



United States Department of State

Washington, D.C. 20520

~~SENSITIVE BUT UNCLASSIFIED~~

March 1, 2021

TO: Brad Smith
Acting Director
Office of Foreign Assets Control
Department of the Treasury

FROM: Andrew Weinschenk
Director
Office of Threat Finance Countermeasures

SUBJECT: ~~(SBU)~~ Request for Specific License to Authorize U.S. Government Official Activity in the West Bank and Gaza

~~(SBU)~~ The Department of State requests that OFAC issue a specific license authorizing for a period of two years the conduct of the official business of the U.S. government by employees, grantees, or contractors thereof in the West Bank and Gaza that would otherwise be prohibited by the Global Terrorist Sanctions Regulations and the Foreign Terrorist Organization Sanctions Regulations. Such authorization would enable activities, including assistance activities, that are critical to support the Administration's efforts to advance prosperity, security, and freedom for both Israelis and Palestinians and to advance and preserve the prospects of a negotiated solution in which Israel lives in peace and security alongside a viable Palestinian state.

Foreign Policy Objectives

~~(SBU)~~ Secretary Blinken has stated that this Administration intends to restore assistance to the Palestinian people to advance U.S. interests. U.S. assistance serves important purposes, including supporting Israeli-Palestinian security coordination, providing critical humanitarian relief, and fostering economic development. The United States is committed to advancing prosperity, security, and freedom for both Palestinians and Israelis, which is important in its own right, but also as a means to advance and preserve the prospects of a negotiated two-state solution, in which Israel lives in peace and security alongside a viable Palestinian state. The two-state approach remains the best way to ensure Israel's future as a democratic and Jewish state, while enabling the Palestinian people to live with freedom, security, and prosperity in a viable state of their own. We are working with all parties to advance that goal, and reengaging diplomatically and restarting assistance programs will help support a stable environment that benefits both Palestinians and Israelis.

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Assistance to be Provided

(SBU) The Administration seeks to restart economic, humanitarian, and security assistance activities in the West Bank and Gaza that will benefit all Palestinians and address critical issues that further progress toward peace. Our assistance programs improve the lives of millions of Palestinians through support to health, infrastructure, humanitarian relief, and economic development activities. Moreover, our support for the development of the Palestinian economy, civil society, and other private and public institutions helps improve the lives of Palestinians and ensure the viability of a future Palestinian state.

(SBU) Because we are restarting assistance after a multi-year gap, State, USAID, and other U.S. government agencies that may provide assistance or engage in other economic initiatives need maximum flexibility to adjust programming quickly in response to fluid conditions on the ground in the West Bank and Gaza. Below is an illustrative list of assistance activities State and USAID intend to implement in the near term. As we better understand the specific economic, humanitarian, and security needs in the West Bank and Gaza and identify assistance or other economic initiatives that would support our objectives, the programs in our assistance portfolio will likely evolve. We are seeking maximum flexibility under this license to enable U.S. government activities to respond to changing needs as quickly and effectively as possible.

- COVID-19 Rapid Relief (\$15 million): USAID intends to provide emergency, life-saving humanitarian assistance to mitigate the spread and impact of COVID-19 in Gaza. This includes efforts to treat the sick, support vaccine rollout, and enable public health responses against a potential re-emergence of the virus. This program could also support the United Nations' World Food Program (WFP) effort to help meet COVID-exacerbated food security needs in Gaza.
- UN Relief and Works Agency for Palestinian Refugees in the Near East (UNRWA) (\$100 million): State intends to resume support for UNRWA's activities in the West Bank and Gaza. UNRWA provides humanitarian interventions for Palestinian refugees such as food, cash-for-work, cash assistance, health and psychosocial support, education, water and sanitation, and COVID-19 prevention.
- International Narcotics and Law Enforcement (\$89 million): State intends to support the Palestinian Authority Ministry of Interior's efforts to improve training, civilian security, prosecutions, and corrections.
- Private Sector Growth (\$7 million): USAID intends to provide support to the Palestinian private sector by supporting small and medium enterprises (SMEs) in the West Bank and Gaza. U.S. assistance will help SMEs regain productivity and expand activities through a package of grants, technical assistance, and increased access to finance.

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- Youth Employment and Engagement (\$4 million): USAID intends to support vulnerable and marginalized youth in the West Bank and Gaza with programs that provide psychosocial support, life skills, and technical training, as well as community engagement opportunities that aim to provide an alternative means of empowerment and prevent youth from joining extremist organizations.
- Immediate Humanitarian Relief (\$6 million): USAID intends to provide rapid relief to needy households in Gaza with programs that could include short-term employment, grants for income generating projects and small businesses, and food and non-food vouchers.
- Water and Sanitation (WASH) and Water Improvement (\$23 million): USAID intends to help marginalized communities in Gaza access clean water and improve hygiene, in addition to constructing water storage reservoirs in northern Gaza that will ensure sustainable, reliable, and safe drinking water. Some recent studies show only about 10 percent of available water in Gaza is potable.

Need for an OFAC License

(SBU) Hamas is a Foreign Terrorist Organization (FTO) and Specially Designated Global Terrorist (SDGT). Other terrorist groups are present in the West Bank and Gaza, including Palestinian Islamic Jihad (PIJ), the Palestine Liberation Front (PLF), and the Popular Front for the Liberation of Palestine (PFLP). Due to its overall strength and level of control over Gaza, we assess there is a high risk Hamas could potentially derive indirect, unintentional benefit from U.S. assistance to Gaza. There is less but still some risk U.S. assistance would benefit other designated groups.

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(SBU) According to USAID’s West Bank and Gaza mission, there have been no known cases of U.S. government or other donor supplies or equipment being stolen or destroyed. In addition, USAID is not aware of any explicit, conscious effort by sanctions groups to seek reputational benefit from U.S. assistance in the West Bank or Gaza. Notwithstanding this risk, State believes it is in our national security interest to provide assistance in the West Bank and Gaza to support the foreign policy objectives outlined above.

Mitigation Measures

(SBU) State and USAID will continue to take appropriate steps to mitigate the risks that U.S. assistance benefits Hamas, PIJ, or any other terrorist organization in the West Bank and Gaza. Risk mitigation measures include counter-terrorism vetting of all partner organizations, as well as requirements for partner organizations to mitigate risk for fraud and diversion. The U.S. government maintains a “no contact” policy with Hamas, and U.S. implementing partners do not engage Hamas on the locations or types of assistance provided, nor on the recipients of U.S.

assistance. Implementing partners are required to notify State and USAID of developments that have a significant impact on the activities support in any award and the problems, delays, or adverse conditions that materially impair the ability to meet objectives in the award, including attempts by a sanctioned group to control a program's resources or beneficiaries. Further risk mitigation measures could be pursued if and as needed depending on how U.S. activities develop in the coming months and years.

Summary of Request

~~(SBU)~~ The Department of State requests on foreign policy grounds that OFAC issue a specific license for a period of two years authorizing the conduct of the official business of the U.S. government by employees, grantees, or contractors thereof in the West Bank and Gaza that would otherwise be prohibited by the Global Terrorist Sanctions Regulations and the Foreign Terrorist Organization Sanctions Regulations to support the Administration's foreign policy objectives. We request the license be unclassified so relevant U.S. government agencies can share a copy with partners as necessary.

Approved: EB/TFS (b)(6))
NEA/FO (b)(6))

Drafted: EB/TFS/TFC (b)(6)

Cleared: EB/TFC: (b)(6)
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