



Australian Government

Department of Foreign Affairs and Trade



AID PROGRAM PERFORMANCE REPORT 2017-18

Palestinian Territories

September 2018



PALESTINIAN TERRITORIES AID PROGRAM PERFORMANCE INFORMATION 2017-18

SUMMARY

This report summarises the performance of Australia's aid program in the Palestinian Territories (PTs) from July 2017 to June 2018 against the objectives articulated in the PTs Aid Investment Plan (2015-2019).

The PTs - consisting of the West Bank and the Gaza Strip - remain one of the poorest regions in the Middle East. Palestinian living standards continued to decline. Economic growth continued to stall in both the West Bank and Gaza but conditions were most acute in Gaza with unemployment at 44 per cent in 2017. Gaza has undergone 'de-development' over the last two decades, accompanied by a decline of real income per capita by a third since 1994. The restrictions on movement of people and goods in to and out of Gaza have been a key factor in its economic deterioration. The supply of water and electricity to Gaza continues to be a major issue. The World Health Organisation has deemed 97 per cent of water in Gaza as unfit for human consumption, and the electricity supply fluctuates from four to five hours per day.

The political dynamic between Israel and the Palestinian Authority (PA) and the political stalemate between the PA and Hamas continued to affect economic and social development in the PTs during 2017-18. Foreign aid to the PTs – which constituted 15 per cent of total net revenue in 2017 to the PA – continues to decline (from 54 per cent in 2013), becoming more unpredictable.

Australia provided \$43.8 million in humanitarian and development assistance to the PTs in 2017-18, in alignment with our long-standing support for the Middle East peace process. Australia's assistance contributes to stability and inclusive economic growth in the PTs. Australian aid equates to 0.4 per cent of the PTs Gross Domestic Product (GDP) so we align our support with the PA's objectives and other donors funds to ensure impact. In doing so, we have in place rigorous system to ensure all activities in the PTs are comprehensively monitored and pro-actively managed with a zero tolerance approach to fraud or mismanagement.

Australia's objectives for its PTs aid program are described in its Aid Investment Plan (2015-19), which is available on the DFAT website. The objectives are to support improved public financial management and a more competitive agricultural economy; and to support Palestinian refugees in the PTs and across the region to access quality basic services. Australia implements these objectives through a number of investments.

In 2017-18, Australia provided \$26.5 million to the United Nations Relief and Works Agency (UNRWA). Australia's funding provides health, education and protection services to Palestinian refugees in the PTs, Syria, Jordan and Lebanon.

In June 2018, Australia provided \$10 million to the United Nations Humanitarian Fund for the PTs. Funding will be allocated in late 2018 and outcomes reported in next year's Aid Program Performance Report (APPR).

Australia continued to implement the third phase of the Australian Middle East NGO Cooperation Agreement (AMENCA 3), providing \$2.2 million in 2017-18. AMENCA 3 is working with Australian and Palestinian non-government organisations and others to increase productivity, and facilitate linkages and private sector investment in the agriculture sector, with a focus on women and youth empowerment.

Australia provided \$1 million to the World Bank's Palestinian Recovery and Development Program (PRDP) Trust Fund in July 2017. This funding provided support to the PA Ministries of Health and Education, enabling them to pursue good governance.

Australia provided \$500,000 to the UN Office for Project Services (UNOPS) to facilitate access for humanitarian actors across the PTs and goods into Gaza.

Eight Australia Award scholarships were provided in 2017-18 to support future Palestinian leaders in the fields of public policy, public financial management and agriculture and water resources management.

In 2017-18, the Australian NGO Cooperation Program (ANCP) delivered vocational training to more than 360 disadvantaged youth. The program also provided much needed health services for over 25,000 women and youth, including 6,000 women from poor communities in Gaza who benefitted from breast cancer screenings and access to diagnostic services.

The Direct Aid Program (DAP) funded Palestinian organisations to support vulnerable communities and groups, including children, youth and women. Projects provided included mental health and psychosocial support to at-risk Bedouin boys, eye care services and braille equipment to visually impaired children and facilities for students with special needs.

EXPENDITURE

Table 1 Total ODA Expenditure in FY 2017-18

Objective	A\$ million	% of total ODA
Objective 1 – Improved public financial management and a more competitive agricultural economy in the PTs	4.1	
Objective 2 – Palestinian refugees in the PTs and across the region are able to access quality basic services	37	
Sub-Total Bilateral	41.1	
Regional and Global	2.7	
Other Government Departments	-	
Total ODA Expenditure	43.8	

PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Objective	Previous Rating	Current Rating
Objective 1 – Improved public financial management and a more competitive agricultural economy in the PTs	Green	Green
Objective 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.

OBJECTIVE 1 – IMPROVED PUBLIC FINANCIAL MANAGEMENT AND A MORE COMPETITIVE AGRICULTURAL ECONOMY IN THE PTS



Three investments contributed to a more competitive agricultural economy and improved financial management in the PTs during 2017-18. This objective is rated green because progress is as expected at this stage of implementation for all three investments.

In 2017-18, Australia provided \$2.2 million to the third phase of **Australian Middle East NGO Cooperation Agreement (AMENCA 3)**. AMENCA 3 uses a 'Markets for the Poor' (M4P) approach to facilitate agricultural development across the PTs, seeking to increase agricultural output, strengthen agricultural value chains and enhance economic opportunities for Palestinians, with a specific focus on women and youth. The program works with Australian NGOs and their Palestinian networks to identify barriers to participation in the sector, design activities to address these constraints and facilitate relationships that bring markets actors together.


There are considerable constraints to agricultural development including a lack of certainty over territorial borders and natural resources such as land and water, restrictions on the movement of goods, people, and the continued risk of conflict, all of which are particularly acute in Gaza. The program's anticipated outcomes acknowledge this challenging environment.

Performance reporting in 2017-18 showed that AMENCA 3 is having a positive impact on the lives of Palestinian farmers. In 2017-18, AMENCA 3 supported more than 1,100 farmers to adopt innovations in agriculture, leading to increased yields and profits. For example, the use of balance drip irrigation and mono-fertilisers in vegetable farming has reduced farming costs by 30 per cent and increased yields by five per cent, thereby increasing farmer incomes.

AMENCA 3 has supported the construction of more than 24 kilometres of rural roads since the program's inception in 2016. This has reduced transportation costs and increased profitability, with more than 2,000 farmers reporting increased incomes, and more than 1,000 women and 770 youth reporting increased income and enhanced linkages with market actors.

Results were higher than expected for women reporting economic empowerment (260 per cent higher than our 2016 baseline; 1,094 women) and more active and equitable roles in agricultural value chains (240 per cent higher than our 2016 baseline; 626 women).

In 2017-18, allegations against an AMENCA 3 implementing partner (APHEDA) led to its suspension from the program. (This is in addition to the suspension of World Vision from the program in 2016). The remaining partners, Care and Oxfam, continue to deliver strong results however overall program performance will inevitably be impacted by the suspensions. Cardno Emerging Markets also continues to provide technical and operational support to AMENCA 3.



In response to the suspension of World Vision from AMENCA 3, and lessons learned from the program's first year of implementation, we pro-actively revised down our targets for the program in 2017. Of the 14 targets, we revised ten down by 25 per cent on average. Of these targets, 11 achieved 75 per cent or more of their revised objectives in 2017. Greatest results were observed in the number of women and youth reporting economic empowerment, and gains in private sector investment.

An internal review of management and operations for AMENCA 3 was undertaken in May 2017 aimed at streamlining management of the program, and these reforms were operationalised during 2017-18.

Australia provided \$1 million to the **World Bank's Palestinian Recovery and Development Program (PRDP) multi-donor Trust Fund** in July 2017, which provided staffing support for the PA Ministries of Health and Education enabling them to pursue good governance. During 2017-18, the Trust Fund received contributions from France, Norway, Kuwait and Japan, and the World Bank provided funding accompanied by technical assistance. All recipients of Australian funding were screened through a risk management framework developed by the European Union (EU) assessing individuals against relevant international sanctions lists. In addition, Australia had in place a MOU with the PA requiring that an independent audit of Australian funds be undertaken after it was expended, to confirm that the EU processes had been applied to Australian funding.

Reporting from the World Bank and International Monetary Fund during 2017-18 assessed that the PA was managing the economy well despite the challenges of raising revenues, reducing expenditure and managing the uncertainty of arrears payments owing to the PA. The PA was successful in growing domestic revenues in 2017, increasing it by 15 per cent from 2016 levels. The PA started to make improvements to its public financial management (PFM) systems by completing audits of 2012 financial statements and preparing its first comprehensive PFM strategy in 2017.

In June 2018, the Australian Minister for Foreign Affairs determined that Australia would no longer contribute to the Trust Fund. The Minister was confident that previous Australian funding to the PA through the PRDP had been used as intended, however was concerned that in providing funds for one aspect of the PA's operations, there was an opportunity for it to use its own budget for activities that Australia would never support. As a result, a contribution of \$10 million that was earmarked for the Trust Fund in 2017-18 was instead provided to the **United Nations Humanitarian Fund for the PTs**. Reporting on the outcomes of this investment will be included in next year's APPR.

During 2017-18, eight **Australia Award scholarships** were approved (six males, two females) to Palestinians. The scholarships program helps to build public sector management skills within the PA and other institutions. Due to the unexpected withdrawal of two scholars, the target of ten scholarships for 2017-18 was not met. (In an effort to maintain the target of ten scholarships per year, the program had instituted a 'reserve' system for highly ranked applicants but in 2017-18 the withdrawals were too late to draw from the reserve list.) Scholars came from the PA Ministries of Education, Finance, Health and Central Bureau of Statistics and from Palestinian NGOs, from the West Bank and Gaza.

OBJECTIVE 2 – PALESTINIAN REFUGEES IN THE PTS AND ACROSS THE REGION ARE ABLE TO ACCESS QUALITY BASIC SERVICES



Three investments contributed to supporting the provision of quality basic services to Palestinian refugees in the PTs and across the region. This objective was rated green because progress is as expected at this stage of implementation for each of the investments.

In 2017-18, Australia provided \$26.5 million to the **United Nations Relief and Works Agency (UNRWA)**. In September 2016, DFAT signed an \$80 million multi-year Strategic Partnership Framework (2016-2020) which provides annual core funding of \$20 million per year to the Agency. UNRWA plays a crucial role in maintaining a degree of social and economic stability for more than five million Palestinian refugees in Gaza, the West Bank, Jordan, Lebanon and Syria. It delivers high quality, cost-effective public services in education, health care, relief and social services, microfinance, infrastructure, emergency assistance and protection of refugees' rights. The deterioration of security, political and economic conditions across the region has made refugees increasingly reliant on UNRWA for these services in recent years. UNRWA faced increasing budget shortfalls in 2017-18, which affected its ability to provide essential services.


In 2017-18, Australia's core funding of \$20 million to UNRWA contributed to providing humanitarian assistance to over five million Palestinian refugees, primarily in the West Bank, Gaza and Syria. Australian funding contributed to universal primary education for more than 500,000 Palestinian children (half of whom were girls), a 99 per cent vaccination rate for infants, over 8.3 million patient visits at UNRWA health care facilities, assistance for more than 4,900 gender-based violence survivors, cash and food assistance to over 254,500 people, and micro loans to over 38,500 people.

In response to UNRWA's budget shortfall in 2018, DFAT brought forward \$5 million from its 2018-19 allocation for additional core funding to UNRWA. DFAT also provided a further \$1.5 million to UNRWA's 'Emergency Appeal for the PTs for 2018'. Outcomes for this Appeal are not available yet but will be reported in next year's APPR.

In the previous reporting period (2016-17), Australia provided an additional contribution of \$2 million for UNRWA's 'Emergency Appeal for the PTs for 2017'. Reporting is now available for that Appeal and reflects that Australia contributed to the provision of food for more than 530,000 refugees in Gaza and 49,000 refugees in the West Bank.

A component of Australia's annual core funding to UNRWA (20 per cent; \$4 million) is subject to an assessment of its performance against pre-agreed targets. DFAT assessed UNRWA in May 2018 and found UNRWA had achieved results against the targets.

UNRWA developed its Gender Equality Strategy (2016-21) and is working towards meeting the UN system-wide Action Plan on Gender Equality indicators. In 2017, UNRWA ensured each of its five country/regional offices had developed its own gender equality action plans.



In June 2018, Australia contributed \$10 million to the **United Nations Humanitarian Fund for the PTs**, which funds priorities under the PTs Humanitarian Response Plan. Australia's funding will be allocated in the second half of 2018 and we will report on outcomes arising from this funding in next year's Aid Program Performance Report (APPR).

In 2017-18, Australia provided \$500,000 to **United Nations Office for Project Services** to support the Access Coordination Unit (ACU) and the Materials Monitoring Unit (MMU). The ACU facilitates coordinated access for humanitarian staff and supplies across the PTs, including through providing immediate information on access and movement restrictions to humanitarian personnel through a user-friendly mobile application.

The MMU was formed to facilitate the Gaza Reconstruction Mechanism (GRM) - an agreement between the Government of Israel, PA and the UN - to monitor entry, supply and use of 'dual-use' materials into Gaza to support reconstruction. At April 2018, the GRM had facilitated more than 6,700 people purchasing and moving materials into Gaza, 276 businesses transferring materials into Gaza, and facilitated 244 large-scale projects being undertaken in Gaza.

MUTUAL OBLIGATIONS

During 2017-18, DFAT participated in two meetings of the Ad Hoc Liaison Committee (in New York in September 2017 and Brussels in March 2018), which is a policy-level coordination mechanism for donors providing assistance in the PTs.

DFAT engaged with the World Bank's West Bank and Gaza Office through quarterly meetings reviewing the PA's progress against the Multi-Donor Trust Fund's work plan.

DFAT also participated in the Agriculture Sector Working Group in Ramallah - a joint PA / donor forum for those providing aid in the agriculture sector. We also engaged with the Ministry of Agriculture periodically on program matters.


In Australia during 2017-18, DFAT regularly met with Palestinian Delegation Head in Canberra on aid issues.

Australia has a set of structured and informal engagements with UNRWA. In 2017-18, we participated in UNRWA Advisory Commission in November 2017, the extraordinary Advisory Commission meeting in March 2018, UNRWA Sub-Committee meetings in October 2017 and April 2018 and several working groups. DFAT also engaged regularly with UNRWA at working level on a range of issues, including on neutrality, reform and budget issues, operations and the annual performance-linked assessment process.

DFAT also sat on the Project Boards for the United Nations Office for Project Services Access Coordination Unit and the Materials Monitoring Unit, which met during 2017-18.

PROGRAM QUALITY

In the 2017-18 Investment Quality Reporting process, Aid Quality Checks were completed for AMENCA 3 and the World Bank Trust Fund. AMENCA 3 was rated as adequate (4) and good (5) in the quality criteria ratings. The World Bank Trust Fund was rated as adequate (4) across all criteria, except sustainability, which was rated 3 (less than adequate) because of the deterioration of the operating environment. Partner Performance Assessments were undertaken for all active AMENCA 3 partners (Care, Oxfam, APHEDA and Cardno Emerging Markets) and UNRWA.



AMENCA 3 performed strongly on gender equality and empowerment of women and girls (rating of 5). Structural barriers on gender roles and cultural perceptions (that investing in women is high risk) continues to challenge women's economic empowerment. However, by training women with the skills to influence decisions and adopt transformative business models, family behaviours towards women working in the agriculture sector are changing. DFAT has recruited a Social Inclusion Advisor for AMENCA 3 to ensure technical assistance is available to all partners.

DFAT monitors UNRWA's performance through the annual performance-linked assessment. As a multilateral agency, UNRWA is not subject to an Aid Quality Check, but instead a performance-linked assessment determines whether agreed targets have been met and whether the second annual payment of \$4 million is made.

MANAGEMENT ACTIONS

DFAT's current Aid Investment Plan (AIP) for the PTs will expire in 2019 and we will shortly commence a process to update it. Key issues for consideration will be the continuing deterioration of circumstances in Gaza as well as our shift away from use of the World Bank Trust Fund.

In 2018-19, DFAT will become a member of the UN Humanitarian Fund's Advisory Board and will use our participation to ensure partners selected have robust project plans and well developed risk management frameworks.

In 2018-19, UNRWA will continue to face budget pressures as a result of increased need and the uncertain donor landscape. DFAT will focus our advocacy efforts with UNRWA on organisational reform efforts, budget savings and neutrality. DFAT will re-assess the targets in its performance-linked assessment at this mid-point of the Strategic Partnership Framework with UNRWA to ensure they continue to reflect and address Australia's priorities.

DFAT will commission an independent Mid-Term Review of AMENCA 3 in March 2019, which will inform a decision on whether the program will continue for a further two years.

In 2018-19, DFAT will undertake another round of third party monitoring of Australian aid activities in the PTs after a successful earlier trial. In 2017, DFAT engaged a Palestinian consulting firm to trial third party monitoring of some ANCP and DAP projects in the PTs. The firm's local knowledge of the PTs, office locations, Arabic language skills and expertise in financial auditing were highly useful to monitor compliance effectively with contractual obligations.

In 2018-19, DFAT will continue to implement its risk management framework as initiated and implemented in November 2016. This includes both Post and Desk reviewing on a quarterly basis the high-level operating environment for the aid program and implications for specific activities.

DFAT commissioned an independent review of our risk management framework for the AMENCA 3 program in 2018. This was undertaken in consideration of the high-risk PTs environment arising from conflict, insecurity and access, and the risk of Australian funding supporting politically motivated violence. The review noted Australia's strong measures to mitigate and manage the risk of financing terrorism and provided recommendations to strengthen further an already rigorous regime, which will be implemented in 2018-19.

ANNEX A- PROGRESS IN ADDRESSING MANAGEMENT RESPONSES

Describe progress made against management responses in 2016-17 report

Management responses identified in 2016-17 APPR	Rating	Progress made in 2017-18
Implement recommendations from the Rapid Review of Management and Operations for AMENCA 3	Achieved	All recommendations of the review were implemented. Administrative and governance processes were streamlined and partners were given greater autonomy while being held accountable at reporting time.
Risk management processes for the aid program strengthened		Ramallah Post and Middle East Branch now undertake a quarterly teleconference to discuss risks to the program and individual investments, update risk registers and provide minutes of these meetings to relevant SES officers.
Implementation of the counter terrorism-financing policy	Achieved	New contracts reflected the new policy. Existing contracts being are revised.
Review the effectiveness of the trial of third party monitoring on several Direct Aid Program (DAP) and Australian NGO Cooperation Program (ANCP) activities	Achieved	In 2017, DFAT engaged a Palestinian consulting firm to trial third party monitoring ANCP and DAP projects in the PTs, which proved to be useful. The firm's local knowledge of the PTs, office locations, Arabic language skills and expertise in financial auditing were highly useful to monitor compliance effectively with contractual obligations. We will undertake third party monitoring again in 2018-19.
One round of the Direct Aid Program (DAP) undertaken in 2017-18	Achieved	In 2017-18, the Ramallah Post moved to a single round of funding (from two rounds in 2016-17) to increase administrative efficiency of the program. The 'SmartyGrants' application was also rolled out to increase consistency of applications across all of the ARO's DAP projects, to have a single mechanism for submission, and to have a common management platform.

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 – PERFORMANCE BENCHMARKS

Progress towards Performance Benchmarks in 2017-18

Discussion on progress against specific performance benchmarks in 2017-18 should also be included as part of the text assessing progress against individual program objectives in the main body of the APPR.

Aid objective	Performance Benchmark	Rating	Progress in 2017-18
Improved public financial management and a more competitive agricultural economy in the PTs	a. The stock of income tax debt is lower in 2017 than it was in October 2016. b. Farmers report increased income from better functioning value chains supported by AMENCA 3.	Achieved	a. The total PTs deficit stood at 7.7 percent of GDP in 2017 – down slightly from 8 percent in 2016 (and 30 per cent in 2006) due to an increase in tax receipts resulting from PA reform efforts including expenditure reductions. b. 1,111 farmers adopted innovations in agriculture, which increased yields and profits. The construction of farm roads reduced transportation costs and increased profitability with 2,071 farmers reporting increased incomes, and 1,094 women and 777 youth reporting examples of economic empowerment.
Palestinian refugees in the PTs and across the region are able to access quality basic services	a. Benchmarks relating to student achievement in mathematics in UNRWA schools were set (and measured) in the 2016-17 APPR. However as UNRWA only measures these in a standardised manner every three years, we have selected another indicator for this year's APPR. b. A reduction from the 2017 outcome of average daily medical consultations from UNRWA health clinics (inferring improved quality consultations rather than a higher volume) as well as better preventative health measures.	Achieved	a. UNRWA achieved a decrease in student drop-out rates in its schools in 2017, demonstrating that its strategy of identifying warning signs before students leave school prematurely is resulting in improved educational outcomes. b. In 2017, UNRWA's performance in the health sector remained strong. The average daily medical consultations per doctor decreased greater than the target (78.1 consultations, compared with the target of 80.4).

Note:

- Achieved. Significant progress has been made and the performance benchmark was achieved
- Partly achieved. Some progress has been made towards achieving the performance benchmark, but progress was less than anticipated.
- Not achieved. Progress towards the performance benchmark has been significantly below expectations

Performance Benchmarks for remainder of Aid Investment Plan or new Aid Investment Plan

Aid objective	Performance Benchmark	2018-19	2019-20
1. Improved public financial management and a more competitive agricultural economy in the PTs	a. The stock of income tax debt has decreased, based upon official income tax filings verified through Ministry of Finance audits	Funding to the activity that contributed to this benchmark has been discontinued. A new benchmark reflecting the new activity to be funded in 2018-19 will be determined during this financial year.	Funding to the activity that contributed to this benchmark has been discontinued. A new benchmark reflecting the new activity to be funded in 2018-19 will be determined during this financial year.
	b. Farmers report increased income from better functioning value chains supported by AMENCA 3	7,000 farmers report increased income.	A mid-term review in March 2019 will determine whether AMENCA 3 will continue into 2019-20 and, if so, what revised targets will be sought.
2. Palestinian refugees in the PTs and across the region are able to access quality basic services	a. The number of Grade 4 students in UNRWA schools performing at or above the expected level in mathematics (from 2013 baselines).	As UNRWA measures educational achievement in a standardised manner only every three years, we will select another indicator to measure in 2018-19	The number of Grade 4 students in UNRWA schools performing at or above the expected level in mathematics (from 2013 baselines).
	b. Average daily medical consultations per doctor has decreased in UNRWA health centres (from 2014 baselines).	A reduction from 2017-18 outcomes.	A reduction from 2018-19 outcomes.

ANNEX C- EVALUATION PLANNING

LIST OF EVALUATIONS COMPLETED IN THE REPORTING PERIOD

Investment number and name (if applicable)	Name of evaluation	Date completed	Date Evaluation report Uploaded into AidWorks	Date Management response uploaded into AidWorks	Published on website
N/A	N/A	N/A	N/A	N/A	N/A

LIST OF PROGRAM PRIORITISED EVALUATIONS PLANNED FOR THE NEXT 12 MONTHS

Evaluation title	Investment number and name (if applicable)	Date – planned commencement (month/year)	Date – planned completion (month/year)	Purpose of evaluation	Evaluation type
AMENCA 3 Mid-term Review	INL608 Palestinian Farmers Connecting to Market	Q1/2019	Q2/2019	To determine whether the activity should continue for a further two years	Independent evaluation

ANNEX D- 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
INL608 Palestinian Farmers Connecting to Market (AMENCA 3)	\$40m 2016-21	2018 AQC	5	4	4	5	4	5	Y
		2017 AQC	4	4	4	4	4	4	4
INM230 – Funding to PA through WB Trust Fund	\$10m 2016-18	2018 AQC	4	4	4	4	3	1	Y
		2017 AQC	n/a	n/a	n/a	n/a	n/a	n/a	n/a