

## **Working Group on Budgetary Assistance to the Palestinian Authority**

### **Draft Conclusions endorsed by Mr. Wynn and Mrs Theato**

#### **Introduction**

1. On 13 March 2003 the Conference of Presidents of the European Parliament decided to set up a Working Group (WG) consisting of 13 full and 13 substitute members equally drawn from the Committees on Foreign Affairs (AFET), on Budgets (BUDG) and on Budgetary Control (CONT), and representing all political forces. The Working Group meetings were chaired, on a rotating basis, respectively by Mr. Laschet for AFET, Mr. Wynn for BUDG and Mrs. Theato for CONT.

2. The WG's terms of reference were to analyse and monitor EU Direct Budgetary Assistance (DBA) to the Palestinian Authority (PA). The period under examination runs from the end of 2000 to the end of 2002. Further to this main task, it was decided that the WG would also cover the destruction of infrastructure financed by the EU and destroyed by Israeli Defence Forces (IDF) (see annexed table), as well as allegations made about EU funds being used to pay for Palestinian schoolbooks containing inciting passages. On the latter issue the WG heard evidence from invited experts. The Commission stated that such publications had not been financed by EU funds. Lack of time has not allowed for further investigations.

3. In practical terms, the WG was called to:

- a) assess whether the Commission had properly implemented decisions taken with regard to the direct budgetary assistance to the PA and whether it had correctly managed such assistance;
- b) establish, as far as possible, whether allegations stating that EU assistance to the PA had been diverted to finance terrorist activities were founded;

4. In its monthly meetings from May 2003 to March 2004 the WG discussed evidence given by invited experts. It heard presentations by the European Commission, representatives of International Financial Institutions, OLAF, diplomats, academics and intelligence specialists of the Israeli defence establishment. An *ad hoc* delegation, composed of the three co-Chairs, went to Israel and to the Palestinian territories in March 2004. They held meetings with the Minister of Finance of the PA, representatives of the Intelligence and Terrorism Information Center related to the Israeli Defence Forces (IDF), with high ranking officials of the Israeli Ministry of Foreign Affairs and Ministry of Finance and with representatives of the IMF and the World Bank.

4a. The WG benefited from the cooperation of the Commission over the course of its work. Commissioner Patten appointed two senior staff members to assist the WG as permanent interlocutors. The Commission examined allegations brought forward over the misuse of EU funds, analysed documentation made available by the Israeli authorities.ensuring the follow-up, It also took up these matters with the PA, International Financial Institutions, and with other donors. This was done systematically and promptly and responded to requests made by the WG.

#### **The context**

5. The outbreak of the second Intifada in September 2000 and the freezing by the Government of Israel (GoI) of the monthly transfers of the tax revenues agreed between the GoI and the PA

in the Paris Protocol brought about a rapid deterioration of PA's public finances. These transfers amounted to, approximately, two thirds of PA revenues.

With the continuation of political unrest and the closures imposed by the GoI an economic crisis with severe social consequences affected the Palestinian population. The EU decided to grant support to the Palestinian budget aimed at avoiding the collapse of the PA, to sustain the already faltering peace process, and to maintain a minimum level of services for a rapidly impoverishing population. The EU assumed the responsibility for a policy strategy, which was formulated by the Council and implemented by the Commission.

### **Budgetary assistance and financial reform**

6. In this context, the Union's determination to contribute to peace, stability, and economic development in the region took the form of a long-term mechanism of assistance, along side other donors, replacing the existing Special Cash Facility. Direct Budgetary Assistance, consisting of monthly payments, was chosen. This instrument was accompanied by extended conditionalities relating to budget implementation. These aimed at fostering the move towards more comprehensive financial reforms in addition to the Single Treasury Account (STA) which was established at the insistence of the EU. The funds provided to the PA over the period under examination amounted to € 246 million.

7. The above mentioned extended conditionalities included:

- the formulation of an austerity emergency budget and steps to enhance transparency and improve governance;
- the establishment of a monthly macro-economic monitoring of the budget implementation by the IMF;
- the close monitoring, also by the IMF, of budgetary revenues in order to assure the real need for donor financing and make sure that they never exceeded the budget expenditures
- the monitoring of budgetary arrears in order to make sure that the Palestinians contained the increase of such arrears (also by the IMF);
- the regular reporting on progress made in implementing a financial and administrative reform platform involving enhanced financial control and fiscal transparency in the PA;

8. A point that was extensively discussed in the WG concerned the notion of "monitoring" of the DBA. This activity was mainly carried out by the IMF who controlled the fulfilment of the conditionalities by the PA and provided the Commission with a monthly "comfort letter". On that basis the Commission took the decision on the release of a monthly payment. The WG discussed on different occasions whether "monitoring" was to be understood as meaning some form of "audit". The issue of "control" of the DBA funds was thus raised. Eventually the matter was clarified in the discussion with the IMF representatives.

They explained that the monitoring on the spending side (use of funds) was performed by the IMF from a policy point of view (sector level). It involved assessing whether expenditure was carried out in accordance with agreed spending objectives, by area of expenditure, in line with fiscal and other revenues available in the austerity budget, and monitoring the evolution of aggregates for each type of expenditure (salaries, operational, transfers) so as to detect possible discrepancies and enhance transparency. The IMF work did involve the macroeconomic consistency of data and acted like "an early warning system". It did not involve the detailed checking of every single item of expenditure effected in order to ascertain whether a particular disbursement was made for the intended purpose. This would constitute an auditing function

i.e. a sample construction for checks on individual items of expenditure to be performed, control of the books etc. This goes beyond the IMF's mandate and was not applied by the IMF to the funds granted by the international donors, including the EU's budgetary support. Audit is an operation performed by external independent auditors as well as internal auditing.

IMF senior representatives confirmed this both to the Working Group in Strasbourg and to the co-chairs during their visit to Jerusalem.

### **The Direct Budgetary Assistance**

9. The aim of DBA is to promote economic and sector reforms by integrating donor assistance into the country's policy framework, in order to improve its management capacity, enhance transparency in budget implementation and support administrative reform. DBA is used as a form of support in many EU, US and other donor programmes throughout the world. This non-targeted approach differs from a project-based system, which, although simpler to control, has little impact in bringing about necessary reform.

10. Funds provided under Direct Budgetary Assistance serve to finance the budget as a whole but are not earmarked for any specific expenditure. Revenues, including monies from all donors flow into and mingle within one single account (Single Treasury Account-STA). It is therefore not possible to identify to which expenditure post a specific donor contribution has gone.

### **The position of the IMF and the World Bank**

11. From the presentation to the WG by the IMF representative for West Bank and Gaza(WBG) and from evidence given by both the World Bank and the IMF representatives to the three co-Chairs during their visit to Israel and to the Palestinian territories, it emerged that international financial institutions (IFIs) considered Direct Budget Support, to be the best choice in this case. They acknowledged that DBA was not, as indeed any form of support, a 100% risk-free operation as regards possible misuse of funds. They added that it was essential to keep the Palestinian Authority functioning and that EU involvement and the DBA conditionalities were important in bringing about reform.

12. Moreover, the IFI representatives stressed that the EU decision to provide funding acted as a catalyst in mobilising other donors, including Arab States. They said that the PA financial system, while not perfect, was steadily improving through the reform process and that it was in a better state than those of surrounding countries or of various other countries that also benefit from international monetary institutions' funding. They added that the co-ordinated efforts by the EU and other donors should be continued and intensified in order to make sure that still further progress in financial control, audit and governance would take place.

13. In response to the question what were the alternatives to DBA that could have been used, the representatives of the IFIs indicated that, in cases of emergency, instruments such as food aid programmes, cash pay to beneficiaries for welfare or labour generation programmes could be considered. They added however that such instruments of targeted aid, for ex. financing individual projects, while not being 100% fraud proof, were essentially not conducive to reform and had a far more limited impact on generating long-term sustainable development. As to the idea of "earmarking" amounts in the context of DBA, the answer was that it does not provide an added value in terms of safety of budget implementation.

14. The Israeli officials from both the Ministry of Foreign Affairs and the Ministry of Finance, with whom the co-chairs met, expressed the view that the reform process was providing concrete results, especially after the current Finance Minister Mr.Fayyad took office in mid 2002. The resumption by Israel as from July 2002 of transfers of revenues to the Single Treasury Account indicated that the reform process and the efforts made by Mr.Fayyad should be supported.

### **The allegations**

15. The question of Budgetary assistance to the PA and the monitoring of the reform process in which the PA engaged would normally have been dealt with through the usual working methods of Parliament's control of the Executive. However, in this specific case due to the fact that **allegations of misuse of donor funds, including EU budget support, were made and in particular allegations of funds being diverted to finance terrorist activities**, the EU budget support was turned into a highly sensitive, highly political and complex issue.

16. The above mentioned allegations were brought forward by the Israeli side at Ministerial level ( the Naveh report) and through the press. These have been extensively circulated, largely taken up by media and are also to be found on the Internet.

Most of the allegations are based on military intelligence and reports by the Israeli Defence Forces(IDF). Such reports are, at least partially, based on documents seized during the operation "Defensive Shield" (late March-April 2002) and/or other operations.

17. These allegations could be subdivided as follows:

- those over support given by the PA to what IDF define as terrorist activities
- over support by President Arafat to the families of the martyrs
- over support by President Arafat to what IDF define as terrorist activities
- over the inclusion of terrorist activists to the PA payroll and financial support given to them
- over the financing of Fatah and its relationship with the Al-Aqsa Martyr's Brigade

Other allegations of fraud, corruption with or without link to alleged terrorist activities, as well as allegations of financing the publication of schoolbooks used in Palestinian schools that promote incitement and hatred were also brought forward.

The WG has examined the above mentioned allegations.

### **The OLAF investigation**

18. OLAF launched an external investigation on allegations over EU funds being diverted to finance terrorism on February 2003, which is still open. OLAF investigators visited on two occasions (November 2003 and January 2004) Israel and the Palestinian territories in the context of that investigation. They held meetings with both the Israeli and the Palestinian side. On two occasions (October 2003 and March 2004) OLAF briefed the WG on progress made in its investigations. It took note of OLAF's preliminary findings.

The OLAF investigation into this matter is still not completed/ closed.

## **Meetings with PA Finance Minister Mr.Fayyad and the IDF related Intelligence Unit**

19. During their mission in Israel and the Palestinian Territories, the co-Chairs met with Minister Fayyad and put questions to him concerning documents presented by the IDF on alleged misuse of EU funds and alleged diversion to terrorist activities. They discussed progress made in the reform process especially concerning financial and administrative issues, including steps taken to increase transparency, control and accountability of the PA budget. Particular reference was made to the changes introduced since the Minister took office in 2002 and to the situation previous to that.

In their meeting with the IDF related Intelligence Unit, the co-Chairs mainly discussed the analysis made by this Unit of alleged patterns of organised diversion of EU funds towards terrorism. Subsequently the issue of documentation to substantiate such claims was discussed as well as the question of what, in the Unit's opinion, could be considered sufficient proof to confirm that alleged diversion of EU funds from the PA budget was taking place. Finally the co-Chairs asked to hear the Unit's opinion on the reforms being implemented by the PA Ministry of Finance and how the EU's budget support could be assessed in this context.

20. One of the major difficulties encountered was how to assess documents captured from the President's Office by the IDF and presented to the WG. It was extremely difficult to establish clear links between orders and executions of payments.

## **Transfers from the Palestinian Authority Presidential Budget and the Evolution of its Control over Time**

21. Since July 2002, the Ministry of Finance of the Palestinian Authority also monitors the Presidential Budget. Minister Fayyad indicated that even before 2002, there was a permanent representative of the Ministry of Finance in the Presidential Office tasked with checking the regularity of payments. Already then, he said, transfers authorised by the President had to be countersigned for a payment to be made.

22. President Arafat's budget has been reduced from \$103 million in 2002 to \$ 75 mio in 2003 and \$41 million in 2004 taking out such areas as social assistance, education, medical treatment, etc., and putting them in the relevant ministerial departments. Minister Fayyad confirmed this directly to the co-chairs.

23. According to Palestinian sources, the Presidential Budget was mainly used for maintaining the Presidential Office and staff as well as the funding of a few specific agencies, such as planning institutes, various academies, etc. that report directly to the President.

## **President Arafat's signature and transfers from the presidential or general budget**

24. Israeli captured documents show a wide range of requests of payments signed by President Arafat and which are of different types. Most of them are "social requests", i.e. requests by individuals for healthcare or material benefits, purposes which are clearly stated in the request.

25. Minister Fayyad explained that President Arafat, when treating the various requests, would either give a written instruction ( "to pay, to act, to do") accompanying his signature, or just sign the request with no instruction. In this latter case, the matter (the "referral") was left to the

Ministry of Finance for consideration. For actual payments to take place, the Minister said, supporting documentation, as appropriate, had to be provided.

26. In case of approval, Minister Fayyad explained, a far smaller amount was usually paid than the one actually requested or even the one authorised by President Arafat. Some social requests were not answered at all, especially when their object did not fit into the thematic priorities of the government.

27. According to IDF related Intelligence sources some of these requests were coming from people linked to terrorist activities or from their families. According to them, a total sum of 2.5million US\$, broken down into various amounts –often not more than a few thousands dollars to be divided between several if not numerous individuals- was transferred. However, evidence of approvals of transfer followed by a proven execution of payment remains more difficult to obtain.

27 a. The above mentioned sum was included in a list the IDF related intelligence Unit sent to the co-Chairs in March 2004 after their ad hoc mission and the meeting in Tel-Aviv. The material sent also included transcripts of interview records with detained Palestinians that the IDF had interrogated in relation to alleged terrorist activities. These transcripts in Hebrew and/or Arabic were transmitted to OLAF and the Commission for examination. The Commission's first reaction to these IDF allegations over transfers of funds to "terrorist elements", for a total of \$ 2.5 million, was that many of these documents were already known and had been commented upon. Furthermore, many documents related to the period before 2000 when EU was not supporting the PA budget. Finally, the Commission indicated that, to date, no evidence had been provided establishing that such transfers related to terrorist activities. As regards the above mentioned transcripts, neither OLAF nor the Commission have so far been able to comment as these documents have to be translated in order to be analysed.

28. The Commission, already in the summer 2002 met with the IDF in order to clarify the latter's assessment of captured documents during the operation "Defensive Shield. The Commission, at the same time, invited the PA to clearly take a position on those seized documents. The picture that emerged from the examination at that point showed that payments to alleged Fatah activists had been *authorised* for a sum of US \$ 21.500. New documentation presented to the WG in November 2003 identified an additional amount of US \$ 17.500 as having been authorised, the total amount thus reaching some \$ 39, 000 .

29. While no evidence of actual payments being made have been provided for the first amount, such evidence exists for the \$ 17.500. The IDF claim that the amount was paid to a person allegedly involved in terrorist activities. The Ministry of Finance of the PA confirmed the payment made and stated that the amount was paid for medical treatment.

### **Fatah Membership**

30. Israeli allegations claim that the Palestinian Authority President's Office transfers on a monthly basis vast amounts of money to Fatah activists called "Al Aqsa Martyrs Brigades". Israeli allegations further assert that there is a "Fatah tax" withdrawn from security personnel salaries regardless of Fatah membership. The IMF, however, states that the Fatah levy is in fact exclusively paid by Fatah members. According to Israeli sources, the total operating expenditure of Fatah reaches NIS 10 million, constituting another source from which funds could be re-transferred to terrorist organisations. Any link between the Palestinian Authority budget

structure and the financing of Fatah is difficult to clearly picture. Further, given the fungible nature of EU budgetary support, it is not possible to link any salary payment - and thus any Fatah levy - to EU funding.

31. Some specific allegations that were made can be easily discarded through common sense and elementary understanding of the mechanisms at stake.

### **Shadow Budget**

32. The Palestinian Authority's budgetary system requires that all revenues and expenditures be channelled through the Ministry of Finance's single treasury account at the Arab Bank in Gaza. This includes payments made by Israel, the EU and other international donors. All revenues and expenditures are reflected in the overall Palestinian Authority budget. It is therefore virtually impossible that the Palestinian Authority could maintain an unofficial shadow budget based on a system of double bookkeeping. Indeed, there is no evidence to support claims to that effect.

### **Exchange Rate Speculation**

33. The €10 million, which the EU transferred to the Palestinian Authority on a monthly basis, were transferred to the Shekel Single Treasury Account of the Ministry of Finance at the Arab Bank in Gaza. The Arab Bank immediately converted the funds upon their arrival into NIS at the market exchange rate. The International Monetary Fund (IMF) monitored these transactions within its general mandate. EU transfers have never been carried out in US dollars, even before the introduction of the Euro as a general means of payment. The monthly payments were always carried out in Euro using the above-mentioned conversion method. This mechanism excludes the possibility that EU funds could be used for exchange rate speculation

### **The question of evidence**

34. A difficulty that surfaced during the discussions of the WG concerned the question related to **what was to be considered as evidence of funds having been misappropriated, or allegedly diverted to finance terrorist activities.**

35. This point was raised during discussions the WG had with OLAF as well as in the discussion that followed the presentation made by the expert of the Israeli Intelligence and Terrorism Information Center which is related to the IDF. It emerged that there existed two different ways of defining evidence and that each led to a different conclusion as to whether it could be established or not that PA money has been diverted to finance illegal activities, including terrorism;

The answer that emerged from the discussions with OLAF was that in order to back allegations that DBA funds were diverted to finance such activities, including terrorism, there should be **conclusive evidence** (i.e. one that could be accepted by a Court in the processing of a case). In that sense allegations that are based or largely rely on intelligence reports could not be considered as satisfying that criterion. This is an essential point that is shared by the competent services of Member States and of third countries. There was no indication that the Israeli Justice department would disagree with that.

36. The approach of the expert of the Intelligence Center related to the IDF was rather based on the analysis of the documents that were seized and all relevant intelligence. Once the analysis of the information contained in a seized document was thought to be "confirmed" by intelligence reports there was a tendency to consider that the requirement for *evidence* was satisfied. It is following this reasoning that IDF insisted during the presentation made to the WG in Strasbourg that there is proof that funds from the PA budget were diverted to finance terrorism. During the meeting the *ad hoc* delegation had in Tel Aviv with the IDF representatives, the latter suggested that there exists an organised, institutionalised pattern for money to be transferred by the PA to terrorist elements. In further IDF documentation sent to the co-Chairs subsequent to the visit it was added that to the extent that EU financial assistance went to the "one cash box" of the budget of the PA, EU assistance became a component to finance terrorism and its infrastructure.

37. It could be concluded that of the two alternatives described above it was the one requiring the existence of conclusive evidence that was considered to be appropriate in dealing with allegations concerning EU funds being diverted to finance terrorist activities.

38. On the basis of evidence heard, the information made available to it, and the documentation it received and analysed, the WG seeks to **reach a general conclusion as to the issue of alleged misuse of the EU's Direct Budgetary Assistance to the PA** .

The conclusions that the WG is presenting are separate from and independent of any decision OLAF may reach to conclude the case.

## **CONCLUSIONS / Further Recommendations**

### ***Draft conclusions***

*From evidence and documentation that was made available to the WG it can be concluded that:*

*- The Israeli Defence Forces (IDF) remain convinced that EU funds were used for terrorist purposes. The Finance Minister of the Palestinian Authority, Mr. Fayyad, denies this;*

*- Considering that all Palestinian Authority budget revenues, from all sources and including EU Direct budget support, were channelled into the Single Treasury Account (STA) in order to cover total expenditure, it is not possible to make a link between any specific revenue (funds), including European budget support, and payments made;*

*- there is no conclusive evidence, to date, that the EU non-targeted Direct Budgetary support was used to finance illegal activities, including the financing of terrorism;*

*- there is no evidence that EU budget support has not been fully transferred into the PA budget or that it was used outside the budget;*

*- the Direct Budgetary Assistance mechanism, applied in the existing context and accompanied by the conditionalities set, contributed to bring about concrete changes in the PA financial system and impacted on the PA reform process towards more transparency, accountability and good governance;*

*- the resumption by the GoI of transfers of tax revenues to the PA budget through the STA, would seem to confirm that the Israeli authorities attach importance to the furthering of the reform process of the PA and to supporting the reform efforts undertaken by Minister Fayyad;*

*it may also suggest that sufficient certainty exists for the Israeli authorities that these funds would not be misused or diverted to illegal purposes, including the financing of terror*

### ***Recommendations for the future***

*From the experience gained to date, the following recommendations could be made for the future:*

- *Should the EU consider any further granting of non targeted Budget support this should be accompanied by clear, specific conditionalities subject to strict monitoring; Such conditionalities should be established in full co-operation and in close co-ordination with the other international donors;*
- *It is essential that, in future, the European Parliament should be consulted by Council, in good time, prior to any decision on granting budgetary support so as to ensure democratic accountability;*
- *The scheme to be used for the monitoring of the conditionalities should provide for a more active role of the donors alongside the involvement and expertise of International Financial Institutions;*
- *This monitoring of the conditionalities should be coupled with clear provisions that the control, through internal and external audit functions, would be reinforced; these measures should be agreed between the beneficiary, in this case the PA, and the donors; due account should be taken of the conclusions of the OLAF report aimed at ensuring that clear provisions are adopted as regards internal and external control and auditing procedures;*
- *With a view to ensuring better monitoring of the effectiveness of the financial support provided, as well as to guaranteeing an on-going assessment of how the situation on the ground evolves and on whether new needs have emerged, a mechanism should be introduced allowing the European Commission to report to the Parliament on a regular basis (every 3-6 months) on any significant developments and/or emergencies which might require fine-tuning or re-direction of funds;*
- *A clearly defined common stance among donors should be agreed on action to be taken in the case of non compliance/fulfilment of the conditionalities;*

*The above points may also be valid in case a form of targeted Budgetary Support was considered.*

### ***Recommendations that should be taken up in the context of the current targeted Budget assistance:***

- *strengthening the audit function: to be developed in a consistent manner encompassing both the Internal Audit structures in the Ministries and the External Audit function which should be performed by an independent Body accountable before the Legislative Authority (PLC);*
- *abolition of the use of cash in Government transactions and payment of salaries to all staff on the payroll, without exception, through bank accounts;*

- *introduction of management control standards: clear rules and procedures should be set and implemented by all Ministries aimed at enhancing the control of expenditures with the introduction of risk assessment;*
- *consolidation into the Palestinian Investment Fund(PIF) of all past commercial operations and of the benefits thereof, including monopolies, as well of past investments made;*
- *continuation of the already existing effort to reduce the size of the Presidential budget to the appropriate level of funding necessary for the function and the related staff; all other expenditure should be redirected to the competent Ministries' parts of the budget;*

**PHYSICAL DAMAGES INFLICTED BY IDF ATTACKS TO EU FUNDED DEVELOPMENT PROJECTS - Page 1**

Project	EU Donors	Location	Type and source of damages estimated	Date	Estimated Financial Loss in EURO	Estimated EU-funded share in the loss
<b>1 International Gaza Airport</b>	Spain, Germany, Sweden <i>(the runway's tarmac was financed by Egypt for some 6 million Euro)</i>	Rafah, Gaza Strip	The airport was targeted three times by helicopter shelling, high caliber mortar and tank/bulldozer intrusions: On 4/12/01, the runway was damaged by 1-1.5 meter deep trenches of 3 meters width all along the runway (3.2km). On 15/12/01, surveillance equipment (including the radar station and arial antenna) was destroyed and buildings (passengers, maintenance, fuel hangars) were damaged by IDF shelling. The Terminal has become impossible to utilise. On 10/01/02, the runway suffered further destruction from bulldozers so that it has to be completely reconstructed. (Pictures available)	4 & 15 Dec 2001, 10 Jan 2002	€16.160.000	<b>€9.500.000</b>
<b>2 Palestinian Broadcasting Corporation</b>	Germany, Denmark, France, European Commission	Ramallah, West Bank	During the current re-occupation of Ramallah, the IDF entered the PBC's main broadcasting studios and set off explosive devices effectively destroying the whole building and all studios. Much of the equipment, such as complete recording and radio studios, control and editing rooms, was destroyed in the subsequent fire.	19 Jan 2002	€10.000.000	<b>€3.000.000</b>
<b>3 Palestinian Civil Police Camps</b>	European Commission	Gaza Strip	5 camps financed by the EC in 1994-1996 of the civil police, incl. construction & equipment, totally destroyed (Al-Mograba Camp, Tel Al-Hawa Camp in Gaza, Rafah Camp, Jabalia Beach Camp and Al-Twam Camp) by IDF bombing and shelling from helicopters, ships and tanks.	Aug - Dec 2001	€4.580.000	<b>€4.580.000</b>
<b>4 Jacir Palace Inter-Continental Hotel</b>	European Investment Bank	Bethlehem, West Bank	During the October 2001 and March 2002 occupations of Bethlehem, the IDF also occupied the Interconti Hotel for 10 days each time. The Hotel was used as a firing position and severely vandalised and damaged, incl guest rooms, doors and all sorts of equipment, and the renovated old palace. It is noteworthy that damages on the outside facade - which may have resulted from Palestinian shooting - only amount to some 50,000 Euros, while the inside and other damage that was definitely caused by the IDF exceeds 900,000 Euros.	19-29 Oct 2001, 8-18 March 2002	€950.000	<b>€200.000</b>
<b>5 Counter-Terrorism Programme, Forensic Laboratory</b>	EU: France, Greece, Sweden	Gaza City	The laboratories and infirmary were destroyed by successive 400kg bombings on the night of 6-7/12/01, 12/12/01 and 13/12/01. All construction and equipment of the labs have been completely destroyed. It is worth noting that the building was clearly identified as a civil building with red crosses and crescents.	6-7, 12 and 13 Dec 2001	€700.000	<b>€700.000</b>
<b>6 Gaza Seaport</b>	France, Netherlands, European Investment Bank	The Gaza Strip, south of Gaza City	Installation site and temporary offices (offices and office equipment), financed by the Netherlands and France, were hit by IDF shelling and subsequently razed by IDF bulldozers. The IDF returned on site to finish the demolition of all buildings including temporary accomodation built by the contractor as site-offices	17-18 Sep 2001	€650.000	<b>€535.000</b>
<b>7 Palestinian Central Bureau of Statistics – PCBS</b>	Germany, Sweden, European Commission	Ramallah, West Bank	During the night of 5/6 Dec.2001, IDF entered the PCBS headquarters in Ramallah, damaging and confiscating office equipment, computers, video equipment. Numerous documents have been reported destroyed or missing after the IDF incursions. Pictures available.	5 Dec 2001	€300.000	<b>€300.000</b>

8	<b>Civil Police Anti-Riot Gear</b>	The Netherlands	Gaza Strip and West Bank	During several Israeli air raids on Palestinian police stations in the West Bank and Gaza Strip, most of the Dutch funded anti-riot gear of the Palestinian civil police was destroyed. This includes protective clothing, helmets, boots, handcuffs, weapon shields and weapon sticks.	Throughout the intifadah	€300.000	<b>€300.000</b>
9	<b>Red Crescent Ambulances</b>	European Commission/ECHO	Jenin, West Bank	The Red Crescent ambulance was attacked and destroyed by the IDF in Jenin on 4 March 2002, reportedly by a rifle-mounted grenade. The Head of the Red Crescent Emergency Service in Jenin, Dr. Khalil Suleiman, was killed in the assault, while two other PRCS staff were seriously wounded and burned and remain in Hospital. The ambulance was one of 6 financed by ECHO (for PRCS through ICRC) with the project ECHO/TPS/210/2000/20001 dating back to October 2000. The ambulance had been delivered to PRCS in January 2001. Both the International Committee of the Red Cross and the EU have protested this attack, which is a grave breach of the IVth Geneva Convention.	4 March 2002	€42.500	<b>€42.500</b>
10	<b>Green Palestine Forestry Project</b>	The Netherlands	Beit Lahia, Gaza Strip	IDF bulldozers completely razed a 100 donum nursery of the Ministry of Agriculture (MoA) near Beit Lahia, which contained more than 500.000 tree seedlings, green houses, forestry equipment and irrigation infrastructure. Part of it was financed in the framework of the Dutch-funded Green Palestine Forestry project. Total material damages: EURO 718,000 of which EURO 53,000 was Dutch-funded.	3 Oct 2001	€718.000	<b>€53.000</b>
11	<b>UNRWA schools and clinics</b>	European Commission and Member States	West Bank	During the March 2002 invasion of several West Bank refugee camps, the IDF occupied, partially demolished and used as temporary detention centers several UNRWA schools and clinics.	March 2002	€110.000	<b>€60.000</b>
12	<b>Gaza Solid Waste Landfill Site</b>	Germany	Deir al-Balah, Gaza Strip	An IDF operation on the landfill site caused damage to re-cultivated areas at the eastern part of the landfill. Damages include dispersal of 6000 cbm of waste material, destruction of access road, 1800 sqm of final cover and plantation, damaging of high pressure pipes.	13 Aug 2001	€60.000	<b>€60.000</b>
13	<b>Multisector Review Project</b>	European Commission	East-Jerusalem	On 6 <sup>th</sup> February 2002 at around 5:30 p.m., Israeli security forces entered the premises of the MSR's office located in Beit Hanina and arrested two employees present in the premises. They confiscated all the project files and took most of the equipments (the main server, around 7 computers and supportive items such as fax and copy machines). In addition, employees reported that the Israelis took personal belongings, including a laptop.	6 Feb 2002	€45.000	<b>€45.000</b>
14	<b>Schools - Construction &amp; Equipment</b>	European Commission	Tulkarem & Jenin, West Bank	Two schools damaged by IDF shelling and shooting: Parts of Khadoori school (Tulkarem governorate) have been destroyed by IDF tank shelling on 8/5/2001. The main damages were in the façade, staircases, adjacent rooms and corridors. The school has since been hit by gunfire several times, doors and equipment have been damaged. Banat Jenin School (Jenin Governorate): IDF shelling during the fall caused the destruction of 70m of external boundary, and all windows.	8 May 2001, Oct 2001	€43.000	<b>€43.000</b>
15	<b>Peace Project Cooperation North Jenin:</b> cross-border partnership of Palestinian and Israeli cities	European Commission, Germany	Jenin, West Bank	On 2nd December 2001, the bombing of the Jenin Governor's office destroyed all files and equipment of the peace project's Secretariat, which was housed inside the building of the Governor.	2 Dec 2001	€38.000	<b>€38.000</b>

16	<b>Municipal Infrastructure Development Project</b>	Greece	Qalqilya, West Bank	Throughout the town of Qalqilya, IDF incursions damaged 4 main roads funded by Greece through a World Bank programme. In total, some 1,500 meters of paved roads were damaged by tank movements and excavations, including damage to surface, sewage network, manholes and basecourse.	Dec 2001	€38.000	<b>€38.000</b>
17	<b>Ex-Detainees Retraining Project</b>	European Commission	Ramallah, West Bank	From 8 December 2001 to 25 February 2002, IDF forces occupied the project offices on Irsal Street in Ramallah in vicinity of the Presidential compound. During this period the project offices were pillaged and much of the interior (doors, desks, etc) damaged. In addition, computer equipment, laptops, fax-machines etc were apparently stolen.	Dec 2001- Feb 2002	€35.000	<b>€25.000</b>
18	<b>Al Bireh Upper North and Sewerage Pumping Station</b>	Germany	Al Bireh, West Bank	IDF operations in October and November 2001 caused several damages to the equipments as well as to already completed construction work. During the IDF occupation from 12 to 15 March 2002 as well as from 29 March to 27 April 2002, sewage pipes and manhole covers were damaged.	18 Oct - 6 Nov 2001 and March-April 2002	€40.000	<b>€40.000</b>
19	<b>Municipal Support Programme</b>	European Commission	Rafah, Gaza Strip	The project-financed access Road at Rafah, linking Road 86 at western Rafah with the Tel Al-Sultan Area, was destroyed by repeated IDF tank incursions and bulldozer works.	Jan 2002	€17.500	<b>€17.500</b>
<b>Sub-total for Page 1:</b>						<b>€34.827.000</b>	<b>€19.577.000</b>
<b>PHYSICAL DAMAGES INFLICTED BY IDF ATTACKS TO EU FUNDED DEVELOPMENT PROJECTS - Page 2</b>							
<b>Sub-total from Page 1:</b>						<b>€34.827.000</b>	<b>€19.577.000</b>
20	<b>The Austrian Housing Project</b>	Austria	Khan Younis, Gaza Strip	Several shellings and machine-gun fire from the nearby IDF position and the Israeli settlement damaged the residential building. Temporarily, up to 50% of the apartments had to be evacuated.	Throughout the intifadah	€90.000	<b>€90.000</b>
21	<b>Halhoul Road Rehabilitation</b>	Italy	Halhoul near Hebron, West Bank	IDF partially destroyed road and dug earth mounds to close access. Road still blocked and closed, inaccessible for any repair work or transport.	May 2001	€11.000	<b>€11.000</b>
22	<b>Ain el Sultan Irrigation Scheme</b>	Belgium	Jericho, West Bank	IDF armoured vehicles ran over and destroyed parts of the irrigation network in Ain El Sultan near Jericho. The 300 mm PVC pipe needs to be replaced over 60 metres. Steel cover of one hydrant box needs replacement. Some 200 meters of the other 200 mm PVC pipe along line (D) needs replacement.	12 Sep 2001	€11.000	<b>€11.000</b>
23	<b>Jabalia Sewerage &amp; Water Project</b>	Sweden	Gaza Strip	Damages due to IDF attacks in Beit Hanoun area.	14 Sep 2001	€11.000	<b>€11.000</b>
24	<b>Water Supply Jenin &amp; Water Management Tulkarem</b>	Germany	West Bank	During the occupation by IDF from 1st to 23 April 2002, the water supply network was damaged. Several sewage pipes were unearthed, damaged and broken.	1-23 April 2002	€25.500	<b>€25.500</b>
25	<b>Al Bireh Wastewater Management</b>	Germany	Al Bireh, West Bank	During the occupation by IDF from 29 March to 21 April 2002, sewage pipes and manhole covers were damaged by tanks and bombardment. After the withdrawal of the IDF the treatment plant had to be restarted again to stabilize the biological process.	29 March-21 April 2002	€76.500	<b>€76.500</b>
26	<b>Housing projects in Rafah and Beit Jala</b>	Belgium (gvt of Vlanderen)	Gaza Strip and West	Damages by IDF plus further damages by Army after rehabilitation had occurred with full demolition.		€135.000	<b>€135.000</b>

26	Rafah and Beit Jala	Vladeren)	and West Bank				
27	Ramallah presidential compound	France	West Bank	IDF smashed, destroyed or stole radio communication equipment frequently used by the Police force working on the premises.	29 March-18 May 2002	€142.000	€142.000
28	Bethlehem municipality	France, Sweden	West Bank	During the siege of Bethlehem, IDF squattered the Peace Center and destroyed much all around the city, traffic lights, Manger Square paving stones, fruits and vegetables markets, Paul VI street,...	April 2002	€250.000	€250.000
29	Gaza Electricity network	Sweden	Gaza Strip	A major transformer in a sub-station was punctured by exploding amunitions, the level of damages needs to be assessed by a technician from the isreali manufacturer, the damages range from EUROS 250.000 up to 1.100.000 depending if the transformer casing can be fixed or has to be fully replaced.		€1.100.000	€1.100.000
30	Jenin Southern entrance road	Denmark	West Bank	IDF tanks and heavy vehicles such as troop carriers damaged the asphalt layer plus soldiers dropped grenades into opened manholes to destroy sewage lines, however the extent of damages needs to be verified later on as access beyond the municipality boundaries is now prevented by IDF.		€1.500.000	€1.500.000
31	Salfeet Wastewater Management	Germany	West Bank	During the IDF occupation in April 2002, the new engine of one of the water pumps at Al-Matwi spring (serving as water supply for Salfeet) burned out completely when its electronic devices were destroyed by IDF.	2-4 April 2002	€5.000	€5.000
32	Several municipalities	France	West Bank and Gaza Strip	the French government supplied equipment for street lighting and traffic lights in seven major municipalities, much of this equipyment was destroyed by tanks and other bulky military vehicles while maneuvring.		€942.000	€942.000
33	Bethlehem cultural center	Finland	West Bank	April 2002, during the siege of Bethlehem IDF inflicted substantial damages to the cultural center, mainly equipment and documents.	April 2002	€55.000	€55.000
34	Ministry of Education	Finland	West Bank and Gaza Strip	IDF incursion, damages to office equipment and computers.	March/April 2002	€20.000	€20.000
35	Employment Generation Programme V	Germany	Gaza Strip	A school building in Khan Younis was damaged during a bombardment by IDF.	April 2002	€9.800	€9.800
36	Jabalia Ministry of Social Affairs Storehouse	EC, Sweden	Gaza Strip	The storage area was used to store World Food Programme (WFP) commodities. Despite the fact that the storage area was well marked as a WFP warehouse, the IDF proceeded to destroy the doors of the warehouse using tanks. The owner of the building witnessed dynamite sticks being placed in various parts of the building and at approximately midnight, several blasts were heard, followed by a large explosion from a projectile dropped from a helicopter. The building collapsed and everything left in it, including 413 metric tonnes of wheat flour, 107 metric tonnes of rice and 17 metric tonnes of vegetable oil, was destroyed.	30 Nov 2002 at 23.00	€265.000	€265.000
37	Falamiah Integrated Agricultural Project	France	West Bank (Qalqilya)	Integrated agricultural project including roads, pumping station, reservoir and irrigation network. The Israeli wall ("security fence") cuts the access to the pumping station and different damages have been inflicted to the pipes in many different places during the construction of the wall. Therefore, it is considered that the project is partly useless and that the loss reaches around 60% of the total expenditure.	2003	€600.000	€600.000
<b>TOTAL:</b>						€39.475.800	€24.825.800

