# [***Palestinian Seeks Reform by Following the Money***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:47K6-W460-01KN-2020-00000-00&context=1516831)

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**Byline:**  By JAMES BENNET

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**Body**

Waving reams of fiscal data, a small man in a gray suit charged the barricades of Palestinian reform here today.

It may have looked like the arid presentation of an annual budget, to the legislature of the Palestinian Authority. But it amounted to something more revolutionary.

First, because there was a 2003 budget proposal at all.

Second, because it was being disclosed publicly, in detail.

Third, and most striking, because it included seemingly bland provisions that if enacted would have major consequences for the conduct, not only of Palestinian governance, but also of the Palestinian uprising.

Take, for example, one apparent yawner: direct deposit of police salaries. This measure would strip Palestinian security chiefs of the control they now have over their forces' pay, which some have used to build unaccountable fiefs. It would also twist shut what students of the Palestinian Authority say is a tap for financing some Palestinian militants.

The man in the gray suit, Salam Fayyad, has been praised by both American and Israeli officials since he was appointed to his post as Palestinian finance minister by Yasir Arafat in June.

That is something of a problem for the finance minister, a former official of the International Monetary Fund who was educated in Lebanon and Texas. Palestinians consider the Bush administration biased in favor of Israel. The 27-month-long conflict has made them suspicious if not contemptuous of any change -- and any Palestinian -- conforming to American and Israeli demands.

When these concerns about outside influence were mentioned to Mr. Fayyad after his presentation, he became so exercised that he dropped his black satchel and began jabbing the air with one index finger.

"I'm talking about public funds -- public money -- the people's money!" he said in rapid-fire English. "We should manage the funds in an honest way. Tell me if this is not inspired by the Palestinian people. Tell me if the Palestinian people do not benefit from this."

Palestinian legislators, many of whom have chafed at corruption in the Palestinian Authority, said they expected the budget to pass within a month, and then for the real fight to begin: to enact its provisions against officeholders vested in the status quo.

"Either he will submit to their demands, or resign," Jamal Shobaki, the chairman of the legislature's economic committee, said of Mr. Fayyad, expressing what he called a common fear among reformers. "What we want is a third way -- that he neither submit, nor resign."

Mr. Fayyad, who is 50, smiled when told of the comment, and said he knew a third way. "When you hit a wall," he said, "you go through it."

Mr. Fayyad, who has presented Mr. Arafat with his budget, is careful to emphasize his loyalty to the Palestinian leader. Yet his proposals, if enacted, would remove levers of patronage and contracting that Mr. Arafat has relied on for years to run the Palestinian Authority, the Palestine Liberation Organization, and his dominant faction, Al Fatah.

As a result, Israeli officials reacted to the proposed budget with skepticism, along with rare praise for a Palestinian minister. "Everything that Fayyad is trying to do is well appreciated and is the right thing," said Raanan Gissin, the spokesman for the Israeli prime minister, Ariel Sharon. "But it's like full gas in neutral, as long as the money eventually reaches Arafat."

But Mr. Arafat appears to be somewhat boxed in by his finance minister. It would be a serious blow to the Palestinian Authority's remaining credibility abroad -- including in Europe, which has given the Palestinians considerable funds -- if Mr. Fayyad felt forced to resign.

Although he said he supported reform and democracy, Mr. Arafat did not speak about the budget as he addressed supporters here today, the anniversary of Al Fatah's founding in 1965.

A Western diplomat said Mr. Fayyad had "thrown down a gauntlet in front of the security services," adding that this "puts the authority in a very difficult position because of Fayyad's international credibility."

In this diplomat's appraisal, Mr. Fayyad appeared to be recruiting sidelined Palestinian institutions -- the budget, the legislature -- for wide-ranging reform, using the budget proposal to lend precision to popular but rather amorphous ideas for change.

No budget was issued for 2002, and before that, the details of the budgets were not disclosed. Mr. Fayyad made a point of posting his $1.28 billion proposal on a new Web site, which was also started today ([*www.mof.gov.ps*](http://www.mof.gov.ps)).

He said his budget assumed that the Palestinian economy would contract by about 7 percent next year. He said the Palestinian G.D.P. now amounted to slightly under $2 billion.

While he referred to the devastating impact of Israel's offensives into Palestinian areas, he spoke more about what Palestinians could do to take control of their fiscal destiny, peppering his presentation with words like "transparency," "audit," and, repeatedly, "credibility."

Mr. Fayyad, who was raised in the West Bank town of Tulkarm, was for several years the representative of the I.M.F. to the Palestinian Authority, and he appears to have been storing up ideas of what he would do if he was in charge.

Among other changes, he said he would ensure compliance by all ministries with Palestinian laws about procurement. He specifically referred to the purchasing body for the security services, which Palestinians call the Rock. Experts say the Rock is used to generate kickbacks and patronage for security officials.

Mr. Fayyad called its relationship to the security agencies "a clear violation of the law" and said it "should not, and will not, be allowed to continue."

The proposal would advance several efforts he has already undertaken, like putting auditors in all the ministries and consolidating multiple investment and commercial operations in one closely watched fund.

Mr. Fayyad, who has a doctorate from the University of Texas, served as a scholar at the Federal Reserve Bank in St. Louis and as an I.M.F. official in Washington. He has little popular support, but he gained some credibility in August, when he found himself trapped by a renewed Israeli siege of Mr. Arafat's compound.

The Israelis came in so swiftly, after back-to-back suicide bombings killed seven people besides the bombers, that he lost his ***cellphone*** and briefcase. They were crushed by a tank inside the taxi in which he had arrived at the compound.

Before American pressure forced the Israelis to withdraw, Mr. Fayyad spent 10 days in the compound, sharing a small, airless bedroom with Mr. Arafat and two other officials. At one point, he recalled, the Israelis demanded that everyone evacuate the compound, saying they were about to demolish it. "I thought to myself, 'This is it,' " he said.

Contrary to Palestinian rumor, Mr. Fayyad is not an American citizen. Chain-smoking, as usual, in Mr. Arafat's compound today, he said he knew some Palestinians viewed him as "this guy who came from the I.M.F."

But he shrugged that off. "I know who I am," he said. "Our people deserve respect, and if I can contribute to that, what more can I ask for?"

[*http://www.nytimes.com*](http://www.nytimes.com)

**Graphic**

Photo: Salam Fayyad, the Palestinian finance minister, in Yasir Arafat's compound in Ramallah yesterday. (James Bennet/The New York Times)

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