

West Bank & Gaza



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1. Summary

The year 2006 witnessed further deterioration of the living conditions of many of the Palestinians living in the West Bank & Gaza accompanied by high unemployment and rise in poverty especially in the Gaza Strip. The Palestinian Legislative Council elections took place on 25 January 2006. The elections were free and fair, as confirmed by local, regional and international monitoring bodies, which conducted various monitoring roles during the electoral process and the outcome resulted in a sweeping victory of the Islamic Resistance Movement (Hamas) running in the election under the name Change and Reform. On 27 March 2006, the Hamas formed a new Palestinian government, based on the majority achieved in the Palestinian legislative elections. As a consequence of the Hamas government, the Government of Israel began withholding the tax and customs revenues it collects on behalf of the Palestinian Authority. The Quartet, composed of the EU, the UN, Russia and the USA, declared they could not work with the Hamas-led government unless it met three conditions: to renounce violence, to recognize Israel and to adhere to previous agreements. Hamas didn't meet the three conditions, and many donors took the decision to stop direct aid to the Hamas-led Government.

The international position, and particularly that of donor countries, coincided with a catastrophic deterioration in the humanitarian situation in the Occupied Palestinian Territory (oPt). The Palestinian people continued to live under increased suffering as a result of the Israeli measures of closures, siege, curfews, the continued building of the Separation Barrier and the destruction of infrastructure affecting all service sectors of the Palestinian territory. Overall, this has resulted in the deterioration of political, social and economic conditions in the West Bank & Gaza as still seen in the high rate of unemployment, widening poverty and the absence of social, political and personal security.

In an attempt to address the humanitarian crisis and prevent the social sector from collapsing, the European Union created a Temporary International Mechanism as means of funding the continuation of essential services. This was accompanied by the UN family revising its Emergency Appeal in mid 2006 based on the assumption that the situation will not improve much throughout the year.

2. Political, Economic and Poverty Development

2.1 Macro-economic Development; Status of Economic and Fiscal Reforms, Main Priorities in the Government Budget

The deterioration of the socio-economic conditions in the oPt is not simply due to the election of Hamas but is also largely due to the ongoing deterioration in the living standards since the start of the second uprising (Intifada) in September 2000. In late 2005, the World Bank identified four pre-conditions to economic revival:

- The Security environment
- Dismantling of the closure regime
- Internal Palestinian reform
- Increased donor funding

It was also underlined that increased donor funding would only contribute to an economic revival if there are positive achievements in the first three pre-conditions. By the end of August 2006, the four pre-conditions identified by the World Bank have not been met, and accompanied a decline in donor funding to the Palestinian Authority, the main service provider to the Palestinians.

The real Gross Domestic Product (GDP) of the oPt declined by about 9% in the first half of 2006, and was predicted to fall even further by the end of 2006¹. This is due in large to Israel withholding PA tax and customs revenues.

Another impediment to any real growth in the Palestinian economy and private sector development has been Israeli policies that determines the flow of goods to and from West Bank & Gaza, as well as the access to Israel's labor market. Palestinian laborers from West Bank & Gaza into Israel has been barred due to security reasons. This was accompanied by external closures with fixed and flying check points inside the West Bank and further tightening of Israeli permit policy for the Palestinian business community. The loss of income by Palestinian workers indirectly affects the economy through reduced expenditure on total production. The existing Israeli security regime has increased the cost of conducting

¹ UNRWA, Prolonged Crisis in the oPt: recent socio-economic impacts, November 2006, and OCHA, Occupied Palestinian Territory 2006 Revision.

business and resulted in increased trading costs because of higher transport fees, longer delivery times, and other costs of unpredictability.

In the current political context, the World Bank states key public finance reforms implemented in recent years are now critically compromised and monitoring recent fiscal developments is becoming extremely difficult. The Single Treasury Account is not operational, due to the refusal by key domestic banks to handle the PA's accounts and to communicate formally with the Ministry of Finance. Consequently, combined with the preference by some key donors to bypass the PA, there is an increasing amount of expenditure being executed outside normal channels, including through the Palestine Investment Fund (PIF); the account of the President; direct payments made by donors; and cash brought into WBG and not deposited in PA accounts. Furthermore, clearance revenues collected on behalf of the PA, but withheld by the Government of Israel (GoI), and direct payments from these clearance revenues to Israeli utility suppliers are no longer reported to the PA. In addition, the intensified restrictions of passage between the West Bank and Gaza have weakened interaction between PA employees of each area and, thus, the centralization of documentation between the two territories. For all these reasons, a comprehensive assessment of PA expenditures and revenues is becoming very difficult.

With limited financial resources, fiscal policy has been reduced to carefully selecting which payments to make when funds become available. Within the current environment, preparing a budget for 2006 had become a meaningless and impossible exercise.

The Palestinian Legislative Council had extended the deadline for the submission of a 2006 budget until 1 September, but this deadline has not been met.

2.2 Political Development

2.2.1 The Peace Process

The peace process remained stalled throughout 2006. Instead of rapprochement between the conflicting parties, the level of armed confrontation increased following the Palestinian Legislative elections. Israeli search and arrest campaigns in the West Bank increased substantially. In the summer and autumn of 2006, following the capture of an Israeli soldier, Israel engaged in a military offensive in the Gaza Strip resulting in large numbers of civilian casualties.

2.2.2 The Palestinian political arena

In January 2006 Palestinian Legislative elections took place and were praised by the European Union Election Observer Mission as being free and fair. The election result constituted a complete reconfiguration of the Palestinian political scene. Under the banner of Change and Reform Hamas won the elections by a landslide securing 74 seats in Parliament while Fatah managed to secure only 45 seats.

Following the Palestinian elections the Quartet announced that any Palestinian Government must: renounce violence, recognize Israel and adhere to previous agreements between Israel and the PLO. When a Government under the leadership of Hamas was inaugurated in March it failed to comply with the Quartet conditions and subsequently the international community froze direct financial support through the Government. As the living conditions of the Palestinian population deteriorated, calls for a National Unity Government grew stronger as did the power struggle between Hamas on the one hand and PLO/Fatah on

the other. In June, the various Palestinian factions reached agreement on the National Conciliation Document initially drafted by Palestinian prisoners in Israeli jails. The agreement was reached only after considerable pressure from the President who threatened to hold a referendum on the document. The document contained an implicit recognition of Israel, underlined the leading role of the PLO but endorsed the armed struggle and was unclear about the respect for previous Israeli-Palestinian agreements.

Due to lack of progress in the discussions to form a National Unity Government the President announced in December that new elections to both the Legislative Council and the Presidency might be the only way out of the internal political impasse. The President's announcement triggered violent confrontations between forces loyal to the respective party.

The environment in which Development Cooperation was operating was negatively affected by the crisis surrounding the publication of caricatures of the Prophet Mohammed including increased security concern.

2.2.3 Human Rights

The Special Rapporteur of the Commission on Human Rights visited the occupied Palestinian territory (oPt) twice in 2006. In his latest report the rapporteur emphasized that Israel has violated the prohibition on the indiscriminate use of military power against civilians and civilian objects and stressed the social and economic effects of the closure regime.

Among other points the rapporteur stresses that the separation barrier is a political measure designed to annex the 10 per cent of the Palestinian territory which is situated between the Green Line and the barrier.

Violations against Human Rights Defenders (HRD) continued, mostly by the Israeli Authorities. The most relevant are: (i) Restriction of movement within the West Bank and between West Bank and Gaza; (ii) Administrative detention (iii) Denial of entry visas; (iv) Israeli HRDs defending Palestinian rights in the oPt face obstacles in the Israeli NGO registration process. In addition, some Israeli officials' allegations that HRDs are providing shelter to Palestinian terrorists undermine their work; (v) during the second Intifada no harassment, beating, torture or detention of HRD was reported from the PA security services. However, the current security chaos undermines the work of the HRDs and puts their safety at risk.²

The year 2006 witnessed serious repercussions on all aspects of Palestinian life in the oPt including the work of Human Rights/Good Governance (HR/GG) organizations. Violations of the human rights of Palestinians by the Israeli military occupation forces have intensified after the elections of January 2006. Due to the economic boycott imposed by the international community, and the intensification of Israeli violations of Palestinian human rights, including attacks on the Palestinian Authority (PA) and imprisonment of several Hamas Ministers and PLC members, HR/GG organizations had to adapt their programs to meet new challenges facing Palestinians in the oPt. The human rights situation has further deteriorated with the increasing state of lawlessness and engulfing chaos, where the safety and security of Palestinian civilians were jeopardized.³

² EU Human Rights Fact Sheet 2006.

³ Sector Status Report Muassasat 2007.

2.2.4 Democratic Governance

The year 2006 has been a “lost year” in terms of the governance agenda. The World Bank study “Coping with Crisis: Palestinian Authority Institutional Performance” (November 2006) noted that, until recently, the PA has done an impressive job maintaining the basic institutions of government and coping with the bleak fiscal picture it has faced since March 2006. Ministries and departments have largely been able to continue to operate (albeit at reduced levels), and core services were provided in areas such as education, health and social services. However, there are strong indications that the PA is currently experiencing severe difficulties in sustaining government operations in terms of both routine administrative tasks and service provision.

2.3 Internal or External Conflicts and risks thereof

Israeli military raids in the oPt continued and intensified during the year. Israeli artillery shelling of the Gaza Strip as a response to Qassam rockets continued. The Gaza Strip was also hit by a large-scale military offensive during the summer and autumn. Towards the end of the year a fragile cease-fire was obtained.

Following the Palestinian Legislative elections the power struggle between Hamas and Fatah intensified. The animosity between the two political camps increased throughout the year and at the year’s end the Palestinians faced the prospect of a civil war.

The desperate situation on the oPt caused by Israeli military actions, lack of financial support to the Palestinian Authority from the international donor community and internal fighting had a negative impact of the social fabric of the Palestinian society resulting in the a gradual breakdown of respect for norms and regulations and the emergence of armed family clans whose actions deteriorate the volatile security situation further, particularly in the Gaza Strip.

2.4 Poverty Reduction: Overall Trends and Perspectives

In March 2006, the World Bank projected that poverty and unemployment levels would rise to 67 percent and 40 percent by the end of 2006⁴, respectively, and real personal incomes would drop by 30 percent. The Bank considers these figures underestimates for the following reasons:

- donor assistance has dropped more precipitously than expected,
- movement restrictions for Palestinian people and goods into/out of Gaza and within the northern West Bank have been tightened further, and
- financial transactions by Palestinian banks have been curtailed significantly for fear of anti-terrorism litigation.

The dire economic conditions for Palestinian families continued during 2006. Poverty levels continued to be high, and the average income of the family remained lower than it was before September 2000.

According to Palestinian Central Bureau of Statistics (PCBS) survey poverty rates in oPt increased during the second quarter of 2006, reaching 65.8%⁵.

⁴ World Bank WB/Gaza update, April 2006

⁵ PCBS, 2006 Survey of Effects of Unilateral Israeli Measures on Economic, Social and Environmental Conditions of Palestinian Families, 2006: Main Results. Ramallah, Palestine.

Data from a PCBS report reveal that Palestinian families in the West Bank & Gaza Strip basically depend on PA employees' incomes to ensure their economic survival. Palestinian families have resorted to deferring payment of bills, borrowing, and to squeezing expenses in order to be able to survive economically. A large number of Palestinian families have resorted to cultivating their land and breeding animals to be able to withstand the situation, or to ask for assistance from friends.

2.4.1 Poverty Statistics and Location

According to the latest report by the Geneva University, Institute for Development Studies, November 2006, poverty has increased since last year. The overall poverty rate reached 70% in May 2006 as compared to 68% in July 2005. Poverty levels hit 71% in the West Bank, 35% in Jerusalem and 79% in the Gaza Strip.

Extreme poverty keeps also increasing, affecting 38% of the overall population. The rates of extreme poverty are 33% in the West Bank and 54% in the Gaza Strip; even Jerusalem has begun to face a severe deterioration in living conditions. While only 5% of the respondents from Jerusalem were facing extreme poverty in July 2005, this rate climbed to 17% in May 2006.

The results of the present survey indicate that the poorest have more difficulty in adequately feeding themselves through the use of their own resources: 18% of them rely on food assistance (as compared to 13% in July 2005) and only 70% rely on their own resources (as compared to 77% in 2005). The Separation Barrier makes it more difficult for the poor to obtain some food items: 16.5% of respondents confirm that the Separation Barrier and other fences make it more difficult or even impossible to obtain food.

2.4.2 Closure and Restriction of Movement

In 2006, the Palestinian community became increasingly fragmented as the Palestinian population was broken up into smaller, isolated areas.

Checkpoints, road blocks and Barrier gates made travel for Palestinians time consuming, and sometimes impossible. Closure consequently limited the ability to access health and education services. Closure, together with the PA's loss of donor funding and military incursions also affected service delivery to the Palestinian population.

The Agreement of Movement & Access brokered by James Wolfensohn (Quartet Special Envoy for Disengagement), and the US government, concluded by the PA and by the Government of Israel on 15 November 2005 did not bring significant progress in access in and out of the Gaza Strip⁶. The closure system is a primary cause of poverty and of the humanitarian crisis in the West Bank and Gaza Strip as it restricts Palestinian access basic health and educational services, employment, markets and social and religious networks.

⁶ See for more information http://www.ochaopt.org/documents/AMA_One_Year_On_Nov06_final.pdf

2.5 PRSP (Poverty Reduction Strategy Papers) and Swedish Development Cooperation in the West Bank/Gaza

Palestine is not yet a sovereign country, but this has not prevented the Palestinian Authority from addressing the causes of poverty and come up with plans to reduce poverty in the oPt, the latest example is the Palestinian Medium Term Development Plan (2006–2008).

2.6 Changes in Development Cooperation and Partnerships; Donor Coordination and Harmonisation, EU Development Cooperation

At the Ad-Hoc Liaison Committee meeting (AHLIC) in London on 14 December 2005, a revised donor coordination structure was approved with the aim to put the Palestinian Authority back in the driver seat and take ownership according to the Paris agenda⁷. The formation of the Hamas Government created a new reality which constrained the function and operation of the new coordination structure which also made it difficult to apply the Paris agenda in the context of the PA. Still Sweden, in full technical consultation with the PA, EU Member States and the donor community at large, engaged in coordination as follows:

1. EU Heads of Development Co-operations (HOC) meetings.
2. Some Local Development Forum (LDF) meetings.
3. The Governance Strategy Group as a guest only.
4. The Social Development & Humanitarian Strategy Group.
5. Selected sub-groups deriving from the above groups like the sub-group on health and private sector development.
6. The EU Informal Humanitarian Policy Forum, also called the Friday Group.

It is safe to say that the year 2006 witnessed far less donor coordination and harmonization.

⁷ See for more information http://www.lfd.ps/aid_structure

3. Swedish Development Cooperation – Overall Assessment of the Country Programme

3.1 Relevance of the Cooperation Strategy in light of Country Development

The extended Cooperation Strategy for 2006, was flexible and relevant enough to deliver development cooperation and humanitarian assistance to the beneficiaries within the oPt. During 2006, the Swedish Government decided that due to the changed political situation there was a need to revise the Cooperation Strategy.

3.2 Key Issues for Dialogue with Partner Country and other Partners

A major part of the dialogue with our cooperation partner, Ministry of Planning, was focused on avoiding increasing Humanitarian Assistance, but rather support the PA with assisting them with the fiscal deficits occurred during 2006. Sida has not been able to meet these demands as there presently is no environment for budget support, but our Humanitarian support through different humanitarian engines like CAP (Consolidated Appeals Process) as well as the Emergency Support Services Program (ESSP) is providing much needed assistance in the social sector.

3.3 Volumes and Disbursements

The Sida country allocation for West Bank/Gaza was 170 MSEK. After a budget revision 183 MSEK was paid out during the year.

Additionally, humanitarian assistance 168 MSEK (including 85 MSEK to UNRWA), support to Non Governmental Organisations (NGOs) 21 MSEK. The total Sida amount was 372MSEK

Disbursements by the Ministry for Foreign Affairs:

The total MFA amount is 262 MSEK:

EUPOL COPPS – 11 MSEK;

Interpeace 1,7MSEK

EUBAM Rafah – 7 MSEK

TIPH – 10,3 MSEK Swedish participation in the Temporary International Presence in Hebron.

UNRWA – 230 MSEK to the General Fund and 2 MSEK to the Organizational Development process.

In summary the total Swedish allocation from Sida and MFA is 636 Million Swedish kronor

Utbetalningar 2006	Utbetalt t o m 2006-12-31	Utbetalningar 2005	2005 utfall
a. Utvecklingssamarbetet Sida⁸	183 000 000	a. Utvecklingssamarbetet Sida	135 448 000
b. Humanitärt Sida (incl UNRWA)⁹	168 000 000	b. Humanitärt Sida	70 735 200
c. NGOs Sida	21 000 000		
d. UNRWA (general fund¹⁰) MFA	230 000 000	d. UNRWA (general fund) MFA	210 000 000
		UNRWA (emergency appeal)	40 000 000
e. Extraordinära poster MFA:		e. Extraordinära poster:	
TIPH	10 300 000	TIPH	14 540 726
EU Bam Rafah	7 000 000	EU Bam Rafah	12 500 000
Interpeace	1 700 000	Interpeace	1 700 000
UNRWA¹¹	2 000 000	UNRWA¹²	40 000 000
EUPOL COPPS	11 000 000	EUPOL COPPS	21 900 000
		ILAC	2 390 000
Summa SEK	636 000 000	Summa SEK	549 213 926

3.4 EU Integration and European Partnerships

No further attempts to create a common EU-strategy for development cooperation was done during 2006. The most apparent partnership was the set up of the TIM (Temporary International Mechanism) where EU has taken a very active role. Some member states has maintained their Development Cooperation and some not – but no major partnerships with others was done during the year.

⁸ Including support pledged at Stockholm international donor Conference to new transformers for electricity Gaza 4MUSD and through WB/TIM to ESSP 6MUSD.

⁹ Including UNRWA Hum appell (CAP) 28 MSEK, emergency appel (CAP) 40MSEK and revised emergency appell (15MSEK).

¹⁰ Avser palestinska flyktingar i hela UNRWA:s verksamhetsområde, dvs de palestinska områdena, Libanon, Syrien och Jordanien. Detsamma gäller för 2005.

¹¹ Stöd till UNRWA:s management reform.

¹² Bidrag till Kvartettsändebudet James Wolfensons Quick Impact Programme.

4. Specific Country Programme Overview of the Swedish Development Cooperation

4.1 Country Strategy

The prolonged Country Strategy for 2005 was valid throughout 2006.

4.2 Main Areas of Swedish Support

4.2.1 Alleviate the effects of the current conflict

The Humanitarian situation in the West Bank/Gaza (oPt) continued to be unstable during 2006. The humanitarian consequences of the situation are seen in the statistics of killed, injured, impoverished and jobless Palestinian people¹³.

Without PA salaries, poverty rates among PA civil servants increased sharply. The non-payment of more than 80,000 armed security personnel is considered one of the reasons leading to a highly volatile security situation and rise in criminality. The United Nations Office of Coordination of Humanitarian Assistance (OCHA) cautions that if the situation continues as is the level of insecurity will in large part determine the depth of the humanitarian crisis and could undermine the humanitarian response.

In the revised emergency appeal meeting on 31 May 2006, OCHA reported that the UN is in no position, neither in terms of mandate nor capacity, to duplicate or replace the role and function of the PA. Still, the UN agencies, UNRWA and NGO's have expanded to a limited extent and scaled up their humanitarian operations. Due to Israeli restrictions on movement within the West Bank and between the West Bank and Gaza, delivery of aid has become more difficult and expensive. More importantly the effectiveness of the targeting of assistance has been reduced because of insufficient coordination with the PA.

This scaling up and the now limited access of the PA to the donor community has led to Sweden further supporting UN agencies and major players in the Consolidated Appeals Process (CAP) like UNRWA and UNICEF.

¹³ See for more information www.ochaopt.org/documents/opt_humanitarian_Monitor Reports 2006.

A 14 July 2006 meeting in Geneva organized by the Governments of Sweden, Norway and Spain to tackle the humanitarian needs of the Gaza strip after the Israeli bombardment of the Gaza Power Plant under operation “Summer Rains”, led to the holding of the Stockholm Donor Conference on the Humanitarian Situation in the Palestinian Territories on 1 September 2006 that raised an extra 58 million USD for the CAP 2006. Sweden pledged 5 million USD at this conference.

Sweden has continued as in the previous year to be engaged in policy dialogue and sharing of information to harmonize its humanitarian assistance in the framework of the EU Informal Humanitarian Policy Forum (the so called Friday Group). The EU humanitarian coordinator that was financed by Sweden for nine months and seconded at the EC office is now a full time staff member employed by ECHO.

The EU Friday Informal Humanitarian Policy Forum organized a special session on 30 March 2006 for Dr. Pål Wrange from the Swedish Ministry for Foreign Affairs to give a presentation on “The European Union Guidelines for Promoting Compliance with International Humanitarian Law (IHL)”.

Follow-up and dialogue with UN and/or NGO’s supported by the Consulate General to implement humanitarian interventions continued in 2006. The Consulate General took part in meetings with UNRWA both in Jerusalem and Amman on UNRWA reform (organizational development package) and the Host and Donor Countries meetings. The purpose of those meetings is to enhance coordination and have a more effective and efficient UNRWA. A joint mission of Sida HQ SEKA/HUM and the Consulate General visited and had discussion with all its humanitarian project partners in November 2006.

Humanitarian agencies including Sida continue to face the dilemma as to whether to provide relief when Israel, as the occupying power, is obliged to ensure services to the Palestinian population under the Fourth Geneva Convention. To add to the dilemma, it has become obvious that without political solutions for lifting the closures, curfews and other restrictions including the Separation Barrier, relief efforts could only have a limited impact, not least because those restrictions were also affecting aid agencies ability to access needy communities.

4.2.2 Promote Palestinian Nation-building

4.2.2.1 Democratic Governance

Sida supported the Central Elections Committee in facilitating the implementation of the Palestinian Legislative Council (PLC) elections in January 2006.

In July 2006 Sida signed an agreement with the Office of the President (OoP) to support a 6 month inception phase of a Capacity and Institutional-Building Project. The aim was to create a modern, efficient institution that is sustainable over the long-term, and capable of providing the President with high caliber professional advice and information. The proposal contained two phases with a 6 month inception/start-up period during which a proposal for a 30 month implementation phase will be presented. Sida together with the OoP has been working towards donor coordination regarding support to the OoP and a first co-ordination meeting was held on 23 August.

4.2.2.2 Human Rights

Human rights violations by Israel and the Palestinian Authority are addressed by civil society organizations, which document violations,

provide legal assistance to victims and promote respect for human rights on national and international level. Several organizations bring human rights violations to Israeli and/or Palestinian courts.

A Common Donor Human Rights Secretariat “Muassasat” was established in January 2006 for the purpose of channeling of donor funds to the human rights sector and for a platform for policy and strategy. The Secretariat is an outcome of a strategic decision taken by a group of donors committed to harmonize procedures for support to NGOs promoting HR/GG (Human Rights/Good Governance) in West Bank/Gaza. The objective is to improve human rights and good governance in the oPt by increasing the impact of NGOs. A call for applications was sent out in February and it was later decided that 16 HR/GG NGOs would receive support. This was later followed by a strategic seminars in order to contribute towards the development and enhancement of the HR/GG sector in the West Bank /Gaza.¹⁴

An Informal Working Group on Human Rights in the oPt was established in 2006 by the Consulate General of Sweden and the Netherlands Representative Office. The aim of the group is to work on the implementation of existing EU and UN guidelines with the aim of enhancing respect for International Human Rights Law; Exchange information on human rights violations in the oPt and discuss how violations best can be addressed; Provide input to the EU Heads of Mission as regards human rights infractions, including policy recommendations.

Kvinna till Kvinnas programme has sought to network more actively with the donor community and other Swedish NGOs in Jerusalem. This is an important step to avoid duplication, improve transparency and sustainability of the projects. The support to Kvinna till Kvinna was evaluated during 2006.

In view of the results of the Palestinian Legislative Council elections, and the change in the ruling party, PICCR (Palestinian Independent Commission for Citizens Rights) had to accommodate itself to new realities. New channels of communication had to be opened with the new heads of public institutions, informing them of the work of PICCR and defining mechanisms for cooperation. In 2006, the focus has been on four main areas, namely, the rule of law (security chaos), the rights of the child, disability rights and post Israeli withdrawal from Gaza.

4.2.2.3 Health

The humanitarian crisis justified continued support to the Palestinian health NGO's already being supported. Sida's cooperation in the health sector has a long history in the oPt. During 2006, the main Swedish partners in this sector were Diakonia and Palestinagrupperna (PGS). These two organizations are in their own turn cooperating with several Palestinian health oriented NGO's, for example, Gaza Community Mental Health Programme (GCMHP) and the Palestinian Medical Relief Society (PMRS).

Sweden through its partners has contributed in a significant way to the sector of health and rehabilitation for a period of 15 years. A Follow-up study of the Swedish Health Assistance to the Occupied Palestinian Territory was ready in November 2005 and its recommendations were discussed in early 2006. Several internal meetings both in Jerusalem and Stockholm took place. As a result, Sida decided that it is necessary to

¹⁴ www.muassasat.ps

renew its focus on health and rehabilitation in the West Bank and Gaza. PGS since then has joined in the consortium of donors together with Switzerland, Denmark and the Netherlands. A consolidated audit commissioned by the donor consortium was received and approved. PGS was requested to recruit a representative to be stationed in the West Bank/Gaza in order to maintain and improve its dialogue with its partner-organizations, follow up, and maintain closer dialogue with donors.

4.2.2.4 Support to socio-economic programs (health and education) through World Bank

Since 2006, the ESSP support (Emergency Support Service Programme), through the World Bank, is a part of the TIM-mechanism. The Office of the President since last year performs in this regard tasks normally undertaken by the Palestinian Authority, thus adding another partner in the handling of funds. The agreement of 45 MSEK was signed, during the autumn, and funds transferred to the World Bank before the end of the year. Most of the time during 2006 was used to prepare tender-requests for procurement of essential drugs and other goods.

A major difference is that a new number of donors have joined the ESSP as partners and the impact of the programme is expected to be much larger.

4.2.2.5 Culture & Media

The Bethlehem Peace Centre's cultural activities, above all targeting women, children and youth, continued during 2006 according to plan. As a part of the outreach activities, Clowns without Borders had very appreciated performances in villages and refugee camps in the West Bank. Through the Centre, Shashat arranged the film festival for the second year showing films made by Palestinian female film makers. The agreement expired on 31 December 2006 and no extension or new agreement has yet been signed. An Evaluation and a Financial Management Review have been carried out during 2006, showing shortcomings in administration, management, reporting as well as difficulties in cooperation between the Management and the Board. Sida's Management Response on the Evaluation (including conditions and suggestions for further cooperation) has been presented to the Board and Director of the Peace Centre in November. In spite of considerable effort from Sida's part to strengthening the administration systems and reporting capacity, no improvement has been seen as of December 2006.

The Media program through the Institute for Further Education for Journalists, Fojo, in Kalmar, in cooperation with Birzeit University's Media Institute (BZUMI) continued to offer Mid Career workshops and courses to journalists within radio, print and TV. On Press Freedom Day a workshop, emphasizing a need for strengthened cooperation and networking of local media, was arranged by BZUMI and UNESCO in Ramallah. Fojo submitted a new project proposal for 2006–2010 with greater focus on gender issues, children's media, activities in Gaza and capacity building of the Media Institute. A new agreement for 2006–2010 was signed in November 2006.

Academy of Music and Drama, Göteborg University (HSM) has continued its support to eight music and art organizations in WB/G. The main part was used for a scholarship program at the Edward Said National Conservatory of Music. Partly due to the war in Lebanon, Yabous Productions could not organize its main activity, The Jerusalem Festival. HSM supporting a Music Teacher Education project in Pales-

tine organized directly by the Palestinian Ministry of Education. A total of 82 young musicians from seven Arab countries (Egypt, Syria, Jordan, Palestine, Tunisia, Iraq and Sudan) rehearsed and performed in Damascus and Syria. One project, Fund for Exchange, organized eight cultural exchange projects. Participants have been students, music groups and teachers.

The Sida support to the Theatre and Dance programme is channelled through the Swedish University College of Film, Radio, Television and Theatre (Dramatiska Institutet), which cooperates with three performing art groups, Theatre Days Production/TDP and Al Harah, (theatre) and El Funoun (dance). Target groups are children and youth in poor areas in Gaza, Ramallah and the Southern West Bank. The project includes professional performances and also workshops in theatre and in dance. All the three groups have reached more than 75 000 children and youth with theatre/dance performances and more than 3000 children and youth have participated in longer training and workshops in theatre and dance.

The Children's Literature (CL) program supported through Diakonia, started a Training of Trainers with UNRWA – WB and continued with the old groups of teachers at Ministry of Education and Higher Education (MOEHE). The training of Birzeit University students took place, despite the strike of public service employees within the Palestinian Authority (PA). The Sarayah Center for Community Services with reading among Palestinian children in the Old City of Jerusalem has continued. The Tamer Institute continued with its reading promotion campaigns and publication of children's books. The Young Artist Forum (YAF) has completed the illustration school for children's books – the second stage – during the past year. "The Sad Bird", based on the Swedish CL book "Jonathan på Måsberget", was performed all over the West Bank by Popular Theater. The play integrated children with special needs. Several CL conferences were held, two with a new partner, a cultural institution called Al-Aswar. The main aim was to broaden the discussion in the CL field from a critical and analytical point of view.

4.2.2.6 Job Creation

Unemployment continues to be a major problem in the Palestinian society.

Northern Gaza Employment Generation Programme, phase 2 which started in December 2003 was concluded in May 2006, with total disbursements of SEK 36 million. The program involved three municipalities in Northern Gaza: Jabalia, Bait Lahya and Bait Hanoun, and was implemented by the North Gaza Local Council Forum. It was co-funded with Norway on a 50/50 basis, and with Norway as a silent partner. Some 162 000 working days were achieved and the programme also led to improved pavement, water supply sewage connections, better public health and a cleaner environment in the participating municipalities. The programme further contributed significantly to capacity strengthening in all the municipalities involved.

Sida's cooperation activities for employment generation through preservation of cultural heritage in Palestine, comprising the built environment and cultural landscape have focused on job creation programmes through the restoration of culturally valuable buildings and historic environments on the West Bank, and their further use for community activities. Job creation and restoration programmes 2003–2006 carried out by the organizations Hebron Rehabilitation Committee

(HRC), Centre for Cultural Heritage Preservation (CCHP) in Bethlehem, and Riwaq Centre for Architectural Conservation, and funded by Sida, have resulted in 130 000 direct working days at a total cost of 36 MSEK. The renovated buildings and environments are today in use as community centers, merchant quarters, libraries, youth organizations, schools, kindergartens, women centers. These activities have been effective and carried out with high technical competency in the implementing organizations and among contractors. The costs for generating employment (measured as cost per working day) falls well within average limits for restoration work by other job creation programmes in the West Bank and Gaza. The activities will continue in a joint programme starting 2007.

East Jerusalem, During recent years, life in East Jerusalem has become increasingly difficult for the Palestinian population. Causes include the erection of the Jerusalem Separation Barrier, increased movement restrictions and strict enforcement of rules separating East Jerusalem residents from the West Bank, restriction on/demolition of Palestinian housing, expansion of Israeli settlements, as well as the poor provision of municipal services to the population in East Jerusalem. The humanitarian and political consequences of the current situation have caused great concern in the EU group. In July 2006, Sida entered into an agreement with the Welfare Association, to support the "Old City of Jerusalem Revitalization Program". The support involves restoration of historic buildings and urban environments in the Old City, which after restoration will be used for services and activities for children and youth. The support is in line with an increased amount of EU activity and development cooperation in East Jerusalem.

4.2.2.7 Infrastructure

The basic provision of infrastructure services in the West Bank and Gaza continued to be hampered by logistical problems and difficulties in covering costs of operation and investments. With the declining economic situation, customers have a decreased ability to pay for services as water and electricity. Reforms in the sector have further been halted where the agencies responsible have focused on day-to-day operation and providing basic services. The financial sustainability in these sectors thus continues to be very poor. A majority of the donor-financed infrastructure projects and developments were halted due to the political situation. On the other hand, humanitarian support targeted for infrastructure and managed by international agencies increased significantly during the year. As a result of the political situation and leading donors non-contact policy with the Palestinian Authority, there is no functioning mechanisms for donor coordination or harmonization concerning infrastructure.

Energy

The Israeli shelling of the transformers at Gaza power plant on 28 June 2006, had severe effects on the power supply in Gaza, cutting the available power supply by 50%. The load shedding and power rationing created additional strain on the humanitarian situation, health, education and basic services. Sida contributed to restore the energy supply, through a grant of 15 MSEK for delivery and installation of new transformers procured by PA. By October, the new transformers had been installed and in operation thus enabling a secure power supply for the population in Gaza.

The progress within the programme for development of the energy sector, where Sida is the silent partner to Norway in cooperation with the Palestinian Energy Authority (PEA), varies for the different components. The physical investments in infrastructure and the introduction of pre-paid metering function quite well, despite delays of delivery of material and restricted access of workers to construction sites due to closures and restrictions in access and movement. The institutional component of the programme has more serious delays and deficiencies due to the Palestinian political situation. This includes part of the intended reforms of the energy sector: a rejection of the draft electricity law by the PLC, and delays in formal decisions from municipalities in joining a regional energy distribution company.

The construction of the high voltage transmission line in Gaza is continuously on hold, due to the security situation and damage of earlier investments, and awaiting decisions of the PEA on introduction of a new transmission voltage. Discussions on the process for closure of the project are expected to initiate by the PEA.

Water

The support to the Palestinian Water Authority for improvements of the storm water and sewage system in Northern Gaza has progressed relatively well, although with delays in implementation due to restricted mobility of material and staff related to the security situation and Israeli incursions. The main components of the support have been completed and have lead to significant improvements in the sanitary environment for the local population.

The environmental and sanitary situation at the old waste water treatment plant in Beit Lahya in Gaza has further deteriorated during 2006. The effluent volume has risen to a critical level, and flooding incidents have occurred. A short-term solution to reduce the risk of flooding the densely populated area is under construction, but with serious delays due to restrictions in mobility and the security situation. The project for a new waste water treatment plant co-funded by a consortium of donors (World Bank, France, EC, Belgium and Sweden) continues, with the tender for construction of the plant launched in December 2006.

The bombing of Gaza power plant also had severe effect on the possibilities to provide water and sanitation services. Sida approved allocation of contingency funds for emergency fuel supplies, which ensured fuel deliveries to the water authority until the TIM mechanism had been established.

4.2.2.8 Private Sector

Despite the ongoing deep economic crisis, the private sector remains an important source of growth and employment generation in West Bank and Gaza. Most WBG firms are small family-owned businesses, with labour-intensive, low productivity activities. While the Israeli closure regime combined with the Palestinian political crisis are major constraints, private sector development and growth also depend on reforms in governance and business climate, and ability of entrepreneurs to learn and become responsive to changing market conditions. A strategic plan for private sector development has been developed in collaboration between the PA and Private Sector Coordination Council (an umbrella organization for associations within the private sector).

In May 2006 a project was concluded for development of six regional Chambers of Commerce (Jerusalem, Bethlehem, Tulkarem, Qualquilya, Jericho, Salfeet) as well as the Federation of Palestinian Chambers of Commerce FPCCIA. The project contributed to increased capacity and competence of the participating Chambers, who were able to increase their membership base significantly (50–100% over the project period), thereby strengthening their legitimacy and sustainability of their operations. The Chambers of Commerce has put forward a proposal, for continued support involving further capacity building of all Chambers in the West Bank and Gaza. An initial assessment of the proposal has resulted in a recommendation to further discussions on a final and concluding phase of the cooperation with the Chambers of Commerce.

4.2.3 Promote Peace Negotiations

4.2.3.1 Support to the Negotiations Support Unit

Support in the form of technical assistance to strengthen the PLO's negotiation capacity continued in 2006. Support was channelled through an implementing consultant and funded a team of experts in the Negotiations Support Unit attached to the Negotiations Affairs Department of the PLO. In parallel a new three-year project was prepared on the basic premise that promoting peace is a precondition for the establishment of an environment conducive to poverty reduction and socio-economic development in the oPt.

4.2.3.2 Dialogue between Palestinians and Israelis

Networks for dialogue between Palestinians and Israelis have been developed within the Human Rights Secretariat "Muassasat" and by Kvinna till Kvinna that is supporting the development of women's network for peace.

NIR (Näringslivets Internationella Råd) has since 2005 been supporting the Palestinian International Business Forum. This is a platform for dialogue between major companies in Israel and Palestine as well as companies from surrounding countries and Sweden. The idea is to contribute to peace in the region by stimulating economic growth and economic independence in the occupied Palestine territories. It is difficult to assess the results during 2006. Sida will undertake an evaluation of the program 2007.

5. Office and Administrative Issues

5.1 Work on Quality Assurance

The QA-team from Sida-HQ made a QA-report on our work during the autumn. This was an important input in the ongoing integration process as well as our own QA-attempts.

The main focus on QA, within the Development Cooperation Section, was on at least 10 different initial assessments and on some in-depth assessments.

5.2 Current Resources and Staffing

The CG was during the year facing a problematic financial deficit. It has lead to a negative impact on the working environment and no changes are visible.

The development cooperation workload at the Consulate General has increased during 2006, basically because of increased volume, but also due to increased demands from Sida-Stockholm and the Swedish Foreign Ministry regarding reports and information in combination with a non coordinated environment with the Palestinian Authority and other donors.

5.3 Changes during the year, Bottlenecks, Major Events at the Consulate General

Consultations with the Ministry of Planning and other Palestinian partner-organisations were held at two occasions in September and November. The consultations were held in spite of an ongoing strike and lack of full follow up from the PA-partners. Agreed minutes were signed.

Annex 1:

Basic Facts

Area, km2: West Bank	5 800
Area, km2: Gaza	365
Population 2004, millions	3.8
Expected population 2010, millions	5.0
Population growth per annum (per cent)	3.0
Per capita GDP	1203.4
Average per capita GDP/annual growth 1990-2003 (per cent)	-6
Total aid from all countries, million USD, 2003	971.6
Total aid as proportion of GDP, 2003 (per cent)	28.1
Adult literacy (per cent)	91.9
Number of doctors (per 100,000 population)	84
Life expectancy at birth (years)	72.5
'Access to adequate sanitation (per cent of population)	76
Access to clean water (per cent of population)	94
Ranking in Human Development Report 2005 (out of 177 countries)	102
(Sweden 6 th)	

Source: Human Development Report 2004 and 2005

Annex 2:

Current Planning
Overview

Country report - Palestinian Administered Area

Outcome and forecast in TSEK

Delimitation:

Status: I, P, A and C (agr end > 200600 or Outcome < 0)
 Region/Country: Palestinian Administered Area
 Other:

Responsible Unit	(All)
Allocation Frame	(All)

Allocation Account 15518 West bank / Gaza	Main Sector	Status	Data			
			Outcome 2006	Outcome 2007	Forecast 2007	Forecast 2008
	01 Health	Agreed Completed	74 092	7 793	12 243	0
	01 Health Total		74 090	7 793	12 243	
	04 HR & Democratic governance	Agreed Completed	43 116		57 406	14 980
			862		0	
	04 HR & Democratic governance Total		43 978		57 406	14 980
	05 Conflict, peace & security	Agreed Completed	6 219	3 788	6 000	0
			0		0	
	05 Conflict, peace & security Total		6 219	3 788	6 000	
	07 Infrastructure	Planned	0		46 000	59 000
		Agreed	36 814	-3	27 982	30 538
	07 Infrastructure Total		36 814	-3	73 982	89 538
	08 Trade, business & fin. syst	Completed	2 805		0	
			2 805		0	
	08 Trade, business & fin. syst Total					
	09 Natural resources&environm.	Agreed Completed	8 499		221	
			22		0	
	09 Natural resources&environm. Total		8 522		221	
	11 Other	Agreed Completed	7 660	604	7 848	7 125
			79		0	
	11 Other Total		7 739	604	7 848	7 125
	(blank)	Indicative	0		19 500	45 500
	(blank) Total		0		19 500	45 500
15518 West bank / Gaza	Total		180 165	12 181	177 200	157 143

15519 Regional Asia	05 Conflict, peace & security	Indicative Completed	0	0	0
	05 Conflict, peace & security Total		0	0	0
15519 Regional Asia	Total		0	0	0
155191 MENA, regional	04 HR & Democratic governance	Completed	0	0	0
	04 HR & Democratic governance Total		0	0	0
	05 Conflict, peace & security	Agreed Completed	244	0	0
			55	0	0
	05 Conflict, peace & security Total		299	0	0
	11 Other	Agreed	4 086	2 043	
	11 Other Total		4 086	2 043	
155191 MENA, regional	Total		4 385	2 043	
155341 Global Dev. Programs, PEO	05 Conflict, peace & security	Completed	0	0	0
	05 Conflict, peace & security Total		0	0	0
155341 Global Dev. Programs, PEO	Total		0	0	0
15561 Non-governmental organisations	01 Health	Agreed Completed	650	38	152
			-35	0	0
	01 Health Total		615	38	152
	02 Education	Agreed Completed	1 646	99	398
			-22	0	0
	02 Education Total		1 623	99	398
	03 Research	Agreed	0	0	0
	03 Research Total		0	0	0
	04 HR & Democratic governance	Agreed Completed	15 463	2 201	8 024
			-52	0	3 979
	04 HR & Democratic governance Total		15 411	2 201	8 024
	05 Conflict, peace & security	Agreed	266	36	144

Allocation Account	Main Sector	Status	Outcome 2006	Outcome 2007	Forecast 2007	Forecast 2008
15561 Non-	05 Conflict, peace & security	Completed	-13		0	
	05 Conflict, peace & security Total		253	36	144	
	07 Infrastructure	Agreed Completed	3 -2		0 0	
	07 Infrastructure Total		1		0	
	08 Trade, business & fin. syst	Agreed Completed	213 -9	40	158 0	
	08 Trade, business & fin. syst Total		205	40	158	
	09 Natural resources&environm.	Agreed Completed	433 -24	34	136 0	
	09 Natural resources&environm. Total		409	34	136	
	11 Other	Agreed Completed	2 175 -2	231	925 0	
	11 Other Total		2 173	231	925	
15561 Non-governmental organisations	Total		20 691	2 679	9 936	3 979
15571 Humanitarian assistance	06 Humanitarian assistance	Agreed Completed	157 484 -1 123	835	20 372 0	11 400
	06 Humanitarian assistance Total		156 361	835	20 372	11 400
	(blank)	Indicative	0		65 000	
	(blank) Total		0		65 000	
15571 Humanitarian assistance	Total		156 361	835	85 372	11 400
15732 Peace-promotion activities	04 HR & Democratic governance	Completed	0		0	
	04 HR & Democratic governance Total		0		0	
15732 Peace-promotion activities	Total		0		0	
15734 Peace-promotion activities abroad	05 Conflict, peace & security	Completed	0		0	
	05 Conflict, peace & security Total		0		0	
15734 Peace-promotion activities abroad	Total		0		0	

15735	Peace-promotion activities	04 HR & Democratic governance	Completed	0	0
		04 HR & Democratic governance Total		0	0
15735	Peace-promotion activities	Total		0	0
23494	Settlement, TIPH, MfFA				
		05 Conflict, peace & security	Agreed	10 144	2 711
		05 Conflict, peace & security Total		10 144	2 711
23494	Settlement, TIPH, MfFA	Total		10 144	2 711
23497	Settlement, MfFA EU-missions				
		05 Conflict, peace & security	Agreed	1 171	294
		05 Conflict, peace & security Total		1 171	294
23497	Settlement, MfFA EU-missions	Total		1 171	294
Grand Total				372 917	274 552
					172 521

Country report - Palestinian Administered Area?

Outcome and forecast in TSEK

Delimitation:

Status: I, P, A and C (agr end > 200600 or Outcome <> 0)

Region/Country: Palestinian Administered Area

Other:

Responsible Unit (All)		Data				
Allocation Frame	Allocation Account	Main Sector	Outcome 2006	Outcome 2007	Forecast 2007	Forecast 2008
Inside country allocation	15518 West bank / Gaza	01 Health	74 090	7 793	12 243	
		04 HR & Democratic governance	43 978		57 406	14 980
		05 Conflict, peace & security	6 219	3 788	6 000	
		07 Infrastructure	36 814	-3	73 982	89 538
		08 Trade, business & fin. syst	2 805		0	
		09 Natural resources&environm.	8 522		221	
		11 Other (blank)	7 739	604	7 848	7 125
	15518 West bank / Gaza	Total	180 165	12 181	177 200	157 143
Inside country allocation Total			180 165	12 181	177 200	157 143
Outside country allocation	15519 Regional Asia	05 Conflict, peace & security	0		0	
	15519 Regional Asia	Total	0		0	
	155191 MENA, regional	04 HR & Democratic governance	0		0	
		05 Conflict, peace & security	299		0	
		11 Other	4 086		2 043	
	155191 MENA, regional	Total	4 385		2 043	
	155341 Global Dev. Programs, PEO	05 Conflict, peace & security	0		0	
	155341 Global Dev. Programs, PEO	Total	0		0	

15561 Non-governmental organisations	01 Health 02 Education 03 Research 04 HR & Democratic governance 05 Conflict, peace & security 07 Infrastructure 08 Trade, business & fin. syst 09 Natural resources&environm. 11 Other	615 1 623 0 15 411 253 1 205 409 2 173	38 99 0 2 201 36 40 34 231	152 398 0 8 024 144 0 158 136 925	3 979
15561 Non-governmental organisations	Total	20 691	2 679	9 936	3 979
15571 Humanitarian assistance	06 Humanitarian assistance (blank)	156 361 0	835	20 372 65 000	11 400
15571 Humanitarian assistance	Total	156 361	835	85 372	11 400
15732 Peace-promotion activities	04 HR & Democratic governance	0		0	
15732 Peace-promotion activities	Total	0		0	
15734 Peace-promotion activities abroad	05 Conflict, peace & security	0		0	
15734 Peace-promotion activities abroad	Total	0		0	
15735 Peace-promotion activities	04 HR & Democratic governance	0		0	
15735 Peace-promotion activities	Total	0		0	
23494 Settlement, TiPH, MfFA	05 Conflict, peace & security	10 144	2 711	0	
23494 Settlement, TiPH, MfFA	Total	10 144	2 711	0	
23497 Settlement, MfFA EU-missions	05 Conflict, peace & security	1 171	294	0	
23497 Settlement, MfFA EU-missions	Total	1 171	294	0	
Outside country allocation Total					
Grand Total		372 917	18 700	274 552	172 521

Att halvera fattigdomen i världen till år 2015 är vår tids största utmaning. Det kräver samarbete och uthållighet. Samarbetsländerna ansvarar för sin utveckling. Sida förmedlar resurser och utvecklar kunskap och kompetens. Det gör världen rikare.



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