

EU to support reform of Palestinian Authority with new forms of aid

Brussels, 30 April 2003 - The European Commission is announcing new forms of assistance to support the reform process in the Palestinian Authority. These will be available to the new government formed by Prime Minister Mahmoud Abbas and will also help address the reform agenda outlined in the Road Map on the Middle East Peace Process. The new Reform Support Instrument is composed of an €80 million finance facility targeted on the payment of arrears to small enterprises and social services and €10 million for technical assistance to facilitate implementation of reforms of public finance. These new instruments are being introduced in order to build on the achievements of previous support for Palestinian reforms, taking into account the Government of Israel's resumption of tax transfers which were withheld from September 2000 to October 2002. The current system of monthly payments of Direct Budgetary Assistance will be discontinued. Commissioner for External Relations, Chris Patten said: "Our Direct Budgetary support has been a success: it has helped maintain the PA as a viable interlocutor for future negotiations, it made possible the provision of a basic minimum of social services to the Palestinian population, and since it has been made available only on strict conditions, it has been a lever to encourage important reforms to improve standards of governance, above all transparency and accountability in management of public finances. Now, Israel's resumption of tax transfers allows us to change the form of our assistance - but our objectives remain the same: a stronger PA administration, better conditions for the Palestinian people and a continuing process of reform."

What is the new Reform Support Instrument?

Unlike the old system, in which EU budgetary support was paid into the PA Single Treasury account for general budget expenditure to support the core activities of the administration, the new assistance will be targeted support, focussing on the private sector and social services. The funds will be used to help the PA pay off arrears in these areas to Small and Medium-sized Enterprises and the social services. In combination with the closure policy, unpaid bills to the private sector have led to the weakening of businesses, contributing to higher unemployment levels. Arrears to the social sector have weakened public health provision, and increased overall poverty among the Palestinian population. Helping the PA to pay off its arrears in these areas will benefit the economy, by reducing pressure on enterprises that have been starved of money due to them, and will help boost basic social services, in particular health.

The new Reform Support Instrument will be paid in addition to a range of other forms of assistance. Taken together, the level of assistance foreseen for the Palestinian Territories in 2003 will be €245 million, roughly in line with the level of aid in 2002. This figure includes €57.75 million for UNRWA, €25 million in Humanitarian assistance and €20 million in Food aid/food security.

Other key elements of assistance this year will be:

€22 million for the Emergency Service Support Programme

Following on the successful implementation of the first emergency services support project (ESSP I), the Commission has approved € 22 million for a second project ESSP II to be implemented through a trust fund agreement with the World Bank. Its objective is to mitigate the deterioration of health and higher education services resulting from the ongoing conflict.

€15 million Emergency Support to the Private Sector in the West Bank, Gaza and East Jerusalem

Building on the experience developed from two similar projects approved last year, the Commission has also agreed to provide another € 15 million in order to assist in the recovery of the private sector in the West Bank, Gaza and East Jerusalem which has been facing an extremely difficult situation. This decision will provide for a capital fund, in the form of a revolving fund, to address the most urgent financial needs of Palestinian SMEs.

€2 million for the Tempus programme

This will enable Tempus to be extended to the Palestinian higher education institutions, as already is the case for the other Euro-Mediterranean partners. The objective is to reform and modernise higher education systems by developing inter-university co-operation between EU countries and eligible countries.

Also programmed for 2003:

€10 million for the Middle East Peace Process

The Middle East Peace Projects (MEPP) 2003 will provide funding to strengthen civil society in the Middle East, in particular to support those groups in both Israeli and Palestinian society who seek to maintain dialogue and work for peace. It will also be made available for an initiative to combat violence and support the victims of violence on both sides of the conflict.

€3 million for East Jerusalem

This will support initiatives for East Jerusalem, still to be identified.

http://europa.eu.int/comm/external_relations/med_mideast/intro/index.htm

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EU Aid Palestine By Budget Line - 04/04/2003

Principal Budget Heading (on commitment and payment basis)	2000		2001		2002		2003	
	Commitment (in million €)	Payment (in million €)	Commitment (in million €)	Payment (in million €)	Commitment (in million €)	Payment (in million €)	Commitment (in million €)	Payment (in million €)
B7-4100 MEDA Programme	119,6	34,2	0,0	69,5	104,8	80,6	95,0	0,0
B7-4200 Peace Agreement	20,4	13,0	43,1	47,6	87,8	80,7	47,0	2,3
B7-4210 Support to the UNRWA	40,2	40,1	57,3	54,4	55,0	57,1	57,8	54,9
Total	180,2	87,4	100,3	171,5	247,5	218,4	199,8	57,1
Of which Direct Budgetary Support (excluded € 30m committed in 1997)	90,0	27,7	30,0	100,6	98,0	97,0	-	16,2

Other Budget headings (on a commitment basis)	2000 (in million €)	2001 (in million €)	2002 (in million €)	2003 (in million €)
B7-2100 Humanitarian aid ECHO	18,2	26,3	35,0	25,0
B7-2000 & B7-2010 Food aid/Food security	16,1	17,1	35,0	20,3
B7-6000 Co-financing with NGO	2,5	1,3	0,0	0,0
B7-6002 Decentralised cooperation	0,0	0,5	0,0	0,0
B7-6312 Aid for population and reproductive health care	0,7	0,0	0,0	0,0
B7-7010 Human rights and Democracy	1,7	0,3	2,5	0,0
B8-012/3 CFSP (counter terrorism)	6,2	3,8	0,0	0,0
B7-671 Rapid Reaction Mechanism	0,0	0,0	5,0	0,0
Total	45,3	49,3	77,5	45,3
Total of EU Assistance to Palestine (on a commitment basis)	225,6	149,6	325,0	245,0