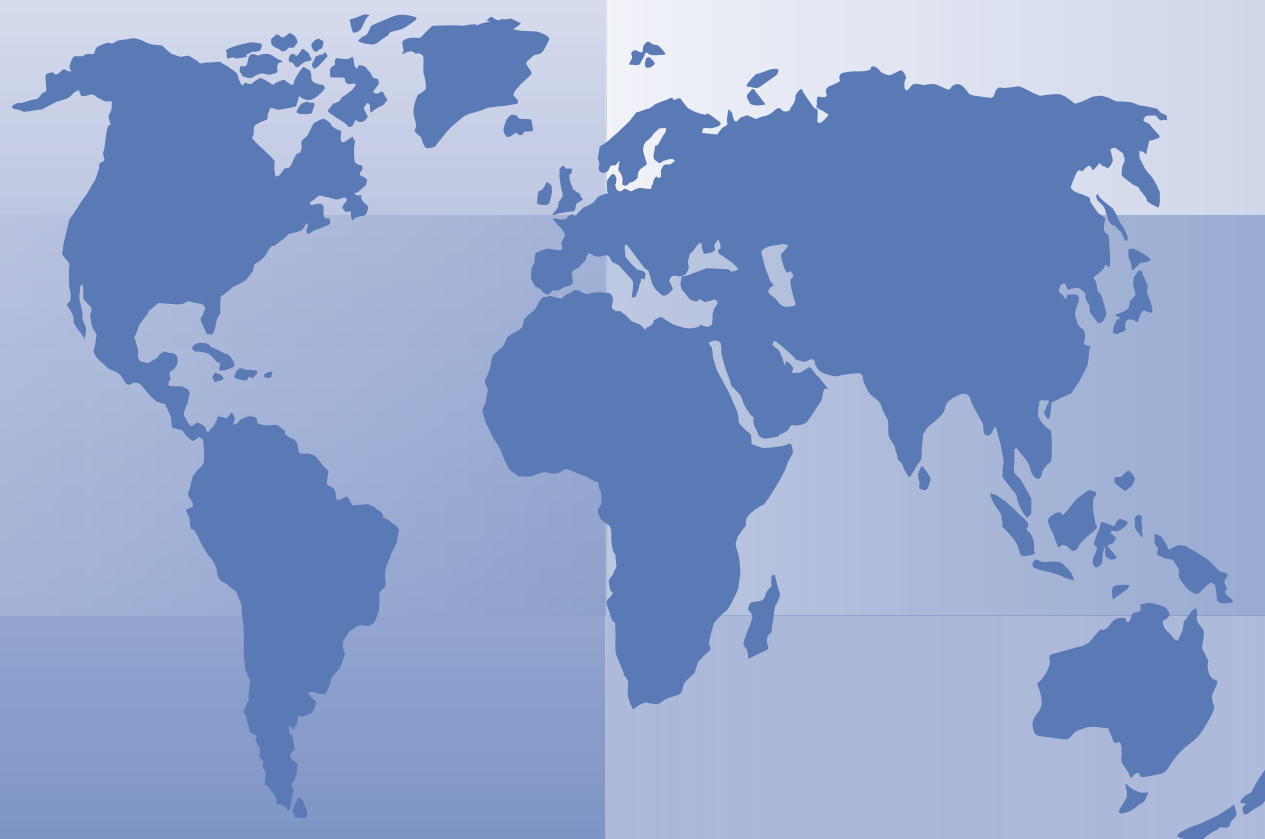


Strategy for development cooperation with **the West Bank and Gaza**

July 2008 – December 2011



REGERINGSKANSLIET

Government Offices
of Sweden

Strategy for Swedish support to the West Bank and Gaza, 1 July 2008 – 31 December 2011

Summary

Successful development cooperation with the West Bank and Gaza presupposes the existence of a political peace process that is based on international law and that has as its goal a permanent solution of the Israeli-Palestinian conflict and the establishment of a Palestinian state. A future Palestinian state must be based on respect for human rights, democracy and the rule of law, and must be economically viable. The specific objectives of Swedish development cooperation with the West Bank and Gaza, therefore, are to promote peacebuilding and the peace process and to promote democratic Palestinian state-building.

The situation of the Palestinian population has deteriorated in recent years. Israel has expanded its closure policies, and this has severely curtailed freedom of movement among the Palestinian population, which in turn has caused significant social, economic and humanitarian problems. Gaza is experiencing a humanitarian crisis. The situation has deteriorated as a result of violence on both sides, including disproportionate Israeli acts of violence and Palestinian terrorist acts. Due to the political situation – which at times has descended into armed conflict – Swedish assistance has been fragmented and spread among many different projects and programmes. A great challenge, therefore, is to make aid provision more effective. Thus, the aim of this strategy is to concentrate Swedish development assistance. This can be achieved by providing programme support via such bodies as the UN, the European Commission and the World Bank, by providing direct assistance and by improving donor coordination. Sida's follow-up system must be clearly linked to this management-by-objectives approach and must show how Swedish development cooperation has been concentrated.

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The Palestinians' own priorities and Palestinian ownership are to distinguish Sweden's assistance to the West Bank and Gaza. At the Paris donor conference in December 2007, the Palestinian government presented its reform and development plan, which received the backing of the donor community. The plan will be the guiding instrument for the Palestinian Authority's budget and will also serve as a guide for Swedish development cooperation during the strategy period. In addition, it provides an opportunity of enhanced donor coordination.

In a conflict area such as the West Bank and Gaza, the future political situation is difficult to foresee. The Swedish development cooperation, therefore, must be flexible and able to adjust to developments both in the conflict and in the peace process. It must be constantly attuned to such developments, whether positive or negative, and be flexible enough to allow for the redistribution of assistance within and between the various areas of cooperation. However, to ensure that Swedish development cooperation is properly concentrated, all projects and programmes must be carefully weighed against the two specific objectives – to promote the peace process and peacebuilding and to promote democratic Palestinian state-building – within the thematic areas specified. Should there be a radical change in the situation, the Swedish development cooperation programme will need to be carefully reviewed with a readiness to reconsider the strategy as a whole.

Part 1 Objectives and direction of Swedish cooperation

1 Overall objectives

The aim of *Sweden's Policy for Global Development* is to help bring about equitable and sustainable global development. The aim of Swedish development cooperation is to help create conditions that will enable poor people to improve their lives. Cooperation is to be based on the two objectives of the Policy for Global Development: the human rights perspective and the perspective of poor people on development.

The specific objectives of Swedish development cooperation with the West Bank and Gaza are:

- To promote peacebuilding and the peace process.
- To promote democratic Palestinian state-building.

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These objectives are described in closer detail below. In addition, the Government has specified three thematic priorities: democracy and human rights, environment and climate – particularly the fair and sustainable use of water resources – and the promotion both of gender equality and of the role of women in development. UN Security Council Resolution 1325 on the participation of women in peace processes, political activity and economic development, and on their access to justice and protection, is to be given special consideration, as is Resolution 1612 on children in armed conflict.

The planning and implementation of Swedish development cooperation is to accord with the Paris Declaration on Aid Effectiveness and with the EU Code of Conduct on Division of Labour. Swedish aid must also comply with EU and OECD/DAC guidelines for development cooperation with fragile states.

The peace efforts of the EU and Sweden aim at a two-state solution negotiated by the parties, based on the pre-1967 borders and relevant UN Security Council resolutions. Respect for international law is the mainstay of the Swedish and EU position on the conflict.

In a Palestinian context, successful development cooperation presupposes the existence of a political peace process aiming for a permanent solution of the conflict and the establishment of a Palestinian state. A future Palestinian state must be based on respect for human rights, democracy and the rule of law, and must be economically viable. For development to be sustainable, the compromises included in a peace agreement must be acceptable to the majority of the population on both sides. Also, long-term sustainable development presupposes the existence of a Palestinian reconciliation and reform process and continued efforts to prevent violence and terrorism. It is an essential requirement that terrorism be combated, along with the use of disproportionate force in breach of international law, from wherever it may come. As far as possible, Swedish foreign and security policy efforts in support of the political peace process and development cooperation must be mutually reinforcing.

In seeking to achieve this goal, Swedish development cooperation is to include the following:

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- International law aspects, such as freedom of movement and access issues, must be given due consideration, along with the relevant Security Council resolutions.
- A permanent division of the Palestinian territories is to be actively opposed.
- Planning and implementation are to accord with the EU regulations on restrictive measures (sanctions) to combat terrorism¹ and with the EU guidelines for the promotion of compliance with international humanitarian law.
- The development cooperation must be sufficiently flexible (conflict-sensitive) to adjust to changing needs, security situations and prevailing conditions (adjustments to the current strategy may be expected should there be a dramatic change in circumstances).
- Swedish cooperation is to support the peace process and be guided by the Palestinian government's reform and development plan.

The Palestinian government's reform and development plan

The Annapolis process was accompanied by an appeal to the donor community to provide increased assistance to the Palestinian Authority. Prior to the Paris Donors Conference in December 2007, the Palestinian government presented the framework for a Palestinian Reform and Development Plan (PRDP) for the period 2008–2010. At this meeting, contributions totalling approximately USD 7.6 billion were pledged for the period. Sweden's commitment was approximately USD 300 million over three years, including both development assistance and estimated humanitarian aid requirements.

The PRDP objective is a future Palestinian state that is a stable democracy, distinguished by freedom of religion, respect for human rights and equality of the sexes. The aim is to create conditions for a dynamic private sector as an engine of healthy economic growth. The plan outlines development goals in four main areas: democratic governance, social development, economic growth – including private

¹ The Council Common Position 2001/931/CFSP on the application of specific measures to combat terrorism and Council Regulation (EC) No 2580/2001 on specific restrictive measures directed against certain persons and entities with a view to combating terrorism. Which groups or entities are covered by the two sets of regulations are explained in the respective appendices.

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sector development – and infrastructure. It also states that implementation of these goals is conditional on progress being made in the peace process and on the easing of Israeli occupation policies.

The plan serves as a guide for the Palestinian Authority's own budget process and is based on increased financial assistance, of which a substantial share is to be used for meeting current government expenditures. The PA also intends to develop the plan further and deepen its content. With a view to strengthening Palestinian leadership and ownership, the plan is to serve as a guide for the Swedish support.

1.1. Overall process objectives and dialogue issues

To ensure greater efficiency in aid provision during the strategy period, the following process objectives are to apply:

- Aid provision is to be streamlined during the strategy period and shift focus so as to be channelled mainly via programme support, increased direct assistance and be concentrated to fewer areas.
- Donor coordination is to be improved and co-financing with other donors – particularly the European Commission, the World Bank and the UN – is to be stepped up.
- Swedish efforts will continue to supplement the assistance provided through the European Commission.
- Palestinian strategic leadership is to be strengthened and Palestinian ownership of development projects and programmes is to increase.
- Linkage between the long-term development cooperation effort and humanitarian aid is to increase.

In Sweden's dialogue with the Palestinian Authority and other actors, the situation of poor people is to be given special consideration. The dialogue must also focus on steps to combat corruption and to prevent a permanent division of the Palestinian territories.

2 Direction and scope

Concentration: Swedish development cooperation is to be concentrated and to focus more on major projects, to be carefully weighed against the specific objectives and areas of cooperation described in this document, and to be coordinated with other donors. This will help Sweden to improve aid efficiency and strengthen Palestinian ownership. All

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projects are to be carefully weighed against the Swedish development cooperation programme's two specific objectives: 1) to promote the peace process and peacebuilding, and 2) to promote democratic Palestinian state-building.

Flexibility between and within areas of cooperation and in respect of recipients: While greater concentration is a central aim, the Swedish strategy must be flexible enough to allow resources to be redistributed between areas of cooperation should the political situation change. Efforts under the two specific objectives may be directed at the Palestinian Authority, at international or other organisations, or at civil society.

Synergies: Development cooperation is to be designed in such a manner as to create synergies between projects both within different areas and as far as possible between the humanitarian aid effort and long-term development cooperation. Where possible, support should be linked to regional cooperation in the Middle East, particularly as regards peacebuilding, human rights, democracy, water issues and trade under the Government's regional strategy for the Middle East and North Africa.

2.1 Areas of cooperation

By the end of the period, the aim is for Swedish development cooperation to have helped strengthen the prospects for achieving a sustainable peace and a democratic Palestinian state by promoting peacebuilding and the peace process and by promoting democratic Palestinian state-building.

2.1.1 Promoting the peace process and peacebuilding

Area objectives:

- *a stronger Palestinian negotiating capacity*
- *strengthened peace and reconciliation processes based on international law*
- *greater trust and cooperation between Israelis and Palestinians*
- *greater participation of women in peace processes.*

Swedish development initiatives are to contribute to peacebuilding either directly or indirectly. Efforts to help strengthen *Palestinian negotiating capacity* for participation in peace negotiations may include

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supporting the production of documentation and the mapping of issues of importance for the peace process, and through providing expertise to Palestinian negotiating structures. *Peace and reconciliation processes* within the Palestinian society should also be supported. In addition, efforts may be made to establish both greater trust and opportunities for cooperation between Israelis and Palestinians and between different groups in Palestinian society. Such initiatives should focus in particular on the participation of women.

In the event of a peace agreement, more extensive initiatives to promote reconciliation, peacekeeping and peacebuilding may be considered. Efforts in this area are to be based on close consultation between the Ministry for Foreign Affairs and Sida.

2.1.2 Promoting democratic Palestinian state-building

2.1.2.1. Democratic Palestinian state-building: Support to democratic institutions at local and national level, including the justice sector and good governance.

Area objectives:

- *an efficient Palestinian judicial system*
- *greater respect for human rights*
- *effective and democratic administration at local and national level.*

Strengthening Palestinian state-building is a Swedish policy objective. Democratic state-building is facilitated by supporting the Palestinian Authority in its endeavour to develop its public administration and by supporting private enterprise and civil society. Such action needs to be taken at several levels, both national and local, and needs to involve efficient cooperation between these levels.

Practical steps are to be taken to strengthen the Palestinian Authority in its efforts to develop an efficient *judicial system* and to promote *greater respect for human rights*. Swedish support should be coordinated with that of other donors, particularly the EU. Support to the Palestinian civil police force and other sections of the judicial system channelled via the EU's crisis management operation (currently known as EUPOL COPPS) is to be increased. At the same time, efforts undertaken in consultation with other donors should also be considered, such as the provision of support to the Palestinian prosecution authority and judiciary. In addition, increased direct support to the Palestinian

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Authority should be considered. Support for projects focusing in particular on the rights of women and children is to continue. Such support could for instance be channelled to organisations that monitor and seek to prevent rights abuses and/or that encourage cooperation between Israeli and Palestinian human rights bodies. All initiatives in this area of cooperation are to be informed by an anti-corruption perspective.

2.1.2.2. Infrastructure and community building

Area objective: Strengthened capacity for community building and infrastructural development, with due consideration for environment and climate issues and focusing in particular on the sustainable use of water resources.

Practical steps are to be taken to strengthen *capacity for community building and infrastructural development*, i.e. to help ensure better access to basic public services, especially for the poor. Sweden should help build up local capacity for addressing sustainable local development, employment, municipal services and access to clean water, sanitation and energy. Environment and climate issues – with special emphasis on fair and sustainable use of water resources – should be given special consideration.

2.1.2.3. Private sector development and development of international trade

Area objectives:

- *better conditions for developing private enterprise*
- *greater Palestinian participation in international trade.*

Restrictions on freedom of movement and access for people and goods, along with other effects of the occupation, are currently the principal obstacles to trade, production and investment. Practical steps are to be taken to *develop capacity in private enterprise and increase Palestinian participation in international trade*, in pursuit of economic growth and a higher level of employment. Initiatives aimed at highlighting and calling attention to the impact on enterprise of restrictions on freedom of movement should be considered. Special attention should be devoted to skills enhancement measures designed to bring more women into the business community and promote female entrepreneurship. Employment issues and conditions for small and medium sized

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enterprises should also be addressed. The twin aims should be to improve the business and trade climate and bring Palestinian goods more closely in line with international markets, and to help enhance skills and competitiveness in the private sector. Well-functioning fora for policy dialogue and partnership between the business community and the Palestinian Authority should be supported.

2.1.2.4. Civil society

Area objective: A strengthened civil society, which is essential to democratic development and respect for human rights.

Civil society has a key role to play in scrutinising institutions, in monitoring human rights and in ensuring the provision of basic public services where institutions for one reason or another are unable to assume full responsibility. One of democracy's prerequisites is a strong civil society and broad popular participation. Sweden will continue to give special consideration to the rights of women and children. Activities in this area are designed to facilitate preventive conflict management and protect vulnerable people – primarily women and children – from domestic violence and as civilians in the conflict.

2.2 Forms of assistance

Long-term development cooperation

All projects are to be carefully weighed against the two specific objectives – peacebuilding and democratic state-building – within the framework of the thematic cooperation areas. Concentration of Swedish development cooperation will mainly involve the provision of programme support, increased direct support and greater cooperation with other donors, such as the UN, the European Commission and the World Bank. This will mean intensifying dialogue and advocacy work, while at the same time it should be possible to reduce the number of agreements.

Direct support

If the Palestinian Authority is to meet its current costs in the short and medium term, it will need general financial support, as pointed out by the Ad Hoc Liaison Committee (AHLC) and the World Bank. Such support must be made available in forms that are compatible with sound financial governance and control. The extent of Swedish support will

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need to be assessed on an ongoing basis during the strategy period. The aim, however, is to provide an increase in direct support.

Support to non-governmental organisations

Swedish and international NGOs cooperate strategically with their Palestinian partner organisations. Sweden will strive for efficiency and donor coordination in its aid provision to the business sector and the Palestinian civil society.

Humanitarian aid

Sweden's humanitarian support to the West Bank and Gaza is governed by the strategy for Sida's humanitarian aid (Govt. Comm. UD 2007/47656/SP), the object of which is to save lives, alleviate suffering and uphold human dignity in connection with disaster situations. The humanitarian imperative and the basic principles of humanitarian support and assistance – humanity, impartiality, neutrality and independence – govern the provision of needs-based humanitarian aid.

In accordance with the strategy for Sida's humanitarian aid, Sweden should continue to channel a significant share of its humanitarian aid through the UN's Consolidated Appeal Process (CAP). Support to Swedish and international organisations and the International Red Cross is to be maintained. The dissemination of information on international humanitarian law will continue to receive Swedish support. High preparedness for a rapid response to new and sudden humanitarian crises in the West Bank and Gaza is also to be maintained.

Stronger linkage between the long-term development cooperation effort and humanitarian aid is to be sought. This is to be achieved by intensifying the dialogue between the Ministry for Foreign Affairs and Sida with a view to facilitating the transition from humanitarian to reconstruction assistance once such a development becomes possible. The scale of this linkage must be defined as time passes, since the considerations involved depend on how the peace process and the conflict develop.

2.3 Dialogue issues

In putting its initiatives into effect, Sweden should maintain an ongoing dialogue with the Palestinian Authority and other actors in Palestinian society, focusing in particular on three issues that should serve as a

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guide in the planning and implementation process. These dialogue issues are to be followed up at the annual meetings between Sweden and the Palestinian Authority, attended by both the Ministry for Foreign Affairs and Sida.

The first concerns the perspective of the poor and the human rights perspective. Here, the needs of women, children and particularly vulnerable groups should be addressed. The second dialogue issue concerns the fight against corruption. The extensive assistance provided to the West Bank and Gaza has increased the risk of corruption in areas already exposed to such practices. The third issue concerns Sweden's opposition to a permanent division of the Palestinian territories. As a result of the political situation, relations between the West Bank and Gaza have deteriorated. In its dialogue with the Palestinian Authority, Sweden will emphasise the importance of ensuring that development projects and programmes can be undertaken in Gaza or are such that they benefit the Gaza population.

Both in this dialogue and in Sweden's dialogue with other stakeholders, the question of how Swedish assistance can help prevent violence and terrorism should also be discussed.

2.4 Scope

The amount of long-term development cooperation is expected to exceed that for the previous strategy period, when the annual sum was approximately SEK 170 million.² Total volume for the new strategy period is expected to be approximately SEK 807 million. The annual volume will be approximately SEK 215 million for 2008, approximately SEK 225 million for 2009, approximately SEK 235 million for 2010 and approximately SEK 240 million for 2011.³ This support will cover both the West Bank and Gaza. A mid-term review of outcomes will be conducted in the spring 2010. The review will also examine whether there is cause to revise the direction and volume of the assistance.

² Total Swedish assistance, including humanitarian aid and funding from the Ministry for Foreign Affairs, is estimated at SEK 650 million per annum. A results table for the years 2005–2007 is included in the appendix.

³ The level of humanitarian aid can only be given as a preliminary estimate since such aid is needs-based. The amounts may be revised should political circumstances necessitate such a course.

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Before any changes are made, consultations are to take place between the Ministry for Foreign Affairs and Sida.

3 Implementation

The conditions for implementing the Swedish development cooperation programme may change, depending on how the peace process and the political situation in the region develop. How funding is distributed between long-term development cooperation and humanitarian aid is also affected by these factors. There must, therefore, be a considerable degree of *flexibility* whereby the direction and scope of the assistance can be adjusted on an ongoing basis. Should the situation change radically, there must be a readiness to reconsider the strategy as a whole.

The strategy facilitates flexible implementation of projects, depending on how the situation on the ground develops. This could for instance involve shifting focus between and within areas of cooperation – e.g. as regards institution-building at national and local level respectively – or between public institutions and civil society. Ultimately, it may involve reassessing the division of resources between humanitarian aid and long-term development cooperation.

The greatest source of uncertainty surrounding the implementation of this strategy concerns the unpredictable political developments on the ground. A violence-oriented radicalisation process may develop, for instance, or armed conflicts may break out that would render peacebuilding efforts in search of a two-state solution impossible. The presence of groups to which the EU's anti-terrorist sanctions apply means that well-prepared control mechanisms will be needed to ensure that no funding goes to these groups or to their activities. A continuous review should be made of possible international control mechanisms and trust funds.⁴ Established control and audit procedures are to be maintained and applied whenever new agreements are to be drawn up or new payments made.⁵

⁴ In international discussions, Sweden must decide what characterises an acceptable control mechanism. In brief, acceptable mechanisms are ones that enable contributors to feel confident that the money will not become available to Hamas or to any other organisation on the EU terrorist list, either directly or indirectly.

⁵ This is to ensure that the funds go to accounts directly controlled by the partner – with special assurances that none of the money will benefit Hamas – and also to determine whether any changes have taken place in the Palestinian constitution that

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3.1 Cooperation with other donors, including multilateral actors

In stepping up its programme support, to accord with the Palestinian Reform and Development Plan (PRDP), Sweden will mainly channel its assistance through international bodies such as the EU, the UN and the World Bank. Targeted funding for the implementation of the PRDP has already been initiated in collaboration with the European Commission. Support for strengthening the justice sector should primarily be made through EU-missions. Continued cooperation with the World Bank is to be envisaged, for instance via its Municipal Development and Lending Fund (MDLF). Sweden may also work with the UN Development Programme, UNDP, which is planning to upgrade its peacebuilding activities.

In May 2008, Sweden was invited for the first time to the *Ad Hoc Liaison Committee* (AHLC). The committee was set up in 1993 following the multilateral meeting held in Madrid in 1991, which in turn paved the way for the Middle East peace process. The AHLC is the primary forum for donors' policy coordination and development dialogue with the PA.

In 2006, the EU established a special fund, the *Temporary International Mechanism* (TIM), to provide a form of targeted budget funding to the Palestinian Authority. The mechanism was established to manage the EU's anti-terrorist sanctions and to ensure that funds did not fall into the hands of Hamas. Essentially, the TIM provided a means for meeting acute needs such as covering running costs for wages and purchasing goods such as medicines and fuel etc. The TIM was replaced in the spring of 2008 by a new EU fund, PEGASE, which has a longer-running mandate and aims to provide more development-oriented support to the PA and the PRDP. The World Bank has also established a fund mechanism for supporting the PA's reform plan. Sweden should consider using these mechanisms.

3.2 Adjustment, harmonisation and coordination

The current project-based international assistance programme must be developed. During the strategy period, aid provision will shift focus and

increase the risk of the economic sanctions imposed on organisations on the EU terrorist list being violated or circumvented.

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be channelled mainly via programme support and increased direct assistance, and will be concentrated to fewer areas. Donor coordination is to be improved and co-financing with other donors is to increase. Sweden will take an active part in joint groups led by the Palestinian Authority that seek to improve aid efficiency. Sweden will also actively encourage coordination within the civil society and in private enterprise and cooperation with the Palestinian Authority.

As of the early 1990s, when the Oslo Agreements were reached, a structure has been in place for donor coordination, known as the Local Development Forum (LDF). It has not, however, led to closer coordination to any great extent. This has resulted in a fragmented, project-based assistance landscape. During the strategy period, Sweden will work towards an improved coordination in the LDF, with a clear emphasis on Palestinian ownership.

4 Follow-up

The Ministry for Foreign Affairs and Sida are to consult closely and regularly. At the annual follow-up meetings with the Palestinian Authority, both the ministry and Sida are to participate. Sida will be required to draw up a plan of communication once the strategy has been adopted. Sida's performance follow-ups are to explicitly reflect the management-by-objectives approach in the present strategy and specifically describe how and to what extent development cooperation has been concentrated. Both Sida's auditing and control of financial resources and other monitoring must be reviewed on an ongoing basis.

Since the PRDP currently lacks indicators, follow-up procedures will need to be developed over time. The strategy's overarching objectives will be followed up via annual monitoring of the PRDP, as far as possible in collaboration with the PA and other donors. This should coincide with the annual follow-up meetings between Sweden and the Palestinian Authority.

Swedish support to Gaza needs to be monitored continuously and be given special attention as long as Gaza is blockaded and/or isolated from the West Bank, so as to help prevent a permanent division of the territories. Periodic follow-up meetings are to be held between the Middle East and North Africa Department at the Ministry for Foreign Affairs and Sida. When humanitarian issues are on the agenda, both the

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humanitarian group at the ministry's Security Policy Department and Sida's humanitarian group are to be invited to attend.

Part 2. Background

1 Summarised country analysis

The peace efforts of the EU and Sweden aim at a two-state solution negotiated by the parties, based on the pre-1967 borders and relevant UN Security Council resolutions. Respect for international law is the mainstay of the Swedish and EU position on the conflict. International law, including humanitarian law in the provisions governing the relationship between an occupying power and the occupied population, is *de jure* fully applicable to the Occupied Palestinian Territories. Israel has a legitimate right to defend and protect its citizens against security threats, including terrorism. This right must, however, be exercised in forms that are compatible with international law, including the human rights conventions and humanitarian law.

As an occupying power, Israel is required under the Fourth Geneva Convention not only to provide for the Palestinian population's basic social and economic needs but also to permit humanitarian activities in the occupied territories. Because of the Israeli roadblocks and other restrictions on movement, humanitarian organisations are finding it much more difficult to gain access to and move around in the occupied territories.

In Sweden's view, which corresponds to that stated in the Advisory Opinion given by the International Court of Justice in the Hague and endorsed by the UN General Assembly (A/RES/59/124), the Israeli construction of a separation barrier on occupied territory (the West Bank) violates international law in a number of respects. It also makes humanitarian access more difficult.

Political developments

Israelis and Palestinians have a joint responsibility to achieve a peaceful solution to the conflict. At the Annapolis meeting in November 2007, the US initiated a re-launching of the peace process between them. Under the timetable, the peace talks are to result in a basic agreement on a two-state solution by the end of 2008.

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As of July 2007, the Palestinian Authority is led by a caretaker government headed by Prime Minister Salam Fayyad. The international community has declared its support for this government. Gaza, however, is controlled by Hamas. At present, therefore, there are *de facto* two governments – one in the West Bank and one in Gaza. Parliament is not functioning at present, due both to domestic antagonism and to the fact that numerous MPs have been imprisoned by Israel. As a result, the current caretaker government has not been able to obtain parliamentary sanction. For the time being, laws are being made by presidential decree.

Poverty and the economic situation in the Palestinian territories

The position of the Palestinian population has worsened in recent years. The UN Development Programme, UNDP, estimates that two million Palestinians are living in poverty (based on indicators for the Millennium Development Goals). Israel's increasingly restrictive closure policies have severely curtailed freedom of movement among the Palestinian population and have thereby created significant social and economic problems. The humanitarian crisis has been aggravated by violence on both sides, including disproportionate Israeli acts of violence and Palestinian terrorist acts. According to the World Bank, this has meant that women's participation in the labour market has declined and that child malnutrition has increased since 2004. The humanitarian, economic and social situation of the Gaza population was made still worse by the internal fighting of June 2007 and by the border closures that began in the summer of 2007. Bodies such as the UN's Relief and Works Agency for Palestinian Refugees (UNRWA), and OCHA, the UN Office for the Coordination of Humanitarian Affairs, describe the situation as a humanitarian disaster. In real terms, GDP has fallen by approximately 40 per cent between 1999 and 2006.

The private sector in Gaza has in principle collapsed. According to OCHA, 80 per cent of the population are dependent on humanitarian aid. Unemployment is between 30 and 40 per cent in the West Bank and even higher in Gaza. The participation of women in working life is among the lowest in the world. An estimated 56 per cent of the population live below the poverty line. Gaza has the highest share of poor in the population, 79 per cent, while the West Bank has 49 per cent.

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The Israeli-Palestinian conflict is having a considerable impact on the region. According to the UNRWA, some 4.4 million Palestinians are registered as refugees, and the majority of them live in neighbouring countries.

2 Summarised performance assessment

Sida has analysed outcomes for the period 2005–2007. The three interim objectives for this period were to alleviate the effects of the conflict, to encourage peace negotiations and to promote Palestinian state-building. The following is a summary of Sida's performance assessment.

Sida cites the World Bank's assessment that aid efficiency as a whole declined as a result of aid provision being fragmented and not being governed by a common approach emphasising broader economic issues and good governance. Also, the conflict in itself put a stop to many programmes, or delayed them. In 2006, donors had no cohesive Palestinian planning documents at their disposal to guide coordination.

Sida states that on the whole, Swedish development cooperation during the period has been in line with official strategy. Swedish cooperation has been relevant and has been implemented to a great extent. In many cases, the projects have yielded good results. The large number of projects and programmes means that aid provision is labour-intensive, and further efforts of rationalisation must be made. Closer coordination, however, must not be at the expense of Palestinian ownership. The aim should be a higher level of integration between different areas within the framework of individual measures, which would improve coordination and probably heighten impact in the long term. Projects designed to promote human rights, democracy and a children's rights perspective can usefully be integrated into other projects.

According to the analysis, Sida has made a special effort to ensure proper control during the implementation process. It has focused on procurement issues and auditing, and has carried out a number of evaluation studies. Swedish assistance seems to have been effectively provided and controlled, given the difficulties created by roadblocks and security problems. Efforts to ensure the presence of effective controls should continue.

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Regarding the promotion of Palestinian state-building, the analysis notes that Sweden provides extensive and wide-ranging support for this purpose, both to the PA and to civil society and private enterprise. Sida also notes that since aid provision is made difficult by the situation on the ground, outcomes are dependent both on progress in the political process and further efforts on the foreign policy front. Sida has contributed to the promotion of peace talks by for instance providing capacity support to the office of the President of the Palestinian Authority and to the PLO negotiating unit. The performance assessment further notes that infrastructural support is yielding practical results, except in the case of large-scale projects that are difficult to realise. Increased co-financing with other donors is proposed. In addition, Sida emphasises the importance of institution-building efforts at local level.

As regards the interim objective of alleviating the impact of the conflict, Sida notes that Swedish humanitarian aid is extensive and has increased dramatically since the second intifada in the year 2000. Over time, this aid has become crucial to the survival of many people and has been increasingly directed at short-term survival issues. Sida concludes in its analysis that there is a need for closer linkage between Sweden's long-term development cooperation and its provision of humanitarian aid to the occupied territories. Sweden should give the deteriorating situation in Gaza special consideration in its aid undertakings.

3 Summarised analysis of the role and actions of other donors

Numerous donors are providing support to the West Bank and Gaza. At the donor conference in December 2007, their number was found to have increased from around 40 to some 70 bilateral and multilateral donors. This means that the PRDP now has strong backing, with commitments totalling USD 7.6 billion, including estimated humanitarian aid, of which USD 1.1 million is in the form of budget support. The EU is the largest donor, followed by the US. As a result of the commitments made in Paris, the UK will be the largest donor in the EU, followed by Sweden, France and Spain. British support, however, is conditional upon a successful outcome of the peace process. Norway is another major European donor.

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Overall aid efficiency has been limited for a number of reasons, however, principally by the restrictions on freedom of movement.

4 Summarised analysis of Sweden's role in the West Bank/Gaza

4.1 EU policy decisions and relevant processes

Swedish assistance will be planned and implemented in accordance with EU sanctions legislation. Direct or indirect provision of economic assets or financial services to an organisation covered by the sanctions, such as Hamas or the PFLP, is prohibited under Community law and punishable under Swedish law. Swedish assistance, therefore, may only be channelled directly to specially selected projects or programmes, under careful control and subject to Swedish/international follow-up, to ensure that the money reaches its intended goal. For the time being, the governments of the EU countries have agreed not to have any political contacts with members of Hamas holding political positions.

An association agreement between the EU and the PLO, representing the Palestinian Authority, was reached in 1997 and has applied on a temporary basis since. Due to factors such as restricted freedom of movement and access, however, trading between the Palestinian Territories and the EU is limited.

4.2 Policy coherence for development

Assistance to the West Bank and Gaza cannot improve the lives of the Palestinian population in any lasting way unless progress is made on the political front. Security policy, foreign policy and aid policy are to a great extent interdependent. People's circumstances have deteriorated as a result of the political situation. The aim for Sweden's development assistance to the West Bank and Gaza is to interact with its foreign policy ambitions concerning promotion of the peace process and of democratic Palestinian state-building. Trade between Sweden and the Palestinian territories is very limited. Swedish assistance targeting private sector development can, where appropriate, be combined with initiatives in other policy areas under the Policy for Global Development, e.g. in the form of trade promotion.

4.3 Other Swedish relations

Except where aid provision and political contacts are concerned, Sweden's relations with the West Bank and Gaza are very limited. Tourism has declined significantly as a result of the political situation.

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The Church of Sweden and certain other religious communities, however, have long been active in the area, especially in Jerusalem. A large number of Swedish organisations have established cooperation with Palestinian partners. These include NGOs and institutes of higher education working with issues such as human rights, media, women's and children's rights, primary health care, cooperation between Palestinian groups and between Palestinians and Israelis, and also bodies working with humanitarian projects and programmes. In some areas – such as aid provision to organisations focusing on human rights, projects on behalf of women and children, local infrastructure and employment programmes – Sweden has been one of the leading donors. Swedish, Palestinian and Israeli entrepreneurs are cooperating to a certain extent. This cooperation is supported by Sweden via the International Council of Swedish Industry and the Palestine International Business Forum.

4.4 Sweden's comparative advantages

Sweden's long-standing presence and commitment have led to a large fund of confidence in the West Bank and Gaza and important experiences. The knowledge about local conditions is good. The Palestinian Authority describes Sweden's ability to act swiftly and flexibly as a comparative advantage. In addition, Sweden has gained a good reputation from its support for public administration, including support to the office of the President of the Palestinian Authority.

5 Considerations regarding objectives and the direction of future cooperation

The situation of the Palestinian population has worsened in recent years. The severe restrictions on freedom of movement imposed on Palestinians have meant that despite extensive aid provision, numerous donors and considerable political interest from outside the area, it has not been possible to improve the situation of the West Bank and Gaza population in recent years. According to Sida's outcome analysis, however, Swedish assistance yielded relatively good results, given the difficulties involved.

Sweden's foreign-policy goals in the West Bank and Gaza are to promote peacebuilding and the peace process and to promote democratic Palestinian state-building, in pursuit of the ultimate objective of a democratic Palestinian state existing side by side with

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Israel in peace and security. If these foreign policy goals are to be achieved, development policy must match them. Consequently, all projects and programmes must be weighed against these two specific objectives. The Palestinians' own priorities and Palestinian ownership are to distinguish all assistance to the West Bank and Gaza, however, and the Palestinian Reform and Development Plan must therefore serve as a guide for Swedish development cooperation. Gaza is currently experiencing a humanitarian disaster. Even if the political situation improves over the next couple of years, the need for humanitarian aid and development initiatives directly targeting poor and vulnerable groups will remain fairly substantial.

Due to the difficult political situation, Swedish aid provision has been fragmented and spread among a wide range of projects and programmes. Consequently, Swedish development cooperation must in future be concentrated to fewer initiatives and these must be coordinated more closely with those of other donors. At the same time, in light of the unpredictable situation, considerable flexibility will be required so as to ensure that Swedish assistance can be maintained however matters develop on the political front. This implies a readiness to redistribute assistance within and between the various development sectors should the need arise. Should the situation worsen dramatically, peace-support projects may need to be stepped up, and the balance between development cooperation and humanitarian aid may have to be adjusted.

Sweden's long-standing presence and commitment has created a large fund of confidence in the West Bank and Gaza and important experiences. Decisions concerning which areas of cooperation that are to take precedence reflect both Swedish political priorities and the Palestinians' own priorities, and the fact that there are certain areas in which Sweden can add value through its long experience and expertise.

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Annex

Total assistance provided by Sida and the Swedish Ministry for Foreign Affairs, 2005–2007. The table covers both development cooperation and humanitarian aid.

Sida sectors, SEK thousands	2005	2006	2007
Education and health	27 109	75 428	23 448
Human rights and democracy, state-building	57 173	59 021	122 481
Conflict, peace and security	14 327	6 162	6 253
Infrastructure	32 439	36 815	25 747
Trade and commerce	5 631	3 009	4 535
Other areas	31 252	22 929	13 638
Total Sida, Long-term development cooperation	167 928	203 363	196 102
Humanitarian	92 690	155 690	150 560
EUPOL COPPS	0	0	1 745
Middle East Region: NIR	0	5 000	2 500
Middle East Region: Peace	2 043	4 086	2 043
Temporary International Presence in the City of Hebron (TIPH)	14 540	10 300	10 649
Total Sida, Humanitarian aid and others	94 733	175 076	167 497
Total Sida	262 661	378 439	363 599
Ministry for Foreign Affairs aid			
UNRWA ⁶	210 000	230 000	242 000
International Council of Swedish Industry (NIR)	0	0	1 600
Interpeace	1 700	1 700	477
Decaf	0	0	2 000

⁶ Refers to aid provided to Palestinian refugees in the Occupied Palestinian Territories and in Lebanon, Jordan and Syria.

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Track 2	0	0	163
EU Border Assistance Mission in Rafah (EU BAM Rafah)	12 500	7 000	4 200
EUPOL COPPS	21 900	11 050	3 200
UNRWA other	40 000	2 000	206
Total, Ministry for Foreign Affairs	286 100	251 750	253 846
TOTAL, Sida and Ministry for Foreign Affairs	548 761	630 189	617 445



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