

# Chronic Kleptocracy: Corruption Within the Palestinian Political Establishment

Prepared statement by

**Elliott Abrams**

*Senior Fellow for Middle Eastern Studies*

*Council on Foreign Relations*

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## Hearing on Chronic Kleptocracy: Corruption Within the Palestinian Political Establishment

Mr. Chairman and Members of the Subcommittee:

Thank you for this opportunity to appear before the Subcommittee.

The subject you address today is of great interest not only to American taxpayers, but to Palestinians as well. While you may be criticized in some quarters, including in Ramallah, for this hearing, a poll taken this past May by a Palestinian NGO, the Jerusalem Media and Communications Center, revealed that over 82 percent of Palestinians believe there is corruption in the Palestinian Authority (PA). [<http://www.jmcc.org/documentsandmaps.aspx?id=855>]

In fact corruption is an insidious destroyer not only of Palestinian public finance but of faith in the entire political system. And it has certainly had an impact on potential donors. I can tell you from my own experience, as an American official seeking financial assistance for the PA from Gulf Arab governments, that I was often told “why should we give them money when their officials will just steal it?”

This was the case for a very long time under the leadership of Yasser Arafat. He was notoriously corrupt, using public funds--funds donated to the Fatah party, to the PLO, or later to the PA-- for his own purposes, which ranged from buying an expensive life style in Paris for his wife, to buying and retaining the support of Palestinian politicians, to

paying for the thirteen so-called "security" organizations he ran-- organizations that Prime Minister Sharon used to call "security-terror organizations."

And we, the United States among other Western donors, were actually complicit in all that corruption. We persuaded ourselves that it was smart to overlook it, to make believe it was a minor peccadillo of no real weight or import. The Clinton administration invited Arafat to the White House thirteen times, more times than any other foreign visitor, and you can be sure that among the many possible subjects being discussed his personal corruption did not appear on the list. That was a very damaging position for our country to take, for it just encouraged even more corruption. It signaled to Palestinians who were disgusted with public corruption that we were not interested and were not going to hold Arafat to account. And it was condescending, suggesting that we thought Arabs, or Palestinian Arabs, could not really be expected to have honest public institutions.

Perhaps the apogee of the corrupt practices came in 2002-2004, when Israel began building the security barrier separating it from the West Bank to prevent terrorism. Officially, the PA called this the "apartheid wall," but while the barrier was being denounced it was apparently being built with Palestinian cement, corruptly diverted to that purpose by PA officials. As the account of the Palestinian Human Rights Monitoring Group, a Palestinian NGO, put it:

"thousands of tons, nearly 20,000, of cement, imported from Egypt for rebuilding Palestinian homes and buildings devastated by years of Israeli Defense Forces (IDF) incursions and destructions, particularly in the Gaza Strip where entire areas were completely demolished, had been resold at huge profits to the Israelis for use in constructing Israel "apartheid" separation barriers and settlements throughout the West Bank territory. The cement was trucked through two border crossings between Sinai and the Gaza Strip but, instead of going to the Gaza Strip, it ended up in the Israeli town of Ashkelon." [<http://www.phrmg.org/Corruption%20in%20the%20Palestinian%20Authority.htm>]

We have progressed since those days, but not far enough. Listen to the words of the man who was charged with rooting out public corruption, Fathi Shabaneh, and who resigned in 2010:

"In his pre-election platform, President Abbas promised to end financial corruption and implement major reforms, but he hasn't done much since then. Unfortunately, Abbas has surrounded himself with many of the thieves and officials who were involved in theft of public funds and who became icons of financial corruption."

[<http://www.jpost.com/MiddleEast/Article.aspx?id=167194>]

We saw an example of this in 2008, when a web site that was covering corruption matters was simply blocked by the PA. "Abbas issued the order to block the site without any due process, legal notice or opportunity for defense," the web site, Donia al-Watan, claimed, saying it had published dozens of stories about corruption between 2003 and 2008-- and noting that even in the Arafat years the editors of the site would get complaints but never be totally shut down. The web site's article about all of this was entitled "The Ramallah Banana Republic."

[<http://electronicintifada.net/content/ramallah-palestinian-authority-blocks-website-reporting-corruption/7814>]

Now, we know that a major effort against corruption has been made by Prime Minister Salam Fayyad since he took office in 2007, and indeed before then as Finance Minister. Shabaneh's evaluation was that "Salam Fayyad is a good man and I have a lot of respect for him. He's really working to build professional institutions and good government, but the corrupt Fatah people around Abbas are doing their utmost to thwart his efforts." And unfortunately, in the last year we have seen the authority of President Abbas and of Fatah grow, while I believe that of Prime Minister Fayyad has been circumscribed.

More recently, the PA's anti-corruption court convicted Mohammed Rashid, the former financial adviser of Yasser Arafat, of various offenses. Yet this event is not particularly reassuring. Rashid hasn't been a figure of importance since Arafat's death in 2004, and has rarely even visited the West Bank since then. He was convicted in part because he never appeared or mounted a defense--and in part because he is associated with a man who is now out of favor with the powers that be in Ramallah, the former security chief Mohammed Dahlan. Indeed Rashid is the only person of influence ever convicted of corruption, while dozens of investigations of people who today have clout have ended up being dropped.

"It looks like a reaction to a political dispute, not a continuous fight against corruption. Why Mohammed Rashid now?" Hani al-Masri of the Palestinian Center for Policy Research and Strategic Studies told the *Washington Post*. "The act would be more powerful if it were taken against someone inside the political system," he quite rightly said. [[http://www.washingtonpost.com/world/palestinian-anti-corruption-court-secures-conviction-but-raises-questions-of-bias/2012/06/20/gJQAYsXjpV\\_story.html](http://www.washingtonpost.com/world/palestinian-anti-corruption-court-secures-conviction-but-raises-questions-of-bias/2012/06/20/gJQAYsXjpV_story.html)]

This month, about 150 arrests have been made in the West Bank in some kind of sweep. The *Jerusalem Post* reports that "An ongoing Palestinian Authority crackdown on crime and corruption in the West Bank, including the arrest of senior security officers, is being viewed in Israel as a milestone for the PA as it imposes its rule and authority throughout the territory." [<http://www.jpost.com/LandedPages/PrintArticle.aspx?id=275952>] I am not so sure this is accurate. For the PA, and Fatah, to assert authority may be a good thing if it involves suppressing common crime, but that does not mean it is related to the fight against Fatah corruption. These arrests may be a form of progress, but may equally or more likely be a form of retribution by one faction against another.

There are a number of significant matters related to corruption that deserve real investigations, such as the business activities of the sons of President Abbas. He has been particularly allergic to such inquiries, and his reaction to allegations has often been swift--and illegal. Nor has there been a genuine investigation into the PIF, the Palestine Investment Fund, whose board of directors has been accused of self-dealing. That 82 percent of Palestinians who see corruption in the PA will not be reduced until there are real investigations into serious allegations.

But the challenge here is not only to President Abbas, and to the PA. It is, for one thing, a challenge to the Fatah Party, whose future ability to defeat Hamas is surely tied to public perceptions of whether it remains a home to corruption. And it is a challenge to us, to the United States. If we turn a blind eye to corruption, and to persecution of those who expose it, we are in a very real way contributing to the problem and undermining those Palestinians who wish to build public integrity into their system. It is widely understood that donors, in the Arab states and Europe as well as we ourselves, look favorably on Prime Minister Fayyad. But that is not enough, nor can we pick leaders for the Palestinians; support for Fayyad is not a sufficient policy. I urge the Subcommittee to abandon our own history of applying double standards and overlooking corruption, and instead build anti-corruption efforts and evaluations into our own aid program.

In preparation for this hearing I took another look at our assistance program, run by USAID. AID's summary is as follows:

"USAID supports the development of institutions necessary for a future Palestinian state by promoting the rule of law, increasing civic engagement, and enhancing respect for human rights. These initiatives will support the capacity of the Palestinian Authority (PA) to meet constituents' needs, enhancing its ability to serve effectively as a governing body. Toward this end, USAID worked closely with PA ministries to create 16 modern service centers that issue basic documents to Palestinian citizens. In the justice sector, USAID supported the establishment of the first Palestinian

Judicial Institute and helped the Palestinian Ministry of Finance create systems that increased property tax collection by 56 percent. Customer satisfaction with government services has increased by an average of 14 percent since 2009."

Then AID lists three projects: the Civic Engagement Program, which "Through community-focused grants, this program aims to improve the quality of life for Palestinians and to increase confidence in the Israeli-Palestinian peace process;" the Civic Participation Program, which "is intended to support citizen engagement with the Palestinian Authority (PA);" the Palestinian Authority Capacity Enhancement Project, which "is strengthening the institutional capacity of PA ministries and institutions, including the Ministry of Finance, the Ministry of Transportation, the Ministry of Public Works and Housing, the Ministry of Interior, and the Ministry of Telecommunication and Information Technology;" and the Palestinian Justice Enhancement Program, which "strengthens public confidence and respect for justice sector institutions and the rule of law in the West Bank and Gaza."

I also looked at the Middle East Partnership Initiative, whose web site states that "MEPI projects in the West Bank and Gaza support capacity-building, good governance, and political party reform projects. Important strides have been made to upgrade the technical capacities of Palestinian media and to increase educational opportunities for Palestinian youth. Additionally, MEPI activities are helping women and young people become more engaged in Palestinian civil society."

Missing there for MEPI, and for USAID, is even the word "corruption." Are we taking this issue sufficiently seriously if, as appears to be the case, we have not one program dedicated to fighting corruption and to assisting those Palestinians who are doing so, for example in NGOs? I urge you to put this question to the responsible officials. The response may be that, hidden in some of the programs I have just mentioned, there is an anti-corruption element. But if so, why is it hidden? Why do we not make it a stated and central goal of our aid?

Mr. Chairman, I believe you are zeroing in on a most serious issue in this hearing--key for you as authorizers of assistance, and key for all of us who wish to see the development of responsible, transparent, democratic governance in the West Bank.

Thank you for holding this hearing and for the opportunity to appear today.