



Australian Government

Department of Foreign Affairs and Trade



AID PROGRAM PERFORMANCE REPORT 2015-16

Palestinian Territories

September 2016



PALESTINIAN TERRITORIES AID PROGRAM PERFORMANCE INFORMATION 2015-16

SUMMARY

The Palestinian Territories (PTs), consisting of the West Bank and the Gaza Strip, is one of the poorest regions in the Middle East. The 2015 United Nations Human Development Index, which ranks countries on key dimensions of social and economic development, rated the PTs 113th out of 188 countries. Almost 44 per cent of the PTs' population of 4.3 million are refugees. A further three million Palestinian refugees live in Jordan, Syria and Lebanon, and rely on the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) for essential services (such as health and education), protection, and, in many cases, food. The PTs face formidable constraints to economic development including: the physical separation of territory; a lack of control over territorial borders and key natural resources such as land and water; restrictions on movement of goods and people; and continued conflict and insecurity. These constraints to development are particularly evident in Gaza, where extreme population density, heavy economic restrictions and repeated cycles of conflict have rendered half of its population dependent on food assistance to meet basic needs.

Despite recent improvements to women's health and education outcomes, Palestinian women encounter considerable barriers to gender equality in daily life. Women remain significantly under-represented in governance mechanisms such as boards and in workforce participation rates, and endure structural and cultural discrimination. Gender based violence remains evident, particularly in times of emergency.

Australia provided an estimated \$42.9 million in development assistance to the PTs in 2015-16, equating to less than half a percent of the PTs' gross domestic product (GDP). As a relatively modest donor, our development priorities are realistic and commensurate with the size of our program. Our objectives, set out in the Aid Investment Plan 2015-19 (AIP), are to: support improved public financial management and a more competitive agricultural economy; and to see Palestinian refugees in the PTs and across the region access quality basic services. These objectives contribute to stability and inclusive economic growth in the PTs, and complement other donor priorities.

The AIP consolidated Australia's portfolio of development assistance in a limited number of well targeted investments. In 2015-16, Australia supported the Palestinian Authority (PA) through the World Bank's Palestine Reform and Development Plan Multi-Donor Trust Fund, which works to improve public financial management (PFM) capacity. The third phase of the Australian Middle East NGO Cooperation Agreement (AMENCA 3: Palestinian Farmers Connecting to Markets) commenced in 2016 and is supporting Palestinian farmers in agricultural value chain development through Australian NGOs and Palestinian civil society organisations. We provided Australia Awards scholarships to help build public sector management skills within the PA and other institutions, and we continued to support UNRWA to provide protection and basic services to Palestinian refugees across the region. This document also reports on achievements of our funding to UNICEF for water, sanitation and hygiene (WASH) in Palestinian schools and UN Office for Project Services (UNOPS) for the Access Coordination Unit (ACU) which facilitates movement of personnel and goods throughout the PTs.

PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Objective	Previous Rating	Current Rating
1. Improved public financial management and a more competitive agricultural economy in the PTs	Green	Green
2. Palestinian refugees in the PTs and across the region are able to access quality basic services	Green	Green

Note:

■ Green. Progress is as expected at this stage of implementation and it is likely that the objective will be achieved. Standard program management practices are sufficient.

■ Amber. Progress is somewhat less than expected at this stage of implementation and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.

■ Red. Progress is significantly less than expected at this stage of implementation and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Two Australian investments contributed to enhanced economic development of the PTs as articulated in Objective 1. Australia continued to support the PA's public financial management reforms and launched the third phase of AMENCA to strengthen agricultural value chains and connect farmers to markets.

Australia's support to the PA (\$98.5 million from 2011-16; \$16 million in 2015-16) was provided based on the PA meeting key conditions focussed on fiscal and PFM benchmarks, as articulated in the World Bank's annual Policy Reform Matrix. By pooling our relatively modest funds with those of other donors and releasing them only in line with achievement of important PFM reforms, we have been able to contribute to growing fiscal sustainability. During 2015-16, Australia assessed that the PA has managed its economy well, including against the Matrix parameters, given extremely difficult circumstances. Both the World Bank and International Monetary Fund most recently confirmed this assessment at the Ad-Hoc Liaison Committee, the principal coordination mechanism for development assistance to the Palestinian people, in Brussels in April 2016. However, they noted more reform was required to reduce arrears debt, broaden the revenue base, and keep a tight rein over expenditure – particularly the public sector wage bill. The revenue to GDP ratio has increased in recent years, increasing by 0.1 per cent to reach 21.7 per cent in 2015, after increasing by 3 per cent in 2014. The gradual rises in the revenue to GDP ratio represent an increase in the PA's ability to sustainably manage its budget in a constrained environment.

Building on its successful second phase which ended in June 2015, AMENCA 3 (\$40 million from 2016-21; \$3.6 million in 2015-16) was mobilised in 2015-16 following a selection process for implementing partners and the establishment of a Technical Support Team (TST). AMENCA 3's inception period commenced in April 2016 but encountered initial setbacks due to the turnover of some TST advisors, delaying the development of a program-wide monitoring and evaluation framework and gender action plan. However, replacements are in train and other aspects of inception are on track. Governance, advisory and accountability structures have been developed and DFAT has worked to effectively engage the Palestinian Ministry of Agriculture throughout the program. Activities will commence in September 2016 and will be well positioned to contribute to a more competitive agricultural economy.

During 2015-16, 11 scholarships were due to be awarded to Palestinians. Due to budget uncertainty around the scholarships program during 2015 and conformity of candidates with selection processes, only five scholarships were awarded (three male, two female) during 2015-16.



We worked with UNRWA, UNICEF and UNOPS to support the provision of quality basic services to Palestinian refugees including health, education and water and sanitation to achieve our goals under Objective 2.

UNRWA continues to play a key role in maintaining relative social and economic stability in the five Field Areas (West Bank, Gaza Strip, Lebanon, Jordan and Syria), where a total of 5.6 million people are registered for the Agency's services. Australia provided un-earmarked support of \$19.3 million to the UNRWA General Fund in 2015-16, the final payment in our 2011-16 \$90 million Partnership Agreement (supplemented by a further \$16 million throughout the life of the Partnership). Other major donors include the US, the EU, and the UK. Australia's un-earmarked support enables UNRWA to allocate our funding to where it is most needed, and is consistent with good humanitarian donorship principles. UNRWA provides: direct services in education; health care; relief and social services; microfinance; infrastructure and refugee camp improvement; emergency assistance; and protection of refugees' rights under international law. The deterioration of security, political and economic conditions throughout the region has made refugees increasingly reliant on UNRWA for these services.

Despite an increasing workload and only a modest increase in donor contributions, UNRWA has met key performance targets and succeeded in delivering quality services. In 2015¹ UNRWA provided: education to 500,698 children; over 9.1 million primary health-care consultations; social safety net assistance to 290,896 people; and microfinance loans to over 38,000 people. While UNRWA works across a range of sectors, our chosen benchmarks highlight progress in the health and education sectors, two of the most important areas of the Agency's work. Improved educational outcomes are a key marker of our progress in the PTs: in the 2014-15 school year, the average pass rate for UNRWA students in Gaza in Maths was 88.1 per cent (M: 85.2, F: 91.2), exceeding the target of M: 72 F: 81. This represents an increase from 81.2 per cent in 2013-14 and 71.0 per cent in 2012-13. Despite ongoing regional insecurity, UNRWA has performed very well to institute the holistic Family Health Team approach in 115 of its 117 health centres. This approach focusses not only on quality curative care but also on household-based health education and promotion interventions. We note that UNRWA's continued achievement of its targets, in light of increasing demands, continues to be dependent on support from donors.

With DFAT funding (\$11.4 million; 2012-17), UNICEF completed the rehabilitation and construction of WASH facilities in 52 schools in Gaza in the reporting period (exceeding the target of 51 schools), having completed this in all 40 targeted schools in the West Bank the previous year. Through these works, a total of 30,412 children have benefited from improved access to drinking water, toilet and hand washing facilities. Special toilets and ramps for students with disabilities were included in the new construction. Australia also provides support to UNOPS (\$1.16 million in 2015-16) to administer the ACU, which enables the movement of humanitarian and development personnel and goods through checkpoints and border crossings throughout the Palestinian Territories. With Australian and other donors' support during 2015-16, a total of 6,787 UN, international and Palestinian NGO, and diplomatic personnel received support in obtaining visas, permits and approvals (an average of 487 per month well exceeding the target of 125). In the aftermath of the Gaza conflict in 2014, Australia supported the creation of the Materials Monitoring Unit (MMU), which facilitates the Gaza Reconstruction Mechanism, an agreement between the Government of Israel and Palestinian Authority to monitor entry, supply and use of 'dual-use' materials in Gaza. In 2015-16, the MMU facilitated the movement of more than 646,000 tonnes of cement and almost 112,000 tonnes of rebar, allowing significant reconstruction to take place in Gaza.

Finally, under the Australia-NGO Cooperation Program, Australia funded small civil society projects in the PTs in 2015-16. Some achievements of these projects have included: vulnerable women accessing business and skills training; and mothers and children developing better preventative practices for hygiene related diseases.

¹ UNRWA's performance data is compiled on a calendar year basis, except for education data collected on a school year basis.

PROGRESS TOWARDS PERFORMANCE BENCHMARKS IN 2015-16

Aid objective	2015-16 benchmark	Rating	Progress in 2015-16
1. Improved public financial management and a more competitive agricultural economy in the PTs	a. Gross domestic tax revenues have increased in nominal terms and as a percentage of 2015 GDP	Achieved	Domestic taxes grew by 9.6 per cent in nominal terms. The revenue to GDP ratio reached 21.7 per cent in 2015. This represents an increase of 0.1 per cent from 2014, after a 3 per cent increase in 2014.
	b. AMENCA 3 successfully mobilised	Achieved	AMENCA 3 was successfully mobilised during the reporting period but has encountered some initial delays due to turnover of Technical Support Team (TST) advisors.
2. Palestinian refugees in the PTs and across the region are able to access quality basic services	a. At least half of Grade 4 students in UNRWA schools are performing at or above the expected level in mathematics	Partly achieved	<i>This indicator was last captured in 2013 and will be measured again later in a 2016 Monitoring Learning Achievement (MLA) survey. The MLA is an in-depth study of student achievement that is not completed annually due to the logistical challenge of a major study that requires extended time for analysis before publishing results. DFAT will provide an update on progress in the 2016-17 APPR. The following proxy measure gives an interim indication of good progress while not directly comparable with the MLA result.</i> In the 2014-15 school year, the average pass rate for UNRWA students in Gaza in Maths was 88.1 per cent (M: 85.2, F: 91.2) compared with a target of M: 72 F: 81. This represents an increase from 81.2 per cent in 2013-14 and 71.0 per cent in 2012-13.
	b. The Family Health Team (FHT) reforms are in place in all UNRWA health centres	Achieved	By the end of 2015, 115 of 117 health centres in four fields of UNRWA operations (excluding Syria) had implemented the FHT approach (two centres being constructed in Gaza are outstanding). In light of security constraints, the adoption of FHT in 115 centres represents an achievement of the target.

The AIP, finalised in 2014-15, only identified benchmarks for 2015-16. Accordingly, the following table sets new benchmarks for the years 2016-17 to 2018-19. In order to correspond with performance benchmarks used by our partners and other donors, this APPR only sets a 2016-17 target for the World Bank PFM and UNRWA education benchmarks. While we prefer selecting and tracking multi-year targets where possible, we prioritise alignment with reporting structures of partners as a modest donor in a difficult environment.

The health benchmark has been changed in consultation with UNRWA to enable reporting to be closely aligned with that of other donors². Fewer daily medical consultations per doctor is one of the positive outcomes of the introduction of UNRWA's Family Health Team system, which helps to streamline doctors' workloads and improve coverage and quality of comprehensive medical care. Where possible, we will concurrently report on other health indicators in future APPRs in order to provide the fullest picture possible of the quality of health care provided by UNRWA.

² The process of donors agreeing to joint targets for UNRWA's annual performance reporting had not been finalised at the time of publication. Accordingly, further alterations to Objective 2 benchmarks may be required in the future when they are finalised.

Performance Benchmarks 2016-17 to 2018-19


		2016-17	2017-18	2018-19
Aid objective	1. Improved public financial management and a more competitive agricultural economy in the PTs			
Performance benchmark	a. The stock of income tax debt has decreased, based upon official income tax filings verified through Ministry of Finance audits	The stock of income tax debt is 15 percent lower in 2016 than it was in October 2015 (NIS100 million)	<i>As contributions to the Palestinian Authority will be made on an annual basis from 2016-17, future year benchmarks will be reflected in each year's APPR.</i>	
Performance benchmark	b. Farmers report increased income from better functioning, AMENCA 3-supported, value chains	Five private sector partnerships established, with at least two providing opportunities for women's livelihood opportunities	At least 5,000 farmers report increased income from AMENCA 3 interventions	At least 15,000 farmers report increased income from AMENCA 3 interventions
Aid objective	2. Palestinian refugees in the PTs and across the region are able to access quality basic services			
Performance benchmark	a. The number of Grade 4 students in UNRWA schools that are performing at or above the expected level in mathematics has increased (from a 2013 baseline of M: 24.3 per cent; F: 38.8 per cent)	At least 50 per cent of Grade 4 students in UNRWA schools are performing at or above the expected level in mathematics	<i>As UNRWA measures educational achievement in a standardised manner only every three years, interim measures of educational performance will be used in years where this cannot be reported.</i>	
Performance benchmark	b. The average daily medical consultations per doctor has decreased in UNWRA health centres (baseline 95 in 2014)	91 consultations per doctor per day	89 consultations per doctor per day	87 consultations per doctor per day

MUTUAL OBLIGATIONS

During 2015-16, we continued our practice of engaging with the Palestinian Authority (PA) on the Australian aid program when senior Australian officials visited the PTs. This was complemented by regular engagement on specific issues with the PA by the Australian Representative Office in Ramallah as well as the Palestinian General Delegation in Canberra.

Each activity within the PTs aid program also incorporates governance arrangements that provide formal and ad hoc opportunities to review and address issues of concern, in coordination with other donors and the PA. For instance, Australia's commitment to the World Bank Trust Fund for the PA enabled us to participate at Ad-Hoc Liaison Committee meetings twice during 2015-16 as well as at bi-annual updates with the World Bank in Ramallah. We also contributed to the World Bank's Fiscal Sector Working Group which brings donors and the PA's Ministry of Finance and Planning together to assess, monitor and report on progress. Australia also received regular performance assessments produced by the Bank on both the performance of the PA generally as well as that of the Trust Fund.

Australia's contribution to UNRWA enabled Australian participation at the Agency's twice yearly Advisory Committee and Sub-Commission meetings in 2015-16. Australia also actively contributed to the joint donor performance assessment group which is leading on harmonised monitoring and reporting. Australia also received regular performance assessments produced by UNRWA.



Australia's key bilateral aid activity, AMENCA 3, is managed by a Program Steering Committee (PSC) co-chaired by the Australian Representative Office (ARO) and the PA Deputy Minister for Agriculture. This is to ensure alignment with PA objectives, strengthen ownership, and enable both parties a regular forum to assess strategic direction and key program issues. Though the first PSC had not occurred by the end of 2015-16, ARO met regularly with the PA throughout the reporting period to discuss AMENCA 3 implementation issues.

PROGRAM QUALITY

Performance of the PTs portfolio of aid investments was sound in 2015-16. In 2015-16, the program completed an Aid Quality Check (AQC) for the UNICEF WASH in Palestinian Schools partnership and a Final Aid Quality Check (FAQC) for the Australia-PA Partnership Arrangement. AMENCA Phase 3 will be assessed through an AQC for the first time in 2016-17.

Results in the 2015-16 Investment Quality Reporting round were largely positive, with the UNICEF program scoring good (5) for all criteria, with notable improvements in scores for monitoring and evaluation and sustainability from the previous year's AQC. The Australia-PA Partnership mostly received final scores between adequate (4) and good (5), with the exception of a less than adequate score for sustainability. This was not because it was a poorly performing investment but rather a reflection of the extremely challenging operating environment, where the PTs' economic sustainability is dependent on political negotiations beyond the scope of the investment.


Support to UNRWA was assessed through a Multilateral Performance Assessment completed in early 2016, which found that it is an effective partner delivering high quality and cost-effective key services and is committed to undertaking the necessary reforms to manage its finances more sustainably.

No evaluations of the PTs aid program were completed by DFAT during 2015-16, given the value of investments and given AMENCA 3 is at an early stage of mobilisation. The World Bank conducts annual evaluations of its support to the PA, which have been highlighted in Annex B.

Promotion of gender equality is an integral part of Australia's aid to the Palestinian Territories. Gender features prominently in investments related to social and economic welfare, and good progress has been made in 2015-16. Women's economic empowerment is a priority for AMENCA 3; its design, completed in September 2015, includes gender specific objectives and targets, a gender strategy, and resources for women's economic engagement. The ability of NGO partners to demonstrate sound approaches to women's economic empowerment accounted for approximately 20 per cent of the selection criteria in the AMENCA 3 competitive grants process.

In 2015-16, UNRWA concluded implementation of its first Gender Equality Strategy (2008-15) and in May 2016 was finalising the Gender Equality Strategy (2016-21) and Gender Action Plans. In 2015, UNRWA's rank on UN-SWAP, the UN's systems-wide gender mainstreaming accountability framework, improved from 'approaches' to 'exceeds' the UN Evaluation Group norms and standards of gender equality, indicating success in planning, monitoring and reporting, and capacity development. UNRWA's Family Health Team approach also includes gender based violence screening and counselling in its health centres.

The UNICEF WASH program continued to demonstrate strong results for girls, with female students accounting for at least 50 per cent of beneficiaries. A Knowledge, Attitudes and Practices study in 441 schools in West Bank and Gaza during the reporting period included aspects relating to feminine hygiene and showed (according to school principals) that cleanliness, adequacy and safety of female toilets had increased, albeit from a low base.



Supporting disability inclusion is important in our program in the PTs. The construction of new WASH facilities in Gaza through UNICEF has included special toilets and ramps for students with disabilities. All new constructions have provided at least one disability-accessible toilet. Protection design standards are progressively being rolled out across UNRWA's health centres: these include standards for safety, accessibility and gender.

DFAT places the highest priority on risk management across its aid portfolio. Operating in the PTs is high risk given that the operating environment is characterised by conflict, with the pervasive presence of sanctioned entities. The PTs aid program, and the Australian aid program more broadly, has strong measures in place to manage these risks. We maintain a zero tolerance approach to corruption and fraud, and we continue to make use of and monitor our systems and processes (and those of our partners) to help prevent, detect and control fraud. All contractual arrangements have counter-terrorism clauses to minimise the risk of Australian aid funding being diverted for terrorist purposes. We continue to work with our partners closely to minimise other risks by applying robust social and environmental safeguards policies and processes including on child protection.

MANAGEMENT RESPONSES

During 2015-16, AMENCA 3's design was completed and procurement, contracting and initial inception activities were undertaken. In the early parts of 2016-17, we will finalise all administrative and inception-related activities to ensure all implementing partners have the remainder of the financial year for program implementation. This will require continued intensive management effort from DFAT.

Approval for a new multi-year funding agreement for UNRWA was secured in 2015-16. In the first quarter of 2016-17, we will finalise an Australia-UNRWA Partnership Framework and make our first payment. Our future commitments to the Palestinian Authority via the World Bank Trust Fund will be made on an annual basis. During 2016-17 we will determine our initial allocation and determine appropriate performance and reporting obligations commensurate with our contribution.

New multi-year performance benchmarks for the PTs aid program are proposed in this year's APPR. During 2016-17 we will develop a fit-for-purpose Performance Assessment Framework to enable us to capture and report on this information.

Administrative issues and budget uncertainty compromised the achievement of our target of awarding of 11 scholarships during 2015-16. These issues have been resolved and position us well to meet our target of awarding 10 scholarships in 2016-17 (5 female). We will develop a Performance Assessment Framework for our scholarship program in 2016-17 to better capture the outcomes, and will strengthen our alumni network for returning scholars.

ANNEX A - PROGRESS IN ADDRESSING MANAGEMENT RESPONSES

Management responses identified in 2014-15 APPR

During 2015-16, we will implement the changes reflected in the 2015-19 PTs Aid Investment Plan

With budget certainty, the Aid Investment Plan (AIP) now completed and AMENCA 3 moving to implementation in 2016, we will be able to report on our new objectives and associated performance benchmarks with greater clarity in 2015-16's APPR.

In the context of implementing the new Aid Investment Plan (AIP) we will engage with PA on the most effective way to regularly evaluate the program and consult on development issues.

During 2015-16, we will determine our future funding arrangements with the Palestinian Authority and UNRWA.

Rating

Achieved

Achieved

Achieved

Achieved

Progress made in 2015-16

AMENCA 3, which promotes economic growth in the agriculture sector, has been mobilised.

See benchmarks table on page 6.

We continued to consult with the PA when senior DFAT officials visited the PTs. High level meetings, scheduled in conjunction with various investments, enabled regular dialogue with the PA on development issues. These included Australia's participation in the Fiscal Sector Working Group with the Ministry of Finance associated with the World Bank's Multi-Donor Trust Fund. Australia also regularly participated in the Ad-Hoc Liaison Committee meetings which facilitate dialogue between donors, the Palestinian Authority and the Government of Israel.

Given UNRWA's important role and strong performance during the previous multi-year partnership period, the Australian Government approved \$80 million in funding for UNRWA over the next four years (2016-20) in April 2016.

Australia's future contributions to the World Bank's Trust Fund for the PA will be determined on an annual basis.

Note:

- Achieved. Significant progress has been made in addressing the issue
- Partly achieved. Some progress has been made in addressing the issue, but the issue has not been resolved
- Not achieved. Progress in addressing the issue has been significantly below expectations

ANNEX B - EVALUATION PLANNING

List of evaluations completed in the reporting period

Investment number and name	Name of evaluation	Date completed	Date Evaluation report Uploaded into AidWorks	Date Management response uploaded into AidWorks	Published on website
INJ843 - Australia- PA Partnership Arrangement	World Bank: Implementation Completion Report – Development Policy Grant	July 2016	N/A - draft report received	TBC – when World Bank finalises evaluation, likely Q4 2016	Will be published on World Bank and DFAT website when finalised

List of program prioritised evaluations planned for the next 12 months

Evaluation title	Investment number and name	Date – planned commencement (month/year)	Date – planned completion (month/year)	Purpose of evaluation	Evaluation type
World Bank: Independent Completion Report – Development Policy Grant	INJ843 - Australia- PA Partnership Arrangement	March 2017 (TBD)	June 2017 (TBD)	Verify performance	Independent Completion Report – Partner led

ANNEX C - AID QUALITY CHECK RATINGS

AQC RATINGS

AQC investment performance over the previous 12 months and, where available, last year's AQC ratings.

Investment name	Approved budget and duration	year on year	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality	Risks and Safeguards
INK397 - UNICEF WASH in Palestinian Schools	\$15.1m 2011-17	2016 AQC	5	5	5	5	5	5	5
		2015 AQC	5	5	5	4	4	5	5

FAQC RATINGS

Final AQC's assess performance over the lifetime of the investment (ratings are not compared to previous years).

Investment name	Approved budget and duration	Overall rating	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality	Risks and Safeguards
INJ843 - Australia- PA Partnership Arrangement	\$98.5 million 2011-16	4	5	4	4	5	3	4	5

Definitions of rating scale:

Satisfactory (4, 5 and 6)

6 = Very good; satisfies criteria in all areas. 5 = Good; satisfies criteria in almost all areas.

4 = Adequate; on balance, satisfies criteria; does not fail in any major area.

Less than satisfactory (1, 2 and 3)

3 = Less than adequate; on balance does not satisfy criteria and/or fails in at least one major area.

2 = Poor; does not satisfy criteria in major areas. 1 = Very poor; does not satisfy criteria in many major area.