



PEGASE DIRECT FINANCIAL SUPPORT OF RECURRENT COSTS OF THE PALESTINIAN AUTHORITY BUDGET



Implementation Progress
30 November 2013

PEGASE is the European mechanism launched on 1 February 2008 by the European Commission to help build the Palestinian State. The mechanism aims to shift from emergency assistance to a sustainable Palestinian development process through support in four key sectors: governance, social development, economic and private sector development, and public infrastructure development. Below is the overview of the PEGASE programmes of direct financial support to recurrent costs of the Palestinian Authority (PA), such as salaries, social expenditure, net lending, reconstruction of the Gaza private sector, and arrears towards the private sector.

DONOR CONTRIBUTIONS | Funds from the EU, EU Member States and other donors channelled through PEGASE in support of recurrent expenditures (in €million)

	Civil servants and pensioners (CSP)		Vulnerable Palestinian Families (VPF)		Arrears to the private sector / East Jerusalem hospitals		Private Sector Reconstruction in Gaza (PSRG)	Fuel to Gaza (SEPS) [Closed programme]	TOTAL	
	2008-12	2013	2008-12	2013	2008-12	2013	2008-11	2008-11	2008-2012	2013
Austria			*5.25						5.25	
Belgium			*9.00					9.00	18.00	
Denmark	6.03	10.06							6.03	10.06
Finland	6.00	2.00	1.00						7.00	2.00
Germany								65.30	65.30	
Greece					0.50 ^a				0.50	
Hungary	0.20								0.20	
Ireland	5.50		3.50					1.50	10.50	
Italy			27.00						27.00	
Japan							*4.80 ^e		4.80	
Luxembourg	2.00	*0.7							2.00	0.70
Malta	0.15								0.15	
Netherlands	40.34 ^b	5.5 ^f							40.34	5.5
Slovenia	0.15								0.15	
Spain	99.00				3.00 ^c				102	
Sweden	32.15	4.68							32.15	4.68
Switzerland			3.90					1.33	5.23	
UK	20.80								20.80	
EU	726.90	116.75	137.47	38.25	10.00	13.00	22 ^d	106.63	1,003.00	168.0
Sub-total	939.22	139.69	187.12	38.25	13.50	13.00	26.80	183.76	1,350.40	190.94
TOTAL	1,078.91		225.37		26.50		26.80	183.76	1,541.34	

The above table does **not** include funds carried over from 2007. For non-€ donor contributions, InfoEuro rate applied is that of date of MoU signature.

* Contributions to the EU budget as assigned revenues

(a) Earmarked for the payment of PA arrears in the field of Security and rule of Law (Civil Police and Ministry of Justice)

(b) The amounts include €21.49 million earmarked for the payment of salaries to the Civil Police/Defence of the PA

(c) Earmarked for the payment of PA arrears for the purchase of medicines

(d) Financing Agreement signed on 23 December 2009

(e) The Japanese Government contributed US\$6.58 million to the PSRG programme. An additional Japanese US\$2 million contribution, which is also to be channelled through the PEGASE DFS mechanism, will be used to support the tenants of the Jericho Agro-Industrial Park

(f) The amount includes €1.5 million earmarked for the payment of salaries to the Civil Police/Defence of the PA

SOCIAL DEVELOPMENT | Social ministries account for the majority of PA expenditure: through donor assistance, one of the first priorities of PEGASE is to ensure continued service delivery in the areas of health, education and social services

PUBLIC ADMINISTRATION AND SERVICES (CSP)

The PA's expenditure on wages accounts for almost half of yearly public expenditure. The PRDP calls for a significant share of donors' funds to help the PA alleviate its budget deficit and avert a fiscal crisis. The EU contributes on a monthly basis to the payment of salaries and pensions by the Ministry of Finance based on the availability of funds. This support directly benefits around **75,000 Civil Servants and Pensioners (CSP)**, such as teachers and doctors, who provide key public services to the overall population throughout occupied Palestinian territory.

	Payments made since February 2008	Amount of last payment made in 01/08/13 (million €)*	Total of payments made since 01/02/08 (million €)*
Approximately 66,000 public service providers		9.66	949.43
Approximately 9,000 pensioners	57	1.17	113.61
Approximately 75,000 CSP beneficiaries in total		10.83	1063.04

* Figures do not include bank rejections.

The Government of the Netherlands contributed, through PEGASE, to support the payment of the January 2009, December 2009, January 2010 and January 2011 salaries to more than 18,000 Palestinian civil police and defence employees.

	Payments made since February 2008	Amount of last payment made on 01/08/13 (million €)*	Total of payments made since 01/02/08 (million €)*
Approximately more than 18,000 civil police and defence employees	6	1.5	23.0

* Figures do not include bank rejections

AID TO VULNERABLE PALESTINIAN FAMILIES (VPF)

Given the difficult socio-economic situation, the burden on social assistance systems has increased significantly. In order to reinforce social protection and improve the PA's public finances, the EU grants direct support to Palestinian **households living in extreme poverty** who depend on financial aid from the administration. Payments of allowances are made on a quarterly basis to beneficiaries of the cash transfer programme run by the Ministry of Social Affairs. This support directly reaches around **60,000 vulnerable Palestinian families** in the West Bank (34%) and Gaza (66%).

	Payments made since February 2008	Amount of last payment made on 28-29 September 2013 (9.87 million€)*	Total of payments made since 01/02/08 (million €)**
Support to around 60,000 households	23	9.87	222.53

* The payment started on 28 September 2013 in Gaza and on 29 September 2013 in the West Bank

** Figures do not include bank rejections

PROVISION OF ESSENTIAL PUBLIC SERVICES

- From mid-2006 until the end of 2010, the EU ensured the continued provision of essential services, including electricity, to 1.5 million Palestinians in Gaza in line with the priorities of the PA from mid-2006 until end of 2010
- As of 31 December 2010, over €196.8 million were disbursed to provide fuel to the Gaza Power Generating Company (GPGC).
- PEGASE also supported the delivery of fuel to the Gaza Power Generating Company through the provision of technical assistance in order to: i) audit and monitor fuel deliveries covered by donor contributions through PEGASE-SEPS and ii) assist the PA in improving the fuel delivery mechanism to ensure, systematic, controlled and cost effective provision of fuel to the Gaza Power Plant. A limited delivery of fuel to the Gaza Power Generating Company of Litre 1.7 million per week generates approximately 18% of power distributed in the Gaza Strip (30MW). The remaining electricity is bought from Israel (72%) and Egypt (10%).
- As of 7 January 2011, the Gaza Power Generating Company received fuel deliveries via informal channels, which has prompted the suspension of the programme and be replaced by the EU institutional development project in the Electricity sector.

ECONOMIC AND PRIVATE SECTOR DEVELOPMENT | The PA seeks to develop a market economy led by the private sector: PEGASE supported the creation of a proper environment for Palestinian businesses to flourish

ARREARS TO THE PRIVATE SECTOR / EAST JERUSALEM HOSPITALS

The Palestinian Authority (PA) has built up debts towards private sector businesses for the purchase of goods and services. PEGASE helped reduce the stock of unpaid bills accumulated by the PA towards private sector businesses. Since the beginning of 2008, the EU provided direct support to almost 650 businesses in occupied Palestinian territory, out of which around 40% are in the Gaza Strip and 60% in the West Bank. This contribution resulted in a rapid injection of funds into the economy, which provided **relief to Palestinian businesses and raised their purchasing power**. It further **secured the employment of thousands of Palestinian workers** and, consequently ensured that the provision of services to the administration could continue. The PA has also built up significant debts towards the East Jerusalem hospitals to which it refers patients. PEGASE has created a programme to reduce the arrears to these hospitals.

	Payments made since February 2008	Total of payments made since February 2008 (million €)
Arrears to the private sector	10	27.78
Arrears to East Jerusalem Hospitals	1	13.00

PRIVATE SECTOR RECONSTRUCTION IN GAZA (PSRG)

In 2009, The Palestinian Authority (PA) established the PSRG programme in the aftermath of Israel's "Operation Cast Lead" **to provide financial support to private sector enterprises** whose businesses were destroyed or damaged during that operation. PSRG targets businesses that need to restore any destroyed/damaged assets necessary for production, funded items including machinery, office furniture and equipment, as well as building and business premise material. The ultimate objective is to revitalize the economic activity in Gaza and provide for sustainable livelihoods for its people.

	Payments made since July 2010	Total of payments made since July 2010 (million €)
Private Sector reconstruction in Gaza	10	22.67