

Sida Country Report 2003

West Bank & Gaza



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1. Summary

The political development during 2003 until the end of the summer showed some positive signs: the 'Road Map' had been accepted; reforms had been initiated in the Palestinian Authority (PA), particularly the creation of a Prime Minister post; a high level meeting between Israel, PA, and the USA (in Aqaba); and, in July, a period of cease-fire was initiated from the side of the militant Palestinian groups. This development nevertheless ended dramatically in August, in part because of an Israeli "targeted killing" of a Hamas leader, in part because of the ensuing suicide attack against a bus in West Jerusalem.

After that, the peace process was put on hold. There were no longer any high level meetings and the 'Road Map' was set aside. In addition, a longstanding, internal political crisis flared up within the PA. This was interpreted as one of many symptoms of the serious discrepancies within the PA and the necessity for real, not just superficial reforms.

During 2003, the occupation power Israel used the reasons of security to justify and continue its severe measures against the Palestinian population. Palestinians countered with suicide bombings, often against Israeli civilians. This has, in turn, led to Israeli penal action and collective punishments. The enduring blockades of different forms – not just between the West Bank/Gaza and Israel but also inside the Palestinian territories – are completely fragmenting the Palestinian territories into separate sections, which, apart from the evident difficult humanitarian consequences, also led to a drastic decrease in economic activities. The spiral of violence, in combination with the blockades, have engendered a deepening economic and humanitarian crisis in the Palestinian society, a decomposition of its social and cultural structures.

Sida's Development Cooperation and Humanitarian interventions in 2003 have only helped keep the situation from getting worse. The review of the Swedish Development Assistance portfolio carried out in 2003 showed that the current country strategy has become obsolete and is no longer able to function as a steering instrument. The deterioration of the economic situation, the increase in unemployment rates due to Israeli military closures, the rise of the poverty rate and further armed confrontations have limited the proper implementation of development cooperation programmes.

The two-state solution is still possible, though becoming increasingly more difficult with the expansion of settlements, by-pass roads, and the so-called Separation Barriers throughout the Palestinian territory. Development Cooperation in the future cannot be a substitute to the lack of political will and should not be viewed as the solution.

2. Strategic Country Development Trends

2.1 Poverty Reduction: Overall Trends and Perspectives

In order to address the issue of poverty reduction, one must examine the general features of the Palestinian society in the West Bank and Gaza Strip, the surrounding circumstances and changes affected by the establishment of PA in 1994 and by the second Intifada. An important part of these circumstances has been formed before the establishment of a national authority and was influenced by developments of the Palestinian case following the 1948 war, when the Palestinians were denied their homeland, opportunities and resources and subjected to displacement and deprivation of basic rights. These factors are closely linked to the dynamics of poverty and impoverishment, and thus to efforts and strategies of Palestinian families and communities in the West Bank and Gaza Strip to escape poverty and have control over their destiny.

The establishment of a national authority following the Oslo accords did not halt the expansion of Israeli settlements. Oslo and subsequent agreements did not put an end to Israel's control over the determinants of the Palestinian economy, mobility and infrastructure. Most Palestinian exports and imports remain with or through Israel, maintaining an expansive deficit in the Palestinian trade balance in favour of Israel.

Israel remains in control over most natural resources, borders and roads connecting Jerusalem and the rest of the West Bank and between the latter and the Gaza Strip. This also applies to Israel's control over the Palestinian foreign trade.

The spiral of violence after the beginning of the second 'intifada' in the autumn of 2000 – suicide bombings of Israeli civilians, Israeli military incursions in the towns, villages and camps in the Palestinian territories – has led to terrible human sufferings on both sides. The extremely difficult mobility obstacles not only between the Palestine territories and Israel but also inside the West Bank and Gaza, due to the military checkpoints, barriers and road-blocs, have resulted in the almost total paralysis of the Palestinian economy and consequently an abrupt decline of the national income (nearly 50% since 2000), an increase in unemployment and poverty rates, including instances of deep poverty.

Population and Socio-economic Status in the West Bank and Gaza Strip

As many developing societies, the Palestinian society is a young one with 47,1% of the population 14 years old or younger according to the Population, Housing and Establishment census of late 1997. People 56 years old and over comprise only 3.5% of the population. Children and elderly people are the groups most vulnerable to poverty and deprivation. The high proportion of children, the low proportion of women involved in wage labor and high unemployment rate indicate a high economic dependency rate. In late 1994, the population of the West Bank and Gaza Strip, excluding the part of Jerusalem District forcibly annexed in 1967 by Israel, was 2.6 million with 1.6 million in the West Bank and 1 million in the Gaza Strip. Distribution by community type varied between the areas. In the West Bank, 47% lived in urban areas, 47% in villages and 6% in camps, while in the Gaza Strip, 64% lived in urban areas, 5% in villages and 31% in camps. The Palestine Central Bureau of Statistics (PCBS) estimated the population of the West Bank and the Gaza Strip for mid-2002 to about 3.5 million.

The information indicates an extensive variation in the District population. The Gaza District's population is 10-fold higher than Toubas District's population. The same applies to Hebron in comparison to Qalqilia. Such a variation has its implication in terms of the size of poor families in each District and how resources and investments are distributed.

Variations between the West Bank and Gaza Strip and between the different districts have potential implications on policies to challenge poverty. There are variations in the average family size, which is higher in the Gaza Strip (6.9) than in the West Bank (6.1). The average family size varies among the districts in North Gaza District (7.2) and in Tulkarem, Nablus and Betlehem (5.8 each). Reports show that both the family size and level of education have a great impact on the poverty situation.

Any plan to challenge poverty should consider the reality of the marginalized communities in terms of access to water, electricity and education services, paved roads and modern means of communication.

Israeli measures to confront the Intifada in the year 2001–2003 have led to a severe deterioration in living conditions and an increase in the poverty rate (percentage of people living on an average of less than US\$ 2 per day).

Society at Risk

The World Bank report indicates that the Palestinian economy, after 27 months of Intifada, is suffering a severe recession. The report indicates that unemployment has tripled, comprising one-third of the overall Palestinian labor force, in spite of the increasing size of external aid during the Intifada, which reached US\$ 900 millions during 2001. The report concludes that the current situation is unsustainable, as families have depleted their savings in face of their hardship.

Emergency employment projects did not affect the high unemployment rates and donor contributions could not cover the deficit in the PA budget. As indicated above, unemployment rates continue to rise and serious problems are becoming evident in health (such as malnutrition among children), the environment and the accessibility to basic services.

Several factors, circumstances and policies have overlapped to render the Palestinian society in the West Bank and Gaza Strip a society at risk. The circle of risk has expanded by the end of the interim period as defined by the Oslo accords without fulfilling the conditions for a final period negotiations. The situation reached a dead end and led to confrontations upon the failure of the negotiations in the summer of 2000. The second Intifada started and the Israeli economic, security, political and administrative measures in response have turned the Palestinian society into a number of isolated cantons under an economic and military siege by the Israeli army, as well as by Israeli settlements that never halted their expansion after the Oslo accords. The socio-economic fragmentation, geographic isolation and ethnic discrimination are among the main features that are threatening the Palestinian society. They have been accompanied by an extensive decline in living conditions due to the decline in most families' income and accessibility to basic services, mainly health and education. Losses due to siege and closures have affected most sectors of the Palestinian economy, including tourism, construction, agriculture, social and health services and the financial and industrial sectors.

In the years 2001–2003, an increase in school dropout rates was observed in the West Bank and Gaza Strip as a result of the decline in resources available to education and in citizens' ability to pay education fees. Other factors leading to such a result are related to damage inflicted to school buildings, siege imposed on communities and deliberate damage to roads. The same situation has led to a decline of citizens' ability to access health care. Israeli siege and military operations had a direct impact on children and women in particular. They also had affected a sharp increase in unemployment rates during a short period since the outburst of the Intifada. Obviously, the rising unemployment rates have caused an increase in the poverty rate of the population.

The difficult financial situation of the PA since the second Intifada started, as well as the extensive reliance on external assistance in covering the increasing budgetary deficit, have created gaps in the provision of basic services to the population. This has contributed to the expansion of poverty circles.

The private sector of the Palestinian economy in the West Bank and Gaza Strip has developed its structure under pressure by harsh external factors over successive five decades. A main factor is the Israeli effort to prevent the development of a national economy and to link the dependent economics of the West Bank and Gaza Strip to the Israeli economy. Adds to this is the poor employment capacity of the agricultural sector, reduced food security to the Palestinians and the continuing settlement activity and Israeli control over water resources. In spite of PA adoption of private sector as the main dynamo of economic development, economic conditions to achieve this, primarily termination of occupation, have not been fulfilled. The Israeli measures following the second Intifada have made a devastating impact on the role and growth of the private sector, forcing it to cease most of its projects and investments. After 1997, there were indicators of an expansion in private investments in the Palestinian economy, such as the increasing number of registered private companies, including foreign companies, although many of those

are owned by Palestinian carrying foreign nationalities. In 2000, the economy witnessed a decline in investments. It is expected that such decline has reached its bottom during the years 2001–2003 in light of the Israeli policy in response to the second Intifada.

The ending of the occupation remains a necessary prerequisite for the formulation and implementation of development strategies aiming at removing poverty. Otherwise, the development of programs to challenge poverty and inequity will remain restricted and plagued by violence and collective punishment. The occupation will always have a potential of siege, confrontation, aggression and destruction of infrastructure and development projects, in addition to the fact that it deprives the people of liberty, sovereignty and control of resources.

2.2 Macro-economic Development

During 2003 The Palestinian economy continued to suffer a strict regime of closures and curfews implemented by the Israeli military forces. Israeli restrictions on movement of goods and people both inside the Occupied Palestinian Territory (oPt) and between them and Israel have completely paralyzed the Palestinian economy and brought it to the brink of collapse. Consequently, one can witness a rapid deterioration of the human and economic situation in the West Bank and the Gaza Strip.

Both internal and external closures have initiated a vicious circle characterized by an economic downturn leading to a loss of full-time jobs and income which severely limited the ability of the population to purchase commodities and invest resources.

The private sector in the West Bank and the Gaza Strip continued to bear the brunt of the conflict as the extremely high level of risk and confrontation, physical damage, sustained mobility restriction and material deprivation have resulted in a sharp decline of production, trade, employment and investment. However, the economy still functions due to the continued operation of the PA and the high levels of donor assistance. A total breakdown of the economy has been prevented by the massive financial and humanitarian support from the international community and the PA activities that provided major employment for a large sector of the population.

In such a context, the income of the population continued disappearing in addition to their ability to cope with material deprivation. Indeed, more than half of the labor force is unemployed or underemployed and the loss of income related to it is one of the primary causes of the deepening humanitarian crisis. Nearly 2 million Palestinian now live under the poverty line of US\$2 a day according to the World Bank estimates (2003), which means 63 % of the population or 3 times more than at the beginning of the second Intifada in September 2000.

The spiral of violence and closures resulting from the unsolved political conflict continued to choke the economy in the first semester of 2003. Moreover, the prospect of a rapid and sustained economic recovery is vanishing as human and physical capital are continuing to erode, impairing the Palestinian economy's long term development potential and people's capabilities. Nevertheless, after a period of large scale

impoverishment and job destruction which led to mass poverty and unemployment, a stabilization of the situation at a very high level of poverty and unemployment can now be seen.

On the whole, the situation was relatively quiet in July 2003 as compared to the prior months. This might have had a positive impact on the economy, as levels of violence and Palestinian and Israeli deaths and injuries declined dramatically. This context explains the overall slight improvement of the socio-economic conditions of the Palestinian population and their optimism about the future at this time. However, it did not last long and in August Israeli military operations and Palestinian suicide attacks increased again and it seems that it went back to the situation of the pre-July period.

Status of Fiscal Reforms and the PA Public Financial System

President Bush's June 24 statement of the search for a Middle East Peace, the subsequent formation of the Quartet and the Task Force on Palestinian Reform, and most recently the 'Road Map,' have all had substantial effects on aid efforts.

In the case of reform, there is no doubt that it is fundamentally important, and that the roadmap process has given added impetus to reform initiatives that the World Bank, IMF, key donors, and others have long pressed for. The formation of the Ministerial Committee on Reform and the Reform Coordination Support Unit on the PA side and the Task Force on Public Reform (TFPR) and the Reform Support Groups (RSGs) on the donor side came to represent a real and relatively effective mechanism for pressing the reform agenda forward. Palestinians involved in the reform process report a very productive relationship with the TFPR. The appointment of a semi empowered Palestinian Prime Minister and a new cabinet was a further step in a positive direction, and there can be no doubt of the substantial changes that some key reformers in the PA have already achieved, notably on both the fiscal and expenditure side.

At the same time, there are clear limits to this process. Only so much change can possibly be achieved under the current conditions of economic crisis, political uncertainty and mobility restrictions. The Palestinian pro-reform constituency is in itself a complex and overlapping coalition, consisting of genuine political reformers, technocrats favoring greater professional effectiveness, those who criticize President Arafat for excessive militancy, those who criticize him for excessive moderation, contending factions in the security services, civil society groups with both convergent and divergent political perspectives.

2.3 Political Development

Facts on the Ground

During the year, the Israelis continued to create facts on the ground in the occupied territories which served to undermine the possibilities for the establishment of an economically sound and territorially continuous Palestinian state. The most evident examples were a continued illegal expansion of settlements – and that the settlers on the own initiative established 'illegal outposts' – as well as the erection of the so-called 'security fence' or separation barrier.

PA in Crisis

At the same time, the Palestinian society was characterized by a rapid political disintegration, largely due to the strains that the Israeli occupation implied. The PA can no longer control militant groups. Strong tensions exist within and between the political groupings – also between the younger and the older generations of politicians; between those who belong to the 'Tunis group' that returned in the beginning of the 1990s and those who have continually been residing in the West Bank and Gaza. Conflicts and rivalry also characterized the Palestinian group of leaders. The Palestinians themselves, particularly representatives of civil society, accuse the PA of corruption and incompetence. During 2003, there was a discussion among Palestinians whether the PA has perhaps outplayed its role and should be dismantled.

Notwithstanding the debates among many Palestinians regarding the role of President Arafat, it seems that there is presently no alternative to him. His standing in the public opinion remains strong, and his imprisonment in the high quarters of the PA in Ramallah may even have strengthened his domestic position. He is, on the one hand, a historical figure for the Palestinian people and, on the other hand, a political survivor, who seeks to control everything in detail, including the many security forces.

Palestinian Elections – Hamas' Position

A couple of times during 2003, the government offered tentative dates for holding parliamentary elections – but decisions were never made. At the same time, it began to be increasingly clear that many, both Palestinians and interested foreign states, because of different reasons had 'second thoughts' and saw risks in organizing elections – particularly while Hamas and other radical, Islamic groups receive increasingly stronger support from the population. A consequence of this hesitation was that the draft of a new election law was protracted in the Parliament, PLC (which was appointed through an election in 1996). Predominantly representatives from civil society insisted on a quick realization of national elections as a means through which to give renewed and strengthened legitimacy to the PA.

Hamas' successes in public opinion – this is predominantly applicable in Gaza – are judged primarily to be due to the fact that Hamas is seen as harder and more efficient than PA in the struggle against the occupation – and not due to religious convictions. An initiated peace process would probably severely decrease the support for Hamas.

The 'Road Map'

During the first half of the year 2003, the PA and Israel finally approved (with several reservations) the 'Road Map' which a year earlier had been initiated by the EU and then launched by the USA. The 'quartet' (USA, EU, UN, and Russia) made efforts to implement the plan under American leadership.

The 'Road Map' foresees three phases:

Phase one: Security guarantees primarily through Palestinian measures to control the militant groups, Palestinian internal reforms, among others

by the security organs, the establishment of a Prime Minister post (apparently with the purpose of constituting a counterweight to Arafat). Israel shall seize further expansion of settlements and dismantle the illegal outposts that have been set up after March 2001. Both sides shall seek measures to inspire confidence with each other.

Phase two: Palestinian elections, the establishment of a Palestinian state year 2005, as well as an international conference on the Middle East.

Phase three: Final peace treaty and end to the Israeli-Palestinian conflict, the Arab states shall declare an end to the conflict with Israel.

The plan foresees a third party to take on the role of supervising and controlling both parties' implementation of the Road Map.

Already from the beginning, conflicting interpretations of the plan arose. Sharon insisted that Israel would not begin to carry out its requirements until the PA had complete control over the militant groups. Meanwhile, the PA maintained that the plan foresaw that both parties implemented it in parallel.

Palestinian Process of Reform – the Establishment of a Prime Minister Post

A Palestinian process of reform with some positive results (except the Ministry of Finance where the process of reform made considerable progress) had been initiated earlier, with primarily external pressure. The international community was now able to call on the Road Map to hasten this process. It was against this background that Arafat, supported by the PLC, decided to establish a Prime Minister post (appointed in March), which was one of the requirements of the Road Map.

With regard to many other demands for democratic reforms, some Palestinians maintain that these are both so vaguely formulated and potentially far-reaching that there are hardly any realistic possibilities for the Palestinian society to carry them out in the foreseeable future. It has therefore been suggested that they could be used as an excuse for Israelis to fail to meet the more precise demands that are placed on them (e.g. the freezing of settlement activities).

Abu Mazen as Prime Minister – Ceasefire Agreement

Mahmoud Abbas/Abu Mazen became the first Prime Minister. Participating as Palestinian representative in the Aqaba meeting in July (with Sharon and Bush), he promised an end to Palestinian attacks on Israeli citizens. Sharon promised to dismantle the illegal outposts in accordance with the Road Map. He further confirmed his commitment to a two-state solution. President Bush repeated his engagement both for Israel's security and for a Palestinian state.

Abu Mazen succeeded – with Egyptian aid – to reach an agreement with the militant groups about a cease-fire ("the suspension of military action against Israel during a period of three months").

This rather promising development was dramatically halted in August through an Israeli "targeted killing" of a Hamas leader, followed by a bus bomb in Jerusalem. The cease-fire lasted for 50 days. After these violent deeds, the implementation of the Road Map could no longer continue. Whatever remained of the 'peace process' was interrupted.

New Prime Minister

Abu Mazen resigned shortly thereafter, following a conflict with Arafat. Many consider that Abu Mazen's position strongly diminished also in Palestinian public opinion, despite his good relations with Israel and USA, since he was unable to persuade Israel to take measures to inspire confidence, which could have improved the daily conditions of life for Palestinians (e.g. facilitate passages through the many road blocs). The bitterness loomed large over this negative Israeli attitude even though Abu Mazen was able to reach a cease-fire agreement. This disappointment was therefore directed towards Abu Mazen. His successor, Queria/ Abu Ala, was appointed Prime Minister after two months of internal crisis. He had a much better relationship with Arafat than Abu Mazen.

Arafat was surprisingly the one who was strengthened through the internal political upheavals during 2003 – quite contrary to what the international community thought when the Prime Minister post was established.

Israel reacted to Abu Mazen's resignation by underlining that they did not intend to negotiate with Arafat or a PA which was directly controlled by him.

The so-called 'security fence/separation barrier'

The basic problem was hardly the erection of a barrier – even if this of course was not interpreted by the Palestinians as particularly positive and reassuring – but the fact that it was not erected along the so-called 'Green line', i.e. the line of cease-fire from 1967. In all peace projects since 1967, most recently the Road Map, this line has been recognized as the boundary for a future Palestinian state. A process of 'land swap' has been considered the only possibility to alter this boundary. Already from the beginning, the wall was erected on Palestinian territory, isolating several areas from each other and cutting off villages from their farmlands. If the plans about the extension of the barrier are completed, all the Palestinians will be negatively affected and more than 210,000 Palestinians will be influenced in their daily lives by the new obstacles that the barrier creates for their freedom of movement and passage to their own farmlands. 74,000 people, who will be situated between the barrier and the 'Green line', will be forced to apply for special permits, 13 different kinds, to be able to remain where they are currently residing. Granting of extension of the permits is not guaranteed.

The Geneva Initiative

In December, unofficial Israelis (Beilin) and Palestinians (Rabbo) submitted the Geneva initiative, an elaborate proposal for a comprehensive ultimate status solution. In contrast to earlier attempts, the Geneva initiative brought up all difficult questions (Jerusalem, the settlements, boundaries, and – not the least – the refugees' right to return). Sharon strongly opposed the initiative while Arafat gave his 'semi-official' support. This initiative was, however, controversial in many respects in the Palestinian society because of the proposal's ambiguous formulations regarding the question of refugees (in principle, it was said that only a very limited and by Israel approved number of refugees could return to Israel).

3. Swedish Development Co-operation

3.1 Country Strategy

A new country strategy for WB/G will be formulated during 2004. The previous one was decided upon when the peace process was somewhat more positive. An assessment of the relevance of the country strategy in light of the country's development will be undertaken during the first half of 2004.

3.2 Main Areas of Swedish Support

Humanitarian Assistance

The Humanitarian situation in the oPt continued to deteriorate during 2003. The humanitarian consequences of the declining situation could be read in the statistics of killed, injured, impoverished and jobless Palestinian people.

The International Community has continued to relieve the Occupying Power, Israel, of its humanitarian obligations under international humanitarian law (IHL), which is fully applicable to the conflict.

The Swedish humanitarian assistance to oPt during 2003 amounts to 168 MSEK. The result is that the Swedish humanitarian aid portfolio has exceeded the size of the long-term Swedish development assistance to the oPt.

Sida has continued to support the strengthening of the humanitarian policy- and operational coordination mechanisms that have been put in place to handle the humanitarian crisis in the oPt. The coordination work takes place both within the EU and with the international community at large. During 2003, the work of the Humanitarian Emergency and Policy Group (HEPG) has continued.

The follow-up work of the EU Heads of Mission report on the Emergency Situation in oPt has continued within the framework of the EU Informal Humanitarian Policy Forum (the so called Friday Group). Sweden has taken several initiatives to organize joint EU fieldtrips to monitor and assess the humanitarian situation in oPt.

At the end of 2003, Sida took part in initiating the planning and preparation of a large international Palestinian Refugee Conference under the chairmanship of the Swiss Government and UNRWA in Geneva in June 2004.

Human Rights and Democratic Governance

During 2003, Sida basically had four ongoing agreements related to the Human Rights and Democratic Governance sector. Sida had ongoing cooperation with the Childrens Secretariat, the ICJ-Swedish section, Kvinna till Kvinna and the Palestinian Independent Commission on Citizens Rights (PICCR).

Support to Palestinian Children has continued to be a major area of Swedish concern during 2003. The National Plan of Action for Palestinian Children (NPA) was supported by Sida up to May 2003. A new Emergency Programme with the NPA, funded by Sida, was launched in August 2003. The program has suffered several set-backs and Sida together with the NPA and other stakeholders are currently looking into how to amend the problems incurred in the programme.

In October, Sida together with the Foreign Ministry organized a Palestinian Children's seminar in Stockholm. Several Palestinian and International Children's experts were invited to this event to discuss and present information on Palestinian Children's situation in the oPt. Twelve Palestinian youngsters were invited to attend the Seminar.

The cooperation with Kvinna till Kvinna is relatively new in the oPt, but the preliminary results of this gender-based Human Rights work have so far been encouraging.

Regarding the cooperation with PICCR, the donors signed the new Memorandum of Understanding which institutionalized the current donor's coordination mechanism to these organizations. The donor's Consortium with PICCR is working well so far, and several like minded donors in the Human Rights field are considering to expand this type of aid coordination to larger Parts of the Human Rights Sector and perhaps, in the long run, to other parts of cooperation in oPt.

The cooperation with ICJ-S has mainly focused on the follow-up of the Palestinian NGO, Law Society, investigation. ICJ filed complaints against LAW Society which was handed over to the Palestinian Prosecutor General, and who currently is looking into the matter regarding possible improper handling of donor's funds.

Social Sectors

Sida cooperation in the health sector goes long back in history when it comes to the oPt. During 2003, 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 Union of Palestinian Medical Relief Committees (UPMRC).

During 2003, Sida have also been funding other health related organizations like the Palestinian Red Crescent via the Swedish Red Cross and the International Red Cross Committee (ICRC). The Swedish support to UNRWA where almost 20% of the funding was focused on giving Primary Health Care to Palestinian Refugees in oPt only, other parts of the support goes to Palestinian Refugees in various Host Countries (Lebanon, Syria and Jordan).

The current humanitarian crisis in the oPt has forced Sida to intensify its work in the health sector of Palestine. During 2003 the financial part of Sida's support to the health sector was approximately 25% of the overall Swedish support.

Sweden supported the World Bank Fund ESSP, Emergency Services Support Program. The broad objective of the ESSP is to mitigate the deterioration of services brought about by the inability of central institutions to meet their non-salary operating costs. The program provides support through the direct procurement of work, equipment, services and supplies. It targets key social service delivery ministries and municipalities relying on already existing project units either regular activities or activities mitigating the impact of the crisis. The support is directed towards basic education services, health services, municipal services, social welfare services and project management, capacity building and monitoring.

Culture & Media

The culture and media sector is mainly concentrated in the following Swedish/Palestinian channels: Dramatiska Institutet (DI), Göteborgs Musikhögskola, Diakonia, Riwaq, Bethlehem Peace Center, Yabous Productions and the Swedish Journalist training institute FOJO. During 2003, several evaluations in the cultural sector took place. The children's Literature project in cooperation with Diakonia was evaluated. The Swedish Drama Institute (DI) was evaluated during 2003. The outcome of the evaluation has led to a major restructuring of the current cooperation related to Performing Arts and DI is looking into how to better plan and focus its cooperation in oPt. Göteborgs Musikhögskola (GMH) was also evaluated during 2003 with very positive results of its relatively newly established cooperation in the oPt.

FOJO has continued to conduct training in oPt for Palestinian journalists and photographers. Due to severe access problems imposed by the Israeli Army, many of the planned activities of FOJO have had to be postponed or altered. This problem has been a major issue for all organizations that Sida has been cooperating with during all 2003.

The Diakonia Children's literature program was evaluated during 2003, with good results. The current programme cycle has ended and literature support will be assessed in the next Country Strategy for the oPt.

The institutional support to Riwaq continued throughout the year. Major achievements include the finalization of the National Register of historical buildings in Palestine. During the year, a large number of outreach activities to the public were carried out and various publications were released. Riwaq also continued its participation in drafting a national law on the protection of cultural heritage.

A conference on cultural heritage was held in Stockholm in May, with the participation of the Palestinian organizations Riwaq, Hebron Rehabilitation Committee and the Center for Cultural Heritage Preservation in Bethlehem. The arrangement also included a study tour in Sweden for developing country participants. One outcome of the conference was the initiation of cooperation between Riwaq and the Stone town in Zanzibar on the establishment of a national register for Zanzibar.

Infrastructure

The cooperation in the water and sewage sector in Northern Gaza has progressed relatively well, in spite of the increasingly difficult security situation. Planned results have in general been achieved, but the programme has been subject to frequent delays. A new agreement amounting to 30 MSEK was signed in August 2003, focusing on emergency measures related to the old treatment plant in Northern Gaza as well as the improvement and extension of the sewage and storm water system.

The design study for the new waste water treatment plant progressed well during the year, but was subject to significant delays.

The environmental and sanitary situation in the vicinity of the old sewage treatment plant has constantly been deteriorating during the year. Towards the end of the year, the situation was addressed by the Palestinian Water Authority and the donor community in view of an imminent humanitarian emergency situation. In this context, Sida started to look into the possibilities of participating in a donor consortium with a limited grant financing, and a new project set-up that to some extent would mitigate the risks related to the current unfavorable conditions for implementing a major infrastructure project in Gaza.

The privately financed power plant project in Gaza was brought into full operation at the end of 2003, improving the energy situation in Gaza. At the same time a heavy financial burden is placed on the Palestinian Ministry of Finance, since 1) consumers' ability to pay for electricity has been weakened and 2) all the available energy cannot be distributed until the completion of the Sida financed transmission line project. The work on the high voltage transmission line, however, came to a standstill during the year, mainly due to the security situation and to some landowner's reluctance to accept offered compensation. However, at the end of the year an agreement between the Palestinian Energy Authority and the consortium was reached, which covers the various steps needed to be taken in order to restart the project.

Employment Generation

The Swedish-Norwegian financed cooperation programme on job creation in northern Gaza was further strengthened during the year. The first phase of the programme (15 MSEK) was carried out through the PA Job Creation Programme, focusing on the tiling of streets in the four northern municipalities. The project was successfully completed in December, where the target of achieving 35,000 working days was reached.

The agreement for a second phase (30 MSEK) was signed in December. In this phase, the responsibility for the implementation of the programme was transferred to the four municipalities through the newly established Northern Gaza Council Forum.

In parallel to the job creation programme, preparations for a capacity building programme for the four municipalities were being made. A baseline study, including proposals for further activities, was completed during the year. This work will form the basis for the development of comprehensive capacity building programme.

Job creation through restoration programmes were carried out through Riwaq and the Hebron Rehabilitation Committee.

The first phase of the Riwaq programme was successfully completed in June, including the renovation of 8 historical buildings which were consequently taken into operation for public activities. Some 13,000 working days were created through the project. An agreement for a second phase (15 MSEK) with similar objectives was entered into in August.

The Hebron Rehabilitation Committee Job creation project “Cleaning of old buildings” was started up in April and has been successfully implemented, although periodically under difficult working conditions due to the security situation in the old city of Hebron.

Private Sector

Federation of Palestinian Chamber of Commerce, Industry and Agriculture.

Support to Jerusalem, Qalqilia, Tulkarem, Salfet and Bethlehem continued during 2003 with emphasis on training, updating the computer and internet 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. Qalqilia town has been strangled by the wall surrounding the town creating a situation in which the requirement of the chamber to be innovative is important. The chamber is monitoring the economic situation in general and the business community in particular.

3.1 Office and Administration Issues

Planning for an additional staff from Foreign Affairs and one from Sida was initiated during end of 2003. A national programme officer was also recruited at the end of 2003. The three new staff members will all be in place during 2004.

Building of additional office space was initiated at the end of 2003 to create space for the new staff members and more functional conference rooms.

Annex 1

Summary of Swedish Development Cooperation Disbursements in FY 2003

Budget Line/Sector	Disbursements 2003
Country Allocation/Agreement on Development Cooperation (15518)	
Human Rights	24 302 000 SEK
Legal System	522 000 SEK
Democratic Governance	4 214 000 SEK
Public Administration	1 675 000 SEK
Promotion of Peace and Conflict Management	3 000 000 SEK
Education	948 000 SEK
Health Care	23 950 000 SEK
Other Social and Cultural Sectors (Children, Culture, Media)	60 252 000 SEK
Infrastructure	37 842 000 SEK
Financial and private Sector Development	2 219 000 SEK
Other	2 013 000 SEK
Country Allocation Total	160 937 000 SEK
Regional Support, Asia (15519)	
	10 113 000 SEK
Promotion of Peace and Conflict Management (15530)	12 396 000 SEK
Non Governmental Organizations (15561)	14 020 000 SEK
Humanitarian Assistance (15571)	84 317 000 SEK
Multilateral	
UNRWA (West Bank & Gaza, Jordan, Syria and Lebanon)	175 000 000 SEK
Grand Total	456 783 000 SEK

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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