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1 INTRODUCTION: A JOINT POLITICAL AND DEVELOPMENTAL ENGAGEMENT

Denmark has maintained a strong and continuous engagement with Palestine since the establishment of the Palestinian Authority (PA) following the Oslo accords in 1993 and 1995. The overall aim has been to support the realization of a two-state solution between Israel and Palestine and lay the foundation for a viable Palestinian state.

The core of the Israeli-Palestinian conflict is political. A conflict focused on territory, which requires a comprehensive political solution. In addition, the duration and trajectory of the conflict must be taken into consideration. The occupation of the Palestinian territory has lasted since 1967, and the developments on the ground, not least the continued expansion of Israeli settlements, have made the achievement of a two-state solution increasingly difficult. At the same time, serious intra-Palestinian challenges also present a key obstacle, in particular the lack of reconciliation between the main political factions and thereby the growing democratic legitimacy problem.

Furthermore, the binding constraints on the Palestinian development potential caused by the nature of the conflict must be taken into account. These include a heavy reliance on foreign assistance, since the Palestinian economy cannot become self-sustainable under the existing conditions. The binding constraints can only be alleviated if there is a political breakthrough between the parties. For the same reason the Danish engagement in Palestine is based on a joint political and developmental approach and is closely linked with Denmark's engagement with Israel.

Despite the constraints and protracted nature of the conflict, many tangible results have been – and can be – achieved. Results include building up public institutions, strengthening relevant state and civil society actors as well as the private sector. It is important not to lose sight of the results actually obtained and to consider where the realization of a Palestinian state would have been today without donor support.

The Danish development engagement, together with that of other likeminded donors, has from the outset consistently focused on support for state-building, including at the local level, and on promoting human rights. In addition, the international community continues to provide long term humanitarian assistance to the Palestinian refugees – which constitute a bigger group than the Palestinian non-refugee population – especially through UNRWA.

Maintaining a constant focus on Denmark's comparative advantages and continuously assessing how a Danish impact can be maximized is vital. One key element of the Danish engagement – in line with Denmark's overall global priorities – will be a strong emphasis on promoting human rights and international humanitarian law. This corresponds well with the clear commitment of both Palestine and Israel to adhere to the highest standards of international human rights and humanitarian law.

The Danish engagement in Palestine, and with the Israeli-Palestinian conflict, aims to improve the livelihood and security of Palestinians as well as Israelis. But the increased threat from extremist, militant groups in parts of the Arab/Muslim world makes the need for progress on the Middle East peace process all the more urgent as the unresolved conflict is used as a recruitment tool in the propaganda of such groups. A peaceful resolution to the conflict is therefore also in Denmark's interest.

OCCUPIED PALESTINIAN TERRITORY

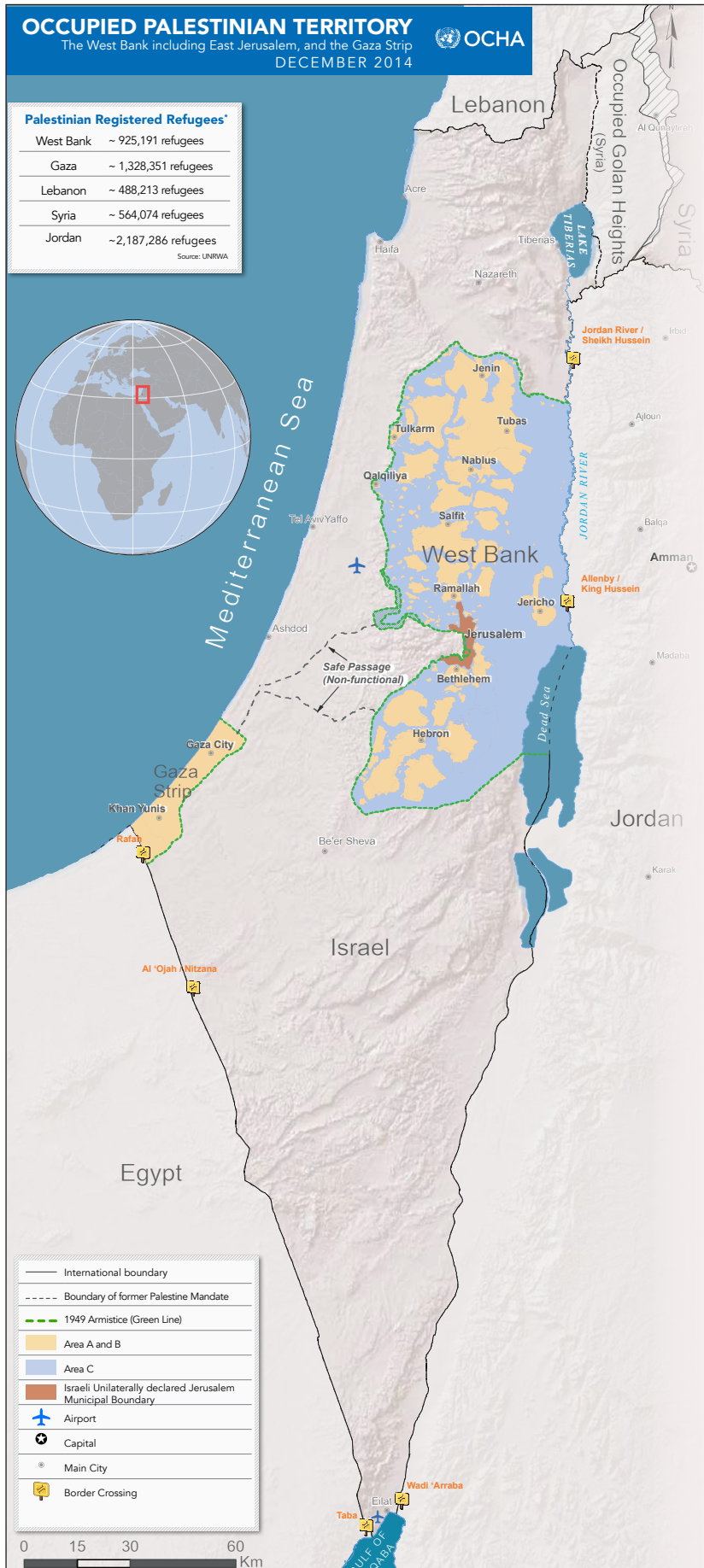
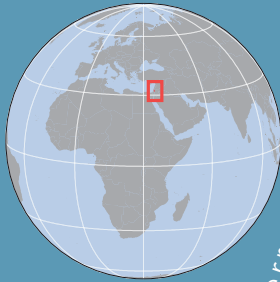
The West Bank including East Jerusalem, and the Gaza Strip
DECEMBER 2014



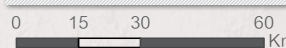
Palestinian Registered Refugees*

West Bank	~ 925,191 refugees
Gaza	~ 1,328,351 refugees
Lebanon	~ 488,213 refugees
Syria	~ 564,074 refugees
Jordan	~2,187,286 refugees

Source: UNRWA



—	International boundary
- - - -	Boundary of former Palestine Mandate
- - - -	1949 Armistice (Green Line)
■	Area A and B
■	Area C
■	Israeli Unilaterally declared Jerusalem Municipal Boundary
✈	Airport
⊙	Capital
●	Main City
🚧	Border Crossing



2 VISION AND STRATEGIC CHOICES

The overall political objective of Denmark's engagement in Palestine is to support the realization 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. This objective enjoys broad support in the Danish Parliament, which in January 2014 adopted a motion (V13), supported by all but one party, laying out the overall principles guiding Denmark's policy. A new motion (V53) adopted in May 2016 confirmed this position.

For Denmark and the EU, the basic parameters for a comprehensive, just and lasting solution are based on UN resolutions, in particular Security Council resolutions 242 (1967), 338 (1973) and 1515 (2003). In addition, the EU has set out its position in various Foreign Affairs Council conclusions, including December 2009, December 2010, May 2012, July 2014 and January 2016. These parameters include, among other things, the need for a solution based on the 1967-borders, Jerusalem as the capital for two states, Israel's right to peace and security and a normalisation of relations between Israel and the Arab countries.

Denmark will work actively to establish the foundation for a Palestinian state, including the necessary state and municipal structures as well as a stronger economic basis. In addition, Denmark will aim, including through the EU, to counter developments that undermine the prospect of a two-state solution, not least the continued Israeli settlement activity.

In parallel, Denmark will work to improve the human rights and daily living conditions of Palestinians. The basic principles of non-discrimination, participation and inclusion, transparency, and accountability will be guiding these efforts. Until a negotiated two-state solution has been reached, Israel bears the

primary responsibility for guaranteeing the human rights of the Palestinian population in the occupied territories. However, Palestine has clearly signalled – through the accession to a wide range of international human rights conventions without reservations – that it wants to be measured against the highest standards of international human rights and humanitarian law in areas, where it exercises control. The duty bearers on both sides must thus be held accountable. Finally, Denmark will continue to provide humanitarian support to Palestinians in need.

The following strategic choices will guide Denmark's engagement in and with Palestine:

EU – a cornerstone in the Danish engagement: The cooperation within the EU is a cornerstone of the Danish engagement in Palestine and in the Middle East Peace Process; both within the political and developmental spheres. Denmark will operate within the general framework set out by international law and EU policies as presented above.

Strong link between political and developmental tools: The international community cannot develop Palestine out of the conflict, no matter how many funds are brought to bear. In other words, due to the complex framework conditions, developmental instruments cannot stand alone but must be complemented by a political engagement. A close coordination between the political and developmental tools is a necessity.

The much needed reforms within Palestine require a frank political dialogue between international partners, including Denmark, and the Palestinian Authority. Equally important, development activities are needed to create the foundation for a viable two-state solution and can be used to send important signals about political priorities and objectives. Additionally, a regular political dialogue with the Israeli authorities on issues and

policies that impact the Palestinian territory, the realisation of the two-state solution and Denmark's development activities will form part of the Danish engagement.

Build on existing development cooperation: As a relatively small donor Denmark must focus its assistance on a limited number of key development objectives. The Danish development cooperation with Palestine will to a large extent be based on the priorities and activities set out in the Danish-Palestinian Country Strategy Paper 2014-2015, but with an increased focus on human rights and democratic accountability. The main strategic objectives will be: (i) Supporting state-building efforts; (ii) Promoting economic development; and (iii) Strengthening human rights and democratic accountability. The impact of the development cooperation will continue to be enhanced by forging strategic alliances, especially joint approaches with like-minded countries, the EU, the World Bank, the UN and civil society

Flexible approach necessary: The Danish development assistance to Palestine is based on the assumption that a two-state solution can be achieved. At the same time it is recognized that the implementation of the assistance is subject to the dominant political framework conditions. These include the overall effects of the occupation and the absence of a functioning Palestinian political environment. Due to these constraints, the future is characterized by a high degree of uncertainty. The Danish engagement, including the development cooperation, must therefore be flexible enough to accommodate different future scenarios – and allow for quick action if windows of opportunity arise. It is, however, essential that the activities supported by Denmark will provide benefits for Palestinians irrespective of the peace process with the Israelis.

3 THE NATIONAL CONTEXT

3.1 Political Context

Developments on the ground have made the achievement of a two-state solution increasingly difficult. Enhanced geographical fragmentation is a consequence of the Israeli occupation and the continued expansion of the illegal Israeli settlements despite strong international pressure. The number of settlers in the West Bank, incl. East Jerusalem, has increased significantly over the last decades. Of particular concern to the EU are Israeli settlement activities and announcements in sensitive areas around East Jerusalem and Bethlehem, incl. E1¹, which could effectively separate these cities from each other and cut them off from the rest of the West Bank. Such settlement activities have been condemned in statements by the EU.

More than 150 settlements, as well as approximately 100 so-called settlement outposts, have been established in the West Bank, including in 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, nature reserves etc., significantly limit the Palestinian access to and influence over the Palestinian territory. Palestinians are only allowed to use 1 per cent of area C for spatial development. The separation barrier in the West Bank and East Jerusalem – where the planned route leaves approximately 85 per cent of the wall on the Palestinian side of the Green Line – is part of the challenge.

¹ E1 is the area of land between East Jerusalem and the major settlement of Ma'ale Adumim, not yet built up.

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.

The administrative division of the West Bank into areas A, B and C still constitutes the political-geographical framework under which development takes place. Israeli control over security enforcement and planning processes in area C and East Jerusalem gives rise to a number of concerns including demolitions of Palestinian structures, the often limited follow-up to acts of settler violence, the extensive use of administrative detentions, denial of building permits for Palestinians and the increasing number of unilaterally revoked residency rights for Palestinian residents of East Jerusalem. To this can be added the restrictions related to the blockade of Gaza imposed by Israel in 2007 which limits the freedom of movement of the population and essentially cuts off the Gaza Strip from its traditional export markets in Israel and the West Bank. Many of these issues raise concern with regard to Israel's compliance with its international legal obligations.

Another challenge is the limited faith among Palestinians in the peace process between Israel and Palestine. Several rounds of unsuccessful negotiations have in Palestinian eyes mainly led to continuous, negative change on the ground and caused widespread public frustration. The Palestinian leadership has increasingly favoured an

internationalization of the peace process, based on non-violent, legal mechanisms. This has included the accession to the Rome Statute of the ICC and the acceptance of the court's jurisdiction from June 13, 2014. According to the Palestinian leadership, this internationalization does not constitute an alternative to negotiations, but aims to increase the Palestinian leverage in the process.

Internal Palestinian factors also constitute a significant challenge. Not least the split between PLO/Fatah on one side and Hamas on the other. This has led to an increasing democratic deficit created by the absence of parliamentary and presidential elections and a non-functioning Palestinian Legislative Council since 2007. It has increased pressure on the human rights of the population, incl. civil and political rights.

While the overall human rights environment is assessed as relatively positive in the West Bank – and the Palestinian accession to the core international human rights conventions is commendable – concerns have been expressed by the EU. In the official dialogue with Palestine in 2014, the EU noted that there has been a shrinking of democratic space with complaints of arbitrary detention, torture and ill-

treatment, as well as reported violations of freedom of expression and assembly. Furthermore, violence against women and the socio-economic vulnerability of women across Palestine remain a challenge. Finally, it is a great concern that the *de facto* Hamas authority in Gaza has carried out executions, despite the Palestinian Authority observing a *de facto* moratorium on death penalties. On the positive side, it should be noted that civil society organizations in the West Bank can operate relatively freely and that the Palestinian Authority has strengthened the Penal Code on the issue of so-called honour killings.

Irrespective of the ongoing occupation and Israel's responsibility in a human rights context, Palestine has a responsibility to address human rights concerns within areas where it exercises control and to ensure implementation of the human rights conventions to which it has acceded.

Furthermore, the internal split has prevented the Palestinians from presenting a unified position internationally. Consequently, the EU considered it a positive step when a reconciliation agreement between the Palestinian movements was signed in April 2014 and a technocratic consensus government under the leadership of President Abbas shortly hereafter was formed with a commitment to the Quartet

Principles², including the principle of non-violence and recognition of Israel's legitimate right to exist.

This agreement does not mean that the longstanding rivalry between especially PLO/Fatah and Hamas will suddenly disappear, and even in a best case scenario trust will have to be built gradually. Vital progress in the reconciliation process has thus yet to materialize, including in areas such as the reintegration of security services and administrations. However, as the 2014 Gaza-conflict has clearly shown, there are no military solutions to the challenge posed by Hamas and other militant groups in Gaza. A viable, long-term solution must be based on an inclusive Palestinian political process that fully allows the legitimate Palestinian Authority to return to Gaza and based on a continued commitment to the Quartet Principles. As it stands now, Hamas remains on the EU sanctions list. Successful reconciliation is also a key element towards renewed democratic elections at national level in Palestine.

The fragility of the situation in Palestine should not be underestimated. There is a risk of extremist views, on both sides of the Israeli-Palestinian divide, gaining ground. It is important that parties on both

sides refrain from inciting acts and rhetoric that contribute to escalating tensions. Among Palestinians, especially the younger generations, there is a risk of radicalization, if the conflict remains unsolved. The vast majority of Palestinians can be expected to reject extreme measures, but it only requires small groups with a radical agenda to change the dynamics of the conflict. Furthermore, the continued conflict is highly problematic in a regional context, where radical groups try to exploit it as one element to fuel popular frustration, especially among young people. The international community must help create a positive, non-violent narrative for the future. The conflict in Gaza during the summer of 2014, the third in less than six years, also clearly illustrated the tragic consequences of the status quo, for Israelis and Palestinians alike.

2 The Quartet Principles refer to the three requirements laid out by the Quartet on the Middle East. The Quartet is a diplomatic entity composed of the UN, the EU, Russia, and the United States, and is involved with mediating the Israeli-Palestinian conflict. The three principles as outlined by the quartet are as follows: 1. A Palestinian state must recognize the state of Israel without prejudging what various grievances or claims are appropriate, 2. Abide by previous diplomatic agreements, and 3. Renounce violence.

3.2 Economic Context and Development Challenges

Palestine falls in the “lower middle income” category and is thus part of the poorest part of the Middle East and North Africa region. According to the World Bank, the economy remains acutely vulnerable to the effects of Israel’s occupation, particularly restrictions on access and movement, as well as continued political uncertainty. This creates a unique set of development challenges, and has resulted in prolonged periods of economic stagnation, public fiscal fragility and high rates of poverty and mass unemployment.

Since the formation of the Palestinian Authority, growth in the Palestinian economy has been closely linked to the influx of foreign assistance, especially budget support. The economic growth that Palestine enjoyed in the period 2007-2011 has, however, come to a halt and growth started to decrease in 2012. Since then there have been periods of recession, primarily due to the shrinking Gaza economy as a result of the closing of the majority of the illegal tunnels between Gaza and Egypt in the summer of 2013. This development amplified the effects of the Gaza blockade which had led to what the UN characterises as de-development of the area. This is illustrated by the fact that in 2014 Gaza exported approx. 225 truckloads of agricultural produce compared to 15,000 in 2000. The outlook for economic growth is bleak reflecting both the economic impact of the latest Gaza conflict, including destruction of farm land, factories and fishing boats, as well as the continuing stagnation in the West Bank.

In addition to the restrictions on movement and access and the political instability, the lack of clear business regulations and the divide between Gaza and the West Bank have contributed to sluggish economic performance – and, consequently, high unemployment. The economy is concentrated on services and construction, which constitute about two thirds of the

economy, whereas productive sectors such as agriculture and manufacturing only make up around 4-5 per cent of GDP, respectively.

Action is needed by the PA, the Government of Israel and the international community to improve access to resources and markets, mitigate political risks, reduce uncertainty for businesses and investors, and promote investment in technology, skills and innovation. The World Bank estimates a potential increase of 35 per cent in GDP, if Palestinian businesses and farms were permitted to develop area C. Even if merely the existing Israeli-Palestinian agreements were implemented, there would be a potential for economic development in the West Bank, including area C, and in the Gaza Strip.

In 2013, labour force participation stood at 44 per cent with close to 70 per cent for men, but only 17 per cent for women. Unemployment was close to 20 per cent in the West Bank and 33 per cent in Gaza in 2013, but has gone up since then, especially in Gaza. Youth unemployment is soaring, particularly in Gaza, where 60 per cent of young people in the workforce were unemployed, as opposed to close to 30 per cent in the West Bank. Female unemployment stood at 35 per cent. Poverty levels are high with one in four being food insecure. In Gaza 80 per cent of the population receives some kind of food assistance.

Palestinian women face a number of access and equality challenges related to a wide range of civil, political, economic, social and cultural rights. In general, women have fewer employment opportunities and are underrepresented in leadership positions. There is a need to focus on national legislative reforms to address gender inequalities, but the challenge also pertains to local laws and social customs.

Palestine is facing a serious fiscal situation with budget deficits higher than expected, while external budget support is decreasing. Concerted efforts have been made by the Palestinian Authority to strengthen its fiscal position, including steps to raise domestic revenues and control expenditures. Nevertheless, the Authority is building up arrears to the private sector and is resorting to domestic borrowing to finance its deficits. This policy undermines economic activity and tax collection efforts and has a negative impact on private sector productive investments. In addition, revenue predictability is affected by Israel’s collection of clearance revenues (import duties, external taxes, etc.) on behalf of Palestine, in accordance with the Paris Protocol of 1995.

Denmark concurs with repeated World Bank assessments that if Palestine and the Palestinian Authority maintain their current performance in institution building and public service delivery, 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. This goes particularly for the West Bank. However, without a political solution to the Israeli-Palestinian conflict and if the Palestinian fiscal situation is further aggravated there is a risk that these achievements will be undermined.

The conditions for moving towards a commercially oriented trajectory are far from optimal in Palestine, although commercial interests are expressed by both Danish and Palestinian private sector actors. The political uncertainty and restrictions on movement and access constitute the main constraints. In addition, Palestine constitutes a small market, and the enabling environment is not geared towards direct foreign investments. However, business opportunities do exist, especially in trade. The EU is the second most important trading partner of Palestine, with total trade

in goods amounting to 155 EUR million in 2014.

The available information about the level of corruption in Palestine is limited. There is a perception that the risk of corruption is still high, in particular at the structural level rather than related to informal payments and so-called petty bribes. The last comprehensive assessment carried out by the World Bank in 2011, however, concluded that the Palestinian Authority has worked to improve economic governance and combat corruption and that major reforms have

been put in place to strengthen Palestine's public financial management systems. This includes efforts to strengthen the legal and institutional framework against corruption, and a number of anti-corruption laws have been enacted. Despite progress, the World Bank stressed that reforms were needed in a number of important areas such as management of state land assets, transparency in licensing and business rights, and public access to government information. In general, studies seem to indicate a discrepancy between the registered number of corruption incidents and a more

widespread perception of risk, but the donors' choice of financing mechanisms based on the perceived risk could be part of the explanation.

4 STRATEGIC OBJECTIVES

4.1 Policy goals

Within the framework of the UN resolutions and EU council conclusions described in Section 1, Denmark will work towards the following political objectives:

- 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. The parties will be expected to engage in the peace process in good faith. This includes exercising restraint and avoiding unilateral action which may further undermine the peace efforts and the viability of a two-state solution. The EU has emphasised that it will continue to closely monitor the situation and its broader implications and remain ready to take further action in order to protect the viability of the two-state solution.
- Maintaining the viability of a Palestinian State, based on the pre-1967 borders. This entails working to oppose and reverse the ongoing territorial fragmentation of Palestine. Denmark will continue to focus on Israeli settlement activities. Special attention will be given to sensitive areas around East Jerusalem and Bethlehem.
- A full and effective implementation of existing European Union legislation and national arrangements applicable to settlement products.
- Improving the human rights and daily living conditions of Palestinians. The compliance of Palestine and Israel with international human rights and humanitarian law is essential. Denmark will work to ensure the respect of both parties for the human rights of the Palestinian population and address grave violations both bilaterally and in relevant multilateral arenas. It will be a Danish priority in international human rights fora. The growing democratic deficit in Palestine and the lack of progress on reconciliation are also key concerns which will be addressed.
- A long-term solution to the unsustainable situation in the Gaza Strip that leads to the lifting of the blockade while ending the threat to Israel posed by Hamas and other militant groups in Gaza. The Gaza Strip constitutes an integral part of a future State of Palestine. A long-term Gaza solution is inextricably linked to the realization of the two-state solution. Denmark has expressed its readiness to contribute to international monitoring and verification mechanisms that might be established to facilitate this objective.
- Improved Palestinian access to and development of area C in accordance with the EU Foreign Affairs Council Conclusions of May 2012. In order to implement the Danish development programs in the West Bank, incl. East Jerusalem, reasonable conditions are needed. This includes access for both humanitarian and development actors both when it comes to monitoring and implementing projects.
- Implementation of existing agreements between the parties, including the Paris Protocol, aiming to create a more sustainable economic development in Palestine. This includes the issue of financial transfers from Israel to Palestine as well as development of a more transparent and efficient taxation system.
- Preserving the viability of Jerusalem's final status as the capital of two states. In accordance with international law, Denmark regards East Jerusalem as occupied territory and has never recognized the Israeli annexation of the city. Denmark supports attempts to enhance Palestinian presence in East Jerusalem among other things through the reopening of Palestinian institutions in accordance with the Roadmap for Peace. Preserving the status quo of Haram al-Sharif is also a Danish priority.

Denmark will pursue the political objectives through its bilateral relations, including the regular policy dialogues with Palestine and Israel respectively, as well as through relevant multilateral instruments.

4.2 Development Cooperation and Humanitarian Assistance

Two decades of international development assistance to Palestine has led to tangible results in the following areas: (i) Building up public institutions and ensuring delivery of essential services; (ii) Supporting the private sector, including the enabling environment; and (iii) Strengthening relevant state and civil society actors working to ensure adherence to human rights and rule of law standards. Building on results and lessons learned from previous international and Danish assistance, including Denmark's Transition Program 2014-2015, the three main strategic objectives of the Danish development program in the period 2016-2020 will be:

1. Supporting state-building efforts
2. Promoting economic development
3. Strengthening human rights and democratic accountability

Progress within these three objectives is essential to the overall goal of supporting the realization of a two-state solution as it will contribute to the viability of a future Palestinian state. Palestine is not a traditional developing country. First and foremost, Palestine has a well-educated human capital to draw on. The main issue has been to create the basis for a future state based on democratic principles and respect for human rights. This includes strengthening key public institutions and enabling a solid economy. The development objectives are thus inextricably linked with the policy goals set out in the previous section and synergies between the developmental and political engagement and activities will be pursued. The choice of strategic development objectives is furthermore based on a set of criteria:

- The comparative advantage of Denmark, not least the position as lead donor in the municipal sector, and existing joint mechanisms with other

partners in areas such as human rights and state-building;

- Alignment with priorities set out by the Palestinian Authority;
- Extensive donor mapping and assessment of past performance; and
- Potential synergies, where a strengthening of governance structures is important for enhanced service delivery, strengthened human rights and accountability mechanisms as well as enabling private sector environment

The intervention logic underpinning the strategic priorities is that financial and technical assistance to these areas, in combination with adequate international political engagement, can contribute to short and medium term changes. Key elements would be more inclusive, transparent and accountable governance and economic performance, including enhanced capacity of the Palestinian Authority and civil society. Over time, this should lead to better standards of democracy, governance and services delivered, gains in economic development that will strengthen employment and income opportunities and heighten standards of human rights, including gender aspects.

The intervention logic is dependent on four main assumptions:

- Willingness of the Palestinian Authority to address required reforms;
- An operational environment permitting core governance functions to operate, incl. adequate funding;
- The Palestinian Authority maintaining the priorities outlined in the comprehensive Palestinian National Development Plan; and

- No further deterioration of the Israeli-Palestinian conflict.

Among the key risk elements are the consequences of the on-going occupation with its restrictions on movement and access, including the blockade of Gaza. It contributes to an insecure operational environment and increases the political risk for foreign investments. Another set of risk elements are linked to the intra-Palestinian political divide and the growing democratic deficit, including the relative weakness of checks-and-balance institutions and limited legislative reform processes.

As the risk of corruption in the Palestinian Authority continues to be assessed as high, direct budget support is not utilized at this stage. Instead, the primary approach will be through financial EU or World Bank mechanisms, joint donor mechanisms with other bilateral donors, or direct funding through international NGO's.

4.2.1 Supporting State-building Efforts

A key Danish priority over the years has been support at the municipal level with a view to enhancing local governance, ensuring adequate service provision and as a critical way to enhance direct engagement with citizens. Denmark is lead donor in the local governance sector working for sector reforms, aid effectiveness and efficiency. The Danish model of implementation has changed over the years from stand-alone projects to co-funding of larger and joint support programs. The main lesson learned is that the latter provides a better foundation for policy dialogue related to reform efforts. The main achievement has been increased administrative and managerial capacity, which ultimately translates into enhanced service delivery, as documented by the various World Bank assessments.

Denmark will furthermore continue to support the EU program on “Land Development and Basic Infrastructure in Area C”, which aims to preserve the Palestinian presence in Area C and thereby help safeguard a contiguous Palestinian territory in the West

Bank. The EU-program, and other Area C interventions, is a response to EU Council Conclusions from May 2012. The specific program interventions focus on supporting basic infrastructure where new masterplans have been developed with a view to enhancing livelihood for the population residing there.

State-building interventions will be continued in order to support full-fledged public structures, which can serve the entire population, including an improved enabling environment for the private sector. The latter is essential for long term national sustainability. Efforts to strengthen democratization at local level, through enhanced accountability of duty bearers and support for citizens’ voice, will be given more priority. Not least efforts to include marginalized groups such as youth, women and Bedouins.

Proposed state-building interventions aim to provide tangible results in the form of increased service delivery, such as educa-

tion, health services, water supply, roads, etc. primarily at municipal level as well as increased public capacity and capability in policy making, oversight and operation. The support for the municipal sector thus aims at increasing service delivery through consolidation of municipalities and village councils in terms of technical capacity and fiscal sustainability through increased taxation. Strengthening of local democracy by empowering rights holders is one of the important prerequisites for improving accountability and service delivery at municipal level.

In general, monitoring and evaluation will be based on the results frameworks to be developed by partners combined with bilateral monitoring by the Danish Representative Office in Ramallah. Where joint mechanisms are being utilized, these frameworks will be prepared in consultation with the other donors, including the parameters and indicators used for measuring performance.

4.2.2 Promoting Economic Development

Development of the Palestinian economy has been given increased priority over the last years. In the latest Palestinian National Development Plan 2014-2016, private sector development is seen as the main engine for economic growth and the Palestinian Authority has encouraged donors to become more engaged in this field. The creation of a sound, economic foundation is considered as an important prerequisite for a sustainable future. In line with the priorities of the Palestinian Authority, the Danish support for economic development will be strengthened. Mapping of existing donor interventions in the economic sector shows that these are rather dispersed and to a large extent consist of minor projects and programs.

The aim of strengthened Danish support in this area, not least private sector development, is two-fold: Firstly, to contribute to the national economy by increasing import substitution and enhancing exports to the extent possible, despite the multi-layered restrictions. Secondly, to contribute to job creation and employment. The latter is not only a necessity from an economic point of view, but also from a regional security perspective. Support for economic development furthermore has important synergies with state-building through development at municipal level. Continued special attention will be given to economic empowerment of women.

The strengthened Danish engagement in economic development can draw on lessons learned from Denmark’s involvement in the Middle East Agricultural Program (MERAP), which has been on-going for 15 years. A key lesson is that long-term cooperation does yield results, despite the difficult framework conditions. Improved agricultural practices have created growth and employment in agriculture production. One of the options under consideration is to continue Danish support to the agribusiness value chain – preferably through a joint engagement with other donors to enhance impact through larger scale interventions. In addition, cultivating land in Area C contributes to maintaining land under Palestinian control.

In addition, Denmark has supported economic recovery in Gaza through a project implemented by the NGO, Oxfam. The objective has been to support small and medium sized enterprises (SME's), with special emphasis on female headed enterprises, in improving existing production enabling them to compete in the domestic market currently dominated by Israeli products.

The long term goal is to prepare the private sector for exports, but this will require that the restrictions on movement and access in and out of Gaza are lifted. While still rather

small scale, the Oxfam project in Gaza has shown encouraging results, despite the difficult framework conditions. The intention is to continue support to SME's in Gaza, where unemployment rates are soaring, and possibly extend the engagement to the West Bank as well. Small-scale economic activities to enhance resilience and basic survival are necessary under the current framework conditions of the blockade to offer alternatives to unemployment or militant activities.

When measuring progress it should be noted that specific results frameworks can relatively easily be developed with output level indicators, such as increase in production, job creation, women's participation and exports, whereas outcome indicators such as impact on economic growth will be more vague due to the dominating framework conditions.

4.2.3 Strengthening Human Rights and Democratic Accountability

It is an important principle of the Danish engagement that the ongoing political dialogue with the duty-bearers, is complemented by concrete development activities to help improve the situation and strengthen civil society organisations working to improve human rights as well as state institutions providing checks and balances to the executive power.

Over many years, Denmark has provided support to Palestinian and Israeli civil society organizations working for human rights for Palestinians through the HR/IHL Secretariat, which is jointly supported by Sweden, Switzerland, the Netherlands and Denmark. One of the lessons learned is that civil society organizations have become more mature in terms of documenting and undertaking advocacy work, although some civil society organizations remain weak. The support for the HR/IHL Secretariat will be continued.

Furthermore, there is a need to strengthen other checks-and-balance institutions in the Palestinian society. Denmark has joined other donors in support for the Independent Commission for Human Rights (the Ombudsman), which has shown good results in terms of documenting human

rights violations and following up with the relevant authorities. This has led to corrective measures being taken by the authorities. The assessment by donors is that the Ombudsman has played a vital role in containing human rights violations. The support for the Ombudsman will be continued, possibly combined with support for other public institutions ensuring checks and balances.

The aim of the Danish support in this area is to improve democratic oversight, by strengthening the watchdog role of national institutions as duty bearers as well as the ability of civil society organizations to monitor government performance as representatives of the rights holders. Secondly, the aim is to improve the political space that allows for participatory decision-making and greater policy dialogue between civil society and decision makers.

Through the UNFPA Denmark supports the work of the Ministry of Health on reducing gender-based violence, which according to the WHO is above the global average. This is done through support to the integration of gender-based violence detection, treatment and referral at public health clinics as part of an overall project to

strengthen national capacity for providing high-quality, integrated rights-based sexual and reproductive health services.

Cultural support has so far been fragmented in Denmark's engagement. However, as part of the Transition Program 2014-2015 a more comprehensive and strategic cultural program is under preparation, which would lead to a clearer Danish profile and better impact. Support for contemporary culture as well as for cultural heritage constitutes an inherent part of strengthening the human rights of Palestinians and underpins state-building. The consolidation of the Danish cultural support activities, already initiated under the Transition Program, will be continued.

The primary sources for monitoring the status of human rights will be the reports by the United Nations and partner organizations; i.e. state institutions providing checks and balances, civil society organizations as well as cultural organizations. UNFPA will monitor the results of their work on gender-based violence.

4.2.4 Humanitarian Assistance

Supporting the foundation of a future Palestinian state also encompasses the humanitarian support to the Palestinian refugees through UNRWA. The number of Palestinian refugees in UNRWA's five fields - Jordan, Syria, Lebanon, Gaza and the West Bank (over 5 million) - is higher than the number of Palestinian non-refugees in the West Bank and Gaza (less than 3 million). The first ever Human Development Report on a refugee population commissioned by UNRWA shows that by and large the Palestinian refugee population has the same life expectancy, educational level, health conditions as the populations in each of the five fields. Obviously, there are differences between the fields. This major achievement constitutes an important asset for Palestine in its aspirations to become a sovereign state, building on solid human capital.

It is therefore imperative to continue support for UN-mandated UNRWA providing protection and service delivery, primarily schooling and health services as well as micro-finance and professional training, to allow refugees to break the vicious circle. There is also a continued need for humanitarian assistance in response to UN appeals, which inter alia is done through contributions to the UN Emergency Response Fund for Palestine providing protection and emergency support in times of crisis.

Support provided through the Framework Agreements with Danish NGOs active in Palestine complements the official development cooperation, thereby enhancing the Danish footprint on the ground. The interventions of the Danish NGO's focus primarily on vulnerable groups, irrespective

of refugee status, including Bedouins, women's groups and people traumatized by conflict. Further synergies and complementarity between development and humanitarian assistance will be sought through the coming Danish development strategy, which will encompass both humanitarian and developmental interventions and the nexus between them starting in 2017. This has become increasingly important in light of the scale of humanitarian needs resulting not least from regional conflicts.

ANNEX 1: KEY DATA – WEST BANK AND GAZA STRIP

KEY ECONOMIC DATA	WEST BANK & GAZA STRIP	FEMALE (F)	MALE (M)	SOURCE
Area	6,020 sq. km WB: 5,655 sq. km GS: 365 sq. km			WDR PCBS, Palestine in Figures 2014, March 2015 ³
Population (2012)	4,046,901.0	49.2%	50.8 %	WDR
GDP (2012)	USD 11,262,141,134.4			WDR
Annual economic growth (GDP) (2012) (2013)	14.3%			WDR
	-4.4%			WDI
GNI per capita (2012)	USD 3,070.0			WDR
Growth in GNI per capita (2012) GDP per capita (2013)	10.47%			UGS
	-7.2%			WDI
Ease of doing business (2014)	Rank: 143			World Bank, <i>Doing Business 2015: Going Beyond Efficiency</i> , 2014. ⁴
Economic sectors (share of GDP) (2012):	Agriculture: 5.3%			WDR
	Industry: 25.1%			
	Manufacturing: 16.2%			
	Services etc: 69.6%			
Government expense (% of GDP) (2012)	27.7%			WDR
Tax revenue (excluding grants, percentage of GDP) (2008)	5.1%			Ministry of Finance, <i>Fiscal Developments and Macroeconomic Performance</i> , March 2015.
Tax revenue (2014)	NIS8,314 million			
Development assistance per capita (2012)	USD 497.0			WDR
Net official development assistance (% of GNI) (2012)	16.6%			WDR
Debt service (ratio to exports – TDS/XGS)	NA			WDF

KEY SOCIAL DATA	WEST BANK & GAZA STRIP	FEMALE (F)	MALE (M)	SOURCE
Population growth (annual average) (2013)	3.0%			WDI
Life expectancy (2012)	73 years	74.8 years	71.4 years	WDR
Infant mortality (number of deaths per 1000 births) (2012)	19 per 1000 births			HDR 2014
Access to clean drinking water (percentage without access) (2014)	NA 38.5%			HDR 2014 PCBS and Ministry of Health (2015)
Access to health facilities (percentage without access)	NA			HDR 2014
Number of doctors (per 100,000 inhabitants)	NA			HDR 2014
People between 15-49 living with HIV (1988-2012)	NA			UNAIDS
Adult literacy rate (2005-2012)	95.3%			HDR 2014
Primary education (% of children of school age) (2003-2012)	94%			HDR 2014
Girls in primary education (percentage of girls of school age) (2012)	NA			HDR 2014
Social sectors (percentage of public expenditure) (2012)	NA			WDR
Military expenditure (percentage of GDP) (2012)	NA			WDR
Distribution of income (percentage of national income) (2009)	Richest 10% of population: 27.4% Poorest 10% of population: 3.2%			WDR

3 60% of the WB is classified Area C, and remains under full Israeli control. There are currently over 340,000 Israeli settlers living in some 135 settlements and about 100 outposts in Area C. A further 200,000 Israeli settlers live in East Jerusalem. See UN-OCHA, http://www.ochaopt.org/documents/ocha_opt_area_c_factsheet_august_2014_english.pdf and http://www.ochaopt.org/documents/ocha_opt_jerusalem_factsheet_august2014_english.pdf.

4 Retrieval at: <http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB15-Full-Report.pdf>

KEY ENVIRONMENTAL DATA	WEST BANK & GAZA STRIP	SOURCE
Ratio of area protected to maintain biological diversity to surface area	NA (<i>note</i> : The State of Palestine ratified the Convention on Biological Diversity on 1 February 2015, and became a party on 2 April 2015).	CBD/IUCN
Carbon dioxide emissions per capacity and consumption of ozone-depleting CFCs (ODP tons)	NA (<i>note</i> : Palestine remains an observer state of UNFCCC, therefore no data is available. According to the WDF, emissions for the West Bank and Gaza were 0.6 metric tons per capita in 2010)	UNFCCC

KEY HUMAN RIGHTS DATA	WEST BANK & GAZA STRIP	SOURCE
Ratification with main international human rights instruments (12 in total)	8 core human rights treaties ratified in April 2014	OHCHR
Compliance with main international human rights instruments	NA (Palestine has declared that they will comply with the deadline for the initial reporting procedure)	OHCHR

ANNEX 2: OVERVIEW OF DENMARK'S DEVELOPMENT COOPERATION WITH PALESTINE DIVIDED BY SECTORS/THEMATIC AREAS

In 2013 Danish cooperation with Palestine was reorganised from the previous predominant project approach towards a more focused country programme. The first phase was a Transition Programme covering 2014-2015, which has provided a bridge to a full-fledged country programme from 2016. The two main pillars in the Transition Programme were (i) support for state building and citizen rights and (ii) support for economic development – both in line with Palestinian priorities. Complementary to the proposed appropriations were on-going interventions in the human rights sector, a regional peace building programme and humanitarian assistance for Palestinian refugees through UNRWA. The Danish-Palestinian Partnership 2014-2015 – the policy framework underpinning the Transition Programme – emphasised the need for flexibility to be able to respond quickly to political engagements for which specific appropriations were to be provided on a case-by-case basis.

(i) Support for state building and citizen rights consisted of engagements at national and at municipal level:

- At national level, the support has primarily been earmarked budget support through the EU so-called PEGASE-mechanism. As from 2012, where Denmark joined PEGASE, Danish support was earmarked for payments of salaries and pensions for PA civil servants, but in the Transition Programme this was changed to be earmarked for referral costs for Palestinians being treated at the East Jerusalem hospitals, some of the few

remaining Palestinian institutions in East Jerusalem and part of the Palestinian hospital system in the West Bank and Gaza. Danish support through PEGASE will be discontinued in the coming Country Programme following budget cuts.

- During the last 15 years support has been provided to PLO's Negotiations Affairs Department (NAD), which has the mandate to advise PLO's leadership on negotiations issues related to the Israeli-Palestinian conflict. The Transition Programme included a last contribution to NAD thus ending Danish support in 2017, as it was foreseen from the outset that PLO gradually would take over the funding of the secretariat.
- The flagship of Danish support for state building has been and is planned to continue to be support for municipal development encompassing good governance, local democracy and civic rights. Under a joint umbrella with other donors as lead donor in the local government sector Denmark supports building of sustainable, transparent and effective public institutions at the municipal level. In addition to capacity building and improvement of municipal service delivery, emphasis is on citizen voice, local democracy and accountability.
- The Transition Programme saw a renewed focus on cultural rights, which also strengthens state building, not least through cultural heritage

activities. The previous support through interventions with a number of partners will in the future be channelled through the Danish House in Palestine, which is in the process of establishing a strategic framework for culture, heritage and media support in Palestine, including exchange events between Denmark and Palestine.

- (ii) Support for economic development consisted of specific engagements in Gaza and in Area C:
- In Gaza, Denmark supports an engagement aiming at economic recovery for small and medium sized enterprises (SMEs) through Oxfam in cooperation with Palestinian partners. The programme, which was initiated in 2011, takes as point of departure the complex crisis characterising Gaza as a result of the Israeli blockade since 2007, closure of the illegal tunnels to Egypt in 2013, recurrent wars and crisis as well as Hamas's control with the economic and social life in Gaza. The purpose is to contribute to create acceptable living conditions for SMEs and families, and the project is centred around agro-business and ITC. Special emphasis is on women empowerment and youth employment. During the first phase Oxfam and its partners showed good and encouraging results and has demonstrated that they can operate in Gaza, despite the difficult framework conditions. The cooperation was therefore continued in the Transition Programme and the intention is to continue, given the situation in Gaza

still calls for specific interventions to prevent even more people to slide into poverty and the need for humanitarian support.

- In support of Council Conclusions from May 2012 Denmark started support for a relatively new EU programme in Area C. It supports strengthening of infrastructure in Area C building on the Israeli planning system in the form of master plans with a view to improving living conditions in Area C. The intention is to continue this support.

Prior to planning and approval of the Transition Programme further support for human rights were approved in late 2013 and continues into 2016. Together with the Netherlands, Sweden and Switzerland, Denmark support a joint funding mechanism for support to human rights civil society organisations (SCO). The SCOs are both Palestinian and Israeli working for Palestinians' human rights and for international humanitarian law in the occupied territories. The same donors plus Norway also support the Independent Commission for Human Rights – the Palestinian Ombudsman – protecting

citizens' rights through direct support, advocacy and interventions vis-à-vis the Palestinian Authorities. Finally, during the last 15 years Denmark has supported a regional peace-building programme in the agricultural sector, the Middle East Regional Agricultural Programme (MERAP) encompassing Egypt, Israel, Jordan and Palestine. The programme will be closed by end 2015. The intention is to utilise lessons learned from MERAP in future engagements to strengthen interventions in promoting economic development.

ANNEX 3: OVERVIEW OF PROGRESS TOWARDS THE MDGS IN THE WEST BANK AND GAZA STRIP

While the global MDGs agenda has 2015 as its cut-off date, the specificities of the Palestinian situation make projections for progress difficult to assess. Without progress on the political front, and without the removal of restrictions on access and mobility, the UNDP warns that a downward spiral is likely as conditions become worse.

Alongside the 8 MDGs, the UNDP/PAPP has established four key priorities intended to better embed them in Palestine's development framework. These are:

1. MDGs integrated into national development planning and resource allocation process
2. Sector specific programmes and policies to advance MDGs (Goals and Targets)
3. Development and operationalization of the MDGs and poverty monitoring frameworks
4. Effective MDGs communications and advocacy strategies developed and implemented

MDG Advancement in the occupied Palestinian territory

The occupied Palestinian territory (oPt) is placed in the lower middle-income group of countries in terms of the Human Development Index. With the exception of Goal one, progress towards achieving the MDGs remains favorable in the context of the ongoing occupation and blockade. National support for the attainment of MDGs by 2015 remains strong. However, nothing short of an end to the occupation and the emergence of a sovereign State of Palestine will create the necessary conditions for significant further progress.

The ongoing social-economic and political crisis in oPt in general and the Gaza Strip in particular are expected to cause a dramatic deterioration in MDG indicators, especially with respect to poverty and hunger, health, and education. In addition to the economic and social closure of the territory, the sharp increase in the prices of major production inputs and basic food supplies together with the world financial crisis has rendered the current national poverty reduction strategies insufficient and less than adequate to face the existing crisis.

The uncertainty in the political situation poses challenges in achieving progress by 2015. The following table summarizes the likelihood of, as well as current trends towards, attainment of MDGs under occupation or in the event a sovereign State of Palestine is established, as produced by the UNDP:

SOVEREIGNTY		OCCUPATION			REMARKS
MILLENNIUM DEVELOPMENT GOAL	WILL GOAL BE MET?	NATIONAL SUPPORT	WILL GOAL BE MET?	NATIONAL OPBAKNING	
Eradicate extreme poverty and hunger	Likely	Strong	Unlikely	Strong	Persisting high poverty rates and the rise in the number of 'new poor' negatively affects food security, as a result of occupation and closure
Achieve universal primary education	Likely	Strong	Likely	Strong	In spite of good results in primary education enrollment, quality of basic education requires improvement
Promote gender equality and empower women	Likely	Strong	Likely	Strong	Political participation and educational progress is favourable, whereas women's economic participation remains low
Reduce child mortality	Likely	Strong	Likely	Strong	Goal Almost attained
Improve maternal health	Likely	Strong	Potentially	Strong	Both Ministry of Health and local Palestinian health providers are capable and sensitized to deal with maternal health
Combat HIV/AIDS, malaria and other diseases	Likely	Moderate	Likely	Moderate	Due to the low prevalence of HIV/AIDS in the oPt, the focus is on preventing communicable and sexually transmitted diseases as well as providing treatment and care for HIV+ people and their families
Ensure environmental sustainability	Unlikely	Moderate	Unlikely	Moderate	Lack of control over natural resources, particularly water and land, due to occupation, and early stage of environmental protection
Develop a Global Partnership for Development	Likely	Strong	Unlikely	Strong	Shift in donors' focus from emergency and humanitarian aid to long-term development objectives

Source: <http://www.undp.ps/en/mdgs/mdgmain.html>

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