Letter to DIE ZEIT

The sensationalist and one-sided ZEIT report „Arafat bombt, Europa zahlt“ of 6 June 2002 creates the impression that EU budgetary assistance to the Palestinian Authority (PA) has been used to finance terrorism. Yet the body of the text admits that the BND – who looked into the matter – found no such evidence.

This serious allegation was first voiced by Israeli Minister for Information Danny Naveh on 5 May. The European Commission is just completing a full investigation into the facts. This has involved contacts with Israeli Defence Forces intelligence services, as well as detailed questioning of the PA Ministry of Finance.

Like the BND, the European Commission has so far not seen any evidence which would corroborate the allegations.

The EU, with other international donors including Norway and a number of Arab States, has played its part in providing budgetary assistance to the PA in order to help maintain basic services in the Palestinian Territories, and to prevent a descent into chaos. Strict conditionality has been imposed on this assistance. We insisted, for example, that the finances of the Palestinian Administration should be consolidated into one account under the control of the PA Minister of Finance, monitored by the IMF. This has contributed to greater transparency and sounder budget management. We secured a freeze on the payroll. We also required, as a condition for our continued assistance, the enactment of a law on independence of the judiciary. This has been done. Yet none of these substantial achievements was included in your report.

If you had consulted the European Commission about the allegations you intended to make, you could have avoided a number of substantial factual errors, such as the following:

- Commissioner Patten has never received requests from Palestinian Ministers for assistance including allocations for “weapons” and “martyr families”. It is utterly inconceivable that the European Commission would ever consider such a request. The absurdity of this allegation – lent spurious credibility by the reference to a specific figure of €1.9 billion – must cast doubt on the rest of your report.

- You question the IMF’s monitoring of budgetary execution and the implementation of donor conditionality. It is not for the EU to comment on the IMF’s choice of staff. But IMF Resident Representative Nashashibi is a highly regarded senior IMF official with a long track record of professional achievement. You call the IMF’s impartiality into question on the basis of mere insinuation.

- You adduce evidence from 1998 and 1999 of payments to terrorists “from accounts into which the EU pays”. This was a period when EU provided no budgetary assistance. The Government of Israel, by contrast, was making monthly transfers into PA accounts at that time.

- You allege that the PA deduced 25% of incoming EU support by means of an exchange rate fraud. This is entirely false. All external donor assistance to the PA budget arrives at the single Treasury Account of the PA Ministry of Finance. It is immediately and fully converted into Shekels at the current market rate.
Contrary to your report, the EU discontinued support for the Palestinian Broadcasting Corporation (PBC) five years ago.

Henry Siegman of the New York-based Council on Foreign Relations and Michel Rocard MEP, former Prime Minister of France, lead a very well-respected group pushing, like the EU, for thorough reform of the PA. The author of their most recent report on the state of the PA budget commented publicly in that EU payments were subject to the “most extensive and intrusive monitoring system in any post-conflict situation…”.

The challenge for the EU, together with the United States and other international donors, is to consolidate and deepen reform of Palestinian self-administration, as the basis for a future Palestinian State. The European Commission will continue to apply targeted conditionality to its assistance, in order to hasten reform, notably in the areas of independent auditing capacities, increased transparency and democratic accountability.

The efforts of the international community to restore momentum to the peace process in the Middle East are difficult enough without inaccurate and misleading reports of the kind contained in your 6 June issue. Commissioner Patten would have expected better from DIE ZEIT.

On behalf of Chris Patten, Commissioner for External Relations

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European Commission