

# CRS Report for Congress

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## United States Aid to the Palestinians

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### Summary

United States economic assistance for the Palestinians has averaged about \$85 million per year since Israel and the PLO signed the 1993 Declaration of Principles. Congress wants to ensure that U.S. assistance is used for legitimate humanitarian projects and that no U.S. aid is diverted for military or terrorist use against Israel. *United States Aid to the Palestinians* provides a description of the aid program and tables with annual amounts for the Palestinians. The report will be updated as necessary. See also CRS Issue Brief IB92052, *Palestinians and Middle East Peace: Issues for the United States*, updated periodically.

### Quick Facts

- The United States has never provided aid to the Palestine Liberation Organization (PLO).
- The United States has provided aid directly to the Palestinian Authority (PA) three times; \$36 million in FY1994, \$20 million in FY2003, and \$20 million in FY2005.
- U.S. economic aid to the Palestinians has averaged about \$85 million per year since 1993; there has been no military aid. (See Table 3, page 6.)
- The President has requested \$150 million in FY2006 and an additional \$200 million in FY2005 supplemental aid for the Palestinians.
- About 80% of U.S. aid to the Palestinians is channeled through contractors and 20% is channeled through private voluntary organizations, both groups selected and monitored by USAID.
- U.S. aid for the Palestinians has not been earmarked in appropriations bills since 1975.

## U.S. Aid for the Palestinians

The United States began providing assistance for the Palestinians in 1950 with contributions to the United Nations Relief and Works Agency (UNRWA), the international body created to provide food, shelter, medical attention, and education for the Palestinian refugees from the 1948-1949 Arab-Israeli war. (See section on UNRWA below.) In 1975, with strong support from private voluntary organizations, the United States began to provide foreign assistance for Palestinian projects, primarily humanitarian (child care, medical clinics) or infrastructure (clean water, roads, schools). Since 1975, about 80% of U.S. aid funds for the Palestinians has gone through contractors and 20% has gone through private voluntary organizations (PVOs). USAID selects the contractors and PVOs, monitors their projects, and audits their accounts.

**U.S. Pledge at the 1993 Donors Conference.** After nine months of secret negotiations, Israel and the PLO exchanged letters of mutual recognition on September 9, 1993, and signed a Declaration of Principles<sup>1</sup> on September 13 that provided a framework for negotiations intended to lead to a permanent peace settlement in five years. At an October 1, 1993, Washington meeting, 46 donor nations pledged \$2.4 billion for the Palestinian entity. The donors established the “Holst Fund” at the World Bank (named after Johan Jorgen Holst, the Norwegian Foreign Minister central to the negotiations) to transfer funds from the international donors to the Palestinian entity. The U.S. Administration offered \$500 million (\$125 million in loans or loan guarantees and \$375 million in grants) over 5 years for economic development of the Palestinian entity. Palestinians drew only about \$3 million of the \$125 million available in loan guarantees. The United States provided \$36 million funding for the Palestinian Authority through the Holst Fund. The remaining \$339 million was delivered through PVOs and through USAID contracts. No U.S. aid went directly to the PLO.

**Table 1. U.S. Aid Obligations to the Palestinians, 1994-1998**  
(millions of dollars)

| Program                     | Totals  | FY1994-1995 | FY1996 | FY1997 | FY1998 |
|-----------------------------|---------|-------------|--------|--------|--------|
| Expand Economic Opportunity | 65.814  | 26.410      | 16.182 | 14.219 | 9.003  |
| Scarce Water                | 193.269 | 69.832      | 32.764 | 50.969 | 39.704 |
| Governance                  | 35.160  | 3.073       | 9.364  | 11.500 | 11.223 |
| Transition to Self Rule     | 49.268  | 39.132      | .136   | 10.000 | 0      |
| Short Term Develop. Needs   | 24.754  | 17.839      | 5.860  | .300   | .755   |
| Totals                      | 368.265 | 156.286     | 64.306 | 86.988 | 60.685 |

**Source:** USAID Statistical Annex - FY1997, p. 139-141.

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<sup>1</sup> For a description and status of the peace negotiations, see CRS Issue Brief IB91137, *The Middle East Peace Talks*, updated periodically.

**Wye Agreement.**<sup>2</sup> On November 30, 1998, then President Bill Clinton told a second donors conference in Washington that the United States would provide \$400 million in grants for the Palestinians. (The President also requested \$1.2 billion for Israel and \$300 million for Jordan to implement the Wye Agreement.) According to a State Department report presented to Congress in late October 1999, the Wye funding for the Palestinians would be spent as follows:

| <b>Palestinians: \$400 million</b> |   |
|------------------------------------|---|
| \$100 million                      | — Community Development (health, education, water, infrastructure, services)            |
| \$30 million                       | — Rule of Law (law enforcement, human rights, train judges, prosecutors, lawyers, etc.) |
| \$10 million                       | — Industrial Estate - West Bank   |
| \$100 million                      | — Gaza Port, Gaza-West Bank passageway  |
| \$30 million                       | — Scholarship Fund  |
| \$100 million                      | — Jenin-Nablus Road   |
| \$30 million                       | — Contingency Fund  |

Congress did not include funding for the Wye Agreement in the Foreign Operations Appropriations bills for FY2000 (H.R. 2606, S. 1234). The President vetoed H.R. 2606 in part because it did not contain the Wye Agreement funding. After negotiations with the White House, the House of Representatives passed H.R. 3196 on November 5, 1999, that included the Wye Agreement funding; \$1.2 billion for Israel, \$200 million for Jordan, \$25 million for Egypt, and \$400 million for the Palestinians. H.R. 3196 was set aside and replaced with H.R. 3422, which was included by reference in H.R. 3194, the consolidated appropriations bill signed by the President on November 29, 1999 (P.L. 106-113) with the funding intact. The \$400 million Wye funding for the Palestinians was disbursed in fiscal years 2000 through 2003 and was in addition to the annual “regular” aid levels of about \$75 million each year. (See Table 3, page 6)

**Jenin and Disaster Relief.** The supplemental appropriation for FY2002 (H.R. 4775, P.L. 107-206, signed on August 2, 2002) included \$50 million in contingent emergency disaster relief assistance for the Palestinians to repair damages inflicted during the April-May 2002 Israeli military operations in the Palestinian city of Jenin. The President did not allocate the \$50 million for the Palestinians or any of the contingent emergency funds because he did not agree with Congress on the nature of the emergencies. The Department of State announced on April 21, 2003, that \$50 million was allocated for the Palestinians from the supplemental appropriations (P.L. 108-11). The United States announced on July 2, 2003, that \$30 million of the \$50 million would be used for infrastructure projects and to support Palestinian enterprises that lost business

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<sup>2</sup> The October 23, 1998 Wye Agreement called upon Israel and the Palestinians to implement previous agreements. Israel was to withdraw from Palestinian areas, and open the Gaza airport and seaport, and the Gaza-West Bank safe passage corridor, and the Palestinians were to stop terrorism, collect illegal weapons, reduce the police force, amend the PLO covenant, and end incitement.

during the Israeli closures,<sup>3</sup> and that \$20 million would go to the PA to pay for infrastructure and overdue utility bills owed to Israel.

**U.S. Aid to the Palestinian Authority.** In 1994, the United States provided \$36 million through the Holst Fund for the PA, but did not give any additional direct aid to the PA because of suspicions that the funds could be siphoned off for terror activities<sup>4</sup> or to line the pockets of corrupt officials, and because of a lack of confidence in Palestinian President Yasir Arafat's peaceful intentions. The United States announced on July 8, 2003, that it would provide the remaining \$20 million of the \$50 million from the FY2003 supplemental as direct aid to the PA for infrastructure projects.<sup>5</sup> Resuming direct aid to the PA in 2003 appeared to be a U.S. gesture of support for newly installed Prime Minister Mahmud Abbas, an opponent of terrorism and a proponent of the "road map" peace process.<sup>6</sup> In November 2004, the White House proposed providing \$20 million to fund the January 2005 Palestinian presidential election. Congress suspected that the funds would be diverted for terrorism or corruption, so the Department of State proposed and Congress accepted that the \$20 million be given to Israel to pay overdue Palestinian utility bills, thus freeing up \$20 million in other revenues to fund the election.

## **United Nations Relief and Works Agency (UNRWA)<sup>7</sup>**

United Nations General Assembly Resolution 212 (III) of November 19, 1948, recognized the need to provide funding for the Palestinian refugees. Paragraph 7 of UNGA Resolution 302 (IV) of December 8, 1949, established the United Nations Relief and Works Agency (UNRWA) to administer the distribution of food, shelter, clothing, medical treatment, and education for the refugees. The U.N. General Assembly has renewed the UNRWA mandate each year since. Contributions to UNRWA are voluntary and may be made in either cash or kind. Frequently, UNRWA appeals to donor nations to increase their contributions to cover additional emergency expenses.

Some Members of Congress have questioned continuing U.S. contributions to UNRWA. Critics claim that many "ghosts" are on the UNRWA rolls, collecting benefits that are undeserved or unneeded, and that such benefits may be diverted to illegal or terrorist purposes. Critics also claim that refugee camps housing UNRWA recipients are used as training grounds for guerrilla armies and terrorists. Others claim that textbooks

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<sup>3</sup> "US Gives Palestinians \$30 Million in Recovery Aid," *Reuters*, July 2, 2003. See also [[http://www.usaid.gov/wbg/headline\\_115.htm](http://www.usaid.gov/wbg/headline_115.htm)].

<sup>4</sup> The USAID Inspector General reported that 75 audits have produced no evidence that any funds were diverted to terrorists. [<http://www.usaid.gov/oig/public/semiann/sarc0409.pdf>].

<sup>5</sup> Kessler, Glenn, "U.S. Plans to Provide Direct Aid to Palestinians," *Washington Post*, July 9, 2003. See also [[http://www.usaid.gov/wbg/headline\\_116.htm](http://www.usaid.gov/wbg/headline_116.htm)]. Deputy Secretary of State Richard Armitage submitted a waiver on July 8, 2003, to provide aid to the Palestinian Authority citing Section 451 of the Foreign Assistance Act as amended.

<sup>6</sup> The "road map" proposed by the United Nations, Russia, the European Union, and the United States in April 2003, called for Israeli withdrawals, Palestinian Authority reforms, a Palestinian state, and a resumption of final status peace negotiations within three years.

<sup>7</sup> See CRS Report for Congress RS21668, *United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA)*.

in UNRWA schools are anti-Israel or anti-Jewish. Another frequently heard complaint is that UNRWA has made no effort to settle the refugees permanently, do away with the camps, and end UNRWA's existence.<sup>8</sup> UNRWA's defenders point out that UNRWA periodically purges the rolls to ensure that only those eligible and in need are receiving benefits, and that the camps are the property of the host country, and are operated and policed by the host country. UNRWA has no police force to stop military training in a camp. UNRWA runs the schools but uses host country textbooks and curriculum because the refugee students have to pass host country examinations. UNRWA defenders suggest that complaints about the anti-Israeli nature of the textbooks should be directed to the host countries. And, others point out that UNRWA does not have a United Nations mandate to resettle the refugees, only to ensure their welfare.<sup>9</sup>

**Table 2. U.S. Contributions to UNRWA, 1950-2002**  
(millions of dollars)

| Year                 | Amount |
|----------------------|--------|
| Cumulative 1950-1991 | 1,618  |
| 1992                 | 69     |
| 1993                 | 68     |
| 1994                 | 78     |
| 1995                 | 74     |
| 1996                 | 77     |
| 1997                 | 79     |
| 1998                 | 78     |
| 1999                 | 81     |
| 2000                 | 89     |
| 2001                 | 101    |
| 2002                 | 100    |
| 2003                 | 146    |
| 2004                 | 127    |
| 2005*                | 88     |
| Cumulative 1950-2002 | 2,873  |

**Source:** Department of State.

\* Regular contribution only. Before an anticipated emergency funding request

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<sup>8</sup> For a sampling of UNRWA critics, see Bard, Mitchell, *Rewriting History in Textbooks*, Chevy Chase, Maryland, American-Israel Cooperative Enterprises, December 1993. Rosett, Claudia, "The Real World: The U.N.'s Twisted Refugee Policies," *Wall Street Journal Europe*, January 8, 2003. Dudkevitch, Margot, UNRWA Used by Terrorists, *Jerusalem Post*, April 1, 2003.

<sup>9</sup> See UNRWA at [<http://www.un.org/unrwa/>].

## Current Considerations

Arafat died on November 11, 2004, and was replaced by President Mahmud Abbas in the January 9, 2005 election, raising hopes that the peace process would resume under the more acceptable Abbas. President George W. Bush requested that Congress appropriate \$150 million in FY2006 funds and \$200 million in a FY2005 supplemental appropriation for the Palestinians. The United States' pledge coincided with a \$330 million European Union pledge made at the London conference on 2 March 2005. The funds are intended to support the Abbas government and the new cabinet sworn in on 24 February.

**Table 3, U.S. Assistance to West Bank & Gaza, FY1975-FY2004**  
(\$ in thousands)

| Fiscal Year | Expenditures | Fiscal Year | Expenditures       |
|-------------|--------------|-------------|--------------------|
| 1975        | \$1,000      | 1991        | 7,663              |
| 1976        | 1,572        | 1992        | 7,074              |
| 1977        | 3,416        | 1993        | 29,557             |
| 1978        | 2,687        | 1994        | 56,769             |
| 1979        | 6,801        | 1995        | 80,263             |
| 1980        | 3,000        | 1996        | 63,806             |
| 1981        | 2,500        | 1997        | 68,680             |
| 1982        | 6,000        | 1998        | 60,685             |
| 1983        | 6,500        | 1999        | 80,092             |
| 1984        | 8,500        | 2000        | 118,641            |
| 1985        | 12,141       | 2001        | 114,292            |
| 1986        | 13,950       | 2002        | 181,036            |
| 1987        | 8,400        | 2003        | 173,907            |
| 1988        | 6,911        | 2004        | 84,786             |
| 1989        | 20,903       |             |                    |
| 1990        | 12,618       | Total       | <b>\$1,244,150</b> |

**Source:** U.S. Department of State, Agency for International Development, available online at [<http://usaid.gov/wbg/budget.htm>].