



Ministry of
Planning and Administrative Development

Results of the

2010 PARIS DECLARATION MONITORING SURVEY

For the occupied Palestinian territory



September 2012

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INTRODUCTION

Within the discussion on making development assistance most effective, the third global monitoring survey on the implementation of the Paris Declaration on Aid Effectiveness was conducted last year. The survey reviews progress in 2010 – the target year for the 12 measurable indicators specified in the Paris Declaration. The results of this survey were fed into a global survey, which informed the Busan High Level Forum on Aid Effectiveness. The purpose of this High Level Forum was to take stock of the overall implementation of the Paris Declaration commitments and to accordingly suggest amended targets and indicators within the Global Partnership for Effective Development Cooperation that emerged out of the discussions in Busan.

The Palestinian National Authority (PNA) has formally endorsed the Paris Declaration in early 2009 and participated in the Paris Declaration Monitoring Survey for the first time in 2011. The current survey thus serves two main purposes: to monitor progress achieved against the targets of the Paris Declaration, and to provide a baseline for future action and monitoring along the new parameters established within the Global Partnership on Effective Development Cooperation.

The following paragraphs provide an overview of the context for development co-operation in the occupied Palestinian territory (oPt):

The oPt, with a population of 4.1 million¹, has a gross domestic product (GDP) of USD 8.1 billion for 2010². Net official development assistance (ODA) to the oPt was at USD 2.5 billion in 2010³, which amounts to 31% of the GDP.

The Gaza Strip and West Bank, including East Jerusalem, are under Israeli occupation since 1967, although limited Palestinian autonomy has been introduced in 1994. The Gaza Strip, a coastal enclave of approximately 360 square kilometres, with a population of more than 1.5 million Palestinians is virtually cut off from the outside world. It receives limited humanitarian supplies and is not able to export due to Israel's siege. Within this context in 2008 approximately one out of three Palestinians was living below the national poverty line. In the Gaza Strip, however, more than 55% of the population was affected by poverty. If food and cash aid were deducted, poverty rates would stand at 79.4% for the Gaza Strip and 45.7% for the West Bank⁴.

Finally, the Ministry of Planning and Administrative Development (MoPAD) would like to thank our international partners who participated in this survey process, and particularly Mr Geert Deserranno, Head of Development Co-operation of the Consulate General of Belgium, who agreed to act as the Donor Focal Point for the survey and has been of great help in this process.

1 Palestinian Central Bureau of Statistics, population projections based on the 2007 census;

2 All fiscal data in the report is based on Ministry of Finance (MoF) and IMF figures;

3 All ODA related data in the report is based on survey data, the Palestinian aid management system (DARP) and calculations conducted by the Ministry of Planning and Administrative Development (MoPAD);

4 United Nations Development Programme (2010), Human Development Report 2009/10 – occupied Palestinian territory, Jerusalem, January 2010

SUMMARY OF PROGRESS

Table 1: Baselines and targets for 2010 according to OECD methodology

	Indicators	2005 Reference	2007	2010 Actual	2010 Target
1	Operational Development Strategies	--	--	C	B or A
2a	Reliable Public Financial Management (PFM) systems	--	--	--	No Target
2b	Reliable Procurement systems	No available	No available	No available	No Target
3	Aid flows are aligned on national priorities	--	--	0%	85%
4	Strengthen capacity by co-ordinated support	--	--	80%	50%
5a	Use of country PFM systems	--	--	37%	No Target
5b	Use of country procurement systems	--	--	51%	No Target
6	Strengthen capacity by avoiding Parallel PIUs	--	--	27	No Target
7	Aid is more predictable	--	--	94%	No Target
8	Aid is untied	68%	87%	78%	More than 68%
9	Use of common arrangements or procedures	--	--	57%	66%
10a	Joint missions	--	--	5%	40%
10b	Joint country analytic work	--	--	28%	66%
11	Results-oriented frameworks	--	--	B	B or A
12	Mutual accountability	No available	No available	N	Y

Progress on the Paris Declaration indicators depends on improvements by both donors and partner governments. Of the nine indicators with applicable targets, three have been met and six are below target. Although much work remains to be done, the result is significantly above global average.

An operational development strategy is in place, although it was assessed as below the global target score of B or A by the World Bank due to the absence of a long-term development vision (which is almost impossible to define under the state of occupation) and because it does not link explicitly to the Millennium Development Goals (MDGs). On alignment, no aid was estimated ex ante in the budget on a donor-by-donor basis (indicator 3), which triggered the 0% score by the OECD. This score does, however, not reflect the reality of alignment in the oPt. In 2010 slightly less than 78% of aid flows from survey participants to the government sector are reported on budget, which is only 7% below the target set out in the Paris Declaration. Taking into account all external support to the government sector, including support from Arab and other countries, close to 80% of aid is reported on budget ex-post. Alignment with national priorities is hence considered to be very strong. Strengthened capacity by co-ordinated support and the proportion of untied aid are both above target. Although no targets were applicable since no CPIA⁵ and MAPS⁶ score was available for the Palestinian PFM system, the use of partner PFM and procurement systems is not insignificant. Furthermore the IMF has repeatedly commented very positively on the quality of public finance management in the oPt in its reports to the Ad Hoc Liaison Committee (AHLIC). On harmonisation, all indicators are below target, although the use of programme-based approaches (indicator 9) is close to being met. Due to lack of data for previous years it is not possible to make an assessment of progress over time.

5 CPIA: Country Policy and Institutional Assessment; an assessment performed by the World Bank in cooperation with national authorities to assess the quality of the PFM system;

6 MAPS: Methodology for Assessing Procurement Systems; a self-assessment tool to assess the quality of the procurement system;

ACRONYMS

CPIA	Country Policy and Institutional Assessment
DARP	Development Assistance and Reform Platform (national Aid Information Management System)
DME	Directorate for Monitoring and Evaluation
MAPS	Methodology for Assessing Procurement Systems
MDGs	Millennium Development Goals
MoF	Ministry of Finance
MOPAD	Ministry of Planning and Administrative Development
M&E	Monitoring & Evaluation
NDS	National Development Strategy
oPt	occupied Palestinian territory
PNDP	Palestinian National Development Plan (2011 – 2013)
PBA	Programme Based Approach
PCBS	Palestinian Central Bureau of Statistics
PFM	Public Financial Management
PIU	Project Implementation Unit
PNA	Palestinian National Authority
PRDP	Palestinian Reform and Development Plan (2008 – 2010)
STA	Single Treasury Account
SWAP	Sector Wide Approach

LEARNING FROM SUCCESS AND CHALLENGES

Table 2: Learning from success and challenges

The main observations are as follows:

DIMENSIONS	2010	CHALLENGES	PRIORITY ACTIONS
Ownership	Strong	Translating national development strategies into concrete programme, project and technical assistance requirements;	Develop action plans at the level of budget entities;
Alignment	Strong	Alignment with national priorities is strong, but in contrast to support to recurrent costs the use of national systems is rarely considered for development programmes/projects;	Donors need to involve central government institutions in early planning stages on substance and modalities (respect One-Gate-Policy for aid flows); Provision of timely, detailed and updated aid information to PNA;
Harmonisation	Moderate	Moving from fragmented individual projects to PBAs; Weak co-ordination of missions among donors;	Increase co-ordination and at sector level towards PBAs; Stronger coordination of missions in donor blocks and Sector Working Groups;
Managing for results	Moderate	Monitoring framework not yet fully rolled out; More efforts required by donors to provide data;	Expand governmental monitoring framework; Increase donor action on timely and accurate provision of information;
Mutual accountability	Low	So far no institutionalized approach to mutually monitoring of aid effectiveness commitments, but PD Survey is first step;	Follow-up on mutual accountability through regular dialogue based on PD survey and annual aid reports;

Explanatory Note on the scope of the survey: In the oPt a specialized UN agency, UNRWA, is providing education, health, social, micro-finance, and emergency services to 1.9 million registered Palestinian refugees (46% of the population). In addition, UNRWA is providing infrastructure services to those refugees still residing in refugee camps. In 2010, donors disbursed USD 446.1 million to UNRWA for regular and emergency operations. Funds disbursed through UNRWA are not captured in this survey for the following reasons: on a formal basis, aid to refugees is considered as humanitarian aid; aid to UNRWA is programmed and administered separately from funds allocated towards national development plans since UNRWA performs complementary services in its areas (which are co-ordinated with services provided by the Government); and finally UNRWA did not participate in the survey.

OWNERSHIP

Ownership of the development process by the recipient country is a central aspect of the Paris Declaration on Aid Effectiveness. Development efforts are more likely to be successful and sustainable where the partner country takes the lead in determining the goals and priorities of its own development, and sets the agenda. Aid is less effective when aid policies and approaches are driven by donors. In the context of the Paris Declaration, ownership concerns a country's ability to carry out two, inter-linked activities: exercise effective leadership over its development policies and strategies; and co-ordinate the efforts of various development actors working in the country.

INDICATOR 1: Do countries have operational development strategies?

Indicator 1 articulates what it entails for a country to assume ownership of its development process. The indicator is assessed based on three criteria: (i) the existence and quality of a unified strategic framework; (ii) prioritization within that framework; and (iii) the existence and quality of strategic linkages to the budget. All of these criteria are important to effectively harness domestic and external resources for development purposes.

The indicator is assessed by the World Bank based on the self-assessment of the PNA. The World Bank rates the operational value of a country's development strategy against a five-point scale running from A (highest score) to E (lowest score). The target as per the Paris Declaration is 75% of partner countries having operational development strategies.

The PNA was assessed as scoring C for the operationality of its national development strategies (NDS).⁷ The current NDS is the Palestinian National Development Plan, 2011-13.

The Palestinian National Authority has since its inception adopted a range of governmental development strategies. The first such strategy was issued in 1998, a mere four years after the establishment of the PNA. The eruption of the second Intifada in September 2000, however, rendered medium-term development plans obsolete. Instead, short-term stabilization and recovery plans were produced. In 2004, the PNA focused again on the longer-term development perspective and issued the Medium Term Development Plan 2005 – 2007. This plan though was heavily affected by political developments, such as the Israeli redeployment from Gaza, the subsequent siege on Gaza, the donor boycott of the PNA Government, and the armed conflict in Gaza in June 2007.

In mid-2007 the PNA embarked for the first time on an integrated planning and budgeting process, which culminated in the release of the Palestinian Reform and Development Plan (PRDP) 2008 – 2010 in spring 2008. The plan integrates national development objectives with a medium term expenditure framework and a medium term fiscal framework. At the time, however, not all tools and instruments were in place to properly monitor the implementation of the PRDP and the allocation of resources along national priorities.

The Palestinian National Development Plan (PNDP) 2011 – 2013 builds on the achievements of the PRDP, but has further refined the process of establishing a national development strategy along with a monitoring framework. This section will elaborate on the PNDP 2011 – 2013. Although the Cabinet has not yet endorsed the PNDP at the time the survey was conducted, it was available as a draft and includes the components described below.

The PNDP, which is the national development strategy, covers a period of 3 years (2011 – 2013) and was formulated in 2010 and early 2011. The underlying political vision is spelled out in the Program of the 13th Government: *Ending the Occupation – Establishing the State* (the name of the document reflects the long-term vision).

⁷ While the survey methodology seeks to assess the national development strategy in place in 2010 – the year of measurement for most of the indicators – scoring for indicator 1 in the oPt has taken into consideration the new national development strategy which began in 2011, recognising that this offers a more up to date assessment of the situation in the oPt.

The PNDP is furthermore underpinned by 23 sector and cross-cutting strategies, which cover governance, economy, social development and infrastructure⁸. The sector and cross-cutting strategies span across the same time-frame as the PNDP and are the basis of the PNDP's sectoral programmes (and thus the budget allocation). Cross-cutting strategies include gender, youth, public financial management, administrative development and local governance. An environment strategy was drafted as well, but is not considered cross-cutting as per the national definition. The National Development Plan is prioritizing policy interventions based on the 23 sector strategies (which are in line with the 11 national goals of the National Policy Agenda).

Sectoral and cross-cutting strategies were formulated by Sector Strategy Teams, headed by a PNA body, including participants from civil society, the private sector, independent experts and from donor institutions. Most draft strategies were further discussed with a wider forum of civil society. Many draft sector strategies were also discussed within the aid co-ordination structure.

As in the PRDP, the PNDP contains costed programmes and a medium-term fiscal framework (MTFF). The MTFF is an integral part of the National Development Plan 2011 - 2013 and as such the basis for the respective annual budgets. Annual budgets are progressively reflecting the specific sectoral priorities and tasks with the implementation of programme-based budgeting. The National Development Plan contains 32 national sectors, which are translated into programmes at the level of each budget entity. The budget is shifting from a line-item budget to a performance-based and programme budget. The 2010 budget was prepared on a programme and performance basis, but its implementation is not yet fully carried out on a programme basis.

A monitoring and evaluation framework is incorporated into the PNDP, but will be elaborated on under indicator 11.

⁸ The PNDP contains 32 national sectors, out of which 23 have defined national sector strategies

ALIGNMENT

Aid is most effective when being in line with priorities expressed in the national development strategy and with preferred national modalities of implementation, thereby reducing transaction costs and allowing for maximum integration of aid flows into national systems. For this purpose national systems need to be solid and reliable. The Paris Declaration Monitoring Survey attempts to measure the reliability of countries' public financial management and procurement systems and the utilization of such systems by donors.

Out of three alignment indicators with applicable targets, two have been met - strengthened capacity through co-ordinated support, and the proportion of untied aid.

INDICATOR 2: Building reliable country systems

The Palestinian National Authority has achieved considerable progress over the past years in establishing and consolidating reliable country systems. The formulation of an integrated multi-annual planning and budgeting framework was already elaborated on above. This section will focus on the Palestinian PFM system and procurement system.

Indicator 2 (consisting of 2a relating to the PFM system and 2b relating to the procurement system) is based on the World Bank's Country Policy and Institutional Assessment (CPIA) and the Methodology for Assessing Procurement Systems (MAPS). Currently though no CPIA or MAPS is available for the occupied Palestinian territory, which is partly a result of the special status of the oPt. The PNA, the OECD and the World Bank have jointly agreed that it would not be feasible to conduct a CPIA or MAPS for the purpose of the Paris Declaration Monitoring Survey 2011. For this reason it is not possible to assess the PFM and procurement system against the CPIA and MAPS scoring targets defined in the Paris Declaration. This, however, does not imply that no information on the reliability of the PFM and procurement system is available. On the contrary, the PNA is working in co-operation with its international partners on continuously improving the PFM and procurement system and in this context also draws on the expertise of the World Bank and the IMF. Both institutions provide semi-annual reports to the highest-level aid co-ordination body, the Ad Hoc Liaison Committee, on the PFM system. The IMF, in addition, issues regular PFM Progress Reviews for the oPt. This chapter is thus based on the PNA's self-assessment, as well as the assessments and reviews of the IMF and World Bank.

INDICATOR 2a: How reliable are country public financial management systems?

As mentioned above, the PNA was not assessed in 2010 on the reliability of its PFM systems, and no target is applicable hence. However, with the assistance of development partners, the Government is working on continuously improving the PFM system.

With the aim of reducing dependency on external financing and increasing fiscal sustainability, the PNA has implemented prudent fiscal reforms. These involve mainly the retrenchment of the public sector wage bill and measures to reduce net lending. Growth of the wage bill has been restricted, allowing for modest levels of recruitment in the education and health sectors. Reductions in net lending have been achieved by implementing a set of measures to improve the collection of utility bills. The results: wage expenditures are expected to have dropped from 23.8% of the GDP in 2008 to 22.3% in 2010 (final budget figures for 2010 not yet available). Net lending has been reduced by 44% between 2008 and 2010. Most importantly the recurrent budget deficit (on a commitment basis) has been reduced from 20.1% of GDP in 2008 to an estimated 15.5% of the GDP in 2010. The ambitious aim for 2011 is a budget deficit of 13% of the GDP, which of course also depends strongly on political developments regarding statehood. In the absence of a sovereign, viable and continuous Palestinian state long-term fiscal sustainability will remain unattainable and the Palestinian population will continue to heavily rely on external support for its recurrent budget.

In late 2010 the Ministry of Finance (MoF) has established a macro-fiscal unit. The main aim of the unit is to analyse fiscal reports on a quarterly, semi-annual, and annual basis.

The positive fiscal developments were supported by comprehensive public financial management reforms: In a first step all public accounts (revenues and expenditures) were re-consolidated into a Single Treasury Account under the MoF from mid-2007 onwards. The General Accountant's Department at the MoF is now fully functional. It supervises the Budget Department, the Treasury Department, the Accounts Department and the Salaries Department. A computerized accounting system has been expanded to all line ministries in 2009 and to many government agencies and covers the full accounting cycle. The new system allows for decentralized accounting and is supported by a MoF controller within each line ministry, thus preventing deficits in ministries' accounts. Loan and debt management has been centralized. The MoF Public Debt Directorate is managing all governmental loans and debts from the private banking sector, as well as from international finance institutions. Moreover, the requirement of clearing payments of utility bills for a range of government services has further reduced net lending to Local Government Units. And finally, MoF has established a directorate for taxation (income tax and VAT in the West Bank), which operates through a unified IT system (the Palestinian Authority Tax Administration Computer System, PATACS).

A performance-based budget has been rolled out for 2011 in order to deepen the integration of the planning and budgeting process and to enhance performance orientation. This feeds into the efforts of deepening the institutionalization of a comprehensive medium term expenditure framework.

Further reform steps are laid out in the PNA's Public Financial Management Sector Strategy 2011 – 2013. The PFM strategy has been developed with input from the international partners.

To enhance transparency, the PNA's financial statements are publicly released on the MoF website www.pmf.ps, while the budgets are being duly audited by the PNA's external audit agency. Within this process the audit for 2008 was completed in 2010.

In April 2011 the IMF reported to the AHLC that

IMF staff considers that the PA is now able to conduct the sound economic policies expected of a future well-functioning Palestinian state, given its solid track record in reforms and institution-building in the public finance and financial areas. Steady reforms in the public finance management system have enabled the PA to tightly control expenditures, apply rigorous budget preparation and execution practices, and establish fiscal transparency and accountability in line with international standards.

The World Bank's report to the April 2011 AHLC meeting states

Since the last AHLC meeting, the PA has continued to strengthen its institutions, delivering public services and promoting reforms that many existing states struggle with. The quality of its public financial management (PFM) has further improved.

As a further safeguard, the PNA has promulgated a revised anti-corruption law in June 2010, based on the United Nations Convention Against Corruption (UNCAC). To execute the law the Anti-Corruption Commission and the specialized Corruption Crimes Court were established later in 2010.

INDICATOR 2b: How reliable are country procurement systems?

As mentioned above, the PNA was not assessed in 2010 on the reliability of its procurement systems, and no target is applicable hence. However, with the assistance of development partners, the Government is working on continuously improving the procurement system.

In the oPt, public procurement accounts for about 10% of the GDP. Public procurement processes are critical in view of the cross-cutting role that the procurement system plays in achieving good governance and sustainable development for the PNA.

In 2002, the PNA began preparation and implementation of major reform programmes in areas of public financial management, in general, and public procurement, in particular. Today, the public procurement system in the oPt is regulated by the new public procurement law, which was promulgated by Presidential Decree on 31 July 2011. The current law is viewed by the World Bank as reflecting a balance between the current means of the country and the internationally recognized good practices as they were in particular stated in the 1994 version of the UNCITRAL Model Law on Procurement.

INDICATOR 3: Aligning aid flows on national priorities

Generally, the degree to which donor financial contributions to a government sector are fully and accurately reflected in the budget provides a significant indication of the degree to which there is a serious effort to connect aid programmes with country policies and processes.

Indicator 3 is a proxy for measuring alignment. It measures the total volume of aid recorded in the country's annual budget as a percentage of donor disbursements. The target set out in the Paris Declaration is to halve the proportion of aid flows to the government sector not reported on the Government's budget (with at least 85% of aid to the government sector reported on budget).

The 2005 budget accounted for USD 636 million in external grant support (app. 45% for development expenditures and 55% for recurrent expenditures), which constitutes 14.2% of the GDP. In 2010 aid flows reported on the Government's budget have more than doubled compared to 2005. However, whether the proportion of aid flows to the government sector, which are not reported on the budget, has halved cannot be determined sufficiently, since there is a lack of solid data for overall aid flows to the Government for the period under review. It is highly likely that the increase in aid flows to the government sector that is reported on the PNA's national budget is the result of increased recurrent budget support, rather than the result of improved compliance with aid effectiveness principles per-se.

In 2010 slightly less than 78% of aid flows from survey participants to the government sector are reported on budget, which is only 7% below the target set out in the Paris Declaration. Taking into account all external support to the government sector, including support from Arab and other countries, close to 80% of aid is reported on budget.

The discrepancy between aid flows to the Government as reported by donors and aid flows recorded in the budget of the Government can be explained by two closely interrelated reasons:

1. Currently the PNA policy is to register only those aid flows in the budget, for which the PNA has solid and verified information – which is aid passing through the Single Treasury Account (e.g. from the World Bank's PRDP Trust Fund) as well as funds disbursed through a European funding mechanism, PEGASE, which is very closely aligned with the government system. For aid flows to be recorded ex-post as "on budget" the Government needs to have reliable information on these flows. Aid recorded on budget thus includes general budget support, SWAPs, support to recurrent costs delivered through the EU-mechanism PEGASE, and project-related flows channelled through the STA. The PNA does not yet account other programme or project related flows on its budget, which utilize implementation modalities outside the STA. The Government though aims to fully record all flows outside the sphere of the STA (incl. humanitarian flows and development expenditure not related to the Government) within its new aid information management system, DARP, which was launched in July 2010. Thus DARP is designed to capture all ODA flows to the oPt. Only once the information is reasonably complete and verified, discussions can be initiated with MoF on accounting DARP-registered flows to the government sector on the budget.
2. Related to the above, the absence of full and accurate donor data constrains DARP. In order to illustrate the scope of the issue this report cites two figures: based on donor data provided to DARP overall project-type disbursements (not limited to the government sector) between January 2008 and February 2011 amount to USD 503 million. According to the same data, USD 361 million out of the USD 503 million were disbursed in 2010 alone. This would imply that in 2008 and 2009 donors disbursed only some USD 70 million annually and

that disbursement in 2010 suddenly went up from USD 70 million annually to USD 360 million annually. A more reasonable explanation is the inaccurate entry of data into DARP by donors. In addition, the findings of the Paris Declaration Monitoring Survey indicate that aid disbursements on development programmes and projects in 2010 alone exceeded USD 687 million, thus exceeding the disbursement data for that category entered into DARP for the whole of 2008-2010 (namely USD 503 million) by USD 184 million. Thus, data provided to DARP is not only inaccurate, but is also missing. DARP requires quality data to function as a tool for planning, aid management and monitoring.

Donors have committed themselves to providing complete information on ODA flows in line with the Accra Agenda for Action and the International Aid Transparency Initiative. Detailed, regular, and updated information needs to be provided to the national aid information management system in order to enable the Government to conduct informed planning, aid management and monitoring of national plans.

Many donors have already demonstrated their commitment towards feeding information into DARP. The database thus contains more than 1,700 projects as of January 2012. The accuracy of the data provided so far, however, leaves room for improvement.

Donors need to understand that the provision of exact ODA data is of practical importance to the Government. Reliable data is the basis for sound planning and budgeting processes, as well as for the allocation of resources to priority needs. Inaccurate information inevitably leads to flaws in the planning and allocation process.

In summary, there is strong progress on indicator 3. This progress, which is mainly related to the type of aid provided (namely support to recurrent government expenditures), should however not divert from the underlying structural problem of provision of ODA data to the national aid information system.

INDICATOR 4: Co-ordinating support to strengthen capacity

Under the Paris Declaration, donors committed to providing technical co-operation in a manner that is co-ordinated with partner country strategies and programmes. This requires firstly country strategies and programmes that define capacity development requirements and secondly donor alignment. Successful capacity development is led by the partner country.

Indicator 4 measures performance by both partner countries and donors. The targets set out in the Paris Declaration specify that by 2010 50% of technical co-operation flows should be implemented through co-ordinated programmes consistent with national development strategies.

Table 3: How much technical co-operation is co-ordinated with country programmes?

	Co-ordinated technical co- operation	Total technical co- operation	2005	2007	2010
	(USD m)	(USD m)	(for reference)	(for reference)	(%)
	a	b			c = a\b
Australia	0	0	--	--	--
Austria	0	1	--	--	0%
Belgium	1	2	--	--	49%
Canada	0	2	--	--	0%
Czech Republic	0	0	--	--	0%
Denmark	1	1	--	--	100%
EU Institutions	5	11	--	--	48%
Finland	1	1	--	--	100%
France	2	3	--	--	97%
Germany	15	15	--	--	100%
IFAD	0	0	--	--	100%
Ireland	0	0	--	--	100%
Italy	3	5	--	--	55%
Japan	6	9	--	--	74%
Korea	1	1	--	--	100%
Netherlands	0	2	--	--	4%
Norway	0	1	--	--	38%
Poland	0	0	--	--	--
Spain	7	7	--	--	100%
Sweden	0	0	--	--	--
Switzerland	0	2	--	--	0%
Turkey	1	1	--	--	52%
United Kingdom	0	8	--	--	0%
United Nations	6	14	--	--	39%
United States	89	89	--	--	100%
World Bank	1	1	--	--	100%
Total	142	178	--	--	80%

According to the figures reported in the Paris Declaration Monitoring Survey, 80% of technical co-operation is disbursed through co-ordinated programmes. While probably participating donors applied a rather generous interpretation of “co-ordinated technical co-operation”, the results of the survey confirm an overall trend of increased alignment and co-ordination with the Government in providing technical co-operation.

The trend is also a result of the improved articulation of capacity requirements by the Government. Increasingly, well-trained planning departments in line ministries base their dialogue with donors on technical co-operation on the overall integrated planning and budgeting process and on the recently formulated sector strategies.

When referring to co-ordinated technical co-operation in the survey, donors probably emphasized less on the criteria of governmental control over technical co-operation. To place technical co-operation under the Government’s control is still very much the exception.

As a further step towards aligning technical co-operation, the Government, however, would like to intensify dialogue on technical co-operation during the full project cycle. Especially in the programming and identification phase donors are requested to liaise with MoPAD in order to co-ordinate the envisioned technical co-operation

with other initiatives, utilize potential synergies and clarify mandates. The intense co-ordination with line ministries, the joint development of ToRs for experts, the joint review of budgets, the sharing of project-related documentation (work-plans related to technical co-operation, methodologies and findings of studies and assessments, etc.) should all be considered as minimum standards for any technical co-operation conducted with the PNA.

Technical co-operation provided by donors needs to be considerate of another aspect, with potentially very negative implications for the Government's capacity: the brain drain from government bodies to donors. While donors provide capacity development to the government sector they also do not hesitate to recruit skilled and well-trained governmental staff into donor financed technical co-operation programmes. Since the public sector can hardly compete with the incentives offered by donors, there is a need for donor discipline when it comes to the recruitment of technical experts to avoid a situation where technical co-operation may undermine national capacities instead of building them up. The European Union's *Code of Conduct for Supporting Palestinian Capacity Development* is an important step in the right direction.

INDICATOR 5: Using country systems

Using a partner country's own institutions and systems increases aid effectiveness by strengthening the partners' sustainable capacity to develop, implement and account for its policies. For this reason the Paris Declaration encourages donors to use country systems and procedures to the maximum extent possible.

Table 4: How much aid for the government sector uses country systems?

	Aid disbursed by donors for government	Public financial management						Procurement			
		Budget execution	Financial reporting	Auditing	2005	2007	2010	Proc. Systems	2005	2007	2010
	(USD m)	(USD m)	(USD m)	(USD m)	(for reference)	(for reference)	(%)	(USD m)	(for reference)	(for reference)	(%)
	a	b	c	d			avg(b.c.d)/a	e			e/a
Australia	0	0	0	0			--	0			--
Austria	1	0	0	0			0%	1			100%
Belgium	9	0	0	0			0%	0			0%
Canada	1	0	0	0			0%	0			0%
Czech Republic	0	0	0	0			0%	0			0%
Denmark	4	0	0	0			0%	0			0%
EU Institutions	299	0	0	0			0%	0			0%
Finland	5	5	5	5			100%	5			100%
France	35	18	18	18			51%	34			96%
Germany	80	0	2	0			1%	69			86%
IFAD	0	0	0	0			0%	0			0%
Ireland	4	2	2	2			50%	0			0%
Italy	20	0	0	0			0%	9			46%
Japan	46	14	14	14			30%	14			30%
Korea	8	0	0	0			0%	0			0%
Netherlands	1	0	0	0			0%	0			48%
Norway	36	0	0	0			0%	2			5%
Poland	0	0	0	0			--	0			--
Spain	55	0	0	16			9%	16			28%
Sweden	8	7	0	0			30%	0			0%
Switzerland	3	0	0	0			0%	3			100%
Turkey	3	0	0	0			0%	0			0%
United Kingdom	4	0	0	0			0%	0			0%
United Nations	79	6	5	0			4%	1			2%
United States	225	225	225	0			67%	225			100%
World Bank	317	257	257	257			81%	257			81%
Total	1246	536	529	314	--	--	37%	639	--	--	51%

INDICATOR 5a: Use of country public financial management systems

Indicator 5a measures the volume of aid that utilizes partner country PFM systems as a percentage of total aid provided to the government sector. The targets of the Paris Declaration are related to the CPIA score provided under indicator 2a. A CPIA score of 3.5 or above (on a scale from 1 to 5 with 5 being the top) would require 90% of donors to use partner country PFM systems. Since no CPIA indicator is available for the oPt, the targets for indicator 5a cannot be directly measured against the targets of the Paris Declaration. Assuming, however, that the Palestinian PFM system would be above the CPIA score of 3.4 the target for 2010 is 90% of donors utilizing the partner country PFM system and at least a reduction of one-third in the percentage of aid to the public sector not using partner country PFM systems. The Monitoring Survey compiles available information on the utilization of the national PFM system and observations of stakeholders.

The percentage-reduction in aid to the public sector not using partner country PFM systems cannot be assessed with sufficient accuracy since comparative data from 2005 is not available. In absolute terms the current survey allows to assess progress: according to MoF information less than 50% of OECD donors utilize the national PFM system, but all Arab and non-OECD donors make use of the national PFM system. This falls significantly short of the 2010 target for the Paris Declaration! It was, however, interesting to observe that most countries stated in their questionnaire that they were utilizing the national PFM system to a certain degree. This is mainly related to different perceptions among donors when it comes to contributions to the EU mechanism PEGASE (see below).

Explanatory Note: For the purpose of assessing progress against indicator 5 it is necessary to mention the European Union mechanism PEGASE, which in 2010 disbursed USD 374.6 million (USD 383 according to IMF/MoF – the difference could be explained by differences in the exchange rate applied). This mechanism, which is also open to non-EU donors, provides support to recurrent expenditure commitments of the Government (it includes e.g. direct payments to social hardship cases and pensioners as identified by the Government), but does not utilize the Government's Single Treasury Account. Individual contributors to PEGASE however utilize the STA and thus the national PFM system. Interestingly, the donors' interpretation of how the mechanism utilizes the national PFM system varied in Q8 – Q12. The Palestinian Government itself considers the whole PEGASE mechanism as budget support, though only a fraction of the funds pass through the national PFM system.

In the national context a distinction is made between support to recurrent expenditures and support to development expenditures, which are separated in the budget.

Support to recurrent expenditures is mainly covering the annual deficit in the recurrent budget. The main mechanisms for the provision of support to recurrent costs include: general direct budget support (the preferred option of the PNA), general indirect budget support (e.g. through a World Bank Trust Fund) and PEGASE. In 2010 two-thirds of support to recurrent expenditures was covered through direct and indirect general budget support (app. USD 675 million out of USD 1,148 million).

The national PFM and procurement system is utilized less intensively for development expenditures. Out of approximately USD 339 million of registered development expenditure from OECD donors to the government sector, only some USD 65 million were disbursed through the MoF's Single Treasury Account and the national PFM system – which accounts for little more than 19%. This clearly demonstrates the continued donor preference for the classical project approach as the default option. The utilization of national systems as a first option, in line with the Accra Agenda for Action, is rarely even considered for projects. Furthermore, donors do not communicate motives for not utilizing national systems.

The Palestinian Government continues its efforts to improve its PFM system on an already high level and is encouraging donors to increase utilization of the national PFM system for recurrent and development expenditures. In some sectors co-operation is working extremely well. In particular the education sector should be cited as a model: in November 2010 four donors agreed with the PNA on the establishment of a sector-wide approach for the education sector, utilizing the national PFM system. The Accra Agenda for Action encourages donors, who perceive a partial lack of capacity or financial transparency in certain sectors to communicate these observations to the Government in order to address them jointly. The utilization of the national PFM system for development expenditure depends also on the dialogue between donors and the PNA at the sectoral level. The education sector clearly demonstrates that close dialogue and alignment can eventually lead to the utilization of national PFM systems for disbursement.

While the volume of aid disbursed through the Single Treasury Account clearly indicates donors' trust in the national PFM system, the PNA would like to see increased commitment towards the Accra Agenda for Action from OECD donors. Country systems should be used as a first option. If they are not used the reasons should be communicated in a clear and transparent manner.

INDICATOR 5b: Use of country procurement systems

The reasoning for indicator 5b is very similar to 5a: using a partner country's own institutions and systems strengthens sustainable capacity and increases effectiveness.

Indicator 5b measures the volume of aid that uses partner country procurement systems as a percentage of total aid provided to the government sector. The targets of the Paris Declaration are related to the MAPS score provided under indicator 2b. A MAPS score of B or above (on a scale from A to D with A being the top) would require 90% of donors to use partner country PFM systems. Since no MAPS indicator is available for the oPt, the targets for indicator 5b cannot be directly measured against the targets of the Paris Declaration. Assuming, however, that the Palestinian procurement system would be above the MAPS score of C, the target for 2010 is 90% of donors utilizing the partner country PFM system and at least a one-third reduction in the percentage of aid to the public sector not using partner country PFM systems. The Monitoring Survey compiles available information on the utilization of the national PFM system and the observations of stakeholders.

Donors providing general budget support, sectoral budget support, or programme/project support through the MoF's STA usually implicitly utilize the national procurement system. In addition, some donors utilize the national procurement system without directly utilizing the national PFM system, although they demand reviews/approval at certain stages and thus do not exactly meet the definition of the Paris Declaration for the utilization of the national procurement system.

The assessment of progress vis-à-vis the 2010 targets of the Paris Declaration is very similar to the assessment of the national PFM system. The percentage-reduction in aid to the public sector not using partner country procurement systems cannot be assessed with sufficient accuracy since comparative data from 2005 is not available. Still, in absolute terms the current survey allows to assess progress: according to survey data a mere 50% of respondents to the questionnaire utilize the national procurement system, which falls significantly short of the 2010 Paris Declaration targets. In financial terms more than 51% of aid to the Government is disbursed through national procurement systems.

Progress on improving national procurement systems has from a donor perspective not yet been fully in tandem with progress on the national PFM system, although mechanisms are still seen as solid. The Government's focus for the upcoming period will be on the reforms outlined under indicator 2b, most importantly the revised procurement law.

INDICATOR 6: Avoiding parallel implementation structures

The Paris Declaration aims at reducing separate donor-led structures for day-to-day management and implementation of aid-financed projects and programmes. There is strong evidence that parallel project implementation units (PIUs) tend to undermine national capacity building efforts. A PIU is said to be "parallel" when it is created by the donor and operates outside existing country institutional and administrative structures. In the short term, parallel PIUs can play a useful role in establishing good practice and promoting effective project management. However, in the long run, parallel PIUs distort salaries and generally confuse accountability for development. Instead local implementation capacities, with domestic accountability, should be strengthened and utilized.

Indicator 6 measures progress through the reduction in parallel PIUs. The target for 2010 expressed in the Paris Declaration is a reduction of parallel PIUs by two-thirds.

Table 5: How many PIUs are parallel to country structures?

	Parallel PIUs		
	2005 (for reference)	2007 (for reference)	2010 (units)
Australia			0
Austria			0
Belgium			1
Canada			1
Czech Republic			0
Denmark			0
EU Institutions			1
Finland			0
France			0
Germany			0
IFAD			0
Ireland			0
Italy			9
Japan			0
Korea			0
Netherlands			0
Norway			0
Poland			0
Spain			2
Sweden			0
Switzerland			0
Turkey			5
United Kingdom			0
United Nations			3
United States			5
World Bank			0
Total			27

In 2010, 27 parallel project implementation units were registered, although no target is applicable as there is no historical baseline with which to compare the 2010 data. In collecting the figures for parallel PIUs through the survey process, the National Co-ordinator could not escape the impression that donors seem to be rather generous in their interpretation of not implementing through parallel PIUs. The Government welcomes the fact that donors would like to minimize the number of parallel PIUs in the survey and expresses the hope that this will be translated into minimizing the actual number of parallel PIUs in line with the reported figures.

The Government believes that most PNA bodies have acquired a strong capacity to implement external aid and that parallel PIUs should only be established in exceptional circumstances after consultation with the PNA.

Exact progress towards the targets of the Paris Declaration cannot be determined since baseline figures on parallel PIUs are not available. The current figures will, however, serve as a baseline for future monitoring.

INDICATOR 7: Providing more predictable aid

For aid to be effective it needs to be predictable. Recipient countries aim to allocate external resources and domestic resources towards national priorities. Lack of predictability, however, turns this allocation (and thus the planning process) into a futile exercise. In this context, the Paris Declaration calls on donors to provide

reliable indicative commitments of aid over a multi-year timeframe and disburse aid in a timely and predictable fashion according to agreed upon schedules.

While improvements in aid predictability are needed over the short, medium and long-term, indicator 7 focuses specifically on in-year predictability of aid flows to the government sector. The target as per the Paris Declaration is to halve the proportion of aid not disbursed within the fiscal year for which it was scheduled, so that aid is increasingly disbursed according to agreed upon schedules, and comprehensively recorded in countries' accounting systems. Meeting this objective is primarily a responsibility of donors, though naturally it requires donors and the Government to work together on various fronts at the same time.

Aid to the oPt is currently not registered ex-ante by the Government, especially not on a donor-by-donor basis. Progress towards indicator 7 can hence not be measured. Expected support to recurrent expenditure is budgeted on a needs basis, while expected support to development expenditure is based on a projection of previous flows. Aggregated aid flows to the Palestinian government sector for 2010, as listed by participating donors, amount to USD 1.246 billion (excluding some USD 270 million from Arab and other donors). During the same period the PNA anticipated USD 1.913 billion of aid ex-ante and recorded USD 1.278 billion ex-post in its annual budget. This does however not per-se mean that there was a gap of USD 635 million in anticipated support towards the national plan. It rather means that approximately USD 617 million of development expenditure (based on survey data) cannot be properly registered yet since donor provision of funding information to DARP is incomplete and since the system itself still has some improvements to be done in aligning registered aid against the national development plan.

Forward-looking aid projections have so far been limited to pledges within the framework of major donor conferences. At the local level, aid projections will be gradually introduced by the Government in the course of annual consultations in line with the recently increased ability to properly monitor these predictions through the new aid information management system. Forward-looking consultations at the local level have commenced and some donors have already provided multi-year disbursement forecasts (e.g. the UK). These consultations will cover the major donors and thus the lion share of ODA to the government sector. The challenge ahead will be, as for measuring alignment with national priorities, to link the MoF records with the MoPAD records.

Donor flows to the government sector have been reliable since mid-2007 and have succeeded in covering the constantly decreasing gap in required support towards recurrent expenditures each year. As for development expenditures more predictability would enhance the ability to plan and allocate.

In conclusion, the challenge is less related to the predictability of actual flows, but to the recording of those flows. This issue will need to be addressed by both the Government and the donors.

INDICATOR 8: Untying aid

Aid is "tied" when restrictions are placed on the countries that goods and services may be purchased from, typically including the donor country and/or another narrowly specified group of countries. Tying aid means restricting procurement and recruitment choices to the donor governments' market (or economic regions) and thus effectively eliminating or reducing free competition. Tying aid to suppliers based in a specific donor country (or region) implies that aid-related products and services might not be provided in the most effective manner. Furthermore, tying aid to suppliers from donor countries excludes the local economy in the recipient country from competing and from improving its competitiveness.

Country figures for untying aid are based on voluntary self-reporting by donors that are members of the OECD Development Assistance Committee (OECD-DAC). The rather ambiguous 2010 target for indicator 8 is to continue progress towards untying aid over time.

Table 6: How much bilateral aid is untied?

	Total bilateral aid as reported to the DAC in 2009	Untied aid	2005 (for reference)	2007 (for reference)	Share of untied aid
Australia	28.9	28.9	100%	100%	100%
Austria	8.0	8.0	100%	100%	100%
Belgium	11.2	11.2	100%	100%	100%
Canada	33.1	33.1	66%	91%	100%
Denmark	36.8	36.8	--	100%	100%
Finland	36.3	36.3	100%	100%	100%
France	85.6	85.6	30%	93%	100%
Germany	124.4	124.4	52%	100%	100%
Greece	8.0	7.7	100%	0%	97%
Ireland	8.8	8.8	100%	100%	100%
Italy	20.0	14.5	2%	49%	73%
Japan	64.7	64.7	100%	100%	100%
Korea	12.0	9.0	--	0%	75%
Luxembourg	6.6	6.6	100%	100%	100%
Netherlands	80.2	80.2	97%	100%	100%
New Zealand	0.9	0.9	97%	100%	100%
Norway	97.7	97.7	100%	100%	100%
Portugal	0.9	0.9	100%	100%	100%
Spain	76.7	60.7	85%	64%	79%
Sweden	63.1	63.1	100%	100%	100%
Switzerland	5.8	5.8	100%	97%	100%
United Kingdom	69.1	69.1	100%	100%	100%
United States	950.2	571.2	47%	63%	60%
Total	1829	1425	68%	87%	78%
Source: OECD Creditor Reporting System					v.25-May-2011

Seventy-eight percent of aid to the oPt was untied in 2010, meeting the target. Most donors untied 100% of their aid with the notable exception of the United States – the largest bilateral donors (60% untied aid).

HARMONISATION

Poor co-ordination of aid increases the cost to both donors and partner countries and significantly reduces the real value of aid. Harmonisation of aid delivery procedures and the adoption of common arrangements help reduce duplication of effort and lower the transaction costs associated with aid management. The Paris Declaration focuses on two dimensions of aid as a proxy for assessing overall harmonisation: the use of common arrangements within programme-based approaches (PBAs) and the extent to which donors and partner countries conduct joint missions and co-ordinate analytic work.

INDICATOR 9: Using common arrangements

Harmonizing donor support and utilizing common arrangements across the programme/project management cycle decreases transaction costs for partner countries and increases the likelihood of achieving shared objectives. Programme-based approaches are an effective model to co-ordinate and harmonize development assistance.

By 2010 two-thirds of aid flows should be provided through programme-based approaches according to the Paris Declaration.

Table 7: How much aid is programme based?

	Program-Based Approaches			Total aid disbursed	2005	2007	2010
	Budget support	Other PBAs	Total				
	(USD m)	(USD m)	(USD m)	(USD m)	(for reference)	(for reference)	(%)
	a	b	c = a+b	d			e = c\d
Australia	0	0	0	13			0%
Austria	0	0	0	2			0%
Belgium	0	0	0	10			0%
Canada	0	0	0	3			0%
Czech Republic	0	0	0	0			0%
Denmark	0	2	2	11			18%
EU Institutions	0	288	288	314			92%
Finland	3	0	3	5			48%
France	23	3	26	43			60%
Germany	0	11	11	80			13%
IFAD	0	0	0	0			0%
Ireland	0	2	2	4			45%
Italy	0	9	9	24			39%
Japan	0	0	0	48			0%
Korea	0	0	0	8			0%
Netherlands	2	0	2	25			8%
Norway	0	7	7	41			16%
Poland	0	0	0	0			0%
Spain	5	40	45	66			68%
Sweden	0	7	7	13			53%
Switzerland	0	3	3	11			28%
Turkey	0	0	0	30			0%
United Kingdom	0	1	1	12			4%
United Nations	19	0	19	86			22%
United States	225	0	225	406			55%
World Bank	257	0	257	321			80%
Total	536	376	912	1589			57%

The results of the survey indicate that 57% of aid is disbursed through PBAs – 9% below the 2010 target of 66%.

The main PBA mechanisms are a World Bank Trust Fund for budget support, the European Union PEGASE mechanism for supporting recurrent expenditure (some member states disburse funds directly to the MoF's Single Treasury Account under this mechanism), as well as a fund in support of Local Government Units. As mentioned above a SWAP was set-up for the education sector in November 2010. Disbursements towards the education SWAP will enhance progress towards the target of providing two-thirds of aid flows through PBAs.

The Government is also looking forward to deepen co-ordination with donors on moving from fragmented projects to a jointly defined programme-based approach. A shared analysis of a sector and its challenges is a natural first step towards harmonizing implementation and monitoring. However, progress in this area has been very limited so far as the next section will demonstrate in more detail. The Government believes that it has made a big step towards more harmonized approaches by developing sector strategies to feed into the national development plan. Both the donors and the Government, recognize that further commitment is required towards strengthening the aid co-ordination structure in order to deepen dialogue on harmonized approaches.

This dialogue within the aid co-ordination structure can only succeed if it is receptive of mutual needs and constraints, and if it delivers tangible results for both sides.

INDICATOR 10: Shared analysis

The governments of recipient countries spend significant time and resources on receiving donor missions. Fewer and more co-ordinated missions would alleviate some of the burden placed on recipient countries, whose public service sector is often already stretched to the limit with core tasks.

The Paris Declaration foresees that donors should conduct analytic work jointly where possible as it helps curb transaction costs for partner authorities, avoids unnecessary duplicative work and helps to foster common understanding. Moreover, a shared and common analysis can be the starting point for joint action towards agreed upon objectives.

INDICATOR 10a: Joint missions

As per the targets set in the Paris Declaration 40% of donor missions should be joint missions by 2010.

Table 8: How many donor missions are co-ordinated?

	Co-ordinated donor missions	Total donor missions	2005*	2007*	2010
	(missions)	(missions)	(for reference)	(for reference)	(%)
	a	b			c = a\b
Australia	0	1			0%
Austria	0	3			0%
Belgium	0	11			0%
Canada	0	19			0%
Czech Republic	0	2			0%
Denmark	4	10			40%
EU Institutions	9	20			45%
Finland	1	5			20%
France	4	67			6%
Germany	6	12			50%
IFAD	3	4			75%
Ireland	0	0			--
Italy	0	15			0%
Japan	0	4			0%
Korea	0	3			0%
Netherlands	0	7			0%
Norway	2	4			50%
Poland	0	0			--
Spain	0	13			0%
Sweden	0	2			0%
Switzerland	0	3			0%
Turkey	0	0			--
United Kingdom	0	0			--
United Nations	2	17			12%
United States	0	15			0%
World Bank	1	41			2%
Total	21	278			8%

Out of some 278 missions in 2010 only some 8% were co-ordinated! Uncoordinated missions are a considerable constraint for central government bodies and line ministries and limit their time to concentrate on core tasks. Central government bodies do naturally not have the capacity to co-ordinate several hundred incoming missions. Therefore, it is of utmost importance that the co-ordination of missions takes place within donor blocks (e.g. the European Union, United Nations) and on a sectoral level. For that purpose sectoral co-ordination among donors and with PNA partners needs to be enhanced. Especially Sector Working Groups and Thematic Groups should be utilized to co-ordinate missions. This does not mean that co-ordination is restricted to physical gatherings of those forums. Co-ordination can and should take place in between meetings and especially plans and ToRs for missions should be shared electronically with members of the groups in order to allow for joint missions, which place fewer constraints on the Government.

INDICATOR 10b: Joint country analytic work

Two-thirds of the country related analytical work should be conducted jointly by 2010.

Table 9: How much country analytic work is co-ordinated?

	Co-ordinated donor analytic work	Total donor analytic work	2005*	2007*	2010
	(units)	(units)	(for reference)	(for reference)	(%)
	a	b			$c = a \setminus b$
Australia	0	1			0%
Austria	7	7			100%
Belgium	2	2			100%
Canada	2	4			50%
Czech Republic	0	0			--
Denmark	1	1			100%
EU Institutions	13	15			87%
Finland	0	0			--
France	2	7			29%
Germany	1	1			100%
IFAD	3	3			100%
Ireland	0	0			--
Italy	4	14			29%
Japan	0	0			--
Korea	0	1			0%
Netherlands	10	12			83%
Norway	0	2			0%
Poland	0	0			--
Spain	0	2			0%
Sweden	0	0			--
Switzerland	0	3			0%
Turkey	0	0			--
United Kingdom	0	0			--
United Nations	7	9			78%
United States	1	1			100%
World Bank	0	3			0%
Total	33	88			38%

In terms of pure numbers the results on joint analytical work are more encouraging than the figures for joint missions. At least slightly more than one-third of the analytical work was conducted jointly, which still falls considerably short of the Paris Declaration target. But it is not only the numbers that point towards a positive direction:

As the biggest donor block, the European Union has embarked on drafting a (non-binding) country response strategy to the upcoming Palestinian national development strategy. This overall country response strategy will be underpinned by sector response strategies for the EU's focal sectors. This exercise is particularly relevant since the European Union (Commission and member states) chairs most of the Sector Working Groups.

The United Nations Country Team (UNCT) should also be commended for its progress towards joint analytical work within the Medium Term Response Plan.

The World Bank, France and other donors have jointly with the PNA conducted assessments on solid waste management.

Further joint analytical work has been taking place within the education sector towards the SWAP and within the local governance sector.

The Government believes that joint analytical work is a very positive element towards harmonization and should continue to be co-ordinated with central government institutions (especially MoPAD) and respective line ministries on the technical level. Joint analytical work by donor blocks on the sectoral level should also include other key donors in those sectors wherever possible in order to achieve a broad buy-in for any harmonized response based on the joint analysis.

Aid Fragmentation

Fragmented aid - aid that comes in many small slices from a large number of donors - creates high transaction costs and makes it difficult for partner countries to effectively manage their own development. Aid fragmentation also increases the risk of duplication and inefficient aid allocation among donors. A pilot analysis on fragmentation of country programmable aid carried out at the country level by the OECD in collaboration with the Deutsche Gesellschaft für Internationale Zusammenarbeit (the German Development Agency) reveals that aid fragmentation increased over the period 2005-09 alongside an increase in country programmable aid (OECD 2011).

The phenomenon of fragmentation has only recently been addressed and highlighted, especially by the European Union, which has embarked on mapping its engagement across the sectors with the aim of narrowing down the focus on a small number of focal sectors. Phasing out and concentration within this donor block has already commenced. The trends provided by the OECD for 2005-2009 do thus not necessarily fully reflect today's reality any longer.

From the Government's side no overall vision or plan for a proposed division of labour has yet been articulated. This is quite difficult to do since the Government still lacks exact information on donor engagement across the various sectors. A joint government-donor approach towards division of labour is only feasible once donors provide full information on their sectoral engagement to the Government.

MANAGING FOR RESULTS

INDICATOR 11: Do countries have results-oriented frameworks?

Planning becomes meaningless if the execution of the plan cannot be assessed and if no corrective action can be initiated to meet objectives. Country-owned monitoring frameworks are viewed as the most effective way of measuring progress towards national development strategies and sector strategies, as they are in a position to monitor outcomes in a holistic manner, rather than on a project-basis.

The target of the Paris Declaration is to reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third by 2010.

The oPt was assessed a score of B in 2010, meeting the target. The national development strategy (NDS) contains a monitoring and evaluation (M&E) framework, although the system is still being established.

The PNA is strongly committed towards an operational, results-oriented framework. The Ministry of Planning and Administrative Development has produced a monitoring report for the Palestinian Reform and Development Plan 2008-2010, covering the years 2008-2009. Currently, MoPAD's Directorate for Monitoring and Evaluation (DME) is preparing an evaluation report for the full period of the PRDP, which will assess the achievement of the policy objectives and targets laid out in the plan. Beginning in 2012, the DME will submit quarterly reports to the Cabinet, providing an assessment of progress towards national and sector-level targets. For 2011 and each subsequent year, the DME will also prepare an Annual PNDP Monitoring Report to be released early in the following year.

While reports have already been produced or are currently in the drafting stage, the overall M&E system is still in the set-up phase. The Cabinet has tasked the DME to co-ordinate the development of a comprehensive, government-wide M&E framework to track and report progress in implementing the National Development Plan 2011-2013 and subsequent national plans.

The DME will initially focus on a core group of six government bodies to develop the M&E framework, the operational processes and systems, and to gather and report all necessary data. By the end of 2013, M&E units are expected to be fully operational in all ministries.

In developing this system the Government relies on the Palestinian Central Bureau of Statistics (PCBS) with its strong experience in gathering and reporting on a wide range of socio-economic data. Furthermore, various government ministries have developed their own internal systems to track performance against key performance indicators. For example, both the Ministry of Health and the Ministry of Education and Higher Education have established mechanisms to monitor and evaluate progress towards achievement of the Millennium Development Goals (MDGs).

Due to the high aid dependency of the oPt the data gathered from line ministries and from the PCBS will not be sufficient by itself. Donor data on programmes and projects will be as important to obtain a holistic picture on the implementation of the national development strategy (especially from a financial perspective). The Directorate for Monitoring and Evaluation will thus draw on the data in the national aid information management system, DARP. For DME to report accurately on the implementation of national plans and financial allocations, the data in DARP needs to be correct. Thus the Government would like to once again emphasize the necessity to provide full and accurate data to DARP!

MUTUAL ACCOUNTABILITY

INDICATOR 12: Mutual accountability

Strong and balanced mechanisms that support accountability are required at all levels for aid to be most effective. Donors and partner country governments should be accountable to their respective publics and to each other for implementing their commitments on aid, its effectiveness, and the results to which it contributes.

Indicator 12 examines whether there is a country-level mechanism for mutual assessment of progress on partnership commitments, including on aid effectiveness. There are three criteria that must all be met: the existence of an aid policy or strategy agreed between the partner country government and donors; specific country-level aid effectiveness targets for both the partner country government and donors; an assessment towards these targets undertaken by both partner and donors in the last two years, and discussed in a forum for broad-based dialogue.

By 2010 all countries are supposed to have mutual aid effectiveness assessments in place.

This target was not considered to have been met in 2010. Until today dialogue on aid effectiveness has taken place on a bilateral basis within annual donor consultations and within Strategy Groups and Sector Working Groups. The current Paris Declaration Monitoring Survey is the first systematic and comprehensive mutual aid effectiveness review.

Its results will not only inform aid management and planning processes, but will also help to identify areas where further action on aid effectiveness is required. MoPAD aims to translate the results of this survey into a localized aid effectiveness action plan. Its implementation will be assessed through aid reports, which will also cover progress on aid effectiveness, and serve as a basis for mutual reviews of commitments. In addition the PNA believes that a successor mechanism of the Paris Declaration Monitoring Survey would also enrich the mutual review of progress in aid effectiveness.

Beyond commitments on aid effectiveness strong action and implementation at the local level is required. Donor staffs in the country need to be aware of their global commitments on aid effectiveness. Furthermore, it is critical to also base performance assessment mechanisms of staff on adherence to aid effectiveness commitments in order to allow them to dedicate sufficient time and resources towards compliance with basic principles of effective aid, rather than concentrating all their energy on bilateral disbursement. To empower the Government to allocate aid towards national priorities is just as important as providing aid itself. Commitment to aid effectiveness principles can hence not be separated from project implementation. The PNA would like to emphasize that both are complimentary and one should not be pursued at the expense of the other.

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