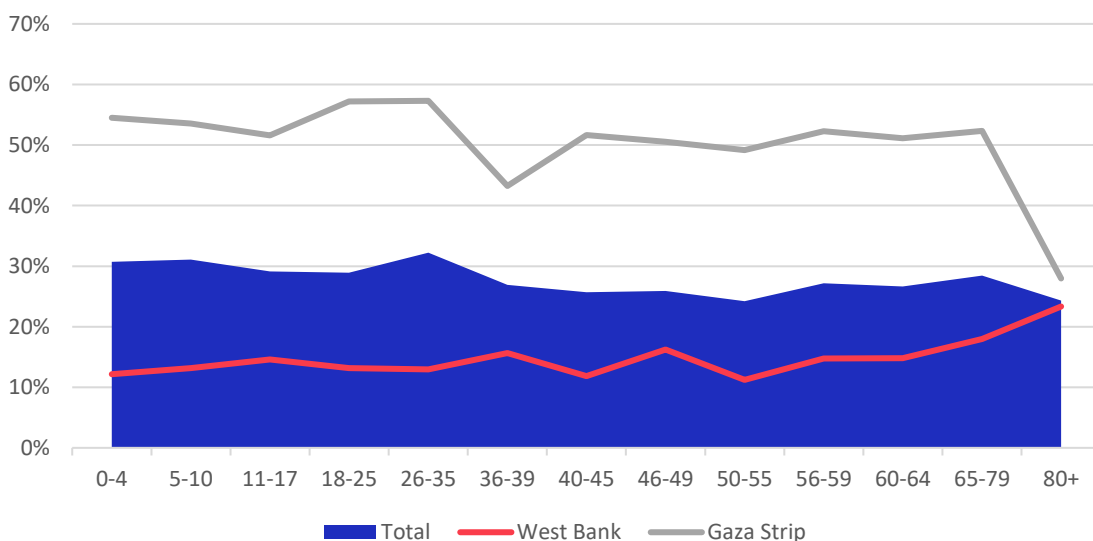
Figure 7: Poverty throughout the life cycle, OPT 2011 and 2017



Source: PECS 2017

**National poverty rates mask a stark and diverging trend between the West Bank and Gaza, with the difference narrowing in old age.** Poverty in the West bank throughout the life cycle is generally and significantly lower than that in Gaza. However, when the population ages, poverty rates in both areas converge. For those aged 80 years old and above, poverty rates throughout the West Bank and Gaza approach near similar rates. (Figure 8).

Figure 8: Poverty throughout the life cycle by region, OPT 2017

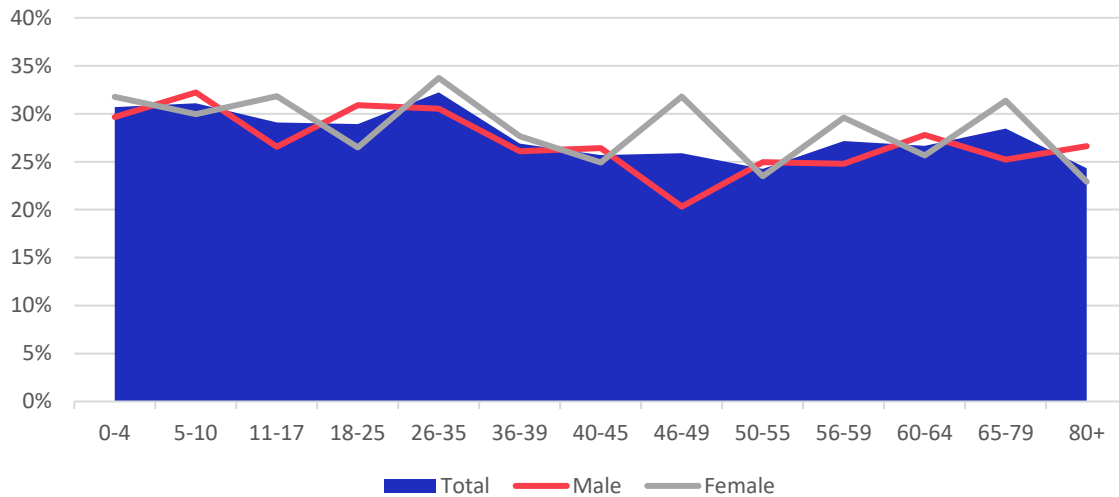


Source: PECS 2017



**The female population tends to experience poverty at rates similar to men, with higher poverty rates for women appearing in the latter half of the life cycle.** Gender disaggregation of data suggests that poverty rates amongst women reach their peak among the cohort aged 26 to 36 years old. While they are lower later in the life cycle, they remain significantly higher, on average, than poverty rates for their male counterparts from 45 years of age and beyond.

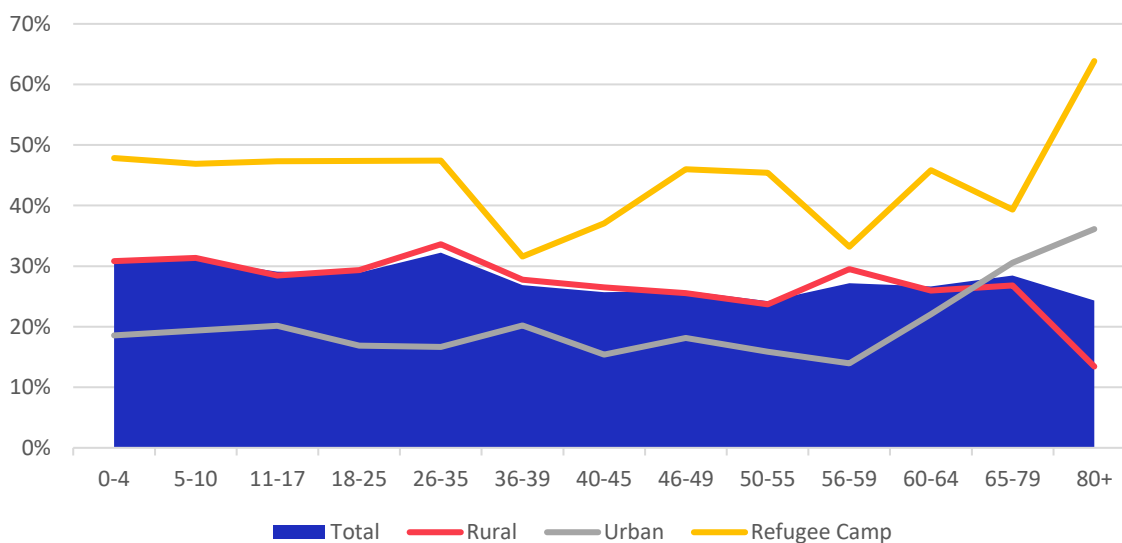
Figure 9: Poverty throughout the life cycle by gender, OPT 2017



Source: PECS 2017

**Rural and refugee camp residents more often experience poverty. In urban areas, the elderly aged 60 and above experience the highest average rates of poverty of any urban cohort.** Poverty levels are consistently higher across all age groups in refugee camps and rural settings compared to urban areas, with the exception of the elderly. While across locality types, poverty appears to taper off in older age, the data actually shows significantly higher poverty levels amongst the urban elderly 60 years of age and above, when compared to the rest of the urban population (Figure 10).

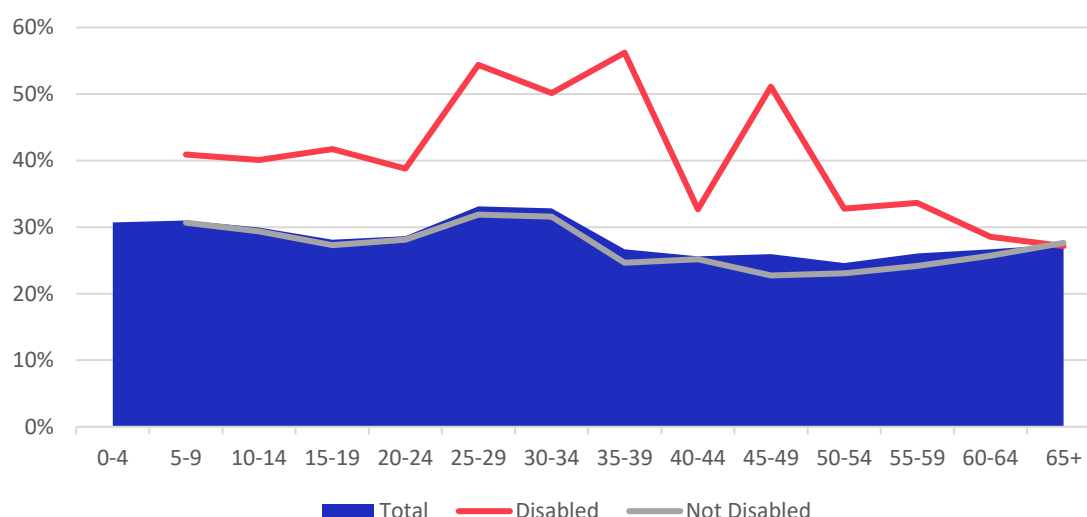
Figure 10: Poverty throughout the life cycle by locality type, OPT 2017



Source: PECS 2017

**Poverty rates are starkly and consistently higher across the lifecycle amongst persons with disabilities compared to the rest of the population.** Persons with disabilities experience poverty at rates roughly 9 percentage points higher than their non-disabled counterparts across the life cycle, though the gap appears to narrow with age (Figure 11). At the same time, males tend to have higher poverty rates compared to females among person with disabilities. In addition, the highest rates are found in refugee camps rather than rural and urban areas. Persons with disabilities living in poverty and extreme poverty are concentrated in Gaza strip compared to the West Bank (Table 3).

Figure 11: Poverty throughout the life cycle by disability status, OPT 2017



Source: PECS 2017

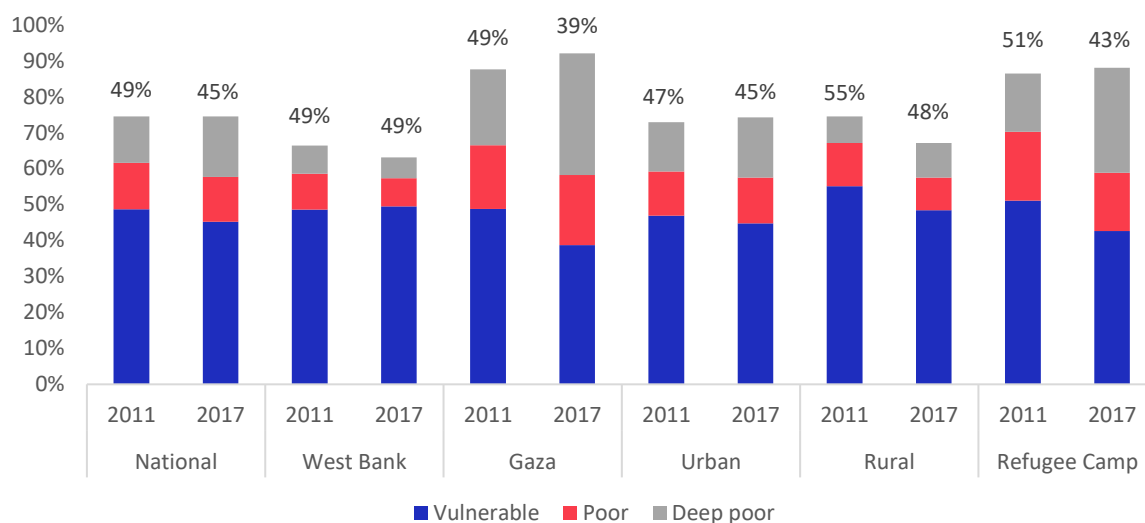
Table 3: Proportion of the population living in poverty by disability status and other individual characteristics against rest of population, OPT 2017

	Persons with disabilities	Difference with rest of the population
<i>All</i>	37.7%	+9.2%
<i>Male</i>	40.5%	+12.8%
<i>Female</i>	34.7%	+5.3%
<i>Rural</i>	36.4%	+7.6%
<i>Urban</i>	36.4%	+18.8%
<i>Refugee camps</i>	48.3%	+3.1%
<i>West Bank residents</i>	19.1%	+5.9%
<i>Gaza residents</i>	59.3%	+6.5%

Source: PECS 2017

**Many who were previously only vulnerable to poverty have ultimately slid into poverty since 2011.** While poverty increased in 2017 compared with 2011, the proportion of those who are not poor but vulnerable to poverty decreased from 49 per cent nationally in 2011 to 45 per cent in 2017. This is due to the fact that a greater proportion of the previously vulnerable population is now considered poor. Vulnerability is defined in this context as the non-poor population living below twice the national poverty line.

Figure 12: Per cent of the population that is vulnerable and non-poor (vulnerability, poverty and deep poverty rates) by region, OPT 2011 and 2017



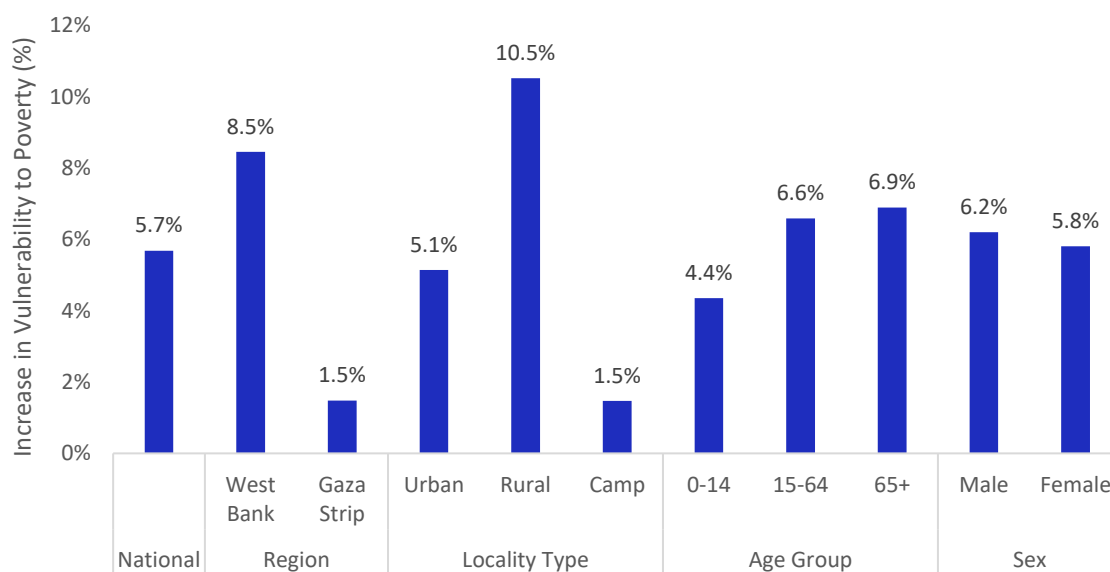
Source: PECS 2011 and 2017

Note: The vulnerable population is defined as non-poor living below twice the national poverty line.

## 2.3 The impact of COVID-19 on poverty and vulnerability

**The COVID-19 crisis will increase vulnerability to poverty beyond current levels across all segments of Palestinian society, with notable increases expected in the West Bank and rural areas.** The simulated reductions in consumption due to COVID-19 restrictions indicate that vulnerability to poverty will likely increase by 5.7 percent nationally, with the increase expected to be higher in the West Bank (8.5 per cent) relative to the Gaza Strip (1.5 per cent) and in rural communities (10.5 per cent) relative to urban localities (5.1 per cent) and refugee camps (1.5 per cent). Vulnerability in this context is estimated as the proportion of the non-poor population living on less than 1.5 times the poverty line.

Figure 13: Per cent change in vulnerability due to COVID-19 restrictions, OPT 2020



Source: ILO, 2020b

**The crisis also negatively affected businesses, many of which experienced new cash flow crises due to reductions in sales and productivity.** The ILO estimates that 13 per cent of Palestinian private enterprises had negative cash flows prior to the COVID-19 restrictions, with higher rates experienced by medium and large businesses (33 and 30 per cent, respectively), which employ almost three quarters of all formally employed workers. Meanwhile, 22 per cent of all Palestinian enterprises are believed to be facing new liquidity constraints (20 per cent for medium and 22 per cent for large businesses) as a result of the pandemic and lockdowns. Tripartite efforts to agree on wage payment deferrals may have prevented some of a further exacerbation of cash flow constraints during the crisis, but are expected to eventually come due (ILO, 2020c).

## ► 3: Macroeconomic and fiscal environment

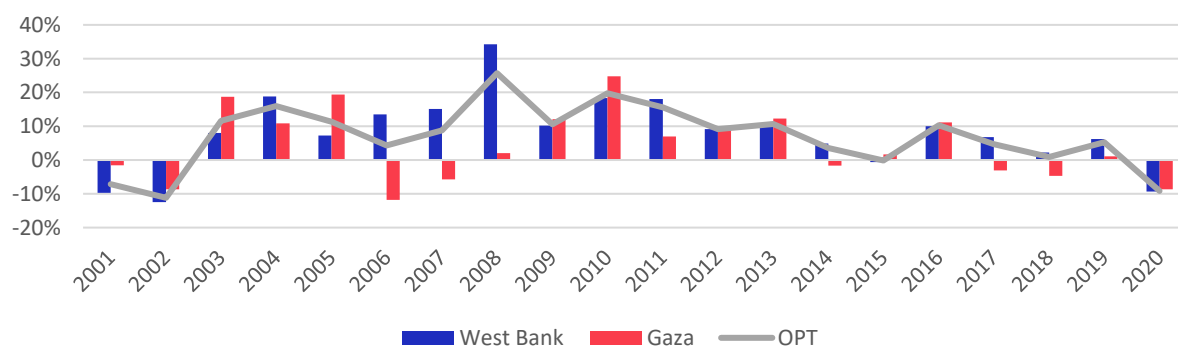
The Palestinian economy and labour market had suffered even before the COVID-19 crisis, weighed down by the occupation and its various restrictions on access to resources, mobility and trade (ILO, 2020d). This chapter profiles the Palestinian economy's recent and anticipated trajectories (section 3.1), as well as labour market trends including changes expected as a result of the COVID-19 crisis (section 3.2). It also examines the state of domestic revenue collection and allocations, as well as international monies used to support social protection and other government initiatives across the West Bank and Gaza (section 3.3).

### 3.1 Economic growth

**Economic growth has been resilient, if volatile, throughout the past two decades.** On the surface, the Palestinian economic trajectory has been rather positive. With annual real GDP growth of around 4 to 5 per cent, on average, the economy has performed quite well since the mid-1990s. However, the economic growth path has had its difficulties over the past two decades, exhibiting impacts from severe shocks, for example the 2006 war in Gaza, but also strong recoveries (Figure 14).

**OPT faces some severe structural economic challenges that preclude a strong performance of the private sector.** Its economic dynamics is highly constrained due to the political situation. The private sector is not performing to its full potential, even when it is the private rather than the public sector that could and should be the carrier for economic growth. Long periods of political uncertainty have generated a jeopardized entrepreneurship network that hinders private sector economic development. This has prevented the private sector from creating new jobs in the recent past, limited the conversion of economic growth into labour demand (World Bank, 2019). The difficulties in the private sector are reflected in productivity levels, as well. For example, East Jerusalem enterprises are more productive than firms located elsewhere in the West Bank (55 per cent more productive), and firms in Gaza are even less productive than those in the West Bank, excluding East Jerusalem. The private sector, as is the whole Palestine economy, is strongly influenced by external factors, mainly the Israeli government trade restrictions and the cyclical conflicts in the country. None the less, internal factors like the fragmented business regulation, poor governance and inadequate infrastructures exacerbate the effect of trade restrictions and conflicts (ILO, 2019; Gal & Rock, 2019).

Figure 14: Real GDP growth (2020 prices) by region, 2001-2020



Source: PMA

**In 2020, the economy experienced contraction due to COVID-19, with construction and services taking the largest hits.** Prolonged economic closures beginning in the second quarter of 2020 have contributed to reduced national output across all sectors. Nominal output fell by USD 1.5 billion in 2020 with the largest relative losses, compared to the sectors' respective performances in 2019, experienced in the construction industry followed by services (Table 4). In October 2020, PCBS published results from a survey of business establishments, who reported a drop of 50 per cent in sales and production activity. Some 70 per cent of businesses surveyed reported being closed for a period of 1.5 months or more, while more than 60 per cent reported difficulties in obtaining necessary production inputs throughout 2020 (PCBS and MNE, 2020).

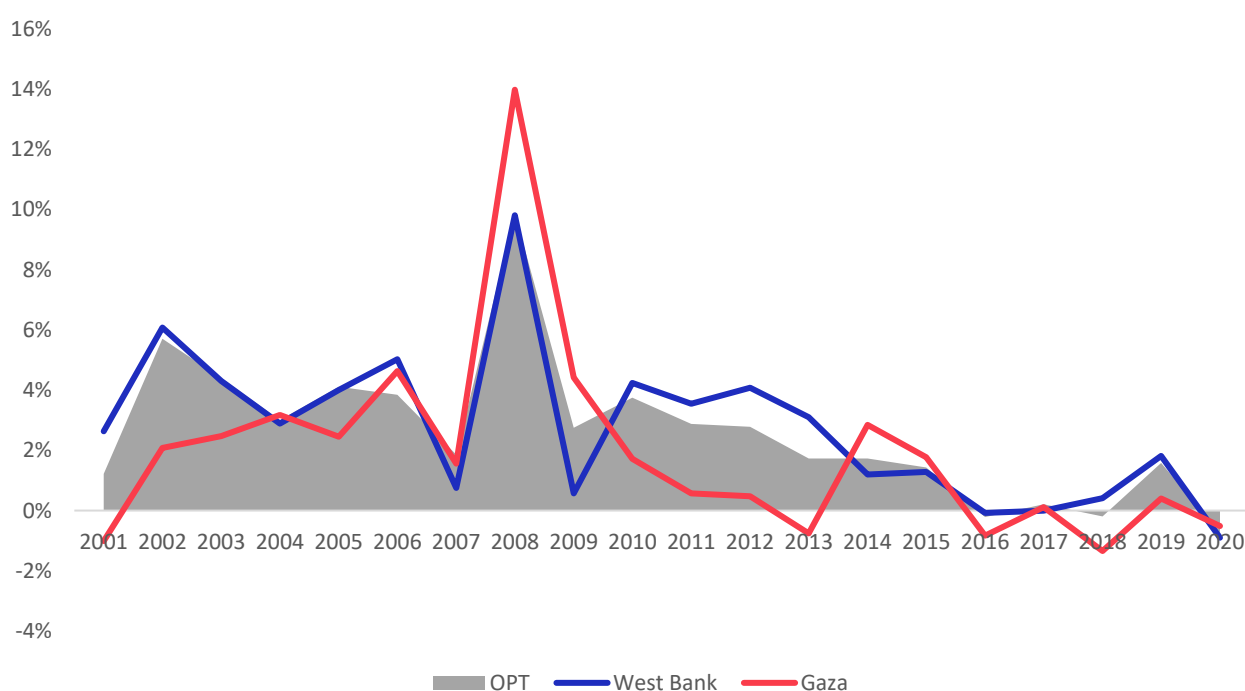
Table 4: Real output growth over previous year, by sector (2018-2020)

	Agriculture	Industry	Construction	Services
2018	-4.8%	0.5%	4.2%	1.2%
2019	-1.9%	-4.1%	-0.4%	3.3%
2020	-7.8%	-4.3%	-14.6%	-12.3%

Source: PCBS and PMA, 2020; PCBS, 2020b

**Inflation has been largely steady, impacted mostly by global events, including COVID-19.** From 2001 until 2010, inflation (as measured by growth in the consumer price index) averaged around 4 per cent. It exceeded 12 per cent around 2008 at the height of the crisis in world food prices. Barring that exception, however, there is no wide deviation in the long-term trends in inflation even if the path has been somewhat erratic. The mild uptick in inflation observed in 2018 and 2019 has since retreated into negative territory again as a result of constrained growth throughout 2020 due to the COVID-19 pandemic (Figure 15).

Figure 15: Consumer price index (CPI) growth (2018 base year), by region, 2001-2020



Source: PMA



## 3.2 Labour market

**Like growth performance, there is stark divergence in labour market trends across the West Bank and Gaza. But across the regions, labour force participation fell during the COVID crisis.**

Before 2020, the Palestinian labour market witnessed consistent growth in the number of participants with annual participation rates hovering around 44 per cent. But while the labour force grew, growth in employment did not, leading an increase in the average unemployment rate (roughly 26% since 2017). During the 2020 COVID crisis, Palestinian labour force participation fell for the first time in more than five years as workers and job seekers exited the labour force. Importantly, these national figures mask considerable discrepancies between the West Bank and Gaza. In Gaza, unemployment stood at 46.6 per cent in 2020, among the highest rates of unemployment among any country in the world, compared to 15.7 per cent in the West Bank.

Table 5: Labour force, participation and unemployment rates (2015-2020), by region and sex

	Year					
	2015	2016	2017	2018	2019	2020
<i>Labour force (individuals, thousands)</i>	1,206	1,235	1,276	1,296	1,357	1,291
<i>Labour force participation rate</i>	44.0%	43.8%	44.0%	43.5%	44.3%	40.9%
<i>Male</i>	71.7%	71.3%	71.6%	71.5%	69.9%	65.1%
<i>Female</i>	19.2%	19.3%	19.2%	20.7%	18.1%	16.1%
<i>Unemployment rate (national)</i>	23.0%	23.9%	25.7%	26.2%	25.3%	25.9%
<i>West Bank</i>	16.6%	17.5%	18.4%	17.3%	14.6%	15.7%
<i>Gaza</i>	34.8%	35.4%	38.8%	43.1%	45.1%	46.6%
<i>Male (national)</i>	20.2%	20.6%	21.5%	22.4%	21.3%	22.5%
<i>Female (national)</i>	34.3%	38.0%	42.8%	41.9%	41.2%	40.1%

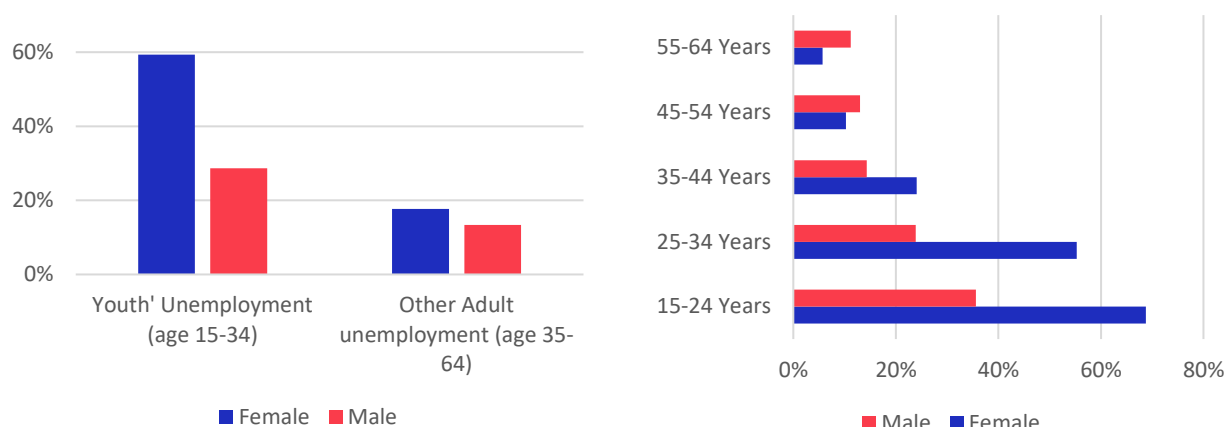
Source: PCBS, LFS 2020

**Another challenge is the low labour force participation and higher unemployment rates among women.**

In 2020, just 16 per cent of females in their active ages were economically active across OPT. Female labour force participation is low even compared to the other culturally-similar countries in the region. Female unemployment was also on the rise since 2015, but has tapered off slightly in recent years following the national trend. Studies suggest male unemployment incentivizes women to look for jobs as well, but they face the same scarcity of employment opportunities coupled with discrimination by employers who favour male employees. Recent studies found that gender inequalities apply to all educational and age levels, with young and highly-educated women representing the largest group of unemployed women in the labour force (World Bank, 2018).

**Meanwhile, Palestinian youth remain particularly affected by unemployment.** The structural pre-COVID trend in unemployment among Palestinian youth (15 to 24 years old) has been particularly alarming in the past years. It reached 40.2 per cent, nationally, in 2019. The high rate of youth unemployment was mainly driven by the situation in Gaza, where unemployment among youth reached 67.4 per cent, compared with 25.2 per cent in the West Bank (ILO, 2020d).

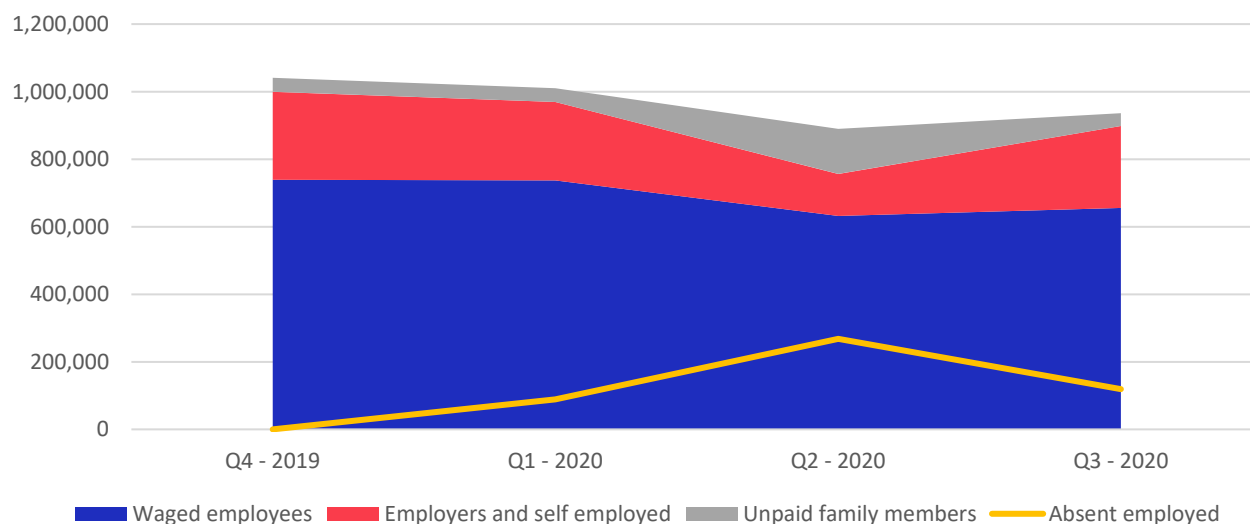
Figure 16: Unemployment rates, by age and sex (2019), OPT



Source: PCBS, LFS 2019, ILO calculations

**At the height of the COVID-19 crisis, hundreds of thousands lost paying jobs while employers contended with a sharp increase in idle workers.** During the initial height of the crisis in the second quarter of 2020, there were 105,000 fewer waged employees and 107,000 fewer employers and self-employed workers than in the preceding quarter. While the period witnessed a marked decline in paid employment, the labour force added an additional 93,000 unpaid family members. For many that remained in employment, there was a significant rise in workers absent from the workplace, the overwhelming majority due to COVID-19 restrictions. More than 179,000 additional employed persons were absent from work during the second quarter of 2020, contributing to a total of absentee workers equal to 30 per cent of all employed persons. By the third quarter, the grip of the crisis had loosened with many paid jobs at least partially restored and worker absenteeism levels returned—although not fully—to levels akin to before the crisis (Figure 17). While widespread, the initial labour market shock was limited in duration. However, without systematic income protection, such as unemployment insurance, in place, many affected workers were forced to seek support either from anti-poverty programmes or through exceptional ad hoc support, and struggling employers sought agreements for a temporary reduction of salaries to cope with wage bills during a period of reduced productivity.

Figure 17: The COVID-19 labour “squeeze” (number of employed persons, by employment type and workplace absence)



Source: PCBS LFS 2019, 2020 (quarterly updates)

**Moderate national wage growth has been led by the private sector in the West Bank, with Gaza and the public sector trailing.** Between 2015 and 2020, real wages slightly increased in the Palestine territories. However, this trend was mainly led by wage increases in the West Bank, while in Gaza wages slightly decreased over the period (Table 6). Also, while there was a general increase in public sector real wages, private sector wages decreased in OPT, mainly due to a significant reduction in Gaza Strip. During 2019 and 2020, in particular, the precarious situation of the Palestinian Authority's budget, substantial wage cuts were announced affecting employees in the West Bank and Gaza, adding up to the wage reductions already introduced in 2015 in Gaza (World Bank, 2018). Meanwhile, PCBS data show that more than 30 per cent of wage employees in the private sector throughout the West Bank and Gaza effectively earn less than the minimum wage, or NIS 1,450 per month (PCBS, 2020c).

Table 6: Average daily wage for waged employees aged 15 and above (NIS), by region

		Year					
		2015	2016	2017	2018	2019	2020
<i>Region</i>	<i>West Bank</i>	94.7	98.4	101.8	109.4	118.9	121.9
	<i>Gaza</i>	62.3	61.8	59.5	63.1	61.2	61.6
	<i>OPT</i>	83.3	85.4	87.2	94.7	100.9	103.9

Source: PCBS, LFS 2019

**Workers with formal employment relationships should enjoy protection against some social risks through employer-liability schemes, including for sickness, maternity and workplace injury. But compliance with labour law is not universal.** Since 2000, the Palestinian labour code has outlined benefits due to qualifying employees in a range of instances. Those who fall ill are eligible for fully paid sick leave lasting two weeks, provided the illness is certified, and half-paid leave for another two weeks. Similarly, women workers with at least six months of tenure are entitled to fully paid maternity leave of up to 10 weeks. In case of on-the-job injury that requires time off work, workers are eligible for six months of up to 75 per cent of their usual wage. Lump sums are also due to qualifying workers in the event of voluntary or involuntary termination. All benefits are financed exclusively by employers in the absence of any social insurance mechanism. While empirical data regarding compliance is incomplete, qualitative studies suggest the presence of "serious compliance gaps" with respect to sick leave and other types of benefits in some sectors of the labour force (ILO, 2020d).

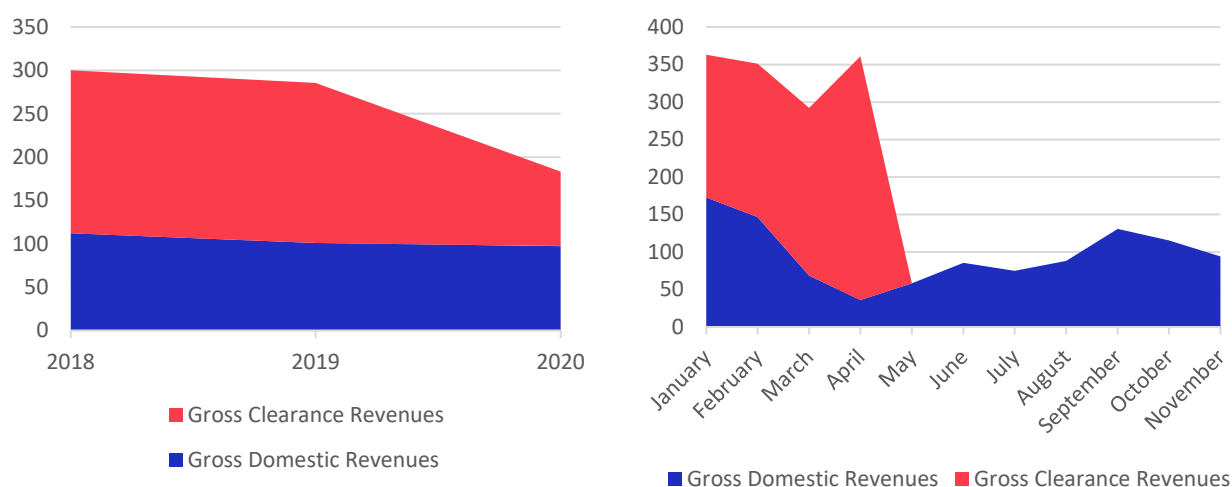
### 3.3 Public finances

**Revenues the Palestinian Authority collects directly in areas under its purview have remained relatively stable, even during the COVID-19 crisis.** As part of the Oslo Accords, the Palestinian Authority is responsible for the collection of income tax and value-added taxes on internal transactions. In 2020, the Palestinian Authority directly collected in the West Bank Areas A and B, where it exerts civilian control, an average of USD 97 million per month from taxes and other charges, including property taxes and transportation fees collected by local government units. Direct collection by the Palestinian Authority continued an annual decline although did not plummet during the crisis. Average gross domestic revenue totalled USD 101 million per month in 2019 and 112 million per monthly in 2018 (Figure 18). For imports into the West Bank, all of which arrive via Israel from abroad,

Israel collects customs duties on behalf of the Palestinian Authority. It also charges value-added tax (VAT) on goods and services sold in Israel and intended for consumption in OPT. These streams, together with several other nominal sources, make up the clearance revenues collected by Israel, which are to be transferred to the Palestinian Authority on a monthly basis.

**Clearance revenues collected by Israel make up nearly two-thirds of all Palestinian gross revenue. But their remittance has become increasingly politicized, leading to large and longstanding non-payment and repeated fiscal crises.** In 2019, clearance revenues collected by Israel represented some USD 2.2 billion, or 65 per cent of total Palestinian gross revenues, down from USD 2.3 billion in 2018. At the beginning of 2020, clearance revenue receipts were high and reached their peak in April at USD 325 million. They subsequently dropped to USD 0 for the large remainder of the year as tensions over a possible annexation of land by Israel in the West Bank intensified and the Palestinian Authority's refusal to accept anything but full customs and clearance payments from Israel (Figure 18). In December, Israel and the Palestinian Authority reached an agreement, and more than USD 1.1 billion in clearance revenue was transferred. The scenario was a repeat of a situation that played out in 2019, in which Israel threatened to withhold a substantial amount of clearance revenue based on legislation passed by the Knesset in 2018 requiring a reduction in transfer payments equal to the amounts paid to beneficiaries of the Palestinian Authority's Martyrs' Fund (ILO, 2020d). Similar stand-offs risk to manifest in future months and years, sparking further fiscal crises.

Figure 18: Average gross monthly revenues (2018-2020) and actual gross monthly revenue (2020), by year or month and revenue type (in USD million)



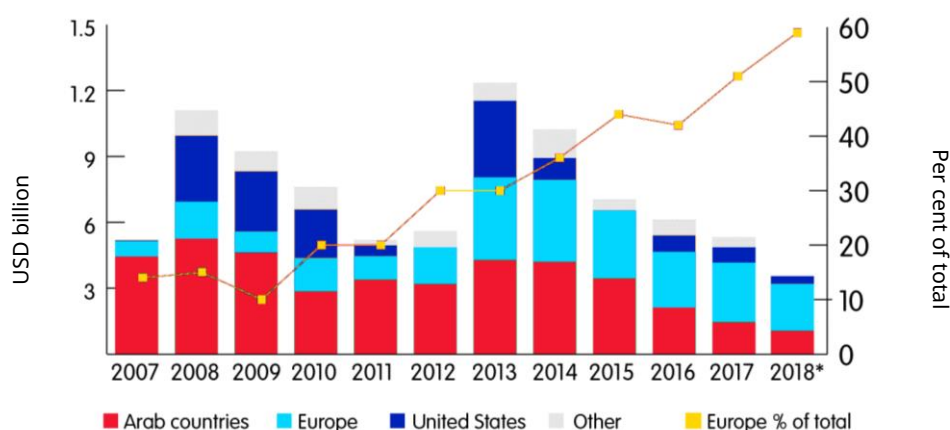
Note: 2020 average gross monthly revenues include payments made between January and November 2020 using data available from PMA at the time of writing. Therefore, it excludes the clearance payment arrears paid by Israel to the Palestinian Authority in December 2020.

Source: PMA

**Regular clearance transfers are critical for smoothing and maintaining government consumption amid irregular and decreasing donor aid disbursements.** In 2018, the United States adopted legislation that effectively reduced by a third its payments to the Palestinian Authority, offsetting payments the U.S. estimates are made by the Palestinian Authority to fighters and their surviving families. The legislation also sets under the jurisdiction of U.S. courts all the recipients of U.S. foreign aid. This led the Palestinian Authority to refuse the remaining aid it was receiving due to possible prosecution liabilities (Gal & Rock, 2019). The new U.S. administration has signalled its intent to resume American assistance to the Palestinians, but it is unclear whether legislative changes would be required to do so (New York Times, 2021). Other countries, such as Australia, have followed suit.

While overall international donations have consistently declined over the last several years, from over USD 1.2 billion in 2013 to just over USD 300 million in 2018, the European Union has become the increasingly dominant donor of external assistance to the Palestinian Authority, now responsible for upwards of 60 per cent of international donations (Figure 19) (Lovatt, 2020).

Figure 19: Bilateral contributions to the Palestinian Authority (USD billion) by contributor and European Union share (per cent), 2017-2018



Note: 2018 contributions are partial

Source: Lovatt, 2020; MoF

**Fiscal pressures continue to be high, reflected in part by the growth of the wage bill.** The wage bill continues to represent more than half of all recurrent spending. Even though the fiscal deficit declined in 2018, the situation became more precarious: a reduction in revenue of 4 per cent was offset by an overall reduction of 7 per cent in expenditure, primarily cuts to public expenditure in Gaza. The decline of both external aid and the withholding by Israel of clearance revenues resulted in an estimated financing gap of US 400 million in 2018. The Palestinian Authority faced similar circumstances during 2019 and 2020.

Table 7: Annual non-development expenditures (USD million) by expenditure category, 2018-2020

	2018	2019	2020
<i>Gross wages and salaries</i>	1,657.8	1,677.6	1,068.3
<i>Non-wage expenditures</i>	1,688.0	1,589.6	1,016.5
<i>Social contributions</i>	59.2	69.9	33.3
<i>Use of goods and services</i>	435.5	358.2	172.6
<i>Transfers</i>	1,116.9	1,106.3	771.9
<i>Minor capital expenditures</i>	9.0	8.4	5.7
<i>Interest</i>	67.5	46.8	33.1
<i>Domestic</i>	66.5	41.3	26.2
<i>External</i>	1.0	5.4	6.9

Note: Expenditure data for 2020 includes figures from January through November only.

Source: PMA

## ► 4: Mapping the social protection system

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Throughout the West Bank and Gaza, a variety of actors operate a series of programmes aiming to provide social protection to citizens. Various agencies are responsible for administering these programmes. The Ministries of Social Development (MoSD), Labour (MoH), Health (MoH) and Education and Higher Education (MoEHE) are all important social protection providers in this respect. But there is also the Palestinian Zakat Fund likewise operating a series of assistance programmes, as well as large humanitarian actors such as the World Food Programme (WFP) and the United Nations Relief and Works Agency (UNRWA) with significant budgets and operations. This chapter takes stock of the scope and scale of various Palestinian social protection interventions, whether providing benefits in cash or in kind to secure protection to poor and vulnerable individuals and households. It begins with a brief review of social protection financing (section 4.1), followed by an assessment of health interventions (section 4.2), followed by those related to education (section 4.3), social assistance (section 4.4) and services (section 4.5), before going on to cover social insurance schemes (section 4.6) and activate labour market and livelihood programmes (section 4.7).

### 4.1 Social protection expenditure

**Tax-financed programmes make up the bulk of government social protection initiatives, with budgets subjected to recurrent fiscal crises.** Social contributions are only used to fund schemes administered by the Palestinian Pension Agency (PPA), which covers civil servants and members of the security forces. In the absence of contribution-financed benefits for private sector workers, the bulk of government social protection efforts rely on volatile public revenues. The Palestinian Authority collects roughly one-third of its revenues, but is dependent on Israel's transfer of clearance revenues for the remaining two thirds. That transfer has become increasingly politicized, however, leading to large and longstanding non-payment and repeated fiscal crises.

**Total social protection expenditure has been declining and increasingly reliant upon external support.** In 2020, government and non-governmental expenditures on non-contributory social protection combined represented just 2 per cent of Palestinian GDP, slightly above the regional average of 1.5 per cent. A significant portion of non-contributory social protection expenditure is financed directly or indirectly by international donors, through a combination of financing of national social assistance and humanitarian schemes. When looking at government expenditure alone, social protection represented just 0.76 per cent of GDP in 2020. Overall, government and non-governmental expenditure has declined from its most recent peak of 2.34 per cent of GDP in 2014.

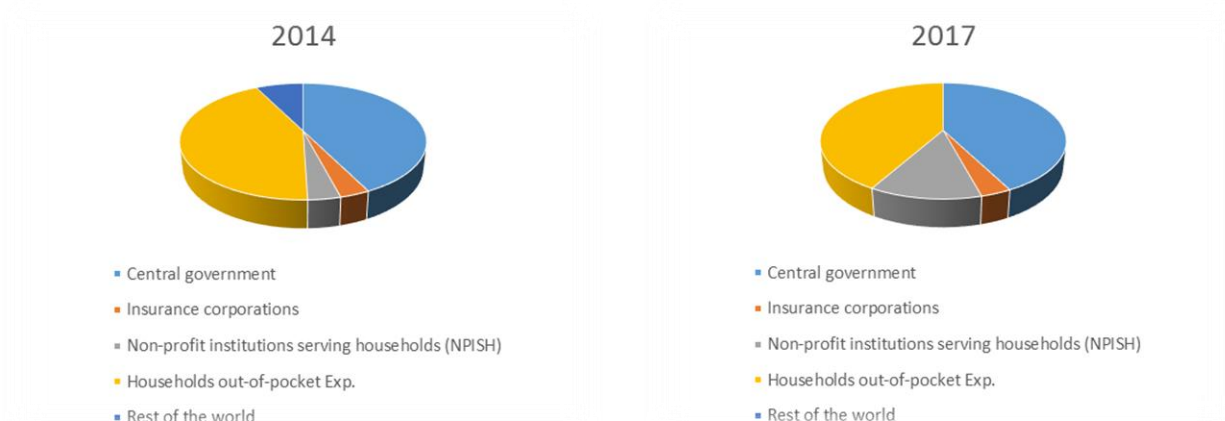
**Programme spending by international humanitarian organizations make up a sizeable share of the overall social protection expenditure in OPT.** Humanitarian safety net programmes initially conceived for emergencies have become structural over time, and represent a significant part of the social protection system. The largest are the operations of the UN Relief and Works Agency (UNRWA) and World Food Programme (WFP). Cash and in-kind transfers distributed to beneficiaries of the government's flagship transfer programme amounted to NIS 409 million in 2020. By comparison, UNRWA spent NIS 528 million and WFP spent NIS 197 million on cash and food assistance that same year.



## 4.2 Social health protection and health insurance

**Total public health spending is on the rise, but there remain significant out-of-pocket expenses for Palestinians seeking care.** Total expenditure on health per capita increased between 2005 and 2013 from NIS 758 to NIS 1,097 and rose up to NIS 1,104 in 2019. General government expenditure on health increased from NIS 960.4 million in 2005, representing 2.7 per cent of GDP to NIS 2.24 billion (4.5 per cent of GDP) (WHO, 2016; PCBS, 2019). General government expenditure on health as a percentage of total expenditure on health also increased during the same period from 38.4 to 42.2 per cent (WHO, 2016; PCBS, 2019). However, public spending on health has not grown at pace with the rest of the economy. Total expenditure on health as a percentage of the gross domestic product actually decreased from 12.5 per cent in 2005 to 10.9 per cent in 2014 (WHO, 2016), further decreasing to 10.7 per cent in 2017 (PCBS, 2019). Meanwhile, the share of household out-of-pocket spending has fluctuated over time, from between 34 per cent in 2005 and 37 per cent in 2014. It recorded 43.1 per cent in 2014 and decreased to 41.8 per cent in 2017 (Figure 20).

Figure 20: Financing health expenditure in OPT



Source: Compiled from PCBS, 2019, statistics (information sourced from the PCBS website)

**Just over 80 per cent of the Palestinian population is covered by at least one type of health insurance scheme.** Officially, the main health financing mechanism for the public health sector is the government health insurance scheme, which is compulsory for public sector workers and voluntary for the remaining population. Other health insurance schemes are private, except for one for security personnel. Around 3,000 people are entitled to UNRWA support for primary health care. There is also coverage for those experiencing special hardship. Registered unemployed are covered through MOL and certain categories of poor including some PNCTP beneficiaries in the West Bank through the MoSD.

**Through a presidential decree, the population in Gaza, where almost 66 per cent of PNCTP beneficiary households reside, is covered free of charge.** Government-subsidized health insurance premiums represent less than 10 per cent of the MOH budget. Therefore, most public health expenditure is funded by general taxes and revenues. This has forced the MOH to incur large debts, which substantially affects annual operational expenditure (WHO, 2016).

Table 4.2 provides a breakdown of categories of insured under the social health insurance scheme.

	2012	2013	2014	2015	2016
<i>Total insured households</i>	336,196	342,928	368,728	252,930	282,647
<i>Regular insured</i>	47,099	48,778	51,245	60,916	61,628
<i>MoSD/PNCTP beneficiaries</i>	37,443	28,271	31,389	26,616	24,856
<i>Registered unemployed</i>	169,210	191,064	206,060	63,012	87,000
<i>Government employees</i>	59,467	61,239	62,912	65,533	66,015
<i>Detainees and ex-detainees</i>	4,824	6,266	6,278	6,711	6,985
<i>Working in Israel</i>	18,153	7,310	10,844	30,142	36,163

Source: Data sourced from MOH figures

## 4.3 Social protection in education

**The majority of Palestinian children attend public primary and secondary educational institutions, with enrolment of girls and boys at similar levels.** Total expenditure on education, as measured by the budget of the Ministry of Education and Higher Education (MoEHE), in OPT was NIS 3.75 billion in 2018. Primary and secondary education absorb the biggest shares of the budget, respectively 47.1 and 34.5 percent of the MoEHE budget. This is equivalent to 22.4 percent of all government expenses and 6.4 per cent of Palestinian GDP. In addition to the MoEHE, there are other financing agents, including schools under the auspices of other government agencies, private schools, and UNRWA-operated schools. During the 2017-2018 school year, there were 1.26 million pupils, of which 871,000 were attending MoEHE schools; slightly less than 119,000 went to private schools and close to 319,000 to UNRWA schools. Out of the 1.26 million pupils, 622,623 were male and 632,253 females (MoEHE, 2018).

**The government aims to boost enrolment in secondary education among vulnerable families through targeted—and unfunded—school fee waivers.** In 2019, most pupils (81 percent) attended basic schools, whereas a far lower number (19 percent) went to secondary schools, most of these were girls (55 percent). School fee waivers aim to cover the costs of secondary education in government schools for approximately 200,000 pupils from poor families. The cash value of the waivers is equivalent to amounts from NIS 60 to NIS 100 per year per pupil. All PNCTP recipient are eligible for the fee waivers together with vulnerable population categories, including children of jailed parents, people living behind the separation wall and those defined by school as disadvantaged (including residents of Area C) (ESCWA, 2016). School fees are waived for participating children, resulting in foregone revenue for MoEHE without direct funding from MoSD to MoE. The implicit budgetary cost for government can therefore only be estimated, corresponding to approximately NIS 15 million per year.

## 4.4 Social assistance

### ***Palestinian National Cash Transfer Programme (PNCTP)***

**The government reaches more than 100,000 households with periodic, unconditional cash transfers each year through its flagship Palestinian National Cash Transfer Programme (PNCTP).** The PNCTP aims to minimize the impact of poverty and improve the living conditions of poor Palestinian families. Payments are made quarterly and vary between NIS 750 and NIS 1,800 per household. Currently, eligible households are assessed on the basis of a proxy-means test formula

(PMT-F). The programme distinguishes between three categories of households. Households with consumption expenditure below the extreme poverty line (extreme poor), those between the extreme and national poverty lines (poor) and those between the national poverty line and twice its consumption value (vulnerable). Extreme poor households receive NIS 750 to NIS 1,800, while poor and qualifying vulnerable households receive NIS 750, with the aim to bridge 50 per cent of the poverty gap (Reach Project, 2019). While household size enters the formula to determine eligibility, the amount of the transfer does not vary with the size of the household, and the programme has no basis in legislation.

**The PNCTP receives its funding from the MoSD budget and from external donors.** Total expenditure on PNCTP transfers was NIS 409 million in 2020, NIS 226 million—or 55 per cent—of which was funded by European Union contributions to the budget. That figure represents an increase over the last several years, with EU funding representing 53 per cent of total PNCTP outlays in 2019 (of NIS 371 million in total) and just 50 per cent in 2018 (of NIS 370 million in total). The larger total PNCTP envelope in 2020 reflects an increase in the number of beneficiary households. The programme reached an average of 114,450 households during 2020, compared to an average of just 105,373 households in 2019 and 108,114 households in 2018. The additional beneficiaries represent around 10,000 households in Gaza who qualify to receive benefits under the programme but who remain on a “waiting list” due to resource constraints. The World Bank also currently finances transfers to some 5,000 beneficiary households under the programme. Meanwhile, WFP contributes to complementary government food and voucher assistance outlined in Table 8.

**The programme prioritizes reaching key vulnerable groups through its targeting methodology.**

Administrative data from the first 2019 payment show that over 107,500 households were beneficiaries, corresponding to 573,639 individual Palestinians. Out of these, 214,877 (37.5 per cent) were children up to age 17, while 57,445 (10.0 per cent) were elderly aged 60 and above and 48,545 (8.5 per cent) were persons with disabilities (all ages). Meanwhile, 132,137 (23.0 per cent) were chronically ill (all ages). About two-third of beneficiaries (70,878 households corresponding to 426,090 persons) reside in Gaza (Table 9).

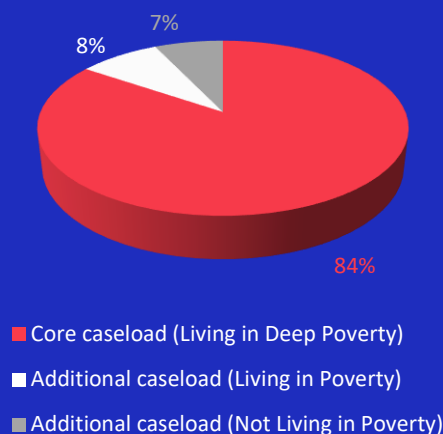
**MoSD and its partners also provide for complementary support transfers and services to cash transfer beneficiaries.** This takes the form of subsidized health insurance, emergency aid and a system of school fee waivers. Subsidized health insurance is available for families who receive the PNCTP, and is also made available to around 2,000 to 3,000 vulnerable families not in receipt of PNCTP. Emergency aid is provided to around 1,500 families who suffer unexpected emergencies (such as home demolitions carried out in Area C). The school fee waiver represents an amount of NIS 100 per year per pupil and is paid for 200,000 children. All children in households eligible for PNCTP are also entitled to the school fee waivers. Complementary food support, in-kind or through a voucher system, is also provided by WFP to a sub-set of the PNCTP beneficiaries.

## Box 2: The Proxy-means Test Formula (PMT-F)

### The Proxy-means Test Formula (PMT-F)

The proxy-means test formula (PMT-F) is used to estimate the income of each household through a variety of indicative household characteristics. The PMT-F is based upon more than thirty variables extracted from survey data. The formula considers a household head's gender, disability, health and marital status, takes into account household size and composition, as well as assets such as livestock, cars and properties among other factors (Reach Project, 2019). The full details of the PMT-F scoring system and the actual weighting different variables applied to generate an overall score are known by few individuals. Its opacity is meant to prevent corruption, falsification of information or other bias in the documentation of data from assessments and, ultimately, in determination of eligible households (Reach Project, 2019).

According to the score provided through the PMT-F, MoSD defines three categories of household scores. Households with a score below 6.39 are considered living in extreme poverty, thus they are prioritized both in the eligibility for current benefits and in the waiting list. Households with a score between 6.39 and 6.57 are considered to be living in nominal poverty. Meanwhile, those households with scores above 6.57 are considered to be non-poor but potentially vulnerable and, as a result, may be still eligible based on specific categorical vulnerabilities as assessed through the PMT-F (e.g., female household head, member with a disability, etc.). While for the first category of extreme poor households, the transfer can vary from a quarterly value of between NIS 750 and NIS 1800, for all other groups (poor and non-poor), the maximum quarterly transfer can reach just NIS 750. Extreme poor households made up up 84 per cent of the PCNTP beneficiary base in 2019. While nominally poor and non-poor households comprised approximately 15 per cent of the total PNCTP caseload.



**However, in recent years annual payments to beneficiaries have been incomplete.** Citing fiscal constraints due, in part, to the non-transfer of clearance revenues from Israel to the Palestinian Authority, in 2018, 2019 and 2020, the treasury honoured only three of the four planned quarterly PNCTP payments to beneficiaries, despite increased shares of financing to the programme coming from external partners.

Table 8: Average annual expenditure/value (NIS million) and beneficiaries (households) of PNCTP, OPT, 2010-2020 (outlays), combined MoSD and donor budgets

	Year								
	2010	2012	2014	2015	2016	2017	2018	2019	2020
<i>CTP Expenditure (NIS million)</i>	241.4	419.0	506.4	565.9	533.0	517.4	369.6	370.8	409.3
Complementary services:									
<i>Health insurance</i>	22.6	29.4	33.2	33.2	34.2	23.4	24.0	-	-
<i>Emergency services support</i>	-	15.7	5.1	2.2	2.3	4.5	1.6	-	-
<i>Other (food parcels, vouchers)</i>	41.0	41.0	41.0	41.0	34.0	34.0	14.2	-	-
<i>Beneficiaries*</i>	64,308	97,272	115,951	120,834	118,641	115,676	108,844	105,373	114,450

Source: MoSD 2019, PEGASE 2020 expenditure data;

Table 9: Beneficiaries in PNCTP, by broad age groups and region (first payment May 2019)

	Region		
	OPT	West Bank	Gaza
<i>Number of household beneficiaries</i>	107,502	36,624	70,878
<i>Number of individual beneficiaries</i>	573,639	147,549	426,090
<i>Number of children beneficiaries below 18 years of age</i>	214,877	46,504	168,373
<i>Percentage of &lt;18 in total individuals</i>	37.5%	31.5%	39.5%
<i>Number of elderly beneficiaries aged 60 and above</i>	57,445	22,962	34,483
<i>Percentage of 60+ in total individuals</i>	10.0%	15.6%	8.1%

Source: MoSD 2019, PNCTP administrative data

Table 10: Beneficiaries in PNCTP, by disability status, chronic illness and region, May 2019

	Region		
	OPT	West Bank	Gaza
<i>Number of individual beneficiaries</i>	573,639	147,549	426,090
<i>Beneficiaries with disabilities (individuals)</i>	48,545	20,796	27,749
<i>Percentage of disabled among total beneficiaries</i>	8.5%	14.1%	6.5%
<i>Chronically-ill beneficiaries (individuals)</i>	132,137	52,737	79,400
<i>Percentage of chronically-ill among total</i>	23.0%	35.7%	18.6%

Source: MoSD 2019, PNCTP administrative data

**By 2019, the total number of beneficiary families had decreased from the 2015 peak of 120,700 households to 107,500.** The total number of individual beneficiaries also decreased from 670,971 to 573,639 over the same period. The decrease occurred both in Gaza (from 78.6 thousand families in 2015 to 70.9 thousand in 2019) and in West Bank (from 42.2 thousand in 2015 to 36.7 thousand in 2019), and across all categories (children, elderly, persons with disabilities, chronic ill, orphans, etc.).

**During 2020, exceptional measures were taken to identify households most affected by COVID-19. Tens of thousands received one-time payments, but did not enter the regular cash transfer programme.** As a part of its COVID response efforts, MoSD registered newly poor households impacted by the crisis. By June 2020, MoSD had disbursed over 18,000 one-time payments of NIS 500

to applicant households, financed by the private sector. Additional financing by the World Bank allowed MoSD and MoL to expand their cash-based responses to the crisis, and cover financing deficits in the regular PNCTP caseload. By February 2021, government had reached an additional 30,000 households with NIS 700, and planned to reach another 40,000 in the following months. The exceptional payments are intended to help affected families cope with the fallout of COVID-19, but do not qualify households to receive regular payments under the PNCTP.

**The overall decrease in PNCTP coverage over time has also affected its reach to vulnerable groups.** For example, the coverage under PNCTP of children aged 17 years and below as a share of all children declined from 12.4 per cent in mid-2015 to 9.6 per cent in mid-2019. Likewise, the share of elderly (aged 60 and above) covered under PNCTP also declined from 27.5 per cent to 23.6 percent over the same period. Additional information regarding the programme's coverage of these and other vulnerable groups is provided thorough analysis of PNCTP coverage in subsequent sections of this report.

### ***Palestinian Zakat Fund***

**Benefits financed through zakat charities cover some gaps in publicly-financed social protection programmes. But their coverage is volatile.** Zakat is one of the five religious duties under Islam. In OPT, funds are collected foremost in communities and channelled to the central level from where the resources are allocated to poor families and individuals. In addition to this, a central zakat fund also receives funding from the Ministry of Awqaf and Religious Affairs (MoARA). Local zakat committees have a crucial role in identifying the neediest among applicants for support and, in this respect, also check to ensure that candidate do not receive benefits from other agencies. The total number of beneficiaries (households or individuals) went from 59,000 in 2014 to 348,000 in 2016 and subsequently to 190,000 in 2018. This means that the Palestinian Zakat Fund is a major player in OPT's social protection landscape, although the number of beneficiary families and outlays are highly volatile.

Table 11: Expenditure (NIS million) and beneficiaries of Zakat funds, OPT, 2010–2018, selected years

	Year				
	2010	2012	2014	2016	2018
<i>Total expenditure</i>	8.4	6.5	8.9	9.7	8.1
<i>Sponsorship to poor families (regular)</i>	1.4	0.6	3.8	0.7	1.8
<i>Emergency assistance</i>	0.0	-	0.7	2.7	2.3
<i>Orphan sponsorship</i>	6.5	5.5	4.2	5.2	3.0
<i>Ramadan and Eid al-Adha assistance (mainly food)</i>	0.3	0.4	0.2	0.5	0.5
<i>Educational support</i>	0.2	-	-	0.5	0.5
<i>Beneficiaries (households)</i>	55,545	53,227	58,554	347,997	190,185

Source: Palestinian Zakat Fund 2016 and MoSD 2019

**A wide range of benefits, including cash transfers, is provided through local zakat committees, with emergency support becoming increasingly important.** In 2014, total expenditure was NIS 8.9 million and in 2015 this was NIS 4.7 million. Then expenditure increased again to NIS 8.1 million in 2018. The largest components in 2014, were regular cash transfers and allocations to the local zakat committees for disbursement to families hosting orphans. Other expenditure categories include food subsidies and emergency support measures, the latter of which has become a more significant part of the overall budget. Major spending categories of the local zakat committees include cash assistance



to poor families (NIS 3.8 million in 2014, although much less, NIS 1.8 million, in 2018), orphan sponsorship (5.2 million in 2016 down to NIS 3 million in 2018), and emergency assistance which increased in recent years to NIS 2.3 million in 2018 (Table 11).

### **Assistance from international partners (WFP and UNRWA)**

**The World Food Programme (WFP) provides essential support to vulnerable households, and has generally favored distribution of cash or restricted cash over in-kind benefits in recent years.**

WFP provides food assistance primarily to non-refugee populations living in vulnerable and food-insecure conditions as well as in areas of particular distress such as Gaza and Area C in the West Bank. Assistance takes place mainly through food e-vouchers, but over the years the WFP has added cash-based transfers (WFP, 2020). In 2020, WFP spent NIS 197.3 million on cash and food assistance to more than 430,000 individuals. Over 365,000 individuals received multi-purpose or other cash-based transfers, while some 70,000 received in-kind food assistance including essential items like wheat, canned fish, chickpeas, lentils and other staples. Exceptionally in 2020, WFP also reached an additional 84,000 individuals with critical emergency support as part of its coordinated COVID-19 response. In partnership with UNRWA, WFP provides regular electronic food vouchers in the West Bank to meet the basic food needs of Palestine refugees living outside camps, as well as to Bedouin and herder communities in the West Bank. The vouchers can be used in registered shops to purchase essential food items such as milk, yogurt, eggs, bread, cereals, salt and oil. In 2019, this support reached 36,975 individual beneficiaries in the West Bank, the total value of which was NIS 11.4 million. The 2019 Cash-based Transfer (CBT) programme administered jointly with MoSD involved 108,989 individual PNCTP beneficiaries in Gaza and 50,651 in West Bank. The transfers amounted respectively to around NIS 63.1 million in Gaza and NIS 29.3 million in the West Bank. In the same year, WFP also provided other cash-based transfers in Gaza through NGOs. These involved 96,906 individual beneficiaries for a total disbursement of almost NIS 56.1 million.

Table 12: WFP expenditure (NIS million) and beneficiary households, OPT, 2012-2020

	Year								
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Cash-based									
<i>Expenditure</i>	99.3	102.1	106.4	141.4	114.7	111.5	164.6	148.9	147.5
<i>Beneficiaries</i>	18,579	12,587	70,738	30,398	35,100	39,233	56,470	49,996	53,075*
In-kind / e-voucher									
<i>Expenditure</i>	163.4	156.2	144.2	136.2	110.2	94.4	19.8	21.9	49.8
<i>Beneficiaries</i>	69,542	65,176	71,276	58,841	72,956	65,171	11,341	11,318	23,586*

Note: Partners of WFP in benefit provision counted here are MoSD, Oxfam, UNRWA and Global Communities

Source: WFP annual reports; \*indicates estimation based upon reported 2020 individual beneficiaries

**Significant numbers of Palestine refugees are supported through international efforts, including cash and in-kind transfers.** The United Nations Relief and Works Agency (UNRWA) reaches the Palestine refugee population in the West Bank, Gaza and in neighbouring countries that host significant shares of Palestine refugees (e.g. Jordan, Lebanon and Syria). The registered refugee population throughout the West Bank and Gaza in 2020 was 2,348,243 individuals, primarily concentrated in Gaza where the registered refugee population reached 1,476,706 individuals. Together with health and education assistance to refugees, one of UNRWA's most relevant

programmes is the Social Safety Net (SSN) programme. Under SSN, UNRWA provides in-kind food assistance and cash-based support to the eligible refugee population. In the West Bank, it works through its partner WFP.

**Since 2015, UNRWA has favoured in-kind benefits for refugees in Gaza, while transitioning to cash-based support and e-vouchers in the West Bank.** While previously in both the West Bank and Gaza transfers were made through a mix of in-kind and in-cash support, since 2014, transfers in Gaza have been made solely in-kind and since 2016 in the West Bank solely using e-vouchers. In 2020, the annual value of e-vouchers under the SSN was NIS 495.7 per beneficiary in the West Bank while in-kind transfer values averaged NIS 395.9 per beneficiary in Gaza. In 2020, beneficiaries of this programme amounted to 36,129 in the West Bank (implemented with WFP) and 98,935 in Gaza, figures which represent 4.1 and 6.7 percent, respectively, of the registered refugee population in the two regions (UNRWA, 2020). The number of SSN beneficiaries has remained largely unchanged since 2013 following limitations to the programme's size introduced that year. In addition to the SSN, UNRWA administers emergency food assistance to 1,043,173 beneficiaries through in-kind transfers in Gaza and to 257,228 through cash-based support in the West Bank as of 2020. In 2020, the annual value of individual emergency transfers in the West Bank amounted to NIS 500.9, on average, and in Gaza to NIS 327.4.

Table 13: UNRWA expenditure (NIS million) and beneficiaries, OPT, 2012 - 2020

	Year								
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Food and cash assistance SSN									
<i>Expenditure*</i>	58.8	53.4	50.7	44.5	53.4	41.8	58.8	57.7	57.1
<i>Individuals</i>	141,177	142,220	134,863	134,794	134,404	135,052	135,064	135,064	135,064
Emergency Appeal									
<i>Expenditure</i>	250.9	218.4	290.1	290.2	392.9	338.7	309.7	348.1	470.4
<i>Individuals</i>	697,916	712,764	811,984	849,861	921,022	944,030	979,866	1,601,963	1,300,401
Cash for Work programming									
<i>Total value</i>	-	149.8	59.6	76.4	75.8	84.6	42.1	59.9	17.4
<i>Households</i>	-	35,816	49,476	62,454	60,591	62,427	43,115	13,572**	8,105**
Microfinance									
<i>Total value</i>	99.5	77.2	79.0	87.1	89.8	74.0	59.3	62.7	29.0
<i>Total loans</i>	14,506	13,030	13,891	15,566	16,830	14,515	13,207	13,083	6,306

Source: UNRWA annual reports and data; \* Includes only transfers (in-kind) in Gaza; budgets for West Bank beneficiaries implemented with WFP are included in Table 12. \*\* Indicates individual refugee beneficiaries.

**Other initiatives, such as cash-for-work programming and microlending in the West Bank, play a smaller and shrinking role.** In 2000, UNRWA began its Cash for Work Programming (CfW).

Beneficiaries are identified through a proxy-means test formula to assess the food security of households and prioritize vulnerable groups (e.g. women, youth and persons with disabilities). The programme provides short-term work opportunities to cover the costs of basic needs of refugee households. In 2018, the number of beneficiaries of short-term CfW programming was 10,171 in Gaza and 32,944 in the West Bank. The programme was discontinued in the West Bank in July 2018 due to funding shortfalls. The value provided to beneficiaries through the programme in 2018 reached NIS 25.9 million in Gaza and around NIS 16.2 million in the West Bank. In 2020, the programme provided a

total benefit of NIS 17.4 million to 8,105 beneficiaries in Gaza. In OPT, UNRWA also delivers loans through the Microfinance and Microenterprise Programme. Loans issued in the West Bank were 4,516 in 2020, more than double those provided in Gaza, which amounted to 1,790. This difference is also reflected in the total value of the loans, around NIS 21.3 million in the West Bank and NIS 7.7 million in Gaza.

## 4.5 Social services

**MoSD provides a range of social services whose reach appears tied to fluctuating external contributions.** Most social services programmes are administered through the Ministry of Social Development (MoSD). In 2016, total expenditure was NIS 24.4 million in 2016, out of which NIS 4.2 million was dedicated for programmes supporting persons with disabilities while NIS 2.3 million went for emergency services support, which is designed to mitigate exceptional deterioration in a wide range of essential service provision by government. After 2016, however, total expenditure decreased by more than 50 per cent to just NIS 11 million in 2018, even when expenditure on emergency services increased to NIS 4.2 million that year. Sources of funding are the government budget and external donors, the latter representing NIS 5.7 million or more than 50 per cent of the total budget in 2018. As of 2013, data showed that close to some 7 thousand families and/or individuals benefited from these social service programmes, while in 2015, the last year of available beneficiary data, this number appears to be much less and in line with decreased expenditures (Table 14).

Table 14: Expenditure (NIS million) and beneficiaries of social services, OPT, 2011 - 2018

	Year					
	2011	2013	2015	2016	2017	2018
Total expenditure	69.5	23.7	9.5	24.4	12.2	11.0
<i>Total beneficiaries</i>		6,903	656			
Sponsoring individuals with disabilities	0.2	0.8	4.1	4.2	5.4	3.3
<i>Beneficiaries</i>		92	10			
Emergency services support	64.6	9.0	2.2	2.3	3.3	4.2
<i>Beneficiaries</i>		2,356	740			
Rehabilitation services	1.1	1.2	1.0	0.8	0.6	1.0
<i>Beneficiaries</i>		148	292			
Centres for battered women	1.2	0.5	0.7	0.7	1.2	1.0
<i>Beneficiaries</i>		118	131			

Source: MoSD 2016, 2019

## 4.6 Social insurance

**Coverage of social insurance is primarily limited to employees in the public sector, despite recent efforts to expand coverage to the private sector.** The Palestinian Pension Agency (PPA) operates schemes that cover civil servants and security forces, as well as a small number of staff at a few universities and large companies. In total, PPA administers four pension schemes. Three of them are former schemes, inherited from Jordan and Egypt during their administration of the West Bank and Gaza, respectively, for civil servants and security forces who were born before 1 September 1961. The fourth is a general public pension system, established in 2005, for all other civil servants, and is

the only scheme open to new entrants today. A new social security law to extend coverage of social insurance to workers of the private sector, through a separate social security institution, was passed in 2016, but later rescinded before implementation began. Dialogue among government and social partners began again in late 2020 to address outstanding issues and revive the effort.

### Box 3: The public sector pension system in depth

#### The public sector pension system in depth

The Law No. 34 of 1959 “Civil Retirement Act” went into effect on 1 October 1959. It covers civil servants in the West Bank who were born before 1st of September 1961 and were appointed before 1 of January 2000.

- **Retirement age:** 60 years old, or after spending 40 years in service. Early retirement available for those with at least 30 years in service.
- **Contribution rate:** 7 per cent of the base salary
- **Maximum replacement rate:** 70 per cent
- **Type of system:** An unfunded pay-as-you-go (PAYG) defined-benefits system, the pension amount is calculated depending on the last salary before retirement according to the following formula: (number of months’ tenure of service) x (last month salary/360)

The Law No. 8 of 1964 “Civil Retirement Act” went into effect on 1 July 1964. It covers civil servants in Gaza who were born were born before 1st of September 1961 and were appointed before 1 of January 2000.

- **Retirement age:** 60 years old with at least 20 years spent in service (some exceptions to contributory period requirement available)
- **Contribution rate:** 10 per cent of the base salary, and 12.5 per cent from the government (employer)
- **Maximum replacement rate:** 70 per cent
- **Type of system:** A fully funded defined-benefit system. Contributions go to a savings fund to be invested, and the pension amount and replacement ratio are calculated at the retirement age depending on the reasons for retirement.

The Law No. 16 of 2004 “Pension System for Security Forces” covers security forces and civil and security personnel working for security in the West Bank and Gaza who were born were born before 1st of September 1961.

- **Retirement age:** 40 years old to 50 depending on the rank, with at least 20 years of service
- **Contribution rate:** 10 per cent of the base salary, and 12.5 per cent from the government (employer)
- **Maximum replacement rate:** None (retirees entitled to receive 80 per cent of the wage, plus an additional 70 per cent of the preliminary calculated pension)
- **Type of system:** A fully-funded (by law) defined-benefit system. Contributions go to a savings fund to be invested, and the pension amount and replacement ratio are calculated at the retirement age depending on the circumstances of retirement.

The Law No. 7 of 2005 “General Retirement Law” covers all the registered security, public and select private workforce, except for the other three previously mentioned categories in the West Bank and Gaza who were born after 1st of September 1961.

- **Retirement age:** 55 years old, with at least 20 years (male) or 15 years (female) of service, or 50 years old, with at least 25 years (male) or 20 years (female) of service
- **Contribution rate:** for defined-benefit component, 7 per cent from employees and 9 per cent from employers. For defined-contribution component, 3 per cent from employees and 3 per cent from the employer
- **Type of system:** Mixture between PAYG defined-benefit, and fully-funded defined-contribution. Contributions go to a savings fund to be invested, and the pension amount and replacement ratio are calculated at the retirement age depending on the circumstances of retirement.

**Without a functioning social security system for private sector workers, the bulk of workers rely on provisions of Palestinian labour law that specify employer obligations to finance benefits in case of lifecycle risk.** Under employer-liability arrangements, employers directly finance compensation to workers as they are affected by sickness, maternity, workplace injury or other risks. These arrangements place the management of social risk — and associated financial risk — solely on employers who are responsible for maintaining the cash flow required for payouts, without the advantage of risk pooling together with other employers. During the COVID-19 pandemic, employers were faced with the choice of paying full wage bills during a period of reduced productivity or dismissing workers and triggering payments for terminations due under the labour law. Ultimately, a tripartite agreement to defer wage payments was reached. In the meant time, many affected workers were forced to seek support either from anti-poverty programmes or through exceptional ad hoc programmes operated by MoL and MoSD.

Table 15: Geographic and occupational jurisdictions of PPA schemes and number of beneficiaries (as of 31 December 2017)

Scheme legal basis	Aged more than 45 on 1 September 2006		Aged less than 45 on 1 September 2006	
	Civilians	Security Forces	Civilians	Security Forces
<i>Law No. 8 of 1964</i>	Gaza (11,046)			
<i>Law No. 7 of 2005</i>			West Bank and Gaza (6,556)	West Bank and Gaza (20,622)
<i>Law No. 16 of 2004</i>		West Bank and Gaza (7,669)		
<i>Law No. 34 of 1959</i>	West Bank (12,904)			

Note: Numbers of beneficiaries for the scheme based upon Law No. 34 of 1959 are valid as of 31 December 2012.  
Source: ILO, 2020a

## 4.7 Active labour market and empowerment programmes

**A new National Employment Strategy (NES) seeks to align public investments in employment and skilling of workers.** The NES 2021-2025 was adopted in March 2012, and aims to strengthen employment activation measures, including vocational education and training, to better link skills being cultivated with labour market demand. Currently, two separate institutions are charged with enhancing employment opportunities among prospective workers, the independent Palestinian Employment and Social Protection Fund (PFESP) and a newly created institution that sits within MoSD. The strategy also seeks to introduce more evidence-based private sector investment planning, which remains to be operationalized, however.

**Focused primarily on first-time job seekers, the Palestinian Employment and Social Protection Fund (PFESP) provides vocational training, access to credit and job placement services.** The Ministry of Labour (MoL) operates a range of employment programmes or active labour market programmes (ALMPs) primarily through PFESP. The establishment and development of 200 income-

generating projects were supported by the fund during the first six months of 2020, 158 in the West Bank and 41 in Gaza. More than 480 permanent jobs were created, while 380 temporary self-employment and 290 temporary wage employment opportunities were created under the temporary employment program. The size of the disbursement from the budget specified for project implementation under the Fund during the first six months of 2020 amounted to USD 2.2 million, including external financing (PESPF, 2020).

**Until 2018, much of labour market activation directed toward the vulnerable was conducted in partnership with international development agencies.** As part of its Programme of Assistance to the Palestinian People (PAPP), UNDP, in cooperation with MoSD, operates the Deprived Families Economic Empowerment Programme, or DEEP. The DEEP programme aims to help the poorest families to become productive and self-reliant. It uses the PNCTP database to identify its target households for its grants component. The programme further provides financial services (grants and micro loans) and counselling services (coaching, business development and training). Rehabilitation is a minor component and includes tuition fee sponsoring, health aids (wheel chairs, etc.), which are not covered in health insurance and housing costs. Funding accrues entirely from external donors e.g., (Islamic Development Bank). For the phase 2013 to 2017 (which was extended until April 2019), USD 64 million was allocated (Table 16).

Table 16: DEEP expenditure (USD million) and number of beneficiaries (household and individual), 2007 - 2019

	Phase 1: 2007 - 2012			Phase 2: 2013 - 2019		
	Expenditure	Household beneficiaries	Individual Beneficiaries	Expenditure	Household beneficiaries	Individual Beneficiaries
<i>Grants</i>	39.8	5,495	27,475	27.1	3,009	15,045
<i>Microfinance</i>	15.6	4,697	23,485	12.9	1,802	9,010
<i>Educational and vocational training</i>	-	-	-	2.4	-	3,469
<i>Jobs programmes</i>	-	-	-	4.1	-	2,393
<i>Rehabilitation</i>				1.5	-	1,210

Source: UNDP

**The government has formed a new body dedicated to promoting economic empowerment and productivity of vulnerable individuals and families.** In January 2019, the government announced the creation of an independent institution established for the empowerment of vulnerable and marginalized families and individuals, the Palestinian National Economic Empowerment Institution (PNEEI). The institution provides continuity and institutionalization within the sphere of public social protection programming of the objectives pursued under DEEP.

## 4.8 Summary

Table 17 to Table 19 provide an overview of programmes that are important from a social protection perspective for children, working aged and elderly Palestinians.

Table 17: Overview of existing programmes aimed at ensuring income security for children, 2018 – 2019

	Governance and administration	Programme objective and main target groups	Geographical and population coverage	Financial volume
<b>Benefits in kind focusing on access to education</b>				
School feeding programmes (various)	Ministry of Education, WFP	Facilitate access to universal basic education through provision of one hot meal per day	-	-
<b>Cash benefits providing income support for poor families, including orphans and vulnerable children</b>				
PNCTP	MoSD	Cash transfer programme for extremely poor households.	Nationwide, 214,877 individuals below age 18, i.e. 12.4% of total population < 18 (mid 2019)	Exp: NIS 152.9 million 0.28% of GDP 0.94% of GE
Zakat Fund	Ministry of Awqaf and Religious Affairs, Zakat Fund Law (and other regulations)	-	190,185 individual beneficiaries (2018)	NIS 8.1 million (2018)

Note: GE: government expenditure, Exp: total expenditure; \*: estimated expenditure for children (<18)

Source: ILO compilation based on information from various ministries and other programme agencies

Table 18: Overview of existing programmes aimed at ensuring income security for people in working age, 2018 – 2019

	Governance and administration	Programme objective and main target groups	Geographical and population coverage	Financial volume
<b>Benefits in kind focusing on access to employment and income generating activities</b>				
ALMPs	Ministry of Labour	Addressing main labour market challenges (low female labour force participation, high youth unemployment, mismatch education – labour market, addressing sector bottle necks, informal sector).	-	-
<b>Cash benefits providing income support for poor families, including household members who are chronically ill or with severe disabilities.</b>				
PNCTP	MoSD	Cash transfer programme for extremely poor households.	Nationwide, 107,538 households, 301,317 working age individuals (mid-2019)	Exp. NIS 214.5 million, 0.39% of GDP, 1.31 % of GE (2018)*



Zakat Fund	Ministry of Awqaf and Religious Affairs, Zakat Fund Law (and other regulations)	Conditional social cash transfer programme for extremely poor households.	Nationwide, 190,185 households or individuals (2018)	Exp. NIS 8.1 million, 0.015% of GDP (2018)**
Social Services	MoSD		Nationwide, 2,551 households or individuals (2015)	Exp. NIS 10.9 million, 0.02% of GDP, 0.07 % of GE (2018) **
PPA	Ministry of Labour (semi-autonomous organization)	Salaried staff in the public sector and formal sector enterprises.	Nationwide 997 (invalidity pensions only) (2017)	Exp. 9.6 million (invalidity pensions only): (2017)
DEEP	UNDP	-	31,127 individual beneficiaries (2019)	USD 48 million (2019)
<b>Subsidies</b>				
Food subsidies	Ministry of Finance	Alleviate poverty and increase food security.	-	-

Note: GE: government expenditure, Exp: total expenditure; \*: expenditure including benefits for working ages, but excl. Children and elderly; \*\*: total expenditure for all age categories (no breakdown available)

Source: ILO compilation based on information from various ministries and other programme agencies

Table 19: Overview of existing programmes aiming at ensuring income security for elderly Palestinians, 2018 and 2019

	Governance and administration	Programme objective and main target groups	Geographical and population coverage	Financial volume
<b>Periodic cash benefits providing support for older persons</b>				
PNCTP	MoSD	Cash transfer programme for extremely poor households that include older people.	Nationwide, 57,445 individuals age 60 and above, i.e. 23.6% of the age 60+ population (mid-2019)	Exp. NIS 40.9 million* 0.07% of GDP 0.25% of GE (2015)
Zakat Fund	Ministry of Awqaf and Religious Affairs, Zakat Fund Law 1988 (and other regulations)	-	Nationwide, 190,185 households or individuals (2018)	Exp. NIS 8.1 million, 0.015% of GDP (2018)**
PPA Social Insurance Pensions	Ministry of Labour (semi-autonomous organization)	Salaried staff in the public sector and private formal sector enterprises.	Nationwide 50,191 (old-age pensions only) (2017)	Exp. NIS 1,374 million (old-age pensions only) (2017)

Note: \*: total expenditure on benefits for older persons, excluding persons below age 60. \*\*: total expenditure for all age categories (no breakdown available)

Source: ILO compilation based on information from various ministries and other programme agencies

## ► 5: Coverage, adequacy and impact analyses

The ILO Social Protection Floors Recommendation, 2012 (No. 202) outlines the responsibility of states in ensuring the provision of social protection. Among the main principles contained in it are the "universality of protection" and "adequacy and predictability of the benefit" (ILO, 2012). These principles, together with several others contained in the Recommendation and in other international agreements, will serve as benchmarks for the ensuing analysis. Coverage of social protection programmes in the country is analysed at first from a general perspective, looking at the overall coverage of government and non-governmental assistance programmes, as well as pensions (section 5.1), followed by an in-depth analysis regarding the adequacy of social protection benefits with respect to the depth of poverty experienced by the target populations (section 5.2). Finally, it examines the impact of programmes on household and individual welfare (section 5.3).

### 5.1 Coverage analysis

**Roughly one in five children, two in five persons with disabilities and just less than half of all older persons receive support through the Palestinian national social protection system.** The coverage of some social protection floor guarantees in OPT are in line with regional averages across the Middle East and North Africa (MENA) region. Coverage of children is slightly lower at 20 per cent in OPT compared to 23 per cent regionally and on par for older persons at 45 per cent, which is also the regional average. However, coverage of persons with disabilities at 41 per cent is more than double the regional MENA average of 17 per cent. Coverage in all categories remains however significantly below world average (ILO, 2021).

Table 20: The state of social protection floor income support guarantees in OPT: coverage (per cent) of selected lifecycle risks receiving benefits, by programme type:

	Children	Active age (18 – 59 years of age)		Older persons
		Disability	Unemployed	
<i>Receiving support through national systems</i>	20%	41%	39%	45%
<i>Governmental assistance</i>	18%	38%	33%	28%
<i>Pensions</i>	2%	3%	6%	17%

Source: PECS 2017

**Both government and non-governmental are designed to reach vulnerable groups and those living in poverty.** Government assistance is mostly, but not solely, represented by the PNCTP, and includes the social programmes and policies described in Chapter 4. Non-governmental assistance includes all non-governmental cash and in-kind assistance from international organisations, national and international NGOs, and cover a large number of beneficiaries in OPT. In 2020, UNRWA and WFP covered 1,867,327 individual beneficiaries. Non-governmental assistance also includes benefits provided by Zakat committees, which focus on assistance to orphans and covered 190,158 households in 2018.

**Coverage of both governmental and non-government assistance are significantly higher in Gaza than they are in the West Bank, while pension coverage is comparatively low in both regions.**

A preliminary analysis on coverage of transfers in West Bank and Gaza shows that household coverage of both government and non-governmental aid rises sharply when looking at Gaza alone. Meanwhile, pension coverage does not differ significantly across the two regions (Table 21). The social insurance programmes analysed include state-funded pensions for civil servants and military personnel, as well as workers with private occupational pensions. While there have been efforts to introduce a broader state-managed social insurance system for all workers of the private sector, coverage currently remains limited to these groups and relatively low among the general population

**Significant coverage levels have been achieved through a large number of social protection actors and programmes, requiring strengthened coordination.**

Nationally, 40 per cent of all Palestinian households receive at least one type of social protection transfer. Coverage is largest in Gaza, where 35 per cent of households are in receipt of a government benefit, and 70 per cent receive a non-governmental benefit. Expectedly, many households in Gaza (32 per cent) report receiving more than one type of social protection benefit, reflecting the high levels and possibly multiple forms of deprivations suffered, which qualify households for benefits. It also highlights the importance of coordination between government and non-governmental programmes for efficient use of resources.

**There is widespread coverage of social assistance, with considerable overlap across programmes, particularly in Gaza.**

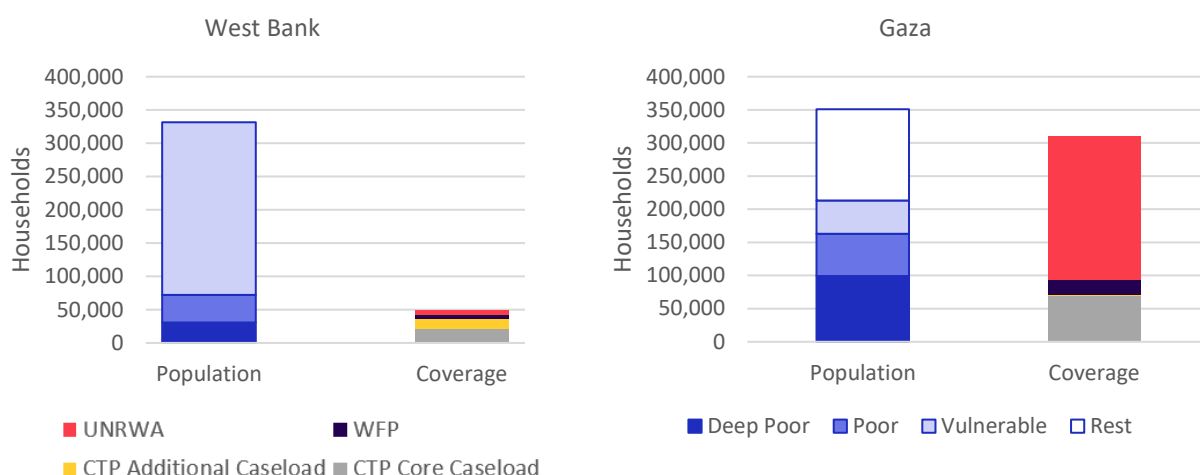
In Gaza, approximately 310,000 beneficiary households are receiving cash and in-kind transfers, with many receiving benefits from more than one programme. Without duplicating coverage of any households, the number covered would correspond to 88 per cent of all households in Gaza, and would exceed the number of households living in poverty. Meanwhile, a similar figure for households covered in the West Bank would correspond to 68 per cent of poor households (Figure 21). However, it would still fall considerably short of the number of vulnerable households. Looking at the PNCTP alone, in which all beneficiary households enjoy only a single benefit, the number of households covered across the two regions corresponds to approximately 82 per cent of Palestinian households living in deep poverty.

Table 21: Household coverage, by region and type of social protection transfer

	At Least One of the following	Pensions	Governmental Aid	Non- Governmental Aid
<i>National</i>	40%	5%	19%	29%
<i>West Bank</i>	19%	4%	10%	7%
<i>Gaza</i>	78%	5%	35%	70%

Source: PECS 2017

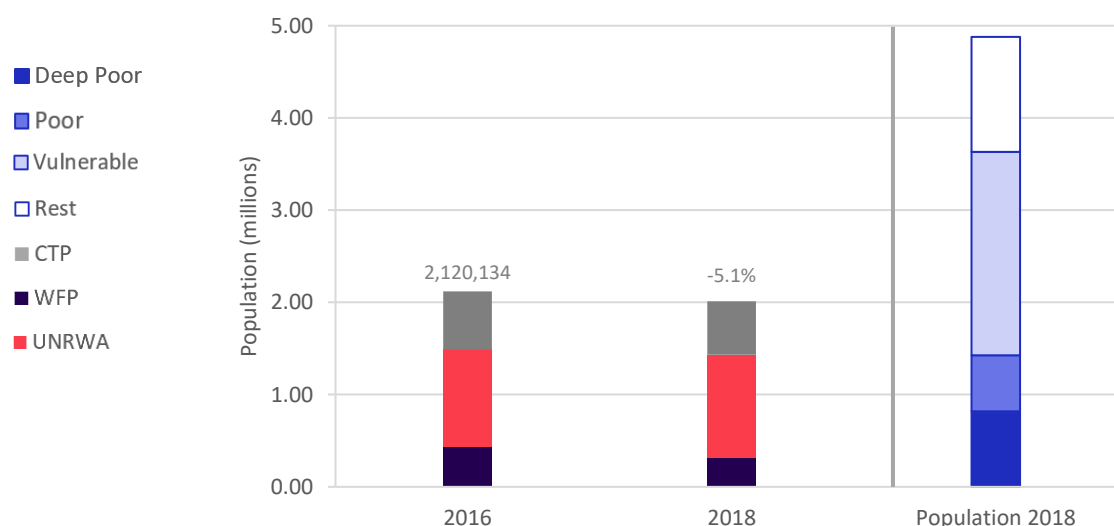
Figure 21: Household coverage of social assistance, by programmes/actor, and population, by income



Source: PECS 2017, PNCTP administrative data, WFP annual reports and UNRWA data

**However, in recent years, there has been a significant decline in coverage of both government and non-governmental social protection programmes in OPT.** Since 2015, OPT has witnessed a steady decline in the number of beneficiary households of the government PNCTP, for example, declining from its peak of over 120,000 households in 2015 to roughly 105,000 in 2019. (In 2020, coverage rebounded temporarily with the exceptional payment of 10,000 additional households on the waiting list in Gaza.) Longstanding coverage of many humanitarian programmes has reduced, as well. Individual coverage of WFP programmes decreased between 2014 and 2019 by 46 per cent, although coverage also rebounded slightly in 2020. Meanwhile, UNRWA modestly increased its coverage over the same period thanks to growth in its Emergency Appeal programming, which has partially mitigated the overall decrease in coverage of social protection programmes (Figure 22). Decreases in coverage have accompanied reductions to financing of both government and non-governmental social protection programmes, as earlier illustrated.

Figure 22: Yearly individual beneficiaries for PNCTP, UNRWA (SSN & EA) and WFP programmes, OPT



Source: PECS 2017, PNCTP administrative data, WFP annual reports and UNRWA data

### Responding to COVID-19 through an expansion of government social assistance

The impacts of COVID-19 throughout Palestinian society are widespread, with livelihoods threatened by a substantial reduction or cessation of economic activity throughout 2020 and beyond. The government response to this threat has primarily taken shape through a horizontal expansion of social assistance, including of in-kind transfers such as hygiene kits and food parcels, but also through the expansion of timebound cash transfers to households not currently in receipt of cash support through the PNCTP.

In the second quarter of 2020, MoSD launched a registration drive through partners to identify newly poor households impacted by the crisis. At the same time, MoL opened an online self-registration portal and encouraged workers impacted by the economic closures to apply for cash benefits. By June, MoSD had reached over 18,000 of its applicant households with one-time payments of NIS 500 using monies provided by a private sector initiative, the Waqfet Izz Fund. For its part, MoL supplemented private sector donations with funds from labour unions to distribute NIS 700 to 41,000 worker applicants through its system.

During this initial expansion, the government also secured a World Bank grant of USD 30 million for its COVID-19 relief efforts. Some of the grant was intended to cover financing deficits of the pre-crisis PNCTP caseloads. The majority, however, went to finance transfers to new beneficiaries and new cash for work programmes in the West Bank. Under this joint framework, the MoSD and MoL initiatives merged. By February 2021, MoSD and MoL together reached an additional 30,000 households with NIS 700 using the grant, and aim to reach another 40,000 more in the subsequent months.

The experience in rapid identification and registration of households impacted by COVID-19 has informed the government's vision to develop a single national social registry, from which it can draw information on potential target beneficiaries vulnerable to poverty and particularly susceptible to shocks. Such a tool is critical for government to be able to coherently and quickly respond to future crises that necessitate the direct distribution of cash and other support.

## 5.1.1 Household characteristics

**Social protection programmes tend to favour households headed by females, in part due to gender-focused targeting approaches.** In all categories of social protection examined, including both governmental and non-governmental aid, female-headed households benefit at higher rates than those headed by men from social protection programmes. On average, 36 per cent of female-headed household receive some of government aid, compared to just 17 per cent of male-headed households (Table 22). There is a similar trend in non-governmental assistance and in the incidence of pensions, the latter which includes survivorship benefits paid primarily to widows. When looking at PNCTP specifically, female-headed households, which constitute just 5 per cent of all Palestinian households, are also much likelier to receive assistance than male-headed households. On average, 44 per cent of all female-headed households receive a PNCTP benefit compared to just 7 per cent of male-headed households (Figure 23). The inclusion of female-headed households is even more prominent in the PNCTP's additional caseload.

Table 22: Household coverage, by household characteristics and type of transfer

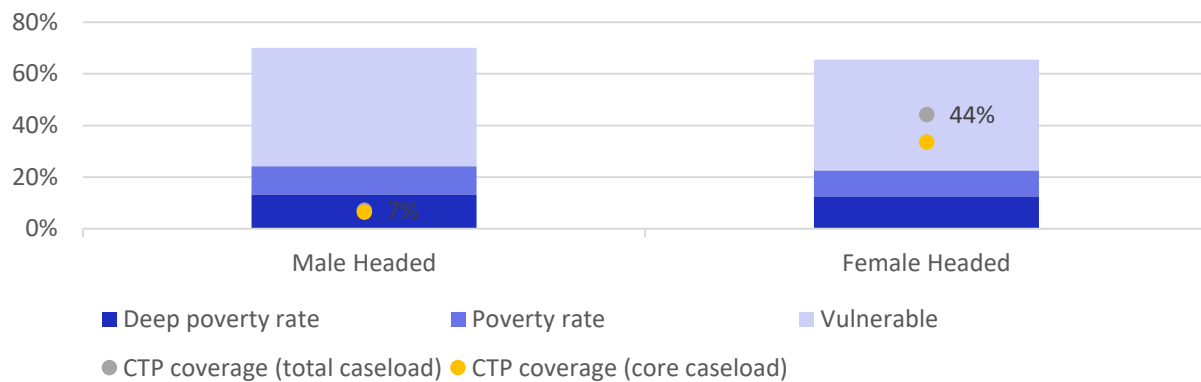
	At Least one type of benefit	Pensions	Governmental Aid	Non- Governmental Aid
<i>Male head</i>	38%	4%	17%	29%
<i>Female head</i>	57%	10%	36%	34%
<i>1-2 members</i>	39%	12%	20%	39%
<i>3-5 members</i>	35%	4%	18%	35%
<i>6-10 members</i>	42%	3%	19%	42%
<i>11+ members</i>	67%	5%	45%	67%
<i>Head aged</i>				
20-29	36%	0%	13%	32%
30-34	37%	1%	14%	30%
45-54	35%	1%	20%	26%
55-64	48%	10%	26%	31%
65+	54%	19%	27%	28%

Source: PECS 2017

**Larger households enjoy higher coverage levels, on average, but smaller households may enjoy outsize access to benefits despite their lower needs.** Larger households are more likely to receive government and non-governmental assistance with 67% of the largest households receiving at least one type of transfer compared to 39% for the smallest households (Table 22). However, as deprivation increases with household size, as illustrated in the prior chapter on poverty, increased coverage of larger households may not be commensurate with the increased likelihood of larger households experiencing poverty or even deep poverty. For example, in the PNCTP, 28 per cent of households with 11 or more members receive a benefit compared with just 21 per cent of those with one or two members. However, there is a significant share of large households living in deep poverty that do not receive a benefit, while at the same time the coverage of small households under the programme actually outstrips the share of small households living in poverty (Figure 24). The additional PNCTP caseload also tends to favour small households, potentially correlated with efforts to reach female-headed households under that targeting methodology. On average, 76 per cent of households with just one or two members are headed by females.

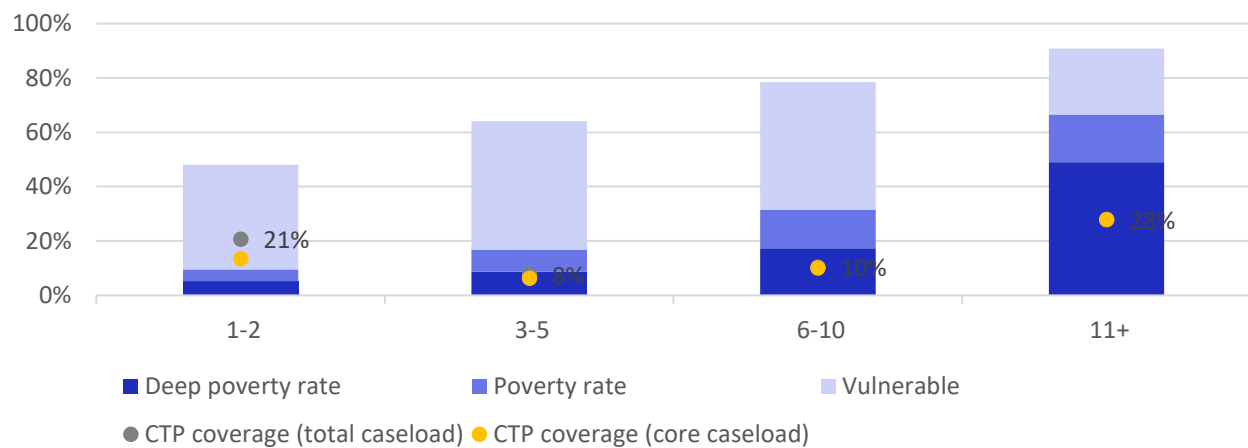
**Households with younger heads are being left behind by government assistance programmes, with non-governmental assistance partially filling the gap.** Poverty is relatively constant throughout the lifecycle, with the highest prevalence of poverty within the working age population. Households headed by younger persons (from 20 to 29 years of age) are the least likely to benefit from government assistance programmes or pensions. Just 13 per cent of these households enjoy coverage under government assistance programmes (Table 22). However, they are better covered by non-governmental assistance initiatives, where 32 per cent of households with young heads receive a benefit compared to just 28 per cent of households with heads aged 65 and above. When it comes to the PNCTP, we see that there are significant shares of households with younger heads (aged 20-29 and 30-44) living in deep poverty who do not receive a benefit. At the same time, households with elderly heads, many living above the deep poverty line and even some above the nominal poverty line, receive a PNCTP benefit (Figure 25).

Figure 23: Household PNCTP coverage and income shares (per cent), by sex of household head, household size (number of members) and age of household head (years)



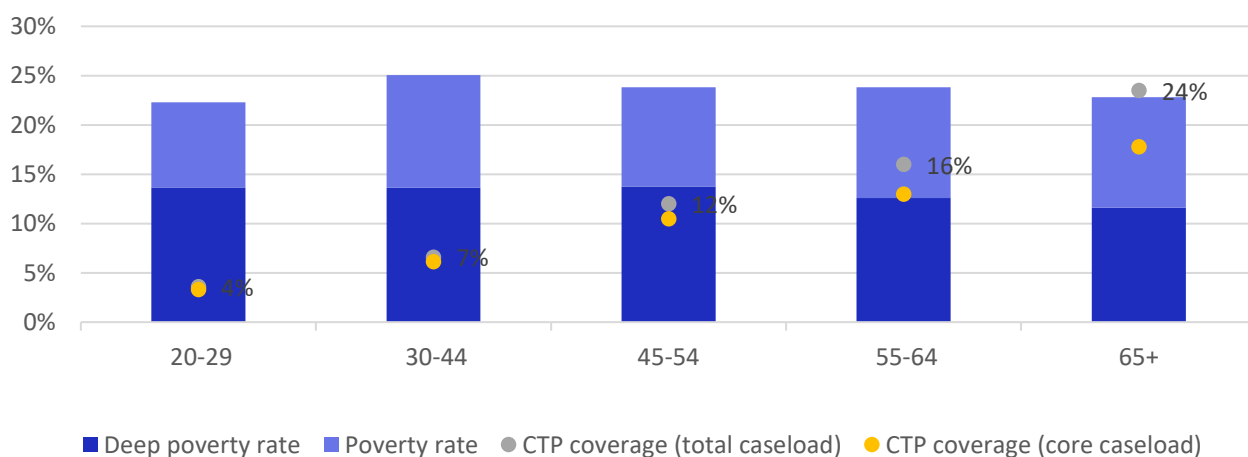
Source: PECS 2017, PNCTP administrative data

Figure 24: Household PNCTP coverage and income shares (per cent), by household size (number of members)



Source: PECS 2017, PNCTP administrative data

Figure 25: Household PNCTP coverage and income shares (per cent), by age of household head (years)



Source: PECS 2017, PNCTP administrative data

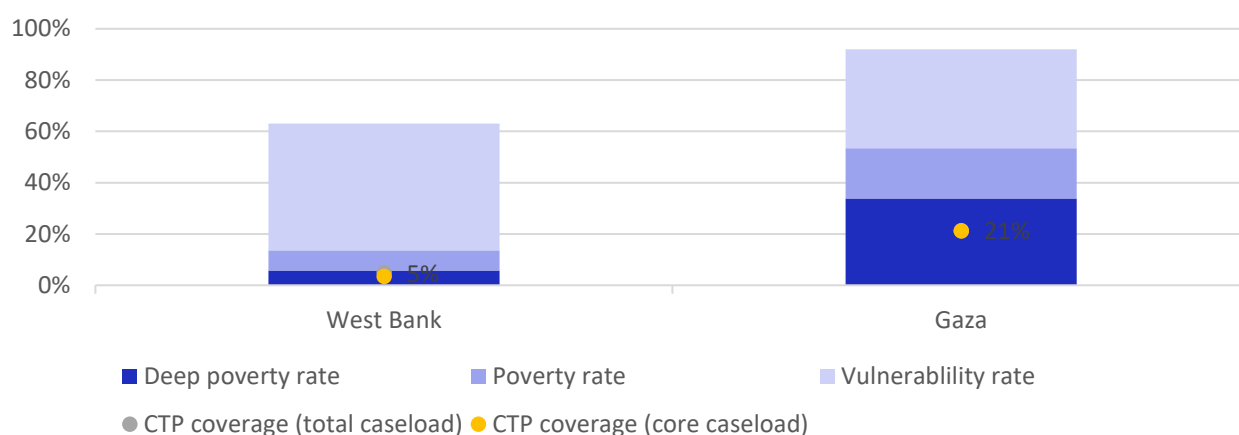


## 5.1.2 Individual characteristics

**More than 1.5 million Palestinians enjoy individual coverage under government and non-governmental programmes, with PNCTP covering 12 per cent of the total population.** The

analysis examined coverage of individual beneficiaries, those living in households receiving a benefit. Data from the 2017 Palestinian Expenditure and Consumption Survey (PECS 2017) show that there are nearly one million individual beneficiaries of various governmental transfers and over 1.5 million beneficiaries of non-governmental transfers, out of a population of approximately 5 million. The PNCTP alone covers approximately 12 per cent of the overall population, with significantly higher coverage rates in Gaza (Figure 26).

Figure 26: Individual PNCTP coverage (per cent of population) and income shares, by region



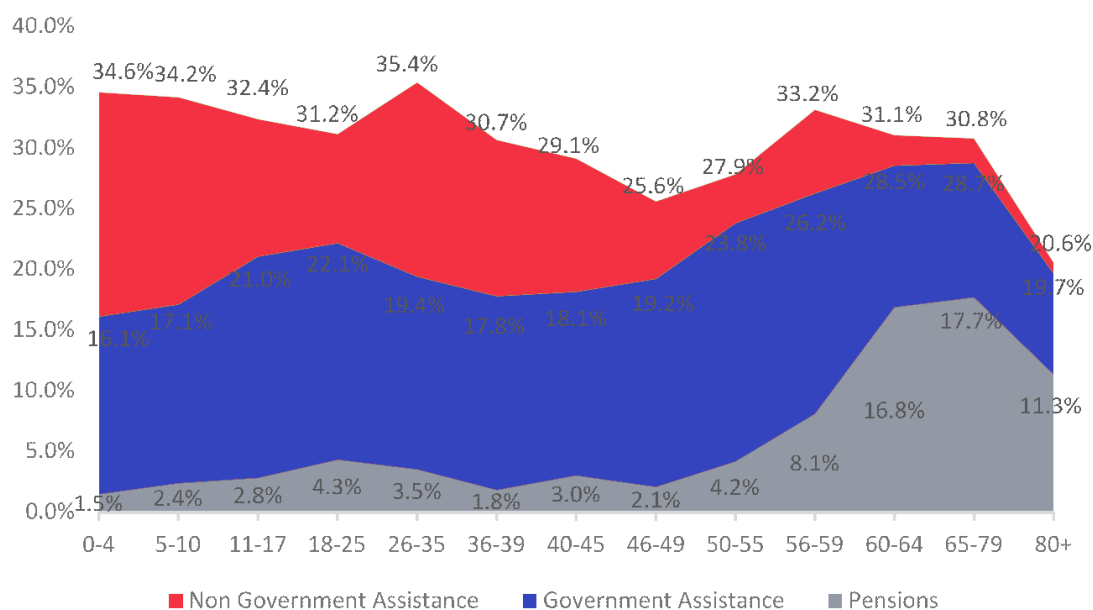
Source: PECS 2017, PNCTP administrative data

### 5.1.2.1 Children, individuals in working-age and older persons

**There are gaps in individual coverage of government programmes for younger groups filled by non-governmental programmes.** While coverage of pensions is expectedly concentrated among older cohorts, governmental assistance is distributed relatively uniformly until it tapers off for those in old age. Meanwhile, non-governmental assistance is primarily responsible for improving coverage of social protection programmes among younger groups (Figure 27).

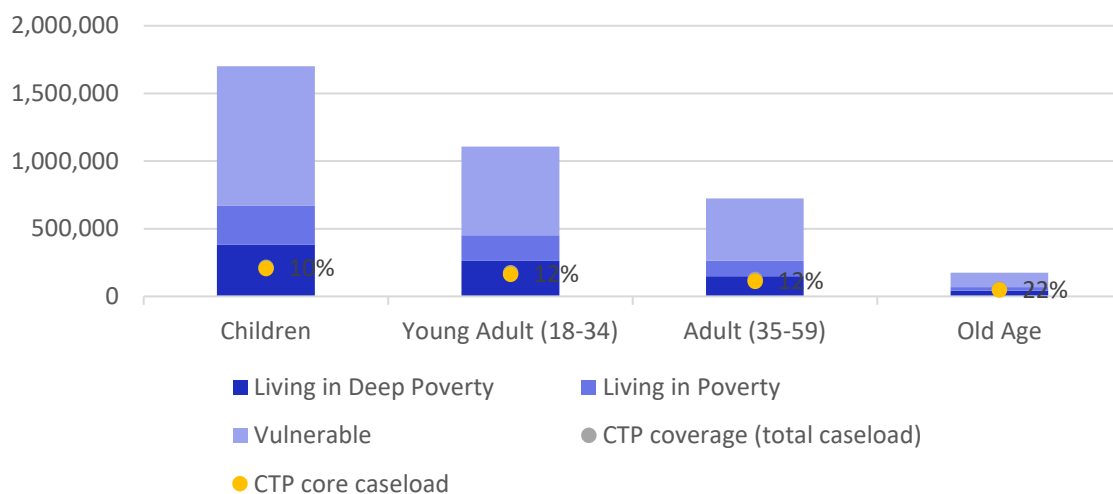
**The PNCTP provides support for higher shares of older persons than for younger cohorts. Whereas coverage of older persons exceeds the share of elderly deep poor, significant portions of deep poor children remain uncovered.** Individual coverage rates of the PNCTP are highest for those in old age, followed by working age adults and children. The additional caseload improves coverage slightly further for older persons through an additional focus on elderly in its targeting approach. Coverage rates of PNCTP among the elderly (22 per cent) actually exceed the share of deep elderly poor (16 percent of all older persons), while low coverage of children (10 per cent) leaves large numbers of deep poor children without access to a benefit; 17 per cent of all Palestinian children live in deep poverty. Coverage rates for working age individuals (12 per cent) are also exceeded by rates of working age deep poverty (16 per cent of all those in working age) (Figure 28).

Figure 27: Individual coverage (per cent), by type of transfer, across the life cycle



Source: PECS 2017

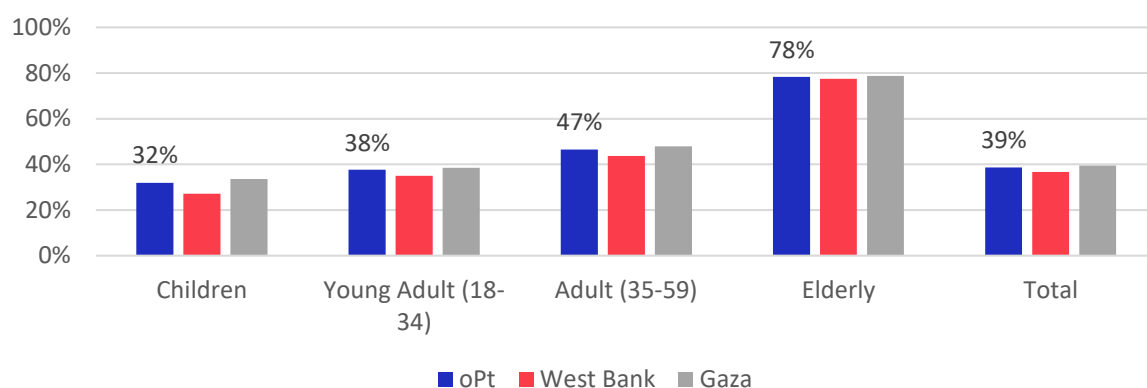
Figure 28: Individual PNCTP coverage (per cent) and income shares, by age group



Source: PECS 2017, PNCTP administrative data

**The current scope and distribution of PNCTP would be potentially sufficient to cover 40 per cent of all poor Palestinians in a perfect poverty targeting scenario.** Due to a lack of regular data availability regarding household consumption and expenditure, a proxy-means test formula (PMT-F) is used to qualify PNCTP applicants for benefits, combining factors considered indicative of poverty like the absence of certain home appliances or personal electronic devices, as well as demographic traits like age and disability status. The PMT-F provides a tool for administrators to assess applicants and prioritize resources with limited information, but not without considerable compromises to targeting accuracy. The efficacy of the current PMT-F is discussed in more detail in a subsequent subchapter. In a “perfect targeting” scenario, in which household consumption data and expenditure are known when determining eligibility, the PNCTP could cover at least 40 per cent of all poor Palestinians, given the programme’s current scope and budget. Maintaining the current distribution across four primary age groups, perfect poverty targeting would allow the PNCTP to cover up to one in three poor children, between two and three in five poor adults, and nearly 80 per cent of all poor older persons.

Figure 29: Potential PNCTP coverage of poor with perfect poverty targeting, by age group



Source: PECS 2017, PNCTP administrative data

### 5.1.2.2 Disability

**Persons with disabilities face very significant additional hardships throughout the lifecycle, but receive government cash assistance at rates similar to the general population.** Persons with disabilities in OPT are facing consistently higher levels of poverty (more than 9 additional percentage points, on average), when compared to their non-disabled counterparts. Differences are most acute among males with disabilities and those living in urban areas, with the gap only narrowing in older age. Despite facing outsize levels of poverty compared with other groups, persons with disabilities are covered by government cash benefits at rates similar to general population. Just 12 per cent of all Palestinians with disabilities are covered by the PNCTP (Figure 30). The result is a large coverage deficit of persons with disabilities living in deep poverty without access to government cash support, particularly in Gaza.

**However, other government programmes and non-governmental initiatives may help fill some of these gaps.** Households including persons with disabilities enjoy coverage of overall government assistance, cash and non-cash, at a higher average rate (33 per cent) than the average coverage rate for all households (19 per cent). The same trend can be observed in non-governmental cash and non-cash assistance and to a slightly lesser degree among households in receipt of pensions, as well (Table 23).

**Access to PNCTP for persons with disabilities is improved among nominally poor and non-poor households in the West Bank, while significant access barriers persist in Gaza.** The difference between core and total caseload coverage rates of persons with disabilities suggests that categorical vulnerabilities emphasized among nominally poor and non-poor households in the additional caseload is more effective in reaching persons with disabilities in West Bank. While core caseload coverage of persons with disabilities in the West Bank is at 7 per cent, inclusion of the additional caseload brings that rate of up to 10 per cent of the individuals with disabilities. However, in Gaza, where the additional caseload is much smaller, there is only negligible impact on coverage of persons with disabilities. And while coverage of PNCTP throughout Gaza is higher generally than in the West Bank, including for persons with disabilities, those with disabilities actually enjoy lower levels of coverage (15 per cent) than do their non-disabled counterparts (22 per cent). Meanwhile, the coverage deficit of persons with disabilities living in deep poverty without access to the programme is larger in Gaza than in the West Bank (Figure 30). Both phenomena suggest the presence of significant structural barriers for persons with disabilities to access the programme or information about it, to navigate the necessary public administration, apply for benefits or ultimately receive an assessment.

Figure 30: PNCTP coverage (core and total caseload) and income shared, by disability status



Source: PECS 2017, PNCTP administrative data

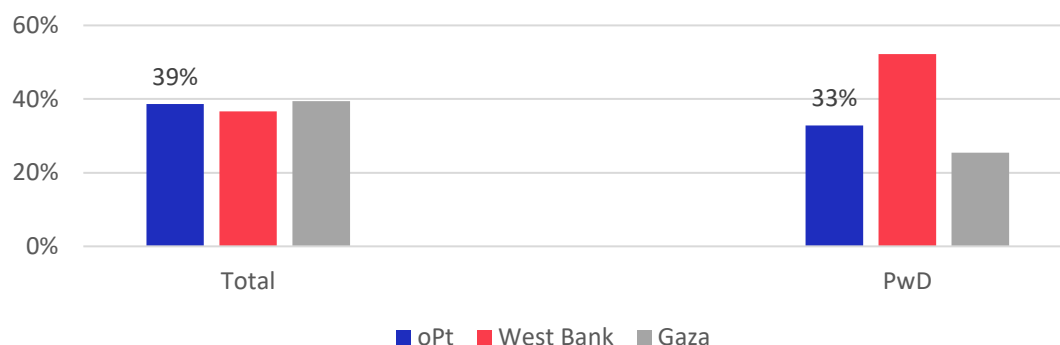
Table 23: Proportion of households receiving social protection transfers (cash and in-kind) by disability status of household members and programme type

	Type of programme		
	Pension	Government assistance	Non-governmental assistance
<i>All households</i>	4.6%	19.0%	29.1%
<i>Households w/ a person with disabilities</i>	6.0%	33.3%	40.1%

Source: PECS 2017

**The current scope of the PNCTP is potentially sufficient to cover 40 percent of all poor persons with disabilities in OPT with perfect targeting.** Without redistributing benefits between persons with disabilities and those without or between the West Bank and Gaza, the current scope of PNCTP benefits could reach 40 per cent of all poor persons with disabilities across the two regions with improved targeting. In the West Bank, PNCTP has the potential to cover 50 per cent of all poor persons with disabilities, while a higher disability prevalence and greater needs in Gaza limit the current potential to just 25 per cent of the same population there (Figure 31).

Figure 31: Potential PNCTP coverage of poor with perfect poverty targeting, by disability status



Source: PECS 2017, PNCTP administrative data

### 5.1.2.3 Employment

**Jobs reduce the likelihood of poverty, but are no guarantee against it.** The ability to find and carry out economic activity is an important factor in either experiencing or avoiding poverty. More than two-thirds of individuals classified as poor were either unemployed or outside the labour force. But simply having a job is no guarantee against poverty, as there remain large numbers of working poor. Among regular wage earners, 21 per cent are working poor, with the incidence of poverty increasing to more than 34 per cent among irregular wage earners.

**In general, social protection programmes prioritize coverage of the unemployed and those outside the labour force.** When examining coverage rates across social protection programme types, 86 per cent of households with unemployed heads receive at least one type of benefit, followed by 63 per cent of households whose head is outside the labour force. This is contrasted with just 30 per cent of employer or wage employee-headed households (Table 24). The trend is consistent across nearly all programme types with coverage of the employed often representing just a fraction of coverage for other groups.

Table 24: Proportion of households receiving a social protection transfer (cash and in-kind), by employment status of household head and programme type

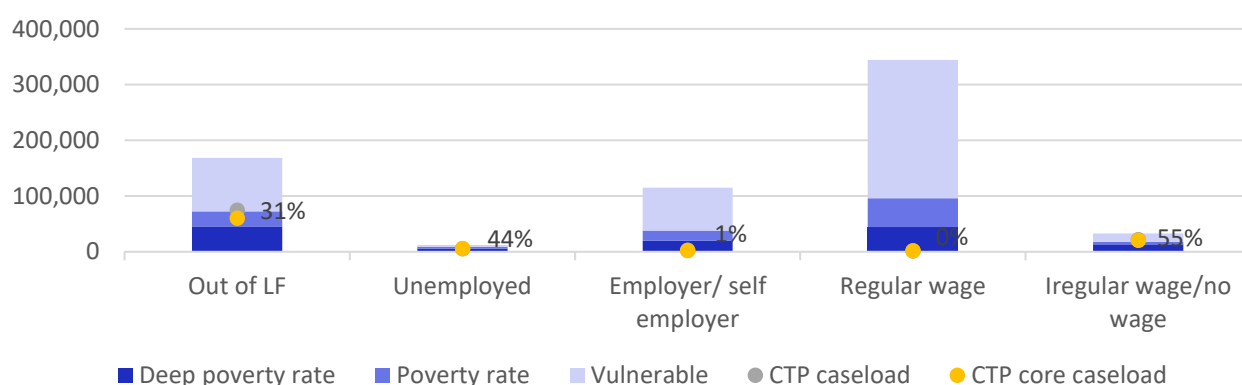
		Type of programme			
		Pensions	Government aid	Non-governmental aid	At least one type of benefit
<i>Employment status of household head</i>	<i>Out of the labour force</i>	16%	37%	38%	63%
	<i>Unemployed</i>	0%	49%	83%	86%
	<i>Employer or self-employed</i>	1%	14%	23%	30%
	<i>Regular wage</i>	1%	10%	25%	30%
	<i>Irregular wage or no wage</i>	1%	30%	42%	57%

Source: PECS 2017

**Despite the high risk of working poverty, there is low coverage of the PNCTP for the working poor.** When examining PNCTP coverage rates by employment status, households whose heads are unemployed or engaged in unpaid or irregularly paid work are likeliest to enjoy benefits. On average, 55 per cent of households with heads who are unpaid or irregularly paid workers receive a PNCTP benefit, while 44 per cent of those with unemployed heads also receive. (In fact, these households are fewest in absolute terms, however. The bulk of PNCTP beneficiary households have a head who is not

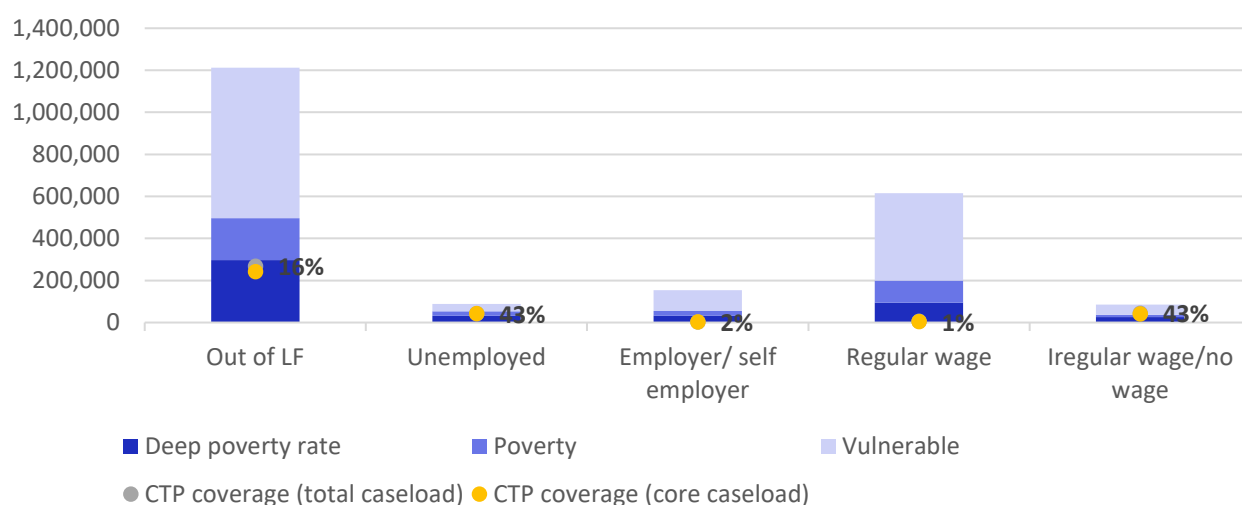
participating in the labour force at all, one who may be too old or otherwise unable to work.) This focus appears to penalize households with regular wage earning heads who are least likely to enjoy coverage of government or non-governmental assistance programmes; nearly 0 per cent are covered by PNCTP and only 25 per cent are covered by non-governmental aid. The same appears true for those with heads who are self-employed or who are employers themselves, just 1 per cent of whom are covered by PNCTP and 23 per cent of whom are covered by non-governmental aid. This is despite both groups experiencing significant rates of poverty (roughly 20 per cent). The result leaves significant numbers of working households living in nominal and deep poverty without access to any form of assistance. Meanwhile, coverage of programmes such as PNCTP among households with irregular wage earning heads or those outside the labour force exceeds the shares among those households who are living in poverty (Figure 32). When examining indirect coverage of PNCTP benefits by individual employment status, we can recognize similar trends. The bulk of indirect coverage is enjoyed by those outside the labour force. Meanwhile, where absolute need is second greatest – among regular wage earners – indirect coverage is lowest (1 per cent) (Figure 33).

Figure 32: PNCTP coverage (core and total caseloads) and income shares, by employment status of household head



Source: PECS 2017, PNCTP administrative data

Figure 33: Indirect PNCTP coverage and individual income shares, by individual employment status



Source: PECS 2017, PNCTP administrative data

## 5.2 Adequacy analysis

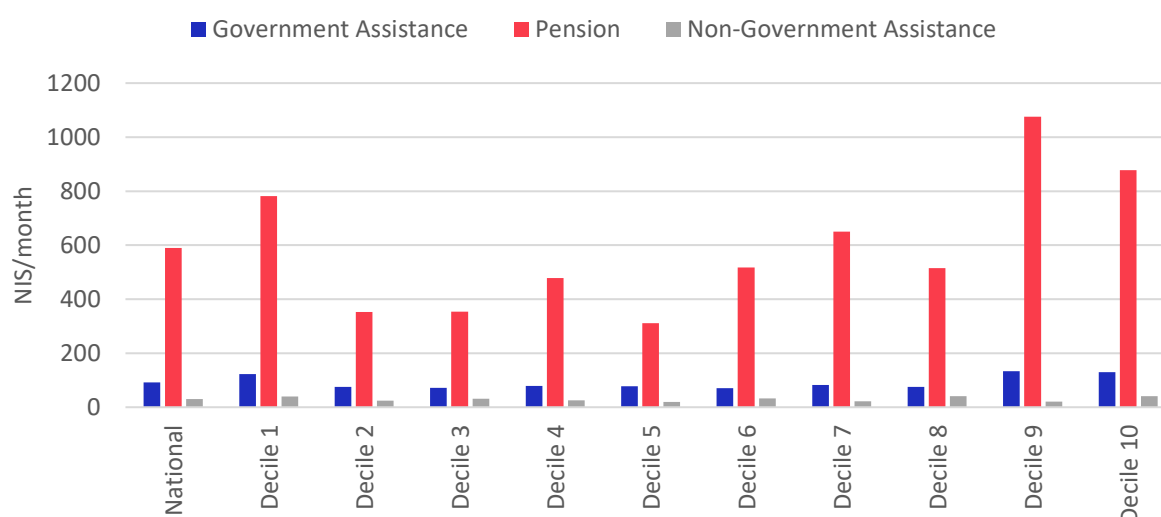
Central to the efficacy of a social protection system is not only the reach of programmes and the number of households or individuals they cover, but also the level of the benefits provided—the share of a wage or of the poverty line they represent, or whether they allow for the purchase of essential goods and services by their intended beneficiaries. In addition to promoting the expansion of coverage, the ILO Social Protection Floors Recommendation, 2012 (No. 202) urges states to also consider the adequacy and predictability of benefits in the introduction and further development of national social protection floors. The analysis takes into consideration the share of transfers allocated to different categories of households and individuals as well as the share of poverty line that these transfers represent for the individuals.

### 5.2.1 Transfer amounts

**There are large differences in benefit levels across social protection instruments.** Transfer values are highest for pensions, which include transfers for civil, military and private occupational pension schemes, many of which increase with higher previous earnings. Meanwhile, transfers of government assistance is second highest, with average non-governmental transfer values the lowest. The low average value of non-governmental transfers may result from the inclusion of somewhat outlier programmes such as Zakat, which distribute small sums to beneficiaries. Data from programme administrators reveal that recipient households of government social assistance received, on average, NIS 517 per month, while non-governmental assistance provides monthly transfers to households of roughly NIS 210, on average. Per capita transfer values as defined from survey data were, on average, NIS 91 per month for governmental transfers and NIS 30 among recipients of non-governmental aid.

**Individuals in upper income deciles capture significant shares of social protection transfer values.** Figure 34 presents average per capita benefit level across income deciles. There does not appear to be a clear progressive or pro-poor distribution of expenditure per beneficiary that would prioritize resources for individuals in the lower income deciles for either government or non-governmental programmes. Per capita transfer values of non-governmental aid fluctuate across the distribution, some of which may be attributed to interventions without means testing. Meanwhile, individual transfer values of targeted government assistance are initially higher for lower incomes, but are eventually surpassed by transfer values for individuals in the two highest income deciles.

Figure 34: Average per capita transfer value for beneficiary households, by pre-transfer deciles

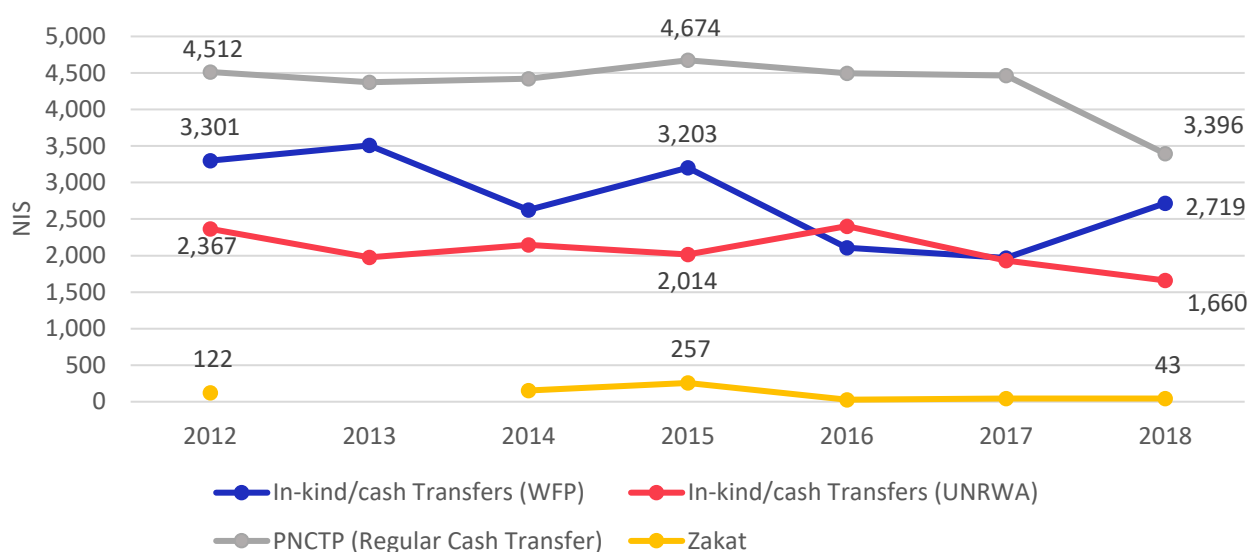


Source: PECS 2017



**In recent years, the adequacy of most social assistance benefits has fallen.** Since at least 2015, average expenditure per beneficiary has decreased for nearly all types of social protection programmes. This includes programmes such as the PNCTP and Zakat Fund, as well as many of those of international aid organisations such as WFP and UNRWA. UNRWA's net per capita for food and cash assistance fell by 18 per cent between 2015 and 2018, although it increased benefit levels under its Emergency Appeal initiative (from NIS 1,758 in 2015 to 1,783 NIS in 2018) whose caseload has also risen by roughly 38,149 households over the same time period. Meanwhile, the PNCTP experienced the largest absolute reduction in benefit adequacy, primarily due to the non-payment of the fourth quarterly benefit in 2018 and in subsequent years.

Figure 35: Average expenditure per year per beneficiary household (NIS, 2018 prices)



Source: UNRWA, WFP annual reports and data, Palestinian Zakat Fund and MoSD 2019

### 5.2.1.1 PNCTP benefit adequacy

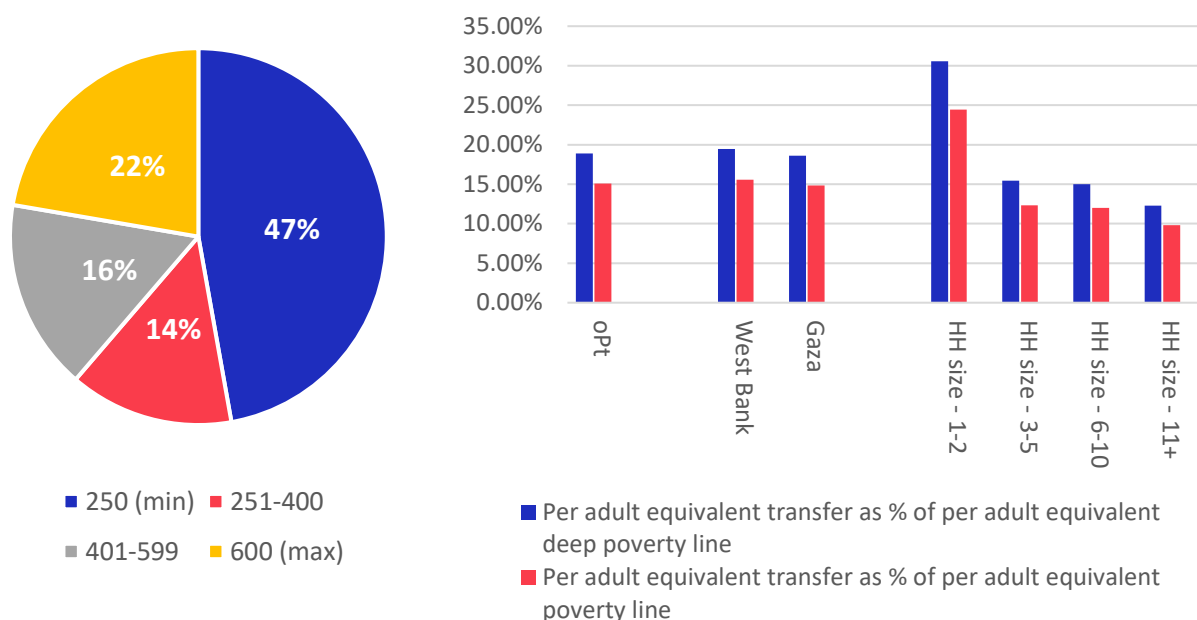
**On average, a PNCTP benefit represents just 15 per cent of the poverty line per beneficiary.** The amount of a PNCTP transfer can vary between NIS 250 and NIS 600 per month depending on a household's PMT-F score, which is used to determine both eligibility for benefits and their size under programme rules. Today, nearly half of all PNCTP recipient households receive the minimum monthly benefit allowable of NIS 250. Smaller shares of households receive larger transfers between NIS 251 and 400 (14 per cent of recipient households) and between NIS 401 and 599 (16 per cent) per month, while 22 per cent of PNCTP households receive the maximum monthly benefit of NIS 600. The average monthly transfer per household across the programme stands at just of NIS 379, or NIS 71 per individual, representing just 15 per cent of the individual poverty line.

**Transfer values increase with household size, but not by enough.** PNCTP transfer amounts are designed to adjust to increased need. Larger households do receive larger benefits, on average, although not in a way that is commensurate with their increased needs. In fact, when examining per capita transfer values distributed within households, average transfers for individuals decrease dramatically as household size increases.

**Similarly to their favourable coverage rates, those in households headed by females and older persons enjoy greater adequacy under the PNCTP.** This is reflected in per adult equivalent transfer as a per cent of the per adult equivalent poverty and deep poverty lines, which are on 6 per cent higher for individuals in female-headed households when compared to the per capita transfer values

enjoyed by individual beneficiaries of male-headed households, which are often larger. Meanwhile, when the age of the household head is taken into consideration, more adequate transfers are enjoyed, on average, by those in households with heads aged 65 years and above.

Figure 36: Shares of PNCTP caseload, by transfer value category (monthly), and transfer values as a per cent of individual poverty lines, by region and household size



Source: PNCTP administrative data, PECS 2017 and ILO calculations

Table 25: PNCTP transfer adequacy, by household head characteristics

		Transfer as percent of per adult equivalent:	
		Poverty line	Deep poverty line
All	OPT	15.1%	18.7%
	West Bank	15.6%	19.5%
	Gaza	14.9%	18.6%
Household size	1-2 members	24.4%	30.6%
	3-5 members	12.3%	15.3%
	6-10 members	12.0%	14.7%
	11+ members	9.8%	12.0%
Head's sex	Male headed	12.8%	15.8%
	Female headed	18.2%	22.7%
Head's age	20-29	13.9%	17.4%
	30-44	13.6%	17.0%
	45-54	13.2%	16.6%
	55-64	14.5%	18.2%
	65+	19.0%	23.8%

Source: PNCTP administrative data and ILO calculations

**As a category, children enjoy the largest share of overall PNCTP benefits given their large number. Older persons, however, receive the highest average transfers on a per capita basis.** While average transfer for an individual is of NIS 71 per month, this increases throughout the life-

cycle, reflective of a still relatively youthful age distribution in the territory. Average transfers are higher for females and persons with disabilities, with more significant differences in the West Bank, possibly due to categorical vulnerability priorities applied among non-poor household recipients that not only impact coverage, but also benefits determination in the additional caseload (Table 26).

Table 26: PNCTP benefit shares by category and average monthly individual transfer values (NIS)

		Share of total household transfer			Average monthly individual transfer (NIS)		
		National	West Bank	Gaza	National	West Bank	Gaza
Life cycle	Children	31%	6%	25%	59.2	51.4	61.4
	Young adults (18-34)	29%	6%	23%	66.5	59.1	68.6
	Adults (35-59)	23%	7%	16%	75.2	75.3	75.2
	Older persons	17%	8%	9%	120.2	134.5	110.7
Sex	Male	45%	10%	35%	66.4	61.3	68.0
	Female	55%	17%	38%	75.3	81.3	73.0
Disability status	PwD	10%	5%	6%	87.3	92.1	83.8
	No PwD	90%	22%	68%	69.5	69.4	69.6

Source: PNCTP administrative data and ILO calculations

**The largest share of overall PNCTP benefits is enjoyed by individuals that are outside the labour force.** Individuals who reported being outside the labour force enjoy the bulk of indirect coverage under the PNCTP programme. Individuals in this category receive the 75 per cent of the total transfer allocated to individuals in their working age.

**Despite lower absolute coverage under the programme, PNCTP allocates the largest average transfers to households whose heads are unemployed. But larger family sizes among this group effectively reduce per capita adequacy.** While the bulk PNCTP benefits are enjoyed by those in households with heads outside the labour force, the highest average transfers are allocated to households where the head is unemployed, followed by those headed by irregularly paid or unpaid workers. For these households, however, the higher average transfer satisfy the same share of the poverty line when compared, for example, to individuals in households with heads outside the labour force. In households with an unemployed head, average transfers cover 5 fewer percentage points of the individual deep poverty line than do benefits enjoyed by those in households with heads outside the labour force. Adequacy is further reduced in all other categories (Table 27).

Table 27: PNCTP benefit by household head's employment status

		CTP Average Household Transfer (NIS)			Per adult equivalent transfer as per cent of per adult equivalent:	
		National	West Bank	Gaza	Poverty line	Deep poverty line
Head of Household employment status	Out of LF	352.5	279.3	397.5	16.3%	21.3%
	Unemployed	480.3	386.5	483.6	13.9%	16.0%
	Employer & self-employed	405.1	323.1	470.6	11.5%	13.2%
	Regular wage	366.2	325.8	463.8	10.9%	12.7%
	Irregular wage & unpaid	441.4	343.2	471.6	12.3%	12.9%

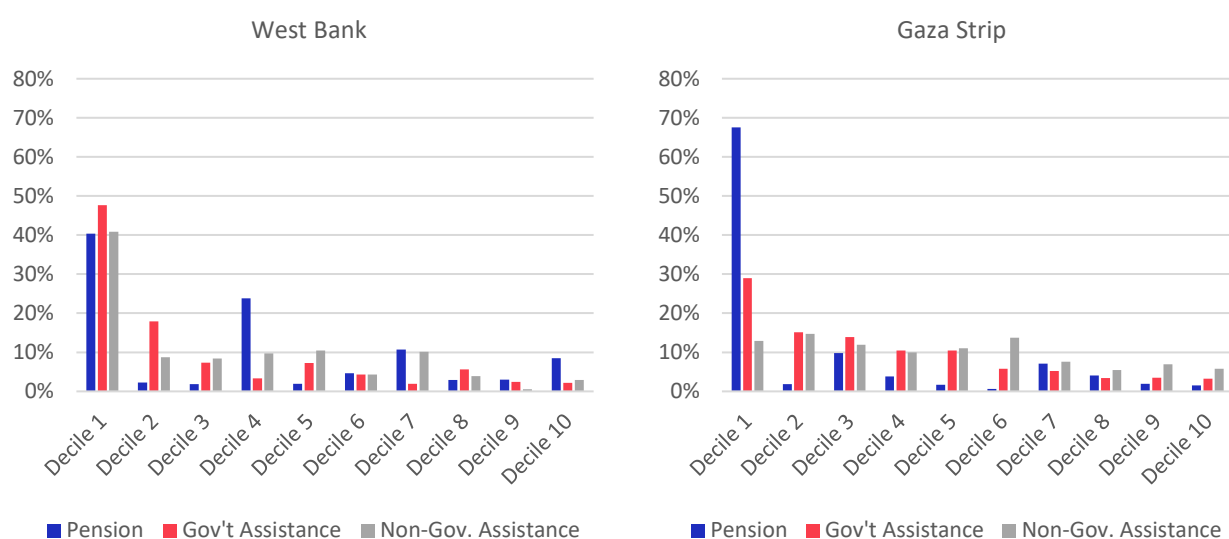
Source: PNCTP administrative data and ILO calculations

## 5.3 Impact analysis

After examining the cover of programmes and the size of the benefits they delivery to households and individuals, this section will analyse the efficacy of interventions to not only support consumption among poor and deep poor households, but to eliminate poverty among social protection recipients. The ILO Recommendation No. 202 suggests that income security measures be nationally defined taking into account national poverty lines, among other possible indicators. Therefore, this section will examine the income classifications of recipient households, by decile, both before and after receiving transfers, in order to evaluate the lasting impacts, if any, of Palestinian social protection transfer on poverty.

**Benefits are distributed with some degree of progressivity.** When examining the incidence of benefits received by recipient households across income deciles in the West Bank and Gaza as a percent of all pension, government and non-governmental transfers, we see that a significant share of benefits are effectively concentrated among households in the lowest income bracket. Government programmes tend to remain progressive with decreasing shares of benefits going to households in higher deciles. Concentrations of pension benefits can often be observed among lower income deciles, revealing that among many households in receipt of pensions, the benefits are often their only source of income (Figure 37).

Figure 37: Benefit incidence by income decile (pre-transfer), programme type, by region

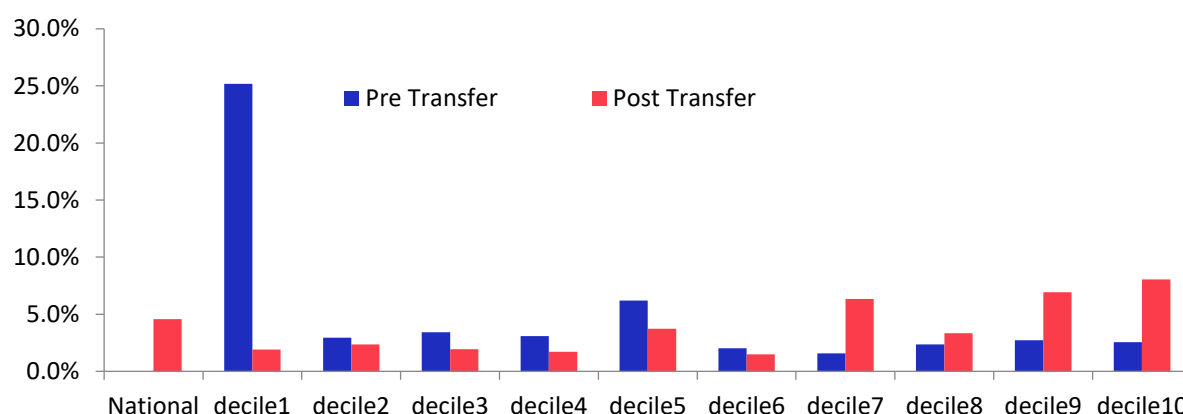


Source: PECS 2017 and ILO calculations

**Pension transfers effectively eliminate poverty among the vast majority of recipients, mainly due to the generosity of the transfers. However, few enjoy this powerful poverty reduction tool.**

While just over 50 per cent of pension recipient households are among the three bottom deciles when classified by pre-transfer income, only 9 per cent of the pension recipients' households remain within the three bottom deciles when classified by their post-transfer income (Figure 38). It is evident that the existing pension schemes considered in this report adequately shield their recipients from poverty. However, the share of Palestinian households receiving pensions is small, or just 5 per cent of the population nationally.

Figure 38: Pensions incidence by income decile, pre- and post-transfer (per cent of households)

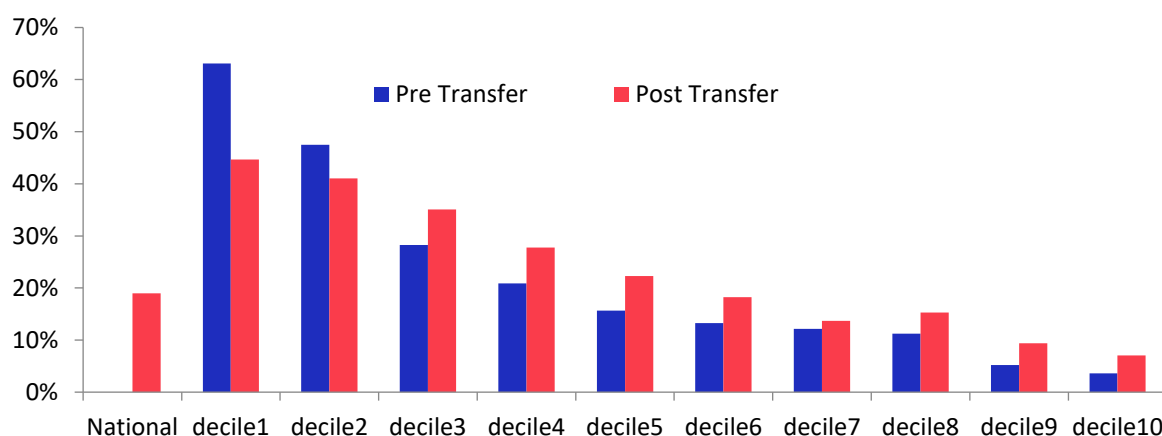


Source: PECS 2017 and ILO calculations

**Government assistance is the most progressively allocated, but with limited impacts on poverty.**

Government assistance is the most pro-poor among programme types, with approximately 56 per cent of beneficiary households falling in the bottom three deciles when classified according to pre-transfer income. However, even after receiving transfers, nearly 46 per cent of recipient households remain poor (Figure 39). This likely due to low transfer values among government aid programmes.

Figure 39: Government aid incidence by income decile, pre- and post-transfer (per cent of households)

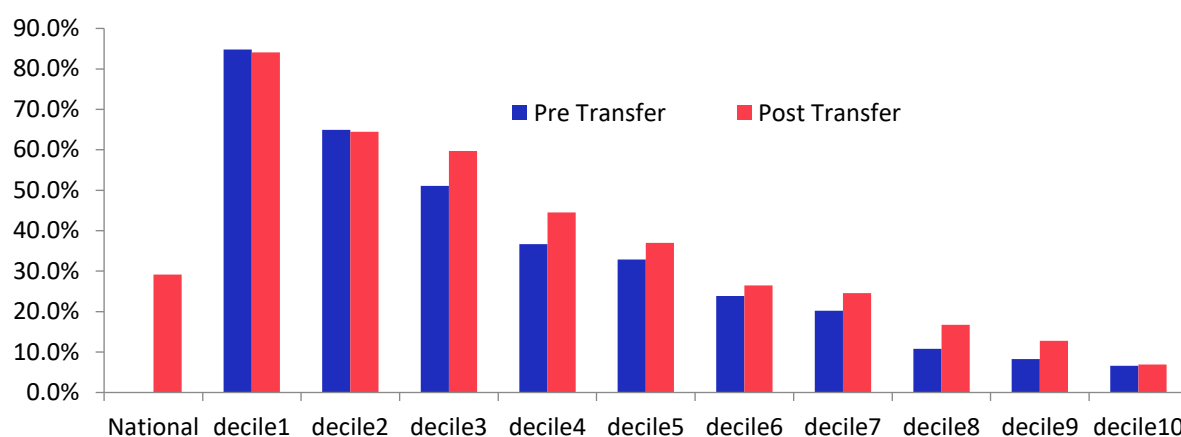


Source: PECS 2017 and ILO calculations

**Non-governmental assistance also reaches significant shares of the poor, but has only a negligible impact on poverty, particularly among the poorest.**

Non-governmental assistance is also reaching the poor, but with the least impact on poverty reduction. In this case, 52 per cent of beneficiary households fall within the three poorest deciles classified by pre-transfer income. But because of low transfer levels – the lowest average transfer levels of the three programme types – the impact of non-governmental assistance on poverty reduction, particularly amongst households in the bottom decile pre-transfer, is only negligible (Figure 40).

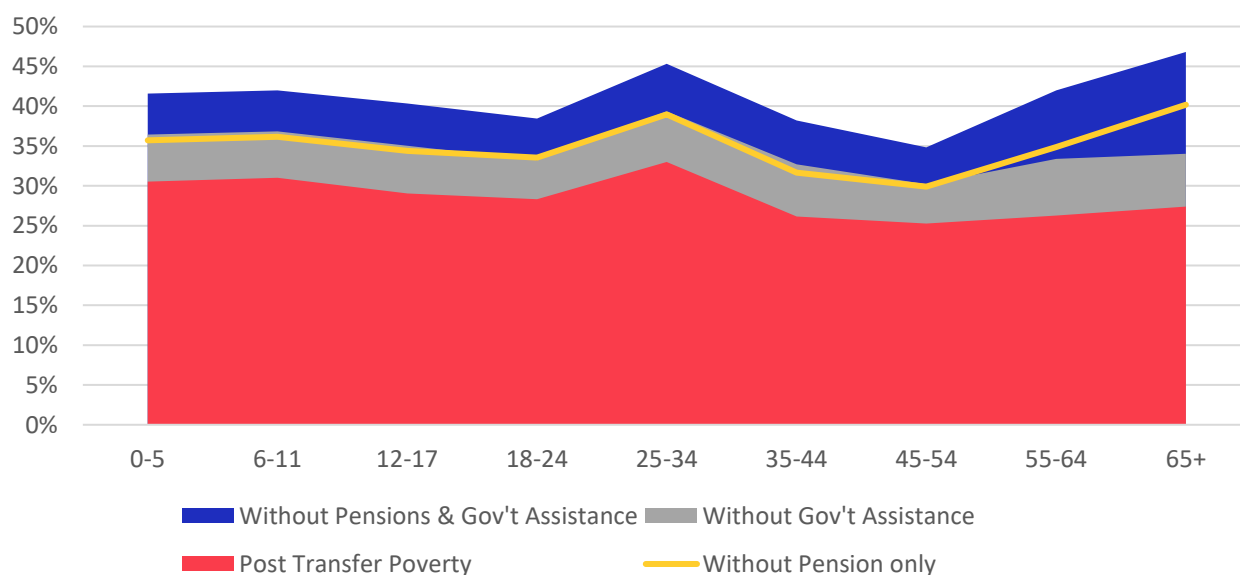
Figure 40: Non-governmental aid incidence by income decile, pre- and post-transfer



Source: PECS 2017 and ILO calculations

**Looking at the system as a whole, both government assistance and pensions have a poverty reduction function.** In a counterfactual exercise, excluding all transfer income would yield an increase in poverty beyond the 2017 29 per cent average of between 10 and 15 percentage points overall. Removing various types of support yields increases in the poverty rate across the lifecycle, with the removal of pensions causing an acute spike in poverty in old age, in particular (Figure 41). Government assistance appears to have similar impact on poverty reduction as pensions, despite remarkably lower coverage level of the contributory system. Meanwhile, the impact of non-governmental assistance, even with its relatively widespread coverage, is lowest.

Figure 41: Poverty headcount over the life cycle, by programme



Source: PECS 2017 and ILO calculations

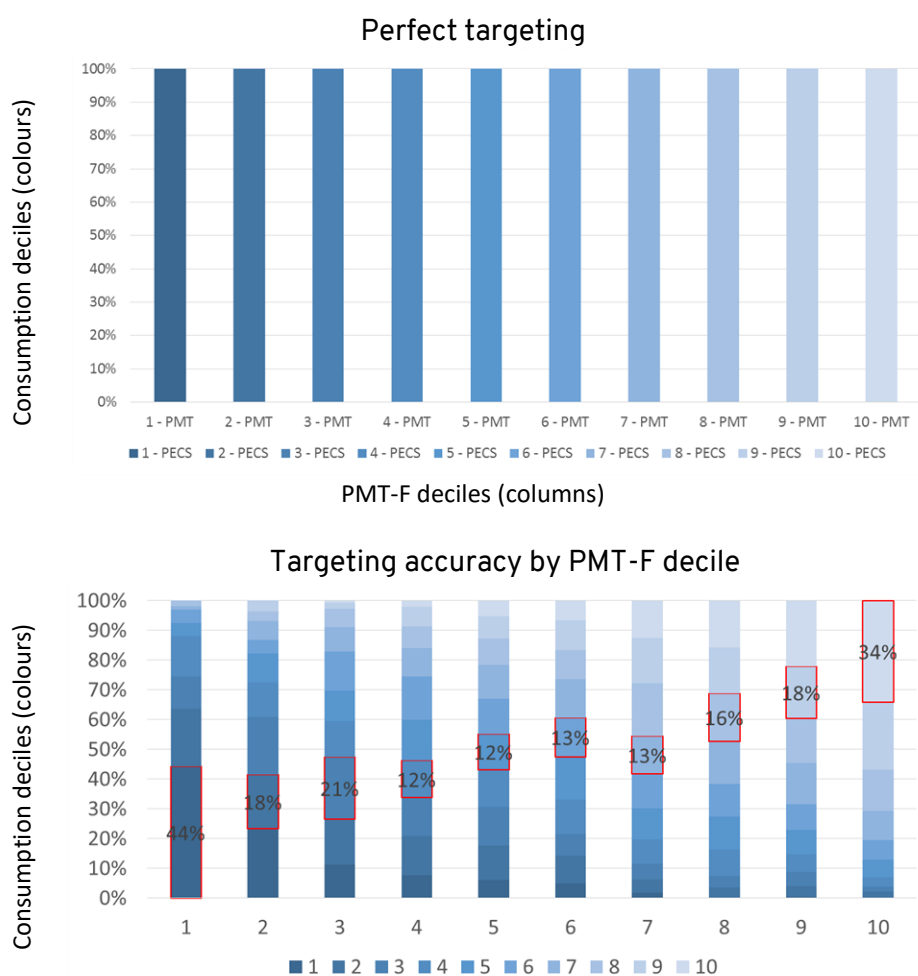
### 5.3.1 Analysis of targeting efficiency of the PNCTP

**Transfers made under the government's flagship Palestinian National Cash Transfer Programme are allocated to households on the basis of a proxy-means test.** As outlined in the previous section, government assistance is somewhat pro-poor. The bulk, if not all of government

assistance distribute in cash, is disseminated to beneficiaries who qualify for the PNCTP using its proxy-means test formula, or PMT-F, which draws upon welfare indicators captured through national surveys. The degree to which this approach to determining welfare and, by extension, determining the deservingness of households for assistance continues to be of interest to social protection programme administrators globally. In this section, the analysts have used socioeconomic data contained in the 2017 PECS to conduct a simulated application of the PMT-F and examine its efficacy and efficiency at reaching poor and deep poor households with various household characteristics.

**Fewer than half of the poorest Palestinian households are correctly classified as such by the PMT-F.** The current PMT-F used in the PNCTP captures only partially real welfare reflected through consumption and expenditure levels. There is some overlap in households classified into deciles, separately by the PMT-F prediction and by real household consumption and expenditure levels observed from survey data. For example, 44 per cent of the poorest 10 per cent Palestinian households as determined by the PMT-F (first decile of PMT-F) are also poorest as classified according to their consumption levels (first decile of consumption) (Figure 42). That overlap, however, is incomplete. While there is a stronger concentration of poorer households in lower deciles of the PMT-F scores, households classified as better-off according to consumption data (shown in lighter blue) appear to be scattered across all PMT-F score deciles, and a significant share of poorer households (shown in darker blue) are missed in lower PMT-F score deciles. Correctly targeted households are highlighted in red for each decile.

Figure 42: Targeting accuracy by PMT decile, as per cent of consumption decile



Note: Areas in red boxes represent per cent alignment between consumption and PMT-F-based determinations  
Source: PECS 2017, PNCTP administrative data and ILO calculations



**There are large inclusion and exclusion errors generated by the current PMT-F.** When analysing the consumption levels of simulated PNCTP beneficiary households, both large inclusion and exclusion errors are estimated. Of the 16.8 per cent of households across West Bank and Gaza that live in deep poverty as determined by their 2017 consumption levels, more than half (56 per cent) are deemed ineligible for PNCTP benefits using the PMT-F's extreme poverty eligibility threshold. Meanwhile, there are also sizeable inclusion errors, whereby non deep-poor households are considered eligible for support under current programme rules (Table 28). The high levels of exclusion errors are of primary concern, as they prevent significant numbers of deep poor households from accessing cash assistance, while inclusion errors are less of a concern given relatively widespread poverty and vulnerability throughout Palestinian society.

Table 28: PMT-F eligibility and exclusion and inclusion error rates at the deep poverty line

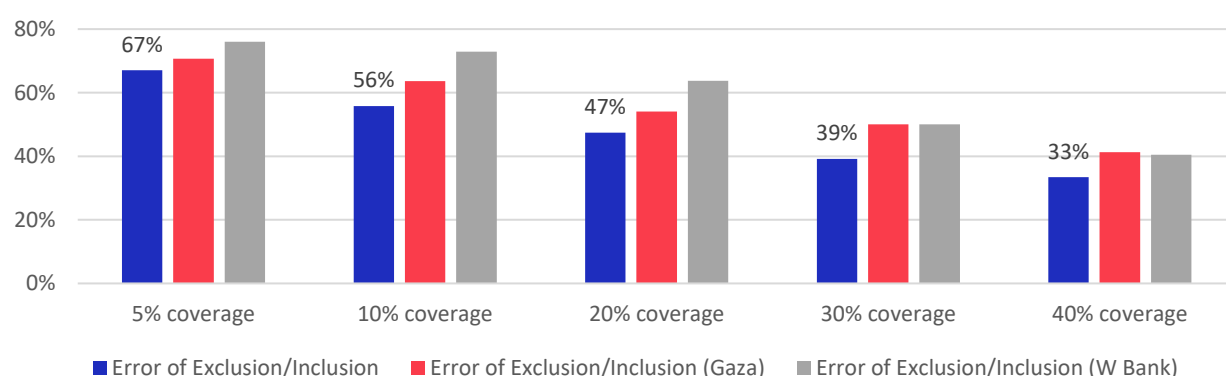
Per cent of population		PMT eligibility		
		Non-eligible	Eligible	Total
Deep poverty rate	Non-poor	74.1%	9.1%	83.2%
	Poor	9.4%	7.4%	16.8%
	Total	83.5%	16.5%	100%
		Calculation		Rate
Error type	Exclusion error (deep poor but not PMT eligible)	9.4%/16.8% =		56.0%
	Inclusion error (PMT eligible but not deep poor)	9.1%/16.5% =		55.1%

Source: PECS 2017, PNCTP administrative data and ILO calculations

**The current scope of PNCTP is theoretically sufficient to cover 40 per cent of all poor Palestinians and over 80 per cent of the deep poor.** But because of high exclusion and inclusion errors, the programme reaches in effect only 44 per cent of the deep poor and an even smaller share of the poor. Much of the current exclusion errors are inevitable due to the narrow focus on extreme poverty—hence insufficient coverage—in the context of widespread vulnerabilities. Increasing coverage leverage levels is the most effective way of reducing exclusion.

**Proxy-means tests are popular if imperfect. Programmes using them witness less exclusion when they have larger coverage.** Exclusion errors are not unique to the PMT-F in use by the PNCTP, and appear in programmes around the world that use proxy-means tests to target programme resources. Typically, as coverage levels increase, these exclusion errors associated with proxy-means tests are reduced. The same phenomenon can be observed for the PNCTP, where simulating an increase beyond the current 12 per cent of households reduces exclusion errors. Increasing coverage while using the same PMT-F could reduce exclusion down to 47 per cent (with 20 per cent coverage), down to 39 per cent (with 30 per cent coverage) and so on (Figure 43).

Figure 43: Exclusion errors (deep poverty) by level of programme coverage (per cent of households)



Source: PECS 2017, PNCTP administrative data and ILO calculations

**Certain categories of poor individuals face greater chances of exclusion by the PMT-F from the programme.** There are several individual characteristics correlated with greater chances of exclusion from the programme even among those living in deep poverty as assessed by their 2017 consumption levels. In particular, individuals in smaller households with fewer than five members are likelier to face exclusion from the programme, followed by rural residents and those aged 60 and above (Table 29).

Table 29: Exclusion errors of deep poor (2017), by individual characteristics

Individual characteristics	Exclusion error rate
Children 0-17	55.4%
Elderly 60+	66.3%
Persons with disabilities	52.3%
Male-headed household members	58.7%
Female-headed household members	49.3%
Gaza residents	54.6%
West Bank residents	61.4%
Urban residents	61.4%
Rural residents	68.6%
Refugee camp residents	38.6%
Individuals in households w/ 1-2 members	95.8%
Individuals in households w/ 3-5 members	84.7%
Individuals in households w/ 6-10 members	60.1%
Individuals in household w/ 11+ members	21.2%

Source: PECS 2017, PNCTP administrative data and ILO calculations

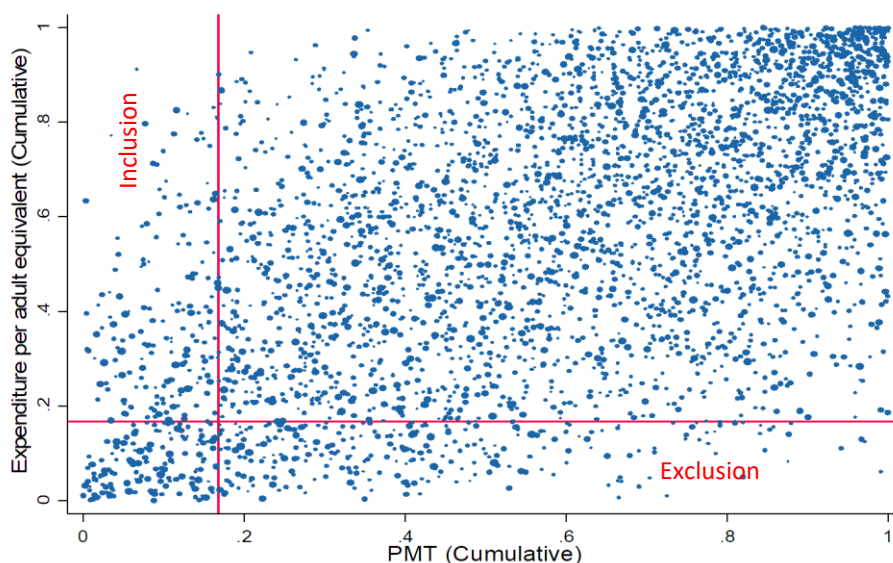
**Circumstances among poor Palestinians have evolved, but the PMT-F has not kept pace with the changes.** The current PMT-F was developed using socioeconomic indicators and other household characteristic data contained in the 2010 PECS data. At that time, the PMT-F is estimated to have yielded exclusion errors among the deep poor at 52 per cent. Since then, estimates of exclusion errors have risen to 56 per cent based upon 2017 data. It appears indications associated with poverty are changing and that the PMT-F has not able to capture those changes without being periodically

updated. Currently, MoSD is in the process of reviewing its PMT-F using more recent data. But it is an exercise that will have to be repeated in future with some regularity if the formula is to remain current as a poverty targeting instrument.

**The PMT-F appears most effective at excluding households at the top of the income distribution, and could be used as an “affluence test.”** Figure 44 plots welfare determinations made by the PMT-F (across the x-axis) and by expenditure levels (y-axis). It reveals a convergence emerging between the two determination methods (top-right), and a greater resulting accuracy of the PMT-F when assessing households with higher consumption levels. The PMT-F is more efficient in identifying higher-earning households, which could be excluded from programmes, than it is in making determinations about welfare levels of households with lower incomes. For example, setting the PMT-F coverage rate at 80 per cent (i.e. removing the top 20 per cent of households) would lead to a share of wrongly identified households because of inclusion/exclusion errors of 13 per cent, while removing only the top 10 per cent reduces targeting errors to 7 per cent. Overall, the PMT-F appears most effective when coverage rates are higher, meaning it could be effectively used in combination with categorical targeting approaches to exclude beneficiaries otherwise selected on the basis of characteristics like age and disability, among others, to receive benefits.

**The PNCTP is supposed to provide more to those further from the poverty line. But the PMT-F does not appear to accurately distinguish degrees of need among eligible households.** Within Figure 44, there is also a comparison of the poverty gap or the distance between household welfare and the poverty cut-off, as determined by the PMT-F (vertical red line) and in relationship to consumption levels (horizontal red line). Plots found to the left of the vertical line are households deemed eligible by the PMT-F, while those below the horizontal line are also poor as measured by their reported consumption. In these two quadrants, the correlation between the PMT-F score and household consumption levels is weakest. In the absence of a relationship between the results of the two methods, many households that do not appear far from the poverty cut-off according to PMT-F are, in contrast, far from the poverty line according to their consumption level. This means that quarterly transfer amounts, as calculated by the PMT-F, are unlikely to respond according to the varying degrees of deprivation actually faced by households benefiting from the programme.

Figure 44: Correlation between consumption-based and PMT-F welfare determinations (scores)



Source: PECS 2017, PNCTP administrative data and ILO calculations

**In practice, the PMT-F is used in combination with discretionary practices to determine eligibility, which may reduce exclusion.** The PNCTP uses the PMT-F to assess programme applicants who have been identified through other means. Many are identified at the discretion of their social workers, and some may even qualify for benefits regardless of their PMT-F score. Using data received from respondents to the PECS 2017 questionnaire regarding their receipt of cash and in-kind government assistance, which would include benefits received by PNCTP households selected on a discretionary basis, exclusion errors were significantly less than in the simulated “pure” application of the PMT-F above. While informal or discretionary practices may serve to reduce exclusion, it renders more opaque programme rules regarding eligibility and may jeopardize confidence in or credibility of the programme.

## ▶ 6: Key findings and recommendations

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The review of the poverty and macroeconomic situation, as well as the various government and international social protection actors and instruments in OPT, provides insights into the overall current performance of the system and its future potential. The key findings articulated in previous chapters are briefly summarized below and serve as the basis for the following considerations recommendations for improving the efficacy and efficiency of the system.

### 6.1 Summary of key findings

The current scope of the Palestinian social protection system, including large-scale humanitarian interventions, has the potential to cover sizeable shares of households and individuals living in poverty. However, benefits are not always reaching those with the greatest needs or providing the type or level of support necessary to have lasting poverty impacts.

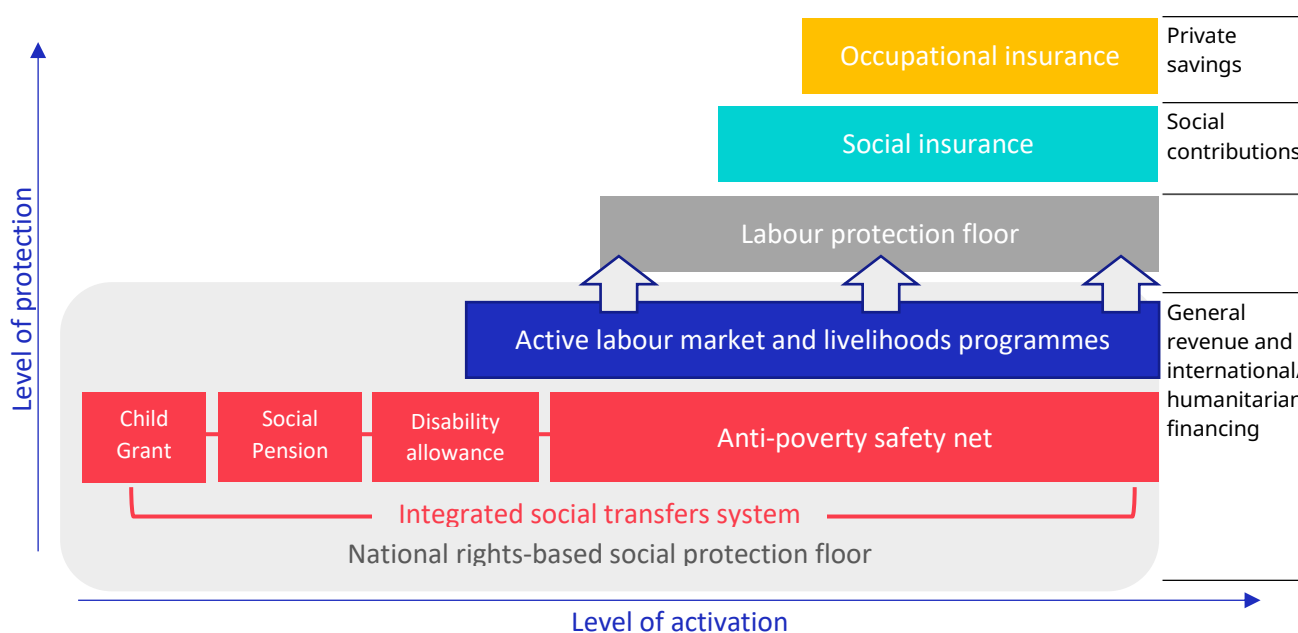
- ▶ There is high coverage of social assistance, but **insufficient “focus” and inadequate transfer levels** to make significant inroads against poverty.
- ▶ **Fragmentation of the social assistance system**, between government programmes and international humanitarian efforts, severely limits the system’s potential impacts. Non-governmental programmes currently have very limited impacts on poverty reduction, and, in the absence of sufficient coordination, there is a significant risk of duplications of effort and a lack of synergies with government programming.
- ▶ The current poverty-targeting mechanism yields **high levels of exclusion** among even the deep poor, excessively **static** compared to dynamic poverty trends, and appears **ill-suited for determining transfer amounts** for PNCTP beneficiaries.
- ▶ **Lifecycle vulnerabilities such as disability are not sufficiently addressed** by current programmes. Despite a targeting approach that considers disability status, persons with disabilities only enjoy assistance at rates on par with that of the general population. In Gaza, rates are actually lower for persons with disabilities than for the general population.
- ▶ There is **limited use of active labour market and livelihoods measures** to complement cash assistance and promote economic activation among transfer beneficiaries.
- ▶ The **absence of a contributory social insurance scheme** for the private sector deprives government of an effective tool for combating poverty and for mitigating demand for assistance among workers. Existing contributory schemes have significant impacts on poverty, but are very limited in coverage.
- ▶ Available **domestic and international financing for social protection has declined**, and the system remains **highly dependent upon external support**.
- ▶ There is **no current legal framework** for rights-based social protection.

- Financing of social protection is **heavily dependent upon external donor support**, with fewer international donors becoming responsible for larger shares of the envelope. Nearly all government programmes are financed through **increasingly volatile tax revenues**, with no safeguards for social protection outlays in the budget and leading to the cancellation of transfer payments to beneficiaries. Meanwhile, the **contributory capacity of workers goes unharnessed**, in the absence of a social security scheme for the private sector, to grow and diversify the financing base through the introduction of social contributions.

## 6.1 Strategic directions and recommendations

A reimagined Palestinian social protection system is one of purpose-specific programmes, with diversified and integrated funding sources, and promoting economic potential among beneficiaries. Many national social protection systems are multi-tiered, integrating components targeted for different segments of the population facing different types and levels of risk and financial vulnerabilities. Figure 45 presents a vision for such a system in OPT built upon the foundation of a rights-based social protection floor with an integrated system of social transfers, which are financed by general government revenues and through humanitarian initiatives via improved nexus coordination. The transfer system is designed to holistically manage priority lifecycle risks (e.g., old-age, disability, etc.) and provide support to those facing economic hardships, while linking beneficiaries to economic activation programmes, where appropriate. For those who do (re)enter the labour market, applicable labour law and statutory social insurance then provide higher levels of protection, financed from social contributions on wages and, additionally, through private insurance arrangements.

Figure 45: Increasing levels of protection through a rights-based social protection floor and multi-pillar social protection system



From the vision above the following strategic directions of reform and recommendations follow:

**Strategic direction 1. Align humanitarian-development efforts towards the development of an integrated national social transfers system for increased impact, cost-effectiveness, operational efficiency and shock-responsiveness.** Strengthening coordination across the nexus will allow to identify redundancies and close gaps in coverage and adequacy. Furthermore, alignment of programme designs and sharing of administrative resources will increase the efficiency of operations and could generate gains to finance additional transfers or increase their adequacy.

- ▶ **Recommendation 1.1. Progressively integrate all in-kind and in-cash assistance through a single national system, including through an integrated financing and programmatic framework to improve coordination across the nexus.** Streamline existing social assistance programmes (MoSD, UNRWA, WFP, Zakat, etc.) to achieve increased efficiency, coverage and consistency for administrators and beneficiaries. In the short term, this will entail developing an integrated cross-nexus social protection framework, with common monitoring and reporting, harmonizing selection rules and criteria for eligibility determination across programmes, harmonizing criteria for determination of transfer levels and integrate data management for coordination of coverage (e.g., humanitarian access and contribution to the national registry). Additional steps in the medium term should include integrating payment systems (potentially moving towards electronic payments) and remaining cash distribution networks, and integrating the financing system for social protection, options for which include multi-donor trust funds for financing of benefits under unified system.
- ▶ **Recommendation 1.2. Enhance shock responsiveness of the national social protection system.** Strengthen capacity for vertical/horizontal responses and contingency planning, and link with humanitarian programmes and financing. Develop the necessary policy, planning and administrative tools to increase shock responsive capacity of the social protection system. Identify procedures for unlocking or activating contingency financing for vertical and/or horizontal expansion of benefits, leveraging national and international sources of revenue. Institutionalize expedited methods of beneficiary identification and selection.

**Strategic direction 2. Rethink the social assistance architecture to recognize the need to differentiate instruments according to their desired function, whether to tackle extreme poverty or address life-cycle vulnerabilities.** Efforts should now be made to improve social protection coverage, including through the introduction of categorically-targeted benefits for priority groups, particularly those being left behind by the system's current exclusive anti-poverty focus (e.g. persons with disabilities in Gaza, urban elderly, etc.). At the same time, anti-poverty initiatives should tap into economic potential where it exists among beneficiaries, and provide a pathway to graduate from assistance. From the reviews undertaken in this assessment, it is clear that a single programme such as the PNCTP cannot successfully perform both of these functions, but that an integrated system of objective-specific programming is needed, including core SPF guarantees.

- ▶ **Recommendation 2.1. Refine design of the PNCTP as core anti-poverty needs based safety net programme.** Delink transfer amounts from somewhat arbitrary determinations of poverty gap produced by the PMT-F to **prevent erosion and enhance per capita adequacy of benefits** and associate the transfer amount instead with household size,



increasing as a function of the number of members Increase efforts to **reduce exclusion errors** by adopting a combination of the PMT-F and other selection mechanisms incorporating broader definitions of poverty or other indicators. Establish clear protocols for dynamic verification of eligibility of new potential beneficiaries during regular times and at time of crisis. Establish clear protocols for programme exit, linked with economic graduation strategies (see Recommendation 3.1 below).

- **Recommendation 2.2. Progressively introduce life-cycle rights-based social allowances.** Periodic cash benefits should be introduced to address structural vulnerabilities and ensure income security of groups experiencing risks during the lifecycle, such as persons with disabilities, older persons, pregnant women and eventually children. Initially, categorical benefits could be subject to an “affluence test,” either using the PMT-F, which is more accurate at approximating consumption levels among households in higher income groups, or a simplified series of administrative cross-checks (e.g. pension receipt, income tax filing, etc.) to disqualify candidates in the upper income deciles. Progressively move from household-based toward individual (and rights-based) benefits, modifying the transfer values as appropriate to support implementation. The results from a preliminary costing exercise with different gradual approaches for introducing social allowances are contained in the Annex.

Table 30: Objectives and target of components of on integrated social transfer system

	Type	Objective	Target
<b>(CTP –) Old age Allowance</b>	Long-term cash transfer	Income security for older persons	65+/75+; pension tested/affluence tested
<b>(CTP –) Disability Allowance</b>	Long-term cash Transfer	Income security for persons with disabilities	Severe disabilities; pension tested/affluence tested
<b>(CTP –) Maternity and child allowance</b>	“Fixed Term” Cash Transfer (soft conditionality?)	Human capital development; Access to essential services	Pregnant women and children 0-2; Households below vulnerability line (focus on foster children – working children)
<b>CTP – Poverty relief</b>	Short term Cash Transfer + fee waivers for basic services (health, education, housing). Shock responsive: vertical and horizontal expansion	Last resort extreme poverty/food insecurity alleviation; Access to essential services Emergency response	Households facing chronic extreme poverty/ food insecurity Households facing short term extreme poverty/ food insecurity

**Strategic direction 3. Better integrate social protection with employment activation. Link social assistance beneficiaries with economic potential with labour market activation initiatives such as skills, jobs matching, and transitioning into social security as part of “graduation” pathway.** Expanding and better linking active labour market policies, livelihoods programmes and credit access

to assistance will create pathways for beneficiaries to exit poverty and anti-poverty programmes, when it is appropriate, and improve the sustainability prospects of the social protection system over the medium and long-term.

- ▶ **Recommendation 3.1.** Link cash benefits to enhanced offering of active labour market and livelihoods interventions to **promote economic activation, graduation of beneficiaries and financial sustainability of the programme**. This should entail integrating beneficiary data regarding education and skills into collection at intake and as part of case management activities and national registry population, as well as enhance the referral system to facilitate linkages between cash and activation programmes, including those developed by the newly created Palestinian National Economic Empowerment Institution (PNEEI) and potentially Ministry of Labour and Palestinian Fund for Employment and Social Protection (PFESP), and ensure awareness of relevant programmes among frontline social workers

**Strategic direction 4. Strengthen framework for employment-linked social insurance and labour protection.** Currently, only workers in the public sector are covered by social insurance provisions. The absence of such a system was made apparent throughout the COVID-19 crisis, which saw large number of workers forced to seek government assistance typically reserved for the ultra-poor. With a larger number of workers covered under social insurance, the impact of future crises and resulting demand for social protection benefits would not be borne solely by social assistance programmes. Explicit effort should be put in ensuring the design and administration of the new system accommodates and promotes participation in social insurance by lower income workers of the informal sector.

- ▶ **Recommendation 4.1: Establish a social security system for private sector workers.** Create synergies between the new contributory and non-contributory systems (including for informal workers who may straddle between them) to move toward universal coverage of both short-term (e.g., unemployment or other loss of income) and long term risks (e.g., pensions and disability) with a more diversified financing base (general tax revenues and social contributions).
- ▶ **Recommendation 4.2: Strengthen systems to support the application of existing labour law and decent working conditions.** The strengthening of the labour protection floor, including enforcement of existing legal provisions such as the minimum wage, for formal and informal-sector workers will help create inroads against working poverty and lessen among workers the need for regular government and other assistance. Based upon ILO estimates, the enforcement of minimum wage for full-time regular workers would lead by itself to a reduction of poverty rates by 1.1 per cent in the West Bank and 7.7 per cent in Gaza.

## Annex: Indicative costs for social allowances for older persons and persons with disabilities

Following upon the recommendations contained in this report to increase coverage and impact of the Palestinian social protection system, the below presents varied options for gradual introduction of individual social allowances for older persons and persons with disabilities, with a view towards the progressive implementation of a social protection floor in OPT.

Based upon census and other population data available, including information on poverty from the Palestinian Economic and Expenditure Survey (PECS) 2017, the ILO has generated estimates of possible eligible population groups. On one hand, the introduction of a large-scale universal, categorical allowance may not be well suited to the current context with respect to available and future fiscal space. On the other, applying a complex poverty targeting mechanism to ration benefits could prove cumbersome and costly, while recognizing that these approaches also come with considerable exclusion errors. To strike a balance between coverage and cost, to avoid excess administrative complexity, and minimize exclusions, an affluence test (e.g. pension test, taxable income thresholds, etc.) could disqualify those at top ends of the income spectrum from eligibility, removing between 35 to 50 per cent of the otherwise eligible population. Similarly, those currently benefiting from the PNCTP would not be eligible for payments under social allowances schemes. In the scenarios below, disability allowances are made available to all persons with disabilities regardless of age, while old-age benefits are available to those aged 70 or 75 and above, also subject to the affluence test applied to varying degrees.

Estimates for the total eligible population range from 8,281 to 11,543 in the West Bank and from 745 to 7,746 in Gaza. Scenarios A, B and C represent options for selecting and identifying eligible populations narrowing focus compatibly with the resources available. Scenario A includes only those in old age and with disabilities identified as the primary breadwinners within their households. Scenario B includes disability allowances for children only. Meanwhile, Scenario C represents old-age benefits only for those aged 75 and above (Table 31).

Table 31: Scenarios for eligible population (individuals) determination for social allowances

Scenario	West Bank			Gaza		
	Eligible	Less those in PNCTP	Target	Eligible	Less those in PNCTP	Target
A <i>Affluence tested at 65 per cent, elderly 75 and above and disability (all ages), breadwinners only</i>	24,618	13,339	11,279	20,424	12,678	7,746
B <i>Affluence tested at 50 per cent, children with disabilities (ages 0-17)</i>	11,225	2,944	8,281	12,419	5,708	6,711
C <i>Affluence tested at 65 per cent, elderly 75 and above</i>	16,792	5,249	11,543	7,002	6,257	745

In addition to the number of beneficiaries reached, the values of the transfers to be made also impact upon the total cost of the allowances schemes. To generate indicative cost implications, initial

transfer values of NIS 200 (Table 32) and NIS 300 (Table 33), to be made monthly to qualifying individual beneficiaries are proposed.

Table 32: Estimated target population and annual cost of transfers (NIS and USD million and per cent of respective regional 2019 PNCTP transfer budget) of NIS 200, by region

Scenario		West Bank			Gaza		
		Target	NIS (USD)	Share PNCTP budget 2019	Target	NIS (USD)	Share PNCTP budget 2019
A	Affluence tested at 65 per cent, elderly 75 and above and disability (all ages), breadwinners only	11,279	27.07 (8.28)	21.1%	7,746	18.59 (5.69)	7.7%
B	Affluence tested at 50 per cent, children with disabilities (ages 0-17)	8,281	19.87 (6.08)	15.5%	6,711	16.11 (4.93)	4.5%
C	Affluence tested at 65 per cent, elderly 75 and above	11,543	27.70 (8.47)	21.5%	745	1.79 (0.55)	0.5%

Table 33: Estimated target population and annual cost of transfers (NIS and USD million and per cent of respective regional 2019 PNCTP transfer budget) of NIS 300, by region

Scenario		West Bank			Gaza		
		Target	NIS (USD)	Share PNCTP budget 2019	Target	NIS (USD)	Share PNCTP budget 2019
A	Affluence tested at 65 per cent, elderly 75 and above and disability (all ages), breadwinners only	11,279	40.60 (12.42)	31.6%	7,746	27.89 (8.53)	7.7%
B	Affluence tested at 50 per cent, children with disabilities (ages 0-17)	8,281	29.81 (9.12)	23.2%	6,711	24.16 (7.39)	6.7%
C	Affluence tested at 65 per cent, elderly 75 and above	11,543	41.56 (12.71)	32.3%	745	2.68 (0.82)	0.7%

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