

**November 19, 2003**

**Submission of Mr Terry Mendoza to the UK Parliamentary Select Committee on International Development**

**A. Background**

I am a UK citizen, a resident of the Southend area. I have always been concerned about the possible abuse of EU revenues by special interest groups. During the summer of 2002, suspicion emerged that EU funds to numerous Palestinian projects were not being distributed in an open and transparent manner. This was to the detriment of both Europeans and the intended recipients. I began to examine the level and manner of funding given to aid the Palestinian people by the EU.

My research leads me to three basic conclusions:

- For the decade following the 1993 signing of the Oslo Accords, the EU has donated around €4 billion to the Palestinians via various agencies.
- It is impossible to state with reasonable certainty whether this public money, as well as donations from other international operations, has reached its intended destinations.
- Any further outlays need to be channeled in new and constructive manner in order to benefit the average Palestinian, while serving the peace process and causing a reduction of hatred.

I am submitting this evidence with particular regard to Sections 1 and 6 of the inquiry, which seek to examine the effectiveness of EU aid and with specific reference to NGOs.

It is not my intention to determine if or what level of support is to be maintained by HM Government for Palestinian projects. My aim is to illustrate that any future investment should consider the problems encountered by European officials. They are increasingly unable to demonstrate credible evidence that their vast donations have reached the proposed destinations, especially in light of the mounting evidence that they have not.

**B. Level of European Support and its Direction**

Since the 1993 signing of the Oslo Accords, the European Union has approved the passage of around €4 billion to the Palestinians either directly to the Palestinian Authority (PA) or through agencies like UNRWA<sup>1</sup>. The pace of aid has increased since the launch of the Intifada in September 2000, as the Palestinian leadership has argued that restrictions imposed by Israel have led to a lowering in income levels and the standard of living.

Over the years, the European Commission has argued earnestly and strenuously that the investments have been monitored according to the highest standards and have reached their respective targets. For example:

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<sup>1</sup> <http://www.delwbg.cec.eu.int/en/partnership/02/aid.htm> . See also:  
[http://europa.eu.int/comm/external\\_relations/gaza/news/me02\\_90.htm](http://europa.eu.int/comm/external_relations/gaza/news/me02_90.htm)

- i) President Prodi stated on 19 November 2001 that: *“The EU gives money to prevent the collapse of the PA. The use of our funds is closely monitored by the IMF. The money is used for health, schools and basic elements of administration. We have spent no money on the military side.”*<sup>2</sup>
- ii) Six months later, the EC issued a statement on 6 May 2002. It noted that: *“EC support to the PA takes various forms (support to UNRWA, humanitarian assistance, development projects, budgetary assistance), each with its own monitoring mechanisms. All budgetary assistance is strictly vetted. The payments (€10m per month) are only transferred after the IMF has verified that the money has been properly spent according to the agreed purpose.”*<sup>3</sup>
- iii) On 22nd June 2002, Chris Patten, EC High Commissioner for External Relations, declared before the Foreign Affairs Committee of the European Parliament that: *“After scrupulous examination of all the allegations that have been made, I can report to you today that there is no evidence for EU funds used for other purposes than those agreed. There is no reason to state that EU money has financed terrorism or bought weapons.”*<sup>4</sup>
- iv) Mr. Alan Saetter’s evidence to this committee on 16 September 2003 also places an emphasis on monitoring the path of donations, especially through IMF assistance.<sup>5</sup>

### **C: An Independent Inquiry Into The Use Of Donor’s Money**

In January 2003, The Prism Group<sup>6</sup>, an independent research group, produced a report on the misuse of EU funding, which was distributed to all MEPs. The report did not rely on evidence supplied from Israeli sources, but focused on material supplied by Palestinians and Human Rights Watch (HRW). HRW is a highly acclaimed human rights organisation with a strong record of sympathies for the plight of the Palestinian people.

The conclusions of The Prism Group report are simple and demand repeating here.

- 1) “The objective actions of the PA, including its tacit if not overt support of terror activities and the direct involvement of its Fatah and Tanzim branches, combined with the admitted absence of financial controls on the PA’s use of funds, give rise to genuine suspicions—if not clear inferences—that the PA’s funds were used to support the terror activities.”
- 2) “HRW is unequivocal in its findings that the PA improperly financed terror activities.”
- 3) HRW finds that: “Individual members of the al-Aqsa Brigades have even been among the beneficiaries of payments approved by Arafat personally at a time when he knew or should have known that such individuals were alleged to have been involved in planning or carrying out attacks on civilians... Unlike Hamas and Islamic Jihad, the al-Aqsa Martyrs’ Brigades are linked to the ruling faction in the Palestinian Authority, rather than the political rivals of the PA and Fatah.”

### **D. Other Sources Confirming the Misuse of Funds**

There are five independent channels, which confirm the conclusions of the Prism report. Together, they indicate that all of the statements from senior Europeans are not plausible to an acceptable level, especially for the taxpayer who is funding this activity.

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<sup>2</sup> [http://europa.eu.int/comm/110901/memo231101\\_en.htm](http://europa.eu.int/comm/110901/memo231101_en.htm)

<sup>3</sup> [http://europa.eu.int/comm/external\\_relations/gaza/news/me02\\_90.htm](http://europa.eu.int/comm/external_relations/gaza/news/me02_90.htm)

<sup>4</sup> [http://europa.eu.int/comm/external\\_relations/gaza/news/ip02\\_906.htm](http://europa.eu.int/comm/external_relations/gaza/news/ip02_906.htm)

<sup>5</sup> <http://www.publications.parliament.uk/pa/cm200203/cmselect/cmintdev/1107/3091606.htm>

<sup>6</sup> <http://www.theprismgroup.org/euinqury.htm>

- i) *The IMF itself* has consistently denied that it monitors donations to the PA. For example, Thomas C. Dawson, Director of the External Relations Dept of the IMF, in a letter to the Editor of the Wall Street Journal on 17 June 2002, wrote: *"the IMF does not monitor foreign assistance to the PA. It simply provides the EU with info about broad developments related to its budget. It does not monitor or control every item in the budget. This obviously is an auditing function that goes far beyond the fund's present mandate."* Just as significantly, George T. Abed, a Palestinian and Jordanian national, as well as the Director of the IMF's Middle Eastern Department, wrote *"the IMF does not and cannot control downstream spending by the various Palestinian agencies. This matter remains between the Palestinian Authority and the donors"*<sup>7</sup> (online edition of the IMF's official publication "IMF Survey", Vol. 31, Number 16, datelined September 2, 2002) In layman's language, the essential element of the EC's monitoring mechanism does not exist. Further, while individuals have written letters and articles highlighting this anomaly, the EC has failed to address the issue head on. Therefore, Europeans cannot be assured of to where and to whom their money is directed. This raises the leading question as to what safe control mechanism does this Parliamentary inquiry intend to install.
- ii) *Individual Palestinian leaders* have bravely drawn attention to this very problem. Mr. Mahmud Abbas (Abu Mazen), in his resignation speech as Palestinian Prime Minister on 6 September 2003, gave credence to the assumption that money is going astray. He cited how revenue was being diverted from monopolies up to July 2003 and how salaries, supposedly paid for by the EU, were subject to a levy.<sup>8</sup> Rare support for Mr Abbas has come from Mr. Salam Fayyad, the Palestinian Finance Minister and former World Bank official. He has linked Chairman Arafat to some of the kickbacks and he admits that there is more financial corruption yet to be revealed.<sup>9</sup>
- iii) *Responsible investigative reporting on financial mismanagement* has revealed huge amounts of revenue being diverted from the Palestinian Ministry of Finance. The list is long, but I provide here five varied examples from the previous month alone. When linked together, they confirm a pattern of deceit crossing international borders.
- CBS<sup>10</sup> has detailed misappropriation and diversion of sums on a scandalous scale. Chairman Arafat is documented as having acquired a vast personal fortune through monies taken from the public Palestinian purse.
  - The Scottish Herald<sup>11</sup> has a matching report.
  - Channel 4<sup>12</sup> has detailed how the families of suicide bombers are given relatively large sums as a "reward" for the work executed and the destruction created.
  - The Jerusalem Post<sup>13</sup>, citing official documentation from the Palestinian Ministry of Finance, has revealed how Chairman Arafat still receives "as

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<sup>7</sup><http://www.imf.org/external/pubs/ft/survey/2002/090202.pdf>

<sup>8</sup> [http://www.adf-berlin.de/html\\_docs/schwerpunkte/nahost\\_krise/rede\\_abbas.html](http://www.adf-berlin.de/html_docs/schwerpunkte/nahost_krise/rede_abbas.html) Ironically, Mr. Patten takes an opposite view of the levy. See his comments in a letter to Mr. Laschet MEP on 6 February 2003 at [http://europa.eu.int/comm/external\\_relations/mepp/eufundspa.htm](http://europa.eu.int/comm/external_relations/mepp/eufundspa.htm)

<sup>9</sup> <http://www.cbsnews.com/stories/2003/11/07/60minutes/main582487.shtml>

<sup>10</sup> <http://www.cbsnews.com/stories/2003/11/07/60minutes/main582487.shtml>

<sup>11</sup> [www.theherald.co.uk/news/4130.html](http://www.theherald.co.uk/news/4130.html)

<sup>12</sup> "In the Mind of a Suicide Bomber" – 10 November 2003

*much as 10 percent of the official PA budget” for mainly unstipulated purposes.*

- And, all these follow on from the IMF report in September 2003, which clearly delineates that approximately \$900 million of Palestinian revenues were ‘diverted’ into private accounts.<sup>14</sup> That same report goes on to detail additional control weaknesses over the entire Palestinian budgetary system, presided over by the same people who ‘diverted’ these \$900 million.

When one considers that much of the PA budget comes from international donors, many of whom demand that their contributions are tied in to specific projects, this lack of accountability raises serious issues of credibility for any taxpayer.

- iv) *The role of Chairman Arafat* continues to give cause for concern to many. It has been clearly documented by the former chief of Romanian intelligence, Ion Pacepa, that the Palestinian leader has developed his political power since the late 1960s through illicit bank accounts.<sup>15</sup> Furthermore, his political maneuverings since the presentation of the Roadmap in April 2003 have been designed to allow him to maintain control of the PA budget . (Abbas even complained to his parliament, and Fayyed admitted on CBS that moves to reform are met with opposition.) Particularly relevant is Chairman Arafat’s personal involvement in the financing of the war of terror against Israel. Like Bush or Blair or Chirac, he does not sign the cheques. But, it is documented that he has authorised payments for terrorism. The money comes from the Ministry of Finance, which means that it has, at least in part, come from external donations. (*See [Appendix A](#) for a sample of cases*, showing documents with his actual handwriting authorising payments).

***When reviewing these documents, it must be remembered that this information is readily available in the public domain. I would find it incredible if any European official were to claim that it has not been presented to the Commission in the past. In any event, it is offered here as clear evidence to how donations from foreign governments are consistently misused on a wide and repetitive scale.***

**Again, it must be stated that Chairman Arafat delivered these payments either from his personal fortune, which originated from funds donated to the PA, or directly from the coffers of the PA. The PA’s treasury is heavily dependent on donations from foreign governments or organizations like the EU.**

- v) *The Palestinian elite*, in particular persons who are consistently members of Chairman Arafat’s cabinet and who help to solicit aid from abroad, have also been implicated in the diversions of public funds. ([Appendix A](#) delineates their involvement in the process of assigning money for terror.) I will cite here only four examples of their civil misplay.
  - The PA Deputy Minister of Health, Munzar Al-Sharif, transferred a medical laboratory donated by the German government to the PA to a private hospital. A leaflet was later distributed in Nablus, Gaza and Ramallah, which

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<sup>13</sup> <http://www.jpost.com/servlet/Satellite?pagename=JPost/JPArticle/ShowFull&cid=1069129367598>

<sup>14</sup> <http://www.imf.org/external/pubs/ft/med/2003/eng/wbg/wbg.pdf> - Page 91

<sup>15</sup> [http://online.wsj.com/article\\_email/0,,SB106419296113226300-H9jeoNjlaZ2nJ2oZnylaaeBm4,00.html](http://online.wsj.com/article_email/0,,SB106419296113226300-H9jeoNjlaZ2nJ2oZnylaaeBm4,00.html)

warned Al-Sharif that if he did not return \$7.5 million he had stolen from the PA, his life would be in danger.

- Rabah Ayid, director of the Jabaliyah charity association, which is affiliated to the PA Ministry of Religion, is accused by local residents of stealing Saudi aid that arrived during the month of Ramadan in 2002.
- Nabil 'Amru is a Legislative Council Member and former Minister of Information. His villa in Ramallah is estimated to have cost \$2 million.
- A huge fraud scheme was uncovered in the Ministry of Health, involving the former director general of the Ministry, Imad Tarawiyah. It was learned that the Ministry had been given a donation of advanced CT medical screening equipment worth \$2 million. Tarawiyah chose not to use the advanced equipment and placed it in storage for two years. He eventually bought the equipment as scrap for \$50,000.

And many more examples can be supplied here.

## E: Accusations of Selective Criticism

In light of the facts presented above and in [Appendix A](#), the EC has been forced to respond to a continuing series of criticisms as to the way it handles ratified policy of the Brussels Parliament. These responses have been listed and analysed in [Appendix B](#).

What is important for a taxpayer and any new potential donor is to consider whether it is possible for the EC to defend its methods coherently, given the evidence presented above. After all, Mr. Patten himself has acknowledged on more than one occasion that it is impossible to be absolutely certain that none of the money was misused.<sup>16</sup>

Similarly, in a letter to Mr. Laschet on 5 February 2003<sup>17</sup>, Mr. Patten wrote that: ***"Given the fungible nature of general EU budgetary support it is not possible to link any salary payment directly to the EU funds."*** As a taxpayer, I must insist that this low level of control cannot be tolerated, especially given the known involvement of Palestinian personnel in the confrontation with Israel.

What is even more disturbing is that this mask is maintained in a forthright and demonstrative manner by the EC, an organization, which has

- had unsatisfactory audits for 9 years;
- closed off 2002 financially as not a bad year, because "only" 90% of the budget is problematic;
- had the accounts of its Commission categorized as "inadequate".<sup>18</sup>

This Parliamentary inquiry has listened to the views of Mr. Alan Seatter on the EC's budgetary controls vis-à-vis distributions to the Palestinians. In order to heed Mr. Saetter, the inquiry must provide extraordinary reasoning given that he is employed by an organisation that is historically lax in its exercise of budgetary supervision. In the meantime, it is logical to argue that while the EC has executed EU aid policy towards the Palestinians most substantially, it has not passed the test of transparent budgetary controls. This has been to the detriment of most Palestinians and serves to provide a large illuminated warning light to any new donor.

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<sup>16</sup> See the end of Mr. Patten's statement to the Foreign Affairs Committee on 19 June 2002. Also, Mr David Bove wrote to a constituent in March 2003 that Mr. Patten "agreed that it was virtually impossible to give 100% guarantees that money is not siphoned off for improper use".

<sup>17</sup> [http://europa.eu.int/comm/external\\_relations/mepp/eufundspa.htm](http://europa.eu.int/comm/external_relations/mepp/eufundspa.htm)

<sup>18</sup> <http://news.bbc.co.uk/2/hi/europe/3279675.stm>

## **F: Can Israel Do More to Aid the Palestinians?**

This question can be answered on three levels: financial, humanitarian aid and logistical.

### **(1) Financial**

Under the Oslo Accords, Israel is obligated to transfer to the PA customs and duties collected on its behalf. This is a legal requirement as opposed to a donation. The money is specifically allocated for paying the salaries of Palestinians in the public sector.

Following revelations<sup>19</sup> that the money was being utilised for purposes of terror, the Israeli government reportedly froze the arrangement until new procedures were established. What is unique about the new system is that Israeli payments are now supervised by a team of American accountants, appointed by “Standard and Poor”.

Through S&P, the Israelis can categorically state that they have maintained the support of teachers or doctors or other necessary services. The money does not go to buying weapons of the Tanzim or maintaining the private wealth of the elite. The Europeans and other donors have no trail of what happens to their money, once it has been transferred to the Palestinians.

Israel was reported to have transferred back payments of around 1.15 billion shekels between January and August 2003.<sup>20</sup> (4.5 shekels: \$1). In total, Israel was supposed to hand over 2 billion shekels to the Palestinians, but various Israeli courts ruled that the balance was to be withheld, pending the resolution of large debts owed by the PA to several Israeli bodies and companies, including Israel Electric Corporation and state-run hospitals. Several Israeli families are also suing the PA over their suffering and losses resulting from terror by paramilitary factions sponsored by Chairman Arafat.

There are also reports of Parliamentarians who have asked if Israeli military action has damaged structures erected with EU assistance. My inquiry to the Israeli Ministry for Foreign Affairs (MFA) revealed that the EC has presented a list of 23 such projects to the Israeli authorities. The total value of the damage is estimated at €34.8 million, of which the EU’s share is €19.5 million. It has been asked why the Israeli government does not recompense the EU.

I find the MFA answer very informative, as well as instructive in how not to distribute aid. The Israeli government has noted that once the money was handed over (usually in a nonprescribed manner, as noted above), the money no longer belongs to the EU. However, the MFA also noted in advance that most of the establishments had been used for military and other hostile purposes against Israel, thus making them a legitimate target for retaliation under international law. Israel exercised its right and obligation to defend itself.

Of equal importance, but rarely asked, is why the PA is unable to compensate the families of those EU citizens killed or maimed in terror attacks committed by Palestinians. Three notable examples are Michal Raziel, Yoni Jesner and Steven Bloomberg. At least in the case of Bloomberg, there is strong evidence to suggest that members of Chairman Arafat’s security services, whose salaries are covered via the Ministry of Finance, carried out the attack. (See the comments of President Prodi in [section B](#))

### **(2) Humanitarian Aid**

Given the irrefutable fact that large segments of the Palestinian populace have initiated and maintained a violent struggle against Israel since September 2000, it is illogical to expect

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<sup>19</sup> See Appendix A

<sup>20</sup> <http://www.haaretz.com/hasen/pages/325598.html>

Israel to launch a campaign of humanitarian aid on behalf of its neighbours. One assumes that politicians in Jerusalem are also acutely aware that “more efficient management” of revenues by the Palestinian Ministry of Finance would lead to a larger and more equitable distribution of wealth.

For example, the revenues handed over by Israel (see above) in 2003 are worth about \$0.5 per person per day. When charities like Oxfam and Christian Aid are claiming that many people live off just \$2 per day, this is a mammoth injection of money, assuming that it reaches the right people.

What cannot be denied is that Israel continues to seek ways of bridging the gap of hatred to the benefit of all. For example:

- Israeli hospitals continue to accept residents of the Palestinian territories.
- The Malki Fund<sup>21</sup>, a private initiative, which was set up in the name of 15-year old Malki Roth who was killed in a suicide bomb blast, accepts applications from all people throughout the country, regardless of religion.
- The Israeli Ministry of Education is promoting inter-ethnic programmes. One success story has been co-sponsored by the British Council. Called “Dreams and Teams”,<sup>22</sup> it is designed to promote “youth leadership and community involvement through sport”.

### **(3) Logistical Considerations**

Both testimony submitted to this inquiry and frequent commentaries in the media claim that if the Israelis relaxed their system of checkpoints and stopped building their anti-terrorist barrier, then the economic situation of the Palestinians would improve swiftly and significantly. These suggestions are often combined with an appeal to allow more Palestinians to work within the Israeli economy.

As a supporter of free movement for all, I believe that these statements can be very persuasive. Certainly, annual GDP growth for the Palestinian territories point to an average rise of nearly 10% leading up to the start of the Intifada.<sup>23</sup>

However, the true hypocrisy of these demands is exposed when it is noted that Israelis are not allowed to travel in Palestinian areas for fear of their lives. Certainly, Israeli goods now have to be transported via by-pass roads in these places. There have been numerous incidents of Israeli employers being attacked, even killed, by Palestinian workers, thus reducing future employment opportunities. Not only is this Palestinian practice a form of Apartheid, but it also ensures that the Palestinians deprive themselves of imported economic activity.

This argument can be developed further. By launching the Intifada in September 2000 and immediately abrogating the Oslo Accords by releasing imprisoned terrorists, the Palestinian leadership effectively declared war on Israel. Over the past several thousand years of history there have few examples of a country being attacked and then opening up its economy to its enemy prior to settlement of the dispute. That would be preposterous. At the same time, Israel has repeatedly demonstrated that if the terror were to cease, the limitations would be rescinded. That is exactly what happened at the implementation of the Roadmap, until the attacks returned.

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<sup>21</sup> [www.kerenmalki.org](http://www.kerenmalki.org)

<sup>22</sup> <http://www.britishcouncil.org/education/dreams>

<sup>23</sup> <http://www.imf.org/external/pubs/ft/med/2003/eng/wbg/wbg.pdf> - Page 12

To put this point another way, Israel has a clearly defined right in international law to defend itself<sup>24</sup>. International law does not protect a nation that allows its territory to be used as a launching pad for attacks on another nation. The attacked nation has every right of reprisal and the cry we hear about violations of sovereignty show either ill will or ignorance. The PA has allowed, if not encouraged, its territory to be used for the purposes of launching attacks against Israel and Israeli civilians. Israel is well within its legal rights to pursue the attackers, even at risk of life and property.

If there was no terror, there would be freedom of movement for people and goods, and on both sides of the checkpoints and the security fence.

## **G: Can Alternatives Be Found To The PA?**

If the current leadership of the PA renders itself unsuitable for receiving funds from foreign donors, what are the alternatives? This section features NGOs and UNRWA.

NGOs (Non-Governmental Organizations) can be broken down into three separate categories<sup>25</sup>: -

- International bodies such as Amnesty and Human Rights Watch, whose operations are truly global and very influential.
- Region-specific NGOs such as Miftah, Palestinian Center for Human Rights (PCHR), Physicians for Human Rights - Israel (PHR-I), and LAW. These regional "humanitarian" NGOs restrict their activities to the Arab-Israeli conflict and, in most cases, to criticism of Israel.
- NGOs that collect funds for a variety of projects and areas, and provide financial and technical support to smaller regional NGOs. Examples include the Ford Foundation and Christian Aid.

I wish to concentrate on the second and third categories.

Certain NGOs, such as Médecins Sans Frontières, undoubtedly carry out phenomenal work. However, the aura of their good name is often stolen by many other NGOs, whose agenda appears to be the delegitimation of Israel and its existence. This problem was spectacularly highlighted at the 2001 Durban Conference. Israel was treated like a pariah state, which contained many of the evils of the world, while and that or that its neighbours systematically ignore the rights of women, children and other religions.

It is not my purpose to wade through all the NGOs associated with the region, whether based inside or outside the Middle East. By choosing a few specific cases, I intend to make a very central point. Most NGOs are biased and have a very set political agenda. In several cases, this agenda has been taken one step further to the support and justification of violence.

- The Palestinian Society for the Protection of Human Rights and the Environment (LAW) is one of the more venerable Palestinian NGOs, receiving support from various individual countries, the EU and from elsewhere. An interim report by the auditors "Ernst & Young" found that about \$4 million of donors' funds had been embezzled from September 1997 to August 2002.
- The Ford Foundation has actively encouraged groups like LAW and the Palestinian NGO (PNGO) network in general. Unconfirmed reports mention that PNGO receives

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<sup>24</sup> <http://www.iapm.ca/newsmanager/anmviewer.asp?a=24&z=8> See also articles X and XII of the Oslo Accords.

<sup>25</sup> <http://www.ngo-monitor.org/ngo/types.htm>



at least \$350,000 per annum from Ford. Many of these are Islamic rights groups, including \$100,000 for the Mizan Center.

- The Mezan Center ([www.mezan.org](http://www.mezan.org)) officially supports “community based advocacy work on economic, social and cultural rights in Gaza”. Its website features prominently Rachel Corrie, an ISM activist, who was tragically and accidentally killed by an Israeli army bulldozer. The story is still subject to debate. What is not in dispute is that Rachel Corrie’s activities were politically motivated and supported by the Mezan Center. This is typical of many local NGOs, which cover their real activism through carefully worded social appeals.

As a small positive postscript, literally as this submission was being prepared, it was reported that the Ford Foundation has acknowledged problems with the way it funds PNGOs.<sup>26</sup> It has agreed to halt funding to groups that espouse anti-Semitism, promote violence and deny Israel’s legitimacy.

**This is a very encouraging development from which the current inquiry can learn. If you are to channel money through NGOs, they must guarantee to use the money for stated objectives, which cannot be political or military, and they show proof of delivery. Up to now, few organisations can meet these requirements.**

It must be stressed that in May 2003, the American government called on Palestinian NGOs to sign a declaration that they will not use USAID grant money for terrorist purposes. This was universally declined in a response posted in the “Al Ayyam” newspaper in August. Those rejecting the request included “The Red Crescent”, an affiliate of the International Committee of the Red Cross (ICRC), and the above mentioned Mezan Center For Human Rights.

This is particularly stressing news for groups like Oxfam, which cites the Red Crescent as a local partner. Christian Aid rarely maintains a local office abroad, but invests its energies and resources through local NGOs. In the year 2000, it is reported to have invested approximately \$1.5million in 31 partner organizations in the region.

UNRWA was mandated in 1949 and its current budget breaches \$400 million. Employing around 24,000 locals, the organisation has major responsibilities in the fields of education where it operates hundreds of schools, health care services and the provision of humanitarian aid.

UNRWA is not without its critics, especially over the role of its Commissioner General, Mr. Peter Hansen, whose inaccurate comments on the situation in Jenin and other places have caused confusion around the world. It is even recognized by UNRWA itself, that the statistics, which it maintains of population levels within its jurisdiction, are inaccurate.

The pertinent issues here go further than personalities. They are:

- UNRWA aid is frequently seen as an opportunity for corrupt practices, even by those it is meant to help.
- UNRWA facilities are exploited for political and military purposes.
- UNRWA is supporting a system of teaching, which has strong racial overtones in parts and does not meet standards initiated by UNESCO.

## **1. UNRWA aid is not distributed properly.**

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<sup>26</sup> <http://www.jpost.com/servlet/Satellite?pagename=JPost/JParticle/ShowFull&cid=1069129372932>

There is documented proof, which shows that between 1996 and 2002, if not longer, UNRWA aid did not always reach its target population.<sup>27</sup>

- Food supplies found their way into Israeli shops, both the Jewish and Arab sectors.
- Medical supplies were discovered in private pharmacies.
- According to the Israeli Army, many supplies are “lifted” as they come through the Rafah crossing. The person accused of being behind this racket is the former PA Supplies Minister, Abu Ali Shahin, a senior Fatah official in the Gaza Strip. He is close to Arafat and is nicknamed the "minister of thieves".

The system is so widespread and involves so many people of the senior Palestinian leadership that one must suspect that the situation is not under control even today. To give further weight to this problem of corruption, it is known that the Karni Terminal in Gaza is also the source of major pilfering<sup>28</sup>. The committee at Westminster must be made aware of these facts, when considering increasing aid in these areas.

## **2. UNRWA buildings are used for political and military activities, acts often supported by organisation employees.**

It has been established that UNRWA facilities have been consistently used for illegal, if not violent, purposes. For example, Nahd Rashid Ahmad Atallah, a senior official of the UNRWA agency in the Gaza Strip, who was in charge of distributing the financial aid to the refugees, was arrested in August 2002. He admitted in his capacity as UNRWA official that from 1990 through to 1993, he had granted support to families of wanted terrorists, on behalf of Fatah and the “Popular Front”. He also revealed that during June and July 2002, he had used his car, an UNRWA car, for the transportation of armed members of the “Popular Resistance Committees” who were on their way to carry out a sniper attack against Israeli troops posted at the Karni border crossing point in Gaza, and a missile attack against Jewish settlements in the Northern section of the Gaza Strip. In addition to these, Nahd had used an UNRWA car to transport a 12 kg explosive charge for his brother-in-law, a militant member of the “Popular Resistance Committees”.<sup>29</sup>

And there are many more such examples. Even if we recall the tragic shooting by the Israeli army in Jenin, in November 2002, of Iain Hook, a 53year old a British employee of UNRWA, the conclusion is the same. Versions of the sad event differ, but what is not in doubt is the use of the compound by armed Palestinian militias.

## **3. UNRWA is supporting Palestinian education, which is teaching political doctrines to a new generation.**

UNRWA plays a crucial role in the education of Palestinian children. It maintains schools, pays for teachers and helps provide schoolbooks. Without doubt, these are creditable and important social achievements.

There are two problems here, which negate the value of these investments. First, much of the Palestinian teaching profession has been pervaded by a hidden and political agenda. This has been detailed by IPCRI, a combined Palestinian – Israeli effort, which has received the backing of the EU.<sup>30</sup>

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<sup>27</sup> <http://www.intelligence.org.il/eng/bu/theft/theft.htm>

<sup>28</sup> <http://www.intelligence.org.il/eng/bu/karni/karni.htm>

<sup>29</sup> [http://www.intelligence.org.il/eng/bu/unrwa\\_b/ter.htm](http://www.intelligence.org.il/eng/bu/unrwa_b/ter.htm)

<sup>30</sup> [Analysis And Evaluation Of The New Palestinian Curriculum – Page 5ff](#)

Second, despite the gradual introduction of a new curriculum starting from the academic year 2000 – 2001, Palestinian children are still subject to substandard material. In particular, the new textbooks, which have now been introduced for 10 different grades: -

- They are overtly inflammatory in their handling of Jewish issues.<sup>31</sup>
- They deny any biblical and historical connection of the Jews to the holy land.
- They do not accept that Israel has any right to exist in the region at all.<sup>32</sup>

These books are supplied by UNRWA and used in UNRWA schools. And they cannot be explained away as isolated cases. The UNRWA Teacher Training College in Ramallah teaches that Palestine stretches from the Jordan to the Mediterranean and did not, does not and will not have historical, physical, religious or cultural connection for Jews. This message, hardly conducive to peaceful two-state solution, is presented for its students to pass on the next generation, bearing the full credibility of the college's UNRWA patronage.<sup>33</sup> UNRWA has even provided notebooks for pupils to carry out work and projects, praising suicide bombers and other military operations against civilians.<sup>34</sup>

Clearly, this policy is in direct conflict with the teaching principles as laid down by UNESCO.<sup>35</sup> Palestinian children are being abused by a politicised education system, which is being funded by overseas donations. These contributions are quite simply helping to raise a new generation based on hate and so ruin any chances of long-term peace in the region.

In conclusion, it cannot be doubted that there are many sincere members of staff amongst UNRWA's varied team. There are Palestinians, who rely on UNRWA's services. However, this UN organization has requested money for vast amounts of aid, which never reached its final destination. It effectively provides logistical support and personnel for military operations against Israel (not at the instructions of its directors). It promotes an immoral education system to the detriment of Palestinian children and the peace process.

Unless UNRWA undergoes solid structural reforms, further investment in its organization will be an insult to taxpayers.

## **H: Summary and Recommendations**

Based on a plethora of sources (both media, governmental, and non-governmental), it is becoming increasingly apparent that the Palestinian Authority has systematically been funneling money according to their own purposes and to the detriment of their own people. It has also become clear that international aid, including European Union funds, is falling into this abyss and thus being misused as well. Even the Palestinian people have become aware of this problem and have demanded change.

Israel, responsible according to the Oslo Accords for providing specified amounts of aid to the Palestinians, has found a way to ensure that their funds are received by the intended parties. The European Union, the World Bank and other donors have still not focused on the need for this supervision. This allows funds to continue to fall into the wrong hands, ultimately to be used for the wrong reasons.

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<sup>31</sup> [http://eufunding.org/Textbooks/Summary\\_Table.htm](http://eufunding.org/Textbooks/Summary_Table.htm)

<sup>32</sup> <http://eufunding.org/Textbooks/Geography.htm>

<sup>33</sup> <http://www.eufunding.org/Textbooks/Geography.htm>

<sup>34</sup> [http://www.intelligence.org.il/eng/edu\\_en.htm](http://www.intelligence.org.il/eng/edu_en.htm)

<sup>35</sup> [http://eufunding.org/Textbooks/Unesco\\_Guidelines.htm](http://eufunding.org/Textbooks/Unesco_Guidelines.htm)

As a taxpayer, it is my right and obligation to demand that all funds be used for proper educational materials, real and improved living conditions, development of infrastructure and more.

More importantly, I would request that this inquiry committee ensure that controls are placed on any UK aid provided to the Palestinians to promise that it arrives at its intended destination. More than that, conditions need to be attached to aid, such that the taxpayer can be confident that the ultimate aims are achieved and that the aid does not become a backfill for theft or funding agendas not supported by UK foreign policy. To date, no government outside the region has succeeded in implementing such a system.

When the living conditions of the ordinary Palestinian improves, when financial transfers become transparent, when terrorism ceases and when incitement and violence are condemned in the education system and in Palestinian society, there are tremendous activities that HM government can and should support. Meanwhile these important reforms are not in place. Therefore, I warn that donations from our Exchequer will only serve as further padding of the pockets of leaders, who have placed their personal finances above the needs of their people, and thus destabilising the entire region, prolonging the cycle of violence, and causing poverty and suffering among the Palestinians.

## **I: Postscript**

As this submission was being concluded, news broke that the Palestinian Ministry of Education had reprinted an old book for students in the eleventh grade. Entitled "Islamic Culture", it was originally published in 1994.

In brief, the book enhances the values of "holy war" and "martyrdom". It also deplores Western values, especially when they are encouraged by Christian missionary activity.

The point is that Palestinian leaders have often stressed that the new curriculum is not racist. The EC, and specifically Mr. Patten himself, has tried to convince MEPs and European citizens that the new textbooks are not inflammatory. They have tried to ignore or cover up the weaknesses of the new books.

And now, here is a book, printed with the aid of the Palestinian treasury, and which can clearly incite its impressionable readers. In effect, this book was printed with help from donors. Where were the controls? What mechanisms will the British Parliament install in order to prevent this sort of scenario?

As we reflect on these questions, it is worth recalling that during the Intifada, there have been over 100 incidents of suicide bombers (and many others which were thwarted). The vast majority of the perpetrators were young people. We, in Britain, cannot allow ourselves to become involved in this cycle of violence.

## Appendix A: Chairman Arafat's Authorisation To Fund Terrorism

The following is a sample list of documents, showing where Chairman Arafat (and other Palestinian leaders) had approved monies to be diverted to terrorist operations. The originals are available on request at the Terrorism and Intelligence Information Center, an academic establishment for research on terror, located in Herzlyia, Israel.

Ref	Document	(Each title is hyperlinked and the URL identified in its footnote)
1.	<a href="#">Palestinian Authority Captured Documents: Main Implications</a> <sup>36</sup>	Documents relating to July and November 2001 clearly show Chairman Arafat's signature, approving payments to operatives involved in murder, and for arms procurement and production.
2.	<a href="#">Arafat's and the PA's Involvement in Terrorism</a> <sup>37</sup>	Documents relating to September 2001 contain Chairman Arafat's signature approving payments to operatives involved in murder. The second letter reveals the link with Marwan Barghouti, the former leader of the Tanzim and currently on open trial for a series of charges related to terrorist offences.
3.	<a href="#">The Palestinian Authority Financed "Fatah" Branch Activities from its Official Budget</a> <sup>38</sup>	Copies of cheques made out from the (EU funded) PA salary account to known terrorists. The documents here show that as far back as 1999, Marwan Barghouti (see 2) was exploiting the official Palestinian budget to finance operations of terror. This is the same budget, which is supported by overseas donations.
4.	<a href="#">The Palestinian Authority Employs Fatah Activists Involved in Terrorism and Suicide Attacks</a> <sup>39</sup>	Documents showing that Arafat personally dealt with approvals for the employment of terrorists as part of the (internationally supported) security services.
5.	<a href="#">The Cooperation Between Fatah and the PA Security Apparatuses with PIJ and Hamas in the Jenin Area</a> <sup>40</sup>	A captured document that, <i>inter-alia</i> , shows the official involvement of (internationally supported) security service personnel in terrorist activities.
6.	<a href="#">Additional Captured Documents Reveal Again the System of Money Transfers to Terrorist Squads, Personally Authorized by Yasser Arafat, with the Deep Involvement of Marwan Barghouti</a> <sup>41</sup>	A series of letters, including several sent to Yasser Arafat, requesting approval of financial aid to terrorists and their families.
7.	<a href="#">The Palestinian Authority Decision to Institutionalize the Local Militias in 2001</a> <sup>42</sup>	Documents showing Arafat's personal involvement in the strategic decision to establish local terrorist militias, paid from the (internationally supported) PA security payroll, Also shows documentation of Arafat's involvement in assigning specific PA security personnel to terrorist cells and his approvals of small arms transfers to terrorist groups.

<sup>36</sup> [http://www.intelligence.org.il/eng/bu/pa\\_cd/cd.htm](http://www.intelligence.org.il/eng/bu/pa_cd/cd.htm)

<sup>37</sup> <http://www.intelligence.org.il/eng/bu/arafat/involve.htm>

<sup>38</sup> [http://www.intelligence.org.il/eng/bu/pa\\_f/pa\\_f.htm](http://www.intelligence.org.il/eng/bu/pa_f/pa_f.htm)

<sup>39</sup> [http://www.intelligence.org.il/eng/bu/fatah/pa\\_emp.htm](http://www.intelligence.org.il/eng/bu/fatah/pa_emp.htm)

<sup>40</sup> <http://www.intelligence.org.il/eng/var/21e.htm>

<sup>41</sup> [http://www.intelligence.org.il/eng/bu/ya/money\\_hp.htm](http://www.intelligence.org.il/eng/bu/ya/money_hp.htm)

<sup>42</sup> [http://www.intelligence.org.il/eng/bu/p\\_auth/militia\\_hp.htm](http://www.intelligence.org.il/eng/bu/p_auth/militia_hp.htm)

Ref	Document	(Each title is hyperlinked and the URL identified in its footnote)
8.	<a href="#"><u>The Personal Involvement of Arafat and his Financial Aide, Shubaki, in a Secret Deal for the Procurement of Arms for PA Entities</u></a> <sup>43</sup>	Arafat's personal approval to secretly purchase 250 Kalachnikov rifles.
9.	<a href="#"><u>Documents Captured by the IDF Indicating Arafat's Support and Funding of the Fatah/Tanzim Infrastructure Perpetrating Terrorist Attacks from the Tulkarm Area in Accordance with PA Policy</u></a> <sup>44</sup>	Instructions in Arafat's handwriting to the PA Finance Ministry for specific payments to terrorists.
10.	<a href="#"><u>Captured Documents Reveal PA Corruption, Waste and the Employment of PA Funds for Encouraging and Financing Terrorism</u></a> <sup>45</sup>	Includes instructions from Arafat to the Finance Ministry to pay terrorists and their families, the legal defense of an Israeli Arab accused of stealing IDF weaponry, to cover personal expenses of PA figures and their relatives, and other unexplained cash payments.

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<sup>43</sup> [http://www.intelligence.org.il/eng/var/pi\\_a.htm](http://www.intelligence.org.il/eng/var/pi_a.htm)

<sup>44</sup> [http://www.intelligence.org.il/eng/var/docs/ar\\_sup.htm](http://www.intelligence.org.il/eng/var/docs/ar_sup.htm)

<sup>45</sup> <http://www.intelligence.org.il/eng/bu/capt/capt.htm>

## Appendix B: Why the EC's Responses are Deficient

On several occasions, the EC has answered concerns relating to the misuse of funds with one or all of the following lines of argument:

1. Controls are currently in place, as evidenced by the fact that Israeli remittances to the PA have resumed and are paid to the same accounts and using the same processes as the EC uses.
2. There is no evidence of EU money being misused.
3. Aid was not given for specific projects, unless within the framework of a particular programme.
4. The aid was essential to allow the Palestinian Authority to constitute itself, albeit with growing pains. If aid is not continued, the Palestinian Authority will collapse and chaos will prevail.
5. EU aid is conditional on reforms, particularly financial changes.

I would respectfully suggest that each of these arguments is fallacious and self-serving – doing no service to the European taxpayer nor to the Palestinian citizen. I will deal with each argument briefly:

### 1. Controls are in place, as evidenced by Israeli transfers

The Israeli remittances are of taxes collected on behalf of the Palestinian Authority. I would expect that the controls on **aid donations** from European taxpayers funds would be subject to far more stringent controls than those of Israel which is simply filling the role of conduit for the Palestinians' own money to be returned to them. In fact, the Israelis have no duty of care to check what the Palestinians do with the money. The EC does.

### 2. There is no evidence of EU funds being misused

The PA Finance Minister and former Prime Minister have specifically outlined how control weaknesses in the EU funded budgets identified by the IMF have been exploited. The evidence abounds.

In contrast, the Rt. Hon. Christopher Patten has frequently said that there is no evidence of EU funds being misused. The general reaction of my friends to this is to chuckle at the naiveté of the speaker in believing that the taxpayer would accept this argument. It reeks of schoolboy fantasies that somehow payments to terrorists will be made with EURO bills especially marked with invisible dye that will leave a trace on the hands of all who touch it. Simply stated, the PA deals with its money as a single resource, and disburses it as it sees fit. At best, EU funding has been used to backfill and funds 'diverted' (using the IMF's delicate terminology) or 'stolen' (using Mr. Abbas' more direct word).

Of course, this ignores Mr. Patten's own acknowledgement, quoted earlier, that EU money is fungible.

Stated more directly – if the funds went to their intended purposes – where are they and why is the average Palestinian living on \$2 a day (as claimed by several international charities)?

### 3. The aid was not delivered for specific projects.

Mr. Patten has repeatedly stated that unless the aid was given within the framework of a particular programme, they are “not earmarked for specific expenses and therefore cannot be attributed to any specific payment.”<sup>46</sup>

To the ordinary taxpayer, this sounds scandalous. To give a comparison: Throughout the world, governments give out monies to support industries and regions. In normal societies, the recipients are asked to give progress reports and account for the use of the investment. However, here, the money is handed over, lost in Gaza bank accounts.

Again, I must simply ask: “Where did the money go?”

#### **4. The aid was essential to allow the PA to be established and reform itself**

This argument seems especially weak. As noted above, economic conditions for the average Palestinian were much better before the PA was established. Should the vast sums of EU aid have been unavailable, it is conceivable that one of two events would have occurred. First, either the PA would have been forced to put its limited resources to work in a more constructive fashion rather than launching a war that it cannot win and only destroys the economy and morale of two nations. Alternately, the Palestinian people would have insisted on replacing its leadership.

Furthermore the IMF report clearly points to the fact that the key events, which led the Palestinian leadership to commence the implementation of the various positive reforms that are in place, were those of financial crisis. That is, EU aid POSTPONED the very reforms that the EC claims the aid promoted, by postponing the inevitable financial crisis and filling the gaps left by theft and ‘diversion’ of funds.

In any case – as a taxpayer – I object to my money having been used to establish and maintain this corrupt and violent regime. When the regime changes, seeking to build a pluralistic and democratic society, then it would seem advisable to invest in its structure.

#### **5. EU aid is conditional on the PA implementing reforms, which have been implemented.**

This argument is very welcome. A true analysis of the reforms undertaken in the summer of 2003 was performed by the IMF and detailed in the latter stages of its report. The conclusion is very simple. Mr. Fayyed has managed to make some changes in certain financial operations, such as controlling the prices of the oil monopoly. However, while these moves are to be warmly welcomed, they are but a small start and do not cover other areas like the judiciary.

More pointedly, the IMF noted that Mr. Fayyed had realised that he had to execute the reforms. Despite the back payments in revenues from Israel and donations from abroad, the proverbial cupboard was bare when he came to the job. Therefore, as stated, the EU linkage of donations to gradual reform had had a minimal effect.

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<sup>46</sup> Letter to Mr. J Bowis MEP, 5 January 2003.