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FOREIGN ASSISTANCE

U.S. Programs Involving the Palestine Investment Fund

Why GAO Did This Study

According to the State Department (State), the U.S. government is one of the largest donors to the Palestinian Authority. According to State, the U.S. government provided about \$3 billion in total bilateral assistance for fiscal years 2008 through 2012. PIF was established by Palestinian Authority presidential decree in 2002 and became operational in 2003 as an investment company aimed at strengthening the Palestinian economy through strategic investments.

GAO was asked to provide information on U.S. involvement with the Palestine Investment Fund. This report describes (1) the nature and scope of U.S. government involvement with PIF, and (2) OPIC's and USAID's processes for vetting PIF and other non-U.S. entities and individuals participating in programs involving PIF and PIF-owned entities. GAO reviewed documents and interviewed officials from U.S. agencies, PIF, and implementing partners.

What GAO Recommends

This report does not contain any recommendations.

What GAO Found

U.S. agencies and implementing partners participate in various programs with the Palestine Investment Fund (PIF) or PIF-owned entities that include home mortgage financing, loan guarantees, and educational initiatives. First, the Overseas Private Investment Corporation (OPIC) along with PIF and other entities have committed to lend \$485 million to the Affordable Mortgage and Loan Company (AMAL) to support mortgages for low- and medium-income borrowers in the West Bank. OPIC has committed to lend about \$313 million; PIF has committed about \$72 million, and two banks account for the balance of the committed lending. However, as of April 2013, OPIC and PIF had not yet disbursed any funds. Second, OPIC and PIF are co-guarantors in a Loan Guarantee Facility (LGF) program in the West Bank, guaranteeing up to \$110 million and \$50 million in loans, respectively, to nine regional banks to support lending to small- and medium-sized enterprises. Third, USAID officials stated that, in 2009, USAID provided a U.S. implementing partner \$2.1 million for technical assistance and training to enhance the lending practices of participating banks in support of the LGF. Finally, according to USAID, it provided about \$1.3 million from 2010 to 2013 to three U.S. implementing partners to provide technical, in-kind, and scholarship assistance to the American International School in Gaza (AISG), which is owned by the Palestine Technology and Education Complex, a PIF-owned entity. According to USAID, its involvement with AISG ended in June 2013.

OPIC's and USAID's processes for vetting PIF and other non-U.S. entities and individuals in programs involving PIF and PIF-owned entities rely on various information sources. For the AMAL program, the two banks that issue mortgages are required under the AMAL agreements to vet potential borrowers for terrorist financing against such information sources as Treasury's Office of Foreign Asset Control Specially Designated Nationals and Blocked Persons List (OFAC) and the Compendium of United Nations Security Council Sanctions Lists; AMAL and OPIC are to conduct additional vetting. OPIC officials stated that OPIC has vetted PIF's board of directors and senior executives, the non-U.S. board members and shareholders of AMAL, and key officials of the banks against information sources such as the FBI Terrorist Screening Center database, OFAC list, and OPIC's Information Center databases. For the LGF program, OPIC said that, based on OPIC's procedures and the LGF agreements, it has vetted all the participating banks and has vetted key officials of each borrower and guarantor before loans are approved using information sources such as Treasury's Office of Terrorist Financing and Financial Crimes and FBI's Terrorist Screening Center databases. According to USAID officials, its process for vetting key participants of the Technical Assistance and Training program and the AISG program was based on documented vetting procedures for the West Bank and Gaza Mission. USAID officials said that all banks that participated in the LGF program that received training and technical assistance from USAID were subject to USAID's formal vetting process. USAID said it vetted information about AISG's owners and management against law enforcement and intelligence community systems accessed by USAID's Office of Security and through discussions with the U.S. Consulate General in Jerusalem, as applicable.

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