



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



Implementation Progress
27 February 2009

PEGASE is the new European mechanism launched on 1 February 2008 by the European Commission to help build a Palestinian State. PEGASE is fully aligned with the three-year Palestinian Reform and Development Plan (PRDP). 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 support to recurrent costs of the Palestinian Authority, such as salaries, social expenditure, net lending and arrears towards the private sector.

DONOR CONTRIBUTIONS

Funds from the EC, EU Member States and other donors channelled through PEGASE
in support of recurrent expenditures

(in million €)	PRDP Axis II			PRDP Axis III	TOTAL
	Civil Servants and Pensioners	Vulnerable Families	Fuel	Arrears	
Belgium			9.00		9.00
Finland	3.00				3.00
Germany			20.00		20.00
Hungary	0.20				0.20
Ireland	1.50		1.50		3.00
Italy		20.00			20.00
Luxembourg	0.50				0.50
Malta	0.15				0.15
Netherlands	19.85 ^a				19.85 ^a
Slovenia	0.15				0.15
Spain	20.00			3.00 ^b	23.00
Sweden	10.62				10.62
UK	20.80				20.80
EC	267.00	23.00 ^c	121.00	10.00	421.00 ^c
TOTAL	343.77^a	43.00^c	151.50	13.00	551.27

^a The amounts include €6 million for the payment of salaries to the Civil Police/Defence of the Palestinian Authority

^b Earmarked for the payment of Palestinian Authority arrears for the purchase of medicines

^c The amounts include €1 million assigned revenue from Austria

The above table does not include funds carried over from 2007

PRDP AXIS II – SOCIAL DEVELOPMENT

Social ministries account for the majority of Palestinian Authority 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

The Palestinian Authority'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. PEGASE contributes on a monthly basis to the payment of salaries and pensions by the Ministry of Finance. This support directly benefits **approximately 78,000 Civil Servants and Pensioners (CSP)**, such as teachers and doctors, who provide key public services to the overall population throughout the occupied Palestinian territory.

	Payments made since February 2008	Amount of last payment made on 17/02/09 (million €)	Total of payments made since 01/02/08 (million €)
Around 70,000 public service providers	13	21.2	253.36
Over 8,000 pensioners		2.3	25.18
Around 78,000 CSP beneficiaries in total		23.5	278.54

► Aid to vulnerable Palestinian families

Given the difficult socio-economic situation, the burden on social assistance systems has increased significantly. In order to reinforce social protection and improve the Palestinian Authority's public finances, PEGASE grants direct support to poor and vulnerable families who depend on financial aid from the administration. Payments of allowances are made on a quarterly basis to beneficiaries of the Ministry of Social Affairs' cash support programme. This support directly reaches **over 47,000 vulnerable Palestinian families** to whom allowances are paid over the counter in 42 bank branches throughout the occupied Palestinian territory.

	Payments made since February 2008	Amount of last payment made on 16/12/08 (million €)	Total of payments made since 01/02/08 (million €)
Support to over 47,000 Vulnerable Families*	4	9.36	33.22

*50.3% of beneficiaries of PEGASE aid to vulnerable Palestinian families are in the Gaza Strip, and 49.7% are in the West Bank.

► Provision of essential public services

In order to help the Palestinian Authority ensure the continued provision of essential services to **1.4 million Palestinians in Gaza**, PEGASE contributes to the delivery of fuel to the Gaza Power Plant. This support enables the production of electricity for households, schools, hospitals and public services throughout the Gaza Strip. The overall delivery process is subject to strict monitoring and controls.

In addition, with these funds, PEGASE also directly supports the PA's public reform objectives by funding part of the net-lending stemming from the government subsidies of West Bank and Gaza citizens' consumption of energy.

	Litres delivered
Fuel deliveries to the Gaza Power Plant in the month of January 2009	3,833,180
Current weekly delivery plan (no regular deliveries on Fridays and Saturdays)	2,900,000
Total fuel delivered to the Gaza Power Plant: 01/02/08 – 25/02/09	104,001,910*

*The quantity includes over 10 million litres delivered between 21/09 and 20/10 funded by the PA; in addition, between 7 and 21 January 2009, IDF delivered to GPP via the Kerem Shalom and the Nahel Oz crossing 740,970 litres of fuel.

Fuel paid under PEGASE (million €)	97.11
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AXIS III – ECONOMIC AND PRIVATE SECTOR DEVELOPMENT

The Palestinian Authority seeks to develop a market economy led by the private sector: PEGASE supported the creation of a proper environment for Palestinian businesses to flourish

► Private sector arrears

The Palestinian Authority 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, PEGASE provided direct support to almost 650 businesses in the 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. From 1 February to 22 September 2008, PEGASE made five payments and fully disbursed funds made available by the EC budget to this programme.

In addition, Spain provided through PEGASE a contribution of €3 million to the payment of Palestinian Authority arrears for the purchase of medicines, the implementation of which is ongoing.

	Payments made since February 2008	Total of payments made since 01/02/08 (million €)
Support for the payment of arrears to the private sector	5	24.3