

MINISTRY OF FOREIGN AFFAIRS OF DENMARK
DANIDA | INTERNATIONAL
DEVELOPMENT COOPERATION



DANISH-PALESTINIAN PARTNERSHIP 2014-2015



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Executive Summary

The *overall political objective* of the Danish engagement is to support the realisation of a two-state solution to the Israeli-Palestinian conflict, encompassing the State of Israel and an independent, democratic, sovereign and contiguous State of Palestine, living side by side in peace and security. It is essential that it will be a viable and accountable Palestinian state, and that the security of Israel will be safeguarded. The aim is to improve the protection of both Israeli and Palestinian civilians. The Danish government's policy on the Israeli-Palestinian conflict enjoys broad support in the Danish Parliament. In January 2014, all parties but one voted in favour of a motion laying out the overall principles of this policy.

The continued lack of a permanent solution is a major source of risk and instability in the region affecting the security of the EU. The Danish Government will within the framework set out by international law and established EU policies – in close collaboration with the EU and EU Member States on the ground – seek to achieve the objective of a two-state solution, including the recognition of Palestine as a state when appropriate. The on-going changes across the Arab world make the need for progress on the Middle East peace process all the more urgent. It will be necessary to utilize a wide range of political and financial tools to achieve such progress. Denmark will in the coming years strengthen its engagement in the Palestinian state building process, including through an increase in the level of financial assistance, in light of the current critical challenges facing it.

Denmark strongly supports the efforts spearheaded by the US to ensure a negotiated solution to the conflict. However, the current challenges to the two-state solution must not be underestimated. Parts of these challenges relate to the Israeli occupation, including demolition of Palestinian properties, forced displacement of civilians and the continued Israeli settlement activity, the latter of which is illegal under international law and constitutes an obstacle to peace. In addition to the direct violations of international humanitarian and human rights law, the Israeli approach also results in an unsustainable fiscal-economic situation for the Palestinians. It is not possible to build a viable economy under the current conditions, and both Gaza and the West Bank including East Jerusalem are very reliant on donor support. But the challenges to the two-state solution also relate to internal Palestinian factors, especially the political split between the Palestinian Authority (PA) in the West Bank and the *de facto* Hamas government in Gaza; the need to strengthen the capacity of Palestinian institutions further as well as the longstanding absence of Palestinian presidential and legislative elections. Despite this backdrop, repeated World Bank assessments have concluded that the Palestinian Authority has achieved significant progress and is above the threshold for a functioning state in key sectors.

The development potential of Palestine is considerable, but it can only be fully realized through a sustainable political solution to the Israeli-Palestinian conflict. Danish

development assistance to Palestine will in the short and medium term continue to be subject to the dominant political framework conditions, resulting from the effects of the occupation, especially continued settlement construction and the growing territorial integration of the West Bank, in particular East Jerusalem and Area C, into Israel. The strategic approach to Danish-Palestinian development cooperation must therefore be flexible enough to accommodate different future scenarios. Especially in light of the current peace talks and the rapid regional changes taking place in the Middle East, one element of this flexible approach will be to limit the strategy to a two-year period. It is, however, essential that the activities supported by Denmark will provide benefits for Palestinians irrespective of the outcome of the current peace talks.

The Danish assistance will be formulated and implemented within a general peace building approach as a way to ensure stability and mitigate fragility founded on a Human Rights Based Approach. The overall objective is to support the realisation of an independent Palestinian state within the framework of a two-state solution with a robust economy, sustainable institutions and good governance at national and municipal level. As a relative small donor, it is important that the Danish support is focused on a few key objectives to be seen as a serious cooperation partner with sufficient weight within the chosen sectors. Building on a decade-long engagement, the two specific strategic objectives will therefore be:

- 1) *Palestinian state-building and citizens' rights* as a means to support good governance, democracy and human rights;
- 2) *Equal economic opportunities* through stimulation of economic development, growth and livelihood.

Denmark has traditionally had a strong focus within the Municipal Development and Local Governance sector, where Denmark functions as lead donor. This will now be supplemented by a new programme aimed at strengthening local democracy and the active involvement of citizens in local political processes. Support for human rights defenders, Israeli and Palestinian NGOs, the Ombudsman and other institutions providing checks and balances will be continued and enhanced as necessary.

Furthermore, the deteriorating situation for the most vulnerable Palestinians in Area C calls for strengthened European and Danish support to this area in close cooperation with all relevant stakeholders. Denmark will therefore also explore opportunities to scale up its engagement in Area C, while at the same time taking into account the challenging political framework for operating in this area.

In addition, Denmark will enhance its efforts to stimulate economic growth and create jobs in the coming years thus supporting PA's prime development objective of developing its economy as the basis for a sustainable and viable state.

1. The political context

The Israeli-Palestinian conflict is a *political* conflict focused on territory. A solution to the conflict requires a comprehensive political settlement which takes into account the interests of the parties, the wider region and external stakeholders. The question of Gaza must form part of a final agreement.

The EU and Denmark have a fundamental interest in stability in the region. The continued conflict is a major source of lost economic opportunities for the region and constitutes a *regional security threat* that also affects the security of the EU. Heeding the aspirations of the people in the region, including those of Palestinians for statehood and those of Israelis for security, is a crucial element for lasting peace and stability. The conflict affects negatively the relationship between the EU and the wider Arab and Muslim world. Moreover, the absence of a political solution may lead to donor fatigue.

In continuation of previous international efforts to resolve the Israeli-Palestinian conflict, including the Road Map for Peace proposed by the Middle East Quartet, the current US administration has made the Israeli-Palestinian conflict one of its main foreign policy priorities. A new round of peace negotiations was initiated in July 2013 under US mediation with a timeframe of nine months. The leaders on both sides must be commended for their decision to re-enter into these talks. The renewed talks take place in a broader regional context, where many changes have occurred as part of the Arab spring. This influences both the Israeli-Palestinian relations and the internal Palestinian dynamics given the different regional affiliations of Fatah and Hamas, with the latter being a part of the Muslim Brotherhood movement.

For the EU, the *basic parameters for a comprehensive, just and lasting solution* are based on UN resolutions, including all relevant Security Council resolutions and in particular resolutions 242 (1967), 338 (1973) and 1515 (2003), and EU statements, most notably the Foreign Affairs Council conclusions of 8 December 2009 and 14 May 2012.

Thus, the *overall objective* is clear. The engagement of Denmark and EU is guided by political considerations and a wish to see all relevant legal obligations and principles pertaining to the conflict implemented by all parties within the framework of a negotiated solution.

However, developments on the ground have made the achievement of a two-state solution increasingly difficult. One element is the continued illegal settlement expansions by Israel. More than 150 settlements, as well as approximately 100 so-called settlement outposts, have been established in the West Bank, including East Jerusalem. It is estimated that more than 500.000 settlers now live in this area. In addition, extensive restrictions on Palestinian movement, and the reservation of land in the West Bank for settler roads, training areas for the Israeli security forces, archaeological

excavations as well as nature reserves, significantly limit the Palestinian access to and influence over the Palestinian territories. The construction of several hundred kilometres of wall in the West Bank and East Jerusalem after the Second Intifada – if completed according to the planned route, approximately 85 percent of the wall will be on the Palestinian side of the Green Line – is part of the challenge.

Area A, B and C
Following the 1993 Oslo Accords and the 1995 Interim Agreements between Israel and the PLO, the West Bank was divided into three zones, A, B and C. While some control was given to the Palestinian Authority (PA) in Areas A and B, Israel maintained full security control, and control over building and planning in Area C. Area C constitutes over 60 per cent of the West Bank, is the only contiguous territory, and contains the most significant land reserves available for Palestinian development, as well as the bulk of Palestinian agricultural and grazing land. Area A consists of approximately 18 per cent of the West Bank and is under Palestinian security and civil control, while Area B consists of approximately 21 per cent of the West Bank and is under Palestinian civil control and joint Palestinian-Israeli security control.

Israeli control over security enforcement and planning processes in Area C and East Jerusalem gives rise to a number of concerns. This especially relates to the number of demolitions of Palestinian structures, the often limited follow-up to acts of settler violence, denial of building permits for Palestinians and the increased number of unilaterally revoked residency rights for Palestinian residents of East Jerusalem.

As the UN report to the Ad Hoc Liaison Committee (AHLC) meeting in September 2012 emphasised, political action is urgently needed if the statehood achievements should not be undermined: “the prolonged absence of a credible political horizon for a final status agreement, ongoing conflict and the occupation represent ever more acute challenges to this progress, bringing us to a critical juncture which will determine whether the two-state solution remains viable”.

Internal Palestinian factors, however, also constitute significant political challenges. Most notably the split between the PA in the West Bank and the *de facto* Hamas government in Gaza has undermined the Palestinian attempt to present a unified position and constitutes a significant political and practical obstacle to Palestinian state-building. This split has also blocked presidential and legislative elections in Palestine since 2006; it will constitute a growing legitimacy challenge. The potential conflict between the desire to maintain the unity between the West Bank and Gaza on the one hand and the need for democratic accountability on the other hand, is one of the most difficult questions facing Palestinian leaders. The Palestinian aim for statehood is closely linked to the ability to adhere to international standards for democracy, good governance and human rights.

At the political level Denmark will, in conjunction with its EU partners, take steps to

- Further support initiatives by the US, the UN and the EU that can lead to a negotiated two-state solution;
- Support the implementation and enforcement of all relevant UN and EU obligations, rules, principles and guidelines pertaining to the situation, including the EU Guidelines on International Humanitarian Law;
- Continue support for maintaining the viability of a Palestinian state, based on the pre-1967 borders. This entails support for the realization of a two-state solution to the Israeli-Palestinian conflict, encompassing the State of Israel and a sovereign, independent, democratic, contiguous and viable State of Palestine, living side by side in peace and security. Thus, the on-going territorial fragmentation of Palestine should be opposed and reversed;
- Continue support for a full and effective implementation of existing European Union legislation and national arrangements applicable to settlement products.

2. The economic context

The PA has significantly improved its ability to plan, coordinate and implement development efforts, both in terms of capital investments and budget support. It has also strengthened its governance performance regarding public service delivery and institutional reforms and improvements of the justice system, public prosecution and the civil police have been achieved. Furthermore, service delivery, not least in health and education, compares favourably to other middle income countries in the region.

The *Palestinian National Development Plan (PNDP) 2011-2013* consolidates the state-building efforts of then Prime Minister Fayyad's two-year plan "Ending the Occupation, Establishing the State" from 2009 and the *Palestinian Reform and Development Plan 2008-2010*. Currently the *National Development Plan (NDP) 2014-2016* is being finalized, which will be a key document in the ongoing policy dialogue between Denmark and the PA.

Denmark concurs with the repeated World Bank assessments that if Palestine and the PA maintain their current performance in institution building and delivery of public services, it is well positioned for the establishment of a state at any point in the near future, when it comes to administrative and governance aspects, particularly within the West Bank.

Despite a number of years with relative economic stability and positive growth rates, the economic situation in the West Bank and Gaza remains highly reliant on donor support. According to the World Bank the most significant impediment to economic viability in Palestine is the multi-layered system of restrictions imposed by Israel. This

constrains investment, raises the cost of doing business and hinders economic cohesion. Many of these restrictions are not related to final status issues. The annual cost of the occupation measured by the foregone GDP is estimated at more than USD 3 billion. The overall unemployment rate reached 22 percent in the first half of 2013, with youth unemployment being even higher. In Gaza almost one in two Palestinians aged 15-29 is unemployed.

Within the West Bank, the continued geographical fragmentation of Area C poses a binding constraint to real economic growth. As the only contiguous part of the West Bank, Area C is essential for the development of public infrastructure, such as transportation, water and electricity networks, wastewater treatment plants and landfills, private sector development, and the development and expansion of communities in Areas A and B. In a report from October 2013 specifically on Area C, the World Bank concluded that as much as 35 percent could be added to the Palestinian GDP, if businesses and farms were permitted to develop within the area. Freeing economic activity in Area C would in particular have a high impact on the development of businesses in agriculture and Dead Sea minerals exploitation, but other sectors would be able to benefit from improvements in the quality and cost of infrastructure and increased demand for goods and services as well.

The situation in Gaza continues to be precarious and non-sustainable. It is deplorable that the *de facto* Hamas government continues to reject the basic principles of the peace process as set out by the Middle East Quartet: 1. recognizing Israel's right to exist; 2. abiding by previous diplomatic agreements; and 3. renouncing violence. However, it must be recognized that the continued Israeli restrictions on access via land and sea combined with the closing down of most illegal tunnels by the Egyptian authorities, have created very difficult economic and humanitarian conditions for the Palestinian population in Gaza. An immediate, sustained and unconditional opening of crossings for the flow of humanitarian aid, commercial goods and persons to and from the Gaza Strip while fully recognising Israel's legitimate security concerns is a priority. Otherwise, the PA and the international community will not be able to adequately address the urgent needs of the Gaza population which constitutes approximately 35 percent of the Palestinian population in Palestine and almost half of PA budget expenditure.

Irrespective of the external constraints in Gaza and the West Bank, it is important that the PA continues the economic, political and democratic reform process that has led to many positive achievements over the last decade. This includes the enhancement of domestic revenues, improved public financial management, strengthened anti-corruption measures, independent checks and balances as well as control over financial expenditures. Progress on these parameters is necessary to ensure a fiscal space for basic service provision to the Palestinian people. It is furthermore important to enact legislation that allows for private sector investments. Denmark will continue to work closely with the PA and like-minded donors to help facilitate this agenda. However, the combination of the multi-layered system of restrictions imposed by Israel and the weak

commercial framework conditions currently makes it difficult for Danish companies to be active in Palestine.

The overall economic development in Palestine is highly sensitive to periodic incidents of renewed violent conflict followed by the imposition of economic and other sanctions.

3. Results of Danish engagement

Looking back on almost two decades of Danish engagement with the Palestinians and even more long-term assistance to UNRWA, Denmark has contributed to keeping the vision of an independent Palestine alive and strengthened the foundation for future statehood. This has been achieved despite the challenging and changing realities on the ground. The Danish engagement has been carried out in close cooperation with the EU and its Member States as well as other donors. A number of concrete achievements can be highlighted:

- Maintaining the Palestinian population on the land, albeit within an ever more restricted physical space;
- Active political engagement with the PA to help facilitate a negotiated solution. Denmark has since 2000 supported PLO's negotiation secretariat which is the only body that has the mandate to advise the PLO leadership on final status issues such as security, borders, settlements, refugees and Jerusalem. Denmark voted in favour of Palestine's non-member observer State status at the UN in 2012;
- Introduction of a voluntary labelling mechanism of settlement products in Denmark in October 2012;
- Improving education and health of Palestinian refugees through UNRWA, thus providing refugees with a basis to build a future;
- Through a regional agricultural programme, the cooperation between technical actors in the region has been improved, as part of a technical peace-building approach. In addition, Palestinian agricultural practices have been improved through the cooperation;
- Enhancing the basic livelihood of the population in Gaza and mitigating some of the humanitarian effects of the on-going closure of Gaza, including activities aimed at economic recovery and job creation;
- Building of viable institutions particularly in the municipal sector. Municipalities are crucial institutions for the Palestinian population in whatever scenario may play out in Palestine;

- The rule of law and protection of human rights through support to the Palestinian Ombudsman institution, EU police training mission (EUPOL COPPS) and Palestinian Civil Police. Denmark has also supported the Temporary International Presence in Hebron (TIPH) as well as Israeli and Palestinian NGOs working in the occupied Palestinian territory aiming to ensure adherence to international humanitarian law and to influence the behaviour of the three duty bearers (Israel, Palestinian Authority, and the *de facto* Hamas government in Gaza);
- Strengthening of anti-corruption measures in relevant institutions, such as the independent Palestinian Anti-Corruption Commission, which is tasked with investigating, prosecuting and adjudicating corruption crimes;
- Financing collaboration between Danish NGOs and Palestinian counterparts in areas such as international humanitarian law, assistance to civilians traumatized by the conflict, advocacy and livelihood in Gaza and Area C.

European donor coordination is critical to ensuring a stronger impact of the substantial amount of humanitarian and development assistance to Palestine. Significant efforts have been made to promote this through regular working groups hosted by the EU Representative Office. Denmark has played an active role in seeking to scale up the donor coordination and will continue to identify possibilities for alignment and effective coordination between EU and Member States as well as other donors. As a means to ensuring greater impact Denmark will also in the coming planning period work towards *more efficient EU presence on the ground* and maximum use of relevant EU instruments.

4. Danish-Palestinian Partnership

Average annual Danish development assistance to Palestine has since 2009 amounted to approximately EUR 25-30 million. This level will be increased during the duration of this strategy. Due to the challenges with access to food, services and economic activity and the fact that around one third of the population is food insecure, Palestine is among ten protracted and complex crisis areas that Denmark prioritizes in the delivery of humanitarian aid. Direct Danish humanitarian assistance to Palestine amounts to approximately EUR 14 million since 2012.

The substantial international assistance to Palestine, the high political profile of the conflict, and the complexity of the situation on the ground, stress the need for close coordination of both humanitarian and development assistance to pursue synergies and avoid duplication and overlap. It is a Danish priority to play an active role within the relevant coordination bodies.

The Danish-Palestinian development partnership is founded on the Palestinian National Development Plans and there is a continuous policy dialogue between the PA and Denmark to optimize the cooperation. This policy dialogue will be informed by the Human Rights Based Approach (HRBA) providing support to both duty bearers and rights holders. Moreover, the Danish cooperation programmes will be based on a comprehensive analysis of the human rights and international humanitarian law situation, including the four HRBA principles; non-discrimination, participation and inclusion, transparency and accountability.

As a result, Danish assistance will continue its support to the reform agenda of the PA while trying to improve the living conditions of some of the most vulnerable groups in the Palestinian society with special emphasis on refugees and citizens in Gaza. Based on HRBA, the Danish assistance to Palestine will ensure that the Palestinian population is engaged and is given the opportunity to actively take part in national processes of reform and change. Thus, not only national government reformers, but equally Palestinian civil society is considered a key partner to be fully involved in decisions, plans and strategies, which influence the daily lives of Palestinians.

The deteriorating situation for the most vulnerable Palestinians in Area C calls for strengthened European and Danish support to this area in close cooperation with all relevant stakeholders. Therefore, Denmark will explore opportunities to scale up its engagement in Area C while at the same time taking into account the challenging political framework for operating in this area.

To this end, and in line with the development priorities of the Danish Government, Denmark will aim to continue its support for long-term peace building in Palestine and in the region. The overall aim is to facilitate mitigation of local and regional instability by enhancing the prospects of Palestinians and Israelis engaging in a viable and just peace settlement. Denmark will support the realisation of an independent Palestinian state within the framework of a two-state solution with a robust economy, sustainable institutions and good governance at national and municipal level. The Danish assistance will in that respect focus on *two immediate strategic objectives*:

- a) *Palestinian state-building and citizens' rights* as a means to support Palestinian national aspirations, good governance, democracy and human rights;
- b) *Equal economic opportunities* through stimulation of economic development, growth and livelihood.

Due to the uncertainties arising from the Israeli-Palestinian conflict, including the unknown outcome of the on-going peace talks, some unallocated funds will be set aside to respond to urgent needs or windows-of-opportunity, where the overall goal of facilitating a negotiated two-state solution can be advanced. These unallocated funds are expected to be utilized within the two immediate strategic objectives.

Objective 1: State-building and citizens' rights

The long-term objective for Danish engagement in state-building in Palestine is to promote good governance, democracy and human rights by helping Palestinian reformers to build effective, accountable and viable state institutions, capable of engaging productively with the people to promote sustainable development. An intrinsic part of the Danish approach to Palestinian state-building is to enhance the ability of Palestinian civil society to play a role in the decision-making processes that shapes the daily lives of Palestinians. There are frequent reports by the Palestinian Ombudsman and civil society organisations on violations of human rights as well as obstacles to democratic reform related to the violation of the right to life, arrests, torture and other forms of cruel, inhuman or degrading treatment. Women and marginalised groups, such as Bedouins, are especially vulnerable caught between traditional roles and unfair treatment.

A key focus will continue to be the Danish support for municipal development and local governance (MDLG). The assistance to the local administration, governance as well as infrastructure development will be based on the good results demonstrated over the years. Along with support to the national level, these activities underpin the strategic objective of sustainable and democratic Palestinian state building and strengthen the political and administrative fabric. In other words, as one of the oldest existing levels of public authority, local governments can be said to form the backbone of the public administration within the Palestinian society.

Even in times of political and economic crisis, local government units have proven themselves as robust providers of basic services and governance to the Palestinian people. Thus, the MDLG sector is considered a relatively resilient sector in terms of developmental relevance - not least in relation to scenarios entailing conflict escalation and/or possible disbanding of the PA itself. Danish MDLG activities are currently covering *all* municipalities in Gaza and the West Bank. Together with the Ministry of Local Government, Denmark will continue to co-chair the MDLG Sector Working Group focusing on the overall aim set out in the NDP 2014-2016: "to empower local government and bring public services closer to citizens". The Danish support to MDLG is channeled through the multi-donor Municipal Development Programme (MDP), focusing on capacity building in local administrations with the aim of improving financial management, unified planning, transparency, accountability and service delivery. In addition, Denmark will until the end of 2014 support MDLG through its bilateral Local Development Programme (LDP), focusing on improved service delivery and amalgamation of municipalities.

In the coming years Denmark will build on its key role and results achieved in the MDLG sector and launch a nation-wide programme aimed at strengthening local democracy and the active involvement of citizens in local political processes.

Denmark will remain active in the Human Rights sector, both through support to the Palestinian Ombudsman institution, the Independent Commission for Human Rights (ICHR), and through a donor consortium, dealing with Israeli and Palestinian civil society NGOs involved in the sector. Danish support to the ICHR is a means to secure the rights of Palestinian citizens *vis-à-vis* the on-going state-building efforts. A well-functioning human rights ombudsman ensures that Palestinian civil society has a powerful handle with which to hold the PA in the West Bank and the *de facto* Hamas government in Gaza accountable and ensure that they are responsive and attuned to popular demands. Danish support to the human rights donor consortium also contributes to this, mainly through advocacy and accountability measures, while also addressing human rights violations emanating from the Israeli occupation, the PA and the *de facto* Hamas government in Gaza. The Palestinian and Israeli NGOs, receiving core funding through the NGO Secretariat, are instrumental in contributing to the effective realisation of and adherence to human rights and International Humanitarian Law in the occupied Palestinian Territories and in influencing the behaviour of the relevant duty bearers, including Israel, PA and the *de facto* authorities in Gaza.

As a result of the improved fiscal and institutional performance of the PA, Denmark has begun channelling funds directly to the PA via the EU instrument for direct financial support (PEGASE). PEGASE provides financial assistance to the PA to cover its recurrent costs such as civil employee salaries and pensions, social expenditure, private sector arrears and essential public services as well as support for Area C for land reclamation, including compensation and small infrastructures.

Objective 2: Equal economic opportunities

The objective is to improve Palestinian livelihood and reduce poverty by creating job opportunities and revive sustainable economic growth. However, given the severe limitations on the economy, as described above, Palestine is in a situation, where humanitarian assistance to vulnerable groups is still necessary. The Danish engagement in this field must therefore focus both on the immediate needs, especially of the Palestinian refugees, and the longer term efforts to promote a sustainable economic development. In addition to the special focus on refugees, Gaza will remain a key priority.

The Danish efforts to stimulate economic growth have until now primarily been focused on Gaza. The post ceasefire improvements for Gaza following the escalation of hostilities in November 2012 have only had limited impact, and the Egyptian closure of most of the illegal tunnels into Gaza has further reduced the inflow of goods. The prolonged crisis in Gaza has led the remaining few humanitarian and developmental actors to realize that the present humanitarian assistance with food aid and cash for work is unsustainable and creates aid dependency. In order to counter this, Denmark is engaged in a substantive economic recovery programme, implemented by Oxfam. The programme takes the prevailing approach to development in Gaza a step further in its

focus on support to sustainable economic recovery, socio-economic empowerment and increased employment opportunities in general and for youth and women in particular.

Denmark envisages a continued support to economic recovery in Gaza over the coming years. But given that support for economic growth is a key priority for the PA, the aim will be to scale up the Danish assistance to also include activities within the West Bank. The importance of increased focus on private sector led growth as a mean to reduce the significant unemployment is also highlighted by the Economic Initiative advanced by the US and the Office of the Quartet Representative as part of the current peace talks.

On the humanitarian side, Denmark continues to support the Palestinian refugee population through UNRWA. Focus is on the provision of basic health services and access to education and more developmental activities such as micro-financing, vocational training and job creation. In the absence of a solution to the Israeli-Palestinian conflict, the international community remains morally obliged to uphold its stated commitment to Palestinian refugees. In addition to meeting human and development needs of the refugees, this commitment entails the continued exertion of efforts to reinvigorate the peace process towards a prompt settlement of the Palestinian question in accordance with relevant United Nations resolutions. Furthermore, the stabilizing effect of UNRWA's work in the region must not be underestimated.

UNRWA is faced with an escalating financial crisis as the rate of growth in expenses is outstripping growth in revenue mainly due to the constantly growing number of Palestinian refugees. This puts UNRWA in a challenging situation and compels the organisation and all its stakeholders to think of new ways to mitigate the negative impact of the difficult financial situation. Denmark has been engaged in a number of UNRWA reform efforts in order to make the organisation more effective and efficient in its implementation of support to the Palestinian refugees. To underpin this reform work and to secure UNRWA's activities in the long run, the Danish core contribution to UNRWA has been increased with 20 million DKK to 90 million DKK from 2012. Denmark will continue its support to UNRWA, both financially and in terms of continued reform. The strategic dialogue with UNRWA will, among other things, focus on improving the performance and the effectiveness of the organisation.

A number of Danish NGOs have over the years continued to provide assistance to the most vulnerable communities in marginalized areas of the West Bank and in Gaza. Many of the interventions have been aimed at improving livelihood and securing access to basic services. Denmark has a long-term partnership with a number of Danish humanitarian NGOs playing a central role in delivering relief assistance thus supplementing Denmark's direct cooperation interventions.

5. Risk Assessment

Danish development assistance to Palestine will in the short and medium term continue to be subject to the political framework conditions resulting from the Israeli-Palestinian conflict. The development potential of Palestine is considerable, but can only be fully realized through the achievement of a viable and just political solution to the Israeli-Palestinian conflict.

The PA in effect has limited control over the majority of the West Bank and it is unlikely that it will extend its authority to Area C, East Jerusalem and Gaza significantly in the short term. Thus, Denmark (and the rest of the international donor community) runs the risk of supporting a state-building project that in effect is not able to bridge the geographical divide of Palestine and hence does not support the overall objective of a viable two-state solution.

In terms of *political* risks in relation to the Danish-Palestinian development partnership and the overarching goal of a two-state solution, the last decade did not yield results in relation to a forward moving peace process. Despite the on-going international efforts supporting the peace process the achievement of a two-state solution to the conflict is uncertain. Some key donors have indicated that a failure to reach a two-state solution during this round of peace talks would lead to serious questions regarding how to support the Palestinian cause.

In other words, *the international community cannot develop Palestine by itself out of this conflict*, no matter how many funds are brought to bear. Regardless of the considerable Palestinian progress in terms of institutional reform over recent years (leading to the present state of readiness with regards to Palestinian statehood) there is a risk that continued absence of a political solution to the conflict will offset results already achieved.

Certain *operational* risks to the implementation of Danish development assistance also exist. A deteriorating political and security situation in Palestine due to the lack of progress in the peace process may delay and/or hinder the implementation of donor interventions, including activities funded by Denmark, not least in the field of state-building. Furthermore, violent reactions to the continued occupation of Palestine may undermine the efforts of Palestinian reformers and put their achievements at risk.

The persistent internal Palestinian fragmentation poses a real risk to the development objectives of state-building and improved livelihood in Palestine.

A difficult environment prevails for humanitarian actors to actually bring assistance to Palestinian civilians in need, as a result of policies and actions taken by the Israeli authorities. Among the challenges are hindrance of access, confiscation of relief equipment and demolition of buildings, structures and infrastructures.

Danish development assistance to Palestine is delivered in a context that has been characterized by a high level of corruption and other forms of mismanagement. However, recent reports to the AHLC by the IMF generally underline the significant achievements by the Palestinian Authority in relation to improvements within public financial management. These achievements should be safeguarded as they constitute a critical and positive basis for the continued delivery of Danish development assistance to Palestine.

As mentioned above, many of the risks associated with the Danish engagement in Palestine are linked to the outcome of the peace process and overall nature of the Palestinian-Israeli relationship. As a relatively small actor in this respect, Denmark will have to be realistic about the ability to influence these processes. This also relates to the ability to mitigate the risks. However, within the overall peace-building approach, the Danish engagement aims to facilitate the conditions for peace. Regarding the operational risks, the on-going reform dialogue between Denmark and the key Palestinian actors is essential, in close cooperation with likeminded countries, the EU and the UN. Denmark's support for the Palestinian Anti-Corruption Commission is also part of the mitigating factors.

Annex 1: Key economic and social data

<u>Key economic data</u>		<u>Unit</u>	<u>Source</u>
Area		6220 km ²	CIA – World Factbook 2012
Population		4,2 Million	WDR 2013, p. 341
GNI per capita (2011)		2669,7 USD	PCBS ¹
Annual economic growth (GDP) (2000-10)		-0,9 %	WDR 2012, p. 399
Ease of doing business (year)		Rank: 135	DB
Economic sectors:			PCBS
	Agriculture	5,5 %	
	Industry	19,1 %	
	Manufacturing	12,9 %	
	Services	22,0 %	
	Other sectors	40,5 %	
Development assistance per capita (2009)		748 USD (Net)	WDR 2013, p. 401
Foreign debt (year)		n/a	(WDF)
	Total foreign debt (EDT)	n/a	
	- of which, multilateral debt	n/a	
	Current value of foreign debt (ratio to export of goods and services – PV/XGS)	n/a	
	Debt service (ratio to exports - TDS/XGS) (year)	n/a	(WDF)

¹Palestinian Central Bureau of Statistics. The World Bank refers to these statistics in their reports.

<u>Key social data</u>	<u>Unit</u>	<u>Source</u>
Population growth (annual average) (2000-10)	3,2 %	WDR 2012, p. 393
Life expectancy (2009)	M: 72 Years F: 75 Years	WDR 2012, p. 385
Infant mortality (number of deaths per 1000 births during the first year) (2010)	20,6	WHO
Access to clean drinking water (percentage without access) (2011)	19%	WBD
Access to health facilities (percentage without access)(year)	n/a	(HDR)
Number of doctors (per 100,000 inhabitants) (2010)	0,017	PCBS
People btw. 15-49 years living with hiv (year)	n/a	(UNAIDS)
Adult literacy rate (2005-9)	95 %	WDR 2012, p. 393
Primary education (percentage of boys of school age) (2009)	79 %	WDR 2012, p. 383
Girls in primary education (percentage of girls of school age)(2009)	79 %	WDR 2012, p. 383
Social sectors (percentage of public expenditure) (year)	n/a	(WDR)
Military expenditure (percentage of GDP)	n/a	(WDR)
Distribution of income (percentage of national income)	n/a	(WDR)
	Richest 10% of population	
	Poorest 10 % of population	

(WDR): World Development Report, World Bank.

(DB): Doing Business Report, World Bank.

(HDR): Human Development Report, UNDP.

(WDF): World Development Finance, World Bank.

(UNAIDS): Report on the global AIDS epidemic, UNAIDS.

(WBD): World Bank Database.

(WHO): World Health Organisation