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**“CHRONIC KLEPTOCRACY – CORRUPTION WITHIN THE PALESTINIAN POLITICAL ESTABLISHMENT”
TUESDAY, JULY 10, 2012 – 2:00 P.M. – 2172 RAYBURN HOUSE OFFICE BUILDING, WASHINGTON, DC**

HOUSE COMMITTEE ON FOREIGN AFFAIRS, SUBCOMMITTEE ON THE MIDDLE EAST AND SOUTH ASIA

Chairman Chabot, Ranking Member Ackerman, other distinguished Members of the Committee, thank you for inviting me here today. I will begin with a brief overview.

The Palestinian National Authority (PA) was established in 1994 by agreement between Israel and the PLO to exercise limited self-rule—under supervening Israeli control—in the Gaza Strip and parts of the West Bank. Substantial material assistance from international donors backed the formation of the PA, and continues in support of improving the PA’s capacities to govern and provide public security and services. U.S. bilateral assistance appropriated for Palestinians in the West Bank and Gaza since 1994 has exceeded \$4 billion. Since the 2007 de facto split between the Fatah-led PA in the West Bank and Hamas in Gaza, this has included more than \$1 billion for direct budgetary assistance to the PA. It has also included \$645 million for non-lethal security and criminal justice sector assistance in the West Bank.

Successive U.S. Administrations have routinely asserted that this aid supports at least three major U.S. policy priorities:

1. Preventing terrorism against Israel from Hamas and other militant organizations.
2. Fostering stability, prosperity, and self-governance in the West Bank that inclines Palestinians toward peaceful coexistence with Israel and a two-state solution.
3. Meeting humanitarian needs.

Since the 1990s, allegations have swirled around the Fatah-led PA and its two presidents—first Yasser Arafat, and now Mahmoud Abbas—accusing them and/or various of their associates of

- avoiding transparency and accountability with funds they have controlled;
- misusing or diverting assets intended for public benefit; and/or
- fostering a general environment in which corrupt or unaccountable practices are encouraged or accepted as the norm.

The popular Palestinian perception of entrenched corruption within Fatah is commonly cited as one reason that Hamas, running under the moniker of the “Change and Reform List” in January 2006 elections, won a majority of Palestinian Legislative Council seats.

Some Palestinian leaders have attempted over the years to curb corruption and institute reform, with mixed results. PA Prime Minister Salam Fayyad, for example, established a reputation as a reformer in the early 2000s after becoming Arafat's finance minister. He exposed and discontinued various unsanctioned practices and strengthened PA accountability mechanisms. Many Western officials and analysts laud and support Fayyad's continuing PA reform efforts in the West Bank under Abbas's presidency.

A June 2012 poll indicated that 71% of Palestinians in the West Bank and Gaza believe that corruption exists in the West Bank's PA institutions.¹ A *Washington Post* article from June quoted an analyst as saying that favoritism and off-the-books payments continue within the PA.² However, the same article cited anti-graft activists who say that the problem has diminished since Arafat's death, and surveys published last year by the World Bank found that—generally speaking—Palestinians' perceptions of corruption exceed their personal experience with it.³

Apparently in response to corruption allegations leveled against various PA officials in 2010, President Abbas appointed an anti-corruption commission and empowered a court to adjudicate cases resulting from the commission's investigations. The first conviction resulting from the commission's activities occurred in June 2012, against Arafat's former financial advisor Muhammad Rashid for embezzlement. Rashid has responded publicly with allegations of corruption and nepotism against Abbas, and multiple reports indicate recent increases in official efforts to arrest and silence media and civil society critics of Abbas and the PA.

So what are the implications for U.S. policy?

A next step for U.S. lawmakers and officials could be to determine whether various allegations of PA corruption are true, likely, plausible, or none of these. In determining whether and how to respond to corruption allegations deemed to have merit, they might weigh the following considerations:

- How important is preventing or limiting PA corruption in the context of overall U.S. priorities with respect to the Palestinians?
- How effective are existing U.S. laws and policies in addressing these priorities?
- How might changes to U.S. laws and policies pertaining to aid and oversight affect this picture, along with regional public opinion and political trends?

Thank you. I look forward to your questions.

¹ Palestinian Center for Policy and Survey Research, Palestinian Public Opinion Poll No. 44, June 21-23, 2012. Reported margin of error: 3%.

² Karin Brulliard, "Palestinian anti-corruption court secures conviction but raises questions of bias," *Washington Post*, June 20, 2012.

³ World Bank, *West Bank and Gaza: Improving Governance and Reducing Corruption*, 2011 (citing surveys conducted in 2010).
