Further written evidence submitted by the Department for International Development

The UK is providing £129.5million to the PA to pay civil servant salaries between 2011 and 2015. Ministers approved a one-off uplift of £7.5million in November 2013 to enable salaries to continue to be paid.

UK funds are transferred on a quarterly basis in GBP to the World Bank Palestinian Reform and Development Plan (PRDP) Trust Fund, which in turn converts these funds to USD and transfers these USD funds to the PA Bank of Palestine general pooled account. The Ministry of Finance converts the USD funds received, at prevailing exchange rates, to New Israeli Shekels and transfers them to the general PA Bank of Palestine Shekel account. A Shekel amount equivalent to the UK contribution is then paid into an account at the Arab Bank used specifically for the payment of civil servants. The Statebuilding Grant contributes to the salaries of the civil servants on the EU PEGASE list, of which there are around 85,000.

This process is verified through an audit which takes place once every six months. The audit firm was selected through a fair competition between a number of shortlisted companies deemed by the World Bank to be competent auditors. All bids received were deemed technically competent and the contract was awarded to El Wafa, whose financial offer was the best. El Wafa is a subsidiary of the French company Mazars, one of Europe’s largest accountancy and audit firms. The audit reports show the ministries that receive contributions and confirm that the Ministry of Finance (MoF) complies in all material respects with the provisions of the MoU. The list of eligible beneficiaries is checked at two stages: once by the MoF’s internal controller and again by the external auditor in order to ensure that funds are used in accordance with the process set out in the MoU.

The Head of Office is the Senior Responsible Officer for this programme, supported by a core team of the deputy head, governance and results advisers, and project officers from both London and Jerusalem. We have access to a wider range of expertise as required. All quarterly payments to the PA are approved at Ministerial level.

Our support to the PA is classified as non-budget support financial aid. There are a number of other examples where DFID funds part of the budgets of partner governments and channels its support through World Bank Trust Funds. This mechanism can reduce the level of fiduciary risk for DFID.