



Our events analysis is based on monitoring from September 2006 to February 2007. This analysis seeks to take into account events that have since occurred through extrapolation and scenario forecasting.

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Fragile States Country Report No. 5

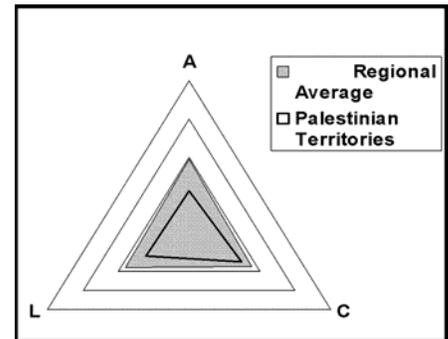
Palestinian Territories

Released Oct 2007

FRAGILITY IN BRIEF

The Palestinian Territories is a weak state and getting weaker. Despite improvements in some areas, the integrity of the Palestinian Territories is in doubt. With structural risk scores far higher than the global average and the likelihood that destabilizing events will continue, the future of the Palestinian Territories as a single entity seems unclear. In terms of its baseline performance, the Palestinian Territories are high risk in both **Authority** and **Legitimacy**, a legacy of the decades-long struggle by Palestinians for an independent state. **Capacity** is a moderate risk, though events related to human development during the period of observation exhibited a slightly negative trend. The Occupied status of the Territories, its insecurity and violence, and a major rift between the two main political factions are key problems. Drilling downward reveals high risk scores in Security & Crime and Economics, balanced by a lower risk score for Human Development, with particularly good performance in delivery of primary education to girls.

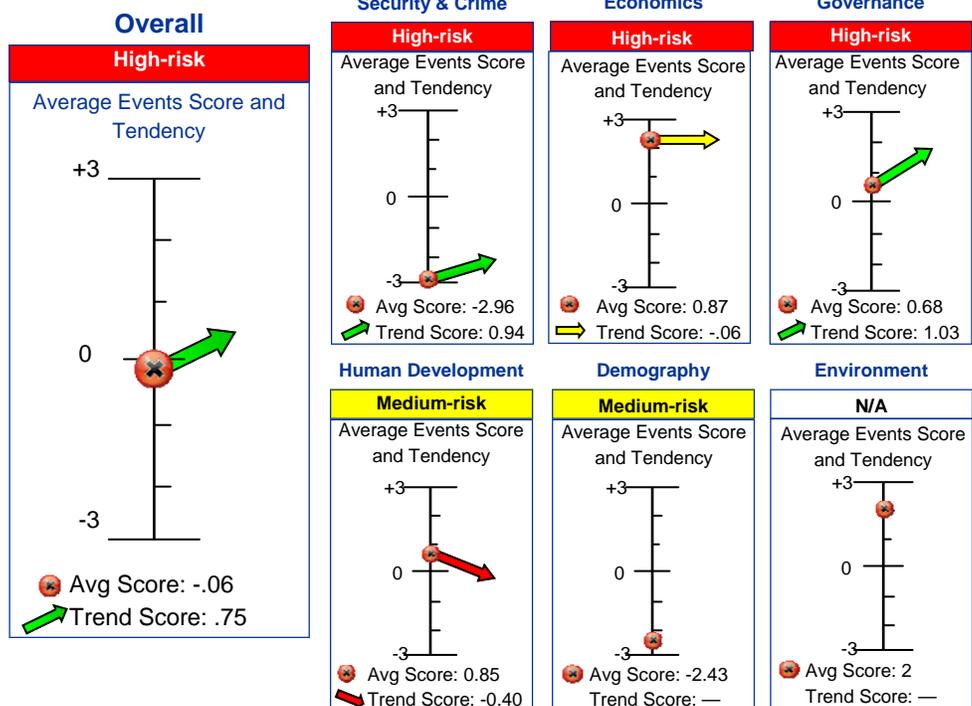
Overall, the events analysis points to some improvements, with most of this trend being driven by the Governance and Security & Crime clusters. However, there is a significant caveat to this finding, as event monitoring for this report concluded before the recent violence between Fatah and Hamas had broken out. The Economics, Human Development, and Demography clusters have shown little dynamic change and, in some cases, have exhibited a negative tendency. Although Canada is not currently directly engaged in the Palestinian Territories, opportunities for engagement exist in traditionally strong areas that are now suffering due to international sanctions. If the economic and development situation continues to deteriorate, the precarious governance situation will be further jeopardized.



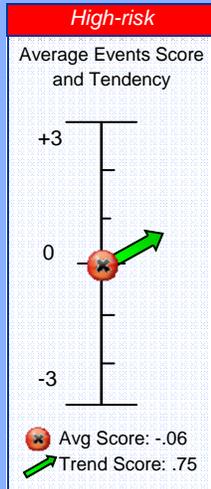
Palestinian Territories Authority (A), Legitimacy (L), and Capacity (C) Triangle

MILLENNIUM DEVELOPMENT GOALS (MDGs): LIKELIHOOD OF ATTAINMENT (UNICEF, 2007)						
Extreme Poverty and Hunger	Education	Gender Equality	Child Mortality	Maternal Mortality	HIV/AIDS & Malaria	Environmental Sustainability
Low	High	Medium	Medium	No Data	No Data	Low

STRUCTURAL BASELINE & EVENTS SUMMARY



SUMMARY



STRUCTURAL ANALYSIS The Palestinian Territories' structural risk is largely due to high risk scores for Governance, Security & Crime, and Economics. These reflect the longstanding conflict with Israel, the lack of effective and unified authority exercised by the Palestinian National Authority (PA) over its population and territory, and its perceived lack of legitimacy domestically and internationally. Some of the most worrisome indicators for the Palestinian Territories lie within the Economics cluster, with high risk scores for unemployment, which continues to rise, and women in the labour force, though the latter is largely a reflection of the former. These economic problems are reinforced by the fact that the Palestinian Territories are unlikely to meet their Millennium Development Goals (MDGs) in the areas of poverty eradication and sustainable development. However, the overall situation is tempered by more positive results in terms of Human Development and Demography. Among the most promising indicators are the high number of children who have attained a primary education and the strong ratio of girls to boys enrolled.

EVENTS The vast majority of events in the Palestinian Territories affected or reflected the government's authority and legitimacy. Notwithstanding certain positive developments such as improved foreign relations, most events during the observation period were related to were related to security, accounting for 84% of all recorded events. Though there was some improvement during the course of the observation period, on balance these events were decidedly negative. The economic trend was stagnant – balanced between positive and negative events – and human development deteriorated, experiencing increasingly negative events towards the end of the period. Again, findings reflect only events that took place during the monitoring period, and so do not include recent violence between Fatah and Hamas, and the subsequent reorganization that took place.

“The Palestinian Territories have experienced a wide variety of governance, security and economic problems.”

KEY ISSUES AND FACTS

Security and Crime:

- Shootings at checkpoints continue, though less frequently
- Decrease in number of rockets fired at Israel since early January
- Continued Israeli raids on Palestinian homes

Economics:

- Israeli security wall subdivides the Palestinian Territories, isolating economically interdependent areas
- Sanctions continue, crippling the Palestinian Authority.
- Unpaid wages in many sectors over a long period

Governance:

- Unity government agreement between rival factions Hamas and Fatah
- Israel demonstrating of greater lenience toward Palestinians

Human Development:

- Palestinian hospitals are unable to keep up with demand
- Nearly half of Palestinians are unable to access minimum food supplies

Environment:

- Measures taken by the Palestinian Territories and its neighbours to save the rapidly vanishing Dead Sea

Demography:

- Return of Israelis to previously evacuated West Bank settlements

PRIMARY DRIVERS

SECURITY AND CRIME

STRUCTURAL ANALYSIS The Palestinian Territories are at a high risk for Security & Crime, brought about by decades of strife. Not surprisingly, the number of incidents of terrorist attacks scored the highest, and reflects the ongoing rivalry between Hamas and Fatah, and continuing militant attacks on Israel. Number of refugees produced is also a high-risk indicator; since 1950, over 4.3 million refugees have registered with the United Nations Relief Works Agency (UNRWA), and refugees constitute almost half the population of the West Bank and Gaza.

EVENTS Reinforcing the high risk baseline, 81% of Security & Crime events reflected instability or had a destabilizing effect on the Palestinian Territories. These include regular deadly shootings at crossings and checkpoints; kidnappings; regular rocket attacks by Palestinian militants on Israel; reprisal attacks and raids by the Israeli Defense Forces (IDF); and regularly violated ceasefires. The fact that the incidence of violence decreased in frequency toward the end of the period helps to explain the positive trend in this cluster, but the trend is also partly explained by the fact that violence is very much a part of daily life; each additional incident of violence does not have a strong downward effect on the trend. Thus, while the situation on the ground may be improving because of fewer violent incidents, much still needs to be done to improve government authority to reduce the risk this cluster represents.

KEY EVENTS

- **Palestinian minister smuggles \$1 million to the Hamas government through the Rafah crossing**
25 Sep 2006, World News Connection
- **Palestinian President Abbas and Israeli Prime Minister Olmert agree to a ceasefire**
26 Nov 2006, Mideast Mirror
- **Israeli Defence Force conducts a series of raids on West Bank cities**
1 Nov 2006, World News Connection

GOVERNANCE

STRUCTURAL ANALYSIS With moderate risk scores, corruption and rule of law are the two best performers in an otherwise high-risk cluster, though both are still at greater risk than the global average. The worst indicator – press freedom – reflects frequent attacks on journalists by both Israeli forces and Palestinian militants, despite a commitment to press freedom in law and rhetoric.

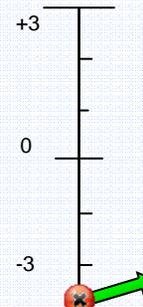
EVENTS Governance events presented a moderately positive outlook, as 60% reflected improvements in government legitimacy and authority. Highlights included the negotiation for and adoption of a series of measures to ease Israeli restrictions on Palestinian movement. The signature of a unity government agreement between Hamas and Fatah (8 February 2007) and positive international reaction to the signing of this agreement was subsequently undermined by renewed violence between the two factions. Other destabilizing developments included the threat by President Mahmoud Abbas to call early elections, which led to several weeks of violence between

KEY EVENTS

- **Armed men from Palestinian security services close streets in the Gaza strip in protest at the delay of salary payments**
21 Oct 2006, World News Connection
- **After months of deadlock and violence Hamas and Fatah begin the process of forming a unity government**
15 Feb 2007, Deutsch Presse-Agentur
- **President Abbas calls for early elections, prompting Hamas to accuse him of staging a coup d'état**
15 Dec 2006, World News Connection

High-risk

Average Events Score and Tendency

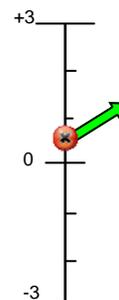


Avg Score: -2.96

Trend Score: 0.94

High-risk

Average Events Score and Tendency

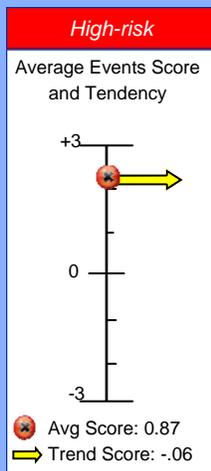


Avg Score: 0.68

Trend Score: 1.03

PRIMARY DRIVERS

ECONOMICS



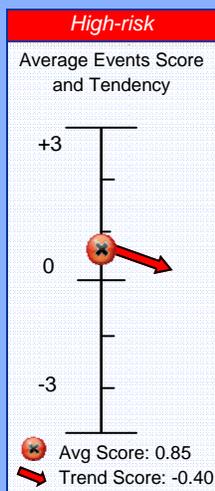
STRUCTURAL ANALYSIS Compared to other countries in the region, the investment climate in the Palestinian Territories is considered relatively good. However, Israel's checkpoint closures and the high cost structure of Palestinian industries are significant deterrents. The Palestinian economy is also disproportionately dependent on Israel. High unemployment and poor economic growth are two of the highest risk indicators; recent reports from the Palestinian Central Bureau of Statistics indicated that unemployment stood at 28.4%. By comparison; this compares with a global unemployment rate of 6.3% (ILO).

EVENTS Over half of the events relevant to economics were deemed to have a stabilizing effect. However, the majority of these events were pledges of aid, which have a relatively minor effect on the current economic situation. As the Palestinian Authority depends on foreign aid for 75% of its budget, financial sanctions by the international community have resulted in a reported \$655 million deficit in 2006, leaving it unable to meet many basic service demands, pay public service salaries, or monitor tax compliance. Toward the end of the period monitored, a number of countries suggested that they would lift sanctions, resulting in a spike in positive events; however, these suggestions were not implemented, and were followed by reports that the economy was unlikely to recover from a record 6.6% contraction in GDP in 2006. The economic trend in the Palestinian Territories will continue to damage the government's capacity and authority, having a negative spillover effect on all other clusters.

KEY EVENTS

- **Fuel company 'DOR' stops its supplies to the West Bank and Gaza Strip due to unpaid bills**
18 Jan 2007, World News Connection
- **Top EU official hints at resumption of aid to the Palestinian Authority in the wake of the unity government agreement**
4 Oct 2006, World News Connection
- **Israel agrees to transfer \$100 million in frozen Palestinian funds to the Palestinian Authority**
12 Feb 2007, The Financial Times

HUMAN DEVELOPMENT



STRUCTURAL ANALYSIS With a low risk score, the Palestinian Territories are performing relatively well in the area of human development. Available indicators are related to education (enrolment and literacy) and infrastructure (access to improved water and sanitation). Palestinians are among the most highly educated groups in the Middle East, as education is emphasized as a key to a better future. However, rising poverty and unemployment are putting the cost of education beyond the reach of many families. In addition, lower government capacity is reducing its ability to fund public schools.

EVENTS The majority (60%) of human development events reflected stability or had a stabilizing effect on the Palestinian Territories, but destabilizing events increased or became more intense during the period, as is illustrated by the negative trend. Teacher strikes protesting unpaid salaries kept 750,000 schoolchildren out of their classrooms for more than two months (September 2006); the quality of the health infrastructure – including access to vaccinations for newborns – deteriorated (September 2006); and the poverty rate increased by 64%, leaving 46% of Gaza Strip and West Bank households “food insecure” (February 2007). Stabilizing events included pledges of food and medical aid, but much this did not reach the intended recipients due to sporadic violence and stringent checkpoint procedures.

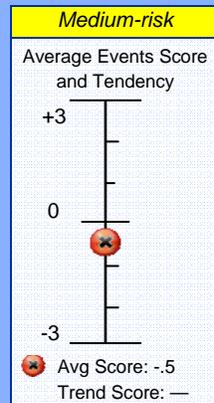
KEY EVENTS

- **Health Minister warns of the deterioration of the Palestinian health system**
4 Sep 2006, World News Connection
- **UN report claims that 46% of Palestinian households are “food insecure,” or are in danger of becoming so**
22 Feb 2007, The Independent
- **Acute shortage of medical supplies and medicines reported**
6 Nov 2006, Agence France Presse

SECONDARY DRIVERS

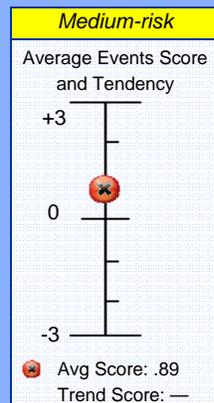
DEMOGRAPHY

SUMMARY The moderate risk score in this cluster is due in part to the Palestinian Territories' relative ethnic homogeneity and high life expectancy. Ethnic homogeneity, however, has not translated into peaceful relations between the Jewish and Islamic populations that are interspersed throughout Israel and the occupied territories of the West Bank and Gaza Strip. The urban growth rate and the youth bulge (population under 14 as percentage of total) are also high-risk indicators for the Palestinian Territories. In a state characterized by low government authority and capacity, a high urban growth rate threatens to overwhelm already strained services, while the frustration of unemployment threatens to exacerbate the precarious security situation. Demographic events present a discouraging outlook and will serve neither to foster the long-term stability of the Palestinian Territories nor to enhance government capacity; most were related to the planned extensions to the Israeli security wall and the ensuing isolation of thousands of Palestinians and the return of Israeli settlers to previously evacuated West Bank settlements.



ENVIRONMENT

SUMMARY A 2003 UNEP desk study on the environment in the Palestinian Territories found that some of the environmental problems were linked to the conflict, while others were symptoms of longer term capacity problems. Conflict related issues included land-clearing, obstacles to waste transport (curfews and closures), and military damage to environmental infrastructure. Longer term problems included pollution of groundwater resources and poor environmental administration and legislation. On a positive note, a subsequent UNEP study in 2005 found that the environmental impact of former Israeli settlements in Gaza were limited and, while asbestos remaining in the rubble of demolished houses needed to be treated with caution, the amount remaining was minor. Environmental concerns affect everyone in the region, Palestinian and Israeli alike, and many consider the environment to be a possible bridging issue in the conflict. Promising events during the period included the launch of a joint Israeli, Palestinian and Jordanian feasibility study to save the rapidly vanishing Dead Sea and the suspension of construction on the Israeli security wall due to environmental concerns (9 January 2007).



CANADA AND THE PALESTINIAN TERRITORIES

- **Trade:** Signed a Joint Framework for Economic Cooperation and Trade with the Palestinian Liberation Organization (PLO) on behalf of the Palestinian Authority (PA) in February 1999. Significantly, although the Canada-Israel Free Trade Agreement (CIFTA) applied to the West Bank and Gaza Strip in principle, a separate agreement was negotiated.
- **Exports & Imports:** The Palestinian Territories are not a significant trading partner. The most recent estimates available, from 2000, placed exports at CAD\$500,000 and imports at CAD\$1,000,000. The status of the Middle East Peace Process affects the movement of goods in and out of the territories.
- **Palestinian Diaspora in Canada:** 14,675 (2001 est.)

(Data from CIDA, DFAIT, and DND 2006)

6—12 MONTH SCENARIOS

BASELINE LIKELY CASE

BASED ON BEST ASSUMPTIONS FOR EACH CLUSTER

Israel continues to demonstrate relative lenience in the West Bank and Gaza Strip, despite sporadic rocket attacks by militants operating in these areas. However, raids on private residences continue as Israel perceives an ongoing threat from terrorists. Further, the resettlement of previously evacuated areas continues to exacerbate intra and inter-communal tensions. Despite a renewal in aid to the Palestinian Authority, the economic situation remains in decline due to Israel's isolation of economically interdependent areas and movement restrictions within the Gaza Strip and West Bank. The stability of the Palestinian Territories stagnates, and is precarious at best.

ALTERNATIVE LIKELY CASE

BASED ON VARIATION IN WEAKEST ASSUMPTION

Israel begins to crack down more harshly on militant activity. Poor relations with Israel and, consequently, with the world community, strains internal cohesion to the breaking point. Divisions in the Quartet become more apparent, with the US squarely behind Israel and Russia supporting the Palestinians, leading to a lack of progress on a new roadmap for peace. As the Palestinian Authority's capacity to provide basic services deteriorates and its legitimacy and authority erode, violence becomes even more intense and the political system collapses completely further destabilizing the region.

BEST CASE

BASED ON ASSUMPTION THAT POSITIVE TRENDS DOMINATE

In the best case scenario, communication between Israel and the Palestinian Territories leads to an agreement creating an autonomous Palestinian state. In return, while Hamas may not explicitly recognize Israel, it will also pledge to cease to resort to violence in its dealings with the Jewish state. As both sides take serious steps toward peace, the International Community lifts sanctions and supports the Palestinian Territories in rebuilding its damaged economy. The government's capacity improves, along with the quality of life for the average citizen.

WORST CASE

BASED ON ASSUMPTION THAT NEGATIVE TRENDS DOMINATE

Israel and the Palestinian Authority are unable to come to an agreement, and talks break down completely. The fragile unity government fractures, and inter-factional violence resumes. Internal divisions are fuelled by differences over the best way forward with Israel, and Israel reacts with increasing vigour. The Palestinian economy collapses as the government's debts increase, and the humanitarian situation deteriorates to the point that the Palestinian Territories' promising human development indicators plummet. Continued conflict contributes to the overall environmental degradation of the region.

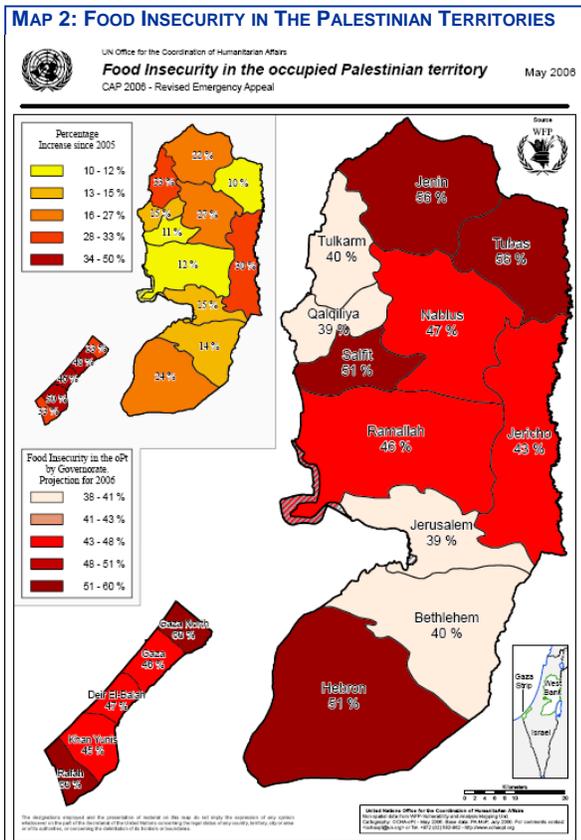
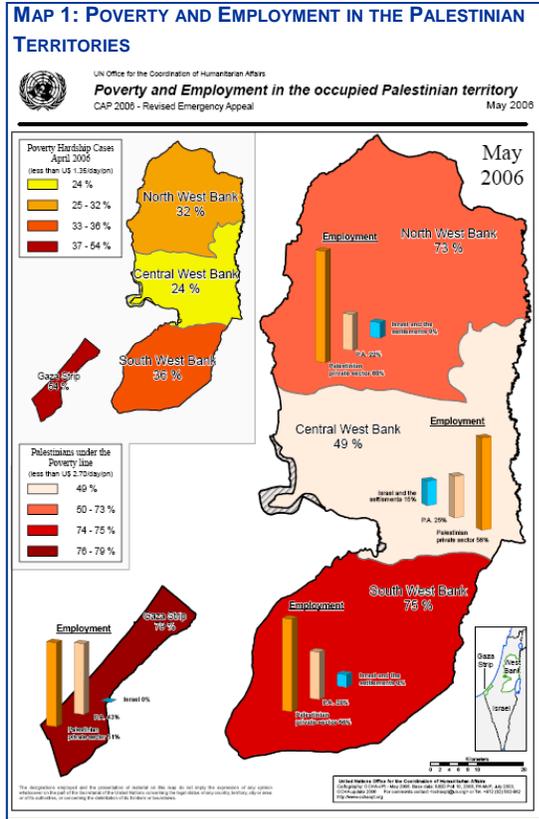
POSSIBLE POLICY ENTRY POINTS

Forty years of occupation has led to considerable hardship for the Palestinian people, but despite limited authority and legitimacy, the government has traditionally demonstrated excellence in equal delivery of education. In terms of the economy, despite its problems, the bureaucracy is relatively efficient and financial markets are well developed.

The international community, Canada included, continues to exercise reserve in its relations with the Palestinian Authority, while Israeli security restrictions provide further complications. Nonetheless, the following opportunities can be identified:

The deterioration in human development in the Palestinian Territories represents a potential entry point for Canadian aid, as the difficulties are caused by a lack of resources rather than a lack of funds, and as they have a significant effect on the humanitarian situation. In particular, salaries for the 650,000 public servants – including teachers and hospital workers – must be guaranteed. The effects of the 4-month strike were felt most strongly by the poorest Palestinians, and future strikes are a good possibility. Long term improvement ultimately depends on, among other things, a renewal of this fundamental capacity issue.

Canada could be a significant player in rehabilitating the Palestinian economy, as many other donors have turned exclusively to humanitarian aid. As per a World Bank recommendation, Canada could help establish and contribute to a program or fund that directly supports individual Palestinian enterprises in upgrading their internal capabilities. These capabilities are outdated due to decades of isolation. The domestic economy will suffer even with improved relations with Israel if Palestinian businesses cannot compete in the global market.



INDEX METHODOLOGY

Like its predecessor the CIFP conflict risk index, the fragility index employs a methodology of relative structural assessment. The analysis begins with a structural profile of the country, a composite index that measures overall country fragility along six dimensions or clusters: governance, economics, security, human development, demography and environment. Each of these clusters is based on a number of indicators; for example, indicators under the 'economics cluster' include economic growth, gross domestic product, inflation and unemployment, etc. The data is further analyzed to provide insight into relative state strength and weakness along three dimensions of 'stateness', namely authority, legitimacy, and capacity. This multidimensional assessment methodology is a direct response to the multi-causal nature of fragility and failure; states can weaken in any number of ways, such that any attempt to attribute fragility to a single deterministic set of causal variables inevitably remains underdetermined, capturing only a limited subset of all fragile states. Instead, CIFP adopts a more inductive approach, identifying areas of relative strength and weakness across all measures of state performance.

In ranking state performance on a given indicator, global scores are distributed across a nine-point index. The best performing state receives a score of one, the worst a score of nine, and the rest continuously distributed between these two extremes based on relative performance. As country performance for some types of data can vary significantly from year to year – as in the case of economic shocks, natural disasters, and other externalities – averages are taken for global rank scores over a five-year time frame. Once all indicators have been indexed using this method, the results for a given country are then averaged in each fragility cluster to produce the final scores for the country.

In general, a high score – 6.5 or higher – indicates that a country is performing poorly relative to other states. Such a score may be indicative of an arbitrary and autocratic government, a history of non-transparent government, the presence of significant barriers to political participation, the absence of a consistently enforced legal framework, or a poor human rights record.

Score	Description
1-3.5	Country performing well relative to others
3.5-6.5	Country performing at or around the median
6.5+	Country performing poorly relative to others

A low score – in the range of 1 to 3.5 – indicates that a country is performing well relative to others, or that a country's structural conditions present little cause for concern. Values in the moderate 3.5 to 6.5 range indicate performance approaching the global mean.

EVENTS MONITORING METHODOLOGY

SUMMARY

The purpose of CIFP event monitoring is to observe and report on events within a country to better understand the dynamic trends affecting democratic processes and governance in the country. This data, when combined with structural data, provides a more comprehensive analysis of both the underlying conditions and recent developments, thereby informing a more nuanced and ultimately policy-relevant analysis.

In CIFP event monitoring methodology, events are all coded using a number of criteria. First, each event is assigned to the specific cluster area to which it is *most directly* related, either governance, economics, security and crime, human development, demography, or environment. Second, the event is coded as being either stabilizing or destabilizing to the state. The event score is then determined by answering the following three questions:

1. How direct is the impact of the event on state stability?
2. How broad is the impact of the event?
3. How intense is the event, in comparison with past events in the country?

Each question is answered quantitatively using a three-point scale.

EVENTS MONITORING METHODOLOGY

COMPONENTS OF THE COMPOSITE EVENT SCORE

- CAUSAL RELEVANCE**
1. Event is relevant, but with no clearly delineable direct causal linkage to state stability or fragility (e.g. an announcement of funding, or an international soccer friendly).
 2. Event is relevant, with a delineable, though indirect causal linkage to state stability or fragility (e.g. New legislation enhancing minority rights is passed, or a bomb detonates within an ethnically divided region).
 3. Event is relevant with a delineable and direct causal linkage to state fragility (e.g. Declaration of a ceasefire or the assassination of a government minister.)

- CENTRALITY**
1. Event affects less than 25% of political stakeholders.
 2. Event affects 25% - 75% of political stakeholders.
 3. Event affects more than 75% of political stakeholders.

- INTENSITY/ESCALATION**
1. Event is comparable to others experienced in the state in the previous six months.
 2. Event is more intense than others experienced in the state in the previous six months.
 3. Event is more intense than others experienced in the state in the previous five years.

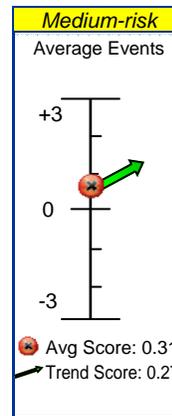
STAKEHOLDERS

As part of the initial country profile, the analyst compiles a list of stakeholders. Stakeholders are those individuals or groups that possess an identifiable, broadly similar political agenda and either have an effect on or are affected by state stability or fragility. They often have an organizational structure in addition to sufficient resources to pursue explicitly or implicitly articulated goals.

EVENT ANALYSIS

The analysis occurs in both aggregate (all events) and disaggregate (events analysed by cluster) by using quantitative data in two ways. First, **summary statistics** provide the analyst with an overview of the average event scores. Positive average event scores are indicative of an environment that experiences more or more significant positive events than negative events. Negative average scores indicate the opposite.

Example Summary Graph



Tendency Key	Negative Slope	Status quo Slope	Positive Slope
OLS Slope value	Below -0.1	Between -.1 and .1	Above +0.1
Symbol			

The second avenue of analysis is via **regression lines** to observe whether the events demonstrate any positive or negative tendency over time (left).

These two types of information — average event score and event tendency — are combined into a single graph (see right). The graph may be thought of as analogous to a thermometer and

barometer. The risk score given at the top of the graph — color-coded as green, yellow, or red — is based upon the structural analysis for a given cluster. The colour indicates the relative level of risk in the cluster, and may be thought of as the “thermometer,” providing an indication of the overall risk in the country. The arrow and bar below may be thought of as the “barometer”, providing both the average event score and the event tendency, which are akin to the level and direction of barometric pressure, respectively.

SCENARIO GENERATION

The report includes scenarios for the country’s fragility over the short term, normally 6-18 months. Normally, the analysis includes four scenarios: a baseline case, an alternative case, a best-case, and a worst-case. Each is based on an analysis of overall and cluster summary statistics and trends, as well as stakeholder interests. The best-case identifies the most positive outcome possible (most conducive to stable democratic governance and poverty reduction) in the near future. Conversely, the worst-case scenario identifies the opposite. These two scenarios are intended to highlight different facets of the situation for the reader, by considering the strongest trends among stabilizing and destabilizing events, drawing attention both to dominant threats and potential points of entry. Finally, the baseline and alternative scenarios extrapolate future tendencies based on analysts best assumptions for the state, again combined with likely stakeholder interaction. Dominant trends—those most likely to continue in each of the 6 dimensions of fragility over the next six to eighteen months—become underlying assumptions. These are then combined to form an overall portrait of the country for the near term, providing a baseline “likely” scenario. The alternative case simply considers what would happen if the weakest of these assumptions did not hold, thereby giving some indication of the scenarios’ robustness. Taken together, the scenarios define both the probable and potential developments in the country over the near term. Such insights may inform contingency policy planning processes, and provide some basis for benchmarks with which to evaluate the success of initiatives intended to improve state fragility.

STRUCTURAL DATA (SOURCE AND SCALE OF RAW DATA IN PARENTHESES)	Cluster avg.	Fragility index score	Fragility index rank	Raw Data -- Five year avg	Last Year of Data	Trend Score
1. Governance	7.40					
Freedom of the Press (FH, index, 0-100)		8.6	10	85.2	2006	s.q.
Gov't Effectiveness (WB Governance Matters, index, Deviation from mean)		8.0	26	-1.1	2005	*
Level of Corruption (TI, index, 0-10)		6.3	68	2.8	2005	*
Level of Democracy (Polity IV, index, (-10 - 10))		..	..	..	..	..
Level of participation in international political organizations (CIFP)		8.2	1	9.0	2005	*
Percentage of Female Parliamentarians, index, (WB WDI)		..	..	..	..	..
Permanence of Regime Type (Polity IV, years since regime change)		..	..	..	..	..
Refugees hosted (UNHCR, total)		..	..	..	..	..
Restrictions on Civil Liberties (FH, index, 1-7)		..	..	..	..	..
Restrictions on Political Rights (FH, index, 1-7)		..	..	..	..	..
Rule of Law (WB GM, Deviation from mean)		5.4	87	-0.4	2005	*
Voice and Accountability in Decision-making (WB GM, Dev. from mean)		7.9	27	-1.3	2005	*
2. Economics	6.83					
Economic growth — Percentage of GDP (WB WDI)		7.5	20	-6.1	2003	neg
Economic Size — Relative (WB WDI, GDP per capita, constant 2000 US\$)		5.6	74	1273.3	2003	neg
Economic Size — Total (WB WD, GDP, constant 2000 US\$)		6.2	64	3.89E+09	2003	neg
External Debt — percentage of GNI (WB WDI)		..	..	..	..	..
FDI — percentage of GDP (WB WDI)		..	..	..	..	..
Foreign Aid — percent of Central Government Expenditures (WB WDI)		..	..	..	..	..
Foreign Aid — Total per capita (WB WDI)		8.7	6	321.7	2004	neg
Inequality — GINI Coefficient (WB WDI)		..	..	..	..	..
Inflation (WB WDI)		..	..	..	..	..
Informal Economy — Black Market (Heritage Fund, Index, 1-5)		..	..	..	..	..
Informal Economy — Ratio of PPP to GDP (WB WDI)		..	..	..	..	..
Infrastructure — Reliability of Electricity Supply (WB, % output lost)		..	..	..	..	..
Infrastructure — Telephone mainlines per 1000 inhabitants (WB)		5.5	84	95.0	2004	s.q.
Infrastructure — Internet Usage per 1000 inhabitants (WB)		5.6	83	30.5	2004	s.q.
Investment Climate — Contract Regulation (Heritage Foundation, Index, 1-5)		..	..	..	..	..
Level of participation in international economic organizations (CIFP)		..	..	..	..	..
Paying Taxes (WB Doing Business, global rank)		3.7	114	61.0	2006	*
Regulatory Quality (WB GM, deviation from mean)		7.7	32	-1.0	2005	*
Remittances Received — percentage of GDP (WB)		8.8	5	0.2	2003	pos
Reserve Holdings — Total (WB)		..	..	..	..	..
Trade Balance — percentage of GDP (WB)		..	..	..	..	..
Trade Openness — percentage of GDP (WB)		5.7	70	70.1	2003	neg
Unemployment — Total (WB)		8.1	11	21.7	2003	neg
Percentage of Women in the Labour Force (WB)		9.0	2	13.2	2005	s.q.
3. Security & Crime	8.46					
Conflict intensity (Uppasala PRIO, number of conflict-related deaths)		..	..	..	..	..
Dependence on External Military Support (FFP, Index, 1-10)		..	..	..	..	..
Human Rights — Empowerment (CIRI, Index, 0-10)		..	..	..	..	..
Human Rights — Physical Integrity (CIRI, Index, 0-8)		..	..	..	..	..
Military Expenditure — percentage of GDP (WDI)		..	..	..	..	..
Political Stability (WB GM, deviation from mean)		8.5	11	-1.7	2005	*
Refugees Produced (WB, total)		8.5	10	317953.7	2004	neg
Risk of ethnic Rebellion (CIFP, based on MaR dataset)		..	..	..	..	..
Terrorism -- Number of fatalities (US NCTC, number of fatalities)		8.0	21	36.0	2005	*
Terrorism -- Number of Incidents (US NCTC, number of incidents)		8.8	5	319.5	2005	*

STRUCTURAL DATA (CONT'D)

4. Human Development	3.94				
Access to Improved Water (WB, percent of the population)	4.5	99	92.0	2004	*
Access to Sanitation (WB, percent of the population)	4.9	86	73.0	2004	*
Education — Primary Completion — female (WB, percent)	1.9	137	104.8	2004	s.q.
Education — Primary Completion — total (WB, percent)	2.0	138	104.0	2004	s.q.
Education — Primary Enrolment — total (WB, percent)	2.0	138	104.0	2004	s.q.
Education — Primary Enrolment — Ratio Female to Male (WB)	1.7	165	100.7	2004	s.q.
Food Security — Aid as percentage of total consumption (FAO STAT)	8.5	9	8.0	2001	*
Gender Empowerment Measure (UNDP, index, 0-1)	..	..	..	..	..
Gender-related Development Index (UNDP, index, 0-1)	..	..	..	..	..
Health Infrastructure — Expenditures as a percentage of GDP (WB)	..	..	..	..	..
HIV/AIDS — New AIDS Cases Reported (UN, total)	..	..	..	..	..
HIV/AIDS — Percent of Adult Females Infected (WB)	..	..	..	..	..
HIV/AIDS — Percent of Adult population infected (WB)	..	..	..	..	..
Human Development Index (UNDP, index 0-1)	5.5	77	0.7	2003	*
Infant Mortality (WB, per 1000 live births)	..	..	..	..	..
Literacy (WB, percent of population age 15 and above)	3.9	75	92.4	2004	*
Literacy — female (WB, percent of female population age 15 and above)	4.5	65	88.0	2004	*
5. Demography	6.23				
Life Expectancy — Female (WB)	4.3	114	74.8	2004	*
Life Expectancy — Total (WB)	3.9	121	72.6	2004	*
Migration — Estimated Net Rate (UN)	7.3	40	-2.3	2005	*
Population Density (WB, population per square km)	..	..	..	..	..
Population Diversity — Ethnic (CIFP)	1.0	149	0.0	2005	*
Population Diversity — Religious (CIFP)	..	..	..	..	..
Population Growth (WB, annual percent)	8.8	5	4.0	2005	pos
Slum Population — proportion of population (WDI, UN)	8.4	9	0.4	2001	*
Urban Growth Rate — Annual percent (WB)	7.8	29	4.0	2005	pos
Youth Bulge — Percent aged 0-14 of total population (WB)	8.4	15	46.0	2005	s.q.
6. Environment	8.55				
Arable/fertile land availability (WB, hectares per person)	8.2	22	0.0	2004	s.q.
Consumption — Commercial energy consumption per capita (UN, kg of oil equivalent)	..	..	..	..	..
Consumption — Use of solid fuels (UN, percent of population using)	..	..	..	..	..
Disaster Risk Index, (UNDP, average number of deaths per million)	..	..	..	..	..
Ecological Footprint — Global hectares per capita (WWF, Global Footprint Network)	..	..	..	..	..
Water — Annual withdrawal (FAO STAT, percent of total renewable)	..	..	..	..	..
Water — Available renewable per capita (FAO STAT, m ³ /inhabitants/year)	8.9	3	52.0	2002	*
Forest — Annual percent change in area (FAO)	..	..	..	..	..
Pollution — CO ₂ emissions per capita (WB, metric tons per capita)	..	..	..	..	..
Pollution — CO ₂ emissions per dollar PPP (WB, kg per 2000 US\$ PPP)	..	..	..	..	..
TOTAL	6.35				

For trend scores, (s.q.) indicates continuation of status quo, (pos) indicates a positive trend toward stability, and (neg) indicates a negative trend toward fragility. (*) indicates insufficient data for calculation of trend and volatility scores.

STAKEHOLDER ANALYSIS

PALESTINIAN NATIONAL AUTHORITY (PA)

- President Mahmoud Abbas

Background

- Established pursuant 1994 Oslo Peace Accords, the PA retains nominal control over the security and civilian measures in the Gaza Strip and certain areas of the West Bank. A critical factor that limits the PA's effectiveness is the international recognition of the PLO as the representative of the Palestinian people. The PA is dependent on foreign aid for roughly 75% of its annual budget; Western sanctions have thus had a devastating effect on its ability to function.
- The PA is currently led by President Mahmoud Abbas (Fatah), but the majority of legislative seats are held by Hamas, making international recognition of the group much more difficult.

PALESTINIAN LIBERATION ORGANIZATION (PLO) AND FATAH ("CONQUEST")

- Chairman Mahmoud Abbas

Background

- The PLO is regarded by the wider international community as the representative of the Palestinian people, and holds observer status at the UN. It has officially recognized Israel and, as a result, is itself recognized by Israel.
- Fatah politician Mahmoud Abbas's rise to the chairman's role has helped instil a sense of moderation within the PLO once again. Fatah itself is regarded as the largest organisation within the PLO and is known for their largely secular attitude.
- Fatah dominates in the West Bank, but has been known to resort to violent tactics, including kidnapping government officials and shooting Hamas sympathizers at random, in order to maintain this dominance. Incidents such as these decreased following a ceasefire with Hamas in late 2006.

PALESTINIAN POPULATION

- Although by no means a unitary group, Palestinian civilians are identified as a stakeholder because they are uniformly affected by barriers and checkpoints throughout the West Bank. Furthermore, Western sanctions against the PA have affected ordinary Palestinians most strongly, causing increased poverty and unemployment. General disgruntlement in this group could prove a challenge for any Israel-Palestinian peace agreement, and for progress by the PA. That being said, a February 2007 Angus Reid poll found that 77% of Palestinians believed that violence would decrease as a result of the formation of the unity government.

HAMAS ("ZEAL")

- Khaled Meshaal
- The Executive Force
- Hamas

Interests

- Although he is the leader of Hamas, Meshaal has been in exile since 1999. However, as he resides in Syria, he is not subject to the same restrictions of movement as Hamas leaders in Gaza and the West Bank. He is therefore able to represent Hamas at meetings with foreign leaders and groups around the world. He has recently indicated that Hamas would take serious steps toward peace if Israel would do the same, but has not gone as far as to agree to recognize Israel.
- Since winning parliamentary elections a year ago, Hamas has invested heavily in its Gaza paramilitary unit, the so-called Executive Force, with millions of dollars in support, mainly from Iran. As of January 2007, the militia has 5,500 members, but thousands more sympathizers can easily be mobilized.
- Through illicit money transfers along the Palestinian borders, enough money has been smuggled into the territories to continue funding programs. These programs that help make Hamas popular among many Palestinians, which contrasts sharply with the perceived corruption inherent in Fatah and the PLO. Hamas is considered a terrorist organization by many nations, including Canada.

THE QUARTET

- The United States
- Russia
- The European Union
- The United Nations

Interests

- The US is one of Israel's strongest supporters. Israel has benefited from extensive US military assistance, with over US\$2 billion in military grants received in 2004 alone.
- Russia has tended to be more sympathetic to the Palestinian cause, and has most recently led a push to lift sanctions on the Palestinian Authority.
- The EU has been balanced in its approach to both parties, but has recently shown signs of wishing to relax sanctions on the Palestinian Authority. This has been especially pronounced with the signing of the Unity Government Agreement.
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STAKEHOLDER ANALYSIS

ISRAELI GOVERNMENT

- Prime Minister Ehud Olmert

Interests

- Prime Minister Olmert has, in general, shown considerable tolerance toward violations of ceasefire agreements, and has made a number of concessions to Palestinian President Mahmoud Abbas, in order to help increase Abbas's credibility. However, Olmert will refuse to have contact with the Palestinian Authority as long as Hamas refuses to recognize Israel.

ISRAELI MILITARY

- Israel Defence Forces (IDF)

Interests

- The Israel Defence Forces (IDF) operate widely within the Palestinian Territories, as they are currently still tasked with providing security for the residents within. Violent clashes between IDF personnel and Palestinians in recent years have effectively led to low-intensity warfare. Targeted killings and demolition of houses have been among the tactics employed in the past, and raids appear to be such a frequent occurrence that they are no longer widely reported in the media. Reports of deadly violence became less frequent following a truce in the Gaza Strip in December 2006.

ISRAELI SETTLER POPULATION

- Settlements were first established after the 1967 Six-Day War, and have been a major source of conflict ever since – with intermittent violence on both sides. A 2005 agreement led to the forcible removal and destruction of Israeli settlements in the Gaza Strip and several in the West Bank; however, some of the West Bank settlements were reportedly resettled in late 2006, and new developments in disputed areas continue.

REGIONAL STATES

- Egypt
- Jordan
- Lebanon
- Syria
- Iran

Interests

- Egypt plays a critical role within the Arab League and is the only conduit to the Gaza Strip outside of Israel; the crossing to Egypt from Gaza, however, is often closed due to Israeli security concerns. Egypt has been supportive of the peace process, and has not shied away from criticising any of the parties.
- Jordan is often caught in a difficult place, as many Palestinians have come across the border in the West Bank as refugees. However, Jordanians would like to see peace in the region and have condemned the violent tactics employed by Hamas.
- Lebanon provided cause for many Israeli assaults against the Palestinian Territories in 2006 as a result of the Israeli-Lebanese War.
- Syria has been accused of funding extremist elements and Iran is assumed to be the primary source of funding for Hamas.

INTERNATIONAL MEDIA

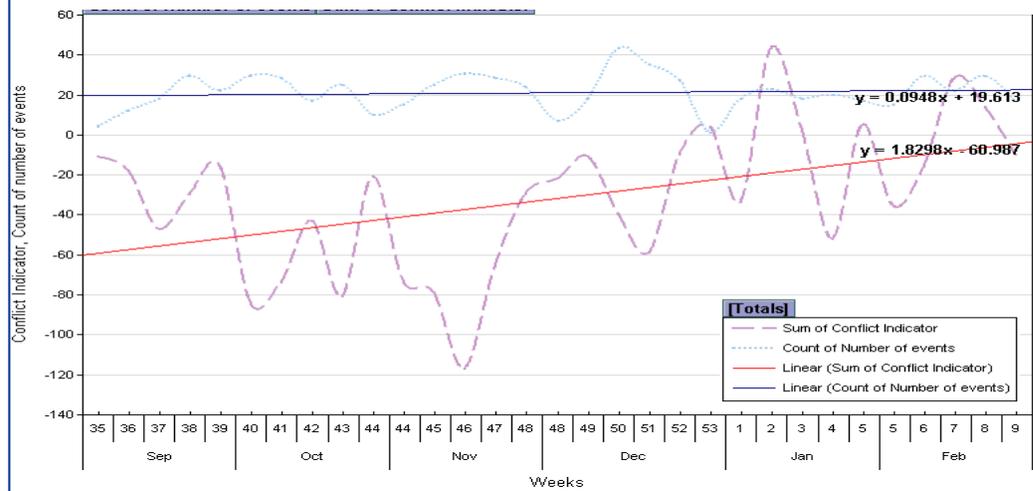
- The international media is critical as it publicises the conflict to a captivated global audience. Comparable (or more destructive) situations arguably exist in other areas of the world, but the concentration of global media coverage in the Middle East makes this dispute appear at the top of the daily agenda.

NGOs

- Groups such as Human Rights Watch (HRW) have been highly critical of both sides in recent years. For example, HRW chastised both Israel, for its often heavy-handed approaches to security, and Hamas, which it stated in 2002 should face repercussions for its widespread use of suicide bombings, which HRW determined were war crimes against humanity.

EVENT GRAPHS

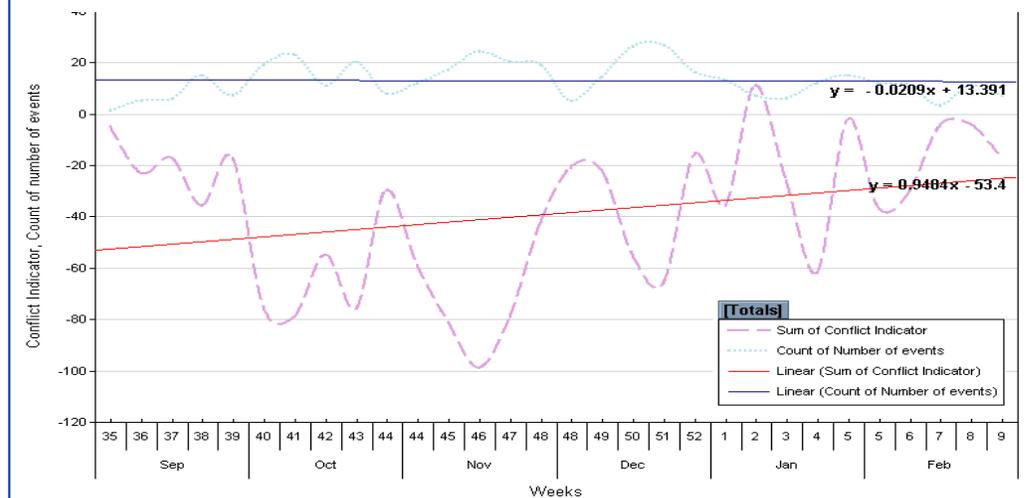
TABLE 1: EVENTS CHART



READING THE EVENTS CHART

- Red line (solid):** Trend line for events; downward slope left to right is negative
 - Blue line (solid):** Trend line for number of events
 - Purple line (dotted):** This indicates the sum total scores of events (positive or negative), as coded in the event monitoring process; the red trend line is derived from these values.
 - Blue line (dotted):** The total number of events; the blue trend line is derived from these values
- A more detailed description of the methodology is provided as an annex to this report*

TABLE 2: SECURITY AND CRIME EVENTS CHART



EVENT GRAPHS

TABLE 3: ECONOMICS EVENTS CHART

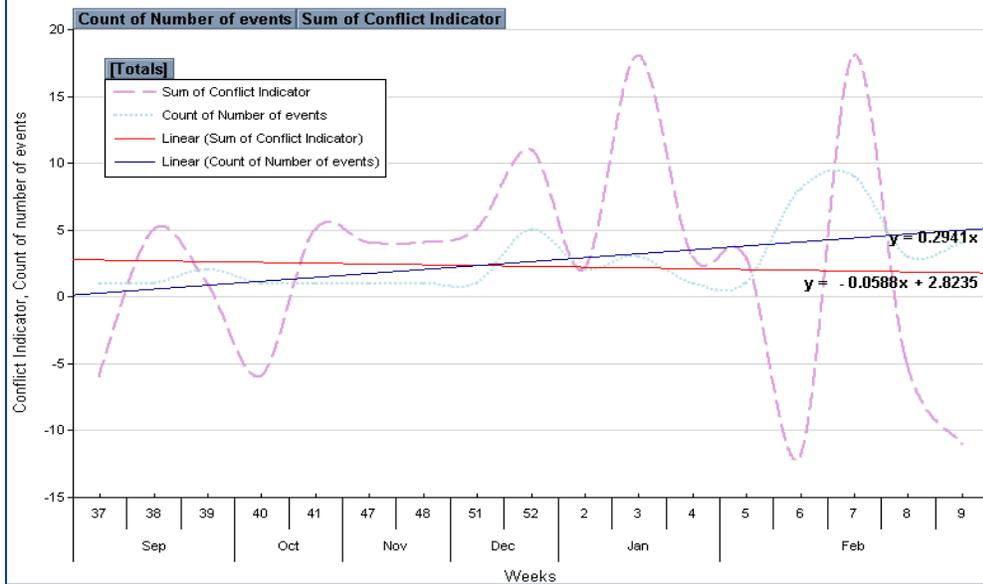
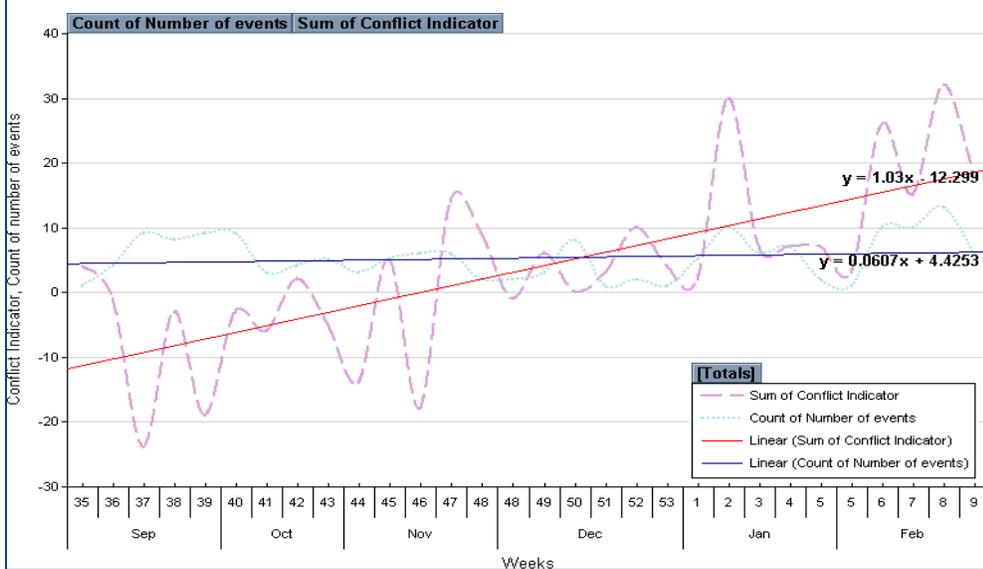


TABLE 3: GOVERNANCE EVENTS CHART



RESOURCES

CANADIAN POLICY AND INVOLVEMENT IN THE PALESTINIAN TERRITORIES:

Department of Foreign Affairs and International Trade. http://www.international.gc.ca/middle_east/can_policy-en.asp

Canadian-Palestinian Relations http://www.international.gc.ca/middle_east/westbank_relations-en.asp

Canadian International Development Agency <http://www.acdi-cida.gc.ca/westbankandgaza>

NGO AND UN REPORTS:

ECONOMY:

Doing Business. *Explore Economies: West Bank and Gaza*. <http://www.doingbusiness.org/ExploreEconomies/?economyid=204>

International Labour Organization. <http://www-ilo-mirror.cornell.edu/public/english/employment/strat/download/getb06en.pdf>

International Monetary Fund. *West Bank and Gaza Fiscal Performance in 2006*. http://aid.psgateway.org/file/download/home_-_aid_publications/WestBankand%20GazaFiscalperformancein2006.pdf?version_id=77172

World Bank. *West Bank and Gaza investment climate assessment: Unlocking the potential of the private sector*. http://aid.psgateway.org/file/download/home_-_aid_publications/Worldbankreport2007.pdf?version_id=79310

EDUCATION:

United Nations Children's Fund. *UNICEF occupied Palestinian Territory - Education*. <http://www.unicef.org/oPt/education.html>

United Nations Educational, Scientific and Cultural Organization (UNESCO). http://portal.unesco.org/education/en/ev.php-URL_ID=17238&URL_DO=DO_TOPIC&URL_SECTION=201.html

ENVIRONMENT:

United Nations Environment Program. *Desk Study on the Environment in the Occupied Palestinian Territories*. <http://postconflict.unep.ch/publications/INF-31-WebOPT.pdf>

———. *Environmental Assessment of the Areas Disengaged by Israel in the Gaza Strip*. http://postconflict.unep.ch/publications/UNEP_Gaza_web.pdf

HUMAN DEVELOPMENT:

OneWorld.ca *Palestine Guide*. <http://www.oneworld.ca/guides/palestine/development>

United Nations Relief and Works Agency for Palestine Refugees in the Near East. *Prolonged Crisis in the Occupied Palestinian Territories: Recent Socio-economic Impacts*. http://www.ochaopt.org/documents/UNRWA_report_061127.pdf

United Nations Development Program. *Millennium Development Goals: Occupied Palestinian Territory*. <http://www.undp.ps/en/newsroom/publications/pdf/other/enmdg06.pdf>

Reporters Without Borders for Press Freedom. *Palestinian Journalists Caught in the Gaza crossfire*. http://www.rsf.org/IMG/pdf/rapport_en_md.pdf

REFUGEES:

United Nations Relief and Works Agency for Palestine Refugees in the Near East. <http://www.un.org/unrwa/english.html>

United Nations Relief and Works Agency for Palestine Refugees in the Near East. *Prolonged Crisis in the Occupied Palestinian Territories: Recent Socio-economic Impacts*. http://www.ochaopt.org/documents/UNRWA_report_061127.pdf

RESOURCES

STATISTICS—STRUCTURAL DATA SOURCES

CIRI. Available at: <http://ciri.binghamton.edu/>

Fund for Peace. Failed States Index. Available at: <http://www.fundforpeace.org/>

Freedom House. Available at: <http://www.freedomhouse.org/>

Heritage Foundation. Available at: <http://www.heritage.org/index/>

Polity IV. Available at: <http://www.cidcm.umd.edu/polity/>

Transparency International. Corruptions Perception Index. Available at: <http://www.transparency.org/>

United Nations Development Program (UNDP). Human Development Report. Available at: <http://hdr.undp.org/statistics/>

United Nations Common Database. Available: http://unstats.un.org/unsd/cdb/cdb_help/cdb_quick_start.asp

Uppsala/PRIO. Armed Conflicts Database. Available at: <http://www.prio.no/cscw>

US National Counterterrorism Center (NCTC). Available at: <http://www.nctc.gov/>

World Bank. World Development Indicators. Available at <http://www.worldbank.org/data/wdi>

———. GenderStats. Available at <http://devdata.worldbank.org/external/CPProfile.asp?PTYPE=CP &CCODE=WBG>

EVENT MONITORING SOURCES

AFX International Focus	Morning Star
Agence France Presse	OSC Report (WNC)
Associated Press	Ria Novosti
BBC Monitoring	States News Service
Birmingham Post	The Daily Telegraph
Deutsche Presse-Agentur	The Financial Times
EuroNews	The Guardian (London)
Globe and Mail	The Independent (London)
International Herald Tribune	The Irish Times
IPR Strategic Business Information Database	The Press Association (PA)
ITAR-TASS	The Times (London)
Jerusalem Post	Toronto Star
M2 Presswire	Turkish Daily News
Mideast Mirror	Xinhua General News Service

ABOUT THE STATE FRAGILITY PROJECT

This project is intended to contribute to a better understanding of fragility, thereby providing support to decision-making for Canadian foreign policy and development actors in the country. The project aims to support informed, evidence-based decision making for Canadian foreign policy and development assistance related to fragile states. The report is intended to communicate the preliminary findings of the project; its findings should not be considered definitive or final.

The report is based on three elements. First, structural indicators are grouped into six clusters capturing different facets of state fragility: Security and Crime, Governance, Economics, Human Development, Environment and Demography. The structural data includes more than 80 separate structural indicators providing a detailed quantitative baseline portrait of the country.

Second, the analysis draws on event monitoring data compiled by CIFP researchers over a six month period extending from September 2006 to February 2007. Collected from a variety of web-based news aggregators, which include both international and domestic news sources, the events are evaluated and assigned quantitative scores to identify fragility trends. Third, the report includes a series of analytical exercises, including stakeholder analysis and scenario generation. This multi-source data structure enables more robust analysis than any single method of data collection and assessment.

ABOUT COUNTRY INDICATORS FOR FOREIGN POLICY

CIFP is a project located at Carleton University. Its core mandate is to develop analytical methodologies that will generate information on the key features of the political, economic, social and cultural environments of countries around the world, providing at-a-glance global overviews, issue-based perspectives and country performance measures. While the initial dataset focuses on measures of domestic armed conflict, as part of this project that database has been substantially revised to capture state fragility.

The CIFP database includes statistical data in the form of over one hundred performance indicators for 197 countries. With its focus on policy relevance, the CIFP provides a rich information resource to policy officers across all government departments. By offering a detailed assessment methodology for evaluating individual country performance, the CIFP provides guidance to program officers working in complex and fragile environments, enabling them to focus their efforts and resources on the root structural causes rather than the outward symptoms of a problem.

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ABOUT FRAGILITY

CIFP employs fragility as the most effective lens through which to view state risk, broadly understood. Though the use of the concept of the concept remains controversial, when properly understood as a technical term of country analysis, it enables analysts to conduct a more thorough assessment of country risk than more specific concepts such as conflict or human development, both of which are effectively components of overall state fragility. Further, the concept allows the incorporation of environmental, demographic, political, and economic considerations, providing a more complete portrait of a state's overall risk than narrow examination of any one of those factors. In effect, the concept incorporates all such areas of study into a complete analysis of the risks present in a given state or region.

When understood in this sense, all states exhibit some elements of fragility, whether in the form of demographic stress, politicized ethnic divisions, high levels of pollution, the presence of internal conflict, or low levels of human development. Through the use of transparent and quantifiable data, CIFP strives to bring together all such phenomena into a coherent country narrative, thereby rendering the concept of fragility an objective aid to country analysis, rather than a divisive element of subjective political discourse.

www.carleton.ca/cifp

