

DFID's Support for Palestine Refugees through UNRWA



Independent
Commission
for Aid Impact

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The Independent Commission for Aid Impact (ICAI) is the independent body responsible for scrutinising UK aid. We focus on maximising the effectiveness of the UK aid budget for intended beneficiaries and on delivering value for money for UK taxpayers. We carry out independent reviews of aid programmes and of issues affecting the delivery of UK aid. We publish transparent, impartial and objective reports to provide evidence and clear recommendations to support UK Government decision-making and to strengthen the accountability of the aid programme. Our reports are written to be accessible to a general readership and we use a simple ‘traffic light’ system to report our judgement on each programme or topic we review.

	Green: The programme performs well overall against ICAI’s criteria for effectiveness and value for money. Some improvements are needed.
	Green-Amber: The programme performs relatively well overall against ICAI’s criteria for effectiveness and value for money. Improvements should be made.
	Amber-Red: The programme performs relatively poorly overall against ICAI’s criteria for effectiveness and value for money. Significant improvements should be made.
	Red: The programme performs poorly overall against ICAI’s criteria for effectiveness and value for money. Immediate and major changes need to be made.

Executive Summary

The United Nations Relief and Works Agency (UNRWA) was established in response to the refugee crisis caused by the 1948 Arab-Israeli conflict in the Middle East. UNRWA was mandated to provide humanitarian relief and employment for Palestine refugees. Today, UNRWA provides support to 4.9 million refugees in Gaza, Jordan, Lebanon, Syria and the West Bank. The Department for International Development (DFID) is UNRWA's fourth largest donor, contributing £173.2 million in the period 2008-12. This review assesses the impact that DFID's support has on Palestine refugees and the effectiveness of DFID's engagement with UNRWA. The review focusses on UNRWA's provision of health, education and social support to refugees in all locations, except Syria.

Overall *Assessment: Green-Amber* 

DFID's support to UNRWA is an effective way of supporting both organisations' twin aims of improving the human development outcomes of Palestine refugees and of contributing to regional stability. UNRWA is delivering a good standard of basic public services in a challenging environment. DFID is driving UNRWA to improve the impact of its services. Until a regional political settlement is reached, UNRWA's role is central to ensuring that Palestine refugees can access basic services. There is, however, a real risk to the sustainability of this model, caused by the growing gap between demand for and supply of UNRWA services. To ensure sustainability, critical decisions must be made urgently and the pace of reform accelerated. At present, however, it is not clear whether UNRWA is in a position to do this. Unless profound changes are made, the Green-Amber rating, which is based on performance over the last five years, is at risk of falling to a far lower level.

Objectives *Assessment: Green-Amber* 

DFID and UNRWA have shared objectives that are well articulated: improved human development and greater regional stability. UNRWA's objectives, however, need greater clarity at the operational level. DFID has a strong and beneficial influence on UNRWA's strategy and plays a lead role in ensuring co-ordination of support to UNRWA. DFID has, however, allocated low levels of technical assistance and staffing resources to UNRWA's reform programme, which may limit its role, as a leading donor, in promoting reform.

Delivery *Assessment: Green-Amber* 

DFID's staff members engage well with UNRWA at the strategic level to promote efficiency, results and planning. UNRWA delivers basic services in an efficient manner in comparison with other regional providers. UNRWA is, however, increasingly unable to meet refugees' demands. Ineffective communication about reform, moreover, has resulted in a failure to address the strong resistance to change amongst refugees and staff unions.

DFID is engaging well with UNRWA to attempt to address the financial shortfall but DFID now needs to promote greater clarity in UNRWA's objectives and to ensure that value for money becomes a top priority.

Impact *Assessment: Green-Amber* 

DFID, through UNRWA, brings real benefits, notably in the health and education sectors. The dedication of UNRWA staff (mostly refugees) is instrumental in achieving these positive results, despite the challenges of the environment in which they work. Overall, the services delivered by UNRWA help to ensure that the situation of the Palestine refugees does not add to regional instability. Poverty reduction programmes, however, delivered through cash and food transfers, now demonstrate only minimal impact.

Learning *Assessment: Green-Amber* 

DFID has been central to the establishment and use of a monitoring and evaluation function within UNRWA. DFID has also actively encouraged the use of lessons learnt from its Palestine programme but it has not done enough to ensure the sharing of knowledge between UNRWA's field offices. Overall, the level of co-operation between DFID and the Foreign and Commonwealth Office was very impressive, although this was not consistent in all locations. UNRWA has consistently applied international best practice to the design of service reforms. At the operational level, however, UNRWA has encountered obstacles in putting its learning into practice.

Recommendations

Recommendation 1: DFID should carry out an urgent assessment to determine the level and nature of support UNRWA will require, to enable it to address effectively the challenge of reform and the widening gap between the demand for and supply of UNRWA services. The assessment should be conducted in close consultation with UNRWA, other donors and host governments and authorities and provide a significant input into the upcoming Medium Term Strategy process for 2016-21.

Recommendation 2: DFID should use its influential position to urge donors and hosts to provide unified political, technical and operational support to drive UNRWA's reform activities. DFID should provide substantive support to the implementation of reform in the priority areas within UNRWA's poverty alleviation, health and education programmes.

Recommendation 3: DFID should encourage UNRWA to engage more actively and to communicate more effectively with refugees as part of the reform process. DFID should consider providing technical support in this area.

1 Introduction

- 1.1 This review assesses the effectiveness and value for money of the support given by the Department for International Development (DFID) to Palestine refugees.¹ The support is delivered through the United Nations Relief and Works Agency (UNRWA). UNRWA is a United Nations (UN) body, established in 1949 in the wake of the 1948 Arab-Israeli conflict in the Middle East to assist Palestine refugees. This review examines the impact that DFID's support, through UNRWA, has had on the lives of Palestine refugees over the period 2008-13 and it examines the effectiveness of DFID's current engagement with UNRWA. Originally there were 700,000 Palestine refugees. There are now 4.9 million and the number continues to grow. The review focusses on the core UNRWA services of health, education and social support to refugees in all locations in which UNRWA operates, except Syria, where services have been disrupted by the present crisis.
- 1.2 The UK Government, through DFID, makes substantial contributions to UNRWA and has consistently provided a high level of support.² It is likely that UNRWA will continue to provide services and protection to Palestine refugees and will continue to require support from the international community, including DFID, until the Middle East Peace Process has resolved the political issues. The recent resumption of Israeli-Palestinian peace talks is proceeding on the basis that all issues are on the table, including the right to return of Palestine refugees. Any final settlement would need to be underwritten by substantial financial resources from the international community.
- 1.3 DFID's support to UNRWA was not scrutinised by DFID as part of its Multilateral Aid Review because UNRWA is not a typical multilateral UN agency. Figures A1 and A2 in the Annex provide further political context and details of DFID's funding to UNRWA since 1995.

The United Nations Relief and Works Agency

Since its inception, UNRWA has performed a vital and central role, evolving to become a quasi-state body for Palestine refugees

- 1.4 As a result of the 1948 Arab-Israeli conflict, more than 700,000 Palestine refugees fled into neighbouring countries and territories.³ In response to this humanitarian crisis, the international community passed a resolution in 1949, at the United Nations General Assembly, to establish UNRWA.⁴ In 1950, UNRWA began operations to provide immediate humanitarian relief for Palestine refugees and to provide them with work.
- 1.5 UNRWA confers refugee status, not only on the original 1948 Palestine refugees, but also on their descendants. This differs from the definition of a refugee, later adopted by the United Nations High Commission for Refugees (UNHCR) and accepted internationally for other refugee groups. As a consequence, of the approximately five million people now registered by UNRWA as Palestine refugees, only a very small number (the remaining original refugee caseload) would be refugees if the UNHCR definition applied. The different definition acknowledges the unique nature of the Palestine refugee situation and, in particular, the on-going Middle East Peace Process, where a solution for refugees is recognised as one of the five final status issues for negotiation. The UNRWA definition of Palestine refugees also ensures that their rights, in particular the right to return, are upheld inter-generationally.⁵
- 1.6 UNRWA performs a central role in the provision of public services to Palestine refugees. It performs a quasi-state function and is, in this respect, quite different from any other UN agency. Indeed, UNRWA is often referred to as the 'Blue State', in

³ Bocco, Riccardo, *UNRWA and the Palestinian Refugees: A History within History*, *Refugee Survey Quarterly*, 2010, Volume 28, Numbers 2 & 3, <http://graduateinstitute.ch/webdav/site/iheid/shared/summer/IA2010/RB1.pdf>.

⁴ *United Nations General Assembly Resolution 302 (IV) of 8 December 1949 (Assistance to Palestine Refugees)*, UN, <http://unispal.un.org/unispal.nsf/9a798adbf322aff38525617b006d88d7/af5f909791de7fb0852560e500687282?OpenDocument>.

⁵ The 'right to return' is a statement of the principle, embodied in United Nations General Assembly Resolution 194 (III) of 11 December 1948, that Palestine refugees have a right to return to their homes in what is now Israel and the Occupied Palestinian Territories.

¹ The term *Palestine refugee* is used throughout to be consistent with UNRWA's own terminology.

² The Annex provides an overview of the history of the political context of DFID's support to UNRWA.

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reference to its blue flag.⁶ Most of its employees are refugees, themselves. Figure 1 summarises UNRWA's governance structure.

Figure 1: UNRWA governance structure

UNRWA's basic governance structure has not changed since 1950. The head of UNRWA Headquarters is the Commissioner-General, who is appointed to this position by the UN Secretary-General, in consultation with the UN General Assembly. The Commissioner-General is in charge of all field offices and represents UNRWA in negotiations with hosts and donors. UNRWA, through the Commissioner-General, reports directly to the UN General Assembly. A difficulty of the arrangement is that the General Assembly does not provide clear strategic guidance to the Commissioner-General and important strategic decisions cannot be made without the agreement of key member states, represented in the General Assembly. Reporting to the Commissioner-General are the heads of the five field office headquarters. Each headquarters is responsible for one of the five locations in which UNRWA operates and comprises a number of departments to oversee the services provided by UNRWA through the area offices in that location. As set out in more detail in Figure 3 on page 4, a recent reform is the introduction of two advisory bodies, representing the views of donors and hosts, the role of which is to provide strategic and technical assistance to the Commissioner-General.

UNRWA provides basic public services, including health and education, to meet the needs of refugees, which would otherwise remain unfulfilled

1.7 UNRWA's services are provided in the locations to which the original refugees fled, namely, Gaza, Jordan, Lebanon, Syria and the territories of the West Bank. In this report, the five locations are referred to as the 'fields' or 'fields of operation', which are the terms employed by UNRWA. The governments and authorities which are hosting Palestine refugees in the fields of operation: Lebanon; Jordan; Syria; Gaza and the West Bank, are collectively referred to in this report as the 'hosts'.

1.8 The hosts provide some services to refugees but the nature and quality of those services vary considerably from host to host, as does the legal status accorded to the refugees. UNRWA's services are provided where there are either no or limited host services. To ensure this

complementarity, there is close co-operation between UNRWA and the hosts.

1.9 Figure 2 provides a broad overview of the scale of UNRWA's operations. UNRWA's staff are mainly drawn from the refugee population, thus providing paid employment for a sizeable proportion: approximately 30,000 refugee staff work for UNRWA. In addition, 130 international staff from the UN work for UNRWA. UNRWA currently provides the following services:

- basic services in education, health, vocational training, humanitarian relief, social services and micro-finance in all fields of operation;
- some advanced services in education and health in Jordan, Lebanon and the West Bank, and the referral of cases by UNRWA to host service providers in Gaza and the West Bank;
- employment within UNRWA for refugees, such as teaching and health-care positions;
- construction and camp maintenance services (e.g. waste removal) for refugee camps in all fields of operation; and
- monitoring and lobbying services for refugees to improve their rights.

Figure 2: UNRWA in figures - services for refugees in 2012 across all fields of operation⁷

Overview of the scale of UNRWA's reach and service provision	
■	4.9 million registered Palestine refugees
■	£580 ⁸ million budget
■	30,000 staff (mostly refugees)
■	130 international UN staff
■	58 refugee camps
■	703 schools
■	139 health clinics

⁷ UNRWA in Figures, as of 1 January 2012, UNRWA, 2012, <http://www.unrwa.org/userfiles/2011092751539.pdf>.

⁸ In this report, we have used pounds sterling figures, provided by DFID, wherever possible. Where figures are only available in a foreign currency, unless otherwise stated, we have translated them into pounds sterling, using the applicable average annual exchange rate (<http://www.oanda.com/currency/average>).

⁶ See, for example, Bocco, Riccardo, *UNRWA and The Palestinian Refugees: A History within History*, 2010, <http://graduateinstitute.ch/webdav/site/iheid/shared/summer/IA2010/RB1.pdf>.

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UNRWA faces significant challenges in its efforts to reform the delivery of basic public services, both in terms of its institutional structure and the wider political context

1.10 Over the last seven years, UNRWA has been attempting to make necessary reforms to improve its operations in response to increases in demand through population growth and the rising cost of delivering services. This reform programme is described in more detail in Figure 3. These reform efforts have encountered obstacles, arising from three principal causes: first, UNRWA's own institutional structure, which has barely changed since its inception; second, the wider political context of the refugees, shaped by the historical lack of progress in the Middle East Peace Process; and third, the regional context, in which each of the hosts faces its own internal political and security challenges or crises, such as the recent conflict in Syria.

1.11 In terms of UNRWA's institutional difficulties, the central problem is that the governance architecture of UNRWA does not have the democratic checks and balances typical of a state body. This means that the leadership of UNRWA does not have sufficient independent power within the organisation to drive reform. We found, in addition, no comprehensive means by which the interests of the Palestine refugees were represented within the organisation. This lack of representation leads to a widespread perception of disempowerment amongst refugees and creates an environment conducive to misunderstanding, mistrust and miscommunication.

1.12 A pragmatic step that has been taken to improve the functioning of UNRWA's governance architecture has been the formation of a number of committees to bring together UNRWA, key donors and the hosts. These committees consist of the top-level Advisory Committee (AdCom), the second-level Subsidiary Committee (SubCom) and ad hoc donors' and hosts' meetings (see Figure 4 on page 5). These governance arrangements are designed to build stronger links between donors, hosts and UNRWA and to provide the political capital and resources to empower UNRWA leadership and, thereby, support reform.

Figure 3: The UNRWA reform programme – mixed success

UNRWA has embarked on a broad programme of reform, the stated aims of which are: to ensure a higher quality of service that meets refugees' expectations; to adhere to international best practice; to provide a wider array of modern services; and to ensure the services are more efficient. Key reforms in the three service sectors under review are summarised below.

- Education reform aims to bring UNRWA's education services in line with international best practice. The reform programme includes a move towards a participatory and interactive approach to learning by children. The reforms entail a significant investment in staff training and a clearer delineation of support roles. The reform process has been delayed by staff union resistance, although agreement has now been reached to move this forward.
- Health reform is focussed on introducing a family team approach to the provision of health services. The aim is to serve the family in an integrated manner by a team of health workers and specialists. These reforms are showing early signs of success.
- Social support reform aims to improve how effectively cash and food assistance is targeted at the poorest refugee families and to ensure social support is consistent with international best practice. Hosts and refugees have opposed reform in this area; in particular, attempts to change the nature of social support from mixed cash and food to cash-only, in line with best practice, were strenuously resisted unless any transition were backed by guaranteed funding and at a level in line with international best practice.

1.13 The second obstacle to reform arises from the wider political context. The provision of services to Palestine refugees by UNRWA serves two main purposes: first, to meet the basic needs of Palestine refugees; second, of equal importance to refugees, to protect the right to return. For refugees, the existence of UNRWA and its continued provision of services reaffirms and gives institutional solidity to this right. The identity of the stateless Palestine refugee population is, thus, closely interwoven with the status of UNRWA as an institution.⁹

⁹ Bocco, Riccardo, *UNRWA and the Palestinian Refugees: A History within History*, Refugee Survey Quarterly, 2010, Volume 28, Numbers 2 & 3, <http://graduateinstitute.ch/webdav/site/iheid/shared/summer/IA2010/RB1.pdf>.

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Figure 4: Role of the UNRWA Advisory Committee (AdCom)¹⁰ and the Subsidiary Committee (SubCom)¹¹

AdCom

- has, as members, hosts, donors and UNRWA;
- advises and assists the Commissioner-General with UNRWA's planning, implementation and programme evaluation;
- discusses important operational issues and, in consultation with the Commissioner-General, may respond to extraordinary developments affecting Palestine refugees;
- aims to undertake its work by consensus and in a transparent manner that promotes the principles of partnership; and
- supports the Commissioner-General in informing UNRWA's informal stakeholder bodies, such as staff unions, of its conclusions and recommendations for the benefit of Palestine refugees.

SubCom

- has, as members: hosts, donors and UNRWA;
- advises and assists AdCom by providing it with technical advice, suggestions and recommendations;
- examines issues related to UNRWA's regular, project and emergency programming, as well as issues related to financial management and accountability; and receives its specific tasks from AdCom.

1.14 The close relationship between refugee identity and UNRWA affects the ability of the organisation to drive reforms to service delivery. Any discussion of reform of the UNRWA mandate or reform of services is, therefore, inherently politicised.

1.15 UNRWA initially provided a much more comprehensive range of services with greater coverage of the refugee population. It is a commonly held view amongst the Palestine refugee population that the gradual erosion of services provided by UNRWA reflects a weakening of the commitment of the international community to the Palestine refugees. This is widely perceived to be reflective of a lack of support for the right to return. It is not uncommon for refugees and staff unions to resist reform simply for this reason.

1.16 The third obstacle to reform arises from the challenges and crises faced across the region by

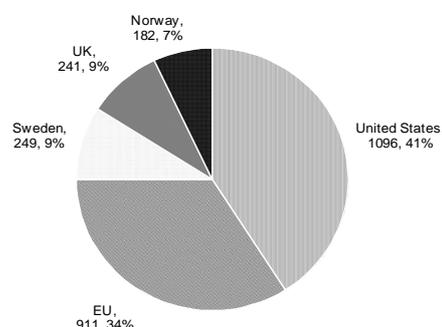
the hosts. The present crisis in Syria, the historical lack of progress on the Middle East Peace Process, the delicate social balance in Jordan and other regional crises directly impede reform of UNRWA services. For example, according to senior UNRWA staff, the influx of Palestine refugees from Syria to Lebanon has meant resources (including staff time) previously allocated for design and implementation of reform, have been diverted to manage UNRWA's Lebanon field office.

UNRWA and DFID

DFID is the fourth-largest donor to UNRWA, contributing approximately £30 million a year

1.17 DFID is currently the fourth-largest donor to UNRWA, after the United States, the European Union (EU) and Sweden (see Figure 5). DFID's total contribution to UNRWA was £173.2 million during the period 2008-12.¹² In addition, the UK supplies further funding to UNRWA, indirectly, through its contribution to the EU, amounting to 15% of the total EU budget. DFID's support to UNRWA is provided on a multi-year basis to provide UNRWA's management with the assurance of a steady flow of income. This enables a more strategic approach to planning and management by UNRWA.

Figure 5: Top five contributors to the UNRWA General Fund¹³ during the period 2008-12 (US\$ millions and % of total contributions)¹⁴



¹² UNRWA Donor Spend Annual Data Reports (2008-12), UNRWA, <http://www.unrwa.org/etemplate.php?id=668>.

¹³ The General Fund is UNRWA's core programme budget, which comprises recurrent staff and non-staff costs. It funds the UNRWA's ongoing programmes.

¹⁴ Data compiled from UNRWA Donor Spend Annual Data Reports 2008-12, UNRWA, <http://www.unrwa.org/etemplate.php?id=668>.

¹⁰ Rules of Procedure, Advisory Commission of UNRWA, 2006, <http://unrwa.org/userfiles/rulesofprocedure.pdf>.

¹¹ Terms of Reference for the Secretariat and the Sub-Committee, adopted at 17 November 2008 Regular Advisory Commission Meeting, UNRWA, http://unrwa.org/userfiles/file/AdCom_en/SubCommittee_TOR%2017_Nov2008.pdf.

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1.18 As a UN agency, UNRWA is not permitted to collect revenue independently, compared to a normal state body; nor does it have a dependable source of funds from donors, as do a number of other UN agencies that are funded, based on assessed contributions. UNRWA is entirely dependent on voluntary contributions, which means that the direct support of DFID and other donors is critical to the ability of UNRWA to perform effectively. The nature of the voluntary contributions means that there is rarely any predictability as to the amount or time of payment, as both are at the discretion of the donor. This adds to the difficulties for UNRWA in planning. The donations, moreover, often arrive later than stipulated in the original commitments. Only very few donors, such as DFID, provide dependable, multi-year commitments.

1.19 Financial support can be made to UNRWA in three ways. It can be made through contributions to emergency appeals; through contributions to the UNRWA General Fund; or through contributions to specific projects. The difference between providing support to the General Fund and support to specific projects is that the former allows for direct un-earmarked contributions to the ongoing costs of providing services, such as salaries.¹⁵ Support to projects, on the other hand, is earmarked for a specific purpose, such as building schools.

1.20 DFID, during the period on which this review focusses (2008-13), made the bulk of its contributions to UNRWA through the General Fund. DFID also funded an education project and a food security project (both examined in this review) and gave project support to assist in two emergency situations (outside the scope of this review).¹⁶

1.21 DFID's contributions to the General Fund amount to around £30 million a year and are generally paid in two tranches. The first tranche, of approximately £20 million, is paid at the start of the UK financial year. The second, of approximately £10 million, is paid towards the end of the calendar year and

includes money linked to results and reform. DFID contributed £110 million in the period 2007-11 and will contribute £106.5 million in the period 2011-15. This is provided as un-earmarked funding, which has some similarities to budget support, provided by DFID, to low income countries to enable the provision of public services.

1.22 DFID's project support consists of:

- £14.6 million for an access to education programme, to fund the construction of a number of schools in Gaza; and
- £14.4 million to provide income to families in Gaza to improve food security.

The financial contribution is part of a broader strategy of engagement

1.23 In addition to its financial contributions, DFID engages in other ways to support UNRWA: DFID senior staff engage bilaterally with the hosts; DFID influences UNRWA leadership to deliver against DFID objectives; and DFID supplies technical support to UNRWA, such as an analysis of the efficiency of UNRWA services.

1.24 DFID's staff, based at DFID Jerusalem, engage mostly at the strategic level. They deliver their support at the UNRWA headquarters in Jerusalem and Amman, as well as to the various committees. In addition, DFID conducts monthly field visits to follow the work of UNRWA on the ground.

Scope of the review and our approach

This review examines DFID's support to the education, health and social support functions of UNRWA

1.25 UNRWA provides a wide range of services to Palestine refugees, including: camp maintenance; micro-credit; counselling and psychological support¹⁷; vocational training; protection of refugee rights; education; health; and relief and social services. The review examines DFID's contributions to the General Fund and, to a lesser extent, the two projects mentioned above, aimed at improving, respectively, education and food security in Gaza.¹⁸

¹⁵ It is also possible for earmarked contributions to be made to the General Fund.

¹⁶ The emergency projects DFID funded during this period were: a small project for technical support (£56,000, funded and managed through the Palestinian Programme Strategic Impact Fund); and a project responding to the destruction of Nahr el-Bared camp in Lebanon (£1.5 million).

¹⁷ Provision of counselling and psychological support to refugees.

¹⁸ The bulk of DFID's contributions are provided through the General Fund. This is consequently the focus of the review. The two projects concern only Gaza and,

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1.26 From the services provided by the General Fund, the review team selected three service sectors to examine in detail: health, education and social support. In this report ‘social support’ corresponds to the function of UNRWA, which is termed ‘relief and social services’. It covers poverty alleviation programmes through cash and food distribution, social work, women’s groups and other forms of social support. These three sectors were selected, based on their budget, level of staffing and the importance placed on each service by Palestine refugees.¹⁹

1.27 Figure 6 sets out the four programmes under review, states the period during which DFID will have contributed to each and gives the amount of DFID funding attributable to each. In this report, each programme will be referred to by the name given next to it in parentheses. The review also briefly examined the parallel programme of governance support to the Palestinian Authority (PA), to understand the broader context of DFID support.

Figure 6: Programmes selected for this review

Programme	Period	Size (£ millions)
Education, health, relief and social services, funded from the General Fund (the ‘Basic Services Programme (Phase 1)’) ²⁰	2007-11	110
Education, health, relief and social services, funded from the General Fund (the ‘Basic Services Programme (Phase 2)’)	2011-15	106.5
Improving access to education in Gaza (the ‘Gaza Education Programme’)	2011-15	14.6
Improved food security in Gaza (the ‘Gaza Food Security Programme’)	2011-15	14.4

therefore, are discussed less; the education project is taken as a case study for financial tracking. See Figure A4 of the Annex.

¹⁹ The findings concerning the relative importance of services arose from consultations conducted with refugees in the course of this review. See Figure A6 of the Annex for details.

²⁰ The two programmes have the same name: Programme of Support to Basic Services and Protection of Palestine Refugees. The first was a £110 million programme from 2007-11 and the follow-on, modified programme was £106.5 million from 2011-15.

Our review included a literature review and a broad range of direct consultations with Palestine refugees from a visit to Gaza, Jerusalem, Jordan, Lebanon and the West Bank

1.28 The review began with a desk-based literature review of primary data and secondary literature. We then gathered extensive data, both through documentation and in the field, to ensure a broad evidence base for our findings. The documentation included business cases, programme plans (also known as ‘logical frameworks’) and other related DFID and UNRWA programme documentation and reports. We conducted meetings with DFID staff in Whitehall and with a number of academics and stakeholders from non-governmental organisations.

1.29 The team conducted a field visit to the region over a two-week period in Spring 2013. This included visits to Gaza, Jerusalem, Jordan, Lebanon and the West Bank. The security situation prevented travel to Syria. A map of our route and of the camps we visited is shown at Figure A5 in the Annex.

1.30 We visited 11 camps and a range of UNRWA installations and met over 250 Palestine refugees. This included meetings, formal focus groups and a number of unannounced ‘walk-about’ to meet refugees. We held a series of consultations with DFID, the Foreign and Commonwealth Office (FCO), UNRWA staff and a range of relevant stakeholders, including representatives from government institutions and other donors. The lead ICAI Commissioner participated in the entirety of the field visit. A list of consultations is shown at Figure A6 in the Annex.²¹

²¹ Details of the visits are provided in the Annex.

2 Findings

Objectives

Assessment: Green-Amber 

2.1 In this section of the report, we look at whether DFID has clear and appropriate objectives in its programme of support to Palestine refugees through UNRWA. We consider the clarity, relevance and effectiveness of DFID's and UNRWA's aims and then examine the level of influence DFID has over UNRWA's objectives.

DFID's and UNRWA's objectives

DFID's and UNRWA's objectives are clear at the strategic level, are well adapted to the context and align well

2.2 DFID's programme objectives are clear and fully aligned with UNRWA's at the highest strategic level. Both organisations have the twin aims of providing basic services to Palestine refugees and of contributing to regional stability. The objectives are clearly defined in the individual DFID business cases for the programmes under consideration in this review.²²

2.3 UNRWA and DFID see each other as valuable and trusted partners and a shared strategic vision for the support to the Palestine refugees underpins this relationship. DFID's programme business cases provide clear arrangements for its engagement and oversight of UNRWA. These arrangements include a clearly articulated process for determining, with UNRWA, whether result targets have been achieved.

2.4 DFID's objectives also align well with wider UK Government objectives. This strategic alignment is also supported by a broadly effective joint working relationship between DFID and FCO in the region. DFID has two strands to its support of the Middle East Peace Process. It supports Palestine refugees through UNRWA, as well as supporting the PA in its interim administration of the West Bank and Gaza, including service delivery to non-refugees in these territories. These two strands

complement each other and, together, constitute DFID's Palestine programme. DFID's joined-up approach to its objectives under the Palestine programme is consistent with the wider objectives of the UK Government under its Strategic Defence and Security Review (SDSR)²³ and the Building Stability Overseas Strategy (BSOS).²⁴

2.5 We found that UNRWA appropriately adapts its objectives to the context; it provides its services in those geographic areas where they are most needed, ensuring that it does not duplicate services already provided by hosts. There is great diversity between hosts concerning the rights of Palestine refugees, including the right to work and the right to access public services. We found that the scale and scope of services provided by UNRWA – and, consequently, its resources – are allocated between the five fields of operation to meet the needs unmet by the hosts. UNRWA, for example, directly provides universal secondary education to Palestine refugees in Lebanon, where they have limited access to host services. In Jordan, on the other hand, Palestine refugees are fully integrated into the national secondary school system and, therefore, UNRWA provides no such services there. It is clear that meeting the needs of Palestine refugees, unmet by the hosts, is a central objective of UNRWA. This approach is supported by DFID and is well-adapted to the context in which UNRWA operates.

UNRWA's objectives, however, lack clarity at the operational level and are the product of a collaborative process, which hinders UNRWA's freedom of action

2.6 UNRWA still operates under its original mandate, which contains ambiguities and a lack of clarity in its objectives at the operational level in terms of what UNRWA will deliver. Planning and strategy processes, conducted in the past, have identified these shortcomings in the mandate but necessary clarifications were not made because of the need for political compromise. Although this lack of

²² *Financial support to Improve Food Security for people living in Gaza in the Occupied Palestinian Territories*, DFID, <http://projects.dfid.gov.uk/project.aspx?Project=202375>; *Support to United Nations Relief and Works Agency (UNRWA): funding basic services and protection for Palestine refugees in the region*, DFID, <http://projects.dfid.gov.uk/project.aspx?Project=202885>; *Improved Access to Education in Gaza in the Occupied Palestinian Territories*, DFID, <http://projects.dfid.gov.uk/project.aspx?Project=202611>.

²³ *Securing Britain in an Age of Uncertainty: The Strategic Defence and Security Review*, UK Government, October 2010, http://www.direct.gov.uk/prod_consum_dg/groups/dg_digitalassets/@dg/@en/documents/digitalasset/dg_191634.pdf.

²⁴ *Building Stability Overseas Strategy*, UK Government, 2011, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67475/Building-stability-overseas-strategy.pdf.

2 Findings

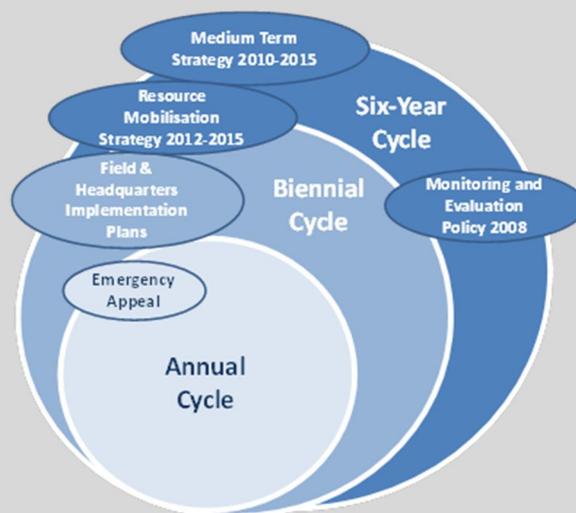
clarity has had the effect of allowing the organisation to continue to operate, it has also resulted in a failure to make decisions and set priorities between UNRWA services.

- 2.7 The current financial situation means that such ambiguity is no longer tenable. UNRWA is increasingly facing a fiscal crisis that threatens the ability of the organisation to meet its liabilities, especially the payment of salaries. Since UNRWA is entirely dependent upon voluntary donations, it has limited means of tackling the issue unassisted.
- 2.8 To address the problem, UNRWA will have to be clear that decisions over prioritisation of elements of the mandate will only realistically be made locally between donors, hosts, refugees and UNRWA. The organisation needs, for example, to decide whether to prioritise poverty alleviation – through income and food transfers – or the delivery of basic services. At present, it is pursuing both aims, with the consequence that neither is sufficiently funded. If priorities are not set, the organisation will drift towards a situation where its tangible impact on poverty or human development will be significantly reduced.
- 2.9 DFID rightly sees the upcoming UNRWA Medium Term Strategy (MTS) planning process (2016-21) as an appropriate forum to have these discussions (see Figure 7 for an overview). This will require consensus amongst all key stakeholders concerning the priority objectives for UNRWA. Unless realistic and clear decisions are made about UNRWA's priorities or unless there is a significant increase in donor spending – unlikely in the current economic climate – it is difficult to see how the fiscal and service delivery crisis can be averted within the required timescales.
- 2.10 As well as having a lack of clarity in its mandate at the operational level, UNRWA is unable to set its own objectives independently. UNRWA has to plan its service provision in conjunction with the hosts because its activities are complementary to theirs.
- 2.11 The parallel provision of services and the lack of an independent revenue collection capability, together, mean that UNRWA cannot plan independently. On the one hand, this means that UNRWA's activities are collaborative, combining

support from many different organisations. On the other, it makes for a far less nimble body, constrained by having to please numerous stakeholders and weighed down by cumbersome processes which, in turn, slow down reform.

Figure 7: Overview of the MTS planning process

The MTS, as pictured below, is a planning process which occurs every six years, during which UNRWA determines its priorities and direction for the following six years. The MTS requires support from donors, host governments and authorities, refugees, UNRWA staff and staff unions to be successful. The next MTS process for planning for the six-year-period 2016 to 2021 has already begun.



Source: DFID business case: funding basic services and protection for Palestine refugees (2011-15).

- 2.12 A further consequence of the consensual planning process is that UNRWA is more accountable to donors and hosts than it is to the Palestine refugees. The recent institutional changes, namely the formation of AdCom and SubCom – whilst having the beneficial effect of encouraging links between UNRWA, donors and hosts – has also created further distance between the refugees and the decision-making process. The planning, including the reform of services, consequently, has limited participation by the front-line UNRWA staff and refugee beneficiaries. This leaves refugees with little power to influence objectives in a formal way.
- 2.13 The only effective way refugees can exercise influence is through the wholesale blocking of any

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change through the unions or other groups, such as the camp committees. The different staff unions in each field tend to be organised on functional lines, such as teacher unions. These unions have a long history of resisting reform. Union resistance to reform, including through strike action is, however, widely seen as reactionary. Those consulted as part of this review felt that the unions did not have a clear position when making demands, beyond simply protecting the status quo. The review consultations also revealed a consensus that management was insufficiently robust in negotiations with the staff unions. It is likely that, if greater refugee participation in UNRWA decision-making were formalised and if a more transparent and effective communications policy were pursued with unions and refugees, a more constructive approach to reform might result.

DFID's influence over UNRWA's objectives

DFID leverages an influence greater than its level of financial contribution would suggest, in terms of shaping strategy, driving efficiency and co-ordinating donor support

- 2.14 DFID has a clear strategy of engagement to serve its objective of being in a position to influence UNRWA, other donors and hosts. Maintaining a level of influence is critical to the achievement of DFID's objectives to shape reform and overall institutional achievement. DFID's objectives for engagement are articulated in its business case, as follows: to achieve the greatest impact with DFID funding and to support UNRWA in introducing reforms, so that it is able to deliver effectively against UNRWA- and DFID-shared objectives.²⁵ The paragraphs below consider first DFID's engagement with UNRWA and then DFID's engagement with donors and hosts.
- 2.15 DFID has engaged effectively with UNRWA at the strategic level. The key agenda items for DFID have been the scope of UNRWA's services and its efficiency of service delivery. DFID's support has included a focus on the introduction of performance indicators, data collection and on the

development of monitoring and evaluation processes to maximise positive impacts on refugees.

- 2.16 The continued provision of a dependable and significant (8%) level of funding by DFID to UNRWA, making DFID the fourth-largest donor, is an important factor in ensuring a high degree of influence over UNRWA. DFID's influence has been further enhanced by making its funding to the General Fund conditional upon the attainment of reform milestones.
- 2.17 DFID has achieved tangible results, by combining strategic engagement with the leadership and governing bodies of UNRWA with the funding provided to UNRWA. DFID is widely acknowledged by UNRWA and a number of principal donors to have played a leading role in bringing about the increased focus on results within UNRWA management. DFID was instrumental, for example, in shaping institutional reforms within UNRWA in 2005.²⁶ The results of this are demonstrated by improved financial management within UNRWA.²⁷ Further and more recent examples include being a driving force behind the evolving efficiency agenda within UNRWA, following the April 2012 efficiency study funded by DFID.²⁸ It is, however, too early to assess the results of the implementation of this agenda.
- 2.18 As well as engaging effectively with UNRWA, DFID is also viewed by other donors and hosts as a leader within the UNRWA donor community in terms of the application of the international principles of aid effectiveness. DFID works well and in partnership with other key donors to harmonise the level, approach and means of support that donors provide to UNRWA.
- 2.19 The implementation of the engagement strategy with UNRWA, donors and hosts involves regular contact with UNRWA staff and very active participation in the Advisory Committee, which sets and guides UNRWA policy, as well as within the

²⁵ *Support to United Nations Relief and Works Agency (UNRWA): funding basic services and protection for Palestine refugees in the region*, DFID, <http://projects.dfid.gov.uk/project.aspx?Project=202885>.

²⁶ DFID Business Case – *Support to United Nations Relief and Works Agency (UNRWA): funding basic services and protection for Palestine refugees in the region*, DFID, <http://projects.dfid.gov.uk/project.aspx?Project=202885>.

²⁷ Technical Working Paper – *UNRWA Fiduciary Risk Assessment*, DFID, 2012.

²⁸ *Health and Education Efficiency in the West Bank*, REPIM DFID-funded study, February 2012.

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Subcom. This engagement is further bolstered by the less formal, bilateral engagements DFID has with hosts and other donors. These formal and less formal engagements allow DFID to influence effectively the future direction of UNRWA.

DFID has, however, only allocated minimal resources to reform, resulting in insufficient support to UNRWA at the operational level

2.20 DFID has allocated insufficient resourcing to the reform agenda and its efforts have been focussed at the strategic rather than the operational level. See Figure 3 on page 4 for an overview of the UNRWA reform agenda. Despite the successes achieved, to date, through DFID's influence on UNRWA, if DFID's objective is to continue to lead on reform, this approach requires rethinking.

2.21 To date, DFID's work on reform, in support of UNRWA, has been led by one DFID staff member in Jerusalem. DFID has only made available a low level of resourcing (£100,000) for technical assistance to support reform within UNRWA, amounting to 0.05% of DFID's total expenditure on UNRWA during the review period.²⁹ By way of comparison, the allocation to technical assistance to the PA in relation to reform amounts to 3.78% of total spending.³⁰ The funding decision was made on the basis that, as UNRWA is led by experts, it needs less technical assistance than the PA. The failure of certain UNRWA reforms, however, such as the failure to make the transition from the distribution of food to refugees to the distribution of cash and the blocking of the education reform programme, indicates that more support is required.

2.22 DFID has focussed its engagement at the central and strategic level of UNRWA. There has been minimal engagement in specific sectors, such as education, health or social support. The Social Safety Net (SSN) programme, funded through the General Fund, has had minimal impact on poverty, due to the small amounts of cash provided (for further details, see the Impact section). Whilst DFID has had some discussions with UNRWA on this topic, it has not engaged in this sector to

support the reform. The focus at the strategic level is at the expense of much needed support at the sectoral and operational level, where the real challenges of reform are being faced.

Delivery

Assessment: Green-Amber 

2.23 In this section we examine how well DFID, through UNRWA, delivers its support to Palestine refugees through the four programmes under review. We first consider the widening gap between supply of and demand for UNRWA services. We then consider the efficiency of UNRWA's service delivery, DFID's support to UNRWA and the need for reform in service delivery.

The widening gap between demand for and supply of UNRWA services

2.24 There is a widening gap between the demand for UNRWA services and what it can supply. As a result of this, there is considerable pressure on the services UNRWA delivers and this is felt particularly acutely in some sectors (see Figure 8 on page 12). Our visits to programme delivery locations and meetings with beneficiaries confirmed both the high level of demand for current services and the inability of UNRWA to meet this demand. Beneficiaries, moreover, frequently expressed the concern that UNRWA was scaling back its service provision. The extra demands that the Syria crisis has placed on UNRWA is compounding the widening gap between demand for and supply of UNRWA services. This means that the need to address this widening gap is even more urgent.

2.25 We saw the following evidence of the extreme pressure placed on services in the programmes under review:

- 1,800 UNRWA students receive education in shipping containers in Gaza because there are no buildings available;³¹
- in Gaza, approximately 85% of schools, affecting around 80,000 students, operate on a double-shift system, meaning that children

²⁹ Data provided by DFID Jerusalem upon request.

³⁰ Calculated from data provided to ICAI by DFID.

³¹ DFID Business Case and Summary - *Improved Access to Education in Gaza in the Occupied Palestinian Territories*, DFID, <http://projects.dfid.gov.uk/project.aspx?Project=202611>.

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attend school at different times of the day to address overcrowding;³²

- each doctor sees, on average, 104 patients a day which, without implementation of proposed reforms, will increase to 138 by 2021;³³
- fewer people are having their full costs of treatment in hospital covered – either only the poorest are receiving this or only a percentage of the fees is being borne by UNRWA;³⁴ and
- the UNRWA cash assistance rate paid to poor families has remained unchanged since 1978, at US\$10 per person each quarter.³⁵ The impact is that the cash component of social transfers to the poorest refugee families by UNRWA is being eroded through inflation. This aspect is discussed more fully in the Impact section below.

Figure 8: Pressure on UNRWA services

Refugees we interviewed expressed concerns about the ability of UNRWA to meet Palestine refugees' demands. The quotations below illustrate this point of view:

'There is overcrowding and I don't like the double or triple shifts and six-day weeks as the children are too tired to learn.'

'The food package doesn't last a month now.'

2.26 The paragraphs below consider the main reasons underlying the gap between demand and supply: first the key factors accounting for an increase in demand; then the reasons for supply constraints.

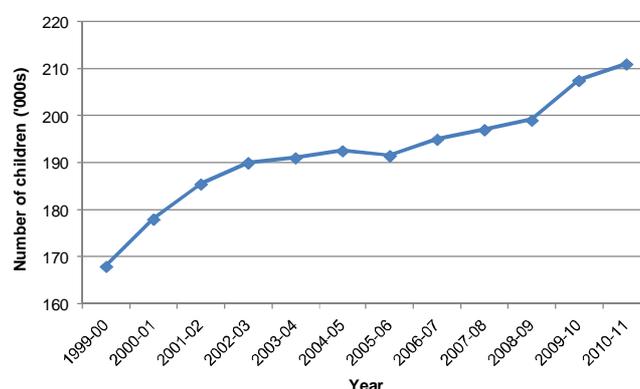
Population growth and the expectation of more sophisticated services from UNRWA are pushing up demand

2.27 The increase in demand is largely accounted for by a rising refugee population, which means more people are seeking services. Gaza, for example, currently has the seventh fastest-growing

population in the world: at 3.11% per annum in 2012,³⁶ rising even further to 3.44% per annum in 2013.³⁷ Medical visits peaked between 2002 and 2003, with an increase of nearly a million patient visits in Gaza and the West Bank, as a result of an increase in conflict.³⁸ The recent crisis in Syria is also placing extra demands on services from UNRWA, particularly as a result of the influx of Palestine refugees into Lebanon.

2.28 In Gaza, as Figure 9 shows, the population growth is placing greater demand on the UNRWA education system. As the host authority in Gaza has not been able to increase the supply of schools to meet this rapid increase in demand, DFID has invested in the Gaza Education Programme, discussed above, to construct 12 schools to address this supply constraint.

Figure 9: An increasing number of children enrolled in UNRWA schools in Gaza (1999-2011)³⁹



2.29 The nature of the demand is also changing: refugees are expecting increasingly sophisticated services from UNRWA, such as specialist care and educational provision for disabled children; nutritional education for refugees suffering from non-communicable diseases (e.g. cardio-vascular and endocrinology conditions, associated with poor diet); specialist educational services to address autism and attention deficit disorder; psychological support and counselling; and more sophisticated

³² DFID Business Case and Summary: *Improved Access to Education in Gaza in the Occupied Palestinian Territories*, DFID, <http://projects.dfid.gov.uk/project.aspx?Project=202611>.

³³ *Health and Education Efficiency in UNRWA*, UNRWA, 2013.

³⁴ This was raised during our meetings with beneficiaries in camps and with UNRWA staff in Jordan and Lebanon.

³⁵ *UNRWA in Figures, as of 1 January 2011*, UNRWA, 2011, <http://www.unrwa.org/userfiles/2011092751539.pdf> and consultation with the Head of Relief and Social Services at UNRWA Headquarters.

³⁶ *Index Mundi*, 2012,

<http://www.indexmundi.com/g/r.aspx?v=24>.

³⁷ *Palestinian Central Bureau of Statistics*, 2013,

<http://www.pcbs.gov.ps/site/881/default.aspx#Population>.

³⁸ *UNRWA in Figures, as of 1 January 2011*, UNRWA, 2011, <http://www.unrwa.org/userfiles/2011092751539.pdf>.

³⁹ Data collated from annual *UNRWA in figures* publications, <http://www.unrwa.org/etemplate.php?id=253>.

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health-care interventions for cancer. The demands increasingly reflect the growing expectations of higher-income countries.

Rising costs of delivery, with no equivalent growth in the UNRWA budgets, are constraining supply

2.30 The key cause of supply constraints is the increasing cost of providing services. This is due to a number of factors, including inflation, which has averaged in excess of 5% annually.⁴⁰ The challenging security context has also caused costs to increase; for example, the blockade on Gaza (see Figure A4 of the Annex for more details on the Gaza Education Programme case study).⁴¹

2.31 A further cause of rising operating costs is the impact of hosts increasing salaries in the health and education sectors. UNRWA's wage bill is indexed to wage rates, applied by host governments. Double-digit increases amongst some hosts in the last two years have had a significant impact on expenditure. Salaries comprise 75% of the overall UNRWA General Fund budget and as much as 93% in the education sector.⁴²

2.32 While costs are rising, there has been no equivalent growth in the UNRWA budget (see Figure 10); this applies both to the General Fund and to the total budget (which also includes emergency and project funding). This means that supply is being increasingly constrained.

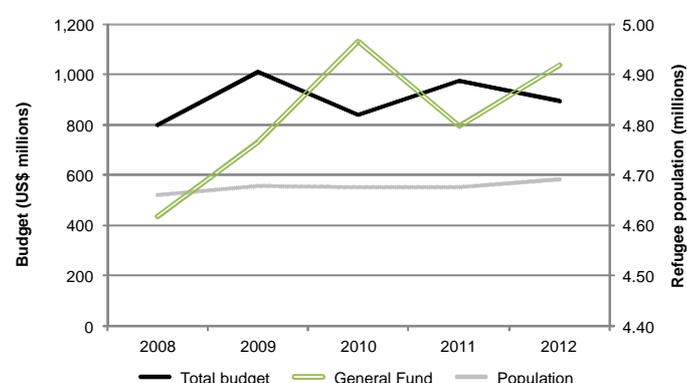
UNRWA is rapidly heading towards a fiscal crisis, which will require careful planning and management

2.33 The longer-term structural supply and demand gap is increasingly being felt as an immediate short-term fiscal crisis within UNRWA. The organisation has operated in a financially unsustainable way for many years and staff described UNRWA's current situation as 'chronically under-funded'.⁴³

2.34 During the time of our visit, the forecast end-of-year cash deficit for the General Fund was

US\$67.2 million (as of 1 April 2013). In addition, there are deficits forecast for projects and emergency appeals. In order to sustain its operations over time, UNRWA has calculated that it needs to increase its revenue by at least 3%, annually, over the next four years.⁴⁴ Attempting to fund this deficit and raise new funds is an activity that keeps UNRWA management, including the Commissioner General, very busy.

Figure 10: UNRWA budget (General Fund and total budget, including non-planned receipts) and population trends 2008-12⁴⁵



Note: The total budget includes UNRWA's General Fund, emergency and project funds

2.35 The fiscal crisis requires careful planning and management. UNRWA is making rapid progress in some aspects of financial management, such as financial transparency. It does not, however, have full authority to manage its budget, which means that proper planning to address the fiscal crisis requires support from donors and hosts. Although financial planning will be tackled through the MTS process, it is only a medium-term approach, as it will not be launched until 2016, while the current crisis is immediate. Current forecasts show that UNRWA will run out of funding in October. This is a recurrent crisis that, in the past, has prompted an urgent response from the donor community to avert the non-payment of salaries.

⁴⁰ A resource mobilisation strategy for UNRWA (2012-2015), UNRWA, 2012, <http://www.unrwa.org/userfiles/201211217364.pdf>.

⁴¹ Additional costs associated with the storage, demurrage, transportation and palletisation of goods exceeded US\$2.3 million in the first six months of 2011, alone. A resource mobilisation strategy for UNRWA (2012-2015), UNRWA, 2012, <http://www.unrwa.org/userfiles/201211217364.pdf>.

⁴² Information provided to ICAI by DFID.

⁴³ Term used during field visit to describe UNRWA's fiscal situation.

⁴⁴ A resource mobilisation strategy for UNRWA (2012-2015), UNRWA, 2012, <http://www.unrwa.org/userfiles/201211217364.pdf>.

⁴⁵ Population data incorrectly shows a fall in 2010-11. This anomaly is a direct result of the introduction of a new UNRWA registration system but the true picture is a rapidly growing refugee population.

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Efficiency in UNRWA's delivery of services

2.36 In the context of the growing demand and supply gap, the efficiency of UNRWA's service delivery is a key focus. This subsection considers the extent to which UNRWA is delivering efficiently and cost effectively. The Impact section, below, considers the quality and impact of the interventions.

UNRWA's efficiency compares favourably, overall, with that of host governments and authorities

2.37 UNRWA is a direct provider of services to Palestine refugees. It does not rely on any third parties or contractors to provide its services; health workers, teachers and those responsible for camp infrastructure, for example, are all UNRWA staff – and almost all drawn from the refugee population. This direct delivery model is seen to be central to the role of UNRWA as protector of the rights of refugees. This is because refugees expect a continued level of service to be delivered – with a strong UNRWA brand – and want to be confident it is protecting their right to return. UNRWA has, on occasion, attempted to work through partners to deliver services but this mechanism has never really progressed, due to its lack of acceptance by refugees.

2.38 The entrenched nature of the direct delivery model means that there is a lack of competing delivery models. This could potentially lead to inefficiencies. We found, however, that services delivered by UNRWA are efficient, given the context and the constraints within which the organisation operates. These constraints are significant and include Israeli-imposed restrictions on the transfer of building materials to Gaza and restrictions in setting the level of staff salaries, as they are indexed to wage rates, applied by host governments.

2.39 For these purposes, we assessed efficiency by carrying out a comparison with the delivery of similar services by hosts reviewed in efficiency studies,⁴⁶ and by exploring additional evidence around efficiency in the education project in Gaza funded by DFID.⁴⁷ Figures 11 and 12 show that in health care, UNRWA's efficiency compares

favourably to that of the PA, in terms of costs per clinic visit. In education, in terms of costs per child in primary education, efficiency is marginally lower than that of the PA but the margin of difference is sufficiently small for efficiency to be described as broadly similar to that of the PA.

Figure 11: The cost of education delivery by UNRWA and the PA (2008-10, New Israeli Shekels (NIS)) – costs are broadly similar

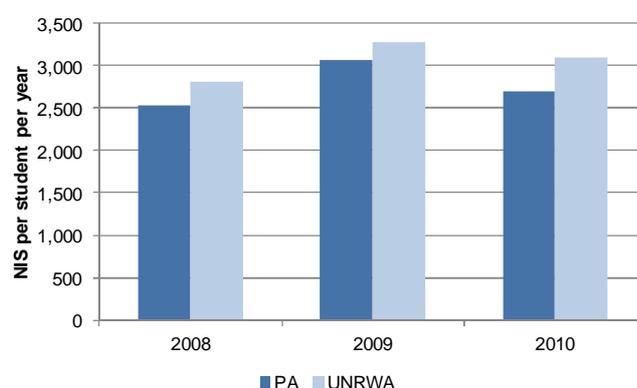
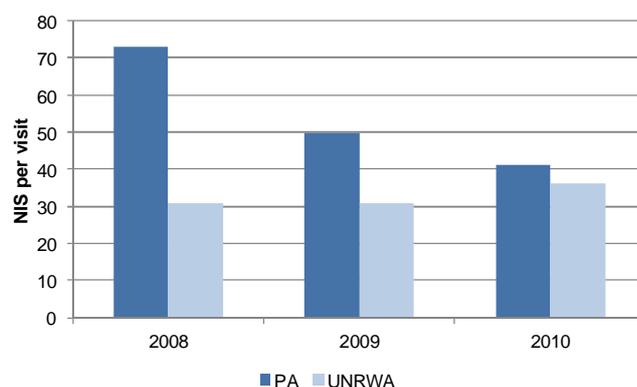


Figure 12: The cost of health care visits, provided by UNRWA and the PA (2008-10, NIS) – UNRWA costs are lower



Our financial tracking case studies show fiduciary risks are low, suggesting a good level of efficiency and that costs are being sensibly managed

2.40 Our first case study considered the efficiency and effectiveness of DFID's Basic Services Programme (Phase 2), which funds basic services and protection for Palestine refugees (see Figure A3 in the Annex). As DFID funding forms part of a wider pool of funds in the General Fund, the money must be followed indirectly, on the basis of DFID's 8% attribution.

⁴⁶ For example, see *Health and Education Efficiency in the West Bank*, February 2012, REPIM (a DFID-funded study).

⁴⁷ See the case study on the Gaza Education Programme in the Annex, Figure A4.

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- 2.41 The financial tracking of DFID support to the General Fund was achieved by carrying out a risk assessment to identify potential or actual sources of financial risk. DFID has most recently carried out an assessment of the financial management of UNRWA in 2012, through a fiduciary risk assessment. The assessment established that a previous finding of a medium risk two years earlier had been reduced to a low risk.
- 2.42 Since the assessment was carried out, DFID has been active in following up on findings by pushing for improvements in the areas of risk identified, namely, budget transparency and procurement.⁴⁸ One such DFID initiative is the provision of a grant of US\$400,000 for the training of local procurement officers through the UK-based Chartered Institute of Purchasing and Supply.⁴⁹
- 2.43 A further area which UNRWA is currently addressing is the cost of internal management. Approximately 16% of the General Fund is spent on support costs. UNRWA is undergoing an activity-based costing exercise to explore this further and to ensure a clearer understanding of the overall cost of providing specific services. This will permit improved results data that will allow for UNRWA to adopt a more results-based approach to the management of impact and outcomes.
- 2.44 Our findings confirmed the fiduciary risk assessment's conclusions that risk is being addressed. We found that organisational development reforms had contributed to improvements in fiduciary risk. Recent initiatives that promote greater transparency and a greater understanding of where costs fall should add to a further reduction in risk.
- 2.45 Our second case study examined a DFID-funded project, the Gaza Education Programme, which financed the construction of 12 schools in Gaza (see Figure A4 in the Annex). In this case, we were able to track the funds directly for the purposes of analysing the project efficiency and its ability to manage costs, since the monies were earmarked for a specific project. We found that UNRWA's budget of US\$2 million per school was delivered at

an average contract rate of about US\$1.3 million per school. This is in line with the cost of local schools, constructed by the PA.

- 2.46 DFID saved around £340,000 through using the Palestinian Authority-UN Trust Fund to fund the school construction project in Gaza. The Trust Fund was established to finance UN-supported state-building and development goals, including early recovery and reconstruction initiatives in Gaza. The Trust Fund is a slightly more efficient mechanism to manage and implement infrastructure projects, such as the construction of schools, as its administration charge is 3% lower than the rate paid if funded, directly, via UNRWA.⁵⁰ Using the Trust Fund was an appropriate decision from a value-for-money perspective, compared to other mechanisms available, to achieve the same outcome.

DFID's support to addressing the fiscal crisis

DFID has been very active in helping UNRWA to achieve greater efficiencies and to begin to focus on value for money

- 2.47 DFID has been very active in partnership with UNRWA in attempting to address the fiscal crisis. Multi-year funding, performance-related funding and, critically, DFID's excellent reputation allow it a significant role in policy influence amongst the donor community. According to consultations with UNRWA leadership and a number of donors, several improvements, such as increased transparency, introduction of a value-for-money agenda and a move towards a more evaluative approach, can, in part, be attributed to UNRWA's relationship with DFID.
- 2.48 Of particular note is the £106.5 million DFID will have provided in the period 2011-15, £11.5 million of which is linked to results and progress on reform through a Results Compact.⁵¹ A Results Compact is an agreement between DFID and UNRWA,

⁵⁰ UNRWA's programme support costs entail an administrative charge of 11%, whereas contracting through the Trust fund would entail a charge of 8% (7% for UNRWA and 1% for the United Nations Parliamentary Assembly). Therefore, three percentage points of savings were made (£340,033), as the Trust Fund has a mechanism in it where no implementing partner can request an administration fee greater than 7%.

⁵¹ DFID Business Case – *Support to United Nations Relief and Works Agency (UNRWA): funding basic services and protection for Palestine refugees in the region*, DFID, <http://projects.dfid.gov.uk/project.aspx?Project=202885>.

⁴⁸ *Technical Working Paper – UNRWA Fiduciary Risk Assessment*, DFID, 2012.

⁴⁹ \$400,000 figure provided to ICAI by DFID during fieldwork.

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which rewards good performance on both reforms and results, thereby encouraging reform. The current Results Compact includes a requirement that UNRWA provide clear financial projections and analysis based on a range of scenarios in order to inform the development of a fully costed MTS – which will be challenging for UNRWA; a joint evaluation plan; and the incorporation of value-for-money indicators in annual reporting. During our visit and interviews with UNRWA, we found that this had been used by UNRWA and was, generally, viewed by UNRWA staff as helpful in the process of driving through internal reforms.

- 2.49 DFID has played an important role in supporting the organisational development process, including the funding of training for UNRWA staff on a number of aspects of financial management. The support of DFID, as well as other donors, has enabled UNRWA to improve the transparency of financial management. UNRWA is now able, for example, to produce a monthly financial report, which is published and circulated to donors.
- 2.50 DFID has also assisted UNRWA in relation to immediate-term cash-flow shortfalls. In November 2012, following a request from UNRWA, the UK provided a £10 million advance of the 2013-14 core funding to help UNRWA address immediate cash-flow shortages, which would have prevented the payment of salaries.⁵² It is highly likely that, if the UK had not advanced funds, strikes would have contributed to the already unstable position in Gaza, sparking further conflict.

Achieving efficiencies is not sufficient: fundamental decisions on service provision and a greater focus on value for money through effective reform are required

- 2.51 There needs to be a far greater focus on two key aspects of UNRWA's organisation and services. First, as discussed in greater detail in the Objectives section, decisions have to be made on which services UNRWA should be providing. Second, there needs to be greater focus on ensuring the achievement of value for money.
- 2.52 Both aims require urgent and effective reform, with the full involvement of refugees and other

stakeholders. The resistance of refugees, staff unions and hosts to change is preventing reforms from being implemented in some sectors – reforms which could improve both efficiency and quality of provision. Acceptance of the reforms could be improved through effective communication about the nature of and reason for reform. Although UNRWA has made some attempts to communicate with beneficiaries about the reform process, these have not been fully effective, in part due to the strong demands of staff unions. DFID needs, therefore, to consider whether it is providing sufficient support in the management of reform and technical support to specific sectors. Additional support in these areas will help UNRWA achieve the necessary changes to ensure a more sustainable financial position.

Impact

Assessment: Green-Amber 

- 2.53 This section considers whether DFID's funding to UNRWA, through the four programmes under review, is delivering clear, significant and timely benefits for intended beneficiaries. We consider the impact of DFID support on the twin aims of providing benefits to refugees and contributing to stability. We look at the impact of the programmes to which DFID contributes and the effectiveness of DFID's engagement with UNRWA to achieve the desired impact.

Benefits for Palestine refugees

- 2.54 DFID, through UNRWA, is making a positive impact⁵³ on the lives of refugees, particularly in terms of the provision of basic health and education services, the two priority areas in terms of budget and staffing. These positive results have been achieved, despite the very challenging operating conditions in terms of security and political constraints.

⁵³ A number of hosts do not collect data on the basis of an individual's refugee status. Therefore, it is not always possible to evaluate the impact of UNRWA services to refugees, compared to host services to a non-refugee population. Where the data are available, a comparative approach to assess impact is used. There has been no comprehensive evaluation by UNRWA of the impact of its services, using an independent statistically significant survey. UNRWA has traditionally collected output-based data and has only, recently, started systematically collecting outcome- and impact-orientated data. Despite the challenges to the availability of comprehensive impact evidence, there is sufficient outcome evidence to provide a compelling assessment of whether UNRWA services have a positive outcome on the human development of refugees.

⁵² Consultations with DFID Jerusalem.

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In health care the UNRWA programmes, improved through recent reforms, are having a positive and measurable impact on beneficiary outcomes

2.55 In health care, we found that UNRWA services are having a real and tangible impact on beneficiaries and that the reform programme is making genuine improvements. We also found, overall, good access to and acceptable standards, of primary health care.

2.56 UNRWA installations and services are available inside and outside refugee camps in all the regions we visited. In 2011, for example, UNRWA staff held 10.7 million medical and dental consultations.⁵⁴ Figure 13 shows that UNRWA is gradually increasing the number of facilities providing health services. This is still insufficient to meet the rising demand; in 2012 UNRWA medical staff received just under a million patient visits.

Figure 13: A gradual increase in the number of UNRWA health care facilities (2010-13)⁵⁵

Service	2010	2011	2012	2013
Primary Health Care Facility	137	137	138	139
Primary Health Care Facility with family planning services	135	136	137	138
Dental facilities	No data	No data	107	108

2.57 In terms of UNRWA patient health improvements, real benefits have been recorded, as can be seen from Figure 14, which shows a decline between 1999 and 2009 in infant, under-fives and maternal mortality rates in Gaza and the West Bank. All these figures are now comparable with other Arab states.⁵⁶ In addition, Figure 15 shows that, across all five fields, refugee infant mortality rates compare well with those of the non-refugee population in those locations, with the exception of Syria, indicating that the work of UNRWA is having an impact.

⁵⁴ Annual report, Health Department, UNRWA, 2012,

<http://unrwa.org/userfiles/2013052094159.pdf>.

⁵⁵ Data collated from annual UNRWA in figures publications,

<http://www.unrwa.org/etemplate.php?id=253>.

⁵⁶ Health conditions in the occupied Palestinian territory, including east Jerusalem and in the occupied Syrian Golan, Report by the Secretariat, WHO, May 2012, http://apps.who.int/gb/ebwha/pdf_files/WHA65/A65_27Rev1-en.pdf.

Figure 14: Tangible improvements to health in Gaza and the West Bank (1999-2009)

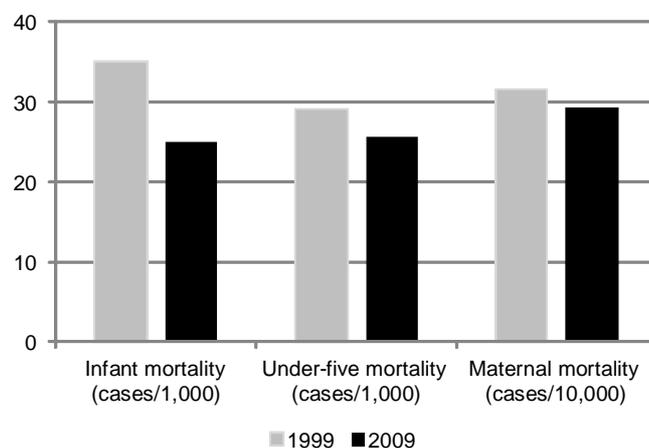


Figure 15: Infant mortality amongst refugees compares favourably to the non-refugee population (1995-2005, number of cases per 1,000)⁵⁷

Location	Refugees	Hosts
Gaza	20.2	24 ⁵⁸
Jordan	22.6	22
Lebanon	19.0	27
Syria	28.2	16
West Bank	19.5	24

2.58 Access to host government health services varies considerably between the five fields. In Jordan, for example, the host generally provides a broad set of services for many refugees, whereas in Lebanon the services provided by the host are very limited and, therefore, refugees are much more reliant on the services provided by UNRWA. Refugees reported general satisfaction with UNRWA services and, in focus group sessions, more than half stated they were more likely to attend UNRWA primary health care facilities than the clinics provided by host governments, because the facilities were easily accessible and free. We found positive progress with the health reforms that are focussed

⁵⁷ Flavia Riccardo, Ali Khader and Guido Sabatinelli, *Low infant mortality among Palestine refugees despite the odds*, February 2011, <http://www.who.int/bulletin/volumes/89/4/10-082743/en/>.

⁵⁸ The 'host' figure is reported for the combined West Bank and Gaza Strip territory, not individually.

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on the introduction of a family health team approach. This promotes improved comprehensive care for the entire family, focussing on long-term continuity of care and on building relationships with health care providers.

2.59 By the end of 2012, 36 health centres, from a total of 139, had adopted the Family Health Team approach (13 in Gaza, 9 in Lebanon, 7 in the West Bank, 6 in Jordan and 1 in Syria). The Family Health Team approach has not yet been fully evaluated but early indications show patient waiting times for consultations have been reduced. In Lebanon, the daily number of consultations with doctors has reduced from around 120 to around 80, allowing doctors to have longer consultation time with patients.⁵⁹

2.60 The success of the health care reform is widely seen by UNRWA staff, patients and donors as being a result of the participatory approach to planning that underpinned it. This reform was also able to deliver benefits for UNRWA medical staff and their unions, who have more manageable workloads, more integrated and timely services for patients and efficiency savings to meet UNRWA internal management targets.

In education, positive outcomes are also being achieved, with UNRWA schools consistently outperforming those of hosts, but reforms have had no measurable impact yet

2.61 Education is UNRWA's largest programme, accounting for 59% of General Fund expenditure. DFID provides additional support through the Gaza Education Programme.

2.62 UNRWA provides education in over 700 schools to almost 500,000 enrolled pupils,⁶⁰ of whom half are female. The primary school curriculum is aligned to individual hosts' provision but additional elements include learning about human rights and conflict resolution.

2.63 The extent of UNRWA's educational provision varies across the five fields. UNRWA provides primary and lower-secondary education in Gaza, Jordan, Syria and the West Bank. In Jerusalem,

there is a small number of schools providing only secondary education. In Lebanon, alone, UNRWA provides full primary and secondary school education. In addition, there is an increasing number of vocational training places across all fields.

2.64 We found that pupils at UNRWA schools attained high results, consistently outperforming host schools. This was further endorsed by parents in focus groups. Some of the same parents, however, complained of instances of classroom overcrowding and double-shift systems (95% in Gaza) but spoke very highly of the teaching staff.

2.65 The parents also credited the staff, themselves refugees, for the high achievements, despite the very challenging working conditions. Similar praise was given to staff for minimising disruptions to education services during the November 2012 escalation of conflict between Gaza and Israel. This is an example of additional commitment, gained through the employment of local staff. The level of dedication of the UNRWA staff is an important factor in determining the quality of services delivered and the overall impact. Figure 16 shows that, despite the supply constraints placed on the UNRWA education system, UNRWA is still able to achieve, on average, better educational outcomes than the comparable hosts.

Figure 16: The educational performance of UNRWA schools in national and international assessments, compared to host governments and authorities⁶¹

Field of operation	Assessment	Year	UNRWA average score	Host government or authority average score
West Bank and Gaza	TIMSS (maths)	2007	381	356
Jordan	PISA (maths)	2009	405	378
Syria	National exam	2011	88	70

⁵⁹ Annual report, Health Department, UNRWA, 2012, <http://unrwa.org/userfiles/2013052094159.pdf>.

⁶⁰ UNRWA in figures, as of 1 January 2013, UNRWA, 2013, <http://www.unrwa.org/userfiles/2013042435340.pdf>.

⁶¹ Note: These scores are not comparable across fields of operation. PISA and TIMSS are international studies of educational performance with different rating criteria. Similarly, the Syrian national exam, the Brevet, has its own marking and rating criteria.

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2.66 The reforms UNRWA has introduced to the education sector have had minimal direct impact on beneficiaries, to date. The initial reform focus was on legislative, structural and internal improvements. Later reforms attempted to introduce participatory, modern teaching methods rather than the traditional, more rote-learning-based, directive approach. Roll-out of staff training, critical to delivering the new teaching methods and approach, has commenced. Delays caused by the diversion of staff to the education needs of displaced Palestine refugees from Syria, as well as challenges from staff unions, have slowed progress. UNRWA has, however, been able to introduce more innovative approaches to education. In Lebanon, for example, to address the problem of unemployment, UNRWA provides vocational training, tailored to the specific educational and employment needs of Palestine refugees.

UNRWA services have had, however, limited impact on regional poverty reduction and food security, despite good coverage of the population

2.67 UNRWA provides cash and food assistance to poor refugee families, through the UNRWA Social Safety Net (SSN) programme. Assistance is now targeted at poor families, using a sophisticated proxy means-testing system. This has replaced the earlier system of targeting entire categories of people identified as likely to be poor or vulnerable, such as the elderly or disabled. As Figure 17 shows, assistance through the programme reaches between 3% and 12% of the total refugee population in each of the five fields.

Figure 17: Absolute numbers of recipients of SSN assistance (2013)⁶²

Location	SSN recipients	Refugee population	% reached
Gaza	109,484	1,203,135	9%
Jordan	57,880	2,034,641	3%
Lebanon	52,790	441,543	12%
Syria	36,393	499,189	7%
West Bank	35,712	741,409	5%
Total	292,259	4,919,917	6%

⁶² UNRWA in figures, as at 1 January 2013, UNRWA, 2013, <http://www.unrwa.org/userfiles/2013042435340.pdf>.

2.68 The overall impact on poverty of the assistance provided is fairly minimal, as the amount of assistance provided is very small. The food assistance equates to between 700 and 1,700 calories per person per day, which is far from meeting the minimal nutritional needs of poor families. Beneficiaries described the importance of the food aid programmes but said the sum that previously met family needs for a month now, due to rising costs, only lasts for two to three weeks.

2.69 The cash amount of US\$10 per person per quarter is, furthermore, very small: by way of comparison, the average income for a food secure (or non-poor) refugee is US\$12 per day.⁶³ It is questionable whether the cost of distributing the cash can be justified by the minimal impact achieved.⁶⁴ Beneficiaries told us that the amount was so small it had no impact and compared the paucity of this amount to the larger amount given by the PA of US\$70 per family per month.⁶⁵ The effect of this is that refugees can no longer rely on UNRWA for an effective social safety net and poor families have to rely on other sources of support, such as support from charitable organisations, informal income sources or the extended family. This situation is contrary to best practice in social cash transfers, which indicates that it is more effective to target assistance to the very poorest and ensure the amount paid has a meaningful impact on poverty.⁶⁶

2.70 UNRWA has embarked on reforms to the social safety net to improve targeting and to ensure that international best practice is adopted. Reform in this area has, however, proved to be extremely difficult, reflecting the extreme sensitivities around any changes to UNRWA's social support programmes. This aspect of UNRWA's services has particular resonance for refugees and is closely bound up with questions of refugee identity. This sensitivity is demonstrated by the riots at the UNRWA Food Distribution Centre in Gaza which

⁶³ *Socio-economic and Food Security Survey: West Bank and Gaza Strip, occupied Palestine territories*, World Food Programme, Food and Agriculture Organization and Palestinian Central Bureau of Statistics, 2010, <http://home.wfp.org/stellent/groups/public/documents/ena/wfp232398.pdf>.

⁶⁴ Cécile, Cherrier, *Exploring Alternative Delivery Models for UNRWA's Social Safety Net Program: Final Report*, 2009.

⁶⁵ NIS 250-600 is the official rate, according to PA Ministry of Social Services Cash Transfer Programme policy papers, which is converted at a present-day exchange rate of US\$1=NIS 0.28.

⁶⁶ *Cash Transfers Evidence Paper*, DFID, 2011.

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took place in early 2013, caused by a temporary suspension of the cash component of the SSN due to budget shortfalls. UNRWA was forced to terminate the cash component of the assistance package for all refugees in Gaza.

- 2.71 Attempts at reform in this area, moreover, met with particularly strenuous resistance from hosts and refugees. UNRWA attempted to move towards a cash-only benefit and a gradual phasing out of food aid, in order to reflect international best practice. Refugees, hosts and unions opposed the changes, expressing a strong desire to continue the provision of food aid unless a transition to cash were backed by guaranteed funding and at a level that was in line with international best practice.
- 2.72 Discussions are taking place, in the context of the MTS, regarding UNRWA's poverty reduction strategy and how to take forward the reforms. UNRWA remains, at present, unclear as to the broader implications and prospects for reform.
- 2.73 UNRWA also provides a range of camp maintenance services, including rubbish collection, water, sanitation and basic infrastructure. These are to a minimal standard and the conditions observed in many of the camps are appreciably lower than the surrounding community's living conditions, especially in Lebanon. More broadly, UNRWA also provides several socio-economic services, including support to women's groups and micro-credit services, for example, for home reconstruction.⁶⁷ Whilst the scale of these services is heavily constrained, these do provide an important degree of support to some of the most vulnerable refugees.

Impact of DFID's support to UNRWA on regional stability

UNRWA provides a vital platform for stability within the Palestine refugee population and DFID support is an important part of this

- 2.74 It is difficult to measure impact on regional stability because gauging whether an intervention has had an impact would require an assessment of what would have happened if there had been no

intervention. It is unclear how this can be achieved. We, therefore, adopted a participatory approach and assessed impact in terms of observations and comments from key stakeholders and beneficiaries.

- 2.75 Our consultations with Palestine refugees suggest that UNRWA's continued delivery of services is critical in providing a stable platform for the negotiation of a settlement. This could be considered a basic precondition for longer-term regional stability. DFID's continued and predictable funding support to UNRWA is an important element of this.

Withdrawal of UNRWA services may lead to civil unrest

- 2.76 Withdrawal, diminution or perceived diminution in UNRWA services is seen by refugees as a direct threat. This was evident in 2011, when minor cutbacks to health and education services in Lebanon caused protests and civil unrest. Recent similar, but small, outbursts highlight the risks to stability in a region already suffering from heightened tensions caused by the Syrian conflict. The necessary prioritisation of services and other reforms will, consequently, need to be carried out in a carefully planned and participatory way to minimise the risk to stability.

Learning

Assessment: Green-Amber 

- 2.77 In this section, we look at the adequacy of UNRWA's processes for monitoring the results of its activities, as well as DFID's engagement with UNRWA to introduce improvements. We also assess knowledge-sharing and the extent to which the knowledge acquired is put into practice to improve performance.

UNRWA's approach to measuring results

DFID plays a leading role in driving the UNRWA results and efficiency agendas

- 2.78 UNRWA has traditionally focussed on input and output data, rather than results or performance data that show how services are really having an impact for beneficiaries. The former approach focusses, for example, on how much money is put into an education project and how many schools are built but not on whether pupils are enrolled and

⁶⁷ The micro-credit services provided by UNRWA are self-funding and, therefore, are not a charge to the General Fund.

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are achieving good educational outcomes. The UNRWA quarterly publication, *UNRWA in Figures*, demonstrates that this focus on output and input indicators of performance persists as a dominant institutional culture.⁶⁸

- 2.79 DFID has been at the forefront of encouraging UNRWA to adopt a more results- and outcome-focussed approach to measuring institutional performance. DFID's influence contributed to the introduction of a monitoring and evaluation unit within UNRWA to measure results.
- 2.80 In addition to the establishment of a unit, DFID has also introduced and encouraged the practice of collecting and using the results data across the organisation. This provides DFID with the information it needs to monitor, accurately, the results and outcomes of the funds it provides to UNRWA. The challenge for UNRWA will be how the organisation adapts to use this data and to develop a more results-based management culture.
- 2.81 DFID staff have invested much time in encouraging other donors to use a harmonised UNRWA results-reporting framework. DFID staff have also worked intensively with UNRWA to support the development of this framework. The DFID Regional Monitoring and Evaluation Adviser and the Team Leader (Poverty, Vulnerability and Hunger) have contributed substantially to this process, particularly over the last year.

UNRWA is now collecting results but does not yet have a robust programme of evaluation

- 2.82 Since the recent establishment of the UNRWA Monitoring and Evaluation Unit, a large number of reviews and assessments have been undertaken. Very few of these reports can be considered fully fledged evaluations with credible and robust evaluative methodologies. The approach to evaluation within UNRWA is not systematic and the internal learning from its own programmes and services is not consistent. Over time, the approach is becoming more consistent, aided by the Monitoring and Evaluation Unit and pressures from the incentive structures introduced by DFID.

- 2.83 DFID has allocated £0.5 million under its Basic Services and Protection Programme (2011-15) to provide resources for evaluation. As soon as UNRWA has a strategic plan in place for evaluation, DFID will release these resources to be used for that purpose. The purpose of this approach is two-fold: to incentivise UNRWA to prioritise evaluation; and to ensure integration into the internal UNRWA management decision-making process. It is too early to determine whether this approach will be successful but it does appear to be well-planned on the part of DFID and also understood by UNRWA.

The impact of learning on programme effectiveness

UNRWA has identified international lessons and has applied them well in the health sector

- 2.84 Approximately 130 international staff work within UNRWA and this greatly facilitates drawing lessons from international best practice. Furthermore, many senior Palestine refugee staff within UNRWA have been educated overseas and have worked in other countries. Staff are also regularly exposed to international best practice through study visits to other countries and through co-ordination with hosts.
- 2.85 The recent reform to primary health care within UNRWA, which is focussed around the new Family Health Team approach, drew heavily from the UK experience of the General Practitioner approach to primary health care. A number of senior staff from the health sector have engaged in study tours to the UK and the United States and this has contributed to their knowledge-base to drive reform successfully.
- 2.86 DFID has supported UNRWA in drawing on international lessons. It has shared expertise from staff at DFID headquarters, including in relation to social development and results-based management. DFID has also used the innovative approach of learning lessons from a comparative analysis of efficiency in the provision of health and education services by the PA and UNRWA. This analysis has enabled DFID to draw on lessons from other areas of DFID Jerusalem work to inform the efficiency debate within UNRWA. The analysis was widely praised by UNRWA and other

⁶⁸ *UNRWA in Figures*, UNRWA, <http://www.unrwa.org/etemplate.php?id=253>.

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stakeholders and DFID can usefully consider undertaking similar pieces of analysis and lesson-sharing with UNRWA as part of the drive to encourage effective reforms. The review considered DFID could do more to support the sharing of operational lessons learnt between each of the five fields. The integrated approach adopted by FCO and DFID with regard to engagement with UNRWA was impressive, overall, although this was not consistent in each location.

In other sectors, UNRWA has been less successful in applying lessons

- 2.87 In other sectors, however, although international best practice and lessons learnt have been successfully identified and shared within UNRWA, implementation has not always been successful. For example, in education, reforms aimed at improving the participatory nature of teaching have been identified from best international practice. Yet the wholesale systematic reform of education has been impeded to date, largely as a result of resistance from the teacher staff unions.⁶⁹
- 2.88 In social support, UNRWA has worked closely with a number of international experts in this field, funded as technical assistance to UNRWA in co-operation with a number of donors. A transition from food to cash has been proposed by many experts, as food is readily available in the market in each field and the needs are related to chronic poverty rather than humanitarian emergency needs. Despite these clearly articulated lessons from international best practice, UNRWA has failed to transition from food to cash. This is partly linked to the symbolic meaning of receiving food aid that is perceived by many refugees to be a key component of their refugee status.
- 2.89 The need to improve communications between UNRWA and the refugee population was a recurrent theme in consultations for this review. An improvement in communications will strengthen UNRWA's contribution to stability within the refugee population. Furthermore, improved communications will help to ensure wider ownership of the design and implementation of

reforms. UNRWA can do more to learn from global best practice in managing such sensitive issues in a transparent and empowering manner.

⁶⁹ Evidence for this finding was drawn from consultations with UNRWA management.

3 Conclusions and Recommendations

Conclusions

- 3.1 DFID is able to achieve a significant impact on the lives of Palestine refugees through its support to UNRWA. The impact of UNRWA services on the human development of the refugee population is achieved consistently, despite the political, security and other service delivery challenges UNRWA faces. The commitment and determination of the UNRWA staff, mostly refugees themselves, contribute significantly and directly to the successful delivery of services by UNRWA.
- 3.2 The lack of progress in the Middle East Peace Process means that the Palestine refugees continue to be dependent upon UNRWA for public services and to protect their rights, including the right to return. UNRWA was established as a temporary body, to exist until refugees returned. UNRWA's mandate has, however, been extended every three years for the last six decades. In the meantime, the number of refugees continues to grow. It is more than likely that UNRWA will continue to provide services in a context of limited political progress. The recent resumption of Israeli-Palestinian talks provides some modest prospects for potential in political progress.
- 3.3 Development interventions are, typically, designed to have an impact that is sustainable, thus removing the need for continued support. The context in which UNRWA operates means that a sustainable solution to the situation of refugees rests in the political, rather than developmental, arena. It would, therefore, be inappropriate to hold either UNRWA or DFID responsible for a sustainable resolution for Palestine refugees.
- 3.4 The widening gap between the demand for and supply of UNRWA services poses a serious threat to the institutional integrity of UNRWA. It is now clear that the previous pragmatic trend of simply permitting attrition to service provision is likely to be an unsuccessful way of addressing the issue. DFID has proved itself to be a valued and beneficial partner of UNRWA in thinking through such strategic-level issues.
- 3.5 Reform is required to address the implications of this widening gap. The challenges UNRWA has faced in attempting to manage change, including the specific difficulties in reform of education, relief and social services, reveal that UNRWA needs political and technical support to manage change more effectively.
- 3.6 DFID is already planning to work with UNRWA in the upcoming MTS process (2016-21) to find solutions to the demand and supply issue. A clear plan of support to empower UNRWA to engage robustly with the growing need for reform of services does not yet exist. DFID is aware that such a plan cannot focus purely on technical support, important though this is. The technical assistance needs to be coupled with broad and comprehensive support from the key constituent stakeholders, including hosts, refugees, UNRWA staff unions and UNRWA management staff.
- 3.7 Present staffing levels and resources available to support reform of services within DFID are insufficient if DFID is to provide a leadership role in support of UNRWA. In addition, whilst DFID should continue its strategic-level support for the reform process, it is also vital that it should assist reform at the operational level, where the real challenges lie. It is imperative that support to reform and the management of change within UNRWA is undertaken in a way which co-ordinates support and input from donors and hosts. This has, as yet, not taken place.
- 3.8 The institutional and governance context in which UNRWA operates is typical of a UN agency and not of a state body: there is a cumbersome management structure; there is little formal participation in governance by beneficiaries; and reform is driven from the top by UNRWA management staff. This structure lacks the democratic and participatory characteristics of well-operating state structures. Yet UNRWA performs quasi-state functions. This mismatch between institutional structure and function serves as an obstacle to reform by impeding constructive beneficiary participation.
- 3.9 There are, in addition, some serious deficiencies in how UNRWA has communicated to its staff and

3 Conclusions and Recommendations

the wider refugee population regarding the nature of proposed changes and reform to services. The failure to improve participation and to communicate effectively serves to perpetuate the widespread belief that service reform is equivalent to a reduction in service provision and a threat to the right of return. The resulting institutional culture is not conducive to effective change management. The change management capabilities and approach within UNRWA need to be improved if UNRWA is to implement effective change in the provision of services.

Recommendations

3.10 UNRWA operates in a highly politically charged and difficult context. This prevents UNRWA from performing as well as it might at many different levels, both institutionally and functionally. This factor has been taken into consideration in our review process, our scoring and the nature and extent of our recommendations. Unless profound changes are made, however, the Green-Amber rating, which is based on performance over the last five years, is at risk of falling to a far lower level.

3.11 The following formal recommendations are made to DFID so that it can improve the effectiveness of its engagement with UNRWA, to maximise the positive impacts of DFID support for Palestine refugees, provided by UNRWA. The recommendations are limited in scope to that which is reasonably achievable in UNRWA's operational environment and to those matters over which DFID could reasonably have influence.

Recommendation 1: DFID should carry out an urgent assessment to determine the level and nature of support UNRWA will require, to enable it to address effectively the challenge of reform and the widening gap between the demand for and supply of UNRWA services. The assessment should be conducted in close consultation with UNRWA, other donors and host governments and authorities and provide a significant input into the upcoming Medium Term Strategy process for 2016-21.

3.12 DFID is planning to focus its support on the UNRWA MTS process for 2016-21 as a means of playing a leading donor role in addressing the challenges of reform and the widening gap

between supply and demand. If DFID is to be successful in how it supports UNRWA in this area, it will need to start from a sound and evidence-based assessment of the areas that require support.

3.13 The assessment process will need to be followed by a clear and precise plan of what support will be provided to UNRWA, by whom and when. A concerted – and successful – effort to support the effective management of change within UNRWA will also require political support from the UK Government, other donors and hosts.

Recommendation 2: DFID should use its influential position to urge donors and hosts to provide unified political, technical and operational support to drive UNRWA's reform activities. DFID should provide substantive support to the implementation of reform in the priority areas within UNRWA's poverty alleviation, health and education programmes.

3.14 Whilst DFID cannot control the level of political support for reform, it is well-placed to influence and encourage partners in this direction. The success of the MTS process and the reform that follows are entirely dependent on support from hosts and other donors. This has been lacking in the past and, as a result, UNRWA has not been bold in its reform planning and setting of priorities. The widening gap between demand and supply and the impending financial crisis mean that this is now a priority.

3.15 DFID should make available sufficient staff and technical assistance, as required, to resource the level of support determined by the assessment referred to in Recommendation 1. This might usefully include technical assistance to the MTS planning process, operational implementation of reform and specific sectoral expertise in areas identified for reform.

Recommendation 3: DFID should encourage UNRWA to engage more actively and to communicate more effectively with refugees as part of the reform process. DFID should consider providing technical support in this area.

3.16 The democratic deficit within UNRWA and the lack of comprehensive engagement with refugees in planning and implementing reform have greatly

3 Conclusions and Recommendations

hindered previous attempts at reform. Open and transparent communication with refugees about changes to service delivery is an essential first step in engaging with refugees and promoting a more participatory approach to service reform.

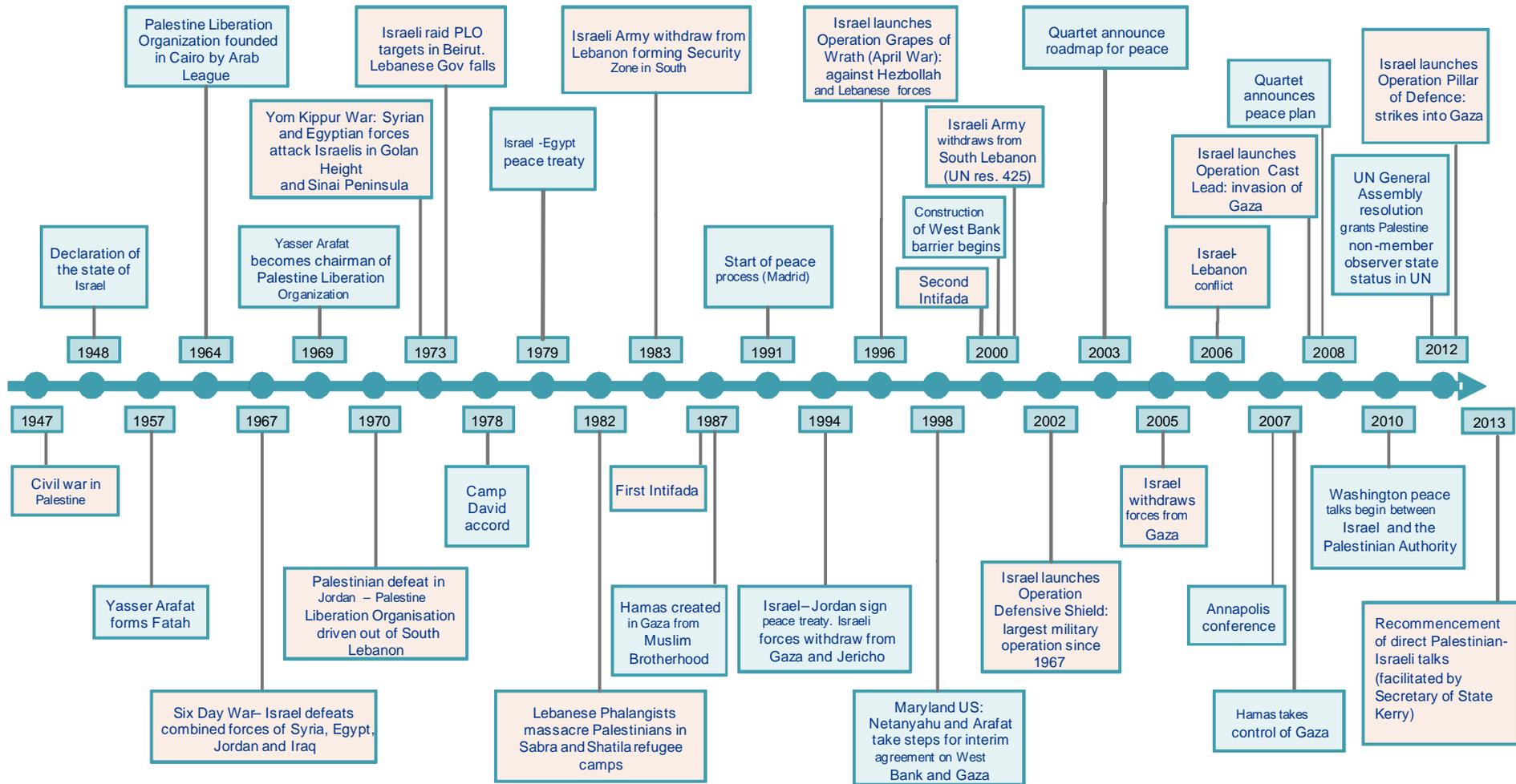
Annex

1. This Annex provides more detailed background information to this report. It includes:

- Timeline of key political and conflict events in the Occupied Palestinian Territories, from 1947 to date (Figure A1);
- Timeline of DFID's disbursements to and engagement with UNRWA (Figure A2);
- Financial tracking case study: Support to United Nations Relief and Works Agency (UNRWA): Funding basic services and protection for Palestine refugees in the region (the Basic Services Programme (Phase 2) (Figure A3);
- Financial tracking case study: Financial support to improve access to education in Gaza in the Occupied Palestinian Territories (The Gaza Education Programme) (Figure A4);
- Map of our fieldwork route (Figure A5);
- List of consultations (Figure A6); and
- Bibliography (Figure A7).

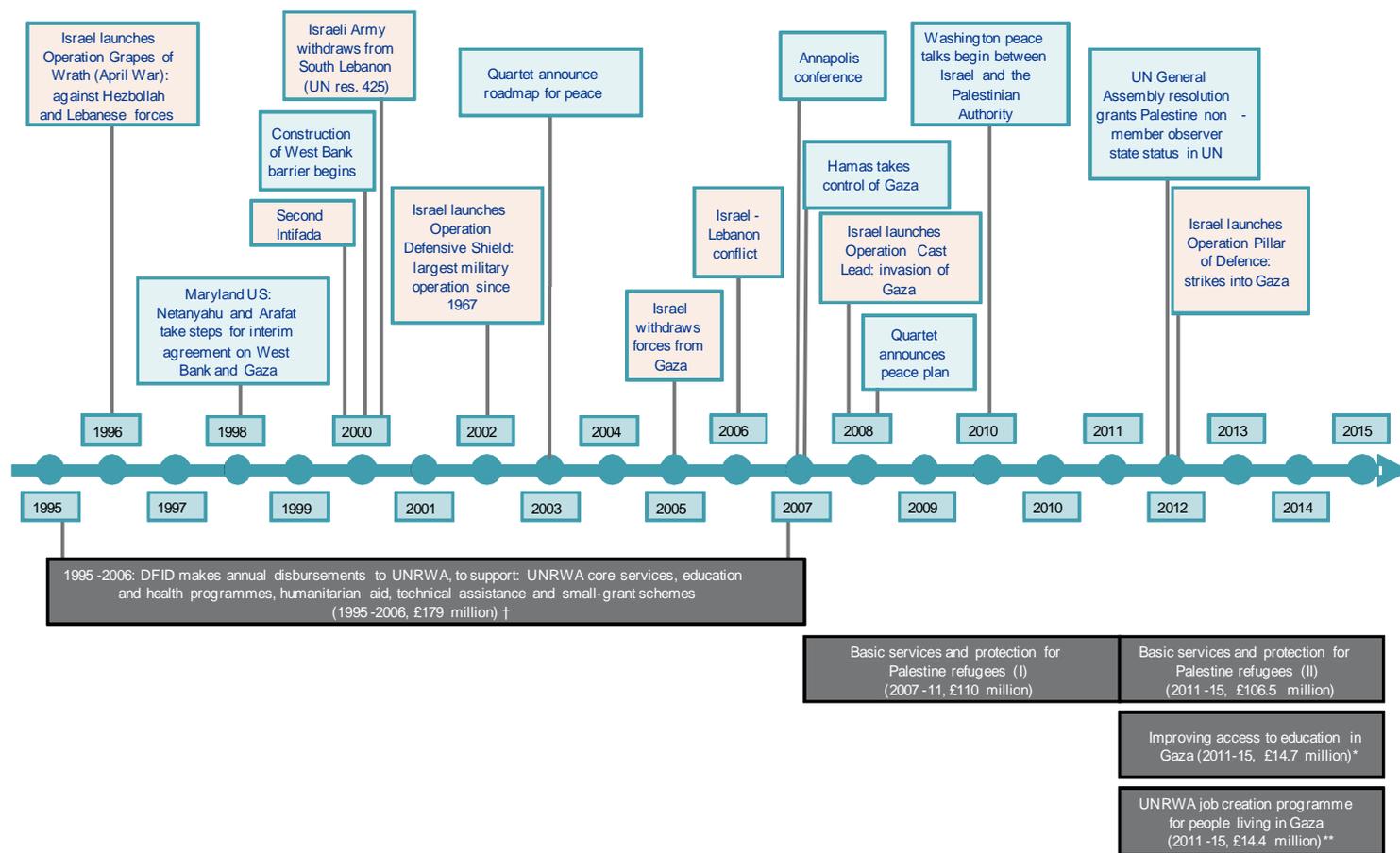
Annex

Figure A1: Timeline of key political and conflict events in the Occupied Palestinian Territories, from 1947 to date



Annex

Figure A2: Timeline of DFID's disbursements to UNRWA



† DFID does not hold data on its support before 1995

* The total of £14.7 million includes a £14.6 million donation to UNRWA for this programme and a budget of £100,000 for the evaluation of the programme, on behalf of DFID.

** This falls under DFID project 202375: *Financial support to improve food security for people living in Gaza in the Occupied Palestinian Territories*. The project budget is £24.1 million, of which £14.4 is delivered through UNRWA. The remainder goes to the World Food Programme and external evaluation.

Annex

Figure A3: Financial tracking case study – Support to United Nations Relief and Works Agency (UNRWA): Funding basic services and protection for Palestine refugees in the region (the Basic Services Programme (Phase 2))

DFID's current Operational Plan (2011-2015) commits to £106.5 million of multi-year funding to UNRWA's General Fund. UNRWA has three different budget lines: the General Fund, which funds core activities; the Project Fund for specific and time-bound activities, with a view to improving services without increasing recurrent costs; and Emergency Appeals in Gaza and West Bank, which respond to emergency conditions. UNRWA describes the General Fund as the 'life blood' of UNRWA, allowing it to meet its financial commitments and fulfil its mandate in the five fields of operation. The General Fund is the only budget line which provides universal coverage of refugee populations.

The money is not restricted and is spent on core activities; therefore, the money may only be followed indirectly. DFID takes an attribution rate of 8% of UNRWA results in health, education and relief and social services.

UNRWA has made significant progress in its financial reforms and ensured greater transparency in the last two to three years. Since 2010 UNRWA has been one of the very few UN entities to conduct a monthly hard close of the General Ledger, allowing for a more accurate picture of the financial position and better monitoring. UNRWA switched to International Public Sector Accounting Standards (IPSAS) in 2012, actively manages its foreign exchange risk (protecting US\$14 million through foreign exchange hedges in 2012) and, shortly, will move from biennial to annual financial reports and audits. UNRWA is now able to provide monthly reporting of expenditures and current and projected funding needs, which it has recently shared with the donor community. This has enhanced discussions and oversight within the Advisory Committee, as well as within other donor forums, which consider the management of costs and the funding crisis.

While UNRWA has recently done some work on rationalising the list of projects, there remains some deliberate confusion between budget lines with some long-term funding commitments, funded from the Projects Fund. The pressures on cash-flow and the visible needs of the refugee population have meant that some short-term project funds are accepted, based on need and not on longer-term sustainability. This may have potential repercussions on future funding years when costs will, later, need to be absorbed into the General Fund.

DFID has been behind many of these reforms. It is pushing, along with other donors, for increased transparency and greater control over finances, as well as – more recently – ensuring that value for money is on the agenda. Successful implementation was due, in large measure, to staff who have taken a more commercial approach within a UN body.

DFID has gained its own assurances on financial risks through a Fiduciary Risk Assessment carried out in 2012. The Assessment found that the risk level was low, down from moderate – an improvement that was achieved within only two years. The Assessment identified that payroll and staffing levels constitute a significant development risk. Since the report, DFID has followed up the assessment findings by pushing for improvements in budget transparency and procurement, as well as financial systems and staff salaries, through the Advisory Committee process and bilateral engagement. Good results were obtained from the Quarterly Stock Check (variance 0.03%). Areas of concern have planned follow-up actions, including implementation of an integrated financial management tool, allowing for greater oversight of procurement; and exploration of the high support costs (currently at 16% of the General Fund) through an activity-based costing exercise.

UK funds are clearly being channelled through a mechanism which allows an effective reach to beneficiaries. Increasing costs, however, are giving rise to significant concerns within the donor community and UNRWA about the current financial situation, despite the enormous strides taken to improve financial controls.

Annex

Figure A4: Financial tracking case study – Financial support to improve access to education in Gaza in the Occupied Palestinian Territories (The Gaza Education Programme)

DFID funds two projects in Gaza outside its contribution to the General Fund. This case study examines one of these projects: the Access to Education Project, on which DFID has spent £14,572,500.

The Project financed the construction, equipping and furnishing of 12 schools as part of Gaza's Recovery and Reconstruction Plan, which identifies the need to rebuild 22 existing schools, damaged or demolished during Arab-Israeli conflict; and the construction of 78 new schools. The Project had a high rate of return on investment (32%) with benefits including the employment of 1,200 workers in the short term, employment of 780 full-time teachers over the long term and potential for an increase in lifetime earnings for 24,000 students a year.

During our visit the need for the project was clearly visible: 1,410 UNRWA students receive education in shipping containers and around 8,000 students are taught in a shift system (95% of schools operate on a double-shift system) and the physical space available for students (1 square metre per child) is below the UNESCO recommendations. As Gaza has one of the fastest-growing populations in the world, the problem of classroom space is a continuing issue.

DFID disbursed the full amount of the project (£14,572,500) through the Palestinian Authority-UN Trust Fund. This funding vehicle had several benefits, including allocating funding against joint PA and UNRWA priorities but also allowed savings of £400,000, due to the 7% administration fee limit imposed by the Trust (an 11% fee applies on UNRWA projects).

The project delivered under a challenging build context: delays in approvals from the Government of Israel ranged from two to nine months with no clear understanding of the reason for the delays, which prevented planning. In addition, the cost of materials increased, due to the Government of Israel's limitations on procurement. This meant that during the build period, UNRWA had to use monitoring teams to inspect construction sites on a daily basis to ensure that no materials, other than the permitted construction materials (co-ordinated through the official crossing point with Israel), were being used at the site. These lengthy approval processes and reduction of official crossing points, from four to one, increased the cost of implementation. UNRWA spent an estimated US\$5 million in 2011 on extra costs, related to the import of construction and non-construction materials from Israel into Gaza.

DFID's flexibility and close working relationships with FCO colleagues in Tel Aviv helped ensure successful implementation. DFID funds were only committed once a contract was signed with the construction supplier and, therefore, could be deployed as soon as the approval of the Coordinator of Government Activities in the Territories (COGAT) was received for an individual school. There is evidence of DFID working with FCO colleagues to engage and influence the Government of Israel for a reduction in delays, as well as for a full, unconditional opening of the Gaza crossing. They also worked to obtain a revision of restricted dual-use goods and to streamline and accelerate the approval process for humanitarian and developmental projects.

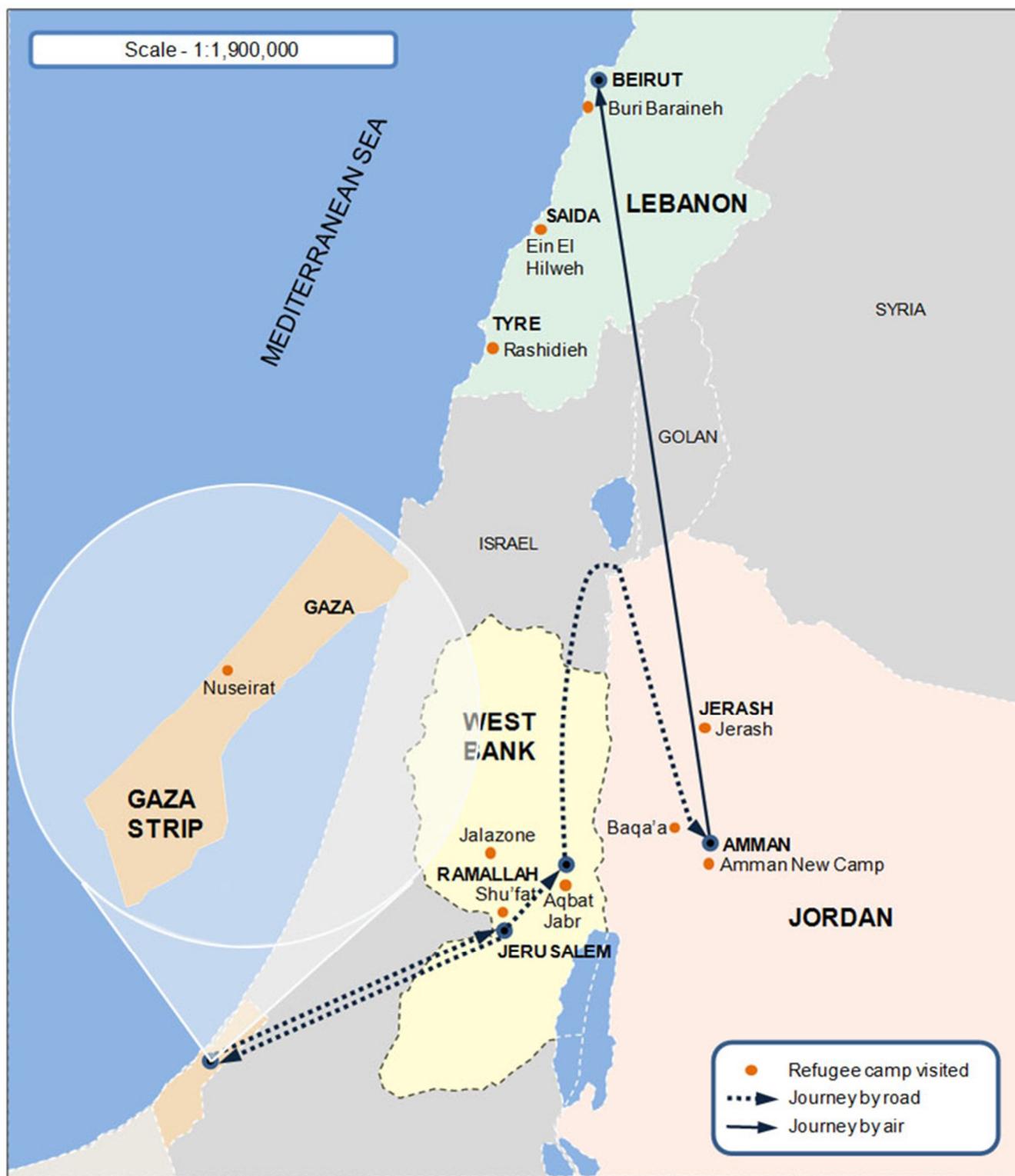
Although most delays seem likely to be attributable to COGAT, there were also some significant lag times between COGAT approval and the tender closing date. DFID developed a Project Improvement Plan to respond to the concern in the DFID Annual Review about project delays and identified a number of actions to be taken over the next six months to improve, including a closer monitoring of construction. The delays, however, have not had an impact on the planned occupation rate for September 2013.

In spite of the challenges, however, UNRWA's budget of US\$2 million for each school was delivered at an average contract rate of US\$1,324,409 for each school, ranging from US\$1,183,780 to US\$1,553,633. Value for money is embedded in UNRWA procurement procedures: costs offered by the contractors are checked against Agency Cost Estimates, with regular updates to reflect the prevailing market price for materials and workmanship. As only three contracts required the use of contingency funds, these funds may allow a thirteenth school to be rebuilt, although this was awaiting confirmation at the time of our visit.

The Project complements the greater support given by DFID to the UNRWA General Fund and is appropriate to DFID's core objectives on poverty alleviation and education. The Project will, however, have an impact on the General Fund, demonstrating the challenge of controlling General Fund rising costs. Although the Project will not have a significant impact on recruitment needs, as existing students and teachers will be transferred to these schools, it will, nevertheless, result in an additional £11.3 million in operational costs on an annual basis, which will fall to the General Fund.

Annex

Figure A5: Map of our fieldwork route



Annex

Figure A6: List of consultations

Location	Organisation	Beneficiaries (women)	Children	UNRWA staff in camp
UK	DFID			
UK	Palestinian Ambassador			
UK	Academic: Chatham House			
UK	Academic: Refugee Studies Programme University of Oxford			
UK	Palestinian Return Centre			
Jerusalem	DFID			
Jerusalem	UNRWA HQ Staff (based in Jerusalem)			
Gaza Camp	UNRWA	35 (17)		12
Jerusalem	UK Consulate			
Jerusalem	US Consulate			
Jerusalem	EU Delegation			
Jerusalem	Australian Government Overseas Aid Program (AUSAID)			
Ramallah West Bank	Ministry of Social Affairs			
Ramallah West Bank	Department of Refugee Affairs (PLO)			
West Bank Camps	UNRWA	37 (15)	20	12
Jordan	UK Embassy			
Jordan	UNRWA HQ			
Jordan	DPA			
Jordan	Daily Brand Impact (NGO)			
Jordan	Academic: The School of Oriental and African Studies			
Jordan Camps	UNRWA	25 (14)	102	7
Lebanon	UK Embassy			
Lebanon	Lebanese-Palestinian Dialogue Committee (LPDC)			
Lebanon	Academic: Palestine Refugees			
Lebanon	United Nations Office of the Special Coordinator for Lebanon			
Lebanon Camps	UNRWA	39 (8)		14
Total Beneficiaries		136 (54)	122	45

Annex

Figure A7: Bibliography

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Abbreviations

AdCom	Advisory Committee
BSOS	Building Stability Overseas Strategy
COGAT	Coordinator of Government Activities in the Territories
DFID	Department for International Development
ICAI	Independent Commission for Aid Impact
IPSAS	International Public Sector Accounting Standards
FCO	Foreign and Commonwealth Office
MTS	Medium Term Strategy
PA	Palestinian Authority
SDSR	Strategic Defence and Security Review
SSN	Social Safety Net
SubCom	Subsidiary Committee
UN	United Nations
UNHCR	United Nations High Commission for Refugees
UNRWA	United Nations Relief and Works Agency

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