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United States General Accounting Office  
Washington, DC 20548

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November 17, 2003

The Honorable Mitch McConnell  
Chairman  
The Honorable Patrick Leahy  
Ranking Minority Member  
Subcommittee on Foreign Operations  
Committee on Appropriations  
United States Senate

The Honorable Jim Kolbe  
Chairman  
The Honorable Nita M. Lowey  
Ranking Minority Member  
Subcommittee on Foreign Operations, Export Financing, and Related Programs  
Committee on Appropriations  
House of Representatives

Subject: *Department of State (State) and United Nations Relief and Works Agency (UNRWA) Actions to Implement Section 301(c) of the Foreign Assistance Act of 1961*

Established in 1949 by the United Nations, UNRWA provides assistance to Palestinian refugees in the Middle East. UNRWA assistance is primarily education, health, and relief and social services. More than 4 million Palestinian refugees are eligible to receive these services in UNRWA's five areas of operation—Jordan, Lebanon, Syria, the West Bank, and Gaza.

In section 301(c) of the 1961 Foreign Assistance Act (PL 87-195) as amended, Congress has directed that “No contributions by the United States shall be made to [UNRWA] except on the condition that [UNRWA] take all possible measures to assure that no part of the United States contribution shall be used to furnish assistance to any refugee who is receiving military training as a member of the so-called Palestine Liberation Army or any other guerrilla type organization or who has engaged in any act of terrorism.”

In 2003, Congress approved the Consolidated Appropriations Resolution, 2003 (PL 108-7), section 580, which required the General Accounting Office (GAO) to report to the appropriations committees on State Department compliance with section 301(c) of the 1961 Foreign Assistance Act and the implementation of procedures established to meet State standards for section 301(c). To fulfill this mandate, we

are reporting on State Department actions and UNRWA's implementation of procedures to address section 301(c). As agreed, we briefed your staff on our findings on November 6, 2003.<sup>1</sup> Enclosure I documents the information we presented to your staff. UNRWA and the Department of State provided technical comments on a draft of this briefing, which we incorporated as appropriate.

## **Background**

UNRWA employs more than 24,000 staff. More than 90 percent of its staff are Palestinian refugees. UNRWA's mission does not involve administering or policing refugee camps. Relevant civil authorities in each area of operations are responsible for camp administration and security. Approximately 1.3 million refugees live in such camps, while almost 2.8 million refugees do not live in camps.

In calendar 2000-2002, UNRWA spent about \$1 billion. During this period, the United States provided about \$332 million to UNRWA. The State Department provided about \$300 million during this period, while the U.S. Agency for International Development (USAID) granted UNRWA another \$32 million.

## **Summary**

State has taken actions to implement section 301(c). For example, State requires UNRWA to certify that in accepting each contribution from the United States, UNRWA is taking all possible measures to assure that U.S funds do not benefit terrorists or refugees receiving military training from guerrilla groups. State has also acted to improve monitoring by (1) placing a Refugee Coordinator in Amman, Jordan, whose main duty is to monitor UNRWA; (2) funding additional UNRWA international staff to inspect facilities; and (3) requesting that UNRWA report regularly on 301(c) compliance. State has also urged UNRWA to adopt a more formal monitoring program. However, State has not defined key terms used in section 301(c).

UNRWA's implementation of procedures to address section 301(c) is constrained by several factors. First, while it relies on host governments to review local job applicants for UNRWA employment in Jordan, Syria, and Lebanon, it does not have similar arrangements with authorities in the West Bank and Gaza, where UNRWA also lacks access to data on arrests of its local staff. Second, UNRWA uses international staff to inspect its facilities and requires non-UNRWA groups to obtain permission before using those facilities, but it has not been able to prevent armed incursions. Finally, UNRWA is constrained in determining if its

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<sup>1</sup> Section 580 required GAO to report to the committees by November 1, 2003. Although we were prepared to present our findings by that date, we agreed to your staff's request that we defer our briefing to accommodate congressional deliberations on the supplemental appropriations bill.

beneficiaries meet section 301(c) criteria, owing to concerns for its staff's safety and its inability to verify beneficiary responses.

### **Scope and Methodology**

To describe State Department actions, we reviewed State and USAID records for fiscal 1999-2003 and met with State and USAID officials in Washington, D.C.; Jerusalem; Tel Aviv, Israel; and Amman, Jordan.

To describe UNRWA's implementation of procedures, we reviewed UNRWA, State, and USAID documents. We also met with United States officials in Washington, Amman, and Jerusalem. We met with UNRWA management (including the directors of each of its five operating areas), staff, and beneficiaries in Jerusalem; in Bethlehem and Ramallah, in the Israeli-occupied West Bank; and in Amman, Jordan. In addition, we met with Israeli officials in Washington and Jerusalem and with Jordanian officials in Amman.

We performed our review from April 2003 through October 2003 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Honorable Colin Powell, Secretary of State, and to interested congressional committees. Copies will be made available to others upon request. In addition, this report will be available at no charge on our Web site at <http://www.gao.gov>.

If you or your staff have any further questions regarding this assessment, please contact me at (202) 512-3149. Cheryl Goodman, Pierre Toureille, and Ella Mann also made key contributions to this report.

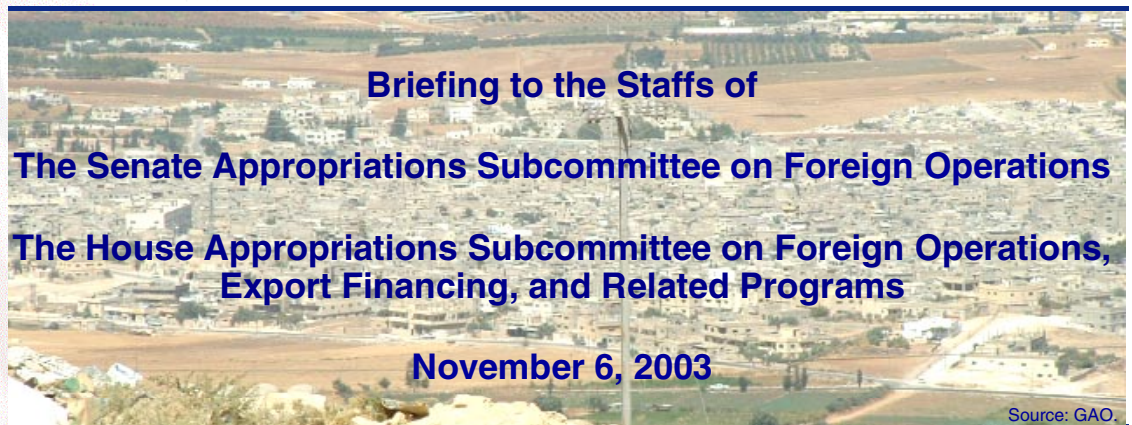


David B. Gootnick  
Director, International Affairs and Trade

Enclosure



**Department of State and  
United Nations Relief and Works Agency  
Actions to Implement Section 301(c) of the  
Foreign Assistance Act of 1961**





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## Introduction

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The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) provides assistance to Palestinian refugees. UNRWA employs more than 24,000 staff; almost all are Palestinian. UNRWA facilities include medical clinics and schools where the United Nations (UN) flag and symbols are displayed. More than 4 million Palestinian refugees are eligible to receive benefits in Jordan, Lebanon, Syria, the West Bank, and Gaza.

In section 301(c) of the 1961 Foreign Assistance Act, (PL-87-195) as amended, Congress has directed that:

*“No contributions by the United States shall be made to [UNRWA] except on the condition that [UNRWA] **take all possible measures to assure that no part of the United States contribution shall be used to furnish assistance to any refugee who is receiving military training as a member of the so-called Palestine Liberation Army or any other guerrilla type organization or who has engaged in any act of terrorism.**”*

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## GAO Mandate and Objectives

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The Consolidated Appropriations Resolution, 2003 (PL 108-7), section 580, requires GAO to report by November 1, 2003, on State Department compliance with section 301(c) of the 1961 Foreign Assistance Act and the implementation of procedures established to meet State standards for section 301(c).

Objectives:

- Describe actions taken by State to implement section 301(c).
- Describe UNRWA's implementation of procedures established to meet 301(c).

(See attachment I for our scope and methodology.)

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## Results in Brief

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The State Department has taken actions to implement section 301(c). It has required UNRWA to certify that it is taking all possible measures to assure that U.S funds do not benefit terrorists and those receiving military training from guerrilla groups. State has also acted to improve monitoring and urged UNRWA to adopt a more formal monitoring program. However, State has not defined key terms used in section 301(c).

UNRWA's implementation of procedures to address section 301(c) is constrained by several factors. First, while UNRWA relies on host governments to review local job applicants in Jordan, Syria, and Lebanon, it does not have similar arrangements with authorities in the West Bank and Gaza, where it also lacks access to data on arrests of its local staff. Second, UNRWA uses international staff to inspect its facilities and requires non-UNRWA groups to obtain permission before using those facilities, but it has not been able to prevent armed incursions. Finally, UNRWA does not ask beneficiaries if they are terrorists, owing to concerns for its staff's safety and its inability to verify beneficiary responses.

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*Background*



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**UNRWA's Mission**

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In 1949, the United Nations established UNRWA to provide relief to Palestinian refugees. Palestinian refugees are defined as (1) persons who resided in Palestine from June 1946 to May 1948 and who lost home and livelihood owing to the 1948 Arab-Israeli conflict and (2) the children of male refugees.

UNRWA currently provides assistance in education, health, and relief and social services, among others. More than 4 million refugees are registered in UNRWA's five areas of operation.

UNRWA's mission does not involve administering or policing refugee camps; these are responsibilities of relevant civil authorities.

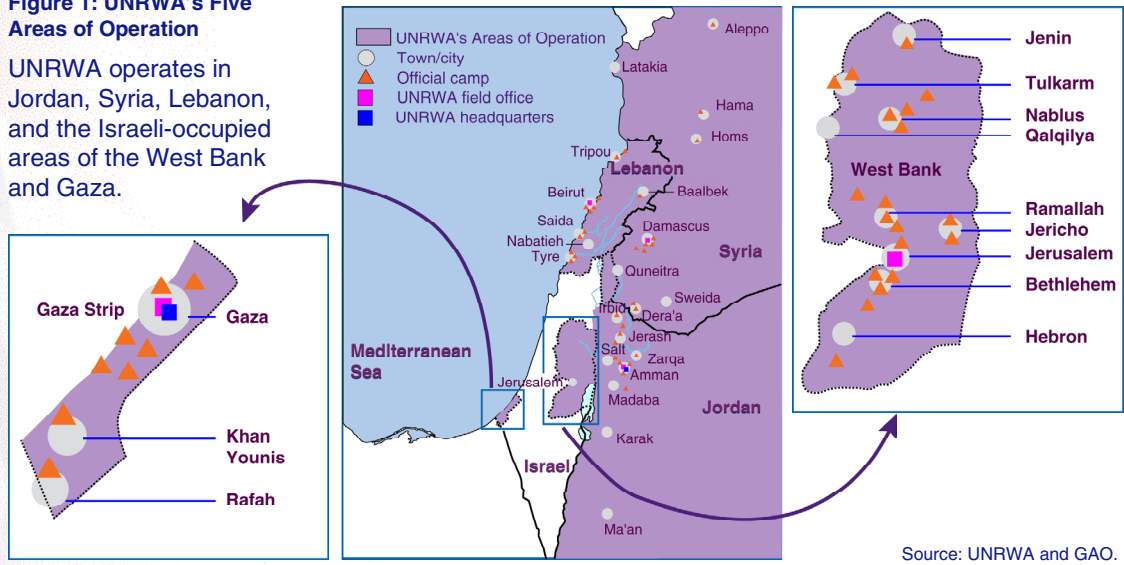
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## Background

# UNRWA's Areas of Operation

**Figure 1: UNRWA's Five Areas of Operation**

UNRWA operates in Jordan, Syria, Lebanon, and the Israeli-occupied areas of the West Bank and Gaza.



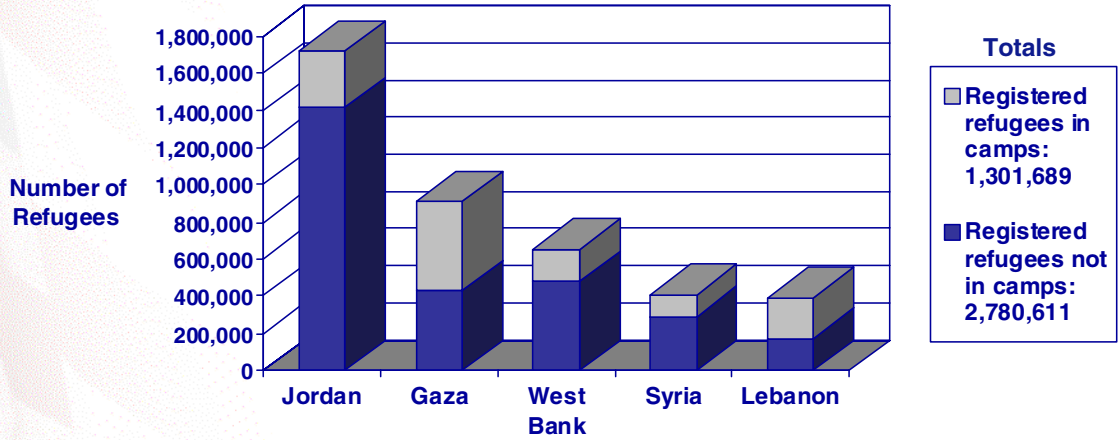
Source: UNRWA and GAO.

Background



## Location of UNRWA-Registered Palestinian Refugees

Figure 2: Location of UNRWA-Registered Refugees, as of June 30, 2003



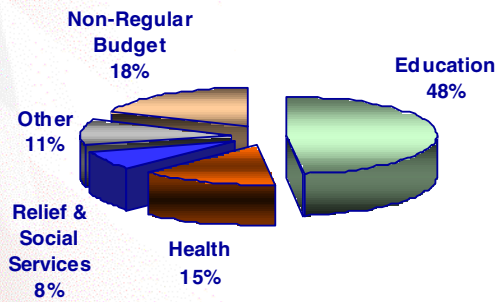
Source: UNRWA and GAO.

## Background



# UNRWA Expenditures

Figure 3: UNRWA Expenditures, 2000-2002



Source: UNRWA and GAO.

During calendar 2000-2002, UNRWA spent about \$1 billion, including \$192.3 million for projects and emergency efforts not included in its regular budget. Education accounted for about half of UNRWA's spending.

During this period, the United States provided about \$332 million to UNRWA.

- State contributed about \$300 million. Its Population, Refugees, and Migration Bureau monitors the use of these funds.
- USAID granted UNRWA \$32 million.

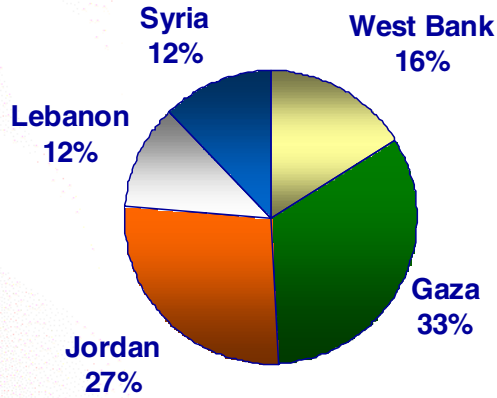
(See attachments II and III.)

*Background*



**UNRWA Staffing**

Figure 4: Percentage of UNRWA Staff Working in Each Area of Operation, as of June 30, 2003



Nearly half of UNRWA's staff work in the West Bank and Gaza.

Almost all of UNRWA's 24,300 staff are Palestinians. About 92 percent of the Palestinian staff are registered refugees.

UNRWA employs fewer than 150 international (non-Palestinian) staff.

Source: UNRWA and GAO.

## State Department Actions



### State Conditioned Contributions

State has attached the following condition to each contribution to UNRWA since January 1999:

*It is fully understood and agreed that by accepting this contribution, UNRWA certifies that it is taking all possible measures to assure that no part of the United States contribution is being used to furnish assistance to any refugee who is receiving military training as a member of the so-called Palestine Liberation Army or any other guerrilla-type organization, or who has engaged in any act of terrorism.*

USAID includes very similar language in its grant agreements with UNRWA.



## *State Department Actions*



### **State Acted to Improve Monitoring**

Since 1997, State has assigned a Refugee Coordinator in Amman, whose main duties include monitoring UNRWA.

In 2002, State contributed \$1.41 million to increase the number of international Operations Support Officers in Gaza and the West Bank by 8 to a total of 14.

- Officers conduct unannounced inspections of facilities for any improper use (including terrorist-related) and guide UNRWA staff and supplies through checkpoints.

In 2003, at State's request, UNRWA began providing State with 6-month reports on 301(c) compliance, including information on

- staff training and disciplinary matters,
- the Operations Support Officer program, and
- incursions into UNRWA facilities.



## State Department Actions



# State Urged UNRWA to Establish a More Formal Monitoring Program

In a letter sent November 1, 2002, Assistant Secretary of State urged UNRWA's Commissioner General to adopt a more formal monitoring system:

*The standard set by the 301(c) language...may necessitate UNRWA instituting new mechanisms to ensure adequate oversight....We would like to see UNRWA install a more formal program to ensure that its facilities, employees, and beneficiaries, to the extent possible, remain free of association with terrorism. UNRWA has taken some positive first steps...but could do still more.*

The letter also included four specific suggestions for UNRWA to consider (see attachment IV).

## State Department Actions



### State Has Not Defined Terms Used in Section 301(c)

State has not defined “all possible measures” or specified activities covered by “engaged in any act of terrorism.”

UNRWA officials expressed concerns to us about the phrase “all possible measures” because of

- UNRWA’s lack of access to information needed to identify terrorists,
- the possible targeting of UNRWA staff for retaliation, and
- potential conflict with UNRWA’s focus on providing relief.

In 2001, UNRWA proposed replacing “all possible measures” with a pledge that it would not “knowingly” aid terrorists or those receiving military training from guerrilla groups.

State rejected UNRWA’s proposal but did not define “all possible measures.”

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## **Host Governments and Civil Authorities Provide UNRWA Varying Support in Reviewing Job Applicants**

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UNRWA asks applicants for permanent staff positions if they have “been arrested, indicted, or summoned into court as a defendant in a criminal proceeding, or convicted, fined or imprisoned for the violation of any law.”

UNRWA does not specifically ask local permanent staff applicants if they ever committed an act of terrorism or are receiving guerrilla training.

Jordan and Syria require UNRWA to agree to government vetting of local job applicants. UNRWA relies on Jordan, Syria, and Lebanon to verify applicant statements on past criminal actions.

UNRWA and civil authorities in the West Bank and Gaza have no such system for vetting applicants and verifying statements regarding criminal past.

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## **UNRWA Monitoring of Staff Neutrality In Occupied Territories Constrained by Lack of Information**

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UNRWA's policy is to discipline staff who violate the mandatory political neutrality pledge.

- The pledge includes restrictions on public speeches and political activities.
- Staff convicted in what UNRWA deems to be fair trials are subject to disciplinary action, including termination.

Implementation is constrained by lack of data concerning arrests and convictions.

- According to UNRWA and Israeli officials, Israel does not routinely respond to UNRWA inquiries concerning arrested UNRWA staff.
  - Israeli officials cite security and other concerns.
- Israel did not inform UNRWA it had recently convicted three UNRWA staff on terrorist-related charges.
  - After learning of these cases from us, UNRWA sought additional information from Israeli authorities (see attachment V).

## International Staff Help Monitor Facilities

Operations Support Officers spend about 40 percent of their time on 301(c)-related duties, including random and unannounced inspections of facilities in the West Bank and Gaza. Officers inspected 75.8 percent of UNRWA's West Bank facilities and more than 85 percent of Gaza facilities over a 6-month period.

On our field visit, officers told us they had not detected any terrorist use of UNRWA facilities.

UNRWA plans to phase out the program when the current uprising ends.

**Figure 5: Two Operations Support Officers at the Aida Girls School in the West Bank**



Source: GAO.



## **UNRWA Requires Approval for Use of Facilities but Cannot Prevent Incursions**

The Commissioner General requires outside groups to apply for permission to use any UNRWA installation.

- However, in 2001, a Hamas leader spoke at an outside group's event in an UNRWA facility without UNRWA's knowledge. An UNRWA teacher in attendance was censured, in part because he did not inform UNRWA management.

UNRWA is unable to prevent armed incursions into its facilities and protests incursions by notifying police authorities.

- During the first 6 months of 2003, assailants occupied or attacked UNRWA facilities on nine occasions.

**Figure 6: Aida Girls School in the West Bank after crossfire damage**



Source: GAO.

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## **UNRWA Constrained in Determining if Beneficiaries Meet 301(c) Criteria**

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UNRWA staff do not ask beneficiaries if they have engaged in terrorism or are receiving guerrilla training. During our field visit,

- UNRWA's legal staff told us that responses to such questions could not be verified and thus would not be useful, and
- UNRWA, U.S., and Israeli officials told us that UNRWA staff could be endangered by asking beneficiaries such questions.



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## **UNRWA Says It Has No Evidence to Justify Denying Benefits**

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According to the Commissioner General, as of July 30, 2003, UNRWA has no evidence that would justify denying beneficiaries relief or humanitarian aid owing to terrorism.

UNRWA/Gaza has denied rehousing assistance to six families whose houses were apparently destroyed during bomb-making activities. However, it did not remove the families from its registry of eligible refugees or deny them other assistance.

UNRWA does not note terrorist convictions on refugee registration cards. Officials stated that they have not received information on terrorist-related convictions of beneficiaries. Social workers question applicants applying for hardship assistance but UNRWA relies on families seeking this assistance to volunteer data concerning imprisonment on any type of charge.

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## Attachment I



### Scope and Methodology

To determine actions the State Department has taken to implement section 301(c), we

- reviewed State and USAID records for fiscal 1999-2003 and
- met with State and USAID officials in Washington, D.C.; Jerusalem; Tel Aviv; and Amman.

To describe UNRWA's implementation of procedures established to meet 301(c), we

- reviewed UNRWA, State, and USAID documents;
- met with UNRWA management (including all five field office directors), staff, and beneficiaries in Jerusalem, Bethlehem, Ramallah, and Amman;
- met with U.S. officials in Washington, D.C.; Jerusalem; Tel Aviv; and Amman;
- met with Israeli officials in Jerusalem and Washington, D.C.; and
- met with Jordanian officials in Amman.

State and UNRWA provided technical comments on a draft of this briefing, which we incorporated where appropriate.

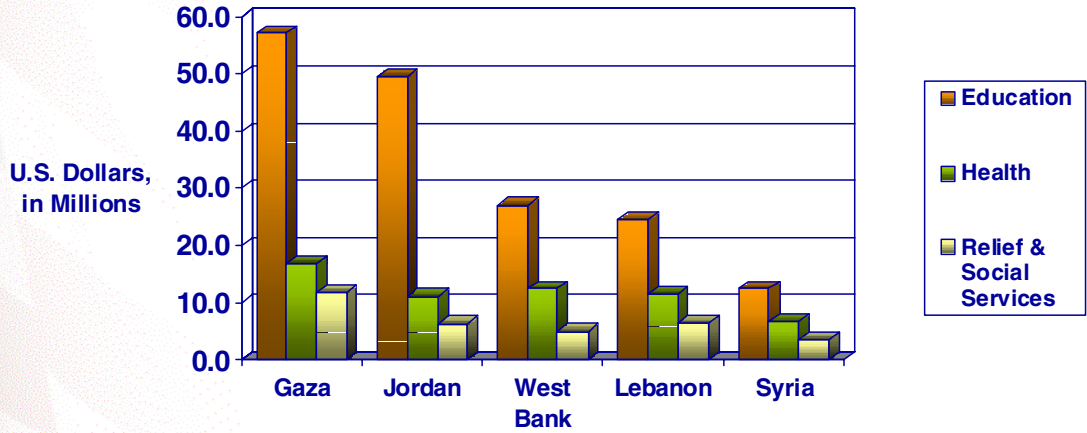
We performed our review from April 2003 through October 2003 in accordance with generally accepted government auditing standards.

Attachment II



## Areas and Services to Which UNRWA Allocates Most of Its Budget

Figure 7: Allocation of UNRWA's Education, Health, and Relief and Social Services Budget, 2002



Source: UNRWA and GAO.

*Attachment III*



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## **UNRWA's Main Programs**

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### **Education**

- Elementary and preparatory programs (98 percent of the students in 2001)
- Secondary school (Lebanon only) and vocational, technical, and teacher-training programs (2 percent of the students in 2001)

### **Primary Health Care**

- Maternal, child health, and family planning
- School health services and health education
- Outpatient services
- Prevention and control of diseases
- Dental care

### **Relief and Social Services**

- Aid those who suffer acute socioeconomic hardship
  - Promote self-reliance among the less advantaged, in particular, women, youth, and the physically and mentally challenged
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*Attachment IV*



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## **State's November 2002 Suggestions and UNRWA's Responses**

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- **Issue explicit guidelines for staff to report compromises of UNRWA staff or facilities**
    - UNRWA did not respond in writing to this suggestion because it concluded that it did not need any additional reporting mechanisms.
  
  - **Sever connections with Gaza Youth Activity Centers because of ties to Palestinian radicals.**
    - UNRWA responded that it would not collocate with the centers but would support specific projects.
  
  - **Make the Operations Support Officer program a permanent part of UNRWA's monitoring program by including it in the regular budget.**
    - UNRWA responded that officers would not be needed after the current emergency.
  
  - **Continue to make all efforts to meet with Israeli authorities.**
    - UNRWA responded that it would continue to do so.
-

*Attachment V*



**Detainments and Convictions of UNRWA Staff**

Israeli officials informed us on September 11, 2003, that at least 16 UNRWA staff were being detained for various security-related crimes.

During our field visit, Israeli authorities told us that three UNRWA staff had recently been convicted in military courts of terrorism-related activities (see table 1).

- UNRWA officials told us that they had not been informed of these convictions.

**Table 1: Information on Convicted UNRWA Staff**

| <b>Date of Arrest</b> | <b>Criminal Activity</b>  | <b>Status</b>                                |
|-----------------------|---|--|
| June 22, 2001         | Possessed explosives, shot firearm, and threw firebombs at a public bus               | Convicted on 5/27/03, sentenced to 7.5 years |
| February 8, 2002      | Member of Islamic Jihad, possessed materials that could be used for explosives        | Convicted on 8/11/03, sentenced to 2.5 years |
| November 13, 2002     | Member of Hamas, possessed machine gun and transferred chemicals to assist bomb-maker | Convicted on 8/31/03, sentenced to 32 months |

Source: UNRWA and Government of Israel data.

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