

GAO Highlights

Highlights of [GAO-18-612](#), a report to congressional committees

Why GAO Did This Study

Since 1993, the U.S. government has committed more than \$5 billion in bilateral assistance to the Palestinians in the West Bank and Gaza. According to the Department of State, this assistance to the Palestinians promotes U.S. economic and political foreign policy interests by supporting Middle East peace negotiations and financing economic stabilization programs. USAID is primarily responsible for administering ESF assistance to the West Bank and Gaza.

Appropriations acts for fiscal years 2015 and 2016 included provisions for GAO to review the treatment, handling, and uses of funds provided through the ESF for assistance to the West Bank and Gaza. This report examines (1) the status of ESF assistance and projects provided to the West Bank and Gaza for fiscal years 2015 and 2016, including project assistance and payments to PA creditors, and (2) the extent to which USAID conducted required vetting of PA creditors to ensure that this assistance would not support entities or individuals associated with terrorism and assessed PA ministries' capacity to use ESF assistance as intended. GAO reviewed relevant laws and regulations and USAID financial data, policies, procedures, and documents. GAO also interviewed USAID and State Department officials.

What GAO Recommends

GAO is not making recommendations in this report.

View [GAO-18-612](#). For more information, contact David Gootnick, (202) 512-3149 or gootnickd@gao.gov.

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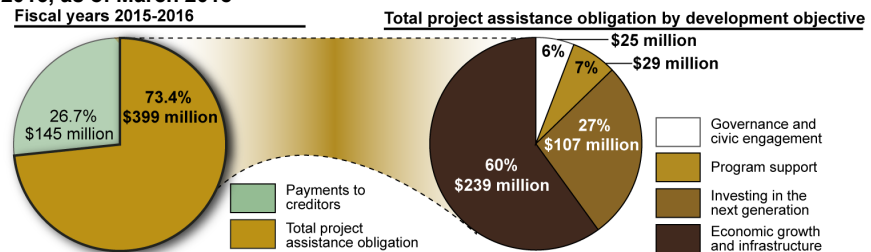
FOREIGN ASSISTANCE

U.S. Assistance for the West Bank and Gaza, Fiscal Years 2015 and 2016

What GAO Found

As of March 2018, the U.S. Agency for International Development (USAID) had allocated about \$545 million of funding appropriated to the Economic Support Fund (ESF) for assistance in the West Bank and Gaza for fiscal years 2015 and 2016. USAID obligated about \$544 million (over 99 percent) and expended about \$351 million (over 64 percent) of the total allocations. Project assistance accounted for approximately \$399 million of the obligated funds, while payments to Palestinian Authority (PA) creditors accounted for \$145 million (see figure). USAID's obligations for project assistance in the West Bank and Gaza for fiscal years 2015 and 2016 supported three development objectives—Economic Growth and Infrastructure (\$239 million), Investing in the Next Generation (\$107 million), and Governance and Civic Engagement (about \$25 million). In fiscal years 2015 and 2016, USAID made payments directly to PA creditors—two Israeli fuel companies, to cover debts for petroleum purchases, and a local Palestinian bank, to pay off a line of credit used for PA medical referrals to six hospitals in the East Jerusalem Hospital network.

USAID Economic Support Fund Obligations for the West Bank and Gaza, Fiscal Years 2015-2016, as of March 2018



Source: GAO analysis of United States Aid for International Development (USAID) data. | GAO-18-612

USAID vetted PA creditors to ensure that the program assistance would not provide support to entities or individuals associated with terrorism and also conducted external assessments and financial audits of PA ministries of Health and Finance and Planning. USAID documentation showed that, as required, officials checked the vetting status of each PA creditor within 12 months before USAID signed its debt relief grant agreements with the PA. In addition, although USAID determined that it was not legally required to assess the PA Ministry of Health's medical referral services and the Ministry of Finance and Planning's petroleum procurement system, the agency commissioned external assessments of both ministries. These assessments found some weaknesses in both ministries' systems; however, USAID mission officials stated that these weaknesses did not affect USAID debt relief payments to the PA creditors. Nevertheless, USAID took additional steps to mitigate the identified weaknesses. For example, a USAID contractor worked with the Ministry of Health to update, revise, and approve guidelines for medical referrals. In addition, USAID commissioned financial audits of the debt relief grant agreements between USAID and the PA for direct payments to PA creditors in fiscal year 2015 and 2016. The audits did not identify any ineligible costs, reportable material weaknesses in internal control, or material instances of noncompliance with the terms of the agreements.