

Where to Draw the Line on International Assistance to the Palestinians?

by [David Makovsky \(/experts/david-makovsky\)](#), [Michael Herzog \(/experts/michael-herzog\)](#)

Mar 1, 2006

ABOUT THE AUTHORS



[David Makovsky \(/experts/david-makovsky\)](#)

David Makovsky is the Ziegler distinguished fellow at The Washington Institute and director of the Koret Project on Arab-Israel Relations.



[Michael Herzog \(/experts/michael-herzog\)](#)

Michael Herzog was appointed Israel's ambassador to the United States in 2021. Previously, he was an international fellow at The Washington Institute.



Brief Analysis

In the immediate aftermath of Hamas's parliamentary victory in late January, the Quartet -- the United States, the EU, Russia, and the UN -- set clear criteria for funding a Palestinian Authority (PA) under Hamas's leadership. The Quartet said direct funding would be a function of the new government's "commitment to the principles of nonviolence, recognition of Israel, and acceptance of previous agreements and obligations, including the Roadmap." Indeed, there is no other example of taxpayers subsidizing a government run by an organization that appears on State Department and EU terror lists.

Secretary of State Condoleezza Rice made clear in London and in subsequent congressional testimony that she envisioned the United States and the international community continuing humanitarian support. Continuing humanitarian aid serves a threefold purpose: averting a potential humanitarian crisis, avoiding the unintended effect of strengthening Hamas by fueling public hostility, and sustaining trans-Atlantic unity as exemplified by the Quartet principles in January. Sustaining that resolve will require a common understanding of what is the objective of aid, what types are permissible, and what criteria must be met for it to be dispersed

Overview of Current Assistance

International aid to the Palestinian territories is typically classified into three broad categories: budgetary, emergency/humanitarian, and development. In 2005, the international community pledged \$1.4 billion in aid for Palestinians in Gaza and the West Bank (\$189 million of this aid comes from the portion of the UN Relief and Works Agency's (UNRWA) annual operating budget that is earmarked for refugees in the Palestinian territories and is typically excluded from most aid totals). The \$1.4 billion includes \$362 million toward the PA budget, approximately \$500 million in humanitarian aid (including UNRWA funds), and almost \$550 million in development aid.

The two major agencies that fund Palestinians assistance are the U.S. Agency for International Development (USAID)

and the European Commission's Humanitarian Aid Office (ECHO). A third agency, which is a recipient of international largesse and transfers it to Palestinian refugees, is UNRWA. Together, they are the three largest organizational channels for aid to the Palestinians.

USAID is the primary channel for funds from the United States, which consists primarily of development assistance. The proposed USAID budget for fiscal year 2006 includes \$150 million in aid for the Palestinian territories, double the previous years' commitment. Approximately 73 percent (\$109 million) of U.S. funding under the proposed budget would go to economic growth, agriculture, and trade. In contrast, 8 percent (\$13 million) would go to health care; the remainder (\$28 million) would go to democracy, and humanitarian assistance. The largest project in the 2006 budget -- a \$50 million allocation -- is USAID's water resources development program, which aims to improve access to clean water and sanitation by drilling wells, constructing a wastewater treatment plant in Hebron, and developing relevant departments in the PA Ministry of Public Works and Housing.

ECHO, the EU's humanitarian aid office, is one of the leading financiers of projects by European nongovernmental organizations (NGOs), the UN, and the Red Cross in the Palestinian territories. In 2005 ECHO channeled over \$43 million for emergency food, food-for-work/training initiatives, water and sanitation programs, temporary jobs, and healthcare. In addition to ECHO's contribution, the EU allocates additional aid through its general fund and individual member states.

Established by the UN General Assembly in 1949, UNRWA primarily provides humanitarian and education aid to Palestinian refugees and their descendents in the Middle East. It operates projects for emergency employment, food aid, emergency relief and social assistance, emergency shelters and housing, health services, and education. About half of UNRWA's budget goes to refugees in Gaza and the West Bank. Of this, 52 percent went toward education, UNRWA's largest program. In 2005 it approved a cash budget of \$339.3 million and since the start of the second intifada in 2000 has issued a number of emergency appeals for funds to cover emergency services.

Objectives, Strategy, and Criteria for Assistance

The purpose of withholding aid is twofold: 1) to compel Hamas to make a choice about whether it will continue to advocate unacceptable policies if it wants to have the economic wherewithal to govern the PA; and 2) to underscore to Palestinian voters, a plurality of whom supported Hamas, that the international community can respect Palestinian democracy but not remain indifferent to the choices that Palestinians make. Except for humanitarian assistance, there is no such thing as a Palestinian entitlement to development aid and budget support. Whereas Quartet finance envoy James Wolfensohn has argued that a decade's effort in developing the Palestinian economy may be lost if aid dries up, the most important point is to show Palestinians that their economy will suffer as a result of choosing a leadership that rejects the very premises of peacemaking. In this context, while the specter of increased Iranian funding of Hamas is real, the notion that Iran is likely to substitute for existing sources of aid does not stand the test of scrutiny given Iran's past behavior and the Palestinian fear of Iranian control over their movement.

Even with Hamas in power, the international community does have an interest in retaining some level of funding for Palestinians. The first of these is humanitarian assistance -- food, water, and basic services -- to protect against a crisis. The second category includes funds targeted to reinforce non-Hamas reformers and others who are committed to a more humane and liberal Palestinian society, to nonviolence, and to a two-state solution. Just as outsiders support democrats and liberals in authoritarian regimes, so too does the international community retain an interest in investing in those Palestinians who, despite their government, share the fundamental objective of peace and reconciliation. Similarly, the international community has an interest in ensuring that Hamas not vitiate the very political institutions that are enabling it to assume power, lest it preserve its hold on power in the future. Supporting democratic mechanisms in the PA, so that there is a system for rotation of power in the future, without

supporting the Hamas-led PA itself is no easy task and deserved strict scrutiny and oversight.

A major question is whether PA president Mahmoud Abbas is a worthy recipient of some form of international assistance. Skeptics point to his lackluster performance during 2005, suggesting that he is likely to be exploited by Hamas. There are two key tests: first, whether Abbas retains his insistence that Hamas meet a set of political conditions, including accepting all UN resolutions on the Israel-Palestine dispute and respecting all previous agreements and commitments the Palestinians entered into with Israel; and second, whether he cedes authority of key security institutions to Hamas. Failure to remain firm on these two criteria will indeed transform him in a mere fig leaf for Hamas.

Reexamining Aid to the Palestinians

Some types of international aid should be cut while other types should be maintained.

Budgetary aid. Budgetary aid is the most problematic source of aid, because it passes directly through PA government bodies. The United States has made a policy of not supporting the PA budget. Washington has only given direct assistance to the PA on four occasions -- each with the money specifically earmarked. In the wake of Hamas's victory, President Bush requested that the PA return \$50 million that the United States gave in the summer of 2005 to ensure funds would not support the future Hamas government.

According to Quartet economic envoy James Wolfensohn, the PA's current monthly expenditures total \$165 million, with \$115 going to wages and benefits for government employees and the remaining \$50 million going to basic operating costs, other nonwage expenditures, and subsidies to cover fuel, electricity, and water. About one-third of the monthly outlay comes from the Palestinians customs and taxes transferred by Israel, which Israel has declared it will stop. No donor country provides anything close to what is transferred by Israel. With Israel's decision to withhold customs revenues, the PA faces further monthly budget deficits of approximately \$50 million on top of the \$800 million deficit it has accumulated, according to the World Bank. "Unless a solution is found, we may be facing the financial collapse of the PA within two weeks," Wolfensohn warned the Quartet.

The most pressing issue for the international community is how to handle aid toward public wages. The international community should not support a Hamas government and subsidize inflated government salaries. However, the international community cannot stop funding government salaries without causing an immense economic crisis; unemployment in Gaza and the West Bank is already 23 percent. Should it cut budgetary assistance, the international community must improve the safety net through additional humanitarian aid.

Humanitarian aid. Humanitarian aid (food, medicine, cash assistance, and other services necessary to prevent a humanitarian disaster) is the most internationally accepted form of aid to the Palestinians and least likely to be cut in the future as it is almost entirely channeled through NGOs, private voluntary organizations, and UN bodies. According to the World Bank, in 2003, \$119 was earmarked for "core welfare instruments" -- \$60 million in food assistance, \$20 million in cash assistance to the needy, and \$39 million in emergency employment. Another \$145 million went toward other form of emergency assistance.

The World Bank reported in December that 43 percent of Palestinians fall below the poverty line, with 15 percent living in "deep poverty" such that they cannot meet subsistence needs. Any decrease in humanitarian aid will have immediate effects on the lives at least half the Palestinian population; it is important that the international community is able to provide a continuous flow of aid to prevent a humanitarian crisis.

Development aid. Development aid is aimed to provide technical assistance, infrastructure -- including of course roads and water systems as well as classrooms, health clinics, and community centers -- and development of the economy in the Palestinian territories. As Rice mentioned in her congressional testimony, the United States cannot be expected to supply development aid in the form of infrastructure projects at this time. While many development

projects employ NGOs and private contractors, a substantial portion of non-U.S. aid is channeled through various PA ministries. And virtually all donors coordinate development projects through the relevant PA ministry. Not only would this create problems of contact, but a Hamas government should not be allowed to take credit for such projects. Though exceptions can perhaps be made for projects to avert an imminent public health or humanitarian crisis or for aid to municipalities with an elected, non-Hamas leadership, for the most part, the onus should be on Hamas. If it demonstrates over a year that it has genuinely modified its political program in keeping with the Quartet principles, then suspended development could resume. This would give Hamas an incentive to perform.

Civil society and democratization. The implicit premise of the international community is that Hamas should be allowed to try and fail in its governance. But this will mean little if Hamas does not permit future balloting. It is critical that Hamas commits to future elections with the same extensive international observers as the January ballot and that the international community maintains the machinery of democracy. This means preserving the integrity of the PA Central Elections Commission, as well as providing aid to benefit democratic institutions, such as non-Hamas political parties, some media, and even watchdog groups that monitor budget transparency. Unfortunately, due to Hamas's control of the Palestinian Legislative Council (PLC), aid to the PLC is ill-advised. Hamas wants to use democratic means to achieve illiberal ends such as the destruction of Israel, and it would be farcical for international community to fund a legislative body under the group's control.

Education. The international community has a major interest that the educators of the next generation of Palestinians not be Hamas. Some thought needs to be invested in whether the international community can fund and oversee an alternative educational system that is committed to the principles of a democratic, peaceful, and tolerant Palestine. Private secular schools should be considered in order to counter the religious model of education that Hamas prefers. Such an undertaking requires international oversight so funds are not abused. In the meantime, carefully vetted scholarship programs could be useful.

Conclusion

This approach seeks to differentiate between the need to sustain humanitarian programs and suspend most development aid while carefully encouraging democratization, civil society, coexistence, and education. In order to make such a proactive aid program work, there must be significant oversight to ensure that funds in permitted fields are not diverted for terror and corruption. In order to avoid issues of fungibility, whereby aid frees up money for nefarious purposes, the Quartet could work with the World Bank to enlarge the World Bank trust fund and ensure that funds are properly allocated. Palestinian assistance programs are already the most audited donor assistance anywhere, and this oversight will need to be bolstered further in cooperation with the International Monetary Fund. It is vitally important that the international community administers these funds, not Hamas.

David Makovsky is senior fellow and director of the Project on the Middle East Peace Process at The Washington Institute. Michael Herzog is a brigadier general in the Israel Defense Forces and a visiting military fellow at the Institute. Elizabeth Young is a research assistant with the Project on the Middle East Peace Process at the Institute.

Policy #1083

RECOMMENDED

BRIEF ANALYSIS

[Unpacking the UAE F-35 Negotiations](#)

Feb 15, 2022



Grant Rumley

[\(/policy-analysis/unpacking-uae-f-35-negotiations\)](#)



ARTICLES & TESTIMONY

[How to Make Russia Pay in Ukraine: Study Syria](#)

Feb 15, 2022



Anna Borshchevskaya

[\(/policy-analysis/how-make-russia-pay-ukraine-study-syria\)](#)



BRIEF ANALYSIS

[Bennett's Bahrain Visit Further Invigorates Israel-Gulf Diplomacy](#)

Feb 14, 2022



Simon Henderson

[\(/policy-analysis/bennetts-bahrain-visit-further-invigorates-israel-gulf-diplomacy\)](#)

TOPICS

[Terrorism \(/policy-analysis/terrorism\)](#)

[U.S. Policy \(/policy-analysis/us-policy\)](#)

REGIONS & COUNTRIES

[Israel \(/policy-analysis/israel\)](#)

[Palestinians \(/policy-analysis/palestinians\)](#)