



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



Implementation Progress
15 August 2008

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.

The PEGASE Direct Financial Support Unit manages all 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	
Germany			20.00		20.00
Malta	0.15				0.15
Netherlands	5.25				5.25
Slovenia	0.15				0.15
Spain	20.00				20.00
Sweden	5.34				5.34
UK	20.80				20.80
EC	125.00	16.00	60.00	10.00	211.00
TOTAL	176.69	16.00	80.00	10.00	282.69

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 **over 74,000 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 07/08/08 (million €)	Total of payments made since 01/02/08 (million €)
67,000 public service providers	7	13.00	151.43
7,000 pensioners		1.65	13.38
74,000 CSP beneficiaries in total		14.65	164.81



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► 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 41,000 vulnerable Palestinian families** to whom allowances are paid over the counter in 39 bank branches throughout the occupied Palestinian territory.

	Payments made since February 2008	Amount of last payment made on 9-10/06/08 (million €)	Total of payments made since 01/02/08 (million €)
Support to over 41,000 Vulnerable Families*	2	7.48	14.99

*52% of beneficiaries of PEGASE aid to vulnerable Palestinian families are in the Gaza Strip, and 48% 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 delivers 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 July 2008	10,793,850
Current weekly delivery plan (no deliveries on Fridays and Saturdays)	2,900,000
Total fuel delivered to the Gaza Power Plant: 01/02/08 – 14/08/08	59,174,930
Fuel paid under PEGASE (million €)	59.36

AXIS III – ECONOMIC AND PRIVATE SECTOR DEVELOPMENT

The Palestinian Authority seeks to develop a market economy led by the private sector: PEGASE supports 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 aims to reduce the stock of unpaid bills accumulated by the PA towards private sector businesses. This contribution results in a rapid injection of funds into the economy, which provides **relief to Palestinian businesses and raises their purchasing power**. It further **secures the employment of thousands of Palestinian workers** and, consequently, ensures that the provision of services to the administration can continue.

	Payments made since February 2008	Amount of last payment made on 23/07/08 (million €)	Total of payments made since 01/02/08 (million €)
Support for the payment of arrears to the private sector	4	4.68	19.72