

West Bank & Gaza



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1. Summary

The widespread economic crisis in the West Bank and Gaza, characterized by deepening unemployment and poverty, continues to highlight the need for a concrete strategy and vigorous policy measures to address deep-seated structural weaknesses created by the prolonged Israeli occupation and the dependency on the Israeli economy. As it was the case in the past years, in 2004, the Palestinian economy continued to be reliant on donor aid. Severe mobility restrictions and closure policies – including the continued building of the separation barrier – have very negatively affected a great number of Palestinians as their access to basic needs like health and other humanitarian services, schools etc. became more difficult or impossible.

Likewise, Israel's confiscation of Palestinian land and water resources for settlements has adversely affected the Palestinian population at large.¹

The ongoing extension of settlements, together with a system of checkpoints, trenches etc. and of settlers'/military roads, has effectively cut the entire Palestinian area into more discontinuous, isolated islands, thereby undermining the possibility of establishing a viable and contiguous Palestinian state.

The Palestinian reform efforts have continued to be most successful in the financial sector, while hardly any progress could be registered in the reforming of the judicial sector or public administration, nor in the reorganisation of the security services.

Corruption, both in the Palestinian Authority and in the Palestinian NGO:s, is a major problem, that also has negatively influenced the work of donor countries. Certain efforts have been made by PA to tackle this pervasive and destructive phenomena.

Giving the above mentioned facts, the greatest dilemma that continued to face the donor community and the Palestinian Authority is how to place the increased emergency assistance efforts within the context of a cohesive development strategy that creates synergies between emergency assistance and long-term development objectives. These concepts have figured both in the draft Palestinian Medium-term Development Plan for 2005–2007 and of the donors discussion on how best to tackle the changes for the worse that have taken place in the structure and functioning of the Palestinian economy.²

¹ Economic and Social Commission for western Asia on the Economic and social repercussions of the Israeli occupation on the living conditions of the Palestinian people in the oPt. Report submitted to the United Nations General Assembly Economic and Social Council, p. 02.

² For further details, see the Palestinian Medium Term Development Plan 2005–2007 and discussion minutes of the Local Aid Coordination Committee 2004 (www.lacc.com).

2. Strategic Country Development Trends and Key Issues for Dialogue with Palestine

2.1 Poverty Reduction: Overall Trends and Perspectives

The Palestinian uprising and Israel's closures have plunged the Palestinian economy into deep crisis. Since April 2002 the West Bank & Gaza became controlled by the Israeli army. Mobility of goods and people, export and imports are controlled by Israel. Israel controls most of the natural resources. Private sector became very weakened. Destruction of agricultural land and trees, combined with very limited access for marketing of agricultural products, has caused dramatic decline of the living standards of the Palestinians.³

Throughout the crisis, the vast majority of the poor reduced their expenditures, relied heavily on drawing down savings, bought commodities on credit, as strategies to partially compensate for their reduced income. By 2004, the savings of the poor seem to have been exhausted and the majority of the poor could no longer rely on these strategies.⁴

The World Bank reports that 16% of the total population, and one quarter of all Gazans, live in deep or "absolute" poverty, and are not able to feed themselves adequately, even with food aid.⁵ A study from the Geneva University highlights the differences in poverty levels according to region. For example, the poverty rate is much higher in the Gaza Strip region (at 70%) than in the West Bank (at 54%) and East Jerusalem (at 15%). The average unemployment figure is around 40% – but reaches 70% in some areas (Gaza). The Israeli retaliatory military operations after suicide attacks and launching of rockets against Israeli civilians and military has resulted in greater restrictions the mobility of the Palestinian population, destruction of Palestinian civilian property and economic facilities, and also added obstacles for the delivery of international humanitarian assistance.

According to OCHA – about 750 roadblocks exist in WB/G in the form of manned check-points, as well as trenches, road gates etc.⁶ A certain decrease of poverty rates in the West Bank in 2004 in comparison to 2003 can be attributed mainly to fewer Israeli military operations and curfews imposed.

³ World Bank & Palestinian Central Bureau of Statistics October 2004. Deep Palestinian Poverty In The Midst of Economic Crisis, p. 09.

⁴ Palestinian Public Perceptions, Report VII August 2004, Palestine Research Unit, IUED Geneva, p.72–74.

⁵ World Bank. October 2004. Four Years-Intifada, Closures and Palestinian Economic Crisis. P. 32.

⁶ For further details, go to OCHA's web-page www.humanitarianinfo.org/opt/

The Separation Wall that Israel is building around the main populated areas in the West Bank has also had a notable impact on the spread of poverty in the Palestinian areas. The poverty rate among the inhabitants in areas intersected by the wall was higher than the average.⁷ 13,5% of the WB – excluded East Jerusalem – will lie between the wall/barrier and the 'Green Line' – i.e. the 1967 border line. Currently 189.000 Palestinians live in those areas, of which 20.000 in closed areas, accessible only with special permits. About half of the WB's water resources are situated between the wall/barrier and the Green Line.

The response of the Israeli army to terror attacks against Israeli citizens has also been continued destruction of Palestinian residential houses, public buildings, agricultural assets, infrastructure and private property. Confiscation of Palestinian land (expansion of settlements have continued during 2004) and water resources to satisfy demands from the settlements, as well as the on-going building of the West Bank Separation Barrier and the construction of an extensive and separate road network for settlers and military, has cut up the Palestinian areas and has affected very negatively the Palestinian population and their fragile economy.

(As to extrajudicial killings, arbitrary arrests, property destruction, land confiscation etc – see the Human Rights Report of the Foreign Ministry: www.ud.se)

Humanitarian assistance coming from Sweden and the larger donor community has been reasonably successful in preventing widespread malnutrition among the poor.⁸

According to the World Bank report, a political solution of the crisis, combined with an increase in donor assistance to revive the economy, would be the necessary prerequisite for lowering the poverty level.

2.2 Children & Youth

In the WB/G, 67 per cent of the population are aged 24 years or younger. The psychosocial effects of the conflict on children and youth derive from exposure to political violence, disruption of family life, loss of educational opportunities or other productive outlets, and general decline of living conditions.

2.3 Macro-economic Development

In 2003, the Palestinian economy showed some signs of improvement. Several factors underlie the stabilization of the Palestinian economy in 2003, among them fewer curfews and reduced violence in that period.

However, these trends were reversed in 2004. According to a World Bank assessment, the Palestinian economy lost more than 22,000 jobs in the first half of 2004. The decline was particularly sharp in Gaza in the wake of sustained Israeli military incursions made as retaliation for attacks against Israeli citizens. The number of Palestinians working in Israel (including settlements) continued to decline in 2004.

Mobility restrictions, destruction of economic facilities, mass poverty and a high level of violence – both as a result of Israeli military actions and of the gradual dissolution of internal Palestinian law and order – especially in the Gaza Strip in 2004, have all contributed to a severe economic depression in the WB/G. The private sector's ability to run business has been greatly reduced due to the lack of access to domestic and exports markets; increasing transportation costs ("back-to-back" system for transports of goods by trucks); shortage of raw material;

⁷ Palestinian Public Perceptions, Report VII August 2004, Palestine Research Unit, IUED Geneva, p.50–51

⁸ World Bank. October 2004. Four Years-Intifada, Closures and Palestinian Economic Crisis. P. 36

decreasing demand; and the inability to work or to cultivate land. In this business environment, private investment has nearly vanished and the potential for development has been reduced.

The wall/barrier was yet another problem for the small business community in the West Bank and in Jerusalem. It has created obstacles for marketing agricultural products and has resulted in increased prices for material and transport. The main victims of this situation are producers in the area crossed by the wall/barrier who have to pay higher price for their inputs and consumers who have to pay higher prices for food.

According to an IMF report, private sector deposits increased by almost 4 per cent in the first three quarters of 2004. The Israeli army raid on banks in the West Bank on February 25, 2004, in which \$8.5 million were seized from bank vaults, has not significantly affected public confidence in banks. However, this event, together with slower economic growth, may have contributed to a lower level of deposit growth in the first half of 2004 than in 2003.⁹

In summary, the year 2004 continued to witness mounting economic and social damage under military occupation. Most social and economic data show marked deterioration of living conditions for the Palestinian people, including new forms of dispossession and destruction of private and public assets of all kinds.

Donor assistance levels today average about 1 billion USD annually. Although these contribution levels played a vital role in alleviating hardship, and remain indispensable, development cooperation and humanitarian assistance will not provide the answer to the Palestinian-Israeli conflict.

According to the World Bank report *Stagnation or Revival* prepared in December 2004, that the most significant hindrance to trade remains Israel's closure system, the wall and its associated regime, and the lack of a reliable secure link between the West Bank & Gaza. Finding a solution to the above, would be a good start to start reviving the Palestinian economy.

2.4 Reforms in PA

2.4.1 Status of Fiscal Reforms and the PA Public Financial System

Since Salam Fayyad became Minister of Finance, the PA has increased the transparency of the budget preparation process. The IMF reported that the fiscal situation in 2004 remained very tight, despite the strong revenue performance.

Three factors have accounted for this situation:

First, external budget support estimated at \$345 million for the year is only about half of the budgeted external financing of \$650 million, which was endorsed by the G8 meeting in Dubai in September 2003 and the AHLIC meeting in Rome in December 2003.

Second, most of the external financing was disbursed during the first three quarters.

Third, there were repeated attachments by Israeli courts of tax revenues collected by the government of Israel on behalf of the Palestinian Authority. These attachments, made in the context of claims by Israeli families of victims of violence, amounted to \$34.5 million during the first three quarters of 2004, resulting in lower transfers of revenues than expected.

⁹ Banks reported that in particular that a number of bank accounts have been transferred to Jordan since the Israeli raid.

In 2004, the PA continued its efforts in the area of public finance reforms. Despite the difficulties in budget execution, steady progress in public finance reforms has been achieved in 2004.

First, several reforms were implemented to enhance public finance transparency and accountability. Starting in April 2004, salary payments of all PNA security personnel were directly deposited into individual bank accounts instead of being made in cash.

Second, other reforms were made at improving expenditure management and control: a procurement department- the department of Supplies and Tenders- was established at the Ministry of Finance assuming full jurisdiction over all purchases made by PNA ministries and agencies, including the security.

Third, a revised Income Tax Law was passed in October 2004. It unifies all taxation under one administration, establishes the principles of universal taxation, and is in line with international best practices. This should help in raising income tax collection, which has been lagging behind.

Fourth, the Council of Ministers approved a draft Pension Law in August 2004, which sets out the parameters, institutions, and management of a unified and sustainable public sector scheme for both the civil service and the police. This would pave the way for retirement of security personnel who have reached retirement age, but could not retire because of the absence of a pension law covering them.

In order to assist the Ministry of Finance with its reform efforts, the World Bank has set up a World Bank Budgetary Support Reform Trust Fund in April 2004. Disbursement of this trust fund to the MOF amounted to \$107 million at end of September 2004. Some donors like the European Union, United Kingdom, Norway, Canada, Japan have chosen to contribute financial support in this trust fund. Sweden as well as other donors has chosen to channel funds through the World Bank's multi-donor Emergency Services Support Program (ESSP), which is designed to safeguard non-wage operating expenditure in education, health, and social welfare.

In a LACC meeting at the World Bank in late November 2004 the IMF reported that the overall fiscal situation for 2004 has become clearer. Revenues have increased by 30% through 2004 driven by Minister Fayyad's take-over of the petroleum agency. The overall deficit for 2004 was estimated at US \$500 million, compared to US \$530 in 2003. Financing became increasingly difficult towards the end of October, due both to a shortfall in foreign financing and Government of Israel deductions from PA revenues. In 2004 foreign financing of the PA budget amounted to US \$330 million, up from US \$280 million in 2003 but well below the needed US\$500 million.¹⁰

2.4.2 Reform of the Security Area

In 2004, the security situation continued to deteriorate, both as a result of Israeli military operations and as a result of the reduced efficiency of Palestinian security forces to control activities of militant Palestinian groups. On the ground, a security crisis erupted in Gaza as a result of internal conflict within the Pa's security forces, leading the government to present its resignation in July 2004, which was ultimately rejected by the President.

Reform in the security sector is an essential step in order to sustain social cohesion and create an economic environment in which investors

¹⁰ Minutes of the Informal LACC Meeting (24.11.2004) World Bank, Al- Ram.

have some degree of confidence. Internal calls for reform came from all directions, especially the last six months of 2004 as the security situation worsened in the oPt, particularly in Gaza.

2.4.3 Reform of the Judicial System

Reform measures in the sector have been minor and fragmented, no progress having been made, for more than a year on crucial issues. The persistent conflict between the judicial authorities (Ministry of Justice, Supreme Judiciary Council and Attorney General) regarding their respective competences, has seriously hampered reform initiatives.

During 2004, the frustration of the public with the prevailing chaos in the West Bank and Gaza and persistent disrespect for the rule of law has grown. Calls for judiciary reforms and for fight against corruption within the PA were made by an increasing number of people, along with PA and PLO institutions.

2.5 Political Development

The political development on the Palestinian territories has during the course of 2004 been marked by continuous violence between the parties of the conflict. More than 3000 Palestinians and more than 900 Israelis¹¹ have been killed since the outbreak of the second intifada, over four years ago. On Israeli side the fear of new Palestinian terrorist attacks targeting Israeli civilians and lack of belief in the intentions of the Palestinian leadership, has inspired a policy of “unilateral separation” which aims at a complete separation between the two societies. On Palestinian side the continued Israeli military incursions and other retaliatory measures by the Israeli army (includ. the closure regime, large-scale house demolitions, arbitrary arrests, extra-judicial killings, land confiscation etc.) is leading to an ever deteriorating humanitarian situation and an increasing hopelessness among Palestinian civilians. Their perception being that their own authorities (the PA) are not empowered to help them, and also too busy with internal infighting and corruption, at the same time as the international community rather sees as its task to contribute financially to alleviate poverty than to address the on-going, systematic human rights and IHL abuses. In other words the political situation during 2004 has hardly been conducive to renewed confidence between the parties and a new start of the peace-process.

During 2004 the international reference for the peace process in the Middle East remained the so-called “road-map for peace”, launched by the quartet (UN, USA, Russia and EU) in the spring of 2003. According to the road-map the two parties should take parallel steps, in three different phases, that would lead to a final status solution between the parties in 2005. According to the road-map the Palestinian Authority (PA) should undertake visible efforts to arrest, disrupt, and restrain individuals and groups conducting and planning violent attacks on Israelis anywhere. It should also continue the internal reform process include planning and conduction of elections, produce a draft constitution etc. The government of Israel (GOI) should dismantle all settlement outposts erected since March 2001 and freeze all settlement activity. It should also take measures to improve the humanitarian situation on the Palestinian territories. The parties didn't even finish their undertakings in the first phase of the road-map. The quartet remained inactive during large parts of 2004, mainly because of American passivity. The US administration focused its energy on the development in Iraq

¹¹ According to statistics by the Israeli human rights organisation B'tselem from February 28, 2005.

during most of the year. The more passive American role was also a result of the upcoming presidential elections in November 2004.

On Israeli side the preparation for and planning of a “unilateral separation” from the Palestinian society, that had started with a policy-speech by prime minister Sharon in late 2003- continued. The policy mainly consists of two elements: Israeli disengagement from Gaza (planned for July 2005) and the completion of the “separation barrier” in the West Bank. Throughout 2004, the issue of Gaza disengagement was not directly discussed with the Palestinian leadership. The Israeli government did not consider the Palestinian Authority under its president Yasser Arafat to be a counterpart to negotiate with. During the summer and autumn Israeli and Palestinian officials met with representatives of the World Bank to prepare for a donor’s meeting (AHLC) planned for November. The Israeli side wanted to seek international support for the modalities of its disengagement from Gaza (to solve issues like: assets in settlements, border regimes, labour-flows etc.). The Palestinians stressed in these talks that they had not been consulted on the modalities for the Gaza disengagement, that they didn’t foresee any economic progress in Gaza if it was to be separated from the West Bank, that any disengagement that didn’t allow for any Palestinian border-control, in-and out of Gaza could not be seen as a positive step in the peace-process towards a two-state solution. In the AHLC meeting in November the World Bank concluded that for a positive economic development to take place in the West Bank and Gaza the GOI had to alter or lift its “closure regime” in the Palestinian territories and the PA had to continue with its reform process, creating accountable and transparent national institutions.

The government of Israel continued construction of the “separation barrier” during 2004. According to the estimates of OCHA the total length of the planned barrier is about 730 km. Of this length 135 km or 20% runs along the green-line. 49 400 Palestinians in 38 communities get affected by the wall in their daily lives (access to education, health services, their land etc.) Palestinians see the separation barrier as having a two-fold negative impact: the humanitarian impact for the people living close to the barrier and that it –by running mostly on the Palestinian side of the green-line – preempts a two-state solution with sustainable Palestinian state living in peace with Israel. The Israeli argument is that the barrier is a temporary solution and can be taken away if/when the security situation allows.

On July 7th 2004 after months of deliberations, the International Court of Justice (ICJ) ruled the barrier to be illegal according to international law. It stipulated that Israel has the right to undertake legitimate security measures for its own protection but that the GOI had to move the barrier to the Israeli side of the “green-line” and pay compensation for harm done by construction of the barrier. It also ruled that any third-party contribution or facilitation to the project was in contradiction with international law. The Israeli High Court of Justice, just before the ICJ ruling, had ruled that the humanitarian impact for the civilians living close to the barrier should be taken into consideration when planning for the continued stretching of the barrier. Until now some adjustments have been done by the GOI to follow the ruling of the Israeli high court. No official Israeli response has to date been delivered regarding the ICJ ruling and its consequences for the continued construction of the barrier.

On the Palestinian side the year 2004 will be remembered for the loss of their historic leader Yasser Arafat. Arafat died in November in Paris, after a short period of illness. He had prior to his death spent years in his

headquarters in Ramallah, known as Muqata'a, without possibility to move. This was due to the Israeli view that Arafat was not a partner for peace-talks. Millions of Palestinians, many of them oppositional to Arafat, mourned his death. For many Arafat was more important as a symbol for the national aspirations of the Palestinian people. People in his own party, Fatah, would criticize his leadership for being old-fashioned and non-democratic while not questioning his status as president of the PLO and PA. The political transition after Arafat's death has been smooth and paved way to a process of democratic elections in the Palestinian territories. Presidential elections was held, in accordance with the Palestinian "Basic Law" 60 days after the death of Arafat. The number two in PLO, Mamoud Abbas/Abu Mazen was elected president with a good majority, in elections that were generally considered to be free and fair

The first round of local elections was held on December 23, in 26 municipalities on the West Bank. A second round was held in 10 municipalities in Gaza on January 27, 2005. This was the first time since the creation of the Palestinian Authority that local elections had been held. The turn-out was high and the elections were, again, generally considered to be free and fair. A new element was the participation of the Islamic party Hamas, in the elections (Islamic parties has until now boycotted national elections since they consider the "Oslo-process" which created the PA to be illegitimate). The local elections will continue in the remaining municipalities during the course of 2005. Elections for the Palestinian legislative council are planned to take place in July 2005.

A new momentum in the peace-process has arisen between the parties after the death of Arafat, the election of Abbas as the new Palestinian president and since the "new" American administration has taken office. Some first few steps have been taken when president Abbas met with Israeli prime-minister Sharon in Sharm-el-Sheikh on February 8, 2005, to discuss steps forward in the peace-process and through the London-meeting "to support the Palestinian Authority" on March 1st. The Israeli plan to disengage from Gaza has potential become a positive step. It would constitute the first instance during the ten year long peace-process that an Israeli government deconstructs Israeli settlements in the occupied territory in a large quantity. But for the Gaza disengagement to be successful it also has to be coordinated with the Palestinian side. It is generally held that for Gaza disengagement to be a step towards peace there has to be a link to the future of the West Bank. This link can be established through the international community insisting on the implementation the "road-map". What makes the picture more complex is the on-going violent acts from both sides, the continued Israeli "closure regime" that paralyses the Palestinian economy and that Israel continues to create "facts-on-the ground" (i.e. building/expanding settlements and construction of the barrier etc.) which makes it harder to renew confidence between the parties and to reach a fair and sustainable two-state solution.

3. Swedish Development Co-operation

3.1 Country Strategy

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

3.2 Main Areas of Swedish Support

3.2.1 Humanitarian Assistance

The Humanitarian situation in the WB/G continued to deteriorate during 2004. The humanitarian consequences of the declining situation could be read in the statistics of killed, injured, impoverished and jobless Palestinian people.

Once more, the donor community continues to be confronted with the political dilemma inherent in relief assistance, namely that international assistance on behalf of the Palestinians living in the WB/G could be de facto construed as relieving Israel of its obligations to provide for the needs of Palestinian 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 wall, relief efforts could only have a limited impact, not least because those restrictions were also affecting aid agencies ability to access needy communities.

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 Humanitarian Policy Forum (the so called Friday Group). Sweden has recognizing the need to coordinate Emergency Assistance agreed to enter into agreement with the European Commission Representative Office in Jerusalem. The agreement resulted in the hiring of an EU humanitarian Coordinator by Sweden to be seconded at the EC office for a limited period of time in order to enable the continuation of policy dialogue between the European member states and relevant implementing agencies. ECHO will take over the position and the contract of the EU humanitarian coordinator in May 2005.

At the end of 2004, 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. Several key recommendations have resulted in

increased dialogue among donors and UNRWA on what and how such recommendations can be implemented.

3.2.2 Children

The convention on the Rights of the Child is the point of departure for Sida's development and humanitarian assistance to children and adolescents. The Ministry of Planning continues to be the focal Ministry for Sida's programme. Within MOP, the Secretariat for the National Plan of Action for Palestinian Children is the coordinating body for all planning issues related to children and continues to be a major partner for Sida across all priority areas. The NPA has taken the role to spread the understanding of the children's rights perspective and of all needs of children. With this point of departure, the NPA continued with support from Sida to support the key line ministries for target sectors, including the Ministry of Health, Ministry of Social Affairs, Ministry of Labor, Ministry of Detainees Affairs, and Ministry of Youth & Sports together with several NGO's to ensure that the right of children to participate in the decision-making process is respected. The main theme of the partnership is to ensure the rights of children to food, health, education, shelter and psycho-social services are met.

The Swedish support to the Palestinian Social sector with special emphasis on Palestinian Children has continued to be one of four strategic interventions and a focus area during 2004. Sida up to May 2003 supported the National Plan of Action for Palestinian Children (NPA). A new Emergency Programme with the NPA, funded by Sida, was launched in August 2003. The program has suffered several setbacks and Sida together with the NPA and other stakeholders are currently looking into how to amend the problems incurred in the programme. Sida has initiated a discussion that aims to establish a donor consortium to support children issues in West Bank & Gaza. A group of likeminded donors showed interest to join the consortium, mainly Denmark and Netherlands together with Sweden. Certain benchmarks were identified together with NPA for the establishment of the donorconsortium and technical assistance became available from Sida side to give guidance for stakeholders for the future.

3.2.3 Human rights and Democratic Governance

The human rights situation in the oPt is determined by violations by both the Israeli government and the Palestinian Authority. Israel's policies, in particular the restrictions in movement, in the oPt have severe negative impact on the Palestinian Authority's ability to guarantee the rule of law and basic human rights. On the Palestinian side, the rule of law is weak. Amongst other issues, the police and security services have limited capacity, are lacking transparent and democratic control and are liable to human rights violations. The United Nations, the European Union and international and local NGO's have repeatedly expressed deep concern about the poor human rights situation. The Special Rapporteur of the UN Human Rights Commission has said that under both Israeli and Palestinian jurisdiction, basic human rights of the Palestinians are violated and has condemned the role of the Israeli army, as well as the suicide bombing by Islamic extremist organisations.

Sweden gives support to a number of NGO's that are addressing human rights violations. The organizations documents violations provide legal assistance to victims and promote respect for human rights on national and international level.

During 2004 a group of “like-minded” donors have been discussing ways and means of harmonising donor procedures for support to NGOs promoting human rights and democratic governance. The Palestinian NGO community is large and diversified compared to the size of the population. In absence of a fully functioning Palestinian Authority (PA), the Palestinian NGOs have become an alternative avenue for donor support to promote development for the Palestinian population. The lack of donor coordination is a significant problem, especially in the NGO-sector.

For this reason a feasibility study was carried out regarding the establishment of a common donor secretariat for support to NGOs in the Palestinian territories. In order to manage this change towards better coordination, a joint NGO Programme has been developed to be implemented by a Programme Implementing Organization (PIO), through which donor support to human rights and democratic governance NGOs can be channelled.

3.2.4 Health

The humanitarian crisis justified continued support to the Palestinian health NGO's already being supported. Sida cooperation in the health sector goes long back in history when it comes to the oPt. During 2004, the main Swedish partners in this sector were Diakonia and Palestina-grupperna (PGS). These two organizations are in their own turn co-operating 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 Gaza Community Mental Health program 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.

During 2004, Sida has also been funding other health related organizations like the Palestinian Red Crescent via the Swedish Red Cross and the International Red Cross Committee (ICRC). Of the Swedish support to UNRWA almost 20% of was focused on giving primary health care to Palestinian refugees in oPt, while other parts of the support went to Palestinian refugees in Lebanon, Syria and Jordan.

3.2.5 Culture & Media

Support to culture and media continued to be motivated in order to offer the Palestinian people in a deteriorating situation, alternative means of expression, contribute to feelings of self-confidence and dignity, and preserve Palestinian culture. Prioritized areas were performing arts, children's literature, cultural heritage and training of journalists. The projects had a special focus on contributing to the intellectual, artistic and emotional development of children and youth. The support was mainly channelled through Swedish NGOs in cooperation with Palestinian counterparts. Since Palestinian cultural organizations were still in strong need of international support, some of the projects which were in a final stage were extended during 2004 in order to continue their activities in the oPt and to prepare applications for continued

support. With exception for the Children's literature programme, governmental institutions generally played little part in the cultural programme.

Bethlehem Peace Center (BPC) and Sida entered a new agreement in June which stipulated that BPC continued its cultural activities such as exhibitions, concerts, movie screening, story telling for children and special activities for women. In addition to that, BPC contracted the Swedish consultancy agency SIPU for administrative support, outreach and twinning activities. It resulted in BPC visiting Frölunda kulturhus and that Fryshuset visited BPC during the autumn for exchanging experiences about children and youth activities.

The Music programme was carried out in cooperation between Göteborgs musikhögskola's (GMH) and Edward Said National Conservatory of Music (NCM). The number of students at NCM increased to 483, compared to last year's 385, and held an equal distribution between girls and boys. The main part of the support was a sponsorship program for underprivileged students, which covered 73% of the students' fees. The music cooperation resulted in a summer camp in Kalmar with students from Sweden, Palestine and Poland. In August, the musical *Al-Fawanees* was performed in Ramallah. A second General Assembly of Music Conservatories in the Arab world was held in October. GMH also initiated a work of mapping Palestinian music.

The Theatre and Dance project was coordinated by Dramatiska Institutet (DI). DI's agreement was extended so that its cooperation with Palestinian counterparts Theatre Day Production (TDP), Inad theatre group, El Funoun dance troupe and some smaller theatre groups in Gaza, could continue. The cooperation with the theatre group Ashtar was phased out during the year. Through TDP, animation workshops in Gaza and Hebron were held, which resulted in that six unemployed women started working as animation teachers for children. The dance troupe El Funoun celebrated its 25 years' anniversary with a performance in Ramallah. DI has during the year initiated a discussion with the Palestinian Ministry of Education about including drama and dance in the curriculum.

The Children's Literature programme, coordinated by Diakonia, was extended during 2004. Diakonia continued their activities with distribution of children's literature to schools, kindergartens and libraries, training of teachers in children's literature, training of trainers, production and translation of children's books, and reading promotion activities. Their main partner organizations were Tamer institute, Young Artists Forum and NCM. In cooperation with the Palestinian National Theatre, a forum for discussion was formed. Training for children's book illustrators was held for the first time, which resulted in eight students getting their exams as illustrators for children.

The training of mid career journalists was coordinated by the journalist institution Fojo in Kalmar in cooperation with the Media Institute at Berzeit University in Ramallah. The training became more focused on the role of the journalists as more analytic and to include socio-economic, cultural, and youth issues in the reporting. The use of Swedish and other European teachers finally picked up during 2004, which was planned from the project's start but never finalized due to security issues. In January, a training for trainers took place in Kalmar, which was followed up by a course in Ramallah in September and resulted in a new course plan. There was also a course for press photographers held in Gaza during the autumn.

The institutional support to RIWAQ, which is an NGO active in the field of preserving the architectural cultural heritage in Palestine, progressed well during the year. Major areas of activities included the work with protection plans and legislative aspects to protect the cultural heritage, outreach activities to the public as well as research and publication.

3.2.6 Infrastructure

The development and upholding of infrastructure services in Gaza was hampered by logistical problems and difficulties in mobilising funding for operation costs and investments throughout 2004. An increasing number of customers 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 Gaza.

The environmental and sanitary situation in the vicinity of the old sewage treatment plant in Northern Gaza continued to deteriorate, but during the year a consortium of potential donors (including Sida), with the World Bank taking the lead, initiated discussions on a possible co-financing of a new treatment plant based on humanitarian considerations. These discussions resulted in the starting-up of a first phase 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 stormwater 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. Planned results have in general been achieved within budget, but with various degrees of delay in time.

The privately financed power plant in Gaza is operating at full capacity. Thus, the energy supply situation in Gaza has been improved at the same time as the plant is running at substantial financial loss, a loss that currently is covered by the Ministry of Finance to honour the power purchase agreement. The completion of the Sida financed high voltage transmission line that will evacuate the remaining excess energy from the plant would be one important step to solve this problem. However, the construction of the line was put on hold during the year due to the security situation and problems with allocation of land.

3.2.7 Employment Generation

Unemployment continued to be a major problem in the Palestinian society during the year. As the general level of poverty continued to increase, the creation of job opportunities remained a high priority of the Palestinian Authority. The average unemployment rate in the Palestinian areas was approximately 35% (according to Palestinian Central Bureau of Statistics, ILO’s relaxed definition), with a certain seasonal variation and depending on the number of persons permitted to work in Israel. Average unemployment levels in Gaza were considerable higher than in the West Bank.

The Swedish-Norwegian funded job creation program in Northern Gaza (30 MSEK) was implemented throughout the year through four municipalities. The activities mainly focused on improvement of urban infrastructure and various “soft” projects beneficial to the local population. 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 closure of the border with Israel.

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 as well as the Hebron Rehabilitation Committee. Towards the end of the year, a new cooperation with the Bethlehem Centre for Cultural Heritage Preservation was initiated in the same spirit.

Altogether, an approximate number of 110,000 working days were created during 2004 through the Sida financed activities above.

3.2.8 Private Sector

Support to Jerusalem, Qalqilia, Tulkarem, Salfeet and Betlehems private sector continued through 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” has been strangled by the separation barrier and/or other closures. The chamber is monitoring the economic situation in general and the business community in particular.

3.2.9 Support to the Peace Process & Conflict resolution

Cooperation between South Africa, Sweden and Palestine has developed during the year based on practical experiences in resolving conflicts. A series of meeting has been held in Ramallah, Jerusalem and Gaza having the South African history as the basis for a discussion with professionals, student, women’s organisation and politicians.

3.3 Office and Administrative Issues

The office space was increased by taking over a flat within the building to enable increasing of the number of staff. At the end of year in total eight Swedes were in place, four from the Ministry for Foreign Affairs and four from Sida. The first national programme officer, development, was hired during the year.

Annex 1

Summary of Swedish Development Cooperation Disbursements FY 2004

Budget Line/Sector	Disbursement 2004 (SEK)
Country Allocation/Agreement on Development Cooperation (15518)	
Human Rights	17 451 000
The legal system	1 921 000
Democratic governance (incl Children)	10 779 000
Public and Local Administration	101 000
Promotion of Peace and Conflict Prevention	1 095 000
Education	808 000
Health Care	21 955 000
Cultural Sector (Culture and Media)	4 749 000
Other within Social Sector	45 000 000
Infrastructure	37 014 000
Trade and Industry	4 077 000
Other	3 126 000
Contry Allocation Total	148 076 000
Regional Support, Asia (15519)	12 293 000
NGOs (15561)	15 134 000
Humanitarian Assistance (15571)	77 966 000
Settlements TIPH + EU	14 362 000
Humanitarian Assistance (UNRWA)	195 000 000
Grand Total	462 830 000

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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