

Summary and follow-up note

The Evaluation of the Danish Engagement in Palestine

This note summarises the main findings, conclusions and recommendations of the Evaluation of the Danish Engagement in Palestine as well as the Ministry of Foreign Affairs' comments and follow-up to the recommendations. The evaluation has been managed by the Evaluation Department of the Ministry of Foreign Affairs. The responsibility for the follow-up rests with the Danish representation in Ramallah and the Middle East and North Africa Department. The evaluation has been conducted by independent consultants from the Dutch Consultancy Company Ecorys.

The context defining the space for Danish engagement

Denmark has been providing humanitarian and development aid to Palestinians for a long time. Since the Oslo Accords in 1993, the overall political objective of the Danish engagement in Palestine 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.

Consistently, the purpose of this evaluation was “to assess the contribution of Denmark to the establishment of a viable Palestinian State as part of a negotiated two-state solution.” The evaluation also provides input for the next strategy period and programme phase of the Danish engagement in Palestine from 2016 onwards.¹

Before presenting the main results of the evaluation, it is important to stress that the space for Denmark to engage in Palestine was limited by two binding constraints related to the Israeli occupation, on the one hand, and limitations on the Palestinian side, on the other.

After the Oslo Accords in 1993, no progress has been made on the final status issues despite a series of peace negotiations. The peace process stagnated during the evaluation period, and came to a standstill in 2014. In fact, the socio-economic, fiscal and governance situation of Palestine deteriorated considerably over the years and was further aggravated by the 2014 Gaza war. The continued Israeli occupation, expanding settlements and the blockade of Gaza since 2007 have

¹ The evaluation focused on the period 2009 to 2013 and encompassed the strategic level (policy and strategy), the intervention level (programmes and projects) as well as the linkages between these levels. While the evaluation covered all areas of Danish engagement in Palestine, an in-depth analysis was carried out of Danish support to local government and human rights, including funding activities (six projects were analysed in detail) and non-funding activities such as the role of Denmark in the policy dialogue and donor coordination. However, the evaluation does not cover Danish political initiatives at the international level or Danish political initiatives vis-à-vis Israel. In addition, Danish contributions to the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and the European Mechanism for the Direct Financial Support of the Palestinian Population (PEGASE) are only covered in terms of their strategic importance for the overall engagement.

severely diminished the feasibility of a two state solution and have also seriously affected the Palestinian economy and the lives of Palestinians. The blockade and permit regime have halted economic development and have led to structural economic distortions.

The limitations on the Palestinian side were essentially two-pronged. First was the political and territorial division since 2007 between the Palestinian Liberation Organisation (PLO) government – the Palestinian Authority (PA) – in the West Bank and the *de facto* Hamas government in Gaza. Second and related were growing accountability and legitimacy issues affecting the rule of the PA and Hamas inter alia due to the absence of elections, corruption and overall weak governance.

BOX: The aid conundrum in Palestine

The character and nature of Denmark's engagement in Palestine is largely if not entirely defined by the geopolitical context. This context confronts all external actors wishing to contribute to a solution to the conflict between Palestine and Israel and internal Palestinian issues. The space for Denmark to engage in Palestine is defined by its membership of the European Union (EU) and the fact that it is a small donor with a need to specify its own comparative advantage in a crowded donor field supporting an economy and service delivery that has become heavily dependent on donor funding.

The binding constraints limit the scope and possibility for success of Denmark's engagement with Palestine – as it limits the scope and possibilities for all other donors. In the absence of a political solution, aid serves to alleviate Palestinian distress and support the building and preservation of Palestinian institutions and thus contributing to upholding stability at the same time unintentionally providing Israel with very limited incentives to change its policy vis-à-vis Palestine. In other words, the international community continues to pay for the effects of the Israeli occupation. END BOX

Broad political consensus behind Danish policies towards Palestine

As elsewhere in Europe, there is a divisive debate about the Israeli/Palestinian conflict. Nevertheless, Denmark's engagement in Palestine was based on a series of motions passed by broad consensus in the Danish Parliament. These motions among other things supported the peace process and its end goal of a two-state solution as well as continued development assistance in support of the Palestinian people and for building a Palestinian state. An important rationale for assistance to Palestine has also been to ensure Denmark's participation in international efforts to bring about a lasting solution in Palestine.

Denmark has always closely followed the EU line and accepted the lead position of the US in the peace process. For Denmark and the EU, the basic parameters for a comprehensive, just and lasting solution are based on UN resolutions, including relevant Security Council resolutions. These parameters were also set out in EU policy, most notably in various Foreign Affairs Council conclusions and 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 between Israel and the Arab countries. The same parameters were also reflected in the motions passed in the Danish Parliament.

Also during the evaluation period, Danish policies towards Palestine and the conflict with Israel were characterised by broad support in Parliament for the measures taken:

- The Danish yes-vote for the “non-member observer state” status of Palestine in the United Nations in November 2012 was given as part of a majority of EU member states voting yes;

- Denmark published guidelines regarding companies' voluntary labelling of products from Israeli settlements in October 2012, following an UK initiative, with a view to introducing EU-wide guidelines to the same effect in the near future;
- An increase of the Danish aid budget to Palestine from yearly average disbursements amounting to DKK 200 million to yearly average disbursements of DKK 250 million has taken effect since 2014; and
- An upgrade of formal relations between Denmark and Palestine to a status equivalent to that of diplomatic relations took place in 2014, thus placing Denmark with the majority of EU countries in that regard.

Continuity and change in the Danish engagement in Palestine

Denmark's aid policy towards Palestine over the past 20 years have been characterised by continuity in the involvement on the one hand, and changes in strategy and modalities of involvement on the other. One element of continuity is the strong focus throughout the engagement on promoting core Danish normative values of democracy and human rights. From this follows the strong engagement with local development, rule of law and building human rights institutions and civil society. Another element of continuity has been the continued support for Palestinian livelihood primarily through support for UNRWA:

From 2009 to 2013 total Danish disbursements to Palestinian development and humanitarian assistance were DKK 1.2 billion (approximately Euros 160 million). Denmark was the 18th largest donor to Palestine over the period 2009-2012. In terms of volume of bilateral support provided, Palestine is in the 16th place of country recipients of Danish aid. Annual average disbursements were in line with the political commitments of DKK 200 million, but actual disbursements showed fluctuations during the evaluation period from DKK 176 million in 2011 to DKK 331 million in 2013. This money was spent on the following areas of support:

State-building (41% of total disbursements and increasing over the years), for support to local government, human rights, rule of law, and PEGASE;

Peacebuilding (7% of total disbursements and decreasing over the years) with a large number of relatively small-scale projects;

Economic development (2 % of total disbursements and stable over the years);

Humanitarian support to Palestine via UNRWA, other international agencies and Danish NGOs (46% of total disbursements and stable over the years); and

Support via Danish Civil Society Organisations through framework agreements (4% of total disbursements), outside the scope of this evaluation.

During the period 2009-2013, there was continuity in the areas of Danish support, with some changes over time. The strategic frameworks for Danish engagement in Palestine contain analyses of the binding constraints – the political framework conditions as they are termed – and the limitations this put on Danish aid. Therefore, Danish support to state-building initially focused on local government and human rights support to NGOs, which were considered to be areas where Denmark could contribute irrespective of the outcome of the peace process. Denmark provided initially very limited direct support to national level PA ministries. The state-building support to local government and NGOs went together with strong support for peacebuilding activities at the local level with the aim to prevent radicalisation and preserve the conditions for continuation of negotiations, while Denmark also provided considerable humanitarian support to improve or maintain living conditions for Palestinians. Gradually over the evaluation period, Denmark also

included direct support to the PA, for example through its contribution to PEGASE. Denmark became less active at the local level and support to peacebuilding and small-scale local activities decreased. This is reflected in a change in aid modalities from a relatively large number of bilateral projects in 2009 to bigger, more multilateral and co-funded projects in 2013. Despite the reduction in the total number of projects, Denmark remained active in a large number of areas of support, which complicated its possibilities to address the binding constraints in relation to the support provided.

The geographical allocation of funding covered the various territorial components of Palestine, with the important exception of Area C. The majority of Danish support was focused on Area A, covering 18% of the West Bank, which is formally under PA civil and partial security control, while considerable support was also provided to Gaza (it is estimated that at least one third of total Danish assistance went to Gaza) and East-Jerusalem.

Strengthened local government and human rights organisations

Denmark distinguished several secondary objectives related to state-building. Local government support focused on strengthened provision of services to the citizens and stronger local democracy. Denmark also aimed to support more stable PA organisations and wanted to contribute to an improved financial situation of the PA. Human rights support aimed to strengthen human rights organisations and to improve the human rights situation.

The support to local government led to significant achievements, especially in terms of improved performance of municipalities and the realisation of hundreds of infrastructure and community development projects for the population. The performance-based funding of municipalities created incentives for further improvement of the investment processes, while still more attention needs to be paid to the operation and maintenance of these investments. Clear progress was made in strengthening local government with a focus on improved provision of services to citizens. To date, the focus has been on increasing transparency, especially regarding budgets, and on some services such as the issuing of construction permits.

Danish support to human rights and civil society contributed to stronger human rights actors by providing flexible core funding to the Independent Commission for Human Rights (ICHR) and NGOs, which gave them greater stability. The ICHR has established itself as a reference institution for human rights-related complaints in the country. There have been many examples of successfully resolved cases by the funded human rights NGOs to the benefit of the Palestinian population. Legal advice and representation before Israeli and Palestinian courts and administrative bodies was provided to more than 27,000 direct beneficiaries with approximately 20,216 legal consultations and 5,994 legal cases. Partner NGOs achieved positive outcomes in 9,995 cases.

Moreover:

- Denmark contributed to PEGASE, which provided financial support to the PA that allowed the payment of salaries and pensions of (retired) civil servants; contributed to maintaining the PA administration and essential public services; and helped the PA to manage its budget deficit through reduced net lending and arrears. Denmark also funded UNRWA and NGOs providing humanitarian assistance – notably education and health services and livelihood support – to millions of Palestinian refugees and Palestinians living in deprived conditions;

- Vulnerable groups, including women, in Gaza and in the West Bank were involved in small-scale local economic development projects allowing them to generate an income; and
- Peacebuilding projects, also in remote areas and East Jerusalem, provided cultural and social activities (e.g. Programme for Culture and Development) and contributed to dialogue between different population groups (e.g. the Dialogue and Outreach project).

Local democracy and human rights compliance: difficulties to realise progress

Nevertheless, some specific desired outcomes were not achieved. Denmark aimed to contribute to the strengthening of local democracy through effective participation of citizens in decision making processes. Apart from consulting population in connection with prioritization of local council investments there is limited evidence of significant progress in this area. Denmark also aimed to contribute to policy reforms regarding local government, in particular the amalgamation of smaller local government units into bigger municipalities. This process encountered considerable obstacles. The local population and leaders often saw the amalgamation as a top-down initiative. Over time changes in the PA leadership led to lower commitment to the reform process. In this context, the Danish bilateral projects continued to focus on amalgamation with a technocratic and administrative approach, which was insufficient to achieve the desired outcomes given the lack of political support.

Despite the support provided by Denmark and other donors for institution building, including civil society, and success in many individual cases there continues to be a human rights deficit in Palestine. This is linked primarily to the binding constraints, in particular the occupation and the fact that the PA is only partly responsible for security in the West Bank, while the continued rivalry between Palestinian factions does not facilitate political oversight on PA security agencies. Furthermore, statistical evidence is missing that can adequately provide evidence for increased awareness of human rights by Palestinian citizens.

Peacebuilding and economic development activities had positive outcomes at local level but remained very dispersed. Support to peacebuilding was reduced and Denmark's intentions to make economic development an important area of its development support were not realised.

Denmark's overall contribution to a viable Palestinian state: the aid conundrum in practice

The central evaluation question is: "To what extent did Denmark contribute to the establishment of a viable Palestinian state as part of the two-state solution?" An important conclusion is that Denmark contributed to better functioning Palestinian organisations and institutions providing services to the population. This is an important aspect of stability and points at achievement at the level of the secondary goals. Strengthened organisations are an important pre-condition for a viable Palestinian state, and this was the main logic underpinning Denmark's state-building engagement in Palestine. However, given the Israeli occupation and the limitations on the Palestinian side, strengthened organisations alone cannot bring about a viable state. Financial sustainability remains a very important issue of concern and Palestinian organisations, both government and non-governmental, remain heavily dependent on donor support. Moreover, there is no evidence of overall progress towards improved accountability, transparency or progress towards the two-state solution. Donor support may contribute to stability but also stasis and facilitation of continued Israeli occupation/expansion and donor complaisance towards the PA.

Explanatory factors

Denmark was very much aware of the binding constraints and tried to work around them, but did not succeed in addressing or mitigating them in order to attain its higher-level goals. The two binding constraints related to the Israeli occupation and the limitations on the Palestinian side are indeed the main explanatory factors regarding the lack of progress towards the realisation of the overall objective. Although Denmark's space to engage in Palestine was limited as explained above, the binding constraints were not completely beyond influencing by the international community including Denmark. International actors tried to address these through political dialogue with Israel and the Palestinian authorities. However, a recent evaluation of EU support to Palestine indicates that "there has been little strategic, systematic and sustained results-oriented dialogue at the high level with Israel linking cooperation effectiveness directly to Israeli actions. While Member States have reached consensus on the Council Conclusions' declaratory policies, they refrained from taking practical steps further, avoiding confrontational or adversarial measures with Israel and to a lesser extent with the PA."² Evidence of the same limitations on the Danish side was found in this evaluation. The binding constraints negatively affected efficiency in terms of high transaction costs.

However, the analysis also indicates that not all opportunities were grasped to address at least some of the policy issues within the space left by the binding constraints. Findings from projects and programmes were not used sufficiently to influence the policy and political levels. Given its role as 'lead donor' in the local government sector, Denmark could have done more in terms of the policy dialogue with the PA, such as addressing issues of accountability and transparency also in relation to corruption and nepotism. Regarding the policy dialogue with Israel and the PA to follow-up on human rights issues raised by the funded organisations, there was some uncertainty and some hesitation among the donors involved. This was related to the difficulty of donors to speak with one voice or adopt joint initiatives on issues involving their countries' foreign affairs policy towards Israel and the PA. There is considerable room for improvement on donor coordination vis-a-vis an enhanced policy dialogue with Israel and PA on enhancing the effectiveness of development cooperation with the Palestine.

On a positive note, Denmark selected relevant organisations for its support and contributed to improve their performance. Furthermore, Denmark chose to reduce its number of projects and to fund larger multilateral or co-funded projects, which positively affected effectiveness and efficiency. In local government support, the multilateral programme proved to be more effective than bilateral projects, because of a solid technical project design, improved results orientation, clear procedures and better harmonised donor support. The approach tended to be rather technocratic, although it improved over time, especially for multilateral and co-funded projects but also some projects providing support to NGOs. There was a focus on organisational strengthening and infrastructure, but more difficult issues such as the quality and transparency of governance and the binding constraints were left aside to a large extent as this would have required donor agreement to raise these issues.

Denmark also faced limitations in implementation, including the lack of an overall comprehensive, coherent strategy linking the development interventions to the policy and political dialogue and a developed results framework. Moreover, Denmark does not have specific guidelines for strategies for engagement in fragile settings. Despite a clear reduction in the number of projects, Denmark is

² European Commission, Evaluation of the European Union's Cooperation with the occupied Palestinian territory and support to the Palestinian people, Final Report, Volume 1, European Commission, May 2014, Executive Summary, p. ix.

still involved in a significant number of areas of support, which further complicates the establishment of necessary linkages between the intervention and strategic levels.

Lessons and recommendations

Progress in the resolution of the conflict and the resumption of negotiations remain the key preconditions for any step further towards the realisation of the overall political goal. In the current setting, it is important that, while supporting the two-state solution, Denmark also recognises the risks and underlying assumptions regarding the viability of the two-state solution based on a sound understanding of the binding constraints and how to address and mitigate them.

The evaluation makes the following recommendations:

1. **Prepare a comprehensive Country Policy Paper in line with the new guidelines, including a clear results framework** against which to measure success. Such a paper should cover the integration of the political, development cooperation and economic relations and provide a realistic risk assessment, with particular attention to the binding constraints. This should be followed by a test of whether and how to address them, with implications for the terms of engagement, especially at the programme and project level. The new Country Policy Paper and Country Programme for the period from 2016 onwards should be based on a context and conflict analysis, include a detailed Theory of Change linking the overall political objective to specific objectives and paying due attention to coherence between all areas of Danish engagement. The consideration of different scenarios for the future development of Palestine would help Denmark to better mitigate risks.
2. Given the context in Palestine and the overarching binding constraints, funding only development and humanitarian assistance will not lead to relevant, effective and lasting change. Therefore, **funding and non-funding activities (i.e. policy and political dialogue and donor coordination) should be combined** and the skill sets and working methods of the staff responsible of both types of activities should be adapted to this purpose. In practice, this means that in relation to the Danish support to state-building – local government and human rights support as well as PEGASE – there is a need to get more leverage in the dialogue with the PA on accountability issues, policy reforms, human rights violations, attitudes of duty-bearers and local democracy. Regarding the political dialogue with Israel the obstacles of the occupation to the development of Palestine, demolitions of infrastructure, human rights violations should be brought forward.
3. **Focus on Area C, East Jerusalem and Gaza.** Denmark, together with the EU, should further develop a strategy to provide support to Area C, which should also include political dialogue with Israel in order to try and forge an opening in the standstill situation. Support to Gaza should also be continued given the crisis situation, with strengthened linkages to the dialogue regarding the limitations on the Palestinian side. Finally, strengthening the focus on East Jerusalem is needed given its key role in the peace negotiations and the future of a viable Palestinian state.
4. Denmark could further **promote its best practice in Palestine to reduce the number of bilateral projects and to opt for multilateral and co-funding** within the EU and also in the local aid coordination structure. In principle, a reduction in the number of projects and more joint or pooled funding would allow more attention to be paid to the political and policy dialogue, but this should be planned for and implemented.
5. **Develop clear and transparent criteria for the choice of specific objectives and areas of support**, in line with the overall political goal. Possible criteria to be considered are: a) Comparative advantage of Denmark in specific sectors based on past experience; b) Alignment with PA priorities;

- c) Analysis of needs of Palestinian people in relation to donor mapping and past performance; and
 - d) Potential synergies between the areas of support.
6. **Continue Danish support to local government and to human rights** on the basis of the satisfactory results achieved so far, while paying more attention to addressing the binding constraints. This would include giving a new dimension to Denmark's leadership role in the local government sector by developing a more pro-active approach to donor coordination and policy dialogue. For human rights, experiences at the project level should be related to the policy and political dialogue where duty bearers are addressed.
 7. **Consider a further reduction of the areas of support for the years to come.** As Denmark is still active in a large number of areas of support, reducing this number would free up resources. This in turn would allow more attention to be paid to the political and policy dialogue with both Israel and the PA, in particular in sectors where Denmark is in the lead. In addition to the recommended continuation of support to local government and human rights, continuation of humanitarian assistance is also inevitable for the next programming period. In this area, linkages with the application of international humanitarian law, which are addressed by the supported human rights organisations, can be further established. Choices should be made on the level of priority to be given to economic development and peacebuilding.

Ministry of Foreign Affairs' general comments to the evaluation and to the specific recommendations

MFA welcomes the evaluation and its findings and recommendations. The formulation of the country policy paper for Palestine 2016-2020, as well as the corresponding country program, is currently on-going, and the preliminary findings of the evaluation team have already been fed into this process. This will also be the case for the final evaluation. The evaluation underscores that the Danish assistance has led to significant achievements in the prioritized fields, not least the contribution to better functioning institutions and service delivery, which is an important precondition for a viable Palestinian state. These results have been achieved despite two overall, severe binding constraints, which create very difficult framework conditions. It is positive that the evaluation clearly lays out these constraints. On the one hand, the consequences of the continued Israeli occupation, the expanding settlements and the blockade of Gaza since 2007, which seriously affect the Palestinian economy and the livelihood of Palestinians. On the other hand, the political and territorial divisions on the Palestinian side and the growing legitimacy and accountability challenges, especially due to the lack of parliamentary and presidential elections. It also clearly underlines the aid conundrum that while, in the absence of a political solution, international aid can assist in alleviating the Palestinian distress, build institutions, and facilitate a certain level of stability, it also unintentionally creates a situation where Israel's incentives to change its policy vis-à-vis Palestine are limited.

Denmark has addressed the overall constraints in the policy dialogue with Israel and Palestine, including through the EU, based on the broad political consensus in the Danish Parliament. However, Danida agrees with the finding of the evaluation that more can be done in this respect. Within the area of local government support, where Denmark is lead donor, an enhanced policy dialogue with the PA has already been established. Danida welcomes the finding that the shift within this local government sector from bilateral programs to multilateral mechanisms has increased the effectiveness and efficiency, and has allowed for more focus on policy dialogue.

It is positive that the evaluation highlights a wide range of concrete results which have been achieved. For example, it concludes that the support for local government has led to significant achievements, especially in terms of improved performance of municipalities and implementation of hundreds of infrastructure and community development projects. In addition, transparency has been increased, in particular with regard to municipal budgets. Danida does, however, recognize that more could have been done in terms of promoting local democracy, despite certain progress regarding popular consultations on prioritization of investments. This will be given more emphasis in the new policy paper and the country programming for 2016-2020. Danida furthermore welcomes the finding that Danish support has contributed to stronger human rights and civil society actors, including through flexible core funding. This has resulted in a large number of direct beneficiaries receiving assistance. At the same time it is concluded that there continues to be a human rights deficit in Palestine, not least due to the binding constraints. While this is true, Danida believes it would have been useful to supplement this measure with reflections on how the human rights situation would have been, had the support from Denmark and likeminded donors not been provided.

Recommendations:

1. **Prepare a comprehensive Country Policy Paper in line with the new guidelines, including integration of the political, development cooperation and economic relations focusing on a realistic assessment of the binding constraints.** This should be followed by a test of whether and how to address them, with implications for the terms of engagement, especially at the programme and project level. The new Country Policy Paper and Country Programme for the period from 2016 onwards should be based on a context and conflict analysis, include a detailed Theory of Change linking the overall political objective to specific objectives and paying due attention to coherence between all areas of Danish engagement. The consideration of different scenarios for the future development of Palestine would help Denmark to better mitigate risks.

Following the new guidelines for country policy papers, a comprehensive Country Policy Paper for the period 2016-2020 is being prepared in which all relevant relations – political, developmental and economic - have been incorporated. The Paper clearly spells out how the binding constraints will be addressed in the political dialogue as well as through the proposed development engagements with increased emphasis on human rights and international humanitarian law (IHL). Both the Country Policy Paper and the Country Programme – the latter still under preparation – are based on thorough analysis and lessons learned, including the results of the evaluation. Although scenarios are not described, the analyses include assessments of the robustness of engagements under various conditions. Furthermore, the Country Policy Paper emphasizes the need for a flexible approach, where the Danish engagement and instruments may be adapted to future scenarios and developments on the ground.

2. Given the context in Palestine and the overarching binding constraints, funding only development and humanitarian assistance will not lead to relevant, effective and lasting change. Therefore, **funding and non-funding activities (i.e. policy and political dialogue and donor coordination) should be combined** and the skill sets and working methods of the staff responsible of both types of activities should be adapted to this purpose. In practice, this means that in relation to the Danish support to state-building - local government and human rights support as well as PEGASE- there is a need to get

more leverage in the dialogue with the PA on accountability issues, policy reforms, human rights violations, attitudes of duty-bearers and local democracy. Regarding the political dialogue with Israel the obstacles of the occupation to the development of Palestine, demolitions of infrastructure, human rights violations should be brought forward.

The Ministry fully supports the recommendation. Development cooperation and humanitarian assistance can never replace political dialogue and engagement, but can complement and underscore a political stance. As underlined in the new Country Policy Paper a close coordination between the political and developmental instruments is a necessity. Moving towards a programmatic approach and enhanced cooperation with other donors will create the space for policy dialogue dealing with the relevant areas mentioned in the recommendation. With regard to the political dialogue with Israel, IHL violations are brought up with the authorities, not least in relation to the delivery of humanitarian assistance in Area C. Additionally, Denmark will continue to raise the issue of Israel's settlement policy and the consequences of this policy with the authorities.

- 3. Focus on Area C, East Jerusalem and Gaza.** Denmark, together with the EU, should further develop a strategy to provide support to Area C, which should also include political dialogue with Israel in order to try and forge an opening in the standstill situation. Support to Gaza should also be continued given the crisis situation, with strengthened linkages to the dialogue regarding the limitations on the Palestinian side. Finally, strengthening the focus on East Jerusalem is needed given its key role in the peace negotiations and the future of a viable Palestinian state.

Area C has increasingly been given more priority by EU, including Denmark. It will be part of the political dialogue with Israel and Palestine. The Transition Programme 2014-2015, which was not part of the evaluation, contains a strengthened Danish engagement in Area C via support to an EU-programme for infrastructure development in Area C with a view to sustaining the population's livelihood and a Palestinian presence in the area. This engagement is a response to EU council conclusions from May 2012 in which the EU foreign ministers committed to step up interventions in Area C. The intention is to continue this engagement. Danida also provides humanitarian assistance to vulnerable groups in Area C. The Ministry also fully concurs with the recommendation to continue engagements in Gaza as well as strengthening focus on East Jerusalem. The latter is being addressed through support via the PEGASE mechanism for support to East Jerusalem hospitals, which is also a component in the Transition Programme 2014-2015., in addition to support for human rights civil society organizations and cultural activities in East Jerusalem. In Gaza the intention is to continue the support to economic recovery and livelihood through an Oxfam project assisting small enterprises to enhance their competitiveness in the domestic market, thereby mitigating the negative effects of the Israeli blockade. Other economic and livelihood engagements in Gaza are being considered. Finally, the support through UNRWA provides basic health and education services and social safety nets to Palestinian refugees in Gaza and the West Bank, including in Area C and East Jerusalem.

- 4.** Denmark could further promote its best practice in Palestine to reduce the number of bilateral projects and to opt for multilateral and co-funding within the EU and also in the local aid coordination structure. In principle, a reduction in the number of projects and

more joint or pooled funding would allow more attention to be paid to the political and policy dialogue, but this should be planned for and implemented.

The Ministry fully concurs with the recommendation. Bilateral projects are in the process of being phased out; probably two-three such projects will have to continue until a financing arrangement with other donors has been concluded. The future country programme will only contain multilateral, EU or joint donor funding mechanisms.

5. Develop clear and transparent criteria for the choice of specific objectives and areas of support, in line with the overall political goal. Possible criteria to be considered are: a) Comparative advantage of Denmark in specific sectors based on past experience; b) Alignment with PA priorities; c) Analysis of needs of Palestinian people in relation to donor mapping and past performance; and d) Potential synergies between the areas of support.

The Ministry fully concurs with the proposed criteria, which are being applied in the current preparatory work for a new country programme.

6. Continue Danish support to local government and to human rights on the basis of the satisfactory results achieved so far, while paying more attention to addressing the binding constraints. This would include giving a new dimension to Denmark's leadership role in the local government sector by developing a more pro-active approach to donor coordination and policy dialogue. For human rights, experiences at the project level should be related to the policy and political dialogue where duty bearers are addressed.

Support to local government and to human rights will be continued. The binding constraints will be addressed inter alia through increased focus on Area C, Gaza and East Jerusalem and through increased emphasis on support for the reform processes in the local government sector. In the local government sector, Denmark as lead donor has substantially enhanced the policy dialogue as well as donor coordination through regular meetings with the Minister for Local Government dealing with the reform agenda, local democracy and accountability, where Denmark speaks on behalf of the entire donor community in the sector. With regard to human rights, this is a centerpiece of the new Country Policy Paper and will be a key element in the political dialogue with Israel and Palestine. Denmark has already increased its focus on human rights in its dialogue with the Palestinian authorities following Palestine's accession to a large number of international human rights treaties in 2014 and early 2015. These provide a clear framework for holding the Palestinian authorities accountable as duty bearers.

7. Consider a further reduction of the areas of support for the years to come. As Denmark is still active in a large number of areas of support, reducing this number would free up resources. This in turn would allow more attention to be paid to the political and policy dialogue with both Israel and the PA, in particular in sectors where Denmark is in the lead. In addition to the recommended continuation of support to local government and human rights, continuation of humanitarian assistance is also inevitable for the next programming period. In this area, linkages with the application of international humanitarian law, which are addressed by the supported human rights organisations, can be further established.

Moving towards a country programme based on a limited number of engagements has resulted in the termination of interventions in certain areas, and not least to an overall reduction in the number of interventions. It is equally important to move on the aid effectiveness agenda. Both will free up resources needed for policy dialogue. A continuation of humanitarian assistance is important, as the number of Palestinian refugees is larger than the number of non-refugees, and the number of people in need of emergency assistance is increasing due to other regional developments in addition to the Palestinian-Israeli conflict, which in itself creates poor living conditions.