
Over a million euros a month of European aid to Palestine wasted in bank charges

7 February 2007

Over a million euros a month of European aid to Palestine wasted in bank charges Oxfam calls on UK Government to persuade Europe to end 'aid fiasco'

International agency Oxfam today revealed that more than a million euros of European Union aid for Palestinians is being paid to the HSBC Bank each month in bank charges for transferring allowances to over 140,000 Palestinian workers and people on low incomes.

The massive bank charges are the result of what the agency calls "an aid fiasco" designed to by-pass the Palestinian authority.

"It's a fiasco that HSBC is being paid to act as a middleman. European states are wasting millions of euros of aid to Palestine through this bureaucratic scheme. Our aid is being delivered through a complex mechanism that is causing irreparable damage to essential services for Palestinian people. Tony Blair needs to persuade Europe to put an end to this and resume direct funding of the Palestinian Authority," said Barbara Stocking, Oxfam's Director.

Each month Europe pays an allowance to thousands of individual Palestinians working in social services, to pensioners and to low-income families. The allowance is paid into individual bank accounts in the Occupied Palestinian Territories. HSBC facilitates these transfers.

Based on recent documents from the EU, Oxfam calculates that between August and December 2006 the EU spent 3,246,472 euros on bank charges to transfer allowance to over 140,000 individual Palestinians. For each transfer HSBC receives eight euros.

An expansion of the scheme means that by the end of last year over a million euros were being spent on bank charges each month.

"The way that European aid is currently being delivered is undermining Palestinian basic services and damaging a highly fragile economy. Palestine is teetering on the edge of chaos and current European aid policy is undermining Palestinian institutions," added Stocking.

In January 2006 the EU stopped all direct aid to the elected Hamas-led Palestinian Authority and in June set up what is called the "Temporary International Mechanism". Part of the mechanism is to pay allowances to public service workers, pensioners and social hardship cases. It wasn't until August that the first allowances were made.

In 2005, before Hamas was elected, the EU and its member states gave a total 513m euros in aid to Palestinians through various agencies. Palestinian services, such as health and education, which were previously supported with aid, are now starved of cash.

The knock-on effect is that local organisations that worked closely with these institutions complain that they are also being penalised. One local organisation, the Union of Health Work Committee, reported last year that it was about to go bankrupt because the cash-strapped Ministry of Health owed it half a million dollars for running vaccination campaigns, surgery and midwifery at its hospitals in Gaza.

Oxfam is calling for the "Temporary International Mechanism" to be scrapped and for European states to resume funding for essential services delivered by local and national Palestinian authorities.

ENDS

For more information contact:
Ian Bray 01865 472498, 07721 461339
Sean Kenny 01865 472 359, 07881 655 715