

A REPORT TO THE CONGRESS RELATING TO THE
PALESTINIAN SECURITY SERVICES AND PALES-
TINIAN AUTHORITY REFORM

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

A REPORT PROVIDING INFORMATION ON MATTERS RELATING TO
THE PALESTINIAN SECURITY SERVICES AND PALESTINIAN AU-
THORITY REFORM CONSISTENT WITH SECTION 2106 OF THE
EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT FOR DE-
FENSE, THE GLOBAL WAR ON TERROR, AND TSUNAMI RELIEF
OF 2005, PURSUANT TO PUB. L. 109-13 SEC. 2106



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To the Congress of the United States:

Consistent with section 2106 of the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005 (Public Law 109–13), and in order to keep the Congress fully informed, I herewith submit the enclosed report prepared by my Administration providing information on matters relating to the Palestinian Security Services and Palestinian Authority reform.

GEORGE W. BUSH.

THE WHITE HOUSE, *July 14, 2005.*

REPORT REQUESTED IN SECTION 2106 OF THE
EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT FOR DEFENSE, THE
GLOBAL WAR ON TERROR, AND TSUNAMI RELIEF, 2005 (P.L. 109-13)

Palestinian Security Service
and Other Palestinian Authority Reforms

1. Information regarding the Palestinian security services, including their numbers, accountability, and chains of command, and steps taken to purge from their ranks individuals with ties to terrorist entities.

Palestinian Authority President Mahmoud Abbas has taken concrete steps toward reform of the Palestinian security services, including replacing some senior officials, passing a security pension law, decreeing the consolidation of the security forces under the authority of the Minister of Interior, and cooperating fully with the U.S. Security Coordinator, Lt. General William Ward.

On March 1, Secretary Rice appointed General Ward to advise and assist Palestinian security service reform and restructuring. General Ward is coordinating all U.S. efforts to support and sustain Palestinian security measures to confront terror and violence and restore the rule of law. He is also leading and coordinating third-party (EU, Arab, and others) efforts to assist Palestinian security restructuring and reform in all areas, including but not limited to extant efforts on the ground, and offers of equipment and training. Palestinian Authority cooperation with General Ward has been enthusiastic, taking the form of joint meetings and training sessions.

In terms of personnel, since March 2004 all security service salaries have been paid directly into employees' bank accounts via direct deposit. This change is part of the Palestinian Authority's overall reform goal of achieving transparency and accountability in financial and personnel management. In addition, on April 22, 2005, President Abbas issued a decree requiring the early retirement of security service employees over 60 years of age and arranged a new pension system with the Ministry of Finance for those retiring from the security sector.

President Abbas has begun structural reform of the security apparatuses. At the March 1 London meeting on supporting the Palestinian Authority, President Abbas said: "We have deployed

forces on the ground, and have made a final decision to unite the security apparatuses ... We will implement this decision despite the difficulties." He has appointed a new Minister of Interior, Nasser Yousef, to oversee these reforms.

On April 14, President Abbas ordered the merger of the Palestinian security forces from thirteen independent, competitive services into three branches with a clear chain of command. Some progress has been made since this announcement. He issued a series of orders concerning the consolidation of the Palestinian apparatuses under the Ministry of Interior and National Security. These orders (a) identify and disaggregate the domains of National Security and Interior; (b) require both the National Security and the General Security apparatuses to create rosters of their members; (c) restrict and streamline the contacts between the various Palestinian Authority security forces and foreign entities; and (d) reaffirm the mission statement of the Presidential Security Force, a security unit deployed to protect the President. Ministry of Interior spokesmen also frequently appear on Palestinian media, commenting on issues of public order, indicating the increasing authority of this ministry.

2. Specific steps taken by the Palestinian Authority to dismantle the terrorist infrastructure, confiscate unauthorized weapons, arrest and bring terrorists to justice, destroy unauthorized arms factories, thwart and preempt terrorist attacks, and cooperate with Israel's security services.

Upon his election as President of the Palestinian Authority, President Abbas said he would act to halt the "militarization of the Intifada." He also made a commitment to improving order in the Palestinian Authority to enhance the residents' security and to further the interests of the Palestinian people. Thus far, President Abbas has attempted to deal with the terrorist organizations through negotiations, seeking promises of "quiet" or "lulls" in the violence.

In February, the Palestinian factions, including Fatah and Hamas, agreed to an Egyptian-brokered "lull" during which they promised to refrain from attacking Israel so long as Israel pledged to halt military operations against them. Subsequently, at the Sharm al-Sheikh summit in February, President Abbas announced: "We agreed together with Prime Minister Ariel Sharon to stop all acts of violence against Israelis and Palestinians wherever they are."

On the eve of a conference on Palestinian reform held in London on March 1, President Abbas said: "I am investing 100 percent of my efforts to bring about the cessation of violence against Israel. I will not allow attacks like the one in Tel Aviv [referring to the February 25 Stage Club bombing]." To date, however, he has had only minor success in reaching these goals, mainly because of the Palestinian Authority's desire to avoid violent domestic confrontation and a purported lack of capacity within the Palestinian Authority security forces to take on well-armed militant groups.

President Abbas and other senior leaders in the Palestinian Authority and Palestinian Liberation Organization (PLO) have routinely condemned suicide bombings, especially those aimed at civilians within the Green Line. The Palestinian Authority's condemnations of terror attacks, however, were generally not followed up with concrete and sustained actions to bring perpetrators to justice or to prevent further acts of violence.

In February 2005, the Palestinian Authority cabinet issued a directive banning the carrying of unlicensed weapons. However, the many demonstrations by gunmen and violent incidents that have occurred since then indicate that the directive is not being rigorously enforced. Later in March, Palestinian Interior Minister Nasser Yousef attempted again to restrict the gunmen's activities. A week later, when gunmen shot at President Abbas' office and rioted in the streets of Ramallah, the Palestinian Authority leadership released a communiqué harshly criticizing the Palestinian Authority security apparatuses. Subsequently, President Abbas removed Haf Isma'il Jaber, Commander in Chief of the National Security Services in the West Bank, and deployed more security forces in Ramallah. General Commander Tawfiq al-Tirani also announced his resignation in March.

In late April, at a press conference marking President Abbas' 100th day as president, in response to a question about the weapons possessed by Hamas, he said: "When a ... movement or militia becomes a political party it does not need weapons any longer There is one rule, one law and one legal and political pluralism."

Abbas has taken some steps to deploy Palestinian Authority security services and restore law and order. In January, he deployed Palestinian Authority security forces, first in the northeastern Gaza Strip to try to prevent Qassam rocket fire aimed at Israeli towns. He then extended coverage over the next several weeks, with less effect, to southern Gaza. Palestinian

Authority security forces, in cooperation with the Israeli Defense Forces (IDF), also began to actively search for and destroy tunnels between the Gaza Strip and Egypt.

Immediately after his election as President of the Palestinian Authority (PA), Mahmoud Abbas promised Secretary Rice that the investigation into the murder of three American security personnel in the Gaza Strip on October 15, 2003, would be among his chief security priorities. We have made it clear to President Abbas that the PA must identify, arrest, and prosecute the perpetrators of this attack; nothing short of these efforts will be acceptable.

We have also asked U.S. Security Coordinator William Ward to make use of his excellent contacts with the chiefs of the Palestinian security services to push for concrete progress on the investigation.

In terms of Israeli-Palestinian security cooperation, the death of PLO Chairman Yasser Arafat and the emergence of a moderate Palestinian leadership have had a positive impact on security cooperation. Security contacts between Israelis and Palestinians improved in the run-up to Arafat's funeral in Ramallah in November and continued during Palestinian presidential and municipal elections. Security cooperation on terrorism and the hand-over of Palestinian cities improved in the wake of the February Sharm al-Sheikh agreement. However, although Palestinian Authority security forces have acted to thwart attacks, sustained effective security cooperation is still not the norm.

3. Specific actions taken by the Palestinian Authority to stop incitement in Palestinian Authority-controlled electronic and print media and in schools, mosques and other institutions it controls, and to promote peace and coexistence with Israel.

Since Abbas' election as President of the Palestinian Authority, there has been a change in the nature of Palestinian Authority television broadcasts. The amount of anti-Israeli propaganda and incitement has diminished, reflecting the President's attempt to change the atmosphere in the Palestinian street and to stop the ongoing Israeli-Palestinian violent confrontation. President Abbas has instructed the executives of the Palestinian Broadcasting Corporation's components, including official TV and radio stations and the Wafa news agency, to rework the content of broadcasts that deal with Israel.

President Abbas has also moved the Palestinian Broadcasting Corporation under the auspices of the Ministry of Information.

On January 30, 2005, Palestinian Prime Minister Qure'i visited the television studios in Gaza and called for a change in broadcasting content to make it more objective and pluralistic. There has been a significant decrease in the number of songs with anti-Israel content on Palestinian Authority television stations.

In addition, Palestinian Authority officials have taken measures to reduce the degree of incitement in mosques and other public venues. For example, in May, a cleric at a Gaza mosque described Jews as "a virus resembling AIDS" and questioned the Holocaust in a sermon broadcast on Palestinian television. Palestinian Minister of Information Nabil Sha'ath immediately announced that he had asked the Religious Affairs Minister to suspend and investigate the cleric and to ban his Friday sermons. Minister Sha'ath, who is also the deputy prime minister, subsequently announced that he would ensure that such sermons were never again broadcast. Also in May, the Palestinian Authority was informed that the Palestinian Information Service's Al-Nakba, an Arabic language link from the Palestinian National Center's website, included The Protocols of the Elders of Zion, an infamous anti-Semitic screed. Within 24 hours after learning of the Protocols publication on its website, the Palestinian Ministry of Information immediately removed it and reaffirmed the Palestinian Authority's commitment to deal expeditiously with incitement violations.

Dr. Na'im Abu Humus, an American-educated "technocrat," was retained as Minister of Education and Higher Education in the new Palestinian Authority cabinet announced in January 2005. He has held the position since 2002. The new Palestinian Authority curriculum rollout, which began in 2000, continues to move by grade, and has now reached the 10th grade. Since FY02 and consistent with congressional recommendations, the United States Government has funded the Israel-Palestine Center for Research and Information (IPCRI) to conduct an evaluation of the content of new Palestinian textbooks, and to develop materials and conduct teacher training to foster peace and tolerance. The new textbooks are a significant improvement, but still unsatisfactory in their treatment of Israel.

4. Specific steps the Palestinian Authority has taken to further democracy, the rule of law, and an independent judiciary, and transparent and accountable governance.

The election in January of Mahmoud Abbas as President of the Palestinian Authority and Chairman of the PLO has resulted in the emergence of Palestinian leadership focused on restoring law and order in the West Bank and Gaza. This leadership has expressed its commitment to reforming governmental institutions. The new Palestinian Authority leadership recognizes that long-term economic development and growth is predicated on an effective and transparent system of government and the rule of law.

USAID is supporting efforts to promote transparency and good governance in Palestinian Authority operations. Recent and current USAID activities directed at reform focus on the Palestinian Legislative Council (PLC), the judiciary, selected executive branch ministries and agencies, including the Ministries of Health and National Economy, and independent agencies such as the Palestinian Monetary Authority and the Palestinian Water Authority.

A stronger Palestinian Legislative Council (PLC) is key to strengthening Palestinian democracy. The PLC continues to make strides toward greater relevance in the Palestinian Authority political process. It has sometimes tried to highlight corruption and mismanagement in the executive branch, and has advocated reform. PLC elections, originally scheduled for July 17, have been postponed until later this year or early next year, although no firm date has been set. Palestinian Authority President Abbas issued a decree on June 3 postponing the elections on the grounds that the legal framework -- namely, a revised election law -- was not in place. The new election law subsequently passed by the PLC on June 18 requires that half the 132 seats in the Palestinian parliament be elected at the local and regional electoral level. The other half will be elected as party candidates at the national level. The Palestinian Authority says that additional time is required to prepare for elections under the new law. However, critics, notably Hamas, claim the delay was intended to buy time to strengthen Abbas' Fatah faction.

Elections for the (currently) 88-seat PLC were last held in 1996. The Central Elections Commission (CEC), which oversaw the Presidential election in January and will oversee the planned PLC elections, is an independent body and not under the control of the Palestinian Authority. The CEC has proven to be competent and nonpartisan in its past efforts, and is the main Palestinian interlocutor with the donor community on elections.

Minister of Finance Salam Fayyad continues to make progress increasing the transparency and accountability of the Palestinian Authority's finances. Not only did he establish direct deposit for all of the Palestinian Authority employees' salaries, including members of the Palestinian Authority security forces, but he also centralized a transparent government procurement policy, including for security needs. Minister Fayyad has posted the Palestinian Authority budget on the Ministry of Finance's website (www.mof.gov.ps/english/), and codified all budgetary and treasury operations.

The USAID Office of the Inspector General's report on the examination procedures in connection with the \$20 million in United States Government direct assistance to the Palestinian Authority in the summer of 2003 can be accessed at www.usaid.gov/oig/public/aud_usaid.html.

5. The Palestinian Authority's cooperation with U.S. officials in investigations into the late Palestinian leader Yasser Arafat's finances.

A September 2003 International Monetary Fund report estimated that during the period 1995-2000 \$898 million was diverted from the Palestinian Authority Treasury, largely for investment in Palestinian Authority commercial operations through the Palestinian Authority-owned Palestine Commercial Service Organization. Minister Fayyad has led the effort to collect these Palestinian Authority assets and properly register them under the Palestine Investment Fund (PIF). The PIF was established by decree of the President of the Palestinian Authority on October 1, 2000. It has been leading Palestinian Authority efforts in the ongoing financial reform process, valuing and announcing all public assets and investments held by the Palestinian Authority. In May 2004, the first valuation of these assets by Standard & Poors was published in the PIF's 2003 annual report. At that time, the assets collected by the PIF amounted to \$800 million. Additional information about the PIF can be accessed at www.pa-inv-fund.com.

In recent years, the Palestinian Authority has improved its track record of fiscal transparency and accountability. The Palestinian Ministry of Finance has augmented and consolidated its internal Palestinian Authority audit and control functions under the Finance Ministry. In early 2005, the External Audit Law was approved, which would set up an independent auditor (and replace the existing "General Control Institute") in accordance with the benchmarks established by the World Bank's Public

Financial Management Reform Trust Fund, which releases donor-funded budget support semiannually to the Finance Ministry, contingent on the Palestinian Authority's achieving predefined benchmarks. The Palestinian Authority Finance Ministry has hired the international accounting firm PriceWaterhouseCoopers to audit the Palestinian Authority's 2003 expenditures and plans to have the firm annually audit expenditures.

Despite the success of the PIF in accounting for diverted Palestinian Authority funds, it is possible that there are additional PLO or Fatah (Arafat's political party affiliations) assets from the era of Chairman Arafat that remain unaccounted for at this point. Minister Fayyad has expressed his willingness to work with the United States Government and the World Bank to improve the transparency and accountability of the Palestinian Authority; given Minister Fayyad's track record, we have very high confidence in him. He has also welcomed any information that might lead to the discovery of additional assets from the Arafat era. In addition, the Palestinian Authority is very interested in cooperating with the United States Government on combating terrorism funding in the Palestinian territories, and has requested United States Government technical assistance in setting up a financial intelligence unit.

6. Amount of assistance pledged and actually provided to the Palestinian Authority by other donors.

Following a drastic decline in revenue collection immediately after the onset of the Intifada, the Palestinian Authority became heavily reliant on donors for budgetary support. In addition to the United States, principal donor partners include the European Union (EU), the United Nations, the World Bank, Germany, Japan, Italy, Canada, Norway, the United Kingdom, and Arab countries. Among the Arab countries, significant donor nations include Saudi Arabia, Kuwait, Qatar, and Algeria.

According to International Monetary Fund (IMF) estimates, in 2003 total budget support for the Palestinian Authority was \$261 million, including \$131 million from Arab countries, \$58 million from the European Union, and \$39 million through the World Bank's Emergency Services Support Projects.

In 2004, according to IMF estimates, the total budget support for the Palestinian Authority was \$352 million, including \$98 million from Arab countries, \$50 million from the European Union, \$67 million from the World Bank, and \$117 from the World Bank Public Financial Management Reform Trust Fund.

From January to mid-June 2005, international budget support extended to the Palestinian Authority totaled \$208 million.

At their March 2005 meeting in Algeria, members of the Arab League passed another 6-month resolution calling for member states to assist the Palestinians, covering the period April 1 - October 1, 2005. In accordance with this resolution, the Saudi Government will contribute \$7.7 million per month in budget support. By June 2005, it had contributed \$17 million.

In addition, since President Abbas' election, Qatar, Kuwait, and Algeria have pledged to support the Palestinian Authority with contributions of \$11 million, \$40 million, and \$70 million respectively. According to the IMF, thus far in 2005 the European Union has pledged \$26 million and Norway has pledged \$16 million to the Palestinian Authority. In May 2005, Japan pledged \$100 million in assistance.

The IMF anticipates a total of \$425 million in international donor support to the Palestinian Authority for 2005. Although this is a strong start, the Palestinian Authority budget for 2005 assumes \$660 million in external assistance. The United States Government continues to urge its allies in Europe and in the Arab world to increase their assistance to the Palestinians this year, both to prevent a budget shortfall and to allow the Palestinian Authority leadership to focus its attention on reform efforts. Quartet Special Envoy for Gaza Disengagement James Wolfensohn will also help in this regard.

The international community has established effective donor coordination mechanisms to provide assistance to the Palestinian Authority. The Ad Hoc Liaison Committee (AHLC) brings together decision-makers from key donor states and organizations. A Local Aid Coordinating Committee (LACC) includes all donors active in the West Bank and Gaza. In addition, the Task Force on Project Implementation, working under the auspices of the LACC, includes representatives from USAID, the EC, the U.N., and the World Bank who work closely with Israeli Government officials to facilitate project implementation and to facilitate access for the delivery of all forms of assistance. The Task Force on Palestinian Reform (TFPR), which consists of major donors, met in Oslo, Norway, in December 2004. This TFPR meeting, chaired by the United States, reviewed Palestinian Authority reform progress, and made recommendations for reforms in key areas, including rule of law, judiciary, anti-corruption efforts, and civil and pension reform.