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# ANALYZING TRANSNATIONAL AND STRATEGIC CORRUPTION AND KLEPTOCRACY IN THE MIDDLE EAST AND NORTH AFRICA

## Phase I Findings Report

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This Phase I Findings Report on Analyzing Transnational and Strategic Corruption and Kleptocracy in the Middle East and North Africa was conducted by a team of international consultants fielded and managed by The Cloudburst Group, namely Dr. Reinoud Leenders (lead author), Mary Greer (corruption specialist), Dr. Thomas Shipley (transnational corruption advisor), and Simon Conté (qualitative methods specialist and management).

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## ACRONYMS

CPI	Corruption Perceptions Index
CSO	Civil society organization
DPW	Dubai Port World
EU	European Union
FSP	Fierce state pathway
IRGC	Islamic Revolutionary Guards Corps
IS	The “Islamic State”
LDP	Liberal democracy pathway
MENA	Middle East and North Africa
MP	Members of Parliament
PCF	Politically connected firm
PNA	Palestinian National Authority
PRC	People’s Republic of China
RSP	Rentier state pathway
SDF	Syrian Democratic Forces
SFP	State fragility pathway
SWF	Sovereign wealth fund
TASCK	Transnational and Strategic Corruption and Kleptocracy
UAE	United Arab Emirates
UN	United Nations
USAID	United States Agency for International Development
USG	United States Government
WDI	World Development Indicators

## BACKGROUND

The 2021 United States Strategy on Countering Corruption and the 2022 United States Agency for International Development (USAID) Anti-Corruption Policy confirm anti-corruption as a United States government (USG) priority and recognize the endemic and globalized nature of corruption. These documents seek to re-orientate the USG approach to tackle forms of corruption with international dimensions more intentionally. Transnational and strategic corruption and kleptocracy (TASCK) are particularly pervasive and large-scale forms of corruption that are enabled through global linkages. They exploit gaps in the international financial system and weaken the legitimacy and effectiveness of national governments by allowing corrupt actors to siphon off resources that should be used for the public good.<sup>1</sup> These forms of corruption are the focus of this research and are defined as follows:

- **Transnational corruption:** Corruption that crosses borders, involves global networks, and employs sophisticated schemes to siphon off the wealth of a country from its rightful owners.
- **Strategic corruption:** When a government weaponizes corrupt practices as a tenet of its foreign policy.
- **Kleptocracy:** A government controlled by officials who use political power to appropriate the wealth of their nation.

In the Middle East and North Africa (MENA), TASCK is rife and deeply engrained in the region's political economy, posing significant challenges to and having a profoundly negative impact on governance, development, and human rights. Yet, throughout the region, the intensity and manifestation of transnational corruption diverge significantly due to MENA's heterogeneity in terms of countries' political economies and their exposure to violent conflict, especially since the Arab uprisings in 2011. This report starts from the premise that such variations should be fully taken into account to arrive at an assessment of TASCK, an analysis of its underlying causes and consequences, and the identification of obstacles and opportunities for USAID to contribute to addressing transnational corruption.

## PURPOSE

The purpose of this research is three-fold:

1. To provide MENA-specific insights on opportunities to address transnational and strategic corruption and/or kleptocracy to assist the USAID/MENA Bureau and Missions in responding to strategic shifts in USAID's anti-corruption efforts.
2. To increase USAID's understanding of how TASCK manifests in MENA.
3. To explore existing USAID anti-corruption efforts and if/how USAID programming can better address TASCK.

The overarching research question is: How, if at all, should USAID adapt, expand, and/or enhance its programming in MENA to address transnational and strategic corruption and/or kleptocracy?

## METHODOLOGY

This study is part of a broader effort to support USAID for programming and decision-making and was guided by the following four research questions:

1. How does TASCK manifest in MENA?

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<sup>1</sup> USAID, "United States Strategy on Countering Corruption," 2021; USAID, "Anti-Corruption Policy," 2022.

2. In what priority geographies is TASCK most prevalent?
3. In which sectors is TASCK most prevalent?
4. Within the examined sectors, what are the governance, economic, and/or social impacts of these types of corruption? How do these impacts vary by demographic group?

The report aims to address these questions for the period from the Arab uprisings in 2011 to date. The desk research draws on an assessment of hundreds of primary and secondary sources. In addition, the study team conducted 14 interviews with 16 anti-corruption stakeholders (including USG staff, policymakers with other development organizations, anti-corruption activists, academicians, and lawyers). On May 18, 2023, the study team facilitated a virtual workshop with USG stakeholders from USAID and the State Department Bureau of International Narcotics and Law Enforcement. During the workshop, the research team presented preliminary findings from the interviews and literature review and solicited stakeholder input regarding potential areas to further explore.

## FINDINGS

### CONTEXTUALIZING CORRUPTION IN MENA: PATHWAYS OF STATENESS AND GOVERNANCE

Thriving corruption and transnational corruption in MENA are embedded in and entwined with networks connecting and blurring the boundaries between political leaders, senior public servants, business elites, violent political actors, criminal organizations, and foreign facilitators and enablers. As these “networks of privilege”<sup>2</sup> have proven to be highly resilient and adaptive to changing political and socio-economic conditions, corruption has become endemic to the extent that it defines governance throughout the region. As such, corruption should not be viewed as isolated, discrete incidences or transactions. Instead of an aberration, corruption denotes “business as usual” as it developed into one of the most damaging and sustained outcomes of “kleptocratic rule,” with its origins years (often decades) earlier. Although virtually no country in MENA escapes high levels of chronic corruption, its sources, manifestation, and intensity vary, largely because these are a function of the diversity of the region’s political economies. In this context, the team identified five main pathways to capture the region’s variations of “stateness”<sup>3</sup> and governance, which bears direct relevance to the forms, levels, and varieties of corruption MENA countries are facing.

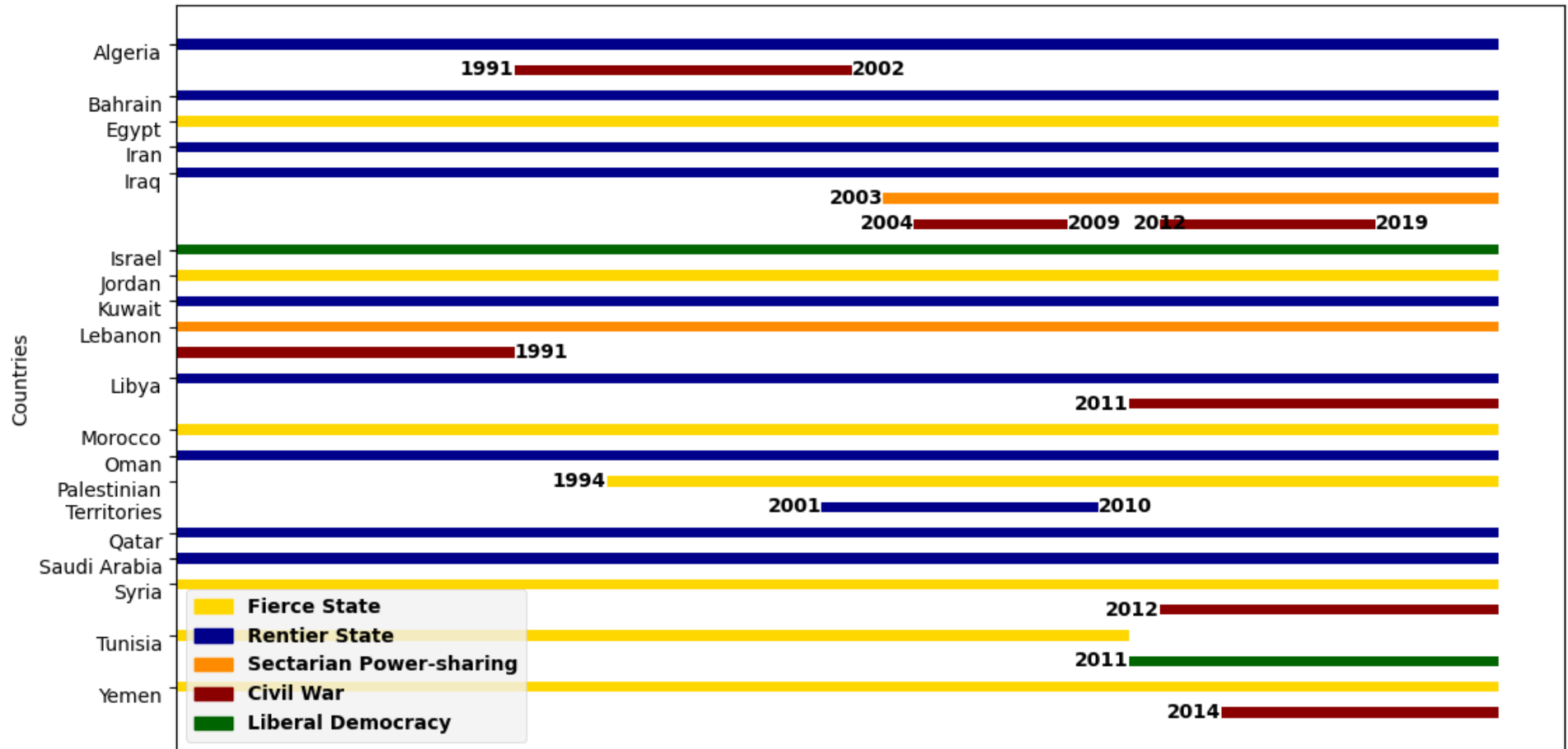
The pathways are detailed below. They should not be viewed as mutually exclusive. In fact, some of the countries hit the worst by (transnational) corruption combine two or more pathways, like Iraq. More rarely, countries may shift from one pathway to another (like Tunisia when it initiated a—still precarious—democratic transition in 2011). These complexities are visualized in Figure 1, along with an overview of the main features of each pathway and the forms of corruption associated with them in Table 1.

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<sup>2</sup> Steven Heydemann (ed), *Networks of Privilege in the Middle East: The Politics of Economic Reform Revisited*, (Springer, 2004).

<sup>3</sup> “Stateness” refers to the institutional centrality of the state in formulating independent policies and promoting social cohesion. Debora Valentina Malito, “The Difficulty of Measuring Governance and Stateness,” EUI Working Paper, 2015, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2631120](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2631120)

Figure 1: Pathways to Stateness and Governance in the MENA Region



**Table 1: Pathways to Stateness and Governance in MENA**

PATHWAY TYPE	POLITICAL ECONOMY FEATURES	MANIFESTATIONS OF CORRUPTION
Fierce state pathway (FSP)	Authoritarian, centralized statism/turn to economic liberalization.	Bureaucratic corruption, rent-seeking, and cronyism in state largesse, economic liberalization, and privatization. Corruption in public procurement. Private sector opportunities doled out to cronies. Unaccounted military entrepreneurship, monopolistic behavior by politically connected firms (PCFs), white elephant projects.
Rentier state pathway (RSP)	Oil- and gas-dependent authoritarianism/turn to economic diversification.	Authoritarian regimes currying favors and buying off popular dissent (patronage), discretionary decision-making, and concentrated power is causing corruption in public sector spending and procurement, corruption in oil/gas sector, corruption in heavy spending on security/repression, corruption in diversification policies and sovereign wealth funds (SWFs) management.
State fragility pathway: sectarian power-sharing (SFP1)	Sectarian power-sharing/diffuse authoritarianism.	Rent-seeking, cronyism, clientelism, “apportionment” ( <i>muhasasa</i> ) in public spending, procurement and private economic opportunities, vote-buying, and monopolistic behavior by PCFs.
State fragility pathway: civil war (SFP2)	Protracted armed conflict and civil war.	Looting, kidnapping, extortion, illicit trade and trafficking, war profiteering from scarcity imposed by violence, humanitarian aid capture, arms and human trafficking, petty administrative corruption, and corruption in post-conflict or early recovery.
Liberal democracy pathway (LDP)	More robust transparency and accountability safeguards.	High-level political corruption (e.g., gifts for favors), corruption in (especially arms) procurement. Corruption and bribery in police, judiciary, public services, and sub-national state institutions.

In the **FSP**, overbearing state interventionism in the economy since the 1960s came to be associated with bureaucratic corruption in accordance with what neoclassical economists generally expect when market distortions and state largesse encourage rent-seeking and facilitate politicians’ “grabbing



hand.”<sup>4</sup> As the state’s extractive capacities, institutional capacities, and ideological appeal waned, incumbent regimes increasingly relied on repression, causing the state to become rather more “fierce” than strong.<sup>5</sup> Forced to change course largely due to fiscal imperatives, Egypt, Syria, Tunisia, and other authoritarian, heavily statist regimes in MENA embarked on economic liberalization programs, at first unevenly but then more intensively since the early 1990s. Selective privatization and state divestment presented ample opportunity for corruption as politically-connected businessmen seized states’ assets, skewed ongoing state regulations in their favor, used state prerogatives to push out competitors, and accumulated wealth.

**Instead of countering corruption, economic liberalization became a recipe for widespread cronyism, demonstrating corrupt networks’ adaptability and echoing developments beyond the region.**

While lucrative economic opportunities were generally doled out to a select group of politically connected business elites, in some fierce states, especially Egypt, the armed forces enjoyed special economic and political privileges. Under conditions of economic liberalization, these privileges were deployed for maximum private gain by military officers. Military entrepreneurship went hand in hand with corruption, extortion, favoritism, and monopolistic practices. This caused the military in parallel and often in collusion with thriving politically connected private firms to build vast economic empires that are largely unaccounted for in national budgets and official statistics. Following the Arab uprisings in 2010–11, and especially with Egypt’s backsliding to military rule, the militaries’ economic entrenchment deepened.

West Bank and Gaza (WBG) sustain some of the features of the FSP. Since its inception in 1994, the Palestinian National Authority (PNA) has increasingly become authoritarian and corrupt, being accused of clientelist practices and favoritism in public employment, especially involving its security and police forces.<sup>6</sup> In collaboration with Israeli authorities and companies, the PNA enforced monopolies on key commodities and services benefiting a politically connected business elite.<sup>7</sup> Attempts at economic reform since 2007 were highly selective in nature and proved to be mostly unsuccessful in tackling corruption. Lack of transparency in the PNA’s budget, secret accounts, and opaque contracting practices combined with public servants’ petty corruption contributed to widespread discontent among Palestinians directed against both the PNA and Hamas, despite the latter pledging to counter corruption when it won the 2006 elections and seized control of Gaza.<sup>8</sup> Against this background, several observers noted a growing similarity between Palestinian institutions and those of “neo-patrimonial” regimes elsewhere in the MENA, such as Hosni Mubarak’s Egypt and Zine El Abidine Ben Ali’s Tunisia.<sup>9</sup> Yet despite these similarities, the Palestinian case remains distinct from the FSP as it lacks full statehood and sovereignty. Indeed, the PNA’s limited powers and the ongoing political and

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<sup>4</sup> Shleifer, Andrei, and Robert W. Vishny. *The Grabbing Hand: Government Pathologies and Their Cures*, (Harvard University Press, 1998).

<sup>5</sup> Nazih N. Ayubi, *Over-stating the Arab State: Politics and Society in the Middle East*, (Bloomsbury Publishing, 1996).

<sup>6</sup> AMAN—Transparency Palestine, “The State of Integrity and Combatting Corruption in Palestine 2022,” AMAN annual report, 2022, [https://www.aman-palestine.org/cached\\_uploads/download/2023/06/13/الشفافية-السنوية-التقرير-النهائي-1686645041.pdf](https://www.aman-palestine.org/cached_uploads/download/2023/06/13/الشفافية-السنوية-التقرير-النهائي-1686645041.pdf);

<sup>7</sup> Tariq Dana, “Crony Capitalism in the Palestinian Authority: A deal among friends,” *Third World Quarterly* 41.2 (2020), pp. 254 ff.; Samir Harb, “Exhausted Circulation: The limits to cement transportation and urban metabolism in the West Bank,” *Journal of Palestine Studies*, 51.4 2022: 45-67.

<sup>8</sup> AMAN—Transparency Palestine, “The Public Opinion Poll on Corruption and Anti-Corruption Efforts for 2022,” December 2022, <https://www.aman-palestine.org/en/reports-and-studies/18974.html>

<sup>9</sup> Marwa Fatafta, “Neopatrimonialism, Corruption, and the Palestinian Authority: Pathways to Real Reform,” *al-Shabaka*, 20 December 2018, <https://al-shabaka.org/circles/neopatrimonialism-corruption-and-the-palestinian-authority-pathways-to-real-reform/>; Dana, Loc. Cit., p. 250; Timothy Seidel, Tariq Dana and Alaa Tartir, “Palestinian Political Economy: Enduring struggle against settler colonialism, racial capitalism, and neoliberalism,” in: Alaa Tartir, Tariq Dana and Timothy Seidel (eds), *Political Economy of Palestine: Critical, Interdisciplinary, and Decolonial Perspectives*, (Palgrave Macmillan, 2021), p. 2.; Tahani Mustafa, “Political Economy of Intervention and Securitized Ordering in the Occupied Palestinian Territories,” in: Seidel, Dana and Tartir (eds), *Op. Cit.*, p. 276.

security situation perpetuated authoritarian rule, over-reliance on security forces, lack of transparency, and corruption in WBG.<sup>10</sup>

Hydrocarbon-rich MENA countries follow the **RSP**, wherein the state is the principal recipient of significant external rents. Mismanagement of such vast economic resources caused growing dependency and lasting structural imbalances in the economies of oil- and gas-producing countries in the Gulf and North Africa and had significant effects on their political orders.<sup>11</sup> These effects include the bloating of and inefficiency of state institutions, vast expenditures on “white elephant” projects, and excessive spending on state security agencies.<sup>12</sup> Although there is no direct or inevitable causal link with authoritarian rule, the vast resources at the state’s disposal enable incumbent regimes to “buy off” discontent as the state guarantees jobs and social welfare to citizens, including key elites. Such practices of patronage tend to discourage mechanisms of accountability. Dependency on hydrocarbons has also been argued to fuel intra-state conflict and aggressive foreign policies. However, the relevant causal mechanisms in this context seem to be mediated by regime type, leading to diverging outcomes.<sup>13</sup>

**Historically, “revolutionary” authoritarian regimes enjoying vast external rents, like Iraq under Saddam Hussein, have a high propensity for intra- and/or inter-state war while “conservative” regimes, such as Saudi Arabia, enjoyed a “rentier peace.”<sup>14</sup>**

Most hydrocarbon-rich countries in MENA experience high levels of corruption due to regimes’ discretionary fiscal powers, clientelist relations with their citizens, very high expenditures on corruption-prone arms purchases, and the vulnerability of the hydrocarbon sector’s value chain and financial management to corruption.<sup>15</sup>

**In an attempt to diversify their economies, many Gulf states created SWFs to invest in non-oil sectors at home and abroad, causing them to be tightly enmeshed in the global economy. While such SWFs are presented as vehicles of responsible governance, they are often subjected to corrupt practices.**

Regime incumbents, such as Saudi Arabia’s Crown Prince Muhammad Bin Salman, interfere directly in its investment decisions while the funds often lack transparency.<sup>16</sup> In extreme cases, authoritarian leaders, such as Libya’s Mu’amar al-Qadhafi, treated SWFs as their private property as they engaged in “fund raiding” to satisfy their immediate personal and political needs.<sup>17</sup>

High dependency on foreign aid causes the WBG to share some of the characteristics of the RSP, even if external rents are far more modest. Since 1994, foreign aid amounted to more than US\$45 billion, thereby constituting a large part of the Palestinian economy with net official development assistance

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<sup>10</sup> Seidel, Dana and Tartir, Loc. Cit., p. 17; AMAN—Transparency Palestine (2022), Op. Cit., p. 46; Jamil Hilal and Mushtaq Husain Khan, “State Formation Under the PNA: Potential outcomes and their viability,” in: Inge Amundsen, George Giacaman and Mushtaq Husain Khan (eds), *State Formation in Palestine: Viability and Governance during the social transformation*, (Routledge, 2004), pp. 77-80.

<sup>11</sup> While Yemen has oil and gas resources, it is not a significant hydrocarbon producer. However, as its non-oil economy is small, it also wrestles with some of the pathologies typical of the RSP.

<sup>12</sup> Michael L. Ross, “Does Oil Hinder Democracy?,” *World Politics*, 53 (3), 2001: 325-361.

<sup>13</sup> Luis Martinez, *The Violence of Petro-Dollar Regimes. Algeria, Iraq and Libya*, (Hurst & Company, 2012); Jeff D. Colgan, *Petro-Aggression: When Oil Causes War*, (Cambridge University Press, 2013).

<sup>14</sup> Matthias Basedau & Jann Lay, “Resource Curse or Rentier Peace: The Ambiguous Effects of Oil Wealth and Oil Dependence on Violent Conflict,” *Journal of Peace Research*, 46 (6), 2009: 757-776.

<sup>15</sup> Farouk Al-Kasim (et.al.), *Grand Corruption in the Regulation of Oil*, (Christian Michelsen Institute, 2008), <https://www.cmi.no/publications/3034-grand-corruption-in-the-regulation-of-oil>

<sup>16</sup> Alexis Montambault Trudelle, “The Public Investment Fund and Salman’s State: The Political Drivers of Sovereign Wealth Management in Saudi Arabia,” *Review of International Political Economy*, 30 (2), 2023: 747-771.

<sup>17</sup> Global Witness, *A Blueprint for Reform: Lessons from Past Mismanagement and Murky Practice in Libya’s Oil Sector*, 13 April 2012, <https://www.globalwitness.org/en/archive/blueprint-reform-lessons-past-mismanagement-and-murky-practice-libyas-oil-sector-2/>

to gross national income ratios for some years reaching as high as thirty percent.<sup>18</sup> Academic researchers found that the PNA's dependency on foreign aid increased its propensity for policies of patronage, undermined its accountability, and facilitated corruption.<sup>19</sup> While foreign donors since the late 1990s imposed stricter controls and demanded reforms, many were themselves found to be lacking in transparency in terms of how much they funded and to what ends.<sup>20</sup>

The **SFPI** provides the context for rampant corruption in post-1989 Lebanon and post-2003 Iraq. State fragility<sup>21</sup> here denotes its milder form of the disintegration or paralysis of state institutions, although each country also went through intersecting and prolonged episodes of extreme state fragility, the more extreme variant associated with civil war.<sup>22</sup> Due to its oil dependency, Iraq at the same time sustains features of the RSP. Violence in the SFPI, while less pronounced than at times of civil war, is still omnipresent and fosters a climate of impunity undermining state institutions. Violence or the threat thereof concurs with and sustains kleptocratic rule through elaborate, sectarian power-sharing involving political elites, businessmen, and (former) militia leaders. In both countries, these power-sharing arrangements led to the "apportionment" (*muhasasa*) of public resources through sectarian quotas.

**Endless bargaining systematically divvies up public sector employment and state resources while granting private economic privileges to elites juggling their stakes in government and in private business.<sup>23</sup>**

Under these conditions, the state fails to assert a strict monopoly on legitimate violence just as the public sector becomes stacked with elites' loyalists, further facilitating corruption. Conflicts of interest are systemic, the state's provision of services is diverted or deliberately sabotaged for private gain, enforcement efforts are weak to non-existent, and corruption is rife.<sup>24</sup> In addition, political elites derive their authority from their claim to represent sectarian constituencies, which they sustain through clientelist practices catering to individual supporters' needs and services and through vote-buying, exacerbating sectarian identity conflicts in the process.<sup>25</sup>

In MENA countries witnessing prolonged civil war, the **SFP2** opened up a Pandora's box of unrestrained corruption that is interwoven with mass-scale violence, (counter-)insurgencies, and

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<sup>18</sup> Jeremy Wildeman and Alaa Tartir, "Opaque and Inaccessible: International Donor Aid Funding to Palestine, 2017-2021," Palestinian NGO's Network, 2023, <https://en.pngoportal.org/uploads/documents/2023/07/By8lz.pdf> World Bank data show official development assistance/gross national income ratios (at current US\$) for the Westbank and Gaza since 1994 to average around 15-20 percent, reaching 30 percent between 2001-2010. With especially U.S. assistance declining since 2017, this ratio in 2021 was reduced to 10 percent. Calculated from World Bank World Development Indicators, <https://databank.worldbank.org/source/world-development-indicators>

<sup>19</sup> Sari Hanafi and Linda Tabar, "Donor Assistance, Rent-Seeking and Elite Formation," in: Inge Amundsen, George Giacaman and Mushtaq Husain Khan (eds), *Op. Cit.*, p. 220; Dana, *Loc. Cit.*, p. 250; Are John Knudsen and Alaa Tartir, "Country Evaluation Brief: Palestine," Chr. Michelsen Institute, 2017, <https://www.cmi.no/publications/6263-country-evaluation-brief-palestine>; Hadeel Rizq al-Qazzaz, *al-musa'adat al-dawliyya fi al-dhafa al-gharbiyya wa qita' ghaza*, Institute for Palestine Studies, 2016.

<sup>20</sup> Data on foreign funding for 2017-2021 were found to be either unavailable, difficult to access or lacking in detail. Wildeman and Tartir, *Loc. Cit.*

<sup>21</sup> State fragility entails a continuum of the state's "loss of physical control of its territory or a monopoly on the legitimate use of violence, the erosion of legitimate authority to make collective decisions, an inability to provide reasonable public services, and the inability to interact with other states as a full member of the international community." <https://fragilestatesindex.org/frequently-asked-questions/what-does-state-fragility-mean/>

<sup>22</sup> Iraq's violence peaked sharply between 2004–2009 and 2013–2017. Lebanon went through civil war between 1975–1991.

<sup>23</sup> Toby Dodge and Renad Mansour, *Politically Sanctioned Corruption and Barriers to Reform in Iraq*, (Chatham House, 2021), <https://www.chathamhouse.org/2021/06/politically-sanctioned-corruption-and-barriers-reform-iraq>; Abdul Rahman Tammam, *Nizam al-Muhasasa al-Siyasiya wa Ta'thiruhu 'ala Intishar al-Fasad: Diras Halat al-'Iraq min 2003 'ila 2021*, (Kasdi Merbah University Ouargla, Algeria, 19 June 2022), <https://dspace.univ-ouargla.dz/jspui/bitstream/123456789/31580/1/tamam-abderahmane.pdf.pdf>; Reinoud Leenders, *Spoils of Truce: Corruption and State-building in Postwar Lebanon*, (Cornell University Press, 2012); Bassel F. Salloukh (ed), "Special Issue: Challenges to Power-Sharing in the Post-Uprisings Arab World," *Studies in Ethnicity and Nationalism*, 20 (2), 2020.

<sup>24</sup> World Bank Group, *Lebanon Public Finance Review: Ponzi Finance?*, July 2022, <https://thedocs.worldbank.org/en/doc/1f1012470cef4e4e5d3080dc5ceda3c4-0280012022/original/mena-lebanon-Public-Finance-Report-Ponzi.pdf>

<sup>25</sup> *Ibid.*; Daniel Corstange, "Vote Trafficking in Lebanon," *International Journal of Middle East Studies*, 44 (3), 2012: 483-505; Georgia Dagher et.al., "How do Lebanese Political Parties Win Elections?," The Policy Initiative, 21 October 2022, <https://www.thepolicyinitiative.org/article/details/214/how-do-lebanese-political-parties-win-elections>; Sarwar Abdullah, Tim Gray & Emily Clough, "Clientelism: Factionalism in the Allocation of Public Resources in Iraq after 2003," *Middle Eastern Studies*, 54 (4), 2018: 665-682.

organized crime. With the outbreak of civil war, MENA countries that earlier found themselves on different pathways—Libya (until 2011), Syria (until 2012), Yemen (until 2014), and, to some extent, Iraq (before 2004 and between 2009 and 2012)—saw their state institutions collapse in highly fragmented armed conflicts. At best, the state maneuvers among several competing non-state and/or foreign contenders in violent power struggles over territory, borders, and resources. While under these conditions, the corruption of their other pathways reaches ever more extreme proportions and these countries' war economies sustain forms and levels of corruption unseen before. Rampant corruption comprises or is tightly linked to mass-scale looting, kidnappings for ransom, extortion at checkpoints, monopolistic behavior and scarcity enforced by violence, smuggling and illicit trade, arms- and human trafficking, and the theft or diversion of humanitarian aid.

### **Corrupt networks often cross through frontlines as enemies on the battlefield collude in their war-profiteering.**

In Syria, Yemen, Libya, and Iraq, civil war caused mutations or even a drastic reconstitution of these countries' ruling classes as army officers, militiamen, and businessmen experienced their profits growing and converted these into political capital. In turn, the latter provided them with protection from prosecution and bought them access to even more lucrative activities of an illegal nature, such as drug trafficking. Due to wartime inflation and dwindling state resources, state employees saw their salaries plummet in value, prompting them to demand side payments or bribes for basic bureaucratic transactions. For instance, Syria's official state watchdog noted a dramatic increase in administrative and financial corruption, especially involving state agencies that directly interact with the general public such as the Ministry of Local Administration and Environment.<sup>26</sup> As the Syrian pound lost more than 80 percent of its value between 2020–2023, public sector monthly wages, set at a maximum of 100,000 pounds, dwindled to some US\$30; barely sufficient to cover basic expenditures for a few days.<sup>27</sup> Public sector employees abuse their positions to fill these pay gaps.<sup>28</sup> Yet as the experience of post-war Lebanon and other post-war countries shows, the transition from combat to "early recovery" and post-war reconstruction is similarly wrought with opportunities for corruption. In Syria, "early recovery" in areas under regime control already went hand-in-hand with seizures of property of refugees residing abroad by corrupt networks forging documents and being backed by units of the armed forces.<sup>29</sup>

Only a few countries in the region follow the LDP. For Israel, its liberal-democratic institutions<sup>30</sup> have generally allowed for robust transparency and accountability mechanisms countering corruption. Yet high-level corruption and bribery allegations continue to grab headlines, prominently involving the country's Prime Minister Benjamin Netanyahu and his associates.<sup>31</sup> Tunisia embarked on a precarious transition to liberal democracy since the Jasmine Revolution of 2011. Concerns are that Tunisia's democratic transition has ground to a halt since President Kais Saied in 2021 dissolved Parliament, then dismissed the government and declared he would rule by decree.<sup>32</sup> Despite some progress on anti-corruption reform involving government and civil society actors and notwithstanding President

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<sup>26</sup> "104 Billion Pounds: Thefts in Syrian Regime Government Increased by 400% in One Year," The Syrian Observer, 14 April 2023, <https://syrianobserver.com/news/82595/104-billion-pounds-thefts-in-syrian-regime-government-increased-by-400-in-one-year.html>

<sup>27</sup> World Food Program, "WFP Syria Market Price Watch Bulletin," May 2023, <https://reliefweb.int/report/syrian-arab-republic/wfp-syria-market-price-watch-bulletin-may-2023>; Ayma Ghassan, "Ratib al-Yawm.. Hal La Yazalu ka-dhalika?," Al-Watan, 8 May 2023, <https://alwatan.sy/archives/344839>

<sup>28</sup> ETANA, "Quarterly Review of Syria's Economic Crisis," October 2022, <https://etanasyria.org/quarterly-review-of-syrias-economic-crisis-october-2022/>

<sup>29</sup> Kaamil Ahmed et.al, "Scandal of Syria's Stolen Homes," The Guardian, 24 April 2023, <https://www.theguardian.com/global-development/2023/apr/24/scandal-of-syrias-stolen-homes-fraudsters-use-courts-to-legitimise-thefts-from-refugees>

<sup>30</sup> Israel is classified by Freedom House as "free," although it "discriminated against Arab and other ethnic or religious minority populations, resulting in systemic disparities [..]" <https://freedomhouse.org/country/israel>

<sup>31</sup> Yonette Joseph & Patrick Kingsley, "Netanyahu Will Return With Corruption Charges Unresolved," The New York Times, 3 November 2022, <https://www.nytimes.com/2022/11/03/world/middleeast/netanyahu-corruption-charges-israel.html>; Norman Eisen, Mansi Patel & Kai Smith, "The Corruption and Autocracy Nexus: The Case of 'King Bibi,'" Brookings, 10 April 2023, <https://www.brookings.edu/blog/order-from-chaos/2023/04/10/the-corruption-and-autocracy-nexus-the-case-of-king-bibi/>

<sup>32</sup> Tunisia is classified by Freedom House as "partly free" as its liberal democracy has not consolidated. Since 2021 the country has suffered from authoritarian backsliding. <https://freedomhouse.org/country/tunisia/freedom-world/2023>

Saïed’s pledge to eradicate corruption, the country continues to struggle with high levels of domestic corruption. This manifests itself primarily in the police force, judiciary, public service, and sub-national state institutions, and in the context of oligopolistic practices involving PCFs.<sup>33</sup>

## ENGRAINED CORRUPTION IN MENA

The extent to which the five pathways to stateness and governance resulted in corruption in MENA is suggested by numerous indices measuring (perceptions of) corruption, including the Corruption Perceptions Index (CPI) by Transparency International<sup>34</sup> and the “Control of Corruption Estimate” series from the World Bank’s World Development Indicators (WDI).<sup>35</sup> (See Table 2).

**Table 2: Key Corruption Indices for MENA Countries**

CPI 2022	SCORE (0 WORST)	RANK (OUT OF 180)	WDI CONTROL OF CORRUPTION 2021	SCORE (-2.5 WORST, 2.5 BEST)
Syrian Arab Republic	13	178	Syrian Arab Republic	-1.78192
Republic of Yemen	16	176	Republic of Yemen	-1.65169
Libya	17	171	Libya	-1.5674
Iraq	23	157	Iraq	-1.25053
Lebanon	24	150	Lebanon	-1.2297
Iran, Islamic Republic	25	147	Iran, Islamic Republic	-1.0963
West Bank and Gaza	n/a	n/a	West Bank and Gaza	-0.7386
Egypt, Arab Republic	30	130	Egypt, Arab Republic	-0.68484
Algeria	33	116	Algeria	-0.61418
Morocco	38	94	Morocco	-0.43399
Tunisia	40	85	Tunisia	-0.22956
Kuwait	42	77	Kuwait	-0.03357

<sup>33</sup> OECD, Good Governance and Anti-Corruption in Tunisia, September 2019, <https://www.oecd.org/mena/governance/good-governance-and-anti-corruption-in-tunisia-highlights-en.pdf>; International Crisis Group, Blocked Transition: Corruption and Regionalism in Tunisia, 10 May 2017, <https://www.crisisgroup.org/middle-east-north-africa/north-africa/tunisia/177-blocked-transition-corruption-and-regionalism-tunisia>; UNICRI, GIZ, Illicit Financial Flows and Asset Recovery in Tunisia, 22 March 2021: 12, [https://www.giz.de/en/downloads\\_els/GIZ\\_PGIF\\_2110\\_Illicit-Financial-Flows-and-Asset-Recovery-in-Tunisia\\_EN.pdf](https://www.giz.de/en/downloads_els/GIZ_PGIF_2110_Illicit-Financial-Flows-and-Asset-Recovery-in-Tunisia_EN.pdf); Imad Daïmi, “Combattre la corruption endémique par l’autocratie en Tunisie: la chimère de Kaïs Saïed,” L’Obs (Le Nouvel Observateur), 15 October 2022, <https://www.nouvelobs.com/afrique/20221015.OBS64659/combattre-la-corruption-endemique-par-l-autocratie-en-tunisie-la-chimere-de-kais-saied.html>

<sup>34</sup> <https://www.transparency.org/en/cpi/2022> The ICP is based on several surveys measuring experts’ and business people’s perceptions of “public sector corruption.” <https://www.transparency.org/en/news/how-cpi-scores-are-calculated>

<sup>35</sup> “Control of Corruption captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as “capture” of the state by elites and private interests.” <https://databank.worldbank.org/source/world-development-indicators#>



CPI 2022	SCORE (0 WORST)	RANK (OUT OF 180)	WDI CONTROL OF CORRUPTION 2021	SCORE (-2.5 WORST, 2.5 BEST)
Bahrain	44	69	Jordan	0.050463
Oman	44	69	Oman	0.086336
Jordan	47	61	Bahrain	0.16816
Saudi Arabia	51	54	Saudi Arabia	0.306926
Qatar	58	40	Qatar	0.806125
Israel	63	31	Israel	0.855771
United Arab Emirates	67	27	United Arab Emirates	1.178225

The 2022 CPI and 2021 WDI suggest that countries currently finding themselves on the SFP2 sustain the highest levels of corruption, followed by Lebanon and Iraq's SFPI. Those currently on the FSP generally come next in terms of perceived corruption levels. Among these countries, Egypt is currently perceived to be the most corrupt while Jordan is viewed as less corrupt. Countries currently on the RSP score variably, with Iran viewed as being among the six most corrupt MENA countries and the United Arab Emirates (UAE), together with Israel, seen as the least corrupt of all MENA countries.

In virtually all MENA countries, widespread corruption has become a source of deep popular resentment. This became especially apparent during the Arab uprisings in 2010–11, with anger over corruption being perceived as one of the key drivers of mass unrest. Asked in 2014 to identify what they deemed to be the most important factor bringing people to the streets in 2011, a plurality of respondents in six Arab countries, between 41 to 61 percent, selected “to protest against corruption” as the most significant factor.<sup>36</sup> Since the Arab uprising, however, popular perceptions suggest that corruption throughout MENA has continued to be at the same high levels or even worsened. One set of periodically held surveys, the Arab Barometer, found that the share of those indicating that there is a large or medium extent of corruption permeating state institutions rose from 78 percent in 2010 to 84 percent in 2019.<sup>37</sup> Another set of annual surveys, the Arab Opinion Index, found that in 2019–20, respondents viewed corruption in 13 Arab countries as being “very widespread” (48 percent); this had not changed substantially since 2011.<sup>38</sup> Sustained mass protests occurring from 2019–21 in Lebanon and Iraq, and to a lesser extent Algeria, singled out the fight against entrenched corruption as their main rallying cry.<sup>39</sup>

<sup>36</sup> The sample of more than one thousand adults was held in Egypt, Iraq, Jordan, Libya, Morocco and Tunisia. Roger Sapsford (et al.), “Corruption, Trust, Inclusion and Cohesion in North Africa and the Middle East,” *Applied Research in Quality of Life*, 14, 2019: 1-21.

<sup>37</sup> Salma Al-Shami, “Arab Barometer Report: Perceptions of Corruption on the Rise Across MENA,” World Bank Blogs, 12 December 2019, <https://blogs.worldbank.org/arabvoices/arab-barometer-report-perceptions-corruption-rise-across-mena>. The Arab Barometer survey samples over 2,400 adults in each of 14 Arab countries.

<sup>38</sup> The poll was conducted by the Arab Center for Research and Policy Studies in Doha and comprises more than 28,000 interviews. The highest rates of perceived “widespread corruption” were recorded in the Levant countries. <https://arabcenterdc.org/resource/the-2019-2020-arab-opinion-index-main-results-in-brief/#section2>

<sup>39</sup> Jeffrey G. Karam & Rima Majed (eds), *The Lebanon Uprising of 2019: Voices from the Revolution*, (Bloomsbury Publishing, 2022); Faris K. Nadhimi & Mazen Hatem, *Ihtijajat Tishreen 2019 fi al-'Iraq min Manzur al-Musharikin fi-ha*, (Economic Research Forum, 2022), <https://erf.org.eg/publications/octobers-2019-protests-in-iraq-as-perceived-by-the-protestors-a-field-study-in-the-phenomenology-of-protest-confronting-the-violence-of-political-power-in-arabic/>; Michael Robbins, *The 2019 Algerian Protests*, (Arab Barometer, August 2019), [https://www.arabbarometer.org/wp-content/uploads/ABV\\_Algeria\\_Protests\\_Public-Opinion\\_Arab-Barometer\\_2019.pdf](https://www.arabbarometer.org/wp-content/uploads/ABV_Algeria_Protests_Public-Opinion_Arab-Barometer_2019.pdf)

## TRANSNATIONAL CORRUPTION IN MENA

Corruption in MENA often entails complex transnational networks and strong international dimensions, at times to lethal effect.

On August 4, 2020, a massive explosion pulverized the Port of Beirut and destroyed more than 77,000 housing blocks and apartments in the city; this occurred against the background of a deeply dysfunctional and corrupt port administration and failing state institutions entangled in a transnational web of corruption, fraud, and crime.<sup>41</sup> Before the tons of improperly stored ammonium nitrate ignited, a Moldovan-flagged, Ukrainian-owned, and Russian-manned ship financed by Cyprus-based banks and ostensibly bound for Mozambique carried the British-owned load of explosive materials produced in Georgia to Beirut.<sup>41</sup> Hezbollah, a Lebanese transnational armed group linked to Iran, allegedly routed segments of the explosives, or intended to carry the entire load, to war-torn Syria where such materials are used for the production of barrel bombs dropped indiscriminately on civilians. The Beirut port blast killed 218 people of 14 nationalities.

Although anecdotal evidence points to the region's intense exposure to and involvement in transnational corruption, the term remains unclear on what it does and does not entail. This has caused it to escape direct measurement in aggregate terms for purposes of global and cross-regional comparison.<sup>40</sup> Corruption indices such as the CPI and WDI can only to a limited extent be used as a proxy measure of transnational corruption. These two key indices of corruption fail to register and show relevant transnational, cross-border networks, enablers, and resources. Neither do perceived levels of domestic corruption as such always show a strong correlation with transnational corruption, or vice versa. For instance, Egypt sustains high levels of corruption, but most interviewees for this report pointed to the relatively closed nature of its national economy to mark down the transnational dimensions of corruption in this country.<sup>41</sup> In contrast, the indices suggest that corruption levels in the UAE are among the lowest in MENA. Yet there is strong evidence of Dubai's role as a transit haven or center for foreign dirty money and global illicit trade.

The Global Organized Crime Index may serve as a more useful if still imperfect pointer to those countries in MENA that are most affected by or involved in transnational corruption compared globally<sup>42</sup> (see Table 3). The Global Organized Crime Index provides a sub-ranking of organized crime specifically implicating foreign actors, which further helps to estimate MENA countries' exposure to transnational corruption. This is because corruption and (transnational) organized crime are generally regarded to coalesce.<sup>43</sup> The index suggests that while Iran, Iraq, Syria, Lebanon, and Libya are among

<sup>40</sup> Transnational corruption can be provisionally defined as "corruption that crosses borders, involves global networks, and employs sophisticated schemes to siphon off the wealth of a country from its rightful owners." USAID, "Analyzing Transnational and Strategic Corruption and Kleptocracy (TASCK) In Sub-Saharan Africa," Phase I Findings Report, April 2023.

<sup>41</sup> K1-05-31-23, K2-05-23-23, K9-05-24-23, K7-06-02-23. In 2020, Egypt was the region's least globally connected economy, with foreign trade comprising only 33.8 percent of gross domestic product. <https://databank.worldbank.org/source/world-development-indicators#> Egypt's business cronies and PCFs rarely operate in the country's export sectors and accrue rents exactly from being shielded from the world economy by way of selective non-tariff barriers. Adeel Malik, Izak Atiyas & Ishac Diwan, "Crony Capitalism in the Middle East: What Do We Know and Why Does It Matter?," in: Ishac Diwan, Adeel Malik, and Izak Atiyas (eds), *Crony capitalism in the Middle East: Business and Politics from Liberalization to the Arab Spring*, (Oxford University Press, 2019): 17-18.

<sup>42</sup> "Global Organized Crime Index 2021, (Global Initiative Against Transnational Organised Crime, 2021), <https://ocindex.net/assets/downloads/global-ocindex-report.pdf> "Criminality" measures "organized crime," which is defined as "illegal activities, conducted by groups or networks acting in concert, by engaging in violence, corruption or related activities in order to obtain, directly or indirectly, a financial or material benefit. Such activities may be carried out both within a country and transnationally." Ibid: 143. The Westbank and Gaza are not included in this index.

<sup>43</sup> Ibid., 17. From correlating relevant indices, it follows that "corruption is perhaps one of the major enabling factors of organised crime." Ibid: 143.

the five MENA countries most affected by criminality, such criminality implicates foreign actors most in three of these countries in addition to the UAE and Yemen. Yet the UAE and Yemen score lower on criminality in aggregate terms. All five countries, except the UAE, that score highest on foreign actor involvement are also highly ranked MENA countries in the CPI and WDI. From this it can be inferred that their corruption levels are strongly driven by or implicate foreign actors, thus suggesting their intense involvement in transnational corruption. When looked at from MENA's five pathways to stateness and governance, this in turn implies that state fragility by civil war, state fragility embedded in sectarian power-sharing, and to a lesser extent the RSP present the most relevant contexts to MENA's involvement in and exposure to transnational corruption. Table 3 presents a more detailed and qualitative assessment that, except for Libya, confirms these findings. Table 4 provides an overview.

**Table 3: Global Organized Crime Index 2021 for MENA Countries**


<b>CRIMINALITY (AGGREGATED)</b>	<b>SCORE (7.75 WORST)</b>	<b>RANK (OUT OF 193)</b>	<b>FOREIGN ACTORS' INVOLVEMENT (SUB-INDICATOR)</b>	<b>SCORE (9 HIGHEST)</b>
Iran, Islamic Republic	7.1	6	Iraq	9
Iraq	7.05	8	Lebanon	8
Syrian Arab Republic	6.84	13	Republic of Yemen	8
Lebanon	6.76	15	Syrian Arab Republic	7
Libya	6.55	20	United Arab Emirates	6
Republic of Yemen	6.13	39	Qatar	5.5
Saudi Arabia	6.01	41	Iran, Islamic Republic	5
United Arab Emirates	5.75	57	Egypt, Arab Republic	5
Qatar	5.21	77	Bahrain	5
Egypt, Arab Republic	5.16	79	Jordan	4.5
Kuwait	5.14	81	Algeria	4.5
Bahrain	4.83	100	Libya	4
Morocco	4.79	103	Morocco	4
Jordan	4.71	106	Israel	4
Algeria	4.51	119	Kuwait	3.5
Israel	4.41	124	Oman	3.5
Oman	4.14	136	Saudi Arabia	3
Tunisia	3.79	154	Tunisia	3



**Table 4: Stateness and Governance Pathways in MENA, From High to Low Involvement in Transnational Corruption\***

<b>PATHWAY</b>	<b>FORMS OF TRANSNATIONAL CORRUPTION AND MAIN ACTORS INVOLVED</b>	<b>IMPACTS AND THOSE ESPECIALLY AFFECTED</b>	<b>KEY COUNTRIES</b>
State fragility (civil war) pathway	Arms and human trafficking; illicit trade in stolen antiquities; smuggling oil, (subsidized) fuel, gold, and drugs (Captagon), manipulation and diversion of humanitarian aid.	Diffuse kleptocracy. Fuelling and prolonging violent conflict, financing violence, human rights violations, environmental degradation, undermining global health, draining public resources and loss of revenues, leaving humanitarian needs unaddressed.	Iraq, Libya Syria Yemen
	Armed forces (army, paramilitaries, insurgents—both domestic and foreign), government officials, foreign intervening states, local and international criminal organizations, foreign art dealers and oil- and fuel traders, customs and immigration authorities, police, security forces, local (regime-linked) businesses, international humanitarian organizations.	Migrants and refugees, those in need of humanitarian assistance, residents in areas of makeshift oil refining, people with medical conditions.	
State fragility (sectarian power-sharing) pathway	Transit drug trade, trade in fake/expired pharmaceuticals, fuel imports, (central) bank fraud and money laundering, arms and human trafficking. Fuel- and oil smuggling, corruption in oil contracts, and revenue management.	Diffuse kleptocracy. Negative global health impact, environmental degradation, loss of public resources, protracted political instability, undermines national currency and causes hyperinflation.	Iraq Lebanon
	Local and international criminal organizations, pharmacies, customs and immigration authorities, police, security forces, PCFs, government and central bank officials, armed groups, and foreign oil and fuel traders.	People with medical conditions, low-income households, deposit-holders, refugees.	

PATHWAY	FORMS OF TRANSNATIONAL CORRUPTION AND MAIN ACTORS INVOLVED	IMPACTS AND THOSE ESPECIALLY AFFECTED	KEY COUNTRIES
Rentier state pathway	Corruption in oil sector, large spending on arms and defense, and infrastructure projects. Corruption in SWFs and Dubai's regional hub, money laundering. Iran: corruption related to sanctions and Islamic Revolutionary Guards Corps (IRGC) cross-border "shadow economy," oil and fuel smuggling.	Centralized kleptocracy. Loss of public resources.	Iran Kuwait Saudi Arabia UAE
	Local government officials, international and national oil companies, arms manufacturers, local and foreign financial and consultancy firms, SWFs, foreign construction companies, the IRGC, domestic and international criminal organizations.	Residents of neglected areas (Saudi Arabia: Qatif), lower-income groups, <i>bidun</i> ("stateless" Kuwait), ordinary citizens hit by sanctions (Iran).	
Fierce state pathway	Human trafficking, drugs transit (tramadol, cannabis), small arms smuggling, foreign companies in construction procurement, foreign banks in domestic lending, arms procurement, and security sector spending.	Centralized kleptocracy. Draining public resources, misallocating private finance.	Egypt Jordan Morocco
	Local and international criminal organizations, government officials, immigration authorities, police, security forces, foreign arms manufacturers and traders, foreign banks.	Low-income groups dependent on the informal sector, migrants and refugees, low-income consumer households.	
Liberal democracy pathway	Bribery in arms procurement, foreign investment and contracts in extractives, construction and defense sector, including in sub-Saharan Africa, fuel and drugs smuggling, human trafficking.	Drain on public resources, causing corruption in developing states.	Israel Tunisia
	Government and defense officials, businessmen and investors abroad, local and international criminal organizations, customs and immigration authorities, police, security forces.	Low-income households, those dependent on the informal sector (Tunisia), citizens in sub-Saharan Africa, refugees.	

PATHWAY	FORMS OF TRANSNATIONAL CORRUPTION AND MAIN ACTORS INVOLVED	IMPACTS AND THOSE ESPECIALLY AFFECTED	KEY COUNTRIES
 <p>All Pathways</p>	<p>Corrupt/illicit assets in offshore banks, shell companies, foreign firms providing financial and legal services, libel litigation and “reputation management.”</p>	<p>Major loss of state assets, muzzling reporting on corruption, and curbing freedom of expression.</p>	<p>MENA</p>
	<p>Foreign enablers: lawyers, financial advisors, banks, offshore officials, real estate agents.</p>	<p>All of the above and media freedoms.</p>	

\*Color grading—high (dark red) to low (pink)—indicates very high to lower exposure to/involvement in transnational corruption.

## CIVIL WAR AND TRANSNATIONAL CORRUPTION

State fragility by civil war in MENA (SFP2) especially corresponds with extremely high levels of transnational corruption. The region’s civil wars indeed are to be understood not as intra-state conflicts but as prime examples of heavily transnationalized civil wars exposing strong international supply and demand sides of war-making involving a web of domestic, foreign, and transnational actors.<sup>44</sup> Border regions especially have escaped central state control for years, allowing for systematic smuggling and trafficking involving transnational actors and fueling armed conflict. In Syria, arms trafficking, human trafficking, and the illicit trade in stolen antiquities have been especially rife, mainly in the border regions with Turkey and Iraq. Criminal networks involve both pro-regime armed groups and rebels. Stolen antiquities have ended up at European and Asian auction houses and have been openly sold on social media. After the “Islamic State” (IS) seized oil fields in Deir ez-Zor (Syria) and Mosul (Iraq), and until its defeat in 2018–19, IS traded in crude and haphazardly refined petrol and *mazout* “fuel oil”, supplying both domestic and foreign markets.<sup>45</sup> Smuggling of subsidized fuel involved and financed armed groups in Iraq at times of armed conflict, including both IS and those fighting it. In the last few years, Syria’s production and export of the synthetic drug Captagon have surged dramatically, tying members and supporters of the ruling Assad family to foreign smugglers while purportedly involving Hizbullah.<sup>46</sup> Seizures of large caches of Captagon originating from Syria have been reported in 11 countries and as far as Malaysia.<sup>47</sup>

Parts of northeastern Syria bordering Iraq have also witnessed intense smuggling of livestock, tobacco, drugs, oil, weapons, antiquities, and people.<sup>48</sup> High revenues accrued accordingly are an important source of income for political elites and businessmen both on the Syrian and Iraqi sides of the border,

<sup>44</sup> Erika Forsberg, “Transnational Dimensions of Civil Wars,” in: T. David Mason & Sara McLaughlin Mitchell (eds), *What Do We Know About Civil Wars?*, (Rowman & Littlefield, 2016): 75–90.

<sup>45</sup> Erika Solomon (et.al), “Inside ISIS Inc: The Journey of a Barrel of Oil,” *The Financial Times*, 29 February 2019, <https://ig.ft.com/sites/2015/isis-oil/>

<sup>46</sup> Caroline Rose & Alexander Soderholm, “The Captagon Threat: A Profile of Illicit Trade, Consumption and Regional Realities,” (New Lines Institute for Strategy and Policy, April 2022), [https://newlinesinstitute.org/wp-content/uploads/20220404-Captagon\\_Report-NLISAP-final.pdf](https://newlinesinstitute.org/wp-content/uploads/20220404-Captagon_Report-NLISAP-final.pdf)

<sup>47</sup> Ibid: 23.

<sup>48</sup> Sinan Hatahet and Ayman Aldassouky, “Competition, Collusion and Smuggling: Syria’s Borders with Turkey and Iraq,” *EUI Middle East Directions Policy Brief*, March 2022, <https://cadmus.eui.eu/handle/1814/74364>

respectively controlled by the Syrian Democratic Forces (SDF)/the Autonomous Administration of North-Eastern Syria and the Kurdish Regional Government.

There are strong reasons to believe that the Global Organized Crime Index underrates Libya's involvement in and exposure to transnational organized crime and corruption. Armed groups have been smuggling heavily subsidized fuel, reaching neighboring countries and European markets via Malta. As one interviewee for this report observed, for every minister or militia leader enriching themselves from the trade in Libya, there is a counterpart abroad where the fuel is sold against prices up to fifty times higher than in Libya.<sup>49</sup> The smuggling has drained the Libyan state budget and fueled endless cycles of armed conflict. As little is done to stop the trade, many Libyans believe that fuel smuggling by Libyan armed groups and warlords directly or indirectly implicates their foreign (state) sponsors, including not only Russia (especially the private security company Wagner) but also Egypt, the UAE, and Turkey.<sup>50</sup> The same interviewee also noted that Libya's exposure to transnational crime and corruption seems grossly under-reported, primarily because affected areas in the south, including Sabha bordering Algeria, Niger, and Chad, are barely accessible to researchers and aid workers alike. The Sabha area is believed to be heavily implicated in arms trafficking.<sup>51</sup> Smuggling of gold extracted in the neighboring area south of the Harouj mountain and east of the Fezzan region repeatedly contributed to tribal clashes and has drawn the Sahel further into Libya's many conflicts, and vice versa.<sup>52</sup> In addition, the same areas and Libya at large have been an important conduit for transnational human trafficking of refugees.<sup>53</sup> Complicit in the trade are coast guard officials, immigration officers, security officials, ministry officials, members of armed groups, and officials in charge of migrants' detention centers.<sup>54</sup> Also, Libya has been hit by the trade in stolen antiquities with artifacts from the country ending up in Western capitals.

Since the conflict in Yemen escalated into a full-blown civil war in 2014, the country's war economy has featured intense maritime smuggling using traditional sailing vessels (dhows) and other small boats. The smuggling involves arms, ammunition, and chemicals for the manufacturing of explosives. These maritime networks mainly run through the Red Sea, the Gulf of Aden, and the Arabian Sea and have also been linked to ports in Oman and Iran. The United Nations (UN) Panel of Experts on Yemen repeatedly reported on seabound smuggling of assault rifles, missile components, ammunition, chemicals for explosives, and military hardware supplying Yemen's Houthi armed groups and the illicit market. The trade involves Djibouti, Iran, Oman, and Sudan.<sup>55</sup> The UN panel identified the weapons and other hardware as being manufactured in Bulgaria, Germany, Iran, Japan, the Netherlands, the People's Republic of China (PRC), and Russia.<sup>56</sup>

Where international humanitarian organizations, including UN agencies, provide aid in MENA's countries at war, aid supplies and resources have been seized, diverted, and manipulated by corrupt actors and combatants. In Syria, aid was appropriated by pro-regime forces and rebels for their own

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<sup>49</sup> K7—6-02-23. In February, the UN Security Council sanctioned six people, five of them Maltese, for smuggling illicit fuel from Libya. Aidan Lewis, "UN Resolution Targets Libyan Fuel Smugglers," Reuters, 30 June 2017, <https://www.reuters.com/article/us-libya-security-fuel-idUSKBN19L22Q>

<sup>50</sup> K7-06-02-23.

<sup>51</sup> Jérôme Tubiana and Claudio Gramizzi, *Tubu Trouble: State and Statelessness in the Chad-Sudan-Libya Triangle*, (HSBA, Security Assessment in North Africa and Conflict Armament Research, 2017), <https://www.smallarmssurvey.org/sites/default/files/resources/SAS-CAR-WP43-Chad-Sudan-Libya.pdf>

<sup>52</sup> K7-06-02-23. Ibid.

<sup>53</sup> Julien Brachet & Judith Scheele, "Captives at Large: On the Political Economy of Human Containment in the Sahara," *Politics & Society* 50.2 (2022): 255-278; Maggie Michael, Lori Hinnant and Renata Brito, "Making Misery Pay: Libya Militias Take Funds for Migrants," Associated Press, 31 December 2019, <https://apnews.com/article/united-nations-tripoli-ap-top-news-international-news-immigration-9d9e8d668ae4b73a336a636a86bdf27f>

<sup>54</sup> U.S. Department of State, Office to Monitor and Combat Trafficking in Persons, "2022 Trafficking in Persons Report: Libya," <https://www.state.gov/reports/2022-trafficking-in-persons-report/libya/>

<sup>55</sup> UN Panel of Experts on Yemen, "Final Report," 21 February 2023: 3, 18-27, <https://documents-dds-ny.un.org/doc/UNDOC/GEN/N22/770/93/PDF/N2277093.pdf?OpenElement>

<sup>56</sup> Ibid.; UN Panel of Experts, "Final Report," 26 January 2022: 29-34.

consumption or to be sold at illicit markets.<sup>57</sup> Regime supporters and relatives of regime incumbents staffed and sometimes led UN agencies locally, causing conflicts of interest and facilitating the manipulation and corruption of UN aid.<sup>58</sup> Regime officials and their cronies—sanctioned by the United States and the European Union (EU) for war crimes and abetting regime repression—preyed on significant UN local procurement contracts, enabling them to benefit financially from the humanitarian suffering they helped cause.

**Through networks of nominal company ownership held by allies posing as businessmen and via shell companies, regime incumbents hide their ownership of companies, obtain UN contracts, and transfer their wealth overseas where they keep bank accounts, own companies, and purchase real estate.<sup>59</sup>**

In early 2022, the head of the World Health Organization's Syria office, a foreign national, was placed under UN investigation for misplacing donor money, providing gifts to regime officials, and peddling influence to grant them contracts.<sup>60</sup> In Yemen, Houthi forces and other armed groups looted or seized UN aid items to sell them for profit on the illicit market while they demanded to be placed on beneficiaries' lists.<sup>61</sup> In 2019, EU funds to Libya, channeled through UN agencies to help protect and assist migrants, were reportedly diverted to armed groups, traffickers, and coast guard members who exploit migrants by trading refugees among themselves.<sup>62</sup> As alleged corruption and other malpractice in Syria and elsewhere in the region risked significantly crippling UN humanitarian aid programs, international human rights organizations called for stronger, preventive measures such as human rights-compliant procurement processes.<sup>63</sup>

## SECTARIAN POWER-SHARING AND TRANSNATIONAL CORRUPTION

Countries on the SFP2 are highly vulnerable to transnational corrupt networks, especially those operating in and from neighboring war-torn states. This is primarily because sectarian power-sharing cripples border protection and customs agencies while enforcement efforts are incapacitated by perpetual political gridlock, elites' impunity, and their clientelist ties to police and security officers and the judiciary. Following Lebanon's economic and fiscal collapse starting in 2019, some of its political elites have embraced the Captagon trade as a lifeline to keep enriching themselves and to finance their clientelism. As a result, Lebanon has served as an important conduit and enabler of the transnational Captagon trade.<sup>64</sup> Lebanon's key role in this respect is the latest mutation of its role historically as a major hub for trafficking heroin and hashish, heavily implicating its political leaders and warlords.<sup>65</sup> Enforcement agencies have made little or no attempt to intervene. The drug trade comes against the

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<sup>57</sup> Human Rights Watch, "Rigging the System: Government Policies Co-opt Aid and Reconstruction Funding in Syria," 28 June 2019, <https://www.hrw.org/report/2019/06/28/rigging-system/government-policies-co-opt-aid-and-reconstruction-funding-syria>; Carsten Wieland, *Syria and the Neutrality Trap: The Dilemmas of Delivering Humanitarian Aid Through Violent Regimes*, (Bloomsbury Publishing, 2021).

<sup>58</sup> Reinoud Leenders and Kholoud Mansour, "Humanitarianism, state sovereignty, and authoritarian regime maintenance in the Syrian war," *Political Science Quarterly* 133.2 (2018): 235.

<sup>59</sup> Ibid.; Syrian Legal Development Programme & Observatory of Political and Economic Networks, *UN Procurement Contracts in Syria: A "Few" Bad Apples?*, 2022, [https://storage.googleapis.com/karam\\_viz/karam\\_online\\_publications/OPEN-SLDP%20Report%202022-final.pdf](https://storage.googleapis.com/karam_viz/karam_online_publications/OPEN-SLDP%20Report%202022-final.pdf)

<sup>60</sup> Martin Chulov, "Head of WHO's Syria Office Faces Allegations of Fraud and Abuse," *The Guardian*, 20 October 2022, <https://www.theguardian.com/world/2022/oct/20/head-of-who-syria-office-allegations-dr-akjemal-magtyмова>

<sup>61</sup> Maggie Michael, "AP Investigation: Food Aid Stolen as Yemen Starves," *Associated Press*, 31 December 2018, <https://apnews.com/article/famine-bcf4e7595b554029bcd372cb129c49ab>; Moosa Elayah & Matilda Fenttman, "Humanitarian Aid and War Economies: The Case of Yemen," *The Economics of Peace and Security Journal*, 16:1 (2021).

<sup>62</sup> Maggie Michael, Lori Hinnant and Renata Brito, *Loc. Cit.*

<sup>63</sup> Human Rights Watch and Syria Legal Development Programme, "HRW and SLDP Guide on Human Rights-Compliant Procurement Processes in Syria," 27 January 2022, <https://www.hrw.org/news/2022/01/27/hrw-and-sldp-guide-human-rights-compliant-procurement-processes-syria>

<sup>64</sup> "The Hidden World of Captagon in Lebanon," *L'Orient Today*, portfolio, 2022-23, <https://today.lorientlejour.com/portfolio/877-hidden-world-of-captagon-in-lebanon>

<sup>65</sup> Jean-Pierre Filiu, *Stupéfiant Moyen-Orient. Une histoire de drogue, de pouvoir et de société*, (Editions du Seuil, 2023): 102-106, 169-174); Jonathan Marshall, *The Lebanese Connection: Corruption, civil war, and the international drug traffic*, (Stanford University Press, 2012).

backdrop of the country's significant involvement in international money laundering, human smuggling, and arms trafficking.<sup>66</sup>

Corrupt practices both in Lebanon's and Iraq's market for pharmaceuticals equally implicate global actors. An oligopoly of importers conspires with them in a highly lucrative trade in forged, faked, expired, and World Health Organization-prohibited medicines, just as they bribed politicians and penetrated the Health Ministry and government agencies in charge of controls and inspection.<sup>67</sup>

Corruption also significantly affected Lebanon's energy sector as political elites for years haggled over their *hissa* "share" of the electricity market while fiercely protecting their own stakes in the lucrative and illegal private generator business and eyeing up licenses for private electricity provision. Combined with the financial collapse starting in 2019, this contributed to sustained electricity outages, which became acute when the state's electricity company ran out of fuel. One year later, an international fuel-trading company, ZR Energy, seized on this opportunity by purchasing US\$20 million worth of fuel from the Algerian oil company Sonatrach.<sup>1</sup> Although the fuel shipment turned out to be contaminated and inadequate on arrival, it was offloaded nonetheless, allegedly after its importer bribed state inspectors. An arrest warrant was issued against ZR Energy's CEO, but as he runs the company and several subsidiaries from the UAE, he escaped justice. The Lebanese owners of the company and several of its subsidiaries in Dubai are associates of Sleiman Franjeh, a pro-Syrian Christian-Maronite politician allied with Hizbullah and a presidential candidate.

Iraq's sectarian power-sharing has fueled transnational corruption at levels aggravated by the country's violent conflicts and mismanagement of its vast oil wealth. While state institutions, enforcement agencies, and border controls have been paralyzed, the country turned into a hub for cross-border trafficking in persons, arms, synthetic drugs, fake or expired pharmaceuticals, and hydrocarbons. These criminal activities are believed to mostly involve foreign actors from MENA, Europe, and Latin America.<sup>68</sup> Smuggling rings steal subsidized refined fuel and crude oil in vast quantities to serve markets in neighboring countries. The trafficking involves armed groups aligned with the Popular Mobilization Forces and using shell companies.<sup>69</sup> At the end of 2022, senior public servants linked to the former prime minister's office had attempted to steal millions of dollars from a deposit held at the Ministry of Finance keeping tax revenues and royalties paid by a Russian and Chinese oil company.<sup>70</sup> The same network is suspected of having stolen US\$2.5 billion in tax deposits at a state-owned bank; only US\$125 million of the amount was recovered. Shortly before the theft, lawmakers had removed Iraq's main public spending auditing office from exercising oversight of such tax deposits.<sup>71</sup>

<sup>66</sup> "Lebanon," Global Organized Crime Index, 2021, <https://ocindex.net/country/lebanon>

<sup>67</sup> ACT & Expertise France, *Measuring Socio-Economic Impact of Corruption and Lack of Governance in the Pharmaceutical Sector*, (ACT, Expertise France, July 2020), <https://www.expertisefrance.fr/documents/20182/784558/Act+Pharmaceutical+Report/950bd1d1-e75e-4900-8874-88c3112d9b4f>; Renad Mansour, *Moving Medicine in Iraq: Networks Fuelling Everyday Conflict*, Chatham House, 29 November 2022, <https://www.chathamhouse.org/2022/11/moving-medicine-iraq-networks-fuelling-everyday-conflict>

<sup>68</sup> "Iraq," Global Organized Crime Index, 2021, <https://ocindex.net/country/iraq>

<sup>69</sup> Akeel Abbas, "Border Crossings: The Unholy Alliance Between Iran and Iraqi Militias," Carnegie Middle East Center, 28 April 2023, <https://carnegie-mec.org/2023/04/28/border-crossings-unholy-alliance-between-iran-and-iraqi-militias-pub-89643>. The Popular Mobilization Units are paramilitaries linked to Iran's IRGC and were established in 2014 to fight IS.

<sup>70</sup> Suadad al-Salhy, "Iraq's 'Theft of the Century': Plotters Targeted Chinese and Russian Oil Companies," Middle East Eye, 6 December 2022, <https://www.middleeasteye.net/news/iraq-theft-century-russia-china-oil-companies-targeted>

<sup>71</sup> "Iraq's 'Theft of the Century,'" Middle East Eye, 29 November 2022, <https://www.middleeasteye.net/news/iraq-theft-century-pm-sudani-recovered-stolen-tax-funds>



Representatives of international companies operating in Iraq were found guilty of granting bribes to obtain oil contracts, including a British citizen working with the British-Iranian energy consultancy firm Unaoil.<sup>72</sup> Earlier, in October 2020, the company's Iraq manager was also detained in the UK for paying more than US\$17 million in bribes to secure contracts from Iraqi oil authorities.<sup>73</sup> Swedish telecom company Ericsson admitted to paying bribes in several countries including Iraq; in 2019, it struck a deferred prosecution agreement with the U.S. Department of Justice but then pleaded guilty to breaching it as it withheld information on bribery and dealings with IS seeking permission to work in an IS-controlled area in Iraq.<sup>74</sup> International oil companies Eni, British Petroleum, and Lukoil were accused of failing to pay fines and compensations for violating regulations on gas flaring in southern Iraq.<sup>75</sup> Given steep levels of corruption in Iraq's oil institutions and tax agencies, it is suspected that bribery or influence peddling prevents the fines and compensations from being cashed. Corruption and political infighting in Iraq's government institutions, next to foreign oil companies' unwillingness to cooperate on technical requirements, has thus far prevented contracts with other international companies to capture gas from oil drilling from being carried out.<sup>76</sup> Iraqi political actors importing gas from Iran, linked to pro-Iranian armed groups, are among those believed to obstruct the initiative.<sup>77</sup>

## OIL RENTIER STATES AND TRANSNATIONAL CORRUPTION

Mismanagement of oil resources and revenues and, paradoxically, attempts to transition away from oil dependency exposed MENA countries on the RSP to significant levels of transnational corruption. The key problem in this respect does not seem to be oil as such but the deeply authoritarian style of governance associated with it and the concentration of power, discretionary spending, and near-complete lack of accountability that results.

Given the high dollar values, its complexity and centralization, its exploration and production contracts, and related contracts for the sector's infrastructure generally, the oil sector continues to be influenced by large-scale bribery and corruption involving foreign companies, multinationals, their agents, and intermediaries.<sup>78</sup> For example, in October 2021, the UK-registered company Petrofac was convicted of bribery between 2011 and 2017, amounting to US\$44 million to secure oil contracts in Iraq, Saudi Arabia, and the UAE.<sup>79</sup> A year earlier, an Iraq representative of another UK-based company, Unaoil, was convicted for having paid Iraqi oil officials US\$17 million in bribes to obtain contracts for constructing oil pipelines.<sup>80</sup> Complex webs of national and foreign oil companies, their subsidiaries, and private sector intermediaries have lent themselves to numerous corruption charges, including

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<sup>72</sup> Serious Fraud Office (UK), "To Further Individuals Charged in SFO's Unaoil Investigation," 30 November 2017

<sup>73</sup> Serious Fraud Office (UK), "Former Unaoil Executive Sentenced for Paying Bribes to Win \$1.7bn of Contracts," 8 October 2020, <https://www.sfo.gov.uk/2020/10/08/former-unaoil-executive-sentenced-for-paying-bribes-to-win-1-7bn-worth-of-contracts-in-post-occupation-iraq/>

<sup>74</sup> ICJ, "Ericsson Agrees to \$206m Plea Bargain with US in Bribery Case," International Consortium of Investigative Journalists, 3 March 2023, <https://www.icij.org/investigations/ericsson-list/ericsson-agrees-to-206m-plea-bargain-with-us-in-bribery-case/>; U.S. Department of Justice, "Ericsson to Plead Guilty and Pay Over \$206m Following Breach of 2019 FCPA Deferred Prosecution Agreement," 2 March 2023, <https://www.justice.gov/opa/pr/ericsson-plead-guilty-and-pay-over-206m-following-breach-2019-fcpa-deferred-prosecution>

<sup>75</sup> Eni and British Petroleum claim not they but their Iraqi partners are responsible for the gas flaring. Sara Manisera and Daniela Sala, "Iraq's Oil Boom Blamed for Worsening Water Crisis in Drought-hit South," The Guardian, 3 June 2023, <https://www.theguardian.com/environment/2023/jun/03/iraqs-oil-boom-blamed-for-worsening-water-crisis-in-drought-hit-south>

<sup>76</sup> Joe Sandler Clarke, "Big Oil's Dirty Secret in Iraq," Uneathed/Green Peace, 29 September 2022, <https://projects.uneearthed.greenpeace.org/big-oil-iraq/>

<sup>77</sup> Zeinab Shuker, "Gas Flaring in Iraq: Structural Issues, Geopolitical Players, and Policy Implications," Emirates Policy Center, 11 April 2022, <https://epc.ae/en/details/featured/gas-flaring-in-iraq-structural-issues-geopolitical-players-and-policy-implications>

<sup>78</sup> Charles McPherson, "Corruption in the Petroleum Sector," in: J. Edgardo Campos & Sanjay Pradhan (eds), *The Many Faces of Corruption: Tracking Vulnerabilities at the Sector Level*, (The World Bank, 2007): 191-220.

<sup>79</sup> Serious Fraud Office (UK), "Serious Fraud Office Secures Third Set of Petrofac Bribery Convictions," SFO, 4 October 2021, <https://www.sfo.gov.uk/2021/10/04/serious-fraud-office-secures-third-set-of-petrofac-bribery-convictions/>

<sup>80</sup> Serious Fraud Office (UK), "Former Unaoil Executive Sentenced for Paying Bribes to Win \$1.7 bln Worth of Contracts," SFO, 8 October 2020, <https://www.sfo.gov.uk/2020/10/08/former-unaoil-executive-sentenced-for-paying-bribes-to-win-1-7bn-worth-of-contracts-in-post-occupation-iraq/>

when Algeria's state-owned Sonatrach in 2018 purchased a refinery and fuel terminals in Italy from a subsidiary of ExxonMobil, allegedly against a heavily inflated price.<sup>81</sup>

Oil-producing countries' large spending on arms contracts and defense similarly fell victim to transnational corruption.<sup>82</sup>

**Describing corruption in the arms and defense sector as “representative of the business model for the industry,” a leading research project lists major arms deal scandals involving international suppliers to Saudi Arabia, the UAE, and other MENA countries.<sup>83</sup>**

In April 2021, a subsidiary of Airbus in the UK was ordered to pay US\$42 million over corrupt contracts with Saudi Arabia's National Guard.<sup>84</sup> A year earlier, a Kuwaiti parliamentary committee found large-scale misappropriations of funds in state procurement of Eurofighter Typhoons.<sup>85</sup> Being equally big spenders on large construction projects in MENA's oil-producing countries, the latter also fell victim to corruption involving foreign companies. For instance, a Dutch company, Strukton, was placed under investigation in the Netherlands for allegedly bribing a Saudi prince for a contract to build a subway in Riyadh; allegations the company denies.<sup>86</sup> Spain's former King Juan Carlos was probed over alleged bribery and aggravated money laundering linked to a high-speed train project in Saudi Arabia awarded to Spanish firms.<sup>87</sup>

Iran has been under tight United States and international sanctions for decades. This has aggravated the country's involvement in transnational corruption just as it suffered from corruption in its oil sector and spending of revenues, similar to other oil-producing countries. Sanctions have facilitated Iranian oil smuggling and money laundering, primarily involving the IRGC and a string of shell companies. For this purpose, these companies operate a “ghost fleet” of tankers owned by offshore front companies from Switzerland to Venezuela. The tankers switched to carrying Russian oil when Western sanctions were also imposed on Russia following its invasion of Ukraine.<sup>88</sup> Large sanctions-busting supplies of crude oil reach Iran's neighbors and countries worldwide and as far as the PRC. Iran's oil smuggling over land has been facilitated by IRGC proxies including Lebanese Hizbullah and Iraq's Popular Mobilization Units.<sup>89</sup> To circumvent financial sanctions, Iran flooded Iraq's market with goods to obtain U.S. dollars, evading customs and tariffs. Criminal gangs have colluded with the IRGC

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<sup>81</sup> In December 2022, two senior Sonatrach officials involved in the affair were found guilty of “squandering public funds, abuse of office and conflicts of interest” and received, respectively, ten- and four-year prison sentences. The refinery in Italy that Sonatrach had purchased is the same refinery that produced Lebanon's contaminated fuel, as described earlier in this report. “L'ancien PDG de Sonatrach, Ould Kaddour, condamné à 10 ans de prison,” *Le Matin d'Algérie*, 31 December 2022, <https://lematindalgerie.com/lancien-pdg-de-sonatrach-ould-kaddour-condamne-a-10-ans-de-prison-ferme/>

<sup>82</sup> MENA's oil and gas-producing countries are among the world's largest arms importers. Saudi Arabia is the world's second largest arms importer and Qatar the third largest. SIPRI, “Trends in International Arms Transfers, 2022,” SIPRI Factsheet, March 2023, [https://www.sipri.org/sites/default/files/2023-03/2303\\_at\\_fact\\_sheet\\_2022\\_v2.pdf](https://www.sipri.org/sites/default/files/2023-03/2303_at_fact_sheet_2022_v2.pdf)

<sup>83</sup> World Peace Foundation, The Graduate School of Global Affairs at Tufts University, “corruption tracker,” <https://sites.tufts.edu/wpf/wpf-supported-project-the-corruption-tracker/>

<sup>84</sup> “Ex Airbus Unit Ordered to Pay \$42 mln over Corrupt Saudi Contracts,” Reuters, 28 April 2021, <https://www.reuters.com/business/aerospace-defense/former-airbus-subsiary-plead-guilty-uk-corruption-over-saudi-contracts-2021-04-28/>

<sup>85</sup> Samir Salama, “Kuwait Parliament Asks Why Eurofighter Deal Is So Expensive,” *GulfNews*, 28 June 2020, <https://gulfnews.com/world/gulf/kuwait/kuwait-parliament-asks-why-eurofighter-deal-is-so-expensive-1.72293777>

<sup>86</sup> “Strukton CEO Sanderink Suspected of Bribery in Saudi Arabia Now,” *NewsBreezer*, 24 September 2022, <https://newsbreezer.com/netherlandseng/strukton-ceo-sanderink-suspected-of-bribery-in-saudi-arabia-now/>

<sup>87</sup> A Swiss court ruled there was insufficient evidence against the former king, although it was confirmed that he received \$100 million from Saudi Arabia's Finance Ministry. Since his abdication in 2014, Carlos has lived mostly in Dubai. “Spain Ex-King Juan Carlos probed over Saudi Rail Deal,” *BBC News*, 9 June 2020, <https://www.bbc.com/news/world-europe-52977739>; José Maria Irujo, “Close Friend of Spain's Emeritus King Transferred \$39 million from ‘Donation’ to a U.S. Bank,” *El País*, 25 March 2020, [https://english.elpais.com/spanish\\_news/2020-03-25/close-friend-of-spains-emeritus-king-transferred-39-million-from-donation-to-a-us-bank.html](https://english.elpais.com/spanish_news/2020-03-25/close-friend-of-spains-emeritus-king-transferred-39-million-from-donation-to-a-us-bank.html)

<sup>88</sup> Chris Cook & David Sheppard, “Iran's ‘Ghost Fleet’ Switches to Russian Oil,” *The Financial Times*, 7 February 2023, <https://www.ft.com/content/955389bf-d01b-4acb-bd15-b764425a8a18>

<sup>89</sup> Laura Adal & Sarah Fares, “Petroleum and Politics: Oil Smuggling and the Iran-Saudi Rivalry,” *GIATOC*, 27 January 2023, <https://globalinitiative.net/analysis/oil-smuggling-iran-saudi-arabia/>



in smuggling subsidized fuel to Pakistan and Afghanistan, while popular pressures prevented the Iranian government from removing these subsidies amidst growing domestic shortages.<sup>90</sup> In addition, the IRGC's control over Iran's economy extends to defense contracting, construction, the oil and gas sector, finance, real estate, telecommunications, and the manufacturing of electronic consumer goods.<sup>91</sup> The IRGC's entrepreneurship is largely unaccounted for, just as it profits from illicit markets by being in charge of the country's border protection. Through secretive holdings, the IRGC channels funds for clandestine military and other operations overseas such as in Syria. A leaked audio recording of a conversation between IRGC officers in February 2022 purportedly revealed that such funds are riddled with corruption.<sup>92</sup>

MENA's conservative oil-producing states have made efforts to reduce their dependency on hydrocarbons and diversify their economies. SWFs with branches in Western and Asian capitals and investing in global businesses have been key to these efforts. However, due to a lack of transparency and failing independent controls against political interference, SWFs have suffered from misappropriation of funds and transnational corruption in Kuwait, Qatar, Saudi Arabia, and the UAE.<sup>93</sup> The UAE has taken its diversification policies a step further as Dubai transformed into a major global and regional hub for financial services, trade, and real estate development. Due to minimal regulation of the UAE's thriving "free trade zones," Dubai came to play a key role in the transit trade of illicit gold, precious stones, and stolen antiquities while it facilitated money laundering and global tax evasion. Dubai is a much-favored destination of criminal capital invested in high-end real estate just as it hosts corrupt and criminal actors, including (relatives or business allies of) Syrian, Russian, and Belarusian regime incumbents, members of Iran's IRGC, Afghan warlords, Armenian criminals, and drug traffickers from the Balkans.<sup>94</sup> In 2023, the Financial Action Task Force nevertheless reported that the UAE demonstrated "significant progress" in its Anti-Money Laundering and Counter-Terrorist Financing regime.<sup>95</sup>

## FIERCE STATES AND TRANSNATIONAL CORRUPTION

MENA countries on the FSP did not show the same strong transnational dimensions of corruption witnessed elsewhere in the region. Nonetheless, Egypt has been involved in transnational organized crime including human smuggling across the Mediterranean (peaking 2016–2017), arms trafficking, and

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<sup>90</sup> "Iran Grapples with growing Fuel Smuggling as Local Demand Rises," Argus Media, 1 May 2023, <https://www.argusmedia.com/en/news/2444585-iran-grapples-with-fuel-smuggling-as-local-demand-rises>

<sup>91</sup> Ali Alfoneh, *Iran Unveiled: How the Revolutionary Guards Is Turning Theocracy Into Military Dictatorship*, (AEI Press / Rowman & Littlefield, 2013): 165-192.

<sup>92</sup> RFE / Radio Farda, "Radio Farda Exposé on IRGC Corruption, Infighting Raises Ire of Iranian Authorities," 18 February 2018, <https://www.rferl.org/a/farda-leaked-conversation-corruption-irgc/31710316.html>; Henry Rome, "Inside Iran's Regime (Part 3): IRGC Economic Frustrations," *The Washington Institute for Near East Policy*, 30 March 2023, <https://www.washingtoninstitute.org/policy-analysis/inside-irans-regime-part-3-irgc-economic-frustrations>

<sup>93</sup> "Kuwait Says No Prosecutions in Sovereign Fund Probe," Reuters, 30 March 2016, <https://www.reuters.com/article/kuwait-swf-idUSL5N1725B6>; Neil Patrick, "Kuwait's Sovereign Wealth Fund: Barely Accountable and Allegedly Corrupt," 9 December 2019, <https://www.neilpatrick.com/blog/kuwait-s-sovereign-wealth-fund-barely-accountable-and-allegedly-corrupt>; Simeon Kerr & Mercedes Ruehl, "Two Abu Dhabi State Funds Agree \$1.8bn IMBD Settlement," *The Financial Times*, 27 February 2023, <https://www.ft.com/content/449dcd72-6610-4c2c-af9c-58860229980b>; Bradley Hope & Nicolas Parasie, "Abu Dhabi Sovereign-Wealth Fund Gets Entangled in Global IMBD Scandal," *The Wall Street Journal*, 1 December 2016, <https://www.wsj.com/articles/malaysian-money-trail-leads-to-the-middle-east-1480614247>; Stephan Roll, *A Sovereign Wealth Fund for the Prince*, (SWP, July 2019), [https://www.swp-berlin.org/publications/products/research\\_papers/2019RP08\\_rll\\_Web.pdf](https://www.swp-berlin.org/publications/products/research_papers/2019RP08_rll_Web.pdf); "Qatar Charges Ex-Finance Minister with Bribery, Embezzlement," AP, 19 March 2023, <https://apnews.com/article/qatar-ali-alemadi-corruption-embezzlement-243a818c75c5bb1278ccd314ca889e41>

<sup>94</sup> Transparency International, "The United Arab Emirates: A Key Piece in the Global Money Laundering Puzzle," (TI, 11 May 2020), <https://www.transparency.org/en/news/the-united-arab-emirates-a-key-piece-in-the-global-money-laundering-puzzle>; Annette Alstadsaeter et.al., *Who Owns Offshore Real Estate? Evidence from Dubai*, (EU Tax Observatory, May 2022), <https://www.taxobservatory.eu/wp-content/uploads/2022/05/APZO2022-2.pdf>; Sarah Lezhnev & Megha Swamy, *Understanding Money Laundering Risks in the Conflict Gold Trade From East and Central Africa to Dubai and Onward*, (The Sentry, November 2020), <https://thesentry.org/reports/conflict-gold-trade/>; Paul Cochrane, "Dubai, Switzerland, London: How the UAE Became a Smuggling Hub for 'Blood Gold'," *Middle East Eye*, 26 December 2020, <https://www.middleeasteye.net/news/dubai-switzerland-london-how-uae-became-smuggling-hub-blood-gold>; Karina Shedrofsky, "Dubai's Golden Sands," OCCRP, 12 June 2018, <https://www.occrp.org/en/goldensands/dubais-golden-sands>; Ali Alfoneh, Op. Cit.: 169-171.

<sup>95</sup> FATF, "Jurisdictions Under Increased Monitoring," 24 February 2023; <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Increased-monitoring-february-2023.html>

illicit trade in drugs (tramadol) from neighboring Libya for both domestic consumption and channeled to Gaza and North and West Africa.<sup>96</sup> Criminal networks operating from Egypt were involved in human smuggling overseas from Libya to Italy.<sup>97</sup> Egypt acted as a transit point for trafficking heroin from Asia to Europe. Morocco is a transit country for and source of migrant smuggling, has been a major exporter of illegal cannabis, and has acted as a key trans-shipment point for cocaine from South America.<sup>98</sup> Morocco's criminal and corrupt networks involve members of Moroccan descent active in the Netherlands and Belgium. Jordanian Bedouin tribes are involved in the smuggling of arms and drugs to and from neighboring Syria.<sup>99</sup>

Otherwise, direct foreign or transnational involvement in corruption in Egypt has been limited. However, following the Egyptian uprising in 2011, investigations revealed murky gas deals struck between Egypt and Israel, allegedly involving bribery of senior Egyptian officials of the ancient regime and even former President Mubarak to allow for heavily discounted prices for Egyptian gas sold to Israel.<sup>100</sup> This may suggest that the country's gas sector is also vulnerable to transnational corruption. More recently, concerns have been raised regarding non-transparent bidding or the failure to hold tenders altogether for construction works at Egypt's US\$45 billion new administrative capital, contracted to Chinese companies.<sup>101</sup> Since the mid-2000s, Egypt has opened up its financial sector to foreign-owned banks. However, research has shown that this did not significantly improve lending practices, which are still heavily skewed in favor of PCFs.<sup>102</sup> This suggests that foreign banks similarly favored PCFs. Egypt's pending sale of several key state-owned enterprises risks being exposed to corruption given the country's record of corrupt privatization deals involving Saudi investors.<sup>103</sup> Companies from the Arab Gulf countries are expected to be among the main buyers, as these countries have seen their financial and business presence in Egypt grow since President Abd al-Fattah al-Sissi's rise to power in 2014.<sup>104</sup>

Furthermore, fierce states' arms procurement and security sectors have been heavily affected by bribery and corruption. This particularly has been a concern as these countries have stepped up their security and defense spending since the Arab uprisings, especially on internal security and police.<sup>105</sup> Researchers William Hartung and Seth Binder in this context claim that sizable United States military assistance to Egypt<sup>106</sup> "[h]as helped underwrite and subsidize the dominant political and economic role

<sup>96</sup> "Egypt," Global Organized Crime Index, 2021, <https://ocindex.net/country/egypt>

<sup>97</sup> "Nine Arrested For people Smuggling After Greece Migrant Ship Disaster," France24, 15 June 2023, <https://www.france24.com/en/europe/20230615-nine-arrested-for-people-smuggling-after-greece-migrant-ship-disaster>

<sup>98</sup> "Morocco," Global Organized Crime Index, 2021, <https://ocindex.net/country/morocco>

<sup>99</sup> "Jordan," Global Organized Crime Index, 2021, <https://ocindex.net/country/jordan>

<sup>100</sup> Al-Mubadira al-Masriya li-al-huquq al-shakhsiya, *Fasad ta' aqadat al-Ghaz fi 'Asr Mubarak*, 2013, [https://eipr.org/sites/default/files/pressreleases/pdf/fsd\\_tqdt\\_lgz\\_fy\\_sr\\_mbrk.pdf](https://eipr.org/sites/default/files/pressreleases/pdf/fsd_tqdt_lgz_fy_sr_mbrk.pdf); Al-Jazeera, "Egypt's Lost Power," Al-Jazeera Investigative Unit documentary, 9 June 2014, <https://www.aljazeera.com/program/investigations/2014/6/9/egypts-lost-power>. In 2012 and 2015, Egyptian courts cleared Mubarak and other officials of any wrongdoing.

<sup>101</sup> KB-06-05-23. The \$45 billion project for a new administrative capital, widely criticized for being a vanity project Egypt cannot afford, is partly funded by Chinese capital. Grady McGregor, "China Emerges as lead Funder for Egypt's New Administrative City," Al-Monitor, 20 December 2022, <https://www.al-monitor.com/originals/2022/12/china-emerges-lead-funder-egypts-new-administrative-city>

<sup>102</sup> Ishac Diwan & Marc Schiffbauer, "Private Banking and Crony Capitalism in Egypt," *Business and Politics*, 20 (3) (2018): 390-409.

<sup>103</sup> K3-05-31-23; Doaa Farid, "'Significant Progress' Made in Solving NUBASEED Dispute: Saudi Investor," *Daily News Egypt*, 7 December 2014, <http://www.dailynewsegyp.com/2014/12/07/significant-progress-made-solving-nubaseed-dispute-saudi-investor/>; Maggie Frick, "Egypt Drags Its Feet in Privatization Tussle," *Reuters*, 29 May 2013, <https://www.reuters.com/article/us-egypt-renationalisation-idINBRE94S0Q420130529>

<sup>104</sup> "Cash-strapped Egypt Sells State Assets to Gulf Nations," France24, 15 February 2023, <https://www.france24.com/en/live-news/20230215-cash-strapped-egypt-sells-state-assets-to-gulf-nations>

<sup>105</sup> Measuring MENA defence and security spending is difficult due to variable definitions of what expenditures should be included and because such spending often is off budget and unreported. For expenditures on internal security in MENA, generally an increase has been suggested between 2011–2015. See: Melani Cammett & Ishac Diwan, "The Roll-Back of the State and the Rise of Crony Capitalism," in: Ahmed Galal & Ishac Diwan (eds), *The Middle East Economies in Times of Transition*, (Palgrave Macmillan, 2016): 78-79. The World Bank's WDI (based on SIPRI data) suggest a steep increase in arms imports for Egypt, a slight increase for Jordan, and a decline for Morocco. <https://databank.worldbank.org/source/world-development-indicators> Between 2017-21. In 2021, Egypt was the world's third largest arms importer. Stockholm International Peace Research Institute, *SIPRI Yearbook 2022 Online*, (SIPRI, 2022).

<sup>106</sup> United States military aid to Egypt since 1978 amounted to more than \$50 billion or about \$1.3 billion per year. U.S. Department of State, "US Relations with Egypt, Bilateral Relations Fact Sheet," DOS, Bureau of Near Eastern Affairs, 29 April 2022, [USAID](https://www.state.gov/u-s-relations-with-egypt/#:~:text=U.S.%20assistance%20to%20Egypt%20has,%2430%20billion%20in%20economic%20assistance;Project on Middle East</a></p></div><div data-bbox=)

of the Egyptian military, which has used its businesses not only to enhance its own wealth, but also to buy loyalty through subcontracts.”<sup>107</sup> The Government Defense Integrity Index (2020), an index developed by Transparency International, counted Egypt among the world’s largest arms importers deemed to be at a “critical risk” of defense sector corruption.<sup>108</sup>

## LIBERAL DEMOCRACY AND TRANSNATIONAL CORRUPTION

Israel has one of the lowest levels of perceived corruption in the region, yet cases of the country’s involvement in transnational corruption were reported, including in arms procurement. For example, in 2016, officials purportedly received large bribes in a deal for submarines with German shipbuilders; the bribe recipients allegedly were close associates of Prime Minister Netanyahu.<sup>109</sup> Investigations into the case both in Israel and Germany are still ongoing. Furthermore, Israel’s domestic corruption scandals involving Netanyahu have a foreign dimension.<sup>110</sup> Israeli businessmen have repeatedly been involved in the bribery of state officials to obtain highly profitable contracts in Sub-Saharan Africa’s natural resource and mining sector, defense and security, and construction.<sup>111</sup> In an assessment by Transparency International of countries’ enforcement of the Organization for Economic Co-operation and Development Anti-Bribery Convention, Israel in 2022 dropped from “active” to “moderate enforcement.”<sup>112</sup> Israeli state actors are generally not involved in transnational organized crime, but some reports suggest that public servants have been complicit in drug trafficking and the blood diamond trade.<sup>113</sup>

Following its Jasmine Revolution in 2011, Tunisia entered a precarious transition to liberal democracy. Corrupt business agglomerates controlled by the extended family of deposed President Ben Ali enjoyed lucrative partnerships with foreign companies, including French supermarket chains and telecommunication firms.<sup>114</sup> Few of the most corrupt members of the *ancien régime* faced justice as they fled abroad, taking some of their ill-gotten assets with them.<sup>115</sup> Although Tunisia has since turned its back to the worst excesses of Ben Ali’s kleptocracy, significant levels of corruption do not seem to heavily involve international companies or other foreign actors. Indeed, Tunisia’s widespread corruption has been found to deter them from investing in the country altogether, adding to its

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Democracy, “Factsheet – U.S. Military Assistance to Egypt: Separating Fact From Fiction,” 30 July 2020, <https://pomed.org/publication/factsheet-u-s-military-assistance-to-egypt-separating-fact-from-fiction/>

<sup>107</sup> William D. Hartung & Seth Binder, “US Security Assistance to Egypt: Examining the Return on Investment,” Project on Middle East Democracy & Center for International Policy, May 2020: 14, [https://pomed.org/wp-content/uploads/2020/05/200506\\_SecurityAssistanceToEgypt.pdf](https://pomed.org/wp-content/uploads/2020/05/200506_SecurityAssistanceToEgypt.pdf)

<sup>108</sup> Other MENA states at “critical risk” were Saudi Arabia, Algeria, Iraq and Qatar. Transparency International, “Government Defence Integrity Index (2020),” <https://ti-defence.org/gdi/>

<sup>109</sup> World Peace Foundation, The Graduate School of Global Affairs at Tufts University, “German Submarine Sales to Israel,” 5 August 2020, <https://sites.tufts.edu/corruptarmsdeals/german-submarine-sales-to-israel/>

<sup>110</sup> Among other charges, Netanyahu is accused of having accepted up to US\$200,000 in gifts from former arms dealer and film producer Arnon Milchan in exchange for requesting USG policymakers to extend Milchan’s visa. Associated Press, “I Routinely Gave Netanyahu Gifts, Hollywood Producer Tells Israeli Court,” The Guardian, 25 June 2023, <https://www.theguardian.com/world/2023/jun/25/hollywood-producer-testifies-at-netanyahu-corruption-trial>

<sup>111</sup> Yotam Gidron, *Israel in Africa: Security, Migration, Interstate Politics*, (Bloomsbury Publishing, 2020). For recent cases of (alleged) bribery: Shuki Sadeh, “Bribery Scandal at Israeli Construction Giant Blows Cover Off Its Business Practices in Africa,” Haaretz, 9 March 2018, <https://www.haaretz.com/israel-news/2018-03-09/ty-article/bribery-scandal-at-israeli-construction-giant-blows-cover-off-its-busi/0000017f-f009-d8a1-a5ff-f08b77cd0000>; BBC News, “Dan Gertler – The Man at the Center of DR Congo Corruption Allegations,” 23 March 2021, <https://www.bbc.com/news/world-africa-56444576>; “Israel Diamond Mogul Arrested in Massive Africa Bribery Scandal,” The Times of Israel, 19 December 2016, <https://www.timesofisrael.com/renowned-businessman-suspected-of-bribing-foreign-officials/>; “Israeli Shipyard Suspected of Bribery in Nigerian Warship Deal,” DefenceWeb, 23 March 2018, <https://www.defenceweb.co.za/sea/sea-sea/israeli-shipyard-suspected-of-bribery-in-nigerian-warship-deal/>; Eric Lipton & Dionne Searcey, “Fight Over Corruption and Congo’s Mining Riches Takes a Turn in Washington,” The New York Times, 2 April 2023, <https://www.nytimes.com/2023/04/02/us/politics/dan-gertler-biden-congo-sanctions.html>

<sup>112</sup> Transparency International, *Exporting Corruption 2022 – Assessing Enforcement of the OECD Anti-Bribery Convention*, October 2022, [https://images.transparencycdn.org/images/2022\\_Report-Full\\_Exporting-Corruption\\_English.pdf](https://images.transparencycdn.org/images/2022_Report-Full_Exporting-Corruption_English.pdf)

<sup>113</sup> “Israel,” Global Organized Crime Index, 2021, <https://ocindex.net/country/israel>

<sup>114</sup> Bob Rijkers et. al, “All in the Family: State Capture in Tunisia,” World Bank, MENA Knowledge and Learning, May 2014, <https://openknowledge.worldbank.org/server/api/core/bitstreams/3ecd28ac-a244-537f-8c62-c9e2d7a950ab/content>; Paul Taylor, “Tunisian Economy to Be Purged -Economist,” Reuters, 17 January 2017, <https://www.reuters.com/article/tunisia-protests-economy-idAFLDE70G24A20110117>

<sup>115</sup> “The Cronies of Tunisia’s Ben Ali: Where Are They Now?,” France24/AFP, 12 January 2021, <https://www.france24.com/en/live-news/20210112-the-cronies-of-tunisia-s-ben-ali-where-are-they-now>

economic woes.<sup>116</sup> One of the few reported cases of foreign bribery involved the French-British company Alstom, which was found guilty in the UK in 2018 of making corrupt payments of more than US\$5 million to win a tram and infrastructure contract in Tunisia.<sup>117</sup> Tunisian border authorities, widely perceived as corrupt, have been involved in fuel smuggling from neighboring Libya and cannabis from Morocco.<sup>118</sup> Also, human trafficking has become a growing concern in this context, as illegal immigrants are increasingly taking the perilous route across the Mediterranean from Tunisia.<sup>119</sup>

## ALL PATHWAYS: TRANSNATIONAL LAUNDERING OF CORRUPT ASSETS

The different MENA pathways have shown significant variation in terms of the manifestation and intensity of transnational corruption. Yet, a common denominator is MENA's corrupt actors' reliance on international financial institutions, accountants, foreign law firms, real estate agents, and art dealers to place or invest their ill-gotten assets abroad, often in offshore accounts and using a web of shell companies to disguise their beneficial ownership. From this perspective, corruption can be regarded as having transnational features when its proceeds are placed abroad with the assistance of international enablers.<sup>120</sup>

Various leaks of large caches of financial data, including as documented in the 2016 Panama Papers, have shown that MENA political leaders and seniors hid their assets abroad in the international financial system.<sup>121</sup> Beneficial ownership of large offshore accounts and companies was traced to (former) heads of state, politicians, officials, and dignitaries from Bahrain, Egypt, Iraq, Israel, Jordan, Qatar, Saudi Arabia, Syria, and Tunisia. While it mostly cannot be proven that these assets were derived from corruption, the amounts often were far more than their owners' known or declared income. The fact that the assets were strenuously hidden added to suspicions that they were gained by corrupt means. Also, the UAE featured in some of the leaks as a major destination of—or transit channel for revenues—derived from corruption and/or organized crime involving persons from across MENA and beyond.<sup>122</sup> Following UN sanctions against former Yemeni President Ali Abdullah Saleh, a UN Panel of Experts reported that Saleh and his relatives had several companies registered in offshore jurisdictions including the Bahamas, British Virgin Islands, Singapore, and the UAE, in addition to owning properties in France and the Netherlands.<sup>123</sup>

Lebanese politicians scrambled to transfer billions of dollars of assets abroad when the country's economy collapsed in 2019. A large part of the sum is likely to have been derived from corrupt activities and enterprises. Lebanese banks' subsidiaries in Europe are suspected of having concealed

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<sup>116</sup> Makrem Ben Doudou & Christophe Rault, *The Determinants of Tunisia's Trade Deficit in Recent Years: A Gravity Model Approach*, Economic Research Forum (Cairo), June 2020, <https://erf.org.eg/publications/the-determinants-of-tunisia-trade-deficit-in-recent-years-a-gravity-model-approach/>

<sup>117</sup> Serious Fraud Office (UK), "Five Convictions in SFO's Alstom Investigation...", SFO, 19 December 2018, <https://www.sfo.gov.uk/2018/12/19/five-convictions-in-sfos-alstom-investigation-into-bribery-and-corruption-to-secure-e325-million-of-contracts/>

<sup>118</sup> "Tunisia," Global Organized Crime Index, 2021, <https://ocindex.net/country/tunisia>

<sup>119</sup> FRONTEX, Risk Analysis for 2022/2023, 2023: 24, [https://frontex.europa.eu/assets/Publications/Risk\\_Analysis/Risk\\_Analysis/ARA\\_2022\\_Public\\_Web.pdf](https://frontex.europa.eu/assets/Publications/Risk_Analysis/Risk_Analysis/ARA_2022_Public_Web.pdf)

<sup>120</sup> ACT, ACE Global Integrity & UKAid, *Global Finance and the Enablers of Corruption*, 13 October, 2022, [https://ace.globalintegrity.org/wp-content/uploads/2022/10/GI-ACE\\_ACT\\_Global\\_Finance.v.FINAL\\_.10.19.pdf](https://ace.globalintegrity.org/wp-content/uploads/2022/10/GI-ACE_ACT_Global_Finance.v.FINAL_.10.19.pdf); Sophie Lemaître & Anrike Visser, *Kleptocrats Trusted helpers: The Professions that Enable Illicit Financial Flows*, CMI U4 Anti-Corruption Resource Center, 2023, <https://www.u4.no/publications/kleptocrats-trusted-helpers.pdf>

<sup>121</sup> Other such major financial leaks include the 2015 Swiss leaks, the 2017 Paradise Papers leak, the 2021 Pandora Papers leak, the 2022 Suisse Secrets data leak and the 2022 Dubai Uncovered leak. See International Consortium of Investigative Journalists, <https://www.icij.org/investigations/>; Organized Crime and Corruption Reporting Project, <https://www.occrp.org/en>

<sup>122</sup> Maggie Michael & Michael Hudson, "Pandora Papers Reveal Emirati Royal Families' Role in Secret Money Flows," ICIJ, 16 November 2021, <https://www.icij.org/investigations/pandora-papers/pandora-papers-reveal-emirati-royal-families-role-in-secret-money-flows/>; Matthew Kupfer & Eiliv Frich, "Dubai Uncovered," OCCRP, 3 May 2022, <https://www.occrp.org/en/investigations/dubai-uncovered-data-leak-exposes-how-criminals-officials-and-sanctioned-politicians-poured-money-into-dubai-real-estate>

<sup>123</sup> UN Security Council, "Final Report of the Panel of Experts on Yemen," 26 January 2018, [https://www.securitycouncilreport.org/un\\_documents\\_type/sanctions-committee-documents/page/2?ctype=Yemen&cbytype=yemen#038:cbytype=yemen](https://www.securitycouncilreport.org/un_documents_type/sanctions-committee-documents/page/2?ctype=Yemen&cbytype=yemen#038:cbytype=yemen)



the sudden money influx.<sup>124</sup> In May 2023, France and Germany issued an arrest warrant against Lebanon's Central Bank governor, Riyad Salameh, for hiding ill-gotten assets in France, Germany, Luxembourg, and Switzerland.<sup>125</sup>

Attempts at the recovery of illicit assets kept by former MENA leaders or their relatives have had mixed results due to a lack of political will and bureaucratic obstacles in MENA countries and a paucity of cooperation of and legal impediments in asset-holding countries including the UK, several EU countries, Switzerland, Australia, Canada, and the United States.<sup>126</sup> Asset recovery involving Yemen (Ali Abdullah Saleh and associates) and Egypt (the Mubarak family) has so far been largely unsuccessful.<sup>127</sup> Only some assets of the late Libyan leader Mu'amar al-Qadhafi and late Tunisian President Ben Ali were returned to Libya and Tunisia.<sup>128</sup>

Assisted by Western law firms, MENA politicians and politically connected businessmen have filed libel cases aimed at muzzling media and academics investigating corruption, especially in the UK.<sup>129</sup> According to the UK government, winning such court cases often is less important than "using the threat of endless legal action and associated costs to pressure [...] opponents under defamation and privacy laws."<sup>130</sup>

**The UK's "libel tourism" has fostered a growth industry of legal firms specializing in "reputation management," offering their services among others to several MENA leaders and wealthy businessmen who were alleged to be involved in corruption or other crimes.<sup>131</sup>**

## STRATEGIC CORRUPTION AND MENA

The U.S. strategy on countering corruption defines strategic corruption as "when a government weaponizes corrupt practices as a tenet of its foreign policy."<sup>132</sup> A 2020 *Foreign Affairs* article described the "transformation of corruption into a national strategy" primarily informed by Russia's recent influence peddling in Ukraine via corrupt business allies and by large companies with ties to the PRC bribing heads of state in sub-Saharan Africa for them to do their bidding.<sup>133</sup> It has since gained wider currency, but still primarily to denounce Russian and PRC practices.

<sup>124</sup> The Policy Initiative, "William Bourdon and Amelie Lefebvre on the Investigation into Riad Salameh," 22 June 2023, <https://www.youtube.com/watch?v=1TaipSmV5A8>

<sup>125</sup> Interpol, "Salame, Riad Toufik: Wanted by France," n.d., <https://www.interpol.int/en/How-we-work/Notices/View-Red-Notices#2023-30656> See also: Organized Crime and Corruption Reporting Project, "French Bank Let Associates of Lebanon's Central Bank Governor Move Funds Unhindered," 24 May 2023, <https://www.occrp.org/en/daily/17668-report-french-bank-let-associates-of-lebanon-s-central-bank-governor-move-funds-unhindered>; Rola Ibrahim, "Waq'a'i mulahiqa Salameh: Safqa li-al-hakim min Swisra," *Al-Akhbar*, 17 May 2023, <https://al-akhbar.com/Politics/362747>; Jana al-Duhaybi, "Swisra tuhaqiq ma' Salameh bi-Sha'n 'al-amwal al-manhuba' fi Lubnan," *al-Jazeera*, 26 January 2021, <https://www.aljazeera.net/politics/2021/1/26/سويسرا-اتحقق-بمعم-سلامة-حول-الاموال>

<sup>126</sup> K17-07-05-23. Stolen Asset Recovery Initiative, the World Bank, "Asset Recovery Watch Database," no date, <https://star.worldbank.org/asset-recovery-watch-database>; Mohamed Shaban, "Inside the Global Hunt to Recover Libya's Stolen, Gadhafi-Era Assets," *DAWN*, 28 September 2021, <https://dawnmena.org/inside-the-global-hunt-to-recover-libyas-stolen-gadhafi-era-assets/>

<sup>127</sup> *Ibid.*; Civil Forum for Asset Recovery, *Yemen's Stolen Assets: Past and Future*, (CIFAR, 2020), <https://cifar.eu/wp-content/uploads/2020/05/Yemen-Assets-EN.pdf>

<sup>128</sup> Stolen Asset Recovery Initiative, the World Bank, "Asset Recovery Watch Database," no date, <https://star.worldbank.org/asset-recovery-watch-database>

<sup>129</sup> See, e.g.: Jumana Al Tamimi, "Saudi Businessman Wins Libel Case Against UK Publisher," *Gulf News*, 30 July 2007, <https://gulfnews.com/world/gulf/saudi/saudi-businessman-wins-libel-case-against-uk-publisher-1.191755>; Kai Falkenberg, "Forbes Wins Key Ruling in Libel Suit by Saudi Prince," *Forbes*, 26 November 2014, <https://www.forbes.com/sites/kaifalkenberg/2014/11/26/forbes-wins-key-ruling-in-libel-suit-by-saudi-prince/?sh=7bd43800e32b>

<sup>130</sup> UK Government, "Press Release: Government Clampdown on the Abuse of British Courts to protect Free Speech," 17 March 2022, <https://www.gov.uk/government/news/government-clampdown-on-the-abuse-of-british-courts-to-protect-free-speech>

<sup>131</sup> See: The Legal 500, "Reputation Management," no date, <https://www.legal500.com/c/london/tmt-technology-media-and-telecoms/reputation-management/>

<sup>132</sup> THE WHITE HOUSE, "U.S. STRATEGY ON COUNTERING CORRUPTION," DECEMBER 2021.

<sup>133</sup> Philip Zelikow, Eric Edelman et al., "The Rise of Strategic Corruption," *Foreign Affairs*, 99:4, 2020.

As such, the notion of strategic corruption has considerable resonance when applied to MENA. Yet the concept was little known to the interviewees and few could immediately think of patent examples in the region. What is certain is that there are no equivalents in MENA of a business tycoon like Dmytro Firtash or a president like Idriss Déby who were bribed into unreservedly doing the bidding of Russia and the PRC in Ukraine and the Central African Republic, respectively.

**Like during the Cold War, MENA leaders are adept at playing their foreign sponsors against one another, receiving their support but without becoming fully beholden to them.<sup>134</sup>**

For instance, the Syrian regime has benefited greatly from both Russian and Iranian military and diplomatic support to fight off a vicious insurgency, but it counterbalanced both countries to preserve its own interests and relevance.<sup>135</sup> Egypt's military government led by President Sisi similarly has been hedging United States and Russian military and diplomatic support with the apparent aim of extracting concessions from each.<sup>136</sup> To the extent that corruption or foreign bribery of key state officials may occur in this context, it is unlikely to have caused Syrian or Egyptian regime incumbents to fall in line with foreign states' national strategies.

Regardless, there are strong reasons to believe that MENA states or regime incumbents have been systematically exposed to foreign states' bribery or corruption just as they have been involved in such practices themselves to influence decision-makers of other states. To capture these dynamics, the team distinguished strategic corruption into wielding corrupt inducements, *against* MENA countries by states outside the region, *among* MENA states, and *by* MENA states against countries *outside the region*.

Examples of **states outside the region using corruption as a tool to influence MENA** countries include Russia's intervention in the Syrian conflict. To secure Russian interests within the Syrian regime, and counter those of Iran, Russia established close relations with Syrian regime incumbents such as the powerful Makhoul family, until the latter fell from grace in 2019. The Syrian business tycoon Rami Makhoul, a cousin of President Bashar al-Assad, financed and ran paramilitary groups trained by and coordinating with the Russian military in counter-insurgency efforts. Subjected to United States and EU sanctions, Makhoul and his relatives were given the opportunity to purchase high-end real estate in Moscow and buy into Russian companies using opaque Lebanese loans as collateral, ostensibly for money laundering purposes.<sup>137</sup> A Syrian-Russian businessman, Mudalal Khouri, accused of breaching sanctions and having links to a company implicated in the Beirut port explosion, acted as a go-between.<sup>138</sup>

Front companies for Wagner, the Kremlin-linked mercenary company, received offshore oil and gas exploration deals in Syria, thereby consolidating Russia's long-term geopolitical influence in this part of the region.<sup>139</sup> Russian state-owned oil companies have also struck oil contracts with their allies in

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<sup>134</sup> Dalia Dassa Kaye & Frederic Wehrey, "Arab De-escalations and Realignment Amid Multipolarity," Carnegie Endowment for International Peace, 3 May 2023, <https://carnegieendowment.org/2023/05/03/arab-de-escalations-and-realignment-amid-multipolarity-pub-89527>

<sup>135</sup> Reinoud Leenders & Antonio Giustozzi, "Foreign Sponsorship of Pro-government Militias Fighting Syria's Insurgency: Whither Proxy Wars?," *Mediterranean Politics*, 27:5 (2022): 614-643.

<sup>136</sup> Khalil al-Anani, "Growing Relations Between Egypt and Russia: Strategic Alliance or Marriage of Convenience," Arab Center Washington D.C., 27 September 2021, <https://arabcenterdc.org/resource/growing-relations-between-egypt-and-russia-strategic-alliance-or-marriage-of-convenience/>

<sup>137</sup> Global Witness, "Assad Henchmen's Russian Refuge," 11 November 2019, <https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/assad-henchmens-russian-refuge/>

<sup>138</sup> Global Witness, "Assad's Money Men in Moscow," July 2020, <https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/assad-henchmens-russian-refuge/>; Ellen Francis et al., "Beirut Blast Chemicals Possibly Linked to Syrian Businessmen," Reuters, 17 January 2021, <https://www.reuters.com/article/us-lebanon-crisis-blast-idCAKBN29M0AH>

<sup>139</sup> Amy Mackinnon, "Putin's Shadow Warriors Stake Claim to Syria's Oil," *Foreign Policy*, 17 May 2021, <https://foreignpolicy.com/2021/05/17/putin-shadow-warriors-stake-claim-syria-oil-energy-wagner-prigozhin-libya-middle-east/>

Libya, including Saddam Haftar, the son of Libyan warlord Khalifa Haftar.<sup>140</sup> As such lucrative deals cemented Russia's ties to Haftar's "Libyan National Army," they also seem to allow Russia to use Libya's oil trading networks to bypass sanctions. Moreover, Russia is alleged to have used its connections with Haftar to divert Libyan state funds for its national oil company to Wagner. The proceeds reportedly helped to finance Wagner's military intervention in this country, and may indeed have been its very motive for its intervention.<sup>141</sup> More generally, Russia and other intervening states in both the Syrian and Libyan conflict can be considered complicit, at least indirectly, in looting, extortion, and smuggling by their allies or proxies, as such practices provide both an incentive for such armed groups to fight and a way to finance them.<sup>142</sup>

**Strategic corruption among MENA countries** seems almost routine and is less concealed. A leak of Iranian documents in 2019 confirmed widely held impressions that the IRGC handed out bribes to Iraqi politicians for years to skew their policies and political positions in favor of Iran's preferences.<sup>143</sup> In 2004, Syria bribed Lebanese members of Parliament (MPs) to get them to vote in favor of a controversial and unconstitutional extension of the presidential term for its ally Emile Lahoud.<sup>144</sup> Saudi Arabia similarly has offered financial incentives to influence the behavior and policies of political actors in other MENA states. For example, a leak of Saudi diplomatic cables and documents in 2015 revealed that the kingdom offered thousands of pilgrimage visas to an opponent of Iraq's former Prime Minister Nouri al-Maliki to distribute among supporters while a Lebanese politician requested Saudi money as he had shown his "preparedness to do whatever the kingdom asks of him."<sup>145</sup> Some wealthy Lebanese politicians, dubbed the "contractor bourgeoisie," made their fortunes in Saudi Arabia and were rudely reminded of their dependence on the kingdom's generosity when they embarked on policies of which Saudi leaders disapproved.<sup>146</sup> This even resulted in Prime Minister Saad al-Hariri's incarceration in Riyadh in 2017, his forced resignation, and the steady decline of his business empire. Arab Gulf countries generally almost entirely withdrew their financial bilateral support to Lebanon since the 2016 election of President Michel Aoun.<sup>147</sup> Arguably, the aid cuts were as much designed as pushback against the rising influence of Hizbullah, with whom Aoun established an alliance, as they punished Saudi Arabia's Lebanese allies for tacitly approving Aoun's election as president. In Egypt, during the short stint in power of the Muslim Brotherhood between 2012 and 2013, a member of the group proposed that Saudi Arabia would pay US\$10 billion in exchange for releasing deposed President Hosni Mubarak. A Saudi official rejected the proposal not because it would have caused Saudi Arabia to buy influence but because he believed the Muslim Brotherhood could not deliver.<sup>148</sup> Concerns are growing that the Gulf countries gain considerable sway over Egypt's military and Tunisia's political elites as they step up their investments in these countries, often by way of local business partnerships and allegedly offering bribes or other financial incentives.<sup>149</sup>

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<sup>140</sup> Alia Brahimi, "Libya's Political Impasse and the \$6 billion Question," Atlantic Council, 1 February 2023, <https://www.atlanticcouncil.org/blogs/menasource/libyas-political-impasse-and-the-6-billion-question/>

<sup>141</sup> Ibid.

<sup>142</sup> For reported looting by several foreign-backed pro-regime forces in Syria, see: Syrian Network for Human Rights, "Looting Documented in Nearly 30 Areas Since April 2019, Constituting a War Crime," 31 March 2020, <https://snhr.org/blog/2020/03/31/54831/>. On reported looting by the U.S.-backed SDF, see, e.g.: "SDF Fighters Loot Aleppo Villages: Activists," Zaman al-Wasl, 22 February 2016, <https://en.zamanalwsl.net/news/article/14227>

<sup>143</sup> James Risen et al., "A Spy Complex Revealed: Leaked Iranian Intelligence Reports Expose Tehran's Vast Web of Influence in Iraq," The Intercept, 18 November 2019, [https://theintercept.com/2019/11/18/iran-iraq-spy-cables/?fbclid=IwAR2MVjA8pti\\_9tBUvBlifQCt0UHLIQztk2M8xqHxggpAQoJRO8XmAcFx3Q](https://theintercept.com/2019/11/18/iran-iraq-spy-cables/?fbclid=IwAR2MVjA8pti_9tBUvBlifQCt0UHLIQztk2M8xqHxggpAQoJRO8XmAcFx3Q)

<sup>144</sup> Nicholas Blanford, *Killing Mr Lebanon: the Assassination of Rafik Hariri and Its Impact on the Middle East*, (London: IB Tauris, 2006): 106.

<sup>145</sup> Ben Hubbard, "Cables Released by Wikileaks Reveal Saudi's Checkbook Diplomacy," The New York Times, 20 June 2015, <https://www.nytimes.com/2015/06/21/world/middleeast/cables-released-by-wikileaks-reveal-saudis-checkbook-diplomacy.html%20/>

<sup>146</sup> Hannes Baumann, *Citizen Hariri: Lebanon's Neoliberal Reconstruction*, (Oxford University Press, 2016).

<sup>147</sup> Mounir Mahmalat, Sami Atallah & Sami Zoughaib, "How the Many became the Few: The Great Reduction of Lebanon's Foreign Donors," The Policy Initiative, 30 March 2023, <https://www.thepolicyinitiative.org/article/details/276/how-the-many-become-a-few>

<sup>148</sup> Hubbard, Loc. Cit.

<sup>149</sup> Nadeen Ebrahim, "Gulf States Have Given Billions in Aid to Egypt. Now They Want to See the Returns," CNN, 1 March 2023, <https://edition.cnn.com/2023/03/01/business/egypt-gulf-states-aid-mime-intl/index.html>; Mohammed Ayesh, "UAE Operatives 'Infiltrating Tunisian Politics,' Claims Website," Middle East Eye, 19 January 2018, <https://www.middleeasteye.net/news/uae-operatives-infiltrating-tunisian-politics-claims-website>

Strategic corruption within MENA does not always involve straightforward bribery. Arguably, in 2023, the Syrian regime leveraged its illicit export of Captagon to the region to press member states of the Arab League to normalize diplomatic relations. It is speculated that the Syrian regime promised to crack down on the Captagon business if Syria was to be allowed back into the Arab League and receive reconstruction aid from the Gulf states.<sup>150</sup> It is difficult to prove such regime intentions, even when they suit a pattern of Syria in its foreign relations offering to solve problems of its own making in exchange for favors. If, indeed, some MENA states hope the Syrian regime will now take strong measures against the Captagon trade, they are likely to be disappointed, as the drug throws a financial lifeline to regime incumbents that is hard to match.

That **MENA countries pursue foreign policy goals through corruption outside the region** has received growing attention. Yet the phenomenon can hardly be considered new. For instance, in the 1970s, Israel bribed officials of African states, including Liberia and Uganda, to get their diplomatic support at the UN and land military and civilian contracts.<sup>151</sup> In the early 1980s, Israel's secret service Mossad bribed Sudanese officials to facilitate transit for emigrating Ethiopian Jews.<sup>152</sup> Former French President Sarkozy was accused of having illegally received Libyan funds from Qadhafi to help finance his presidential election campaign in 2007, although it remains unclear what exactly the former Libyan leader received or expected in return.<sup>153</sup>

More recently, Gulf states' policies toward the Horn of Africa have been alleged to involve corruption as the UAE, Saudi Arabia, Qatar, and Turkey vie for commercial, political, and military influence in this region. In 2012, the UAE's Dubai Port World (DPW) company was accused of bribery to secure an underpriced government contract to rebuild a port in Djibouti, ostensibly to prevent competitors from taking control of the port and competing with Dubai's own port.<sup>154</sup> The project was aborted and the Djibouti officials who brokered the deal fled to Dubai. An international court of arbitration ruled that DPW was not guilty of the charges. In 2016, DPW entered into another port deal with the leaders of Somaliland, a breakaway region of Somalia. Again, bribery allegations emerged, this time accusing the company of bribing MPs in Somaliland to delay elections so that the negotiations over the port contract could be completed.<sup>155</sup> Even if substantiated, the UAE's bribery in the Horn of Africa does not unambiguously reveal whether such corruption was prompted by DPW's commercial interests, making it a case of general transnational corruption, or by the UAE's foreign policy interests, making it a case of strategic corruption, or both.

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<sup>150</sup> Karam Shaar & Caroline Rose, "The Syrian Regime's Captagon Endgame," New Lines Institute, 24 May 2023, <https://newlinesinstitute.org/syria/the-syrian-regimes-captagon-endgame/>; Maziar Motamedi, "How Important is Captagon in al-Assad's Return to the Arab Fold?," Aljazeera, 21 May 2023, <https://www.aljazeera.com/news/2023/5/21/how-important-is-captagon-in-al-assads-return-to-the-arab-fold>

<sup>151</sup> Eitay Mack, "Weapons, Training and Cash: Israel Bribed Liberian Officials for Years, Cables Reveal," Haaretz, 28 April 2023, [https://www.haaretz.com/israel-news/2023-04-28/ty-article-magazine/.highlight/weapons-training-and-cash-israel-bribed-liberian-officials-for-years-cables-reveal/00000187-c368-d554-a5b7-df6c62ae0000#:~:text=Hundreds%20of%20cables%20reveal%20that,official%20civilian%20aid%20to%20Liberia.](https://www.haaretz.com/israel-news/2023-04-28/ty-article-magazine/.highlight/weapons-training-and-cash-israel-bribed-liberian-officials-for-years-cables-reveal/00000187-c368-d554-a5b7-df6c62ae0000#:~:text=Hundreds%20of%20cables%20reveal%20that,official%20civilian%20aid%20to%20Liberia.;); Ronen Bergman, *Rise and Kill First: The Secret History of Israel's Targeted Assassinations*. (Hachette, 2018): 320.

<sup>152</sup> Ian Black, Ian & Benny Morris. *Israel's Secret Wars: A History of Israel's Intelligence Services*, (Grove Press, 1991): 449.

<sup>153</sup> Fabrice Arfi & Karl Laske, "Des preuves et des mensonges: La fin de l'enquête libyenne enfonce Nicolas Sarkozy," Mediapart, 30 January 2023, <https://www.mediapart.fr/journal/france/300123/des-preuves-et-des-mensonges-la-fin-de-l-enquete-libyenne-enfonce-nicolas-sarkozy>

<sup>154</sup> International Crisis Group, *Intra-Gulf Competition in Africa's Horn: Lessening the Impact*, 19 September 2019: 19, <https://icg-prod.s3.amazonaws.com/206-intra-gulf-competition.pdf>

<sup>155</sup> Karen E. Young & Taimur Khan, "Extended States: The Politics and Purpose of United Arab Emirates Economic Statecraft in the Horn of Africa," in: Robert Mason & Simon Mabon (eds), *The Gulf States and the Horn of Africa: Interests, Influences and Instability*, (Manchester University Press, 2022): 119.



Some of the Gulf states are known for their generous gifts to foreign politicians and statesmen across the world and their lavish treatment when hosting them. In many cases, this has raised serious questions about such gifts being appropriate or meant to unduly influence recipients' policies. Pakistan's former Prime Minister Imran Khan was showered with expensive presents from Saudi Crown Prince Muhammad Bin Salman, which Khan allegedly sold off just as he faced numerous corruption charges at home.<sup>156</sup> Qatar spent more than US\$450 thousand on hosting British MPs in the years running up to the 2022 World Cup through all-expenses-paid trips.<sup>157</sup> Transparency International said that the trips and gifts "leave the door open to undue influence," especially as involved MPs later appeared to speak favorably about Qatar in parliamentary debates.<sup>158</sup> Formally, though, these transactions do not appear to break ethical or procedural rules.

Qatar and Morocco featured in recent allegations of bribery of some members of the European Parliament and their associates, a scandal dubbed "Qatargate." According to these allegations, which emerged in 2022, members of the European Parliament received large amounts of cash from a lobbying firm based in Brussels linked to the Qatari government in exchange for which they voted for resolutions in the European Parliament favoring Qatar.<sup>156</sup> The alleged bribery occurred just as Qatar was heavily criticized for its human rights policies in the run-up to hosting the World Cup. The investigation into the scandal also focuses on allegations that Morocco's secret service had been bribing members of the European Parliament, ostensibly to urge them to soften criticisms of Morocco's human rights record.<sup>157</sup> Qatargate prompted renewed calls on the EU to strengthen its legislation and establish a compulsory register targeting covert lobbying and fostering more transparency.

With its Foreign Agents Registration Act, the United States has stronger legislation in place to make lobbying by foreign actors and states more transparent. Yet lobbying by some MENA countries has continued to raise concerns that such activity and campaign donations may easily transgress into influence peddling and bribery. Saudi Arabia and the UAE are among the largest spenders on lobbying in the United States. Especially following the murder of Saudi dissident Jamal Khashoggi and growing criticisms of its government's involvement, Saudi Arabia has ramped up its image-enhancing and lobbying efforts. More than once, lobbying by Saudi Arabia and the UAE was alleged to violate Foreign Agents Registration Act regulations or cause conflicts of interest. For example, in 2021, an associate of a former U.S. president was charged with using his access to the president to secretly promote the interests of the UAE. He was acquitted on all counts in November 2022.<sup>158</sup> That same year, a former United States ambassador to Qatar pleaded guilty to illegal lobbying on behalf of Qatar to influence United States policy during a crisis in relations between the Gulf country and Saudi Arabia in 2017.<sup>159</sup> Especially in this period, Qatar and Saudi Arabia spent millions of dollars on lobbying, including by hiring people close to a former U.S. president, to win the favor of USG decision-makers.<sup>160</sup> In 2016, lobbyists representing the Saudi government booked a hotel then-owned by the president in

<sup>156</sup> Jack Parrock, "Qatargate: Suspect Interviews Leak EU Corruption Details," DW, 7 March 2023, <https://www.dw.com/en/qatargate-suspect-interviews-leak-eu-corruption-details/a-64876759>

<sup>157</sup> Clea Caulcutt & Elisa Braun, "The Moroccan Spy at the Heart of the Qatar Investigation," Politico, 24 December 2022, <https://www.politico.eu/article/mohamed-belahrech-morocco-spy-qatargate-european-union-scandal-corruption/>

<sup>158</sup> "Trump Ally Tom Barrack Acquitted of Illegal Foreign Lobbying," The Guardian, 4 November 2022, <https://www.theguardian.com/us-news/2022/nov/04/tom-barrack-trump-foreign-influence-acquitted-emirates>

<sup>159</sup> Alan Suderman & Jim Mustian, "Former U.S. Ambassador Points Finger in Qatar Lobbying Probe," AP, 3 June 2022, <https://apnews.com/article/politics-qatar-middle-east-united-arab-emirates-persian-gulf-tensions-cd2c9bd15d6e49b827e5ea2323729abb>

<sup>160</sup> Lawrence Delevingne et.al, "Inside Qatar's Charm Offensive to Win over Washington," Reuters, 5 July 2018, <https://www.reuters.com/article/uk-usa-qatar-lobbying-insight-idUKKBNIJY0D0>

Washington D.C. to host United States military veterans to mobilize them to lobby at Capitol Hill against a law the Saudis opposed.<sup>161</sup> More generally, business ties between USG officials and the Gulf states have sparked concerns over influence peddling, conflicts of interests, and “revolving doors,” even when these ties did not appear to be unlawful. Six months after leaving office, the White House’s former senior Middle East advisor received a US\$2 billion investment from a Saudi SWF controlled by Crown Prince Muhamad Bin Salman.<sup>162</sup> A former Treasury secretary who had frequently met with managers of Gulf SWFs during his term immediately after leaving office raised US\$2.5 billion from Gulf financiers, including the Saudi Public Investment Fund. This prompted some United States lawmakers to investigate whether he “improperly traded on his government position, misused USG resources, and made foreign policy decisions to further his personal financial interests.”<sup>163</sup> Concerns have similarly been raised in the context of USG officials and army personnel receiving lucrative employment and consultancy contracts in the Gulf states shortly after leaving their positions.<sup>164</sup>

If the individual cases described above indeed can be corroborated to constitute “strategic corruption” by MENA states targeting the United States, the EU, and other states, this seems to vindicate criticism of the term for missing the degree to which it requires American (and other foreign) political and business elites to be complicit in other states’ strategic corruption.<sup>165</sup> In fact, if corruption muddles the relations between states, decision-makers complicit on all sides will come to pursue it as their strategy.

## IMPACTS OF TRANSNATIONAL CORRUPTION IN MENA

Many detrimental impacts have been ascribed to corruption in its various manifestations, ranging from slowing economic growth, discouraging (foreign) investment, squandering (fiscal) revenues, crippling public services and utilities, causing mass unemployment, causing poverty and socio-economic insecurity, undermining healthcare, and inflicting environmental degradation to causing political instability, allowing authoritarian governance, and committing gross violations of human rights, conflict, and violence. However, in such broad assessments, the term “corruption” risks explaining too much and too little at the same time. Generally, corruption may best be viewed as featuring prominently in wider chains of reciprocal causality that underlie and reproduce all these and other deleterious effects. Furthermore, the exact impacts of transnational corruption are best assessed in its specific manifestation and context. This assessment of its impacts, therefore, focuses on the disaggregated forms of and variations in transnational corruption embedded in MENA’s main pathways to stateness and governance.

## GOVERNANCE AND KLEPTOCRACY

In MENA, high levels of corruption generally and transnational corruption more specifically go a long way in explaining the region’s exceptionally robust record of authoritarian governance. The pillars of autocratic rule and authoritarian regime resilience generally can be understood to constitute

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<sup>161</sup> The law the Saudis opposed was the Justice Against Sponsors of Terrorism Act, which allows for litigation holding the Saudi government partly responsible for the 9/11 attacks. David A. Farenthold & Jonathan O’Connell, “Saud-funded Lobbyist Paid for 500 Rooms at Trump’s Hotel after 2016 Election,” *The Washington Post*, 5 December 2018, [https://www.washingtonpost.com/politics/saudi-funded-lobbyist-paid-for-500-rooms-at-trumps-hotel-after-2016-election/2018/12/05/29603a64-f417-11e8-bc79-68604ed88993\\_story.html](https://www.washingtonpost.com/politics/saudi-funded-lobbyist-paid-for-500-rooms-at-trumps-hotel-after-2016-election/2018/12/05/29603a64-f417-11e8-bc79-68604ed88993_story.html)

<sup>162</sup> David K. Kirkpatrick & Kate Kelly, “Before Giving Billions to Jared Kushner, Saudi Investment Fund Had Big Doubts,” *The New York Times*, 10 April 2022, <https://www.nytimes.com/2022/04/10/us/jared-kushner-saudi-investment-fund.html>

<sup>163</sup> “Former Treasury Secretary Mnuchin Raises \$2.5 bln for Fund Bloomberg News,” *Reuters*, 20 September 2021, <https://www.reuters.com/business/finance/former-treasury-secretary-mnuchin-raises-25-bln-fund-bloomberg-news-2021-09-20/>; “US Lawmakers Launch Probe of Ex-Treasury Secretary Mnuchin’s Middle East Dealings,” *Middle East Eye*, 28 October 2022, <https://www.middleeasteye.net/news/us-lawmakers-launch-probe-ex-treasury-secretarys-middle-east-dealings>

<sup>164</sup> Julienne McClure, “State Dept. Is Quietly Approving Former Servicemembers’ Work for Foreign Interests. That’s A Problem,” *Project on Government Oversight*, 18 October 2022, <https://www.pogo.org/investigation/2022/10/state-dept-is-quietly-approving-former-servicemembers-work-for-foreign-interests-thats-a-problem>

<sup>165</sup> K 10-05-09-23; Sarah Chayes, “The Strategies Are Foreign, But the Corruption Is American: A Response to ‘the Rise of Strategic Corruption,’” *Foreign Affairs*. 99 (4), 2020.

“legitimation, repression, and co-optation.”<sup>166</sup> Accordingly, corruption in MENA has granted authoritarian incumbents tools of co-optation by maintaining the support of networks of privilege enjoying exclusive access to lucrative economic and financial opportunities. In this sense, in MENA, governance prevails wherein “[t]he autocratic elite rules by and through a close network of direct and indirect ties to subordinate actors. Patronage, clientelism, and corruption are the most commonly used instruments.”<sup>167</sup> When facing economic or political challenges, MENA regimes have adjusted; for example, by economic liberalization in the region’s fierce states or by diversification policies in the rentier states. Yet these adjustments offered new opportunities for corruption, and regimes were sure to seize them for the purpose of authoritarian regime maintenance. As a result, and across the region, regimes have turned into “kleptocracies”: governments controlled by officials who use political power to appropriate the wealth of their nation.<sup>168</sup> Yet, instead of being ends in or by themselves, greed and the appropriation of wealth are instrumentalized to enhance regime security.<sup>169</sup> Next to stepping up repression,<sup>170</sup> corruption in MENA, especially following the Arab uprisings of 2011, has been put at the service of regimes’ security; their legitimacy virtually evaporated and constraints on political participation were firmly kept in place.

Paradoxically, MENA governments’ anti-corruption campaigns often serve the very same purpose of regime maintenance. Such campaigns allow regime incumbents to manage their core support base, purge elements that are or risk becoming a threat, build new constituencies, and re-assert their power. For instance, in November 2017, nearly 400 Saudi princes, tycoons, and ministers were detained in a luxury hotel in Riyadh and stripped of their assets. Crown Prince Muhammad Bin Salman’s “anti-corruption” move has been widely understood as an attempt to secure his way to the throne.<sup>1</sup> Following mass protests in 2019, Algeria’s military-controlled regime embarked on an anti-corruption campaign, prosecuting many corrupt ministers and public servants.<sup>1</sup> The Algerian regime this way managed to reinvigorate itself by ridding itself of cronies of ailing and disgraced President Abdel-Aziz Bouteflika (who died in 2021). The anti-corruption campaign even gave a rare boost to the regime’s waning legitimacy as a large majority of Algerians welcomed the purge.<sup>1</sup>

Kleptocracy in MENA has taken radically different forms. In FSP and RSP countries, central, exclusionary governance by regime incumbents presiding over an overbearing state defines the ways in which corruption is made possible, managed, and sustained. In contrast to such centralized kleptocracies, in SFP countries, state elites negotiate their power with a variety of non-state and hybrid actors, often armed, foreign, or foreign-sponsored. A much more diffuse form of kleptocracy results. To capture these dynamics, academics working on MENA security have pointed at fragmented and multi-actor forms of governance in “areas of limited statehood.”<sup>171</sup> Access to proliferating opportunities for corruption in these contexts arises from constant bargaining, opportunistic coalition-

<sup>166</sup> Johannes Gerschewski, “The Three Pillars of Stability: Legitimation, Repression, and Co-Optation in Autocratic Regimes,” *Democratization* 20.1 (2013): 13-38.

<sup>167</sup> *Ibid.*: 22.

<sup>168</sup> USAID. 2022. “Anti-Corruption Policy.” Washington, DC: USAID, 2022.

<sup>169</sup> Malik, Atiyas & Diwan, *Loc. Cit.*: 28.

<sup>170</sup> Maria Josua & Mirjam Edel. “The Arab Uprisings and the Return of Repression,” *Mediterranean Politics* 26.5 (2021): 586-611.

<sup>171</sup> See, e.g.: Abel Polese & Ruth Hanau Santini, “Limited Statehood and Its Security Implications on the Fragmentation of Political Order in the Middle East and North Africa,” *Small Wars & Insurgencies*, 29.3 (2018); Waleed Hazbun, “Assembling Security in a ‘Weak State’: the Contentious Politics of Plural Governance in Lebanon since 2005,” *Third World Quarterly* 37.6 (2016): 1053-1070.

making, and the use or threat of violence. It is especially under these conditions that transnational corruption thrives just as the latter reinforces the drivers of violent conflict.

## ECONOMIC AND SOCIAL IMPACTS, HUMAN LIFE, AND CONFLICT

The socio-economic impacts of transnational corruption in MENA and its implications for violent conflict and stability have been extensive. Indeed, the period since the 2011 Arab uprisings can be considered a lost decade when viewed from a perspective of development, basic human rights, and peace. Corruption in its various manifestations should feature prominently, but not exclusively, in apportioning blame. Table 4 contains a non-exhaustive overview of the various impacts of transnational corruption disaggregated by the main pathways in which they occurred. Further commentary on some of the most far-reaching impacts is provided below.

Transnational corruption poses a drain on scarce public resources and causes their misallocation while inhibiting or degrading countries' investment in essential infrastructure, development, and economically productive activities. For instance, despite being endowed with oil and the state receiving massive revenues from it, Iraqis still face a grossly insufficient supply of electricity just as the country's water and sanitation infrastructure remains inadequate.

A UN agency calculated that if Libya would prevent or recover only ten percent of the assets lost to “illicit financial flows”—corruption, illicit commerce, and other serious crimes—it could fund nearly 400 percent of the UN's humanitarian response plan for the country's health sector.<sup>1</sup> Libyan official sources assessed that around 30 percent of subsidized fuel is smuggled out of the country, costing the Libyan state US\$750 million—1.8 billion per year.<sup>1</sup> Next to inadequate funding, corruption in and manipulation of international humanitarian aid seriously constrains relief workers from reaching those in need in Syria, Yemen, and Libya.

Also, in countries less exposed to or involved in transnational corruption, misallocating resources has adverse developmental impacts. Foreign banks in Egypt appear to join this country's financial institutions' tendency of favoring PCFs, causing small- and medium-sized firms to have no or little access to finance despite the latter often being more competitive and creating more jobs. Such financial sector imbalances associated with corruption have been identified as one of the factors causing most Egyptians, especially women, to rely on the informal economy offering low pay, unsafe labor conditions, and no job security or social insurance.<sup>172</sup> Corruption, with and without foreign involvement, creates constituencies for ill-advised public projects, like Egypt's new administrative capital, which drain public resources that could have been spent on development.

When corrupt elites place their ill-gotten gains abroad in offshore bank accounts and shell companies, they deprive citizens of large funds for development, public infrastructure, and meeting basic needs. Yemen has been on the brink of famine for years while an estimated 23.4 million people are currently in need of humanitarian assistance.<sup>173</sup> UN aid agencies struggled to get funding for their humanitarian

<sup>172</sup> Diwan & Schiffbauer, Loc. Cit.; Radwa Samy Abo Shady, *Echoing the Passive Voice: Women in the Informal Small Business Sector: Challenges and Solutions*, (American University in Cairo, 2018), <https://documents.aucegypt.edu/Docs/GAPP/Public%20Policy%20Hub%20Webpage/3-%20Women%20in%20the%20informal%20small%20business%20sector%20Policy%20Paper.pdf>

<sup>173</sup> UN Panel of Experts on Yemen, Loc. Cit.: 41.

responses. Yet UN investigators estimated that former President Ali Abdullah Saleh held up to US\$60 billion in foreign-placed assets—three times Yemen’s gross domestic product.<sup>174</sup> The total monetary value of Iraq’s corruption and embezzled funds is equally thought to be enormous. In May 2021, Iraq’s President Barham Salih estimated that since the U.S.-led invasion in 2003, US\$150 billion in stolen oil money has been smuggled out of the country.<sup>175</sup>

**Transnational corruption undermines global health and contributes to serious environmental degradation.** Lebanon and Iraq are awash in fake and expired medicines that put patients’ lives at risk while politically connected traders, officials, and exporters make large profits. In Lebanon, the problem aggravated a healthcare crisis caused by a steep rise in the prices of pharmaceuticals since 2019 when the government scrapped subsidies and the Lebanese currency collapsed.<sup>176</sup> In Iraq, pharmaceuticals unfit for consumption are regularly captured by border authorities. Yet political actors and armed groups mostly force or bribe inspectors to pretend not to notice.<sup>177</sup>

Likewise, the Captagon trade undermines global health in MENA. Consumption of this cheap and highly addictive drug is thought to be spreading fast throughout MENA and beyond, especially in Saudi Arabia and other Gulf states. While little is known about the scale of the health impact on the region, the drug has a spectrum of strong negative effects on users’ physical and mental health.<sup>178</sup>

The health and environmental effects of transnational corruption extend to the oil and gas sector. Gas flaring involving foreign oil companies in southern Iraq continues as bribery and corruption are likely to be among the factors causing companies, government agencies, and policymakers to ignore regulations. Gas flaring is likely responsible for high levels of cancer in residential areas close to Iraq’s southern oil fields and leads to high emissions associated with global warming.<sup>179</sup> Makeshift oil refineries in northeast Syria, a source of smuggling involving armed groups such as IS, have caused significant environmental damage, respiratory diseases, and cancer.<sup>180</sup>

**Transnational corruption causes gross violations of human rights and disregard for human life.** A flagrant example is the corruption associated with and facilitating human trafficking. While corruption generally reduces economic opportunities and fuels conflict, it features among key push factors for mass migration.<sup>181</sup> Combined with harsh restrictions on and declining avenues for legal and safe migration, this has led to a booming market for human traffickers. Bribing their way through or colluding with border authorities and coast guards, people smugglers have shown sheer disregard for human life as refugees are put on makeshift boats crossing the Mediterranean, causing more than 27,000 migrants to die or go missing since 2014.<sup>182</sup> In Libya, refugees and migrants were held in detention by armed groups and politicians complicit in human trafficking and were subjected to torture, unlawful killings, sexual violence, and forced labor.<sup>183</sup>

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<sup>174</sup> “UN Says Ex-Yemen President Saleh Stole up to \$60bn,” Aljazeera, 25 February 2015, <https://www.aljazeera.com/news/2015/2/25/un-says-ex-yemen-president-saleh-stole-up-to-60bn>

<sup>175</sup> Mohammed Tawfeeq, “Iraq Estimates that \$150 billion of its Oil Money Has Been Stolen From the Country Since the US-led Invasion of 2003,” CNN, 23 May 2021, <https://edition.cnn.com/2021/05/23/middleeast/iraq-oil-money-us-invasion-intl/index.html>

<sup>176</sup> Amnesty International, *Lebanon: Government Must Ensure Medication is Available and Affordable*, 9 February 2023, <https://www.amnesty.org/en/documents/mde18/6410/2023/en/>

<sup>177</sup> Mansour, Loc. Cit.

<sup>178</sup> Maria Katselou et.al., “Fenethyline (Captagon) Abuse – Local problems From an Old Drug Become Universal,” *Basic & Clinical Pharmacology & Toxicology*, 23 March 2016.

<sup>179</sup> Clarke, Loc. Cit; BBC, “Under Poisoned Skies,” documentary, 28 September 2022, <https://www.youtube.com/watch?v=gya0TXvoC88>

<sup>180</sup> Wim Zwijnenburg & Yifang Shi, “A River of Death: How Oil Pollution is Impacting Health and Livelihoods in Conflict-Affected North East Syria,” Pax, June 2020, <https://www.circleofblue.org/wp-content/uploads/2020/08/pax-report-a-river-of-death.pdf>

<sup>181</sup> Ben Wheatland et.al., *Literature Review: Corruption As a Driver of Migration*, CMI U4 Anti-Corruption Resource Center, December 2015, [https://knowledgehub.transparency.org/assets/uploads/helpdesk/Literature\\_review\\_corruption\\_and\\_migrations.pdf](https://knowledgehub.transparency.org/assets/uploads/helpdesk/Literature_review_corruption_and_migrations.pdf)

<sup>182</sup> “Missing Migrants Project,” IOM, last updated 14 June 2023, <https://missingmigrants.iom.int/region/mediterranean>

<sup>183</sup> Amnesty International, “Libya 2022,” 2022, <https://www.amnesty.org/en/location/middle-east-and-north-africa/libya/report-libya/>



More generally, **transnational corruption fuels and prolongs conflict and violence.** Corruption has been found to be a strong predictor of civil war and to be contributing to inept and indiscriminate counter-insurgency strategies causing mass casualties.<sup>184</sup> Where transnational corruption features prominently in war economies—such as in Libya, Syria, Iraq, and Yemen—economic and rent-seeking opportunities drive and prolong armed conflict as they allow combatants to import arms, finance their war efforts, buy support among constituencies, and gain strong incentives to resist a peaceful settlement that would put a halt to their profiteering. For instance, one study concludes that Libya’s war economy “provides an enabling environment for networks of armed groups, criminal networks, corrupt businessmen and political elites to sustain their activities [which] are closely linked to the spread of violence, and are thus a spur for further conflict.” This, in turn, perpetuates “negative incentives for those who profit from the state’s dysfunction.”<sup>185</sup> One interviewee for this report strongly agreed. Pointing specifically at the illicit trade in subsidized fuel, he observed that “everyone is involved and, as a result, no one has an interest in stopping this war. It has become the main obstacle to peace.”

## PRIORITY GEOGRAPHIES AND FOCUS SECTORS FOR USAID

USAID has traditionally centered its development programming and anti-corruption efforts in MENA on single countries.<sup>186</sup> Yet, by its very nature, transnational corruption crosses borders and encompasses multiple countries within and beyond the region. This implies that both for understanding it and for development interventions to be effective, the focus should be on transnational compounds—networks of multiple interconnected actors crossing borders—that gravitate toward and from countries; not merely on actors and institutions in a single country exposed to or involved in transnational corruption. In other words, for efforts countering transnational corruption to be effective, these need to be transnational as well. Priority geographies in this context are those transnational compounds associated with MENA countries where transnational corruption is most alarming in its intensity and impact. However, the selection of such country compounds needs to be weighed against the feasibility of USAID operating in them.

From the assessment of the intensity and impacts of transnational corruption exposure and involvement, it follows that those countries on the SFPI and SFP2 deserve priority. Conditions in these conflict-ridden countries are challenging and often inconducive to development interventions generally. In Syria, such obstacles may prove insurmountable as U.S.-Syrian diplomatic relations were suspended in 2012. If Syria is still to be included in the selected priority geographies, it may be an option to focus solely on UN humanitarian aid provision or areas controlled by the U.S.-allied SDF (see Figure 2). USAID currently runs development programs in all priority geographies, including in SDF-controlled areas of Syria, and it supports UN-led humanitarian assistance in Syria.<sup>187</sup>

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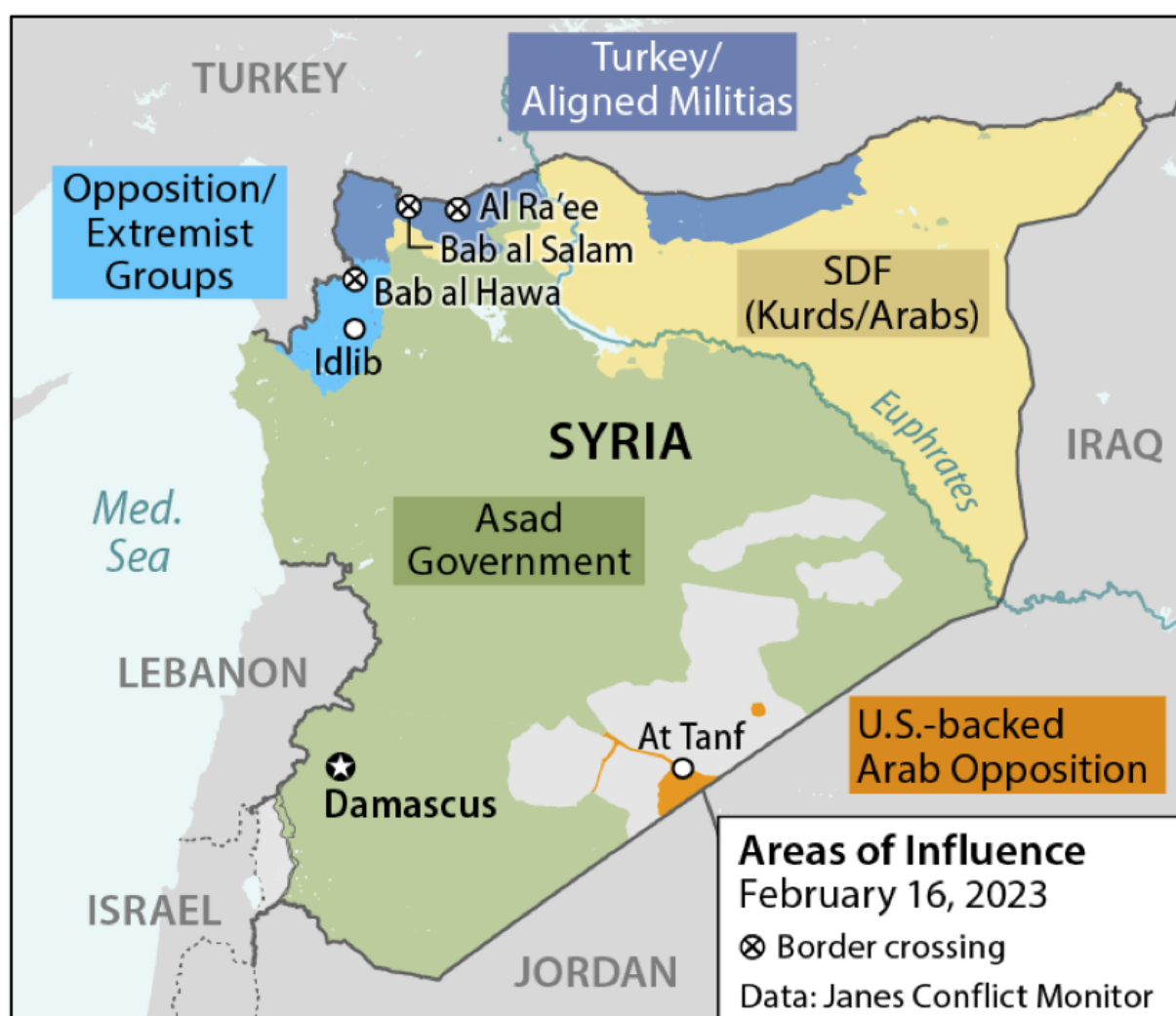
<sup>184</sup> Karl DeRouen Jr. & David Sobek, “State Capacity, Regime Type, and Civil War,” in: Mason & McLaughlin Mitchell, Op. Cit.: 64; Christopher Linebarger & Andrew Enterline, “Third Party Intervention and the Duration and Outcomes of Civil Wars,” in: Ibid.: 102-3.

<sup>185</sup> Eaton, Loc. Cit.

<sup>186</sup> USAID, Anti-Corruption Mapping and Analysis: Governance Integration For Stabilization and Resilience in the Middle East and North Africa, 7 January 2022, [https://pdf.usaid.gov/pdf\\_docs/PA00ZJ1K.pdf](https://pdf.usaid.gov/pdf_docs/PA00ZJ1K.pdf)

<sup>187</sup> See: USAID, <https://www.usaid.gov/iraq>; <https://www.usaid.gov/libya>; <https://www.usaid.gov/lebanon>; <https://www.usaid.gov/yemen>; <https://www.usaid.gov/syria/our-work>

Figure 2: Areas of Influence in Syria, February 2023<sup>188</sup>



For USAID efforts in countering or adjusting to transnational corruption, sector priorities can be identified after the relevant geographies have been selected. If the countries on the SFPs are chosen, priority sectors will naturally include USAID’s Anti-Corruption and Conflict Prevention Stabilization sectors. In addition, sector priorities most closely associated with SFP countries’ compounds of transnational corruption, as analyzed in this report, are as follows:

- **Iraq’s** most relevant compounds of transnational corruption involve the trade in fake and expired pharmaceuticals, smuggling of subsidized fuel oil sector contracts and gas-flaring, and oil revenue management. Sectors of direct or indirect relevance to these compounds include extractives and energy; global health; agriculture and food security; water and sanitation; environment, energy, and infrastructure; innovation, technology, and research; democracy, human rights, and governance; and anti-corruption.
- **Yemen’s** most relevant compounds of transnational corruption involve humanitarian aid and the maritime smuggling of weapons and other military hardware. Sectors of direct or indirect relevance to these compounds include humanitarian assistance and anti-corruption. USAID’s efforts in maritime security sector reform could be especially relevant.<sup>189</sup>

<sup>188</sup> Congressional Research Service, “Syria and U.S. Policy, In Focus,” 24 February 2023, <https://s3.documentcloud.org/documents/23692203/syria-and-us-policy-feb-27-2023.pdf>

<sup>189</sup> Several United States agencies and departments including USAID, Maritime Security Sector Reform, December 2010, [https://www.usaid.gov/sites/default/files/2022-05/Maritime-Security-Sector-Reform\\_FINAL.pdf](https://www.usaid.gov/sites/default/files/2022-05/Maritime-Security-Sector-Reform_FINAL.pdf)



- **Libya's** most relevant compounds of transnational corruption involve the smuggling of subsidized fuel, human trafficking, and gold and arms smuggling. Sectors of direct or indirect relevance to these compounds include extractives and energy; agriculture and food security; gender and women's empowerment; democracy, human rights, and governance; and anti-corruption.
- **Lebanon's** most relevant compounds of transnational corruption involve the transit of/trade in Captagon, human and arms trafficking, the trade in fake and expired pharmaceuticals, and fuel imports in the context of the country's ailing electricity sector. Sectors of direct or indirect relevance to these compounds include extractives and energy; global health; environment, energy, and infrastructure; democracy, human rights, and governance; and anti-corruption.
- If **Syria** were selected as a priority geography, relevant compounds of transnational corruption comprise cross-border smuggling networks linking areas controlled by the Autonomous Administration of North-Eastern Syria and the Kurdish Regional Government in Iraq. Alternatively, or in addition, corruption in UN-led humanitarian aid and early recovery in Syria may deserve priority. Sectors of direct or indirect relevance to these compounds include humanitarian assistance and other sectors depending on transnational corruption compounds relevant to SDF-controlled areas.
- **For all countries on the SFPs** (and indeed all other MENA countries), global financial networks' hiding of assets derived from corruption is highly relevant, thus suggesting prioritization of the financial sector and its linkages to international enablers of transnational corruption in third countries and offshore centers. In addition, international firms offering reputation management, legal, and other services to corrupt actors abroad are of special concern. These practices threaten media outlets and civil society actors with vexatious lawsuits designed to muzzle their reporting on and advocacy against corruption. USAID already offers support in this area within its work on democracy, human rights, and governance;<sup>190</sup> MENA merits close attention in this context.
- Some of the interventions and the prioritization suggested above touch on areas that also feature prominently in manifestations of strategic corruption involving MENA. They can, in this sense, be viewed as contributing to the fight against strategic corruption as well. These areas include corruption in oil contracts, countries both within and outside MENA being complicit in fuel smuggling, and the Captagon trade. Focus sectors relevant to these areas include efforts to bolster transparency and accountability in procurement and contracting in MENA countries' hydrocarbon sectors. Given findings on the real or alleged role of DPW in the Horn of Africa, this sub-region deserves specific attention within USAID's Supporting Free and Fair Elections framework. Acknowledging that concerns about strategic corruption involving MENA countries necessarily implicate Western decision-makers, USAID's democracy, human rights, and governance programming needs to extend its scope to relevant governance structures in the United States, the UK, and the EU; for instance, by encouraging stronger transparency, guidelines, and legislation on foreign lobbying and helping to expose and develop measures against "revolving doors" and conflicts of interest.

All of the proposed priority geographies and focus sectors require robust political economy analyses and assessments of the governments' policies specific to the issues of governance involved. These include the governments of the priority country and other governments to the extent these affect relevant transnational compounds. Where USAID aims to support MENA governments' anti-corruption policies, these policies need to be closely assessed for their genuineness in terms of being consistently and sustainably applied, targeting corrupt actors both critical and supportive of incumbent

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<sup>190</sup> USAID, "USAID, Organized Crime and Corruption Reporting Project, and Cyrus R. Vance Centre for International Justice Launch Pioneering Program to Protect Journalists," 2 May 2023, <https://www.usaid.gov/news-information/press-releases/may-02-2023-usaid-organized-crime-and-corruption-reporting-project-and-cyrus-r-vance-center-international-justice-launch-pioneering-program-protect-journalists>

governments, and respecting the rule of law and basic human rights. For Yemen and Syria, a close assessment also needs to include UN humanitarian agencies' anti-corruption policies and due diligence approaches. In addition, for an in-depth mapping of global supply- and value-chains and a network analysis of actors involved in transnational corruption, it will be key to collaborate with, draw on, and enhance MENA civil society organizations (CSOs), including media, that have already focused on such investigative mapping and network analysis.<sup>191</sup> Collaborating with these and other MENA CSOs would be consistent with recommendations for USAID to commission external assessments and political economy analyses focusing on kleptocratic systems and networks, and to partner with CSOs “who are the crucial eyes and ears of reform movements.”<sup>192</sup>

Several interviewees for this report stressed that opportunities for anti-corruption efforts involving both governments and CSOs present themselves especially at an intra-regional level.<sup>193</sup> Bilateral and multilateral cooperation in terms of enforcement in MENA is still weak. On the other hand, CSOs are emboldened to engage with sensitive issues like corruption when discussed from a regional perspective and backed by their counterparts elsewhere in MENA.<sup>194</sup> Existing initiatives in regional cooperation on anti-corruption, such as by the United Nations Development Programme, have not yet engaged much with the transnational dimensions of corruption and anti-corruption.<sup>195</sup>

## KEY TAKEAWAYS

The main takeaways from this phase of research are:

1. Thriving corruption and transnational corruption in MENA are embedded in and entwined with networks connecting and blurring the boundaries between political, economic, and security actors. As these “networks of privilege” have proven to be highly resilient and adaptive to changing political and socio-economic conditions, corruption has become endemic to the extent it defines governance throughout the region.
2. The sources, manifestation, and intensity of corruption and transnational corruption in MENA vary, largely because these are a function of the diversity of the region’s political economies. In this context, five main pathways can be distinguished to capture the region’s variations of “stateness” and governance, which bears direct relevance to the forms, levels, and varieties of corruption MENA countries are facing.
3. From quantitative indices of corruption and transnational crime, it follows that, when looked at from MENA’s five pathways to stateness and governance, state fragility by civil war and its milder form embedded in sectarian power-sharing (and, to a lesser extent, the RSP) presents the most relevant contexts to MENA’s involvement in and exposure to transnational corruption.
4. A detailed and qualitative assessment of transnational corruption in MENA by and large confirms the team’s conclusions based on the indices and points up to the exposure and vulnerability, especially of countries at the SFPs, to transnational corruption.
5. A common denominator throughout MENA is that corrupt actors heavily rely on international financial institutions and law firms to place or invest their ill-gotten assets abroad. From this

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<sup>191</sup> Such CSOs include Transparency International’s national chapters in Lebanon and Iraq (in formation), al-Daraj (Lebanon), Syrian Investigative Reporting for Accountability Journalism (SIRAJ), Organized Crime and Reporting Project (OCCRP), Public Source (Lebanon), Arab Reporters for Investigative Journalism (ARIJ), the Observatory of Political and Economic Networks (Syria), and the Policy Initiative (Lebanon). <https://transparency-lebanon.org>; <https://daraj.media>; <https://sirajsy.net/about-us/>; <https://thepublicsource.org/about>; <https://arij.net>; <https://www.opensyr.com/en>; <https://www.thepolicyinitiative.org> However, not all of these organizations accept government funding.

<sup>192</sup> USAID, “Dekleptification Guide: Seizing Windows of Opportunity to Dismantle Kleptocracy,” September 2022: 17, <https://www.usaid.gov/anti-corruption/dekleptification>

<sup>193</sup> K15-06-21-23, K4-05-26-23.

<sup>194</sup> K4-05-26-23.

<sup>195</sup> Ibid.; United Nations Development Programme, “Regional Project on Anti-corruption and Integrity in the Arab Countries,” n.d., <https://www.undp.org/arab-states/regional-project-anti-corruption-and-integrity-arab-countries-aciac>

perspective, all corruption can be regarded as having transnational features when its proceeds are placed abroad with the assistance of international enablers.

6. MENA states or regime incumbents have been systematically exposed to foreign states' strategic corruption, just as they have been involved in such practices themselves to influence decision-makers of other states. For this purpose, a distinction should be made on strategic corruption as wielding corrupt inducements against MENA countries by states outside the region, among MENA states, and by MENA states against countries outside the region.
7. In MENA, high levels of corruption generally and transnational corruption more specifically go a long way in explaining the region's exceptionally robust record of authoritarian governance. Regimes have turned into kleptocracies: governments controlled by officials who use political power to appropriate the wealth of their nation. Yet instead of being ends in or by themselves, greed and the appropriation of wealth are instrumentalized to enhance regime security.
8. The socio-economic impacts of transnational corruption in MENA and its implications for violent conflict and stability have been extensive. Indeed, the period since the 2011 Arab uprisings can be considered a lost decade when viewed from a perspective of development, human rights, and peace. Corruption in its various manifestations should feature prominently, but not exclusively, in apportioning blame.
9. Transnational corruption poses a drain on scarce public resources and causes their misallocation while inhibiting or degrading MENA countries' investment in essential infrastructure, development, and economically productive activities. It undermines global health and contributes to serious environmental degradation. It causes gross violations of human rights and disregard for human life. Finally, transnational corruption fuels conflict and violence and prolongs armed conflict.
10. By its very nature, transnational corruption crosses borders and encompasses multiple countries within and beyond the region. This implies that both for understanding it and for development interventions to be effective, the focus should be on transnational compounds gravitating toward and from countries and not merely on actors and institutions in a single country exposed to or involved in transnational corruption.
11. The assessment of the intensity and impacts of transnational corruption exposure and involvement in MENA suggests that those countries on the SFPs deserve priority in USAID programming: Iraq, Libya, Yemen, Syria, and Lebanon. These countries' transnational corruption compounds include the trade in fake and expired pharmaceuticals, smuggling of subsidized fuel, oil sector contracts and gas-flaring, oil revenue management, humanitarian aid, the maritime smuggling of weapons and other military hardware, human trafficking, gold smuggling, and the (transit) trade in drugs (including Captagon).
12. Most relevant sectors for USAID programming in terms of adjusting to or countering transnational corruption in MENA include extractives and energy; global health; agriculture and food security; water and sanitation; environment, energy, and infrastructure; innovation, technology, and research; democracy, human rights, and governance; gender and women's empowerment; and anti-corruption.
13. For all MENA countries, global financial networks' hiding of assets derived from corruption is highly relevant, thus suggesting prioritization of the financial sector and its linkages to international enablers of transnational corruption in third countries and offshore centers.
14. Efforts to counter transnational corruption require an assessment of MENA governments' policies specific to transnational corruption compounds. For an in-depth mapping of global supply- and value-chains and a network analysis of actors involved in transnational corruption, it will also be key to collaborate with, draw on, and enhance MENA CSOs. Opportunities present themselves in this context, especially at an intra-regional level.

## APPENDIX I. CONSULTATIVE INTERVIEW GUIDE

**Table 5: Consultative Interview Guide**

INTERVIEWEES	
U.S. academic/political economy MENA	K1-05-31-23
Arab academic/political economy MENA	K2-05-23-23
U.K./political economy MENA	K3-05-31-23
Official with international development agency	K4-05-26-23
Arab lawyer and anti-corruption activist	K5-05-06-23
USG official	K6-06-02-23
USG official	K7-06-02-23
USG official	K8-06-05-23
U.S. academic/political economy MENA	K9-05-24-23
U.S. researcher MENA corruption	K10-05-09-23
Arab lawyer	K11-05-23-23
USG official	K12-06-02-23
Arab academic/political science MENA	K13-05-29-23
Official with international development agency	K14-06-21-23
Official with international development agency	K15-06-21-23
Official with international development agency	K16-06-21-23
Arab anti-corruption activist	K17-07-05-23

INTERVIEW QUESTIONS	RQ
<p>1) What effects has the increasingly transnational nature of corruption had on the types of corruption issues observed in countries in MENA?</p> <p>Probe(s):</p> <ul style="list-style-type: none"> <li>a. Any recent trends you would highlight?</li> <li>b. What are some notable cases that are illustrative of trends?</li> <li>c. How do kleptocrats operate outside the borders of their country and/or engage external actors to perpetuate the kleptocracy?</li> <li>d. (Strategic corruption—define as per strategy): How, if at all, have you observed any deliberate actions by foreign governments to employ corruption as a tool of foreign policy?</li> </ul>	1, 2
<p>2) In which countries and/or regions in MENA is transnational corruption most problematic?</p> <ul style="list-style-type: none"> <li>a. Which countries are targets for corruption from external actors? Which countries “export” their corrupt proceeds?</li> <li>b. What are the destination countries for capital? Which international countries are playing an enabling role and in what ways? Any new trends to highlight?</li> </ul>	1, 2

INTERVIEW QUESTIONS	RQ
<p>Further probe(s) on African geographies:</p> <ul style="list-style-type: none"> <li>a. Why is this issue more problematic in some geographies than others?</li> <li>b. Where do “windows of opportunity” exist for addressing these forms of corruption in MENA?</li> <li>c. Which geographies are affected by the problem but have not received a lot of attention?</li> </ul>	
<p>3) What are the conditions within African countries that would allow this form of corruption to occur?</p> <p>[Interviewer to probe around different actors (e.g., organized crime, government officials, civil society, private sector, international actors), systems, processes, resources, histories/legacies, etc. that influence corruption]</p> <p>Probe(s):</p> <ul style="list-style-type: none"> <li>a. What role do public officials/civil society/private sector play in encouraging corruption?</li> <li>b. What systems/laws/processes/dynamics/networks encourage corruption?</li> <li>c. How does the availability of valuable natural resources encourage corruption?</li> <li>d. What role do transnational criminal organizations play?</li> <li>e. What are some modern (e.g., use of cryptocurrency) vs. historical manifestations of corruption?</li> </ul>	1, 2
<p>4) What hinders the corruption/capture from occurring? [Similar notes/probes as above]</p>	1, 2
<p>5) What development sectors are most prone to these forms of corruption?</p> <p>Probe(s):</p> <ul style="list-style-type: none"> <li>a. Why is transnational corruption more problematic in some sectors rather than others?</li> <li>b. Are there illustrative cases you can point to?</li> </ul> <p>[Interviewer to keep in mind the following USAID development sectors and probe as needed:</p> <ul style="list-style-type: none"> <li>a. Agriculture and food security</li> <li>b. Nutrition</li> <li>c. Conflict prevention/stabilization</li> <li>d. Democracy, human rights, and governance</li> <li>e. Economic growth</li> <li>f. Education</li> <li>g. Environment/energy/infrastructure</li> <li>h. Gender equality</li> <li>i. Health</li> <li>j. Humanitarian assistance</li> <li>k. Innovation/tech/research] </li></ul>	3
<p>6) What are the social, economic, and political impacts of these forms of corruption?</p>	4
<p>7) What anti-corruption or other programmatic approaches have been effective/ineffective in addressing transnational corruption?</p> <p>[Interviewer to probe about what has been tried, what has been useful, what could be useful, and what is known to not be useful, etc.]</p>	

INTERVIEW QUESTIONS	RQ
<p>Probe(s):</p> <ul style="list-style-type: none"> <li>a. How, if at all, are USAID and other donors addressing corruption?</li> <li>b. How, if at all, do these anti-corruption efforts impact transnational corruption?</li> <li>c. How, if at all, do these anti-corruption efforts address the differential experiences of marginalized communities?</li> <li>d. What are promising and/or viable approaches to tackling anti-corruption? In what circumstances have they been effective/ineffective?</li> <li>e. In which jurisdictions in MENA do you think there are opportunities to address transnational corruption?</li> <li>f. Are there any gaps you see in approaches to tackle international dimensions of the problem?</li> </ul>	
<p>8) What role can USAID and similar development agencies play in addressing these forms of corruption?</p>	