

Working together

EuropeAid

ENPI Special: Support to Palestine

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PEGASE, the new EC-financing mechanism in support of the Palestinian Authority, is EuropeAid's flagship operation, says the director-general in charge, Koos Richelle. PEGASE, was launched on February 1st. Now, a month later, Richelle looks back and ahead. "I hope other donors will join the system, and that the Arab world as well is prepared to pick up part of the tab."

Responsibility

Koos Richelle is well aware of the heavy responsibility that rests on his shoulders. The EU-assistance pledged at the Paris donor conference for 2008 was €440 Mio, which is the most important donor contribution to the new Palestinian Authority for financing its administration. "There is hardly any reserve capacity for the Palestinians to pay salaries. If we are two weeks late with a financing decision, it might mean the end of the Palestinian government", he underlines the tremendous consequences a failure on our side might have for the vulnerable Fayyad administration.

Salaries

The Commission does not pay for recurrent costs like salaries to keep public administrations running. But PEGASE is an exception to the rule. Now that the Hamas-led government is history and the new Fayyad government is in the saddle, the Commission is happy to use PEGASE "to show strong support to the Palestinian Authority which is fully engaged in a credible and legitimate peace initiative with Israel under the leadership of President Abbas and Prime Minister Fayyad", Richelle says.

Having said that, EuropeAid's future objective is to progressively finance less recurrent costs and do more in terms of development, what he thinks should be the future focus of PEGASE.

European Operation

The director-general considers PEGASE "a European flagship operation": "We take a strong lead for a concerted European effort. Together with the member states we, the Commission, want to capitalise politically on what we are doing in terms of financial volume and take credit for our role as the biggest donor. We have already shown competence in day-to-day management of complex operations in this important crisis area by working with remarkable precision and reliability, while at the same time minimising risks", he says, referring to the previous support mechanism, known as TIM, the Temporary International Mechanism that the Commission put in place in 2006.



Director-general Koos Richelle: "Confident and proud"

Proud

Talking about the implementation of the financial operations under PEGASE, Richelle, despite the complexity and the political weight involved, seems confident and above all, proud of his staff: "Under the political leadership of Mrs. Ferrero Waldner, who decided to launch this new system, our services have developed the operations with tremendous focus and determination over the last three months. We have a built-in planning horizon. The deadlines are quite tight, but everyone knows exactly when and where a dossier and the various payments have to be in the system. There is a very clear monitoring as to when the bank accounts in Jerusalem need to be replenished. And for the end of March we have already thought through the various detailed operations that are required both here at Headquarters and locally in East Jerusalem. It really is an efficient and well run operation, relying on dedicated technical staff."

Building on TIM

PEGASE was not launched out of the blue. To the contrary, it builds upon the Temporary International Mechanism that was set up after Hamas came to power after the elections in 2006. From that moment on, Israel and the United States took an isolationist approach towards Hamas and Gaza, where Hamas has its power base.

Helping people

Even though the European Commission - Hamas is considered a terrorist organisation - did not want to deal with them, it took a stand "not to let the Palestinian people down". TIM was the EC's guarantee for delivery of essential public services to the Palestinians, but bypassing the Hamas-government.

Recurrent costs versus development

But PEGASE goes further than TIM, Richelle underlines: "TIM was set-up as an instrument for emergency assistance that operated on three month's mandates that constantly needed renewal. PEGASE has a three years horizon and is based on continuous policy dialogues with the Prime Minister and his Minister of Finance." "PEGASE has two main areas of operations", the director-general explains: "One that is directed to the budget and is basically managed by EuropeAid and a team of experts in place. The second area being the various deconcentrated development operations, run locally under Head Quarter's supervision. They are gaining importance now because they are directly linked to the Palestinian Reform and Development Plan. PEGASE is a broader team effort than TIM. The Head of Delegation now functions as the main interface for local donor co-ordination, representing both areas of operation under PEGASE."

Imbalance

And then: "If you look at the Palestinian budget, they need around €2 billion per year, out of which €1,5 billion goes to recurrent expenditure and only 25 percent into productive investments. Over time this imbalance is not helpful. The Palestinian Authority suffers from a very high wage bill against low budget resources, due to weak economic performance as a result of the poor security situation and the restrictions on movement and access imposed by the Israeli's. Hence the Palestinians are not entirely to blame for their bad financial situation. Improvement of their economic performance very much depends on Israel accepting to allow more access and movement of the Palestinians. (Israel collects custom duties on behalf of the Palestinian Authority, but due to the closed borders such revenues are limited.) But it also depends on an effort by the Palestinians and on better burden sharing among donors. In the long run the EU should not be financing the lion's share of recurrent expenditures while others are doing the more attractive development projects. This particularly includes the Arabs. We don't see why they don't contribute to the Palestinian budget. For them, moneywise, it is not so significant."

Supplying fuel to Gaza

Five days a week day trucks loaded with fuel head off from Israel to Gaza. What started off as emergency assistance, following the destruction of the Gaza power plant by the Israeli Defence Forces in June 2006, is now being continued under PEGASE. Almost 130 million litres of fuel have been brought in so far.



500.000 liters of fuel per day...

The Gaza power plant –good for 30 percent of the electricity supplies on the 'Strip'- was repaired in November 2006. "But the ability of Palestinian households to pay their electricity bills in the West Bank, Gaza and Jerusalem had been seriously affected by the crisis", explain Ian Hoskins and Mario Mariani the background of the operations. "The distribution companies could not pay the power plants anymore and Gaza ran the risk of going dark because of that. Given the humanitarian needs we agreed with the Palestinian Authority to assist." Adding: "The PA has started placing electricity meters to improve the collection rates."

In order to be sure that the EU funds are used correctly, the Commission precisely checks whether money is spent on fuel and if the fuel arrives where it should. Hoskins: "We control every step in the chain. We pay the Israeli fuel company to bring the fuel to the border. There it is stored for further distribution by Lorries. We audit each and every step."

More information on the European Neighbourhood Policy:

http://ec.europa.eu/world/enp/index_en.htm

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