



Australian Government

AusAID

Palestinian Territories

Annual Program Performance Report 2011

December 2012

This report summarises AusAID's progress in the Palestinian Territories for 2011.

Context

Resolving the Israeli/Palestinian conflict is a longstanding priority for the Australian Government. Australia prefers a solution that leads to a viable and democratic Palestinian state alongside a secure and prosperous Israel. Two conflicts have shaped the international development response for the Palestinian people. The first is the long-standing conflict with Israel, arising from continuing territorial dispute. The second is the division between the two main Palestinian political rivals, Hamas and Fatah. The political standoff between the Fatah-controlled West Bank and Hamas-controlled Gaza has hindered progress towards a two-state solution, stunting development and increasing humanitarian need.

Seven million Palestinians are scattered across five locations: West Bank, Gaza, Jordan, Lebanon and Syria. Over four million live in the Palestinian Territories of Gaza and the West Bank (including East Jerusalem), with Gaza having the highest proportion registered as refugees. Many of the refugees in the Palestinian Territories live in official refugee camps (492,000 in Gaza, 191,000 in the West Bank), with the rest living in cities, villages and unofficial camps. The West Bank is a landlocked area of about 5640 square kilometres. The Gaza Strip is a narrow coastal plain of 360 square kilometres. With its population of 1.6 million, Gaza is one of the most densely populated areas in the world. The Palestinian Territories of Gaza and the West Bank are highly fragmented, with movements of people and goods subject to Israeli control. 50 per cent of Gazans are under 18 and 38 per cent live in poverty. Thirty-one per cent of the workforce is unemployed and 47 per cent of youths are out of work. Over 90 per cent of the water from the Gaza aquifer is undrinkable.

The Palestinian Authority (PA) depends on aid for 40 per cent of its budget. Future financial requirements are expected to increase, particularly for public infrastructure (water, roads, health, and education). The administration provides a functioning police service, some basic services such as schools and hospitals, and oversight of NGOs.

The socio-economic situation in Gaza has been in steady decline. Years of conflict have left around 80 per cent of 1.6 million Gazans dependent on international humanitarian assistance

for survival¹. The blockade, imposed following the Hamas takeover of Gaza in June 2007, has affected livelihoods, resulting in an insufficient skilled workforce and educated society. Over 1,500 NGOs operate in the Palestinian Territories in every sector of society, including health, education, agriculture, the environment, social affairs and gender.

The United Nations Relief and Works Agency for Palestinian Refugees (UNWRA), is the chief provider of basic services for Palestinian refugees in the West Bank, Gaza, Jordan, Lebanon and Syria. It provides education, health care, relief, camp infrastructure, community support, microfinance, and emergency response services. This makes UNRWA a major contributor to the lives of most Palestinians. UNWRA employs over 28,000 staff, the vast majority of whom are Palestinian refugees. It primarily relies on donors to fund its budget (US\$1.2 billion in 2009).

In 2010 Australia was the thirteenth largest donor to the Palestinian Territories providing \$38.1 million in development assistance. This was 1.5 per cent of the estimated 2.5 billion in Official Development Assistance (ODA) provided by all donors.

Palestinian Territories Program objectives and strategy

In March 2011 Australia agreed to an expanded program of \$300 million in development assistance to the Palestinian Territories over five years from 2011 to 2016. This will place Australia among the top ten donors to the Palestinian Territories. Australia provided \$48.5 million during 2011-12 as part of the expanded program (see table 1).

Australia's key objectives for the PT program were consolidated from three to two during the reporting period of this report. Streamlining our objectives reduces duplication and reflects the reality of the current operating environment. It will enable us to more clearly define our aims, direct our funding appropriately and measure results. Our objectives are to:

- support sustainable growth including helping rural communities and vulnerable groups overcome poverty
- support state-building and the peace process

Table 1 – Estimated Program Expenditure in 2011-12

Objective	A\$ million	% of program
Supporting sustainable growth including helping vulnerable groups and rural communities overcome poverty	16	46%
Supporting state-building and the peace process	26.3	54%
Total	48.5	100%

The cornerstone of the AusAID PT program for 2011-2016 is multi-year partnerships with trusted multilateral institutions and Australian NGOs. These Agreements ensure that AusAID works with partners whose long term experience in navigating the complex development challenges of the PTs help deliver targeted and effective aid.

¹ UNRWA- Gaza Humanitarian Fact sheet

Multi-year partnerships with UNRWA, the World Bank, the Palestinian Authority (PA) and UNICEF will underpin the program. These activities involve approximately 80 per cent of the program. A large proportion of the program budget is disbursed through pooled core funding and budget support mechanisms. The multiyear/multilateral strategic choices incorporated into the PT program are consistent with Australia’s aid policy as outlined in, ‘An Effective Aid Program’. AusAID also works collaboratively with Palestinian rural communities, through Australian and Palestinian NGOs. This helps to foster relationships between Australia and Palestinian people and by improving livelihoods and improving access to basic services.

Progress against objectives in the Palestinian Territories

The Australian Government is helping Palestinians build the foundation for a stable state and to deliver essential services. AusAID’s activities are helping to improve the lives of thousands of Palestinians.

Establishing multi-year partnerships with the UNRWA, World Bank, Palestinian Authority and UNICEF was the principal focus of the program in 2011. In September 2011, the Australia – PA Partnership Arrangement was signed with Palestinian Prime Minister Salam Fayyad in New York. A five year \$90 million Partnership Agreement was signed with UNRWA in May 2012, and a new agreement between AusAID and UNICEF in support of the WASH program has recently been finalised.

Table 2: Ratings of the program’s progress towards its objectives

Objective	Current rating	Relative to previous rating
Supporting sustainable growth including helping vulnerable groups and rural communities overcome poverty		Not applicable
Supporting state-building and the peace process		Not applicable

- Note:
-  The objective will be fully achieved within the timeframe of the strategy.
-  The objective will be partly achieved within the timeframe of the strategy.
-  The objective is unlikely to be achieved within the timeframe of the strategy.

Objective 1: Supporting sustainable growth including helping vulnerable groups and rural communities overcome poverty

Australia contributes to this objective by supporting two major activities:

- Core funding to the UN Relief and Works Agency for Palestinian Refugees (UNWRA); and
- The Australia Middle East NGO Partnership Agreement (AMENCA) program

UN Relief and Works Agency for Palestinian Refugees (UNWRA)

Support to UNRWA has been successful in increasing the provision of basic services to Palestinian refugee populations, particularly in education and health. UNRWA operates effectively in refugee settlements across the region. In mid-2011, UNRWA proved its

capacity in this area by continuing to provide basic services to Palestine refugees in Syria despite ongoing strife in the region.

Australian funding is highly appreciated by UNRWA because AusAID is responsive and our funds are flexibly applied, which is especially valuable given the overall financial problems UNRWA has faced as a result of the Global Financial Crisis. Australia recognises the central role UNRWA has played in delivering appropriate and effective support to Palestine refugees since 1949. AusAID has chosen to provide core financial assistance for UNRWA's General Fund (which supports human development, including education, health care, social services and humanitarian assistance). Australia's support is provided in a highly flexible manner that enables UNRWA to disburse where it is most needed. While difficult to attribute, some of the areas where Australia has helped UNRWA to improve the provision of basic services include:

Education

UNRWA operates one of the largest school systems in the Middle East and has been the main provider of free-of-charge basic education to Palestine refugees for more than 60 years. Since the 1960s, girls have made up around half of UNRWA's students. In 2011, UNRWA's education program comprised:

- 699 schools
- 19,217 educational staff
- 486,754 enrolled pupils
- 10 vocational training centres
- 6652 training places
- three educational science faculties
- 891 teachers in training
- 1700 student teachers.

UNRWA maintains 10 vocational and technical training centres with a capacity for 6600 trainees. Three types of courses are offered: Trade (vocational) courses (lasting up to two years); Technical/semi-professional courses (lasting two years); and Certificate program courses lasting one or two years. These courses are organised in response to local needs, in cooperation with NGOs.

Health

Ensuring equity in access to health care can be particularly difficult where UNRWA works, because of violent conflict, restrictions on movement and refugees' entitlements under the different host governments. Despite these challenges, UNRWA now has 137 health centres, significantly reducing the physical and economic barriers to health care for Palestine refugees. As of 31 December 2010, UNRWA's health program supported:

- 137 primary health care centres
- 3654 health staff
- 118 dental clinics
- 11 million annual patient visits.

Upsurges of violence in Gaza, continually challenge UNRWA. In response, new services that deal specifically with the consequence of protracted violence and insecurity have been established. These include mental health care, physiotherapy and rehabilitation. UNRWA also provides counselling and referral services for victims of gender-based violence.

Relief services

UNRWA's relief services program provides social safety-net assistance such as basic food support, cash subsidies and additional family income supplement (FIS) to the most vulnerable Palestine refugees. Over the years, the relief services program has had to overcome numerous obstacles, but its recent achievements include:

- Providing quarterly food and cash subsidies for almost 275,000 disadvantaged refugees in 2010
- More than 58,100 women refugees benefit each year from the agency's work strengthening their role and participation in the community
- Helping more than 20,000 refugees with disabilities to receive direct rehabilitation services each year, with more than 80,000 services provided
- Providing, through community-based organisations, education and recreation activities for more than 99,500 children and young people, consistent with the objectives of the Convention on the Rights of the Child
- Providing US\$1.4 million in loans to help more than 8000 vulnerable refugees build their household assets. More than 70 per cent of beneficiaries are women
- Rolling out a new, multi-million dollar, web-based refugee registration information system (RRIS).

AusAID's decision to provide 'unearmarked' funds reflects Australia's view that UNRWA has the capacity to deliver effective, targeted humanitarian assistance. Under the 2011 Australian Multilateral Assessment (AMA), UNRWA was ranked among the 16 organisations assessed to have strong or very strong performance in at least four areas of the assessment criteria. Australia considers that UNRWA is an appropriate core Palestinian Territories development partner because it:

- delivers results consistent with its mandate
- aligns with Australia's aid priorities and national interest in the delivery of its humanitarian programs
- strategically plans the use of its resources
- effectively monitors and reports on its results and achievements
- provides value for money and transparency in its use of Australian funding.

UNRWA has recently undertaken a significant reform process and the current strategic plan (2011–15) provides a stronger results focus from activities to the goal result statements.

Australia Middle East NGO Partnership Agreement (AMENCA) program

The restrictions on movement, contentious land ownership and security issues hamper effective local economies. Combined with the arid natural environment (particularly in Gaza) this means that obtaining secure food and livelihoods for everyday Palestinians is a constant challenge. AusAID has established the Australia Middle East NGO Partnership Agreement (AMENCA) program, to help improve livelihoods of rural communities and reduce economic vulnerability.

The Second Phase of AMENCA2 (2009-2014)

AMENCA2 contributes to reducing the vulnerability of Palestinians (particularly women, children and youth) by improving livelihoods, access to basic services, and building the capacity of Palestinian NGOs. AMENCA2 was designed as a vehicle for Australia's

contribution to Palestinian rural community development. AMENCA2 recognises the role of civil society organisations in supporting development and as key actors for social change. AMENCA2 contributes to building a more equitable and viable society which helps support and strengthen the self-reliance of the most vulnerable Palestinian families.

AMENCA2 has enabled marginalised Palestinian populations in rural areas to produce more food with less water by using irrigation and fertilizers, and for smaller numbers, home gardens have increased incomes. However, rural communities, both in Gaza and the West Bank are still in the main fragmented and marginalised. The major constraints to results continue to be of a political nature, and are outside the scope of the AMENCA activities to resolve effectively.

By the end of 2011, the four Australian NGO's in the AMENCA agreement, in collaboration with their local partners, delivered the following results:

- APHEDA (through Ma'an Development Centre) increased income for 6,088 households (supporting over 36,000 people) at an average of 26.5% since 2009.
- ActionAid (through Asala) increased income for women by (36.8%) through home gardens, income generating activities including animal husbandry.
- Care Australia (through Economic and Social Development Council and Applied Research Institute – Jerusalem) 172 livelihoods services provided to communities including a plant nursery benefiting 590 farmers, a seed bank supporting 954 farmers, a sheep farm supporting 143 breeders (in addition to greenhouses, water cisterns, extension services and irrigation networks)
- World Vision (through the Union of Agricultural Work Committees) has helped community based organisations in rural areas to expand services to 75,000 people, including establishing seed banks, nurseries, sheep breeding programs to improve stock quality, marketing support, emergency and dental health services and computer training.

Across AMENCA2, NGOs have reported strong increases in the proportion of women on community based organisation boards, with increases from 14 percent to 39 percent across the West Bank and Gaza.

UNICEF - WASH

AusAID's recently entered into agreement with UNICEF to expand the Palestinian WASH in schools project. Although is too early for results at the time of this APPR, the project is expected to deliver improved water and sanitation facilities in 246 Palestinian schools that have been prioritised by Ministry of Education and Higher Education (MoEHE). This expansion has been aligned with national goals of both the MoEHE and national water authorities, and has been reflected in UNICEF's Country Program Action Plan.

Objective 2: Supporting state-building and the peace process

World Bank Palestinian Reform and Development Plan –Trust Fund (PRDP-TF)

Overall progress under the World Bank Palestinian Reform and Development Plan –Trust Fund (PRDP-TF) and PA programs in establishing an independent state and promoting the peace process is broadly unsatisfactory, because of factors outside the control of the program. Nevertheless, with the assistance of international donors, the PA has improved its financial

position substantially, and Australia's support for the PA is steadily building the potential of institutions for statehood, should there be more progress to the Middle East Peace Process. The PA's improved economic performance can be in part attributed to policy dialogue with the WB and IMF which Australian funding helps to facilitate. By working through trusted partners such as the WB AusAID considers that the PRDP Trust-Fund represents an acceptable level of fiduciary risk.

PA Fiscal Situation

The Palestinian Authority (PA) has implemented a comprehensive plan of institution building through reforms and fiscal strengthening since 2007. However, despite this effort, the situation remains precarious with almost no momentum on the peace process. As a result, despite economic gains in previous three years, in 2011 a severe fiscal crisis threatened to become protracted, especially given declines in donor assistance (as a result of global economic challenges).

In 2010, an easing of movement restrictions in the West Bank contributed to economic growth, but there have been few significant additional measures at the time of this assessment. Unless there is significant progress in the Israeli-Palestinian political dialogue, real growth in West Bank and Gaza will continue to be slow. The West Bank economy grew at a rate of 5.8 per cent in 2011, down from 7.5 per cent in 2010. The slowdown can be attributed to falling donor support, the uncertainty caused by the PA's fiscal crisis and a lack of significant easing of Israeli movement restrictions. GDP in Gaza is estimated to have expanded in 2011, but from a very low base. Infrastructure in Gaza continues to deteriorate, and massive investment is needed in key sectors such as water, waste water, electricity and solid waste. Unemployment remains high (21 and 30 per cent in West Bank and Gaza, respectively, in 4th quarter of 2011) and labour force participation is low.

The PA is expected to remain heavily dependent upon external budget support for the next five to ten years. External support was estimated at US\$983 million in 2011, whereas only around US\$610 million in donor financing has so far been identified for this financial year (2012). Despite the fact that the PA is making a concerted effort to strengthen its fiscal position, including steps to raise domestic revenues and control expenditures, in the immediate term the projected recurrent deficit is likely to have significant social and economic consequences. A continuation of the current trend of reduction in donor aid is likely to further aggravate the Palestinian fiscal crisis, potentially jeopardizing gains made in recent years in institution-building.

State-Building Results

Despite all these external factors with support from the World Bank, the PA has been to achieve the following results in three key areas since 2008:

Governance:

- **Public Financial Management** - The PA has been successful in developing a new accounting system, introducing budget formats that report against expenditure on specific development programs and basic services, reforming payroll and human resources systems
- **Fiscal Reform** - the PA has mobilized domestic tax revenues, reduced the rate of growth of the wage bill and assisted municipalities in improving their financial and fiscal performance

- **Social Development** - The World Bank has been instrumental in creating momentum for the social safety net reform through the on-going West Bank and Gaza Cash Transfer Project and the Social Safety Net Reform Project. Important results have also emerged in the education, pension and NGO sectors
- **Public Infrastructure** - The PA improved the institutional frameworks and access to water and sanitation, solid waste management, electricity and municipal service delivery through substantive analytical pieces and financing investments.

Basic Services

As a provider of general budget support to the Palestinian Authority, and now a donor in the top ten international supporters of Palestinian development, Australia contributes to the provision of basic services for everyday Palestinians. Notable results² in 2011 based in part on Australia's general budget support include:

- 97% enrolment rates for Palestinian children across the Palestinian Territories in education programs of 2,577 Palestinian schools
- The construction of 256 new classrooms and training programs for 18,000 teachers
- Tertiary education programs for 196,525 Palestinian university students
- Rehabilitations of 386 square kilometres of farmland for return to productive output
- Reconstruction of 50 kilometres of rural road
- Construction of 55 rainwater collection wells
- Construction and electrification of 53 agricultural wells
- Planting of 1.5 million trees under the Greening of Palestine program
- Coverage of 96% of Palestinian populations through vaccination programs
- The operation of 453 primary health care centres that provide health service coverage to approximately 2.6 million Palestinians
- Completion of the Jericho Correctional Facility for the accommodation of 175 inmates.
- The provision of cash assistance to around 85,000 poor households.
- Electricity infrastructure rehabilitation in 254 localities to enhance service delivery.

Program Quality

The overall quality of the program in the Palestinian Territories is considered to be good. All the major programs have met their immediate targets, though the wider political situation means that broader objectives are often not being met or are effectively curtailed. Ongoing conflict and instability in the PTs also limits sustainability of programs, and the security environment constrains monitoring and evaluation. Multilateral partner performance (WB and UNRWA) has generally been good, and our partners have met our broad expectations in terms of effectiveness.

Table 3: Quality at Implementation Scores

Initiative Number	Initiative Name	Start Date	End Date	Amount	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender Equality
INI054	AMENCA 2 – NGO Design and Implementation	1/09/2008	30/06/2014	\$29 455 000	5	5	4	5	4	5
INJ050	Palestinian Territories Water and Sanitation 2009-11	30/09/2008	30/06/2013	\$6 000 000	6	5	4	4	4	4
INJ843	AusAID- Palestinian Authority Partnership Agreement	1/07/2009	30/06/2013	\$120000000	6	5	4	4	4	4
INJ534	AusAID-UNRWA Partnership Framework 2010-2013	1/10/2010	30/06/2013	\$18 000 000	UNRWA performance is assessed separately through					

² Source: Report of the Palestinian National Authority to the Ad Hoc Liaison Committee for the Palestinian Territories – September 2011.

					an annual multilateral scorecard.
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Management Consequences

The Palestinian Territories program is fully programmed for the next three years. Existing programming is unlikely to be altered, unless there are significant political developments.

Management consequences for 2012 include:

- There should be clearer results targets and program management guidance for future programs, but with some flexibility to respond to a very uncertain environment- Palestinian Territories could fall back into a conflict at any time or see comprehensive peace followed by very rapid development.
- Seek increased transparency and accountability from World Bank on reporting and management of PRDP-Trust Fund.
- Closely engage with DFAT and other government agencies to manage our response to any rapidly changing political environment, including PA's worsening fiscal position and Fatah-Hamas reconciliation.
- Emphasise reporting on results at High Level Consultations, and multi-donor fora (such as AdHoc Liaison Committee).
- Improve monitoring and evaluation through enhanced independent audit, reviews and regular in-country monitoring.
- The overall risk environment (particularly in the area of security) requires continuous vigilance and the stringent application of security protocols.
- Continue to strengthen due diligence and financial management processes of the AMENCA program for AusAID to be confident that the funding is achieving its intended objectives.

Annex 1 Headline Results

Palestinian Territories Headline Results Summary

Headline Result Indicator	2011 Result	How Australia contributes (type of aid)	Method of calculation	Data source
Number of additional children enrolled in school	7,500 children enrolled	AusAID partly funded program, delivered by UNRWA	Results prorated (Australia provides 1.5% of UNRWA's Program Budget) ³	UNRWA website
Number of classrooms built or upgraded	4 new classrooms were built or received upgrades	AusAID partly funded program, delivered by UNRWA	Results prorated (Australia provides 1.5% of UNRWA's Program Budget)	UNRWA website
Number of people provided with disability services	300 refugees with disabilities receive rehabilitation services each year	AusAID partly funded program, delivered by UNRWA	Results prorated (Australia provides 1.5% of UNRWA's Program Budget)	UNRWA website
Number of police and other law and justice officials trained	Five legal professionals began Doctoral training in Australia	AusAID funded scholarships program, managed by AusAID	AusAID Statistic	Program Results Framework
Number of public servants trained	Five public sector management specialists began Masters level training in Australia	AusAID funded scholarships program, managed by AusAID	AusAID Statistic	Program Results Framework
Number of teachers trained	129 teachers trained	Palestinian National Authority through the Palestinian Reform and Development Trust Fund	Results prorated (Australia provides 0.7% of the Palestinian Authority budget) ⁴	Ad Hoc Liaison Committee for the Palestinian Territories (March 2012)
Number of Palestinians Enrolled at higher education institutions	1,375 students enrolled	Palestinian National Authority through the Palestinian Reform and Development Trust Fund	Results prorated (Australia provides 0.7% of the Palestinian Authority budget)	Palestinian Ad Hoc Liaison Committee for the Palestinian Territories (March 2012)
Number of primary health care centres in operation	3 primary health care centres providing basic health care services	Palestinian National Authority through the Palestinian Reform and Development Trust Fund	Results prorated (Australia provides 0.7% of the Palestinian Authority budget)	Ad Hoc Liaison Committee for the Palestinian Territories (March 2012)
Sq. Kilometres of land rehabilitated for agricultural use	2.7 square kilometres of land rehabilitated for farming	Palestinian National Authority through the Palestinian Reform and Development Trust Fund	Results prorated (Australia provides 0.7% of the Palestinian Authority budget)	Ad Hoc Liaison Committee for the Palestinian Territories (March 2012)

³ Australia provided \$15 million to UNRWA in 2011-12. UNRWA's total budget in 2011 was \$972.5 million.

⁴ Australia provided \$20 million to the Palestinian Authority in 2011-12. The PA's 2010 budget was USD \$2.9 billion.

Number of poor women and men who gain access to agricultural technologies	265 farmers received agricultural inputs and skills training	AusAID partly funded program, delivered by NGOS	Results reported on by four partner NGOs.	Six-Monthly Reports and Annual Reports
Number of poor women and men who increase their access to financial services	175 women gained access to financial services 24 women received loans to support the establishment of new activities and 15 women received loans to support existing projects	AusAID partly funded program, delivered by NGOS	Results reported on by four partner NGOs.	Six-Monthly Reports and Annual Reports
Number of poor women and men with increased incomes	266 farmers benefitted from a 30% income increase through land rehabilitation 65 workers benefitted from a 25% income increase following greenhouse rehabilitation	AusAID partly funded program, delivered by NGOS	Results prorated	Six-Monthly Reports and Annual Reports
Number of people provided with increased access to safe water	40,000 children received safe water in schools in the West Bank and Gaza	AusAID funded program, delivered by UNICEF	Based on UNICEF project monitoring and evaluation	UNICEF reporting