

West Bank & Gaza

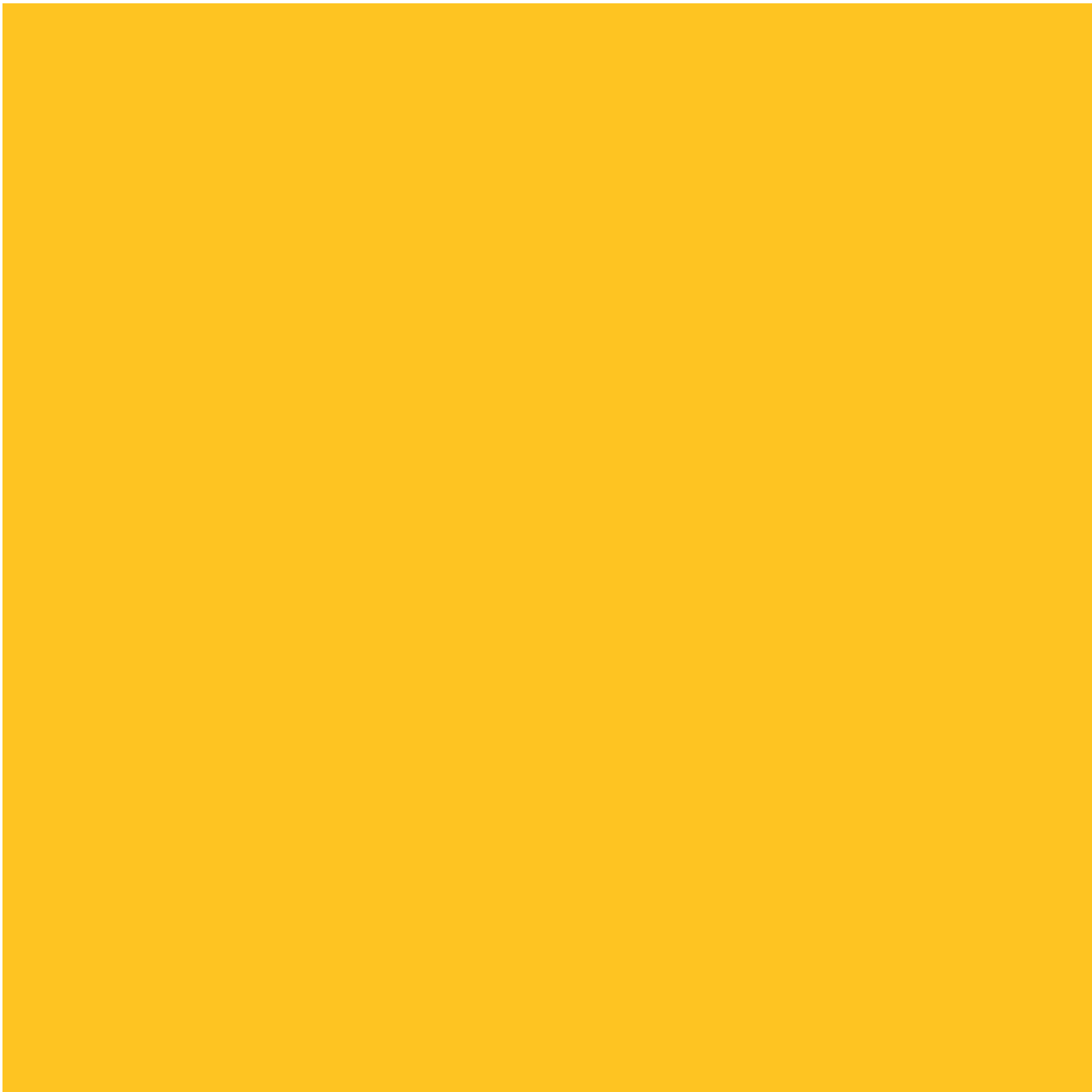


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Published by Sida 2006

Asia Department

Author: Consulate of Sweden, Jerusalem

Printed by Edita Communication AB, 2006

Art. no.: SIDA28627en

This publication can be downloaded/ordered from www.sida.se/publications

1. Summary

Since the start of the second *intifada* in September 2000, the *occupied Palestinian territories* (oPt) have witnessed a deterioration of the economic situation which has resulted in a rise in poverty and unemployment. The security measures and restrictions on internal movements that Israel imposed in the West Bank and Gaza during the second *intifada* continue to negatively impact the Palestinian economy. The Palestinian Authority (PA) experiences great difficulty sustaining a coherent minimum recurrent expenditure programme and its ability to function effectively remains at risk. In 2005 as in previous years, the Palestinian economy continued to be reliant on donor aid. The Separation Barrier which to a large extent is being built on occupied territory, has resulted in the confiscation and loss of agricultural land, isolation of communities and restricted access to essential services such as education and healthcare. Further Israeli confiscation of Palestinian land and water resources for settlements has also affected the Palestinian population. The expansion of the settlements in the West Bank made most Palestinian cities and many villages surrounded by Israeli settlements and by settlers' roads. The restrictions on Palestinian mobility and movement of goods within the West Bank and between the West Bank and Gaza contributed to a further deterioration of the Palestinians' living conditions.

Sustained economic growth in the West Bank and Gaza is a vital part of the process of political normalization. As the World Bank wrote in December 2004, "While prosperity is no guarantee of tranquility, history teaches that the opposite is true: that destitution, political instability and violence are constant companions¹". James Wolfensohn, the Quartet Special Envoy for Disengagement, has continually emphasized the need to create Palestinian economic momentum, and its connection with Israel's security.

The Quartet Special Envoy has underlined the message that "successful reconstruction requires four fundamentals – an absence of violence, a rolling back of the restrictions on Palestinian movement, vigorous Palestinian governance reform and increased foreign aid".

¹ World Bank, Economic Monitoring Report December 2005. The Palestinian Economy and Prospects for its Recovery.

2. Political, Economic and Poverty Development

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

The economy continued to recover from the effects of the second *intifada* with real GDP growth expected to reach around 6% in 2005. The relatively high growth rate did not translate into a high rate of inflation. The year-on-year inflation rate stood at 5% as the year approached its end. Two factors need to be emphasized in this context. First, the recovery of the economy was achieved against an all-time low following the second *intifada*. Secondly, the economy can never realize its full potential unless the Israeli regime of obstructing freedom of movement is lifted. In the West Bank the permit regime, check-points, earth-mounds, road barriers, the Separation Barrier etc have a negative impact on the prospects for economic development. In the Gaza Strip Israeli control of the borders compromised the free movement of people and goods. All these obstacles to movement adversely affected the economy.

The expenditure pattern of the PA budget can be divided into three categories – wages, non-wage expenditure and transfers. In 2005 wages constituted the biggest expenditure item in the budget. Education, health and security were prioritized as regards the non-wage category. Transfers included social benefits of various kinds.

The fiscal situation of the PA worsened during the year. Improvements in revenue collection were off-set by expenditure increases resulting in a projected fiscal deficit of 750 MUS\$ for 2005. The rise in the expenditure was caused primarily by two factors. First, salaries to civil servants were increased by an average of 15–20%. Salaries to the security forces rose even more, on average 30–40%. Secondly, the public sector expanded due primarily to recruitment to the security apparatuses.

Throughout the year several measures were implemented that improved expenditure management and control as well as the public procurement process. Nevertheless, the rather lax financial discipline of the PA resulted in a breach of the so called Wage Containment Bill which is part and parcel of the benchmarks connected to the World Bank Reform Trust Fund, a multi-donor instrument established in support of the Palestinian reform program. Two other benchmarks related to the Reform Trust Fund were also not met at year's end. There was no submission to the Cabinet of a fiscal stabilization plan aimed to provide a framework

for gradually reducing the budget deficit of the PA. In addition, progress on pension reform was not deemed to be satisfactory.

2.2 Political Development

2.2.1 The Peace Process

In February 2005 a summit between the Israeli Prime Minister Ariel Sharon and the Palestinian President Mahmoud Abbas (Abu Mazen) took place at Sharm-el-Sheikh. At the summit agreement was reached that Israel would withdraw from five cities in the West Bank. The agreement is yet to be implemented.

In September 2005 Israel implemented its unilateral withdrawal from the Gaza Strip. The settlers were evacuated and the settlements destroyed. Israel also evacuated a few settlements in the Northern West Bank but continued to control the area administratively and militarily. The Quartet Special Envoy for Disengagement, Mr. James Wolfensohn, embarked on a quest to raise funds from the international community in order to improve the economic conditions, particularly in the Gaza Strip while simultaneously pushing for internal Palestinian reform.

In December 2005 the Swedish Ministry for Foreign Affairs contributed to Wolfensohn's efforts by providing SEK 40 million, through UNRWA, for job creation in the Gaza Strip.

In November 2005 Mr. Wolfensohn's efforts – after intervention from US Secretary of State Rice – resulted in the parties accepting an *Agreement on Movement and Access*. The main pillars of the agreement include an opening of the border crossing at Rafah between the Gaza Strip and Egypt under de-facto Palestinian control, up-grading of the goods terminal at Karni, a green light for the construction of a port and continued discussions on revitalizing the airport in the Gaza Strip, a transportation link between the West Bank and the Gaza Strip and reduction of the number of obstacles to movement in the West Bank. Subsequently, the border crossing at Rafah was opened with the involvement of an EU assistance mission (EU BAM Rafah) with Swedish participation. In principle, the remainder of the agreement remains to be implemented.

The international community's hopes that the Israeli disengagement from the Gaza Strip would relaunch the peace process were partly squandered as the year approached its end. The confidence between the parties did not improve due to the fact that the disengagement was the result of unilateral action rather than negotiation. Other negative factors included the construction of the Separation Barrier as well as the expansion of settlements – not least in and around Jerusalem – as well as Israeli measures aimed at strengthening its control of the Jordan Valley through an elaborate permit regime.

2.2.2 The Palestinian political arena

Free and fair Presidential elections were held in the oPt in January 2005. Mahmoud Abbas from Fatah won a convincing victory. Following the elections the President set out to bring order in the Palestinian house. With Egyptian facilitation the Palestinian factions managed to agree on calm internally as well as on a truce with Israel.

Throughout the year several rounds of local elections were organized. In general the Islamist party Hamas fared very well. The successes of Hamas in the local polls were a precursor to the Parliamentary elections in January 2006 in which Hamas, in view of the electoral system, won a convincing majority of parliamentary seats, but not of the votes.

Fatah was blemished by internal divisions between the young and old guard of Fatah and between the insiders (“native” West Bankers and Gazans) and the outsiders (also referred to as Tunisians who came to the oPt following the Oslo Accords). In the run-up to the Parliamentary elections there was a de-facto temporary split in the party following a failed attempt to hold primaries. The wounds were not healed at year’s end. No date had been set for the planned party Congress of Fatah.

2.2.3 Human Rights

Human rights violations by Israel and the PA 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.

Israeli Military occupation of the West Bank & Gaza including East Jerusalem continues to result in major violations of human rights. There are some 8,000 Palestinian prisoners in Israeli jails, whose treatment is alleged to fall well below internationally accepted standards.² Freedom of movement is severely undermined by over 600 military obstacles.³ Social and economic rights are violated. A quarter of the Palestinian population is unemployed and half the population lives below the official poverty line. Health and education services suffer and Palestinians have severe difficulties in accessing safe water. Housing remains a serious problem as a result of house demolitions conducted by the Israeli authorities in previous years. In 2004 the International Court of Justice handed down an advisory opinion in which it condemned as illegal not only the construction of the Separation Barrier but also many features of the Israeli administration of the oPt. The advisory opinion was endorsed by the United Nations General Assembly on 20 July 2004 in resolution ES-10/15. Since then little effort has been made by the international community to compel Israel to comply with its legal obligations as expounded by the International Court.⁴

2.2.4 Democratic Governance

The PA is the key partner in the oPt and is responsible for all public administration within the limits defined in the Oslo agreements between Israel and the PLO. There is a continuing need for reforms of the PA. This is particularly true with regards to the judicial sector. The most notable development in the Palestinian governance sphere over the past year has been the holding of free and fair elections at both the presidential and local levels. These polls, together with the PLC election held in January 2006, represent significant milestones in the democratic development of the PA. In terms of internal PA reform, a number of initiatives have been taken forward since the publication of the One Year Reform Action Plan in September 2004. Despite these useful inputs, progress on reform over the past year has generally stalled.⁵

² Report of the Special Rapporteur of Commission on Human Rights on the situation of human rights in the Palestinian territories occupied by Israel since 1967. p. 3

³ The types of obstacles include permanent and partially manned check points, road blocks, metal gates, earth mounds, earth walls, trenches, road barriers and permit restrictions.

⁴ Report of the Special Rapporteur of Commission on Human Rights on the situation of human rights in the Palestinian territories occupied by Israel since 1967. p. 3

⁵ Medium Term Development Plan – A Donors view AHLC paper. 19 December 2005

2.3 Ongoing or Risk for Internal or External Conflicts

On the whole the peace process made little headway in 2005. Israel's unilateral disengagement from Gaza did not translate into a reinvigoration of the peace process. Indications are that Israel is set to continue on the unilateral path. Towards the end of the year the political leadership in Israel floated ideas of unilateral withdrawals from parts of the West Bank. The Palestinians resist unilateral action by Israel. The Israeli-Palestinian conflict can thus never be resolved through unilateral means. Only a negotiated settlement can translate into an implementation of the vision of the Road Map, i.e. two states living side by side in peace and prosperity.

The Palestinian society has been adversely affected by the second *intifada*. The institutions of the PA have been severely damaged. The effects have been exacerbated by corrupt practices on the part of decision makers and civil servants. Subsequently these institutions have failed to provide basic services for the population, including security. This has, in turn, served to strengthen divisions amongst the Palestinians. In search for security and services the Palestinian population has identified themselves to a larger extent either to clan or to political or militant movements, causing a further deterioration of law and order as clans and/or various militant movements clash with one another.

2.4 Poverty Reduction: Overall Trends and Perspectives

2.4.1 Poverty Statistics

The poverty levels in the oPt are high and worsening. The gap between the rich and poor is widening and more people than ever before state they need humanitarian assistance. Depending on what measures are used, poverty in oPt is estimated to be between 45–70% of the population. This is a wide variation, but the fact remains that a large proportion of the Palestinian population is poor with income levels of less than 2 USD per person per day.⁶

- According to statistics provided by OCHA⁷, *67% of households were below the poverty line* which is 6% higher than in the fourth quarter of 2004.⁸
- According to the Palestinian Central Bureau of Statistics (PCBS) Labour Force Surveys, *57% of employees have monthly wages below the poverty line* in the second quarter of 2005⁹. Median monthly household income decreased from \$500 before September 2000 to \$ 349 in the first quarter of 2005.¹⁰
- Using macro-modeling of per capita consumption (based on GDP and unemployment indicators), the World Bank estimates that *48% of the population is under the poverty line at the end of 2004* – 38% in the West Bank and 65% in the Gaza Strip.¹¹
- The Palestinian Perceptions surveys estimate that poverty increased from *55% in 2004 to 64% in July 2005*.¹²

⁶ Humanitarian Update – September 2005. OCHA (www.ochaopt.org), p.1

⁷ Ibid.

⁸ PCBS, Impact of Israeli Measures on the Economic Conditions of Palestinian Households (12th Round: Jan – Mar 2005).

⁹ PCBS Press Release on Labour Force Survey Results (Apr – Jun 2005).

¹⁰ The NIS-USD exchange rate in September 2000 was 4.0 and in March 2005 was 4.3.

¹¹ World Bank, Stagnation or Revival, 2004

¹² The Graduate Institute of Development Studies (IUED) adopts the same benchmark household as PCBS of 2 adults and four children. The household is below the poverty line if its Income is lower than USD 2,20 per person per day. If it is lower than USD 1.60, individuals are considered to be hardship cases, that is, in subsistence poverty (Palestinian Public Perceptions, Report VIII – June 2005, Executive Summary, IUED, Geneva; unpublished data, Poll 9.

- The PCBS Palestinian Expenditure and Consumption Survey (PECS) income-based definition of poverty estimates that *54% of the population is poor*; 48% in the West Bank and 65% in the Gaza Strip.¹³
- According to the PECS consumption based definition of poverty, *25.5% of the Palestinian population is poor*; 19.8% in the West Bank (including East Jerusalem) and 37.2% in the Gaza Strip.

The absence of political and economic stability continues to cast its shadow on Palestinian family consumption, their priorities and their coping mechanism to the repressive Israeli measures. Palestinian families have resorted to referring payment of bills, borrowing, and to squeezing expenses in order to be able to survive economically. A big 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.¹⁴

2.4.2 Location of Poverty

Location is key determinant of poverty. People in Gaza are poorest (with 37% in poverty and 26% in subsistence poverty). In the West Bank it is Hebron, Bethlehem, Jenin and Tubas that have the highest poverty levels. Poverty in East Jerusalem is low compared to other parts of the West Bank and the Gaza strip, but the number of Palestinians in subsistence poverty in Jerusalem tripled in 2004 from 2% to 6%. In Jerusalem, the increase in prices of goods and transportation costs related to the construction of the Separation Barrier and mobility restrictions are also important.¹⁵ Unemployment is the main reason for the climbing poverty rates. In the Gaza Strip, damage to business and land has also resulted in income loss.

2.4.3 Closures and Restriction of Movement

The closure system is a primary cause of poverty and the humanitarian situation in the West Bank and the Gaza Strip as it restricts Palestinian access to health and education services, employment, markets and social and religious networks.

According to the World Bank a scaling down of the restriction and closure regime accompanied by an increase in donor assistance to revive the economy, is one of the main pre-conditions for lowering the poverty level.

2.5 PRSP and Swedish Development Cooperation in West Bank & Gaza

Certain attempts have been initiated by the PA to address the issue of poverty and come up with plans to reduce poverty in the oPt, the latest example of which is the Palestinian Medium Term Development Plan 2006–2008 (MTDP). The MTDP tries to address the issue of poverty reduction linking up the context of the West Bank & Gaza with the Millennium Development Goals (MDGs). The PA started late localizing the MDGs but has recognized that the MDGs offer an integrated, goal-oriented framework for poverty reduction.¹⁶

¹³ PCBS PECS 2004, Press Release – July 2005.

¹⁴ Mas & PCBS Quarterly Economic and Social Monitor – Volume 2, p.5

¹⁵ Humanitarian Update – September 2005. OCHA (www.ochaopt.org), p. 2

¹⁶ Sida discussion with Palestinian Ministry of Planning on PRS November, 2005.

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

In 2005 a mile-stone was reached in restructuring donor coordination and harmonization. Since the start of the *intifada* in 2000 the former structure of donor coordination ¹⁷ was not functioning any longer and the need to reform donor coordination putting the PA back in the driver's seat was much needed.

Sweden supported the work of the PA, the Local Aid Coordination Committee (LACC) co-chairs and the Quartet Special Envoy James Wolfensohn to improve donor co-ordination and focus international efforts on building the institutions of a viable Palestinian state.

European member states including Sweden emphasised the following points for better coordination and harmonization in the year 2005:

- The need to simplify donor co-ordination arrangements.
- That new arrangements must both support and empower the PA. Thus, the PA should lead and co-chair co-ordination meetings, but donors should support them in this role;
- The importance of integrating donor support with the PA budget, through an improved Medium-Term Development Plan.
- While recognising that reform has a political dimension, discussions on donor assistance cannot be separated from discussions on reform.
- Sector-level groups should continue to play an important role.
- Security Sector Reform will only be successful if it has effective donor co-ordination arrangements.

A new donor coordination structure was finally approved in the last Ad-Hoc Liaison Committee (AHLIC) meeting that took place in London on 14 December 2005¹⁸. Sweden in full consultation with the PA, EU Member States and the donor community at large will be engaged in co-ordination as follows:

1. EU Heads of Development Cooperation (HOC) meetings.
2. Local Development Forum (LDF). The LDF will be open to all donors and aid agencies as well as to the representative of the international NGO network (AIDA). The Ministry of Planning will co-chair the LDF together with Norway, the World Bank and United Nations Special Coordinator for the Middle East Peace Process (UNSCO).
3. The Governance Strategy Group.
4. The Social Development & Humanitarian Strategy Group.
5. The Infrastructure Strategy Group.
6. Selected sub-groups deriving from the above groups as deemed necessary.

The safeguarding of Palestinian ownership of the various coordination groups has been one of the Consulate General's main concerns in the process. Areas under consideration for Consulate General's active participation are infrastructure, good governance as well as social development and humanitarian assistance.

¹⁷ For further information on donor coordination structure see www.lacc.ps

¹⁸ For further information go to www.lacc.ps and look up the report on reforming donor coordination in the West Bank and Gaza.

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

3.1 Relevance of the Country Strategy in the Light of Country Development

The Country Strategy for the West bank and Gaza foresaw that the situation would necessitate flexibility in aid programmes. Swedish assistance in 2005, therefore, has been able to adjust to the deteriorating situation in the oPt.

Looking back at some of the main findings of the last report entitled “Results Analysis of Sida’s Support to the West Bank and Gaza since the outbreak of the *intifada* in October 2000”¹⁹, which was concluded in early April 2004, one sees that the same findings are still valid in 2005, that is:

- Swedish assistance has adjusted well as the humanitarian conditions have worsened. The aim in this work has been to retain and develop a long-term perspective. Sweden has managed to quickly launch essential projects of a more short-term nature, such as employment projects, logistics support for humanitarian efforts as in the Consolidated Appeals Process – CAP, and projects for restoring destroyed farmland areas, etc.
- Swedish assistance has helped to mitigate the impact of the crisis on the Palestinians, which is one of the Country Strategy’s interim goals. Aid has been provided flexibly in accordance with the Country Strategy’s “worst-case scenario”. Sweden has taken part in reform efforts regarding the development of local government and elections.
- Sweden has helped to improve the coordination of aid efforts, particularly in the humanitarian sphere as in the case of the support of the function of the Humanitarian coordinator.

3.2 Key Issues for Dialogue with Partner Country and other Partners

The dialogue issues identified in the Country Strategy (reformation of the Palestinian administration & increased citizen participation, corruption, how the development cooperation impacts on the prospects for a two-state solution and donor coordination) were highly relevant throughout the year. Specifically, those issues were discussed during the annual consultations with the Palestinian Authority on 19–20 October 2005.

At the program level, the involvement of a local Procurement Advisor

¹⁹ Staffan Engblom, IPM, ‘Results Analysis of Sida’s Support to the West Bank and Gaza (WBG) Since the Outbreak of the Intifada – Did Sida do the Right Things?’

to the Consulate General enabled a more intensified discussion with project partners on transparency and methodology issues in procurement carried out in their projects.

The Consulate General has continued as in the previous years to be engaged in policy dialogue and sharing of information to harmonise its humanitarian assistance in the framework of the EU Informal Humanitarian Policy Group.²⁰ The Consulate General has also taken an active part in the work to establish new donor coordination structures.

3.3 Volumes and Disbursements

The country allocation for West Bank and Gaza 2005 was SEK 170 million. By December 2005 some 91% of the allocated amount was disbursed. Planned additional support to the World Bank ESSP fund was never realized, and a waste water treatment project in Gaza was delayed. The country allocation for 2006 is SEK 170 million. In addition to the country allocation, Sida's support to humanitarian assistance during 2005 amounted to SEK 92 million.

3.4 EU Integration and European Partnerships

Attempts were made during the end of 2005 to create a common EU-strategy for development assistance. This was mainly for partner countries that needed a support in strategy, not really for countries with their own strategical framework. But if it will take off, we will have to refer to the common EU strategy in our future strategy as a platform.

²⁰ The Friday Group was initiated by the EC and a group of Members States (MS) following concerns regarding the humanitarian situation raised by several EU Aid Co-ordinators and humanitarian project managers in early 2002. At that time, there was no official co-ordination body or policy forum that allowed a productive information exchange on the humanitarian situation in Gaza and West Bank. At the outset, participants included the major humanitarian stakeholders, such as the PA, UN organizations and the ICRC. The meetings were a platform to discuss humanitarian problems, formulation of emergency programs and possible implementation plans to deal with emergency programs. The Friday Group has developed into a forum for sharing information but also to produce policy, legal documents and main issues such as house demolitions, impact of the Separation Barrier on delivering humanitarian assistance, and more operational support to EU-MS implementing agencies such as UNRWA, UNICEF and NGO's.

4. Specific Country Programme Overview of the Swedish Development Cooperation

4.1 Country Strategy

In the end of 2005 the Swedish Government prolonged the Country Strategy for the West Bank and Gaza by one year. A challenge facing Sweden as well as the donor community and the Palestinian Authority was finding the right synergies between humanitarian support and long term development cooperation objectives.

4.2 Main Areas of Swedish Support

4.2.1 Humanitarian Assistance

The humanitarian situation in the West Bank and Gaza continued to be unstable during 2005. Since the humanitarian situation is largely man-made, progress on the political front would be needed in order to remedy the situation.

But even under the assumption that the peace process will evolve positively, it will take time before the Palestinian population in the West Bank and the Gaza Strip (WBGS) can reap the benefits at household level and the economy recovers at macro levels, hence humanitarian assistance will still be needed during the assumed recovery period.

Despite the improved political climate and the measures Israel instituted during the first part of 2005, most movement restrictions for Palestinians remain in place. They are in the form of checkpoints, curfews, by-pass road networks for the exclusive benefit of settlers, and the permit system. The building of the Separation Barrier continued to affect hundreds of thousands of people, cutting off entire villages from access to livelihoods, farm lands, business and essential services like health care and education.

Sweden has continued to be engaged in policy dialogue and sharing of information to harmonise its humanitarian assistance in the framework of the EU Informal Policy Forum (the so called Friday Group). The EU Friday Informal Humanitarian Policy Group organized a special session following the recommendation made at the EU Heads of Development Cooperation meeting on 4 May 2005 to discuss the document prepared by the LACC entitled "Mitigation of the Wall". The EC and EU Member States are still debating funding projects in response to humanitarian needs also keeping in mind the ICJ ruling on the wall of July 2004. OCHA in the meanwhile is developing a Wall Mitigation Checklist, which shall be included in the report. In this context, it should be borne in mind that such a checklist will not be able to cover all possible

examples. This illustrates the importance of developing broader guidelines as a basis for funding decisions in the oPt – a checklist cannot be a substitute for guidelines.

Follow-up and dialogue with UN or NGOs supported by the Consulate General to implement humanitarian interventions continued in 2005. The Consulate General took part in meetings with UNRWA both in Jerusalem and Amman in the form of the Stakeholder Relationships and the Host and Donor Countries Meetings. The purpose of these meetings is to enhance coordination, better donor-ship, and a more efficient and effective UNRWA.

A follow-up on projects was also concluded in late 2005 between Sida-HQ SEKA/HUM mission and the Consulate General. The joint mission visited and had discussion with all its humanitarian project partners.

Humanitarian agencies including Sida continue to face the dilemma as to whether to provide relief when Israel, as the occupying power, is obliged to provide 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 Human Rights and Democratic Governance

Sida provided funding to 14 human rights organizations and institutions during 2005 and at the same time continued discussions with other donors on ways to strengthen and improve its co-operation with civil society. A tender process was conducted in order to find a Programme Implementing Organisation (PIO) and was finalized in November 2005. A Secretariat for channelling donors support to the sector was established in December 2005. The aim of setting up this programme is two-fold: to avoid the risk of corruption and to increase the level of co-ordination not only between donors but also between the NGOs.

Until December 2004 Sida provided support to the Children's Secretariat (CS) a body within the Ministry of Planning set up to work with the National Plan of Action for Palestinian Children (NPA). The role of the CS of the NPA was to increase the understanding of the children's rights' perspective and the specific needs of children within different line ministries as well as amongst other relevant stakeholders. However, after discussions and a financial audit in August 2005 Sida decided not to continue providing support to the Children's Secretariat

However, in discussions with the Ministry of Planning the Consulate General maintained that according to Sweden's Country Strategy for West Bank and Gaza, support for the promotion of children's rights and welfare is a prioritized area and should continue to mainstream Sida's portfolio in the West Bank and Gaza.

Decision to support Kvinna till Kvinna and the Palestinian Independent Commission for Citizens Rights (PICCR) was taken during 2005 and the support will continue until the end of 2007. With regards to PICCR Sweden will continue act as a lead donor for the donor consortium.

In the area of democratic governance Sida has during 2005 provided support to the presidential election, channelled through the Central Elections Committee, as well as for the preparation of the Palestinian Legislative Council (PLC) elections in January 2006. Support was also given the Higher Commission for Local Elections in preparations of the third round of local elections in September 2005.

4.2.3 Health

The humanitarian situation justified continued support to the Palestinian health NGO's. During 2005, the main Swedish partners in this sector were Diakonia and Palestinagrupperna (PGS). These two organizations are in turn cooperating with several Palestinian health oriented NGO's, for example, Gaza Community Mental Health Programme (GCMHP) and the Union of Palestinian Medical Relief Committees (UPMRC).

Support to the GCMHP concentrated on children's mental health. The project continued its community based approach that targeted a great number of children living under extremely difficult circumstances.

The Diakonia program of support concentrated on support to the rehabilitation sector. Through the input of Diakonia and others, disability became not only an end by itself but also a tool to influence human rights and democracy concepts and practice in West Bank and Gaza.

A Follow-Up study of Sida's support to the health sector was commissioned to two Swedish consultants and a final report by the consultants was delivered to Sida in October 2005. A consultation meeting between the Consulate General and Sida's Health Division to discuss the findings and recommendation of the follow-up study took place in Stockholm in late November 2005. A joint decision was reached to phase out Sida's existing health support in the oPt over a period of 18 months with the possibility of another phase in support in 2007.

During 2005, Sida has also been funding other health related organizations like the Palestinian Red Crescent via the Swedish Red Cross and the International Committee of the Red Cross (ICRC). A considerable proportion of Sweden's general contribution to UNRWA's budget is used in the health sector in the oPt.

4.2.4 Culture & Media

The Culture and Media support continued to be justified in Palestinian society, where alternative means for expression are highly needed, especially for children and young people. The support is mainly channelled through Swedish partners in cooperation with Palestinian counterparts. The Swedish partners are now to a greater extent working with strengthening the capacity of their Palestinian counterparts. There is a tendency towards increased degree of cooperation between the cultural partners and the Palestinian ministries, in this case Ministry of Culture (MoC) and Ministry of Education (MoE). The cultural and media activities are mainly centred to Ramallah, Jerusalem and Bethlehem. Gaza is especially underprivileged when it comes to media and culture activities.

The Children's literature programme, coordinated by Diakonia, continued with distribution and translation of children's books, reading promotion activities for children, training of teachers and training of trainers in children's literature. Diakonia's main partner organisation in West Bank and Gaza, Tamer Institute, was nominated for the Astrid Lindgren Memorial Award 2005 for their reading promotion work. Children's literature was introduced at both Birzeit and An-Najah universities as part of their course range. Palestinian teachers visited Rinkeby School for an exchange program in August. In November an agreement between Diakonia and MoC was entered into, and in December a film crew from Sweden started documenting the children's literature programme for Swedish television.

The Music programme was carried out in cooperation between the Academy of Music & Drama in Göteborg, and six music institutions in the West Bank and East Jerusalem. The main part of the support contin-

ued to be used for a scholarship program at the Edward Said National Conservatory of Music. In July, the yearly “Jerusalem Festival”, organized by Yabous Production and a revival of the “Palestine International Festival”, organized by Popular Art Center, took place. The latter got a lot of attention since it was stopped in Qalqilya by religious leaders. There has been a close cooperation between the MoE and the Academy of Music in order to improve the Palestinian music teacher education.

The Theatre/Dance programme is channelled through Swedish DI (University College of Theatre) in cooperation with two Palestinian theatre groups and one dance troupe. The main activity was a joint theatre project for children, between Palestinian Al-Hara and Swedish Backa Theatre, resulting in a play which was received positively both in Sweden, oPt and Romania. Cooperation with MoE was initiated in order to introduce drama into the curriculum.

The Bethlehem Peace Center’s cultural activities continued. A new mayor was installed during local elections in April. This led to the formation of a new board of directors for the Peace Center.

The “Palestinian Women’s film festival”, organized by the NGO Shashat, took place for the first time in September 2005. It was praised by both local ministries and in regional and local press and has led to debates in schools about women’s/girls’ rights and situation and the establishment of film reference libraries.

The Media programme through The Institute for Further Education for Journalists, Fojo, in Kalmar, in cooperation with Birzeit University’s Media Institute, continued to offer Mid Career courses to journalists within radio, print and TV. A new project proposal is being prepared by Fojo (2006–2010) with greater focus on gender issues, children’s media, sustainability and Gaza.

During the summer, the informal Cultural Coordination Meeting was revived and had its first meeting at the Consulate General. Norway together with the MoC launched a Cultural Fund, which could be of interest for the Swedish support to culture in the future.

During the autumn 2005, an external review of the cultural heritage sector (built environment) was commissioned by Sida. The review report includes an assessment of the current performance of the sector, the possible role of Swedish actors and possible areas of future Swedish interventions. It is foreseen that the discussions of the direction of the Swedish cooperation in this field will continue during the first part of 2006.

4.2.5 Employment Generation

Unemployment continues to be a major problem in the Palestinian society. The average unemployment rate in the Palestinian areas increased during the fourth quarter of 2005 to 29.4% (according to Palestinian Central Bureau of Statistics, ILO’s relaxed definition). Average unemployment levels in Gaza were considerable higher than in the West Bank (34.5% in Northern Gaza).

The Swedish-Norwegian funded job creation program with the Northern Gaza Municipal Council (SEK 30 million) was implemented throughout the year through four municipalities. The activities mainly focused on small scale urban infrastructure projects of direct benefits to the local population while at the same time providing business opportunities for local contractors. The program progressed well over the period, although with delays due to the security situation, Israeli incursions and periods of shortage of materials due to the closures by Israel. The agreement was extended in July 2005 with an additional SEK 6 million. It is

anticipated that some 160,000 working days will be provided through the program.

A number of job creation projects in the West Bank were carried out through restoration of historical buildings of importance for cultural heritage preservation in the West Bank. This was done through the Palestinian organisations RIWAQ, Hebron Rehabilitation Committee and the Bethlehem Centre for Cultural Heritage Preservation. A mid-term review of the cooperation with RIWAQ concluded that restoration of old buildings is a highly relevant field in a job creation perspective.

Following the termination of the sector working group for Job Creation, employment issues have been handled in the sector working group for Municipal Service Delivery. The Consulate General follows the work of this group, where the major effort so far has been put on the establishment of the Municipal Development Fund. Job creation is anticipated to be a part of the funds line of activities further on.

4.2.6 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. As a result of the bad economic conditions of the Palestinians in the West Bank & Gaza, an increasing number of beneficiaries are not paying their bills for electricity and water while still being connected, which has severely reduced the financial sustainability in these sectors. At the same time, a number of major donor financed infrastructure projects have been “shelved” due to various factors related to the general development in the Palestinian areas.

Towards the middle of 2005, however, discussions on a number of those projects were revitalized in the spirit of the discussions related to the Gaza disengagement facilitated by the Wolfensohn team.

In June 2005, Sida took the decision to support the construction of the Northern Gaza Emergency Sewage Treatment Plant with an amount of SEK 45 million. The project is co-funded by a consortium of donors (World Bank, France, EC, Belgium and Sweden), with the World Bank taking the lead. The environmental and sanitary situation in the vicinity of the old sewage treatment plant in Northern Gaza is still critical but is expected to improve shortly with the implementation of the first stage of the project, whereby the “sewage lake” at the old site will be lowered to a level that will reduce the risk of flooding of the densely populated area.

The support to the Palestinian Water Authority for improvements of the storm water and sewage system in Northern Gaza has progressed relatively well, although the implementation has been affected by periods of restricted mobility of material and staff due to the security situation and Israeli incursions. The project has led to significant improvements in the sanitary environment for the local population.

The construction of the high voltage transmission line in Gaza continued to be put on hold during 2005 due to the security situation and problems with allocation of land.

In March 2005, Sida took the decision to co-fund an energy sector development program with an amount of SEK 40 million. The program focuses on i) restoration of electricity systems, ii) institutional development and iii) pilot projects for pre-payment electricity meters.

Component i) is addressing emergency power needs, while components ii) and iii) aim at improving the sustainability of the sector. Components i) and iii) were successfully started up during the year, while component ii) was negatively affected by the non-passing of the new energy legisla-

tion by the Palestinian parliament. The program is carried out through a basket fund arrangement with Norway as the lead donor.

4.2.7 Private Sector

Support to East Jerusalem, Qalqilia, Tulkarem, Salfeet and Bethlehem private sectors continued through the Federation of Palestinian Chamber of Commerce, Industry and Agriculture with emphasis on training, IT-system, reporting system and system of collecting membership fees. The chambers are working in an environment that has been dramatically affected by the political situation. The “homelands” have been strangulated by the Separation Barrier and/or other closures. The chamber is monitoring the economic situation in general and the business community in particular. A prolongation of the existing Sida-Chamber of Commerce agreement until November 2005 was agreed upon. Another extension was agreed upon for a period of nine months starting November 2005. It is envisaged that the ongoing project will continue and additional preparatory workshops will ensure a smooth transition into phase II.

The South African Representative Office in Ramallah and the Consulate General supported the new business cooperation between the Palestinian Chamber of Commerce and the South African business community. Further exchange of ideas and experiences in a form of a visit by Palestinian businessmen to South Africa is planned in early 2006.

The current agreement with the Palestinian Securities Exchange was concluded in September. A final report was delivered to the Consulate General and Sida-HQ. No further request for support was initiated by the Palestinian Securities Exchange in the consultation meeting with the PA in October 2005 or after; therefore the Consulate General sees this project closed.

4.2.8 Support to the Peace Process & Conflict resolution

Sweden continued in 2005 to partner with the Negotiations Affairs Department (NAD), an institution tasked to provide the leadership of the PLO with expertise advise on negotiations. Sweden is part of a donor consortium that also includes Denmark, the Netherlands, Norway and the United Kingdom. The funds are channelled through a consultant (Adam Smith International) that, in turn, managed the Negotiations Support Unit (NSU) under the aegis of the NAD. During the year the NAD/NSU continued to develop reference guides for all issues related to final status negotiations. A considerable amount of time was devoted to current initiatives such as the Israeli disengagement from Gaza as well as promoting initiatives lobbying for the return to final status negotiations.

The current project is due to expire in April 2006. During 2005 the donors and the NAD initiated the process of a new three-year project phase. It is yet unclear what impact the outcome of the Palestinian Parliamentary elections in January 2006 will eventually have on the next phase of the project.

4.2.9 Support to the World Bank Trust Fund

Sida's support to the World Bank Trust Fund ESSP (Emergency Services Support Program), in order to cover the social ministries' running costs, was disbursed fully during December 2004, but used by the ministries by 57% (SEK 26 million) during 2005. The agreement with the World Bank was prolonged until June 2006. The initial plans to provide new funds to the ESSP during the year was cancelled due to that all the other former donors turned to the new Financial Management Reform Trust Fund in-

troduced by the World Bank. Sweden chose not to support the Reform Trust Fund, which provides budget support to the PA with benchmarks on reforms.

5. Office and Administrative Issues

5.1 Work on Quality Assurance

Quality assurance work has been done in connection with weekly development meetings and in the country planning process. The work continued with emphasis on initial preparations of support as to match the sector departments in-depth preparations.

5.2 Current Resources and Staffing

We have concluded that the personnel resources for 2005 has been adequate. Lessons learnt is that introduction of new staff members can be done in a more efficient way.

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

The office changed its three-member management group in August 2005.

Annual consultations were

held by the end of October, with participants from the Asia department as well as from DESA/DESO. A great number of PA-ministries and different authorities participated during the two-day session. One focal-point was increased partnership with the PA in accordance with the Paris-declaration aiming at improving aid-efficiency and coordination. No major commitments were done during the consultations.

Annexes:

- Basic Facts – West Bank and Gaza
- Current Planning Overview

Annex 1

Basic Facts

– West Bank and Gaza

Area, km2: West Bank	5 800
Area, km2: Gaza	365
Population 2003, millions	3.5
Expected population 2015, millions	5.0
Population growth per annum (per cent)	3.0
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) (Sweden 6 th)	102

Source: Human Development Report 2004

Annex 2

Current Planning Overview

Country report - Palestinian Administered Area

Outcome and forecast in TSEK

Delimitation:

Status: I, P, A and C (agr end > 200500 or Outcome <> 0)

Region / Country: Palestinian Administered Area

Other:

Responsible Unit (All)

Allocation Frame		Allocation Account	Main Sector	Data			
		15518 West bank / Gaza		Outcome 2005	Outcome 2006	Forecast 2006	Forecast 2007
Inside country allocation			01 Health	21 774	0	17 450	14 000
			04 HR & Democratic governance	48 337	701	88 171	53 025
			05 Conflict, peace & security	5 738	0	11 149	6 000
			07 Infrastructure	32 127	0	58 300	25 508
			09 Trade, business & fin. syst	3 722	0	3 998	0
			10 Natural resources&environm.	16 754	22	18 981	10 000
			12 Other	6 996	511	8 632	300
			No sector stated	0	0	48 000	65 000
			15518 West bank / Gaza Total	135 448	1 234	254 681	173 833
			135 448	1 234	254 681	173 833	
Inside country allocation Total							
Outside country allocation	15519 Regional Asia		04 HR & Democratic governance	0	0	0	0
			05 Conflict, peace & security	54	0	0	0
	15519 Regional Asia Total		54	0	0	0	0
	155191 Regional, MENA		04 HR & Democratic governance	260	0	0	0
			05 Conflict, peace & security	8 063	0	150	0
			12 Other	2 043	0	6 129	0
	155191 Regional, MENA Total		10 366	0	6 279	0	0
	155341 Global Dev. Programs, PEO		05 Conflict, peace & security	0	5	0	0
	155341 Global Dev. Programs, PEO Total		0	5	0	0	0
	15561 Non-governmental organisations		01 Health	1 809	278	977	27
		02 Education	3 526	772	2 823	109	
		03 Research	0	0	0	0	
		04 HR & Democratic governance	8 575	1 860	6 184	1 292	

Allocation Frame	Allocation Account	Main Sector	Outcome 2005	Outcome 2006	Forecast 2006	Forecast 2007
Outside country	15561 Non-	05 Conflict, peace & security	472	77	210	116
		07 Infrastructure	309	1	5	0
		09 Trade, business & fin. syst	1 909	551	1 167	0
		10 Natural resources&environm.	2 295	116	536	0
		12 Other	3 164	864	2 846	520
	15561 Non-governmental organisations	Total	22 060	4 521	14 749	2 064
	15571 Humanitarian assistance	05 Conflict, peace & security	0	0	0	0
		06 Humanitarian assistance	92 690	2 401	41 274	9 000
		No sector stated	0	0	40 000	0
	15571 Humanitarian assistance	Total	92 690	2 401	81 274	9 000
	15732 Peace-promotion activities	04 HR & Democratic governance	0	0	0	0
	15732 Peace-promotion activities	Total	0	0	0	0
	15734 Peace-promotion activities abroad	05 Conflict, peace & security	0	0	0	0
	15734 Peace-promotion activities abroad	Total	0	0	0	0
	15735 Peace-promotion activities	04 HR & Democratic governance	0	0	0	0
	15735 Peace-promotion activities	Total	0	0	0	0
	23494 Settlement, TIPH, MfFA	05 Conflict, peace & security	14 526	2 052	0	0
	23494 Settlement, TIPH, MfFA	Total	14 526	2 052	0	0
	23497 Settlement, MfFA	05 Conflict, peace & security	0	94	1 000	0
	23497 Settlement, MfFA	Total	0	94	1 000	0
Outside country allocation Total			139 696	9 072	103 302	11 064
Grand Total			275 145	10 306	357 984	184 897

Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.



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