‘A humanitarian sector in debt’
Counter-terrorism, bank de-risking and financial access for NGOs in the West Bank and Gaza
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About the author

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# Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acronyms</td>
<td>v</td>
</tr>
<tr>
<td>Executive summary</td>
<td>vii</td>
</tr>
<tr>
<td><strong>1</strong> Introduction</td>
<td>1</td>
</tr>
<tr>
<td><strong>2</strong> The humanitarian situation in the West Bank and Gaza</td>
<td>3</td>
</tr>
<tr>
<td>2.1 Financial exclusion in the West Bank and Gaza: drivers and manifestations</td>
<td>3</td>
</tr>
<tr>
<td>2.2 The implications of bank de-risking for local NGOs</td>
<td>5</td>
</tr>
<tr>
<td>2.3 Coping mechanisms</td>
<td>7</td>
</tr>
<tr>
<td><strong>3</strong> Conclusion</td>
<td>9</td>
</tr>
<tr>
<td>References</td>
<td>11</td>
</tr>
</tbody>
</table>
## Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARA</td>
<td>Access to Restricted Areas</td>
</tr>
<tr>
<td>ECHO</td>
<td>European Civil Protection and Humanitarian Aid Operations</td>
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<tr>
<td>ECJ</td>
<td>European Court of Justice</td>
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<td>EU</td>
<td>European Union</td>
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<tr>
<td>FATF</td>
<td>Financial Action Task Force</td>
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<td>FTO</td>
<td>Foreign Terrorist Organization</td>
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<td>OCHA</td>
<td>UN Office for the Coordination of Humanitarian Affairs</td>
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<tr>
<td>OPT</td>
<td>Occupied Palestinian Territory</td>
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<td>PA</td>
<td>Palestinian Authority</td>
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<td>PMA</td>
<td>Palestine Monetary Authority</td>
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<tr>
<td>SDGT</td>
<td>Specially Designated Global Terrorist</td>
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<tr>
<td>UNRWA</td>
<td>UN Relief and Works Agency</td>
</tr>
<tr>
<td>WFP</td>
<td>World Food Programme</td>
</tr>
</tbody>
</table>
Executive summary

Global counter-terrorism measures have had adverse implications for financial access for local NGOs in the West Bank and, particularly, Gaza. Local organisations are not able to access funds via formal banking channels because of de-risking measures, with crippling effects on the Palestinian non-profit sector. This study looks at the impact of bank de-risking on local humanitarian and development organisations in the West Bank and Gaza, investigates the coping strategies used by the Palestinian non-profit sector to compensate for the lack of financial access, and makes suggestions regarding how the adverse effects of bank de-risking can be reduced.

The realities of Israeli occupation and the fragmentation of the Palestinian leadership between the Palestinian Authority in the West Bank and Hamas in Gaza have exacerbated the humanitarian situation in the Occupied Palestinian Territory (OPT). In addition to a land, air and sea blockade on Gaza, enforced by Israel and Egypt, financial access for Palestinian NGOs is blocked on three levels: international, regional and local. Internationally, regulatory requirements particularly in relation to anti-money laundering and combating terrorist financing have prompted restrictions on the transfer of funds to NGOs in the West Bank and Gaza. Hamas, which took control of Gaza following elections in 2006, is considered a terrorist organisation by a number of Western and Middle Eastern countries. Regionally, a number of Arab governments have placed restrictions on the transfer of funds to Palestinian NGOs to avoid any reputational threats related to engagement with Hamas. Locally, there is an administrative and bureaucratic burden placed on local organisations by the Palestinian Authority in Ramallah, and Hamas in Gaza.

In the absence of financial access, Palestinian NGOs in the West Bank and Gaza are surviving on borrowed funds and resources from within a community in dire need of assistance itself. As a consequence, the non-profit sector risks being unable to fulfil its role in providing timely and adequate assistance to the Palestinian people.

Based on interviews conducted in 2017 and 2018, the study draws the following three key conclusions:

- Expanded following the events of 9/11, the global counter-terrorism regime has created an environment that encourages the prioritisation of security over humanitarian assistance. Bank de-risking, which is one aspect of this prioritisation, is denying local organisations access to much-needed humanitarian and development funds. A heavy humanitarian cost is being paid by the civilian population of the OPT, especially in Gaza.
- Global counter-terrorism measures have been adopted locally by governments and authorities in a number of countries in the Middle East. This is narrowing the space for civil society as a whole, and limiting access to international and regional donor funds.
- Palestinian NGOs are facing an international, regional and local blockade, both as an intentional policy and as an unintended consequence of counter-terrorism measures. This is restricting financial access via legitimate and transparent means, starving the non-profit sector of much-needed resources and denying the Palestinian people the assistance they need.
Palestinian NGOs are essential to the lives of Palestinians suffering under a protracted humanitarian and developmental crisis. However, they are struggling to secure financial access through the formal banking sector as counter-terrorism regulations delay or block bank transfers. Ten years ago, studies pointing to the negative impacts of counter-terrorism measures on humanitarian activities in the OPT noted that ‘funding restrictions have made humanitarian actors more cautious and limited in their activities and partnership relationships have suffered as a result’ (Fast, 2006: 3).

Bank de-risking is one aspect of the global counter-terrorism regime that emerged in the aftermath of the 9/11 attacks. Because of a growing fear of terrorism, and in an effort to combat financial crime, banks are removing customer accounts and withholding services from organisations or regions they associate with risks related to funding terrorism, money-laundering or other forms of financial crime. The non-profit sector, including humanitarian organisations, has been particularly targeted – and harmed – by these measures. De-risking is where banks reassess and rationalise their correspondent banking relationships: ‘The phenomenon, known as de-risking, has seen many large international banks responding to concerns about money-laundering and terrorist financing – as well as cost and regulatory pressures – by withdrawing from certain relationships, products or even jurisdictions’ (SWIFT, 2016). One consequence of de-risking is the exclusion of particular individuals and organisations from the financial system based on the degree to which they are deemed to present a risk under counter-terrorism regulations. How banks understand ‘risk’, and how decisions are made to close bank accounts or withdraw banking services, is largely ambiguous. The adverse impact of de-risking on the non-profit and humanitarian sector, however, is quite clear.

Counter-terrorism measures and regulations do not operate solely within the international financial sphere, nor are they only related to the transfer of funds to and from international donors; they have also been adopted by governments, including in the Middle East. One of the key messages of this study is that the global fight against terrorism is as local as it is international. This study shows how blockages to financial access in the OPT manifest themselves on three levels: internationally, via the international financial system, members of which have become wary of the increasing overall cost of complying with regulatory requirements, particularly in relation to anti-money laundering and terrorist financing, and as a result are restricting transfers of funds to NGOs in the West Bank and Gaza; regionally, via the Israeli occupation and restrictions on the transfer of funds by Arab governments, to avoid any engagement with Hamas; and locally, via the Palestinian Authority (PA) in Ramallah, and Hamas in Gaza. Hamas has been designated a Foreign Terrorist Organization (FTO) in Ramallah, and Hamas in Gaza. Hamas has been designated a Foreign Terrorist Organization (FTO) and a Specially Designated Global Terrorist (SDGT) by the US government. Provisions in annual US appropriations acts prohibit funding for assistance to Hamas or any Hamas-controlled entity or any power-sharing government of which Hamas is a member or that results from an agreement with Hamas and over which Hamas exercises undue influence (US GAO, 2016). Hamas was declared a terrorist organisation by the European Court of Justice (ECJ) in 2017 (Dearden, 2017). Relations between Hamas and governments in the Arab region have also been strained.
The hardship experienced by the Palestinian population stemming from this financial exclusion is exacerbated by local economic difficulties, including ‘stubbornly high’ unemployment (World Bank, 2017). Unemployment rates in the OPT are around 30%, and more than 60% of Palestinians aged between 15 and 29 are out of work (ibid.). There are some 272,000 unemployed Palestinians in the West Bank and Gaza, of whom 63,000 hold a Bachelor’s degree, over 500 with Masters degrees and about 17,500 high school graduates (Shaban, 2017: 4).

This study presents a contextualised analysis of challenges to financial access for Palestinian NGOs within the current global counter-terrorism regime. Findings are based on a review of the literature on counter-terrorism and de-risking in conflict zones and the financial sector in the OPT, two rounds of in-depth interviews, in September 2017 and March 2018, and two roundtable discussions in Ramallah and Gaza with a total of 25 organisations. NGO staff interviewed for the study included faith- and non-faith-based organisations. No firm, individual or business is named in the study. Efforts were made to verify information via different sources, to avoid bias either for or against the implications of bank de-risking in the OPT. Analysis in this paper is based on the interviews conducted for the study, unless noted otherwise.

The study is in five sections. To contextualise issues around financial access for Palestinian NGOs, the first section presents an overview of the humanitarian situation in the West Bank and Gaza. The second explores the drivers of financial exclusion and its manifestations at international, regional and local levels. This is followed by a third section on the implications of bank de-risking for local NGOs, and their responses. The fourth section outlines the main conclusions, and the final section sets out recommendations for managing bank de-risking in a way that does not erode humanitarian access or damage livelihood opportunities for Palestinians, while at the same time respecting the objective of preventing the spread of terrorism.
The Global Protection Cluster (2016) describes the situation in the OPT as a ‘protracted protection crisis with humanitarian consequences, driven by lack of respect for international law’. Two million of the 4.8 million inhabitants of the OPT are in need of humanitarian assistance (European Commission, 2017). The humanitarian situation has markedly deteriorated due to ongoing problems caused by the Israeli blockade of Gaza, Israeli policies more generally, recurrent hostilities and internal political divisions in Palestinian society (OCHA, 2017b). According to the UN Office for the Coordination of Humanitarian Affairs (OCHA) (2017), at least 1.9 million Palestinians experience or are at risk of conflict and violence, displacement and denial of access to livelihoods. The humanitarian situation in the Gaza Strip deteriorated markedly in 2017 following the decision in March by the Hamas leadership to establish a parallel structure to run local ministries in Gaza. In response, the Palestinian Authority (PA) reduced payments for electricity and the salaries of public employees. Power cuts have affected health and water and sanitation services and made it more difficult for farmers to irrigate their land.

Another major concern affecting Palestinians in the West Bank and Gaza is the Access to Restricted Areas (ARA) system. Put in place in the early 1990s, this requires all Palestinians to obtain military-issued permits in order to move between the West Bank, Gaza and East Jerusalem, or to travel abroad. Other measures include a system of roadblocks, gates and checkpoints, a wall between Gaza and Israel and other obstacles to movement in the West Bank (including East Jerusalem), and the Gaza blockade (AFSC, 2018). Under the Oslo Accords, the West Bank was divided into three administrative areas (A, B and C). Area C, comprising 61% of the West Bank, is under full Israeli control. Area B (22%) is under the administrative control of the PA, but under the military control of Israel. Area A, which makes up 17%, is under full Palestinian control. There are ‘movement restrictions between communities and between administrative areas inside the West Bank … enforced through the imposition of mobile checkpoints’ (AFSC, 2018). The movement of both goods and people into and out of Gaza is strictly limited following the withdrawal of Israeli settlers in 2005 and Hamas’ victory in parliamentary elections the following year (AFSC, 2018). So far this year there have been at least 181 shooting incidents in the ARA, killing two people and injuring 13 (OCHA, 2018). The blockade, and related restrictions on the exit and entry of Palestinians in the Gaza Strip, is a key factor in the deterioration of the humanitarian and developmental situation in the West Bank and Gaza.

In some of the deadliest violence since the Gaza conflict in 2014, Israel’s suppression of protests in March–May 2018 left more than 100 Palestinians dead and thousands more injured (Erakat, 2018). In the West Bank, including East Jerusalem, Palestinians are at risk of forced displacement, house demolitions, evictions, settler violence, movement and access restrictions, lack of access to services and lack of civil documentation (Global Protection Cluster, 2018). Settler violence and poor law enforcement by the Israeli authorities have ‘undermined the physical security and agricultural livelihoods of tens of thousands of Palestinians in some areas of the West Bank and generated the need for assistance and protection by humanitarian actors, especially for vulnerable groups such as children and women’ (OCHA, 2017b: 7). Over the first half of 2017, OCHA documented 89 incidents linked to Israeli settlers resulting in Palestinian casualties or damage to Palestinian property, an increase of 88% over 2016 (Mondoweiss, 2017).

2.1 Financial exclusion in the West Bank and Gaza: drivers and manifestations

The Israeli occupation and internal divisions within the Palestinian leadership between the Palestinian Authority in Ramallah, led by Fatah, and Hamas in Gaza have contributed to the financial exclusion of local non-profit organisations in the OPT, especially
Gaza. This was not always the case. The 1993 Oslo Accords that followed peace negotiations between Israel and the Palestinians had a positive impact on the development of the banking sector in the West Bank and Gaza. Banking flourished after the peace agreement and the establishment of the Palestinian Monetary Authority (PMA) in 1995, and new Palestinian banks were licenced to operate and open new branches. By the end of 2009 there were 20 licenced banks with 209 branches, including ten foreign banks with 105 branches and three Islamic banks (Sarsour and Daoud, 2015: 56). However, the election of Hamas in 2006 and the subsequent Israeli blockade, conflict between Hamas and Fatah and international restrictions all mean that the banking sector, and the Palestinian economy in general, are operating under extremely challenging conditions.

2.1.1 Drivers
Hamas was listed as a terrorist organisation in 2003 and is subject to sanctions by a number of states, including Australia, Canada, Japan, the United States, and the European Union (EU) (Mackintosh and Duplat, 2013: 87; Shaban, 2017: 2). No-contact policies have also been introduced with members of the Hamas-led cabinet. Canada was the first Western state to introduce such a policy, followed by the United States under the Palestinian Anti-Terrorist Act, passed in May 2006. This stipulates that ‘no officer or employee of the US Government should negotiate or have substantive contacts with members of the Palestinian terrorist organizations’ (Mackintosh and Duplat, 2013: 90). This has led to local Palestinian NGOs, especially those located in Gaza, being barred from international funds.

2.1.2 Manifestations
Financial access for local NGOs is restricted on three levels. At the international level, bank de-risking has resulted in difficulties in receiving and transferring funds from and to Palestinian organisations and individuals, especially Palestinian NGOs. The UN ‘maintains a pragmatic approach on the humanitarian level and has instructed staff to continue existing technical contacts in order not to interfere with humanitarian operations’ (Mackintosh and Duplat, 2013: 90). Palestinian NGOs, especially those located in Gaza, are being especially cautious regarding any exchanges with Hamas, while at the same time having to deal with the organisation as the legal authority in Gaza. Bank de-risking has also made donors reluctant to fund Palestinian NGOs because of the restrictions on transactions and the reputational risks related to working with or funding Hamas.

Regionally, the Israeli government has created barriers to the funding of Palestinian NGOs. Due to money-laundering and terrorism financing concerns, key Israeli banks have terminated or limited correspondent banking services to Palestinian banks (IMF, 2017; World Bank, 2017a). In 2017, under pressure from Israel, the Danish Foreign Ministry began ‘a comprehensive examination of its donations to non-governmental organizations in the Palestinian Authority’. During a meeting between Israeli Prime Minister Benjamin Netanyahu and Danish Foreign Minister Anders Samuelsen, Samuelsen was asked to cut Danish funding for Palestinian organisations and NGOs involved in ‘inciting against Israel and promoting boycott, divestment and sanction (BDS) measures against it’. It was also reported that Netanyahu forwarded a list of Palestinian and Israeli organisations receiving Danish funding to Samuelsen, which Israel claimed were involved in BDS efforts (Ravid, 2017).

Procedural and bureaucratic obstacles imposed by the Israeli government impede the general flow of aid to the West Bank and Gaza. British newspaper The Guardian reported as far back as 2011 that complex procedural requirements imposed by Israel were costing the World Food Programme (WFP) and the UN Relief and Works Agency (UNRWA) up to $4 million a year (Mountain, 2011). In 2016, the Israeli authorities demolished or seized 300 donor-funded structures – a three-fold increase on the previous year – amounting to up to $730,000 in lost assistance (OCHA, 2017a). The blockade means that Gaza also suffers from severe shortages of supplies such as food and cement, and projects that require construction are often suspended when basic materials are prevented from passing through checkpoints (UN, 2002). Similar problems apply to the movement of humanitarian staff; according to a European Civil Protection and Humanitarian Aid Operations (ECHO) report from 2016: ‘Israeli authorities are increasingly hindering access of humanitarian actors in and out of the Gaza Strip through denial of permits and detention of humanitarian aid staff’ (ECHO, 2016: 6). An EU audit cites aid money being misused and mismanaged by the PA, for example paying for salaries of public servants who have not been going to work (European Court of Auditors, 2013).

A number of Arab governments have also imposed restrictions on regional and international funding, forcing philanthropists to invest locally and not regionally, and restricting the nature and scope of the projects they can fund without incurring reputational risk. Projects run by Islamic organisations, and sometimes by non-faith-based organisations with an Islamic name, are most likely to be viewed with suspicion by banks. Even local funding has become
challenging as Arab governments also seem to have adopted and are implementing these measures. In Kuwait, several domestic banks have pre-emptively severed links with some charities and foreign exchange houses to avoid the risk that global banks would cut relations with them. In Saudi Arabia, the government has centralised all overseas funding through the King Salman Humanitarian Aid and Relief Center and the Saudi Fund for Development, and individual philanthropists struggle to fund projects in other countries because of government as well as banking restrictions (El Taraboulsi-McCarthy, 2018).

Delays in receiving and sending bank transfers are also related to restrictions imposed on the non-profit sector by the PA in the West Bank and Hamas in Gaza. One Palestinian philanthropist based in the UK described how transfers made by his foundation in the UK to its branch in Ramallah required approval from the Palestinian Ministry of the Interior. In Gaza, Hamas has introduced a number of administrative procedures, including ‘the payment of registration fees, value-added tax (VAT), and income tax, all of which are separate from NGOs’ dues and obligations to the PA in Ramallah’ (Mackintosh and Duplat, 2013: 98).

2.2 The implications of bank de-risking for local NGOs

Against the background of global counter-terrorism measures, the Israeli occupation and the Gaza blockade, as well as internal political divisions between the PA in Ramallah and Hamas in Gaza, limited financial access has a range of impacts on Palestinian NGOs.

2.2.1 Transfers blocked and delayed and increased administrative burdens

Humanitarian professionals and NGO workers at local organisations mentioned a number of cases where transfers from international donors via Western banks to local bank accounts had been delayed or blocked altogether. Delays can last up to six months and sometimes longer, and are more likely in relation to transactions to Gaza than to the West Bank because of Gaza’s association with Hamas. According to interviews, delays are also more likely when recipient organisations had an Islamic name or affiliation. In one case, an organisation with an Islamic name succeeded in securing a grant from a regional foundation to finance a project to teach sign language to people with hearing difficulties. However, the correspondent bank blocked the transfer, and as a result the organisation had to meet the costs of the project from its own funds. Resolving these issues is time-consuming and the bureaucratic burden is high: ‘We spend about 25% of a full-time employee’s time in answering inquiries about bank transfers and donations’, said one respondent from a local humanitarian organisation. One participant in the focus group discussion said that it took three months to unblock a transfer from OPT to an NGO in Italy, ‘after many consultations and the sending of project documents to the bank’. Respondents in the study ascribed these transfer delays through correspondent banks to bank de-risking and counter-terrorism measures, as well as restrictions imposed by the PMA. Approval from the PMA in turn requires other approvals from various ministries, including the Ministry of Education and Ministry of Social Solidarity, depending on the nature of the project being funded. According to one respondent, from an Islamic organisation, these delays were leading to a heightened sense of being ‘blockaded and under siege’.

The adverse effects of bank de-risking are compounded by a decline in the number of available grants for Palestinian NGOs. According to one respondent: ‘Lately, things have changed and organisations struggle to find assistance and support now that grants have become directed to other crises such as Syria and Iraq and as a result, all available assistance to us has shrunk considerably’. There are also restrictions on imports of goods and travel, imposed by the Israeli authorities. Human Rights Watch reports ‘severe and discriminatory restrictions on Palestinians’ human rights’ by the Israeli government, including restrictions on the movement of people and goods into and out of the Gaza Strip as well as the unlawful transfer of Israeli citizens to settlements in the occupied West Bank. Meanwhile, ‘punitive measures taken by the Palestinian Authority (PA) exacerbated the humanitarian crisis in Gaza caused by the closure enforced by Israel. The PA in the West Bank and Hamas in Gaza escalated crackdowns on dissent, arbitrarily arresting critics, and abusing those in their custody’ (HRW, 2018).

2.2.2 Competition from the Palestinian Authority and between local NGOs for international grants

According to respondents, the counter-terrorism regime that has informed bank de-risking has also provided fertile ground for the PA to enforce further, and according to respondents pointless, restrictions on local Palestinian NGOs’ access to international grants. This has also led to a perception within the Palestinian non-profit sector that the PA is actively competing against local NGOs for international grants by...
restricting international funding to non-profit entities. As set out above, new regulations require funding authorisation from the Prime Minister’s Office and approval by the Ministry of Interior and relevant line ministries. According to one respondent, the process takes between six months and a year. Interviewees told the study that the PA is seeking both to control the programmatic priorities of Palestinian NGOs, and to compete for international grants to be disbursed through the government, rather than through NGOs.

2.2.3 Funding for human rights organisations
As with other NGOs with a focus on human rights in the Arab world, human rights organisations in the West Bank and Gaza are unable to attract local or regional funding from Arab donors wary of incurring the displeasure of their governments. Respondents from Palestinian human rights organisations described the serious implications of delays in the transfer of funds on their activities, especially as they have no other recourse for funding regionally or locally. A representative of one organisation said that, because of delays, they have to pay project expenses from their own budget until the grant arrives.

2.2.4 Exchange rate losses
Not all currencies are delayed in the same way or to the same extent. Respondents pointed out that delays were more common with regard to funds transferred in US dollars, as against other currencies such as the UK pound and the euro. Because of this, many organisations convert dollars to other currencies, losing value on the way because of fluctuations in exchange rates. With the launch of the Grand Bargain and a commitment by donors and aid organisations to provide 25% of global humanitarian funding to local and national responders by 2020, there has been interest on the part of some donors in defraying some of the losses resulting from changing exchange rates, but this is unlikely to cover the full costs. Even when exchange rate losses are factored this may not cover the additional costs. One organisation in Gaza told the study that it had retained 10% of project funding to cover currency fluctuations, but by the end of the project currency exchange losses amounted to 12%.

Delays and losses may also reduce the value of projects, particularly seasonal ones or assistance tied to particular occasions, such as Ramadan. Assistance related to university and school terms can lose value if it gets delayed. As one respondent put it: ‘children need their stationary before the start of term, if that is delayed, then they go to school without it. Getting the stationary later in the year after they’re done with the school term loses its significance’.

2.2.5 Reputational concerns for NGOs and donors
Respondents saw the sudden and ‘unjustified’ closure of bank accounts and delays in transactions as presenting a reputational risk for NGOs. According to one respondent from a local humanitarian organisation, being denied a transaction by an international bank renders the affected NGO suspect and may mean being excluded from further grants. For their part, donors seem to be responding to bank de-risking by selecting regions and organisations that present as little bureaucratic burden and reputational risk as possible.

One example of the serious consequences of being associated with terrorist activity concerns the Israel Law Center (Shurat HaDin), which in 2012 alleged that an Australian NGO had been funding proscribed terrorist groups in Gaza. Although the Australian government found no evidence of wrongdoing, and the NGO in question denied the accusation, the allegations have affected its work in the region. Once harmful allegations enter the public domain, some degree of reputational harm to humanitarian actors seems inevitable, regardless of whether the allegations are true. The risk posed to humanitarian actors requires them to think about how they would respond to a public relations campaign accusing them of violations of counter-terrorism law, for instance allegations of using taxpayer funds to support proscribed groups (Burniske et al., 2014: 11). While investigations by governments and the media help to ensure the sector’s transparency, these same public platforms can be used to make unproven and unverified accusations that could damage an organisation’s reputation and funding prospects, even if that organisation is never formally accused of wrongdoing or investigated (Burniske et al., 2014: 11).

2.2.6 Adjustments in programming and donorship
The difficulties involved in sending funds to and from Gaza have forced organisations to adjust their programming in response to the restrictions they face. One development organisation, for example, chose not to lead a consortium because of the difficulties it encountered sending funds to a partner outside the OPT. The organisation needed approvals from the Ministry of Interior as well as the Palestinian Monetary Authority which usually takes about three months per transaction.

International donors are also reluctant to fund local NGOs because of the difficulties involved in making transfers: ‘Big donors feel that it’s safer to work with other international NGOs rather than with local NGOs that keep facing problems in
receiving donations and grants’, said one respondent from a local NGO. Another factor leading to the diversion of international grants to international NGOs mentioned in the interview was competition, particularly from implementing UN agencies. Certain forms of assistance have been restricted; cash assistance, for example, has become very limited because, according to interviews with local organisations, donors view it as particularly risky in light of global counter-terrorism measures because beneficiaries have more freedom to use the money according to their own priorities and needs.

Banking restrictions, and the administrative burden that comes with them, also mean that Palestinian NGOs, particularly in Gaza, are unable to play a leading role in developmental and humanitarian projects, or to deploy organisations best positioned to respond to a particular community problem. The number of operational NGOs has declined, and ‘as a result [we] have lost the best implementers within the sector’. Many talented employees within these organisations have left the sector for jobs with more stable incomes.

2.3 **Coping mechanisms**

NGOs have resorted to a series of coping mechanisms to address limited financial access.

2.3.1 ‘Under the table’: opaque channels for financial transfers

Several respondents warned that, because of restrictions on financial access, NGO leaders have no option but to turn to opaque and less transparent channels for transferring funds. The head of one regional NGO told us: ‘There is no recourse. The situation is dangerous. They are forcing us to do things under the table. If someone wanted to give me a loan until I unblocked a financial transfer. Where would the loan go? Either cash in hand or to my personal bank account but if I use my organisation’s bank account, it gets blocked’. Transactions may also be made to an intermediary, perhaps a board member or other trusted individual. To avoid delays, one Palestinian organisation opened bank accounts for all its suppliers and contractors working on a project so that they could receive payments and salaries directly, rather than through the NGO.

2.3.2 Limiting transactions in US dollars (at a cost)

Because of the difficulties in making and receiving transfers in US dollars, some organisations have chosen instead to request transfers in other currencies, such as UK pounds or euros. As noted, currency fluctuations lead to financial losses, and can also create confusion where project contracts are valued in dollars. One interviewee noted that an international organisation partnered with an Islamic organisation lost $50,000 in converting dollars to euros and then back again as all the project contracts were denominated in dollars.

2.3.3 Registering NGOs in Europe

Some organisations have registered in Europe in order to access funds and donors and facilitate transactions between international banks and local banks in the OPT. One respondent described how going through a sister organisation registered in the UK simplified procedures with UK-registered donors. Other NGO workers pointed out that there were fewer problems with banks when they operated through organisations registered in Europe.

2.3.4 Trust and community solidarity

Despite delays in transfers – and the unpredictability of those delays – community solidarity and trust seemed to be a safety net for many respondents. A senior staff member at one of the organisations interviewed said: ‘We have a long-standing relationship with a number of companies and institutions in Gaza, and there is trust between us. That’s why they are patient and are willing to wait until the funds are deposited in our accounts’.
3 Conclusion

This study reaches a number of key conclusions. First, the global counter-terrorism regime has created an environment that prioritises security over humanitarian assistance. A heavy humanitarian cost is being paid by the civilian population of the Occupied Palestinian Territory, especially Gaza. Local and international humanitarian and development organisations in the West Bank and Gaza are caught between adhering to counter-terrorism measures on the one hand, and on the other the urgency of attending to the needs of the Palestinian people. The ‘no-contact’ policy implemented by Western governments such as Canada and the United States, which prohibits transactions with Hamas, has resulted in a lack of clarity about the permissible scope of engagement with officials and NGOs in Gaza, and restricted the amount of funds and humanitarian assistance available to the Palestinian people.

Second, while regulators are trying to improve their guidance, a number of governments and authorities in the Middle East are capitalising on the counter-terrorism discourse to increase their control of the non-profit sector. According to The Economist (2017): ‘The FATF,\(^1\) for instance, has said that correspondent banks need not “KYCC” (know your customer’s customer) – that is, look through their client banks to scrutinise those banks’ account-holders. It has toned down sweeping assertions about charities and money-transfer firms being particularly likely to be involved in financing terrorism’. This, however, does not seem to be getting picked up by a number of governments in the Middle East, which continue to restrict the operations and funds of their non-profit sector, allegedly as a reaction to global counter-terrorism measures and as a means to limit and manage reputational risk. The effect is to narrow civil society space as a whole, forcing the Arab philanthropic sector to invest locally, not regionally (lest they become associated with terrorist financing) and restricting the nature and scope of projects that philanthropists can fund without incurring reputational risk. As pointed out by El Taraboulsi-McCarthy (2018), projects run by Islamic organisations, and sometimes by non-faith-based organisations with an Islamic name, are most likely to be viewed with suspicion by banks.

Palestinian NGOs are facing international, regional and local restrictions on financial access via legitimate and transparent means. This is starving the non-profit sector of much-needed resources, and denying the Palestinian people assistance. The result has been a weakened non-profit sector, both faith- and non-faith-based, and rendering a vulnerable population even more exposed, especially Palestinian youth. The only path forward, as described by respondents, is informal and less transparent, as civil society leaders find themselves in a situation where the only channel available to them for financial access is to transfer cash physically across borders.

Recommendations

To international NGOs:
- **Come together with NGOs from the global South to advocate for coherent financial regulations and flexible funding for local humanitarian and development NGOs**
  Global pressure to address the adverse consequences of counter-terrorism measures and bank de-risking has yet to be created. There is a need for concerted advocacy from a collection of organisations and foundations from the global North and the global South to make a case for regulating the sector in a proportionate manner, and not in a way that renders vulnerable populations even more so.
- **Contribute to the strengthening of Palestinian civil society through expanded collaboration**
  UN agencies should expand their cooperation with local NGOs and refrain from what was perceived as ‘competition’ with them on implementing programmes. As one Palestinian professional put it: ‘Palestinian non-profit professionals are the experts on the needs of their communities and they know their context better. There are many credible Palestinian organisations that are experts in their sectors, through which [the] UN and other international organisations can work’.

To international financial regulators:
- **Be coherent and interpret counter-terrorism regulations for NGOs**

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\(^1\) The Financial Action Task Force (FATF) is an inter-governmental body established by the G7 in 1989. Its recommendations are recognised as the international standard for combating money-laundering and terrorist financing.
A concerted international effort among regulators needs to be made to interpret counter-terrorism regulations for NGOs, international and local, especially those operating in countries that are considered at risk of terrorism. A common message from the majority of interviews for this study is that there is a strong desire to be compliant and transparent, but that it is difficult to understand what compliance and transparency entail. A sense of futility came through in many of the interviews conducted with local humanitarian personnel – one explained the situation emphatically, saying: ‘There has to be a way to have financial access without causing harm, to have financial coverage. Regulators need to be clear about what they want and need from our end. We want to be transparent, we do, but it is useless. We have tried everything but we still get delays’.

To the international community:

- The humanitarian situation in the OPT needs a political solution. Pressure needs to be brought to bear on Israel to lift the Gaza blockade and relax restrictions on the movement of Palestinians.

Taghdisi-Rad (2010) points out that strategic interventions in conflict-affected countries will not work unless they take the local context into account. According to Rad, aid will not have the desired effect unless donor strategies address the interaction between aid and the structures of conflict (see also Springer, 2015: 8). In the case of the West Bank and Gaza, as with other humanitarian crises around the world, any solution to the humanitarian crisis is deeply political, not just humanitarian. The Gaza blockade is exacerbating the humanitarian needs of the Palestinian population. Describing the situation in 2017, Magdalena Mughrabi, Deputy Regional Director for the Middle East and North Africa at Amnesty International, said: ‘For 10 years the siege has unlawfully deprived Palestinians in Gaza of their most basic rights and necessities. Under the burden of the illegal blockade and three armed conflicts, the economy has sharply declined and humanitarian conditions have deteriorated severely’ (Amnesty, 2017).

Concerted international action is needed to press the Israeli government to lift the blockade and allow the Palestinian people to live with dignity (Erakat, 2018).

To the Palestinian Authority in Ramallah:

- Simplify procedures for local NGOs to access international and regional funds, especially for Gazans.

Local NGOs in Gaza are under pressure to satisfy the bureaucratic requirements of Hamas, the Palestinian Authority in Ramallah and the international banking regime. The existence of more than one governing body imposes on NGOs a number of contradictory bureaucratic procedures and causes delays in accessing funds. These organisations perform a vital role in providing services to Palestinians in lieu of the government, including health, rehabilitation and special education. The PA could help improve access to international funds for organisations in Gaza by facilitating and simplifying its procedures.

To Palestinian/local NGOs:

- Ensure proper and thorough documentation of activities to address any concerns banks and donors may have.

Until there is a more streamlined and coherent approach to regulating banking in conflict zones and areas deemed high risk, thorough documentation of activities by local organisations is needed to help allay banks’ and donors’ concerns. This may not be straightforward since, as this study shows, decisions related to de-funding or de-risking an organisation are usually ad hoc, unpredictable and related to the wider political context, rather than the performance or professionalism of a particular organisation.
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A humanitarian sector in debt


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