
Corruption in the Palestinian Authority



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Sawsan Ramahi

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Corruption is endemic in the Palestinian Authority, the private sector and NGOs. It is spreading across all sections of Palestinian society.

A report prepared by the European Union stated that financial corruption in the PA led to the “loss” of aid amounting to around €2 billion, which was transferred to the West Bank and Gaza Strip during the period 2008 to 2012. London’s Sunday Times reported that there is great imbalance in the spending and management of European money in the Palestinian territories.

The report was written after EU monitors visited Jerusalem, Gaza and the West Bank and told of their inability to confront “high-level risks” such as “bribes and misuse of aid”. The newspaper also reported that the EU may take measures to reduce the budget allotted to the Palestinians or, at least, monitor more closely the money being transferred.

This is not the first report regarding the corruption of the Palestinian Authority, as it has been accused of corruption since its establishment. Many examples have come to light of Palestinian officials accused of corruption, both during the late President Yasser Arafat’s time in office and under the regime of current President Mahmoud Abbas.

On August 15, 2003, Al-Quds Al-Arabi claimed that Arafat’s financial advisor had investments amounting to \$2 billion. The newspaper also reported that the advisor cut all ties with the president and refused to return the money.

A World Bank report published a couple of months later, on November 10, and based on reports by the Palestinian Legislative Council and Ministry of Finance, noted that the budget that Arafat was working with since 1994, totalling \$74 million, was

distributed exactly how he wanted and to whichever committees and individuals he chose. It also noted that \$900 million was transferred “to an unknown party” for five years, from 1995 to 2000, and the Palestinian Ministry of Finance was not informed of how this money was spent.

In early 2004, a team from the European Anti-Corruption Commission visited Jerusalem to investigate the PA accounts and **accusations of the PA transferring European aid money to “unintended” parties**. In the same year, French newspaper Le Canard Enchaîné reported that a French court was investigating the source of about €9 million placed in two bank accounts in Paris in the name of Arafat's wife, Suha Al-Tawil.

Moreover, in February 2005, Kuwaiti newspaper Al-Rai accused Arafat of transferring money into foreign bank accounts, while the Sunday Times said that after her husband's death, Suha Al-Tawil Arafat received a money transfer from the Palestinian Prime Minister at the time, Ahmed Qurei, amounting to £13 million, with a guarantee for £800,000 to be given to her until she reaches retirement age. This was supposedly because she worked in the president's office before marrying him; her pension was set at £300,000 pa for life.

In a February 2006 press conference, PA Attorney General Ahmed Al-Mughani revealed that he was investigating 50 cases of embezzlement amounting to over \$700 million from the PA budget, \$300 million of which was in one case alone. Al-Mughani also said that those accused of embezzlement are senior officials in the PA and PLO and that international arrest warrants have been issued for some. Later in the same month, the media reported the arrest of a senior official in the Palestinian Ministry of Finance while he was trying to flee across the Jordanian border. He was caught with \$100 million. His wife was also arrested while trying to smuggle a large sum of money through the Rafah crossing on the Egyptian border.

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Administrative and financial corruption in the Palestinian Authority

This corruption began from the first moment that the PA began to gather the Palestinian people's money and aid and pour it into the Fatah budget, even though this money was given to the Palestinian people, not the PA or its officials who have divided it amongst themselves. The money which was meant for the establishment of a state quickly turned into balances in Swiss bank accounts, personal projects in neighbouring countries and partnerships with Israeli companies. At the same time, the administrative process evolved the PA into an odd regime consisting solely of Fatah members.

Close PA members

The circle involved in systematic corruption was made up of senior leaders in the PA and Fatah. The many scandals of such officials and those close to Abbas have been exposed and seen as symbols of financial and political corruption, nepotism, bribery, smuggling and theft.

Of course, these scandals were not limited to the theft of money belonging to the Palestinian people; they put the lives of citizens at risk, as transactions involving stale flour and medicine past its use-by date were discovered, as well as the exploitation of official positions and diplomatic passes for smuggling operations.

The Israelis arrested Rawhi Fattuh, who was the personal representative of PA President Mahmoud Abbas, and who was also the interim PA leader after Arafat's death. He was caught smuggling mobile phones in his car from Jordan to the occupied West Bank. The Israeli customs authorities found 3,400 state of the art handsets in the car, valued at over \$400,000.

Shortly after that scandal, Palestinian sources revealed an official document proving that Ahmed Qurei, the PA's chief negotiator, was in receipt of \$3 million transferred from the PLO account, along with two other unknown persons. The account details and number in Amman were given in the paper. In March 2008, another document issued by the Palestinian Embassy in Romania, revealed that the ambassador, Adli Sadeq, sent a hand-written

Rawhi Fattuh, who was the personal representative of PA President Mahmoud Abbas, was caught with 3,400 mobile phones in his car

letter to Fatah official Mohammed Dahlan on 31 January 2006, asking him to investigate the Qurei cash transfer, which was said to have been made by “financial specialists” within the Palestine Liberation Organisation.

Trusted Palestinian sources also revealed that Fatah official Qurei was directly responsible for, as the main funder, the cement used by the Israelis to build the Apartheid Wall still being constructed around and within the occupied West Bank. Other sources proved that he is also directly responsible for supplying huge amounts of cement to the illegal Israeli settlements across the occupied Palestinian territories.

Misappropriation of funds

Following the Fattuh and Qurei scandals, it is believed that the Palestinian public prosecutor began legal action against Khaled Salam (aka Mohammed Rashid), the economic adviser to the late President Arafat on **charges of “misappropriation of funds”**.

The Canadian newspaper Global and Mail reported that the process of searching for the millions of dollars alleged to have been embezzled from the Palestinian Authority has now stretched to Canada. This has also raised questions about how Rashid, an economic adviser to Arafat who is accused of embezzlement, actually obtained Canadian citizenship. Although it has been confirmed that he received it in 2003, Rashid had been living in the West Bank for at least eight years before that date, according to the deputy chairman of the Palestinian Anti-Corruption Commission, Akram Al-Khatib. A spokeswoman for the Canadian Department of Citizenship and Immigration, Erika-Kirsten Easton, said that because of secrecy laws, the government cannot comment on the matter.

The newspaper pointed out that Rashid was a senior aide to Yasser Arafat and the head of the PA's public investment company, which owns shares in companies operating in various fields, including cement and mobile phones. Prosecutors added that they are searching for his **business deals in Canada**, including his appointment to the Board of Directors of a Canadian life sciences company.

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In addition, Rashid established business contacts, one of which was a joint Canadian venture in 1999, with the Palestinian Authority investing in a company called Bioniche Life Sciences. The company headquarters was then moved to London.

Meanwhile, the Palestinian Authority asked Interpol to issue an arrest warrant but this process failed because the authority does not have official status as a country and so is not entitled to arrest Rashid overseas.

It is worth mentioning that Rashid was the chairman of Palestinian Commercial Services, which generated more than \$700 million in investments, monopolised the cement industry in the West Bank and bought shares in companies such as Orascom Telecom in Egypt and bowling alleys in New York. In the past year, he was convicted of embezzlement, money laundering and receiving commission, thus gaining wealth illegally. A court sentenced him to 15 years in prison and a fine of up to \$15 million.

In a television interview last year, Rashid, who is not on good terms with President Abbas, said that the accusations made against him are false; he accused Abbas of building his family's wealth from the Palestinian people's money.

Investigations with PA senior officials

The head of the Anti-Corruption Commission in the Palestinian Authority, Rafiq Natsheh, has revealed that the commission is **investigating senior officials in the PA** and is preparing to submit their files to the courts. In his press statements, Natsheh explained that some of the cases that have been referred to the court are stalled because of appeals made by the lawyers of the accused. He rejected the accusations that the commission is "selective" over the corruption cases it chooses to investigate.

Palestinian sources claim that the Anti-Corruption Commission is investigating a **major corruption case** involving the PA's Supreme Judicial Council in Ramallah. It is alleged that a senior figure was arrested and held in custody for 15 days after investigations carried out by the commission which led to the detection of corruption involving several people in PA ministries.

Mohammed Rashid, the economic adviser to the late President Arafat was convicted of embezzlement, money laundering and receiving commission

The sources also noted that the commission is facing pressure from some parties to cover up the case, which is expected to expose large companies and sectors which have exploited public funds and have received large amounts illegally from the PA treasury.

The commission's brief is not only limited to the West Bank but also extends to the Gaza Strip and wherever else Palestinians live. Natsheh noted that the commission has been able to recover \$70 million and 400 acres of land over three years.

Moreover, he pointed out that the commission was recently successful in restoring 20 acres of land and made a settlement in Iraq in this regard. Also, \$40 million dollars of the Palestinian people's money was recovered after a ruling issued by an Egyptian court. This PA money was invested in an Egyptian telecom company under an individual's name.

As for the **commission's achievements**, Natsheh said, "When the commission was established, it received 65 corruption cases from the Public Prosecutor's Office, 19 of which were settled; 18 were convicted and sentenced; and the last case was acquitted after the charges were not proven." He added that if anyone admits voluntarily to corruption before charges are filed against them then they are exempt from punishment.

Corruption in other institutions

1. **Corruption also affects the commercial sector**, as business deals became a means for pressure and temptation of Arab and foreign countries, as well as businessmen, in exchange for loyalty to the system and passing flawed or exorbitantly-priced goods in order for the Palestinian people to remain indebted to the countries where these businessmen are based. This was stated by a former Palestinian Minister of Finance, as well as the fact that the majority of the figures for the export of Palestinian goods are falsified or list incorrect prices.

2. **Corruption in the internal security agencies**: Many cases of embezzlement and misappropriation of funds have been exposed in the Palestinian intelligence agencies. **A report**

prepared by **Transparency International** on the role of governments in the fight against corruption in the security sector, indicated that the situation in Palestine is “serious” in this regard, provoking the anger of the security forces in the West Bank. The international report, which is published annually, drove a spokesman for the security forces in the West Bank, Adnan Al Damiri, to accuse the organisation of not being objective, unaccredited and unprofessional.

Transparency International is an international non-governmental organisation concerned with corruption and is known for its annual report on the global corruption index. It also compares countries in terms of the spread of corruption around the world. Its headquarters is in Berlin.

The report attributed the spread of corruption among the security forces in the West Bank to the suspension of the supervisory role of the Palestinian Legislative Council and the ongoing occupation, which has had a negative impact on the integrity of the security sector. It has also weakened the effective monitoring of the work of security institutions.

The Second Vice-President of the Palestinian Legislative Council, Hassan Khreisheh, stressed that the absence of the PLC and the failure to inform it regarding the budget for the security services or to get its approval, is one of the main reasons that Transparency International addressed the role of the government in the fight against corruption in the security sector. He noted that the multiplicity of parties supporting the security forces has created a state of confusion and corruption, in addition to the political division between the West Bank and the Gaza Strip and the imposition of new variables regarding the security forces’ campaigns of arrests, the embezzlement of public funds, etc. He added, “Those who have seized public funds have not been identified yet and the embezzled funds have not been documented.”

Through its monitoring of the government’s performance, the PLC discovered that the budget for the security agencies was nearly 35 per cent of the total operational budget of the

PA, while just 5 per cent each was allocated to the Ministries of Education and Health, and 1-2 per cent for Social Affairs. Khreisheh pointed out that there is an inflated number of security personnel employed by the PA, around 90,000 people, 50,000 of whom are in the Gaza Strip. He stressed the need to impose financial monitoring over the security forces.

3. Corruption in Health and Education: The smuggling of medication has become widespread. The security forces and the police have confiscated large amounts of counterfeit drugs and rotten flour in markets across the occupied West Bank. Police spokesman Adnan Al-Damiri said that the Palestinian territories witnessed an increase in the number of individuals trafficking drugs in recent years, and that the value of the drugs that have been confiscated is estimated at \$10 million. Moreover, they have found cases of forged university degrees, priced according to the level of the degree.

An annual report by the Coalition for Accountability and Integrity (AMAN) stated that corruption in official Palestinian institutions is ongoing. The 2013 **“Corruption and Ways to Combat It”** report recommended the reconsideration of the overall structure of the Palestinian Authority institutions, reducing the number of public non- ministerial institutions and merging them with each other in order to allow optimal use of resources, changing the Palestinian fiscal policies and putting an end to the draining of public treasury funds.

The annual report explained that the continued absence of an official system that identifies conflicts of interest and determines mechanisms to reduce them in the management of public affairs is the reason for the existence of illegal earnings, the most extensive corruption crime in Palestine. It called for the prosecution of Palestinian officials who refuse to abide by the decisions the Supreme Court of Justice according to the law. It also called for the development of implementation mechanisms and the adherence to the provisions of the Code of Conduct for public office approved by the Palestinian cabinet in Ramallah. Pointing out that 41

Security agencies receive almost 35% of the PA's budget, while just 5% is allocated to the Ministries of Education and Health, and 1-2% for Social Affairs

corruption cases were presented before the Anti-Corruption Court since its establishment up to the end of September 2012, the report noted that they range from embezzlement and money laundering to fraud, abuse of trust and abuse of official positions for personal gain.

AMAN's annual report also noted the continued presence of gaps in senior staff appointments in light of a marked improvement in the transparency of appointments in the education and health institutions and the decline in wrongdoings and excesses, such as nepotism, favouritism and political and family considerations, as the basis for appointments. It listed examples of the bleeding of public funds in Palestinian municipalities in the West Bank and details of the total debt of the PA treasury to the municipalities and water authorities which stands at about NIS1 billion (new Israeli shekels), accumulated between 1996 and 2012. In addition, there is a continued misuse of government vehicles by employees, along with suspicions raised about the Palestinian airline and the construction of Arafat's tomb in Ramallah.

As for the security sector, AMAN has expressed its concern over the current situation due to the lack of a suitable framework governing the Palestinian security institutions. It also pointed out the lack of rules and laws governing national security and intelligence agencies, as well as the police, in order for their work to be organised and its assignments defined clearly. This hinders the accountability mechanisms and weakens integrity. Moreover, some heads of the security agencies continue to hold leading positions in political parties, which is a violation of the law that stipulates the neutrality of security officials; this is a cause for concern, along with the absence of the Palestinian Legislative Council's role in supervision and legislation.

The report criticised the lack of clarity regarding the PA security forces' budget. Moreover, there are no details regarding the security forces' nature and types of revenues and expenditure, which is a violation of the public budget law, as well as the official financial system adopted by the Palestinian Ministry of Finance. "In any case, the subsidiary expenses allocated to the security forces are placed at the disposal of security officials due to the absence

Between 1996-2012, the PA treasury accumulated debts of 1 billion Israeli Shekels, owed to local municipalities and water authorities

of a determined system and supervisory authority that ensures it is used for its purpose, which opens the door and provides opportunities for the absence of integrity.”

Addressing the issue of transparency in Palestinian universities, the report accused them of failing to publish financial statements and reports, “which raises doubts now and then regarding their budgets on the one hand and the decision-making mechanisms employed by their authorities on the other”.

AMAN’s report exposes the Ministry of Health and the services it provides, and indicated that these services are declining in efficiency despite improved transparency measures. It also alluded to the corruption problems affecting the water and energy authorities.

The report, issued in April 2013, attributed a number of problems to the paralysis of the Palestinian Legislative Council due to the political division between the West Bank and Gaza Strip which also expanded the president’s role to include the authority to issue decrees and legislation. This has become the subject of much debate and controversy over the constitutional legitimacy of the matter.

Furthermore, the report explained that the PA public prosecutor is not subject to inspection, which causes the government to lose most of its cases before the High Court of Justice as a result of erroneous decisions or actions by officials, despite the presence of legal advisers in all ministries.

With regard to the political parties and factions, the report accused them of not taking any measures or adopting any political programmes that presented meaningful initiatives or measures aimed at combating corruption. “The majority of Palestinian factions still follow the traditional quota system for dividing senior government positions, representative organisations’ boards of directors, memberships and posts in embassies abroad.”

Conclusion

There is no doubt that corruption is not new to the Palestinian Authority and that it has been endemic since the very beginning in Ramallah.

Certainly, Palestinian corruption has been facilitated by Israel, as it is a joint effort with benefits and losses, but it is unfortunate that there has been an attempt to portray the issue as an Israeli plot against the struggling Palestinians, as if the Palestinian authorities and officials are helpless. Such attempts underestimate the minds of the people. The corruption filling the PA is not a simple or limited matter and has become a burden suffered by the citizens; corruption will continue to overwork and exhaust the people, as well as weaken the position of the PA in the sight of aid donors.

It is also unfortunate that the corruption scandal will reduce the sympathy of the Arab people towards Palestinian issues. This will dry-up the flow of funds and donations.

Authorities do not usually base the rules of their behaviour on the ethics of individuals, but base them on institutional rules and regulations. Today, the Palestinian Authority lacks all kinds of authority and monitoring, legislative, executive and judicial. There is no monitoring of, or accountability for, executive authority.

As long as there are no institutions monitoring the behaviour and actions of the Palestinian Authority, corruption will continue until it turns into an even more destructive force that affects the authority's branches and agencies, making it impossible to stop. In order for us to avoid such a devastating situation and to put a stop to the rampant expansion of corruption in the PA, and because the PA will not monitor its own corruption, civil society must take appropriate steps to do so. The independently-owned media must uncover and expose corruption as long as the official Palestinian media outlets are neglecting their role in this regard.

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