

## Fact Sheet: The Palestinian National Authority's Sources of Funding

By MIFTAH, February 2006

**Summary:** The Palestinian National Authority (PNA) has four major sources of revenues, among which the most significant are the funds disbursed to the PNA through foreign donor assistance mechanisms. While the precise amount of funds disbursed to the PNA by foreign governments and/or aid agencies is hard to come by - partly because of discrepancies in definition and allocation, and partly because of poor record-keeping - all sources suggest the total amount received over the past ten years has been sizeable.

### **Total Foreign Donor Assistance to the PNA (late 1994 - October 2005):**

According to recent estimates by the Palestinian Academic Society for the Study of International Affairs (PASSIA), **total donor commitments since the establishment of the PNA in 1994 until October 2005** amounted to roughly US\$ 6 billion (US\$ 6,104,851,292), while **actual donor disbursements** during the same period amounted to roughly US\$ 5 billion (US\$ 4,677,626,670).<sup>1</sup> The bulk of these funds came from the US (a total of US\$ 778 million); the EC (a total of US\$ 1.2 billion); various EU countries (among whom Sweden, the UK, Germany and France are the largest); Japan (a total of US\$ 151 million); the World Bank Group (a total of US\$ 114 million), and the Arab countries (among whom the largest donor has been Saudi Arabia, with a total of US\$ 334 million).<sup>2</sup> (See Figure 1 below for breakdown of largest donors and percentages).

### **Figure 1: Total Funds Disbursed by Foreign Donors from 1994 – 2005**

(in millions of US\$)

<b>Donor</b>	<b>Total Disbursed</b>	<b>% of Total</b>
EC	\$ 1,172	25%
United States	\$ 778	17%
Sweden	\$ 362	8%
Saudi Arabia	\$ 334	7%
United Kingdom	\$ 248	5%
Germany	\$ 190	4%
Norway	\$ 183	4%
World Bank Group	\$ 114	2%
France	\$ 104	2%
Algeria	\$ 97	2%
Islamic Development Bank	\$ 77	2%
United Nations (various)	\$ 66	1%
Other	\$ 953	20%
<b>Total Disbursed 1994-2005</b>	<b>\$ 4.677</b>	

Source: PASSIA 2006

<sup>1</sup> PASSIA, 2005, p310.

<sup>2</sup> *Ibid.* Note, all numbers are aggregate 1994 -October 2005. Also note that PASSIA's source for these figures is the PNA Ministry of Planning, Directorate General of Aid Management and Cooperation.

While a year-by-year disbursement schedule is unavailable, sources suggest that the bulk of donor assistance outlined above has been recent, with almost 90% of the total amount disbursed over ten years appearing to have been received by the PNA in the last five years only. According to Mr. Nigel Roberts, the former representative of the World Bank to the Palestinian Territories, the Palestinians have received “a total of US\$ 5 billion in five years, or US\$ 300 per capita annually,” which would suggest that either the total US\$ 6 billion estimate arrived at by PASSIA (quoted above) for ten years is too low, or, more likely, the total amounts disbursed to the PNA between 1994 and 2000 were much lower than the funds disbursed between 2000 and 2005.<sup>3</sup>

### **Total Foreign Donor Assistance to the PNA in 2005:**

Indeed, according to a recent World Bank study, foreign donor assistance to the PNA has been increasing annually, with donor disbursements totaling roughly **US\$ 1.1 billion in 2005**, reportedly the highest annual level to date.<sup>4</sup> Of this US\$ 1.1 billion (total donor disbursements in 2005), US\$ 268 million was estimated to have been allocated for “development outlays;” US\$ 663 million for “current expenditures;” and US\$ 240 million for “social safety net” programs.<sup>5</sup> As has been historically the case, the largest donors in 2005 were the USA, the EU (as a single entity) and individual EU member countries (as separate entities), Saudi Arabia, Japan, Algeria, and the World Bank.<sup>6</sup>

### **Counting Difficulties:**

It is particularly difficult, however, to verify how much foreign aid has been disbursed directly to the PNA over the years, as foreign donors tend to allocate funds to the Palestinians through a variety of mechanisms. Because most donors offer at least two different forms of aid - on the one hand, direct financial support to the PNA (in recent years, this has largely taken the form of direct budget support to help bridge growing budget deficits), and on the other, humanitarian/relief/emergency funds aimed at poverty alleviation, institution building, and infrastructure projects - it is unclear what portion of the sums mentioned above have been disbursed directly to the PNA as opposed to local NGOs and international institutions. (If anecdotal evidence is enough to go by, at least 20% of the amount disbursed annually by foreign donors is allocated to

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<sup>3</sup> Akiva Eldar, “World Bank Official: Palestinians on Verge of Bankruptcy,” Ha’aretz, 10/01/2006.<http://www.haaretz.com/hasen/pages/ShArt.jhtml?itemNo=668494&contrastID=1&subContrastID=1>

<sup>4</sup> The World Bank, “*The Palestinian Economy and the Prospects for its Recovery: Economic Monitoring Report to the Ad-Hoc Liaison Committee*,” Number 1 December 2005, p 22.  
<http://siteresources.worldbank.org/INTWESTBANKGAZA/Data/20751555/EMR.pdf>

<sup>5</sup> Palestinian National Authority, Ministry of Finance, Budget Press Release, March 16th 2005.  
<http://www.mof.gov.ps/english/press%20release.asp>

<sup>6</sup> Chris McGreal, “Palestinian Authority Hit by Cash Crisis.” The Guardian, 06/02/2006.

local NGOs, and not directly to the PNA, which implies that the total numbers mentioned above must be reduced by at least 20% for accuracy).<sup>7</sup>

This “counting” problem is more acute than is generally imagined; the line between direct aid (i.e. funds to the PNA) and indirect aid (i.e. funds to local NGOs and international institutions) is considerably blurred in the case of the Palestinian Territories.

A major source of funding for humanitarian relief projects in Palestine for the past four years, for instance, has been the money raised through the UN Consolidated Appeals Process (UNCAP) for the Occupied Palestinian Territories. This appeals process is expected to raise a total of US\$ 215 million in emergency assistance for the Palestinians in 2006, though it is not clear what, if any, portion of that US\$ 215 million will be directly disbursed to the PNA as opposed to UN agencies and local and international NGOs based in the occupied territories.<sup>8</sup> A perusal of the UNCAP website indicates that the US\$ 215 million is expected to be allocated to a total of 64 initiatives in various sectors in the occupied territories (mostly coordination and support services, education, emergency job creation and cash assistance, food security and agriculture, health, and water and sanitation), and many of these are likely to be PNA institutions and projects, but a precise break-down of PNA versus non-PNA recipients are not provided, despite the detailed tracking mechanism provided by UNOCHA to ensure transparency in fund-disbursement.<sup>9</sup>

### **Other Sources of PNA Revenues:**

The problem of counting is further complicated by the fact that the PNA has historically done a poor job of record-keeping. It is not clear, for example, from past PNA budgets, exactly how much of total government revenues have come from foreign donors, though all sources suggest that donor funding is *the* most significant source of revenues (see figure 2 below). The three other major sources of revenues are domestic taxes (US\$ 396 million in 2005); clearance revenues from the Government of Israel (US\$ 662 million in 2005); and domestic lending, though, clearly, these amounts are not significant given the huge – and growing – budget deficit.<sup>10</sup> Indeed, given that the budget deficit is now reportedly as high as US\$ 800 million, according to a recent World Bank report, it is

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<sup>7</sup> Palestinian National Authority, Ministry of Planning, “Medium Term Development Plan 2005-2007.” [http://www.mop.gov.ps/en/docs\\_archive/mop%5CMEDIUM%20TERM%20DEVELOPMENT%20PLAN%202005-2007.asp](http://www.mop.gov.ps/en/docs_archive/mop%5CMEDIUM%20TERM%20DEVELOPMENT%20PLAN%202005-2007.asp)

<sup>8</sup> UN Consolidated Appeal Process for Occupied Palestinian Territory, 2006. <http://ochaonline.un.org/cap2005/webpage.asp?MenuID=7118&Page=1328>

<sup>9</sup> The Financial Tracking Mechanism (FTS) is publicly available at [http://ocha.unog.ch/fts/reporting/reporting\\_display.asp?short=1&filterLabel=Destination%20Country-----Palestinian%20territory\\*\\*\\*%20occupied&whereClause=%20WHERE%20\(DestinationCountryName=%20'Palestinian%20territory\\*\\*\\*%20occupied'%20\)](http://ocha.unog.ch/fts/reporting/reporting_display.asp?short=1&filterLabel=Destination%20Country-----Palestinian%20territory***%20occupied&whereClause=%20WHERE%20(DestinationCountryName=%20'Palestinian%20territory***%20occupied'%20))

<sup>10</sup> Palestinian National Authority, Ministry of Finance, Budget Press Release, March 16th 2005. <http://www.mof.gov.ps/english/press%20release.asp>

increasingly likely that a significant percentage of the foreign aid disbursed in 2006 will be allocated to stemming the deficit to stave off a financial crisis in the PNA.<sup>11</sup>

**Figure 2: Sources of Revenues in Annual PNA Budget (as % of Total Revenue)**

	2003 Budget	2004 Budget	2005 Budget
Domestic Taxes	16%	17%	18%
Clearance Revenue (collected by Israel on behalf of the PNA)	25%	30%	30%
External financing (foreign aid)	58%	53%	53%

Source: PNA Ministry of Finance

### **Conclusion:**

The question of how much aid the PNA receives from foreign donors is as important, and as controversial, as the questions that surround the uses of that aid. While this fact sheet has focused exclusively on the **sources** (half of this equation), it is obviously the **uses** of those funds that are most critical to Palestinians. How much of foreign assistance received by the PNA is siphoned off by corrupt officials? How much goes to NGOs and international organizations, and how are those organizations held accountable by the donors? Most urgently, how much of the annual foreign aid promised to the Palestinians is to be withheld by crucial donors (the Europeans and the US) unless the new Hamas-led government complies with their conditions/demands? Lastly, if the supply of foreign aid dries up, where, and how, will the new Hamas-led PNA find the means to bridge the gaps?

<sup>11</sup> The World Bank, “The Palestinian Economy and the PA’s Fiscal Situation: Current Status” February 2, 2006.