

## Transparency International Anti-Corruption Helpdesk Answer

# An overview of corruption and anti-corruption in Saudi Arabia

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The Kingdom of Saudi Arabia is an absolute monarchy, commonly viewed by observers as an authoritarian state (IBP 2017). With severely limited civic space and freedom of expression, the country has witnessed escalating suppression of dissidents and severe human rights abuses (CIVICUS 2018; Freedom House 2019; Human Rights Watch 2019a). Although there have been high-profile measures to curb graft in recent years, many analysts view the anti-corruption drive headed by the crown prince as motivated primarily by a desire to consolidate political power (Kirkpatrick 2019).

While the effective implementation of anti-corruption efforts is largely at the discretion of the country's rulers, corruption is viewed by observers as a significant issue in the country (Freedom House 2019; GAN Integrity 2019). Notably, almost total opacity in public accounting prevents ordinary Saudis from understanding how much of the state income generated by massive oil revenues ends up as private wealth for the royal family and its clients (Freedom House 2019; Hertog 2019).

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# Query

Please provide an overview of corruption and anti-corruption in Saudi Arabia

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## Caveat

Where systemic checks and balances in the form of transparent and accountable public institutions are absent, control of corruption is largely dependent on the political will of incumbent leaders, who may instead choose to employ targeted allegations of corruption against adversaries. Literature reviews indicate that in environments with restricted civil and political rights such as Saudi Arabia, anti-corruption strategies are less sustainable as they are unable to draw on the full range of anti-corruption measures, many of which rely on the participation of non-state actors (Kukutschka 2018). As such, any improvements in reducing corruption in these settings are contingent on the caprice of a few individuals, meaning progress in clamping down on malfeasance is likely to prove fragmentary, short-lived and volatile (Transparency International 2019b).

## Background

The Kingdom of Saudi Arabia is an absolute monarchy ruled by King Salman bin Abdulaziz Al Saud (Freedom House 2019). The country's status

## Main points

- There has been an escalation of repression and human rights abuses since 2017, when crown prince Mohammed bin Salman took over as de facto ruler.
- The prince has launched an anti-corruption purge widely seen as a bid to consolidate power in the oil rich rentier state.
- Nepotism, patronage and clientelism remain major forms of corruption, and the defence and oil sectors are seen as particularly vulnerable.
- While extensive anti-corruption legislations exists, the effectiveness of these laws in practice is open to question due to extensive opacity and state control of media outlets.

as one of the world's largest oil exporters has encouraged both economic interdependence and military alliances with the West (BBC News 2019b). The kingdom also plays a leading role in the Organisation of Petroleum Exporting Countries (OPEC) (PwC 2019).

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Despite recent measures to diversify its economy,<sup>1</sup> oil exports account for more than 85 per cent of government revenue (Heritage Foundation 2019). In light of the dominance of oil wealth over the country's political economy, Saudi Arabia is commonly characterised as a rentier state (Hertog 2019), meaning that the government derives its revenues predominantly from the sale of the valuable resources it owns to clients in other countries. Some social scientists argue that since rentier states are not dependent on tax revenues for their survival, they are unlikely to be accountable to their citizens, which may lead to such countries being more tyrannical or corrupt than other governments (Gray 2018; The Hindu 2017).

Increased expenditure on the military combined with declining oil prices has pushed the Saudi government into deficit spending over the last few years, and public finances are expected to remain in deficit in the near future (Bertelsmann Stiftung 2018, World Bank 2019a). Year-on-year GDP growth has lessened from 2.4 per cent in 2018 to 1.7 per cent in 2019 due to the effects of oil production cuts as part of the OPEC+ agreement and a worsening global outlook (World Bank 2019a).

The government has initiated a series of economic reforms since 2015 by opening up the Saudi stock market to foreign investment. In addition, it has launched a development plan, called Saudi Vision 2030, to diversify the economy and initiate a shift to private sector-led economic growth with a focus on service sectors, such as health, education, infrastructure construction, recreation and tourism (Bertelsmann Stiftung 2018; Heritage Foundation

2019; World Bank 2019a; PwC 2019). With Saudi Arabia chairing the G20 in 2020, the country will be in the international spotlight, both in terms of these ongoing structural reforms (World Bank 2019a) as well as its record on issues ranging from gender, human rights, climate action and corruption.

Political rights and civil liberties are restricted in the country, and human rights abuses predate Mohammed bin Salman's (also known as MBS) rise to power in 2017. Nonetheless, there has since been a concerning escalation in human rights violations (Al-Dosari 2019; Freedom House 2019; Human Rights Watch 2019a). With the rise in persecution, there has been a sharp increase in the number of Saudi asylum seekers, with their numbers doubling between 2015 and 2018 (Al-Dosari 2019).

The murder of Saudi journalist Jamal Khashoggi, a Washington Post columnist, at Saudi Arabia's consulate in Istanbul resulted in the country's biggest diplomatic crisis since 9/11 (Chulov 2018). Turkish authorities alleged that the journalist was killed in an act of state-sponsored murder for having criticised MBS and aspects of his reform programme (Chulov 2018). Five people have been sentenced to death and another three face a total of 24 years in prison for their part in Khashoggi's murder (McKernan 2019). The verdict, however, contradicts the conclusion of the CIA and other western intelligence agencies that Prince Mohammed if not directly ordered, then was at least complicit, in Khashoggi's assassination (McKernan 2019).

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<sup>1</sup> These efforts include the conversion of the country's public investment fund into a US\$2 trillion sovereign wealth fund by selling state assets and the dilution of a small stake

in the state-owned ARAMCO oil company (Heritage Foundation 2019).

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A long-standing ban on women driving was lifted in 2018. However, before the move, several activists who had campaigned for women's right to drive were arrested (Freedom House 2019).

Accusations included conspiring with foreign governments, and some reported being tortured while in custody (Freedom House 2019; Human Rights Watch 2019a).

Initially, the crown prince was viewed as an agent of change, intent on driving forward meaningful socio-economic reforms (Hubbard 2019).

However, his policies at home have been characterised by the harsh suppression of dissent, discouragement of activism and suspicion of civil society. Together with Saudi Arabia's increasingly belligerent approach to foreign policy, including the war in Yemen<sup>2</sup>, house arrest of Lebanese Prime Minister Saad al-Hariri<sup>3</sup>, blockade of Qatar,<sup>4</sup> and the diplomatic row with Canada over human rights issues,<sup>5</sup> his reputation abroad is now tainted (Kabalan 2018; Freedom House 2019, Hubbard 2019). Despite this, the country's trajectory remains in the hands of the crown prince, and his close-knit group of advisors (Al-Dosari 2019).

Corruption is a significant issue in the country (Freedom House 2019; GAN Integrity 2019).

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<sup>2</sup> In 2014 Houthi insurgents took control of Yemen's capital and largest city, Sana'a, and seized the presidential palace in 2015, leading to the collapse of the incumbent government. In the same year, a coalition of Gulf States led by Saudi Arabia launched a campaign of economic isolation and air strikes against the Houthi insurgents, with US logistical and intelligence support (CFR 2019). The conflict continues to take a heavy toll on Yemeni civilians, making Yemen the world's worst humanitarian crisis (Almosawa, Hubbard and Griggs 2019). All sides of the conflict are reported to have violated human rights and international humanitarian law (OHCHR 2018A; United Nations Security Council 2018).

<sup>3</sup> Mr. Hariri, an ally of the Saudis, was forced to resign under pressure and publicly blame Iran while on his visit to Saudi Arabia in 2017. The move was a bid to curb Hezbollah, the powerful Shiite organisation that is

Opacity in public accounting prevents ordinary Saudis from understanding how much of the state income generated by massive oil revenues ends up as private wealth for the royal family and its clients (Freedom House 2019; Hertog 2019).

## Extent of corruption

Saudi Arabia ranks 51 out of 180 countries in Transparency International's 2019 Corruption Perceptions Index (CPI), with a score of 53 out of 100, suggesting a marginal improvement from 2018 when it scored 49 (Transparency International 2019a).

Composite indicator	2015	2016	2017	2018	2019
Corruption Perceptions Index	52	46	49	49	53

The Worldwide Governance Indicators (WGI) from the World Bank (2019b) accord the following scores in percentile rank<sup>6</sup> to the country:

Lebanon's most influential political actor, from growing stronger (Barnard and Abi-Habib 2017).

<sup>4</sup> In 2017, four countries, including Saudi Arabia issued a list of 13 demands against Qatar, including cutting its alleged relations to terrorist organisations, shutting down Al Jazeera and closing a small Turkish military base (Walsh 2017).

<sup>5</sup> Saudi Arabia decided to expel the Canadian ambassador, recall thousands of students studying in Canada and suspend future trade with the country (Kestler-D'Amours 2018) in response to a statement made by the Canadian foreign minister calling for the release of Saudi human rights activists (Freedom House 2019).

<sup>6</sup> Percentile rank indicates the country's rank among all countries covered by the aggregate indicator, with 0 corresponding to lowest rank, and 100 to highest rank (World Bank 2019ab).

WGI indicator	2015	2016	2017	2018
Control of corruption	58.7	63.9	65.9	65.9
Government effectiveness	60.6	63.5	62.5	64.9
Political stability and absence of violence/terrorism	23.8	28.1	25.7	28.6
Regulatory quality	54.3	55.8	54.8	53.4
Rule of law	60.1	62.5	57.2	58.7
Voice and accountability	3.4	4.9	5.9	5.9

Such consistently low percentile ranks for voice and accountability illustrate the country's repressive methods of silencing dissidents, whistleblowers and critics (Freedom House 2019; Human Rights Watch 2019a).

Bertelsmann Stiftung's Transformation Index (BTI) 2018 ranks Saudi Arabia 97 out of 129 countries with a transformation score of 4.27 (on a 1 to 10 scale). The BTI (2018) report notes that while corruption in the kingdom was long thought to be most rampant at senior levels of the government, many long-term observers believe that there has been a trickledown effect in terms of corruption in the country as petty bribery becomes more widespread in the face of rising costs of living and stagnating wages (Bertelsmann Stiftung 2018).

The kingdom ranks 62/190 with a score of 71.6/100 for doing business 2020 by the World Bank (2019c). According to analysts, insufficient transparency and accountability remain issues in Saudi's rentier economy, and companies continue

to face moderate to high risks of corruption (GAN Integrity 2019; Heritage Foundation 2019; Hertog 2019). The 2019 TRACE Bribery Risk Matrix, for instance, places Saudi Arabia in the moderate risk category, ranking it 93 out of 200 surveyed countries with a risk score of 51 (TRACE International 2019).

The Tax Justice Network (2018) awards the country a secrecy score of 70 in the Financial Secrecy Index 2018, placing it 65 out of 112 jurisdictions. Given that the kingdom accounts for less than 0.1 per cent of the global market for offshore financial services, it nonetheless remains a small player compared to other jurisdictions (Tax Justice Network 2018).

When it comes to disclosing its own financial affairs, the country's mechanisms are particularly opaque and lack any form of oversight, as reflected in the Open Budget Survey 2017 produced by the International Budget Partnership (IBP). Saudi Arabia scored a mere 1/100 for budget transparency, 0/100 for citizen participation, and 11/100 for legislature and audit oversight (IBP 2017). IBP notes that only countries scoring above 60 on the Open Budget Index are able to provide sufficient budgetary information to allow informed public engagement in budget discussions (IBP 2017).

With a Democracy Index (2018) score of 1.93/10, Saudi Arabia is considered one of the most authoritarian regimes in the world (EIU 2018). EIU's (2018) report highlights the "increasingly authoritarian and unpredictable nature" of the crown prince's leadership. The nature of the country's political economy has important implications for the much heralded anti-corruption drive. This is because, where systemic checks and balances in the form of transparent and

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accountable public institutions are absent, control of corruption is largely dependent on the political will of incumbent leaders who may instead choose to employ targeted allegations of corruption against adversaries.

Literature reviews also indicate that in environments with heavily restricted civil and political rights, such as Saudi Arabia, anti-corruption strategies are less sustainable as they are unable to draw on the full range of anti-corruption measures, many of which rely on the participation of non-state actors (Kukutschka 2018). As such, any improvements in reducing corruption in these settings are contingent on the caprice of a few individuals. Meaningful progress in clamping down on malfeasance is likely to prove fragmentary, short-lived and volatile (Transparency International 2019b).

## Nature of corruption challenges

### Opacity

The kingdom has no written constitution beyond the Quran and Sunna (the traditions of the Prophet Muhammad) (US Department of State 2018; The Saudi Network 2019). With no elections, no political parties, lack of budget transparency and the effective criminalisation of political dissent, Saudi governance structures provide little scope for accountability (Freedom House 2019).

Although the kingdom has a General Auditing Bureau that prepares detailed budgets and accounts for the state and its various institutions and ministries, the bureau is neither answerable to any elected body nor does it release any detailed public reports (AIShehabi 2017). The final

accounts for each year's budget have barely three lines for each of the sections of general revenues or general expenditure (AIShehabi 2017).

Moreover, there is no transparency with regards to how state funds are distributed and the internal decision-making process that determines the allocation of state funds is shrouded in secrecy (Freedom House 2019). There is no system for holding senior decision-makers accountable (Bertelsmann Stiftung 2018; Hertog 2019).

Areas with the greatest degree of opaqueness in the state budget are royal allocations, military expenditure and foreign transfers (AIShehabi 2017). There is little insight into how massive amounts of revenue from oil sales turn into the private wealth of the ruling class, and the net worth of the Saudi royal clan's fortune is a closely guarded secret (Kulish and Mazzetti 2016; AIShehabi 2017; Freedom House 2019). The funds are divided among many relatives and spread across several continents, further complicating any efforts to account for it (Kulish and Mazzetti 2016). These funding mechanisms are reportedly made opaque by design so that the share of the Saudi budget which ultimately makes its way into royal coffers is not disclosed (Kulish and Mazzetti 2016).

According to reports, there exists a kind of stipend system for members of the royal family and their entourage (AIShehabi 2017). Nonetheless, it appears that this system may not be enough to support the lavish lifestyle of the Saudi royals (AIShehabi 2017; Hertog 2019). The crown prince is known to have purchased a US\$500 million yacht, a US\$300 million French chateau and a US \$450 million Leonardo da Vinci painting in recent years (Warren 2019). In addition, some observers have

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stated that a handful of the most senior princes enrich themselves via control over “off-budget” programmes worth billions of dollars. Since these programmes have no financial oversight or control mechanisms they are reportedly used as sources of “royal rake-offs” (AIShehabi 2017).

While virtually no information is available domestically about the regime’s finances, work by investigative journalists and whistleblowers offers glimpses into the astonishing wealth those at the top have accumulated. King Salman was implicated in the Panama Papers revelations as his ties to offshore companies in Luxembourg and the British Virgin Islands were reportedly used to take out mortgages worth US\$34 million for his luxury London properties (ICIJ 2020; Proctor 2016).

In total, 56 members of the royal family have been associated with the recent leaks of Panama Papers, Swiss Leaks and Off-shore Leaks (Munzinger and Obermaier 2019). Moreover, it has come to light that the Saudi royal family “gifted” the Malaysian Prime Minister Najib Razak US\$681 million in 2015 (AIShehabi 2017). The nature, scope and size of such foreign “chequebook diplomacy” transfers are also not a matter of public debate in Saudi Arabia (AIShehabi 2017).

Such conditions and the complete absence of oversight produce an environment in which corruption at the top can thrive. This challenge is exacerbated by the fact that the country operates as a neo-patrimonial rentier state (Herb and Lynch 2019; Baumann 2019; AIShehabi 2017), which allows its political and economic elite to be less sensitive to societal pressure than in other states (Gray 2018).

In instances where the Saudi state can no longer resist demands from below, Beaugrand (2019) contends that there is an “eminently political” allocation of rents to buy the quiescence of various groups. This has contributed to the development of extensive patronage and clientelistic networks, as covered in the next section.

## Nepotism and clientelism

The kingdom is run by the royal family through the establishment of institutional fiefdoms maintained via informal consensus among its high-ranking members (Bertelsmann Stiftung 2018). Princes’ informal clientelist networks and functional agencies are often used to represent interests within the state (Bertelsmann Stiftung 2018). Such a system has given rise to a network of power brokers and clientele in which corrupt officials with firm patronage links to the royal family are able to hold on to office and positions of power for decades without fear of being held to account for malfeasance (Bertelsmann Stiftung 2018). Moreover, the existing system of patronage ensnares the private sector, ensuring an overlap of business and politics that further feeds the abuse of power and nepotism, meaning that new companies entering the market face a moderate to high risk of corruption (GAN Integrity 2019).

At the highest level, nepotism reportedly played an instrumental role in the meteoric rise of crown prince Mohammad bin Salman to power (Davison 2017). In 2017, MBS along with his father king Salman allegedly plotted a swift ousting of then crown prince Muhammad bin Nayef (one of King Salman’s nephews) from his position as successor apparent, and later put him under house arrest (Chulov 2017; Hubbard, Mazzetti and Schmitt 2017). According to Cao (2019), King Salman was

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motivated by a desire to keep his immediate family's grip on the throne. King Salman's decision to anoint his son the heir apparent over the more senior Muhammad bin Nayef was made possible due to a change in the succession rule in 1992 that allowed for the king to appoint or dismiss his heir according to who the king deemed most suitable rather than who ranked highest in seniority (Cao 2019). Mohammad bin Salman's success in consolidating "so much power" in a relatively short span of time has purportedly unsettled even the royal family (Hubbard, Mazzetti and Schmitt 2017).

Under MBS, authorities have quietly reorganised the country's prosecution service and security machinery, which are the chief instruments of regime control, by placing them directly under the royal court's oversight (Human Rights Watch 2019a).

## *Wasta*

*Wasta* is the use of "connections" to find jobs and obtain public services, licences or permits that would otherwise be out of reach or would take time or effort to obtain (Ramady 2016). It may be defined as "the intervention of a patron in favour of a client in an attempt to obtain privileges or resources through a third party" (Mohamed and Mohamad 2011). Since personal relationships and personal loyalty are the cultural foundations of Saudi society, the role of the middleman in a legal or illegal transaction becomes fundamental in such a context (Alshalan 2017).

A *wasta* or *wasit* is typically a middleman in bribery transactions or a provider of services in exchange

for money or favours (Alshalan 2017). What makes the *wasta* situation unique is that while in other cronyistic systems obligations do not typically pass from one generation to the next, quid pro quo obligations under *wasta* are inherited (Khatri, Tsang and Begley 2006).

While in limited cases *wasta* may have positive effects<sup>7</sup>, this form of social capital networking usually has negative particularistic impacts, affecting decision-making at all levels of society (Ramady 2016). Through the use of *wasta*, Saudi citizens may easily come close to committing bribery, abuse of power or influence peddling (Alshalan 2017).

A study conducted by the National Anti-Corruption Commission, (Nazaha), found that *wasta* nepotism is the most common form of corruption in the Saudi government services sector, followed by bribery (Anderson 2016). Apart from "weak religious factors and morals" being cited as one of the reasons for the spread of financial and administrative corruption, Nazaha identified "weak control and laxity in implementing regulatory punishments, old and complicated systems and absence of transparency" as enabling factors for the extensive use of *wasta* (Anderson 2016; Arab News 2016). *Wasta* also continues to be an issue in procurement with both government and private contractors having to depend on middlemen to secure projects (GAN Integrity 2019).

Another survey found that the establishment of more e-government services could cut instances of *wasta* in Saudi Arabia by up to 86 per cent (Ramady 2016). However, more than 25 per cent

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<sup>7</sup> *Wasta* is often used to scale socio-cultural barriers. For example, women in Saudi Arabia often find jobs or get

access to higher education due to *wasta* connections (Ramady 2016).



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of the people surveyed rejected the idea of e-government completely, citing their greater faith in interpersonal relations (Ramady 2016). Despite this, analysts believe that drastically reducing *wasta* is essential to stimulate the private sector dynamism needed to make the Saudi economy more sustainable in the long run (Ramady 2016; Hertog 2019).

## Anti-corruption purge

Between 2017 and 2019, Saudi Arabia, conducted an anti-corruption purge by cracking down on high-level corruption (Kirkpatrick 2019). The order for the purge was given by King Salman, but it was the brainchild of crown prince Mohammed bin Salman, who – partly through this move – has gone on to consolidate his unrivalled authority in what critics have called a “power grab” (Kirkpatrick 2019). MBS rationalised the anti-corruption drive by stating that the country had “suffered a lot from corruption” with a reported 10 per cent of government spending being siphoned off at all levels (BBC News 2019a).

Hundreds were held at unofficial detention sites, such as the Ritz-Carlton in the country’s capital, Riyadh (Kirkpatrick 2019). Among the detainees were members of the royal family, prominent businessmen, former Saudi officials, senior clerics, public intellectuals, academics, and human rights and women’s rights activists (Chulov 2018; Human Rights Watch 2019a). There are allegations of rampant torture and mistreatment conducted at these sites (Human Rights Watch 2019a). Many detainees claim that they were coerced into turning over large sums of money or other assets in exchange for their release (Kirkpatrick 2019).

An anti-corruption committee, led by crown prince Mohammed bin Salman, was created to coordinate the crackdown (Kirkpatrick 2019). The kingdom’s official press agency issued a statement citing that of the people detained, 87 had agreed to settlements, 56 had been refused settlements because they faced other criminal charges and eight others were handed over to the public prosecutor after they refused to settle (Human Rights Watch 2019b).

More than US\$107 billion is claimed to have been recouped from the purge (BBC News 2019b). There is no way of verifying this figure due to the lack of transparency in the local market and restrictions on international sales, or indeed the lack of formal investigations against the defendants (Chulov 2018; Kirkpatrick 2019).

The purge has been widely criticised for being a politically-motivated move without adherence to due process, as well as for the abusive practices associated with the campaign, such as long-term arbitrary detention without charge, trial or any clear legal process (Human Rights Watch 2019a; Human Rights Watch 2019b). Turki bin Abdullah, the son of the late King Abdullah and former governor of Riyadh, and Adel al-Fakih, a former government minister were among those detained without a charge or trial (Human Rights Watch 2019a).

MBS has defended this anti-corruption exercise calling it a necessary “shock therapy” for the state and economy (Kalin 2019). Another round of the purge, this time aimed at the low and mid-levels of bureaucracy is set to be carried out soon (Kalin 2019).

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## Sectors affected by corruption

### Judiciary

The interpretation of the legal system is left to senior Wahhabi ulama (Islamic legal scholars) (Bertelsmann Stiftung 2018). Courts follow Sharia Law, and it is often left to the discretion of individual judges to determine what constitutes a crime and the concomitant sentence, even in cases of capital punishment (Bertelsmann Stiftung 2018; US Department of State 2018). Individuals are frequently sentenced to corporal punishment, usually in the form of floggings, whippings or lashings (US Department of State 2018).

Judicial corruption is not uncommon, particularly in cases of land registration and land disputes. When it comes to politically sensitive judgements or decisions in which interests of the royal family are involved, the judiciary is known to usually acquiesce to royal pressure (Bertelsmann Stiftung 2018). Indeed, Hubbard et al (2018) suggest that the “opaque and extra-legal nature” of MBS’s anti-corruption purge illustrates that the judiciary ultimately answers to the crown (Hubbard et al 2018).

Many activists in the country have been tried by the Specialised Criminal Court (SCC), which was set up in 2008 to try cases of terrorism. Human rights organisations, at the local and international level, have noted that hearings before the SCC are not transparent and do not observe minimum standards for a fair trial (US Department of State 2018).

For instance, Abbas Haiji A. Al-Hassan and 14 others have been sentenced to death by the SCC

in recent years on the charge of spying for Iran, financing terrorism or spreading the Shia faith (OHCHR 2018b). Calling for an annulment of these death sentences, UN experts and organisations such as Amnesty International and Human Rights Watch alleged that these judgements were based on confessions obtained through torture, and that the trial lacked due process (OHCHR 2018b). Al-Hassan was nevertheless executed in 2019 (ADHRB 2019)

Human rights activists in the kingdom have also reported that SCC judges receive “implicit instructions” to give out harsh sentences against human rights activists, reformers, journalists and dissidents (US Department of State 2018).

### Defence

Saudi Arabia’s placement in Band E of Transparency International’s Government Defence Anti-Corruption Index (GI) places it in the high-risk category for corruption in the defence and security sector (TI-DS 2015b). The highest risks in defence for the country include operations, political and financial, personnel and procurement (TI-DS 2015a).

Procurement in the defence and security sector is especially prone to corruption in the kingdom (Bertelsmann Stiftung 2018; GAN Integrity 2019). The Stockholm International Peace Research Institute (SIPRI), notes that having spent US\$67.6 billion on defence procurement, Saudi Arabia was the third largest military spender in the world in 2018 (SIPRI 2018). Saudi Arabia has the highest military spending as a percentage of GDP in the world, and is also the largest arms importer in the world, accounting for 12 per cent of global arms imports over the last five years (Elass 2019).

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Assessments from 2015 found that oversight in defence procurement is minimal, as not even the Ministry of Defence exerts centralised control over acquisition planning (TI-DS 2015b). Procurement decisions in defence purchases, including large and strategic buys, can be made by the personal initiative of a single high-ranking member of the royal family (TI-DS 2015b).

When it comes to the defence budget, the Saudi Arabian Monetary Agency (SAMA) publishes only top-line figures on the approved government budget, and actual defence spending often surpasses budgeted figures. The government also does not report the actual cash flow it has spent on imports of defence items or on the value of the oil it has bartered as payment in certain arms deals (TI-DS 2015b).

Despite the dearth of information in the public domain on Saudi defence procurement and spending, over the years a number of large corruption scandals in the sector have come to light. In 1985, Britain signed the largest export contract in its history, the Al Yamamah oil-for-arms deal with Saudi Arabia, involving the sale of 120 Tornado aircraft, Hawk trainer jets and other military equipment (Bagh and Cutler 2009). Amid reports that BAE Systems had allegedly bribed the Saudi royal family to secure the arms deal, Britain's Serious Fraud Office (SFO) opened an inquiry in 2004 (Bagh and Cutler 2009). The investigation was shut down after Saudi royals threatened to withhold key intelligence regarding jihadi terrorists from the British government and revoke the arms deal (Swisher, MacAskill and Evans 2018).

Later, an investigation by the US Department of Justice (DoJ) was also allegedly watered down due to a secret lobbying campaign by an American law firm<sup>8</sup> hired by Saudi prince Bandar bin Sultan (Swisher, MacAskill and Evans 2018). Bandar was a "key target" of the investigation as he had supposedly received payments amounting to over US\$1 billion over a period of 10 years from BAE (Leigh and Evans 2007). BAE paid almost US\$393 million in penalties to end investigations with the DoJ and the SFO (Evans and Leigh 2010). Prince Bandar's name was not present in the final investigation announcements (Swisher, MacAskill and Evans 2018).

Currently, the United Kingdom's attorney general is sitting on a request from the SFO to initiate prosecution of another corruption case known as the GPT case (Evans and Pegg 2019a). GPT Special Project Management, a UK-based subsidiary of the European aerospace group Airbus, allegedly paid bribes (in the form of gifts and illicit payments) totalling US\$18 million to secure a US\$2.6 billion contract to provide communications and electronic warfare equipment to the Saudi national guard (Evans and Pegg 2019b). The GPT arms deal was managed as part of an official (and extremely secretive) agreement between the UK and Saudi governments (Evans and Pegg 2019a).

In 2018, a defence ministry official was arrested on charges of receiving a one million riyals (US\$267,000) bribe and abusing his position, though no details of the crime or names of his

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<sup>8</sup> The law firm was headed by Freeh, who had headed the FBI in Bill Clinton's administration. With two former judges,

he had set up the law firm Freeh, Sporkin & Sullivan (Swisher, MacAskill and Evans 2018).

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accomplices were revealed by the Saudi government (Rashad 2018).

## Oil

The Natural Resource Governance Institute (NRGI) scored the kingdom's oil and gas sector 36/100, ranking it 69<sup>th</sup> of 89 assessments in the 2017 Resource Governance Index (NRGI 2017). Saudi's poor performance in the index is due to low scores in the value realisation (licensing, taxation, local impact and the governance of state-owned enterprises) and revenue management components (NRGI 2017). NRGI find that the governance challenges that weaken the accountability of the sector threaten to critically undermine the long-term objective the kingdom has set for its economy (NRGI 2017).

The fact that the royal family treats state resources as their own personal property suggests a system that is arbitrary and prone to abuse (TI-DS 2015b). In Saudi Arabia, all oil production is controlled by Saudi Aramco, the state-owned oil company which is hailed as the most profitable company in the world and is valued at US \$2 trillion (Rapier 2018; Jones and Said 2019; Horowitz 2019). A leaked account from a US embassy official in 1996 stated that as the Ministry of Finance exercises no oversight or controls, government departments and state-owned companies essentially function as personal rent-extracting fiefdoms (AIShehabi 2017). The problem is reportedly particularly acute in the oil sector, where a handful of princes control much of the revenue (AIShehabi 2017).

A director of Saudi Aramco and a member of the supreme council that oversees the state-owned oil company were among the top officials arrested as part of MBS's anti-corruption purge in 2017 (Jariel

2017). The authorities disclosed neither the evidence nor details pertaining to the arrests (Jariel 2017).

Aramco's oil plants were attacked in September 2019 by a small army of drones. A Houthis rebel group based in neighbouring Yemen claimed responsibility for the attack (Rawat 2019). The attack did not derail the proposed privatisation process of a small stake in the state-owned oil company (Horowitz 2019). Now that Aramco is trading publicly since December 2019 as part of the country's Vision 2030, some observers expect a moderate increase in transparency of its operations (Dadouch 2019). Despite this, the continued absence of an independent and accountable auditing body able to oversee the accounts of both Aramco and the government, as in the case of Kuwait and other oil producing countries around the world, casts doubt on the sincerity of measures to clean up the sector (AIShehabi 2017).

## Legal framework

### International conventions

Saudi Arabia ratified the United National Convention against Corruption (UNCAC) in 2013, almost a decade after having signed it in 2004 (UNODC 2018). However, Saudi Arabia, like many other signatories (including the United States), does not believe it is bound to adhere to paragraph (2) of Article (66) of the convention, which provides for universal jurisdiction of the International Court of Justice (ICJ) to pursue violations of the convention (TI-DS 2015b).

Since 2010, the kingdom is also a signatory to the G20 Anti-Corruption Action Plans and associated

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High Level Principles on matters including beneficial ownership transparency, asset disclosure and whistleblower protection.

## Domestic legal framework

Saudi Arabia has a comprehensive legal framework to address corruption, yet the government's efforts to curb corruption are at best "modest" and the impunity at the top remains a reality (GAN Integrity 2019). In Saudi Arabia, the personality of different ministers is believed by analysts to have a substantial effect on the level of corruption and the sincerity of anti-corruption measures in various institutions (Bertelsmann Stiftung 2018).

The Combating Bribery Law and Civil Service Law criminalise the abuse of authority and office for personal interest, active and passive bribery, bribery through intermediaries, ill-intended gift-giving and facilitation payments (Alawad 2016). Punishment for bribery includes prison sentences of up to 10 years and fines of up to US\$265,000 (GAN Integrity 2019). The New Anti-Bribery Law passed in 2019 has made private sector bribery a crime (Vause, Al-Amr and Merali 2019). The law has also broadened the scope of public sector bribery by expanding the definition of a public official to include employees of private associations that have public benefits as well as employees of international institutions or international organisations (multi-national non-governmental organisations [NGOs] or UN organisations) (Vause, Al-Amr and Merali 2019).

With the new competition law, which came into effect in 2019, penalties for anti-competitive practices are also considerably higher than before with (Vause, Al-Amr and Merali, 2019):

- fines of up to 10 per cent of the value of total annual sales
- fines of up to US\$2.65 million if it is not possible to assess annual sales, or
- three times the value of the gains made as a result of the violation

Moreover, obstructing a competition investigation can be sanctioned with a fine of 5 per cent of the total annual sales value of the anti-competitive transaction implicated in the crime (Vause, Al-Amr and Merali, 2019). Incentives in the form of settlement agreements are also listed for those who come forward to report anti-competitive practices. However, there is still ambiguity as to whether the risk of an entity reporting wrongdoing would be completely mitigated (Vause, Al-Amr and Merali, 2019).

There are no asset disclosure laws, and royal family members frequently possess significant financial stakes in semi-public operations over which they have administrative jurisdiction but are not required to declare (TI-DS 2015b).

The Government Tenders and Procurement Law regulates public procurement, mandating that tenders should be advertised online as well as in two local papers for at least 30 days. Electronic tendering is also an option (TI-DS 2015b; GAN Integrity 2019). Despite such legal provisions, however, contracts are usually awarded as a result of political connections or patronage networks (GAN Integrity 2019).

The kingdom has an anti-money laundering (AML) law, and the Saudi Arabia Monetary Agency (SAMA) has established guidelines for detecting money laundering (GAN Integrity 2019). The

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Financial Action Task Force's (FATF) mutual evaluation report found that while Saudi Arabia has developed a good understanding of its money laundering (ML) and terrorism financing (TF) risks, it is not effectively investigating and prosecuting individuals involved in larger scale or professional ML activity (FATF-MENAFATF 2018). Also, while AML/countering the financing of terrorism (CFT) preventive measures in the financial sector are strong and well established, the kingdom does not effectively seek international cooperation from other countries to pursue ML or other proceeds of crime (FATF-MENAFATF 2018).

There are no whistleblower protections or freedom of information laws. The anti-bribery law provides a reward of not less than 5,000 riyals (about US\$1,350) and not more than half of the money confiscated to those who report cases of bribery and who are not themselves the perpetrators (Lassoued 2018).

## Institutional framework

There are a number of institutions that tackle corruption. However, they all ultimately report to the king or the de facto ruler, MBS, and as such are not directly accountable to Saudi citizens.

### National Anti-Corruption Commission (*Nazaha*)

Established in 2011, this anti-corruption body is focused primarily on low and mid-level bureaucratic abuses and issues of administrative efficiency (Bertelsmann Stiftung 2018). Reporting to the king, and tasked with the responsibility of protecting integrity, promoting transparency and countering all forms of financial and administrative corruption, the *Nazaha* is believed to enjoy

financial and administrative independence (Hamrani 2014).

Investigations by the commission have led to successful trials of several municipal administrators involved in real estate corruption, and judges involved in corrupt land deals have been prosecuted. However, the anti-corruption body is yet to hold any senior official or member of the royal family directly accountable for corruption (Bertelsmann Stiftung 2018).

### Supreme Committee on Corruption (SCC)

The committee was inaugurated in 2017 as part of the anti-corruption purge and is headed by the crown prince Mohammed bin Salman (The National 2017).

The committee is tasked with identifying "offences, crimes, persons, and entities involved in cases of public corruption" (The National 2017). Its far-reaching powers, which go beyond the ambit of the *Nazaha*, include (The National 2017; Lassoued 2018):

- investigation of corruption
- issuance of arrest warrants and travel bans
- disclosure and freezing of accounts and portfolios
- tracking of funds, assets, and preventing their remittance or transfer
- seizure of assets of individuals or entities that have been found to have taken or abused public funds

The committee was tasked with conducting the investigations of the anti-corruption purge, and it induced 87 detainees to agree to settlements,

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refused the settlement of 56 others who faced criminal charges, and handed over eight people who refused to settle to the public prosecutor (Human Rights Watch 2019b).

## General Auditing Bureau (GAB)

The General Auditing Bureau (GAB), established in 1971, is the supreme audit institution in Saudi Arabia responsible for auditing of the state's revenues, expenditures, movable and fixed assets (Everteam 2015).

Although it issues annual reports, these are not made publicly available, and are only accessible to a small number of government officials (TI-DS 2015b). The GAB also has no power over the Ministry of Defence or Ministry of the Interior, which are completely unaccountable to any auditing body or authority other than the king (TI-DS 2015b).

## Public Prosecutor's Office (PPO)

Legal powers for investigation and public prosecution of criminal offences are consolidated within the PPO (US Department of State 2018). Matters of arbitrary arrest and detention are also handled by the body (US Department of State 2018; Arab News 2019).

## Other stakeholders

### Media

Saudi Arabia has one of the most restricted media environments in the world (Freedom House 2017). Freedom House (2017) in its Freedom of the Press report deems the Saudi press to be "not free",

scoring the country 86/100 (0 = most free; 100 = least free).

The kingdom ranks 172/180 in Reporters without Borders (RSF) Press Freedom Index (RSF 2019). Khashoggi's murder, the intense repression of free speech by the crown prince, and threefold increase in the number of journalists and citizens being detained were cited as reasons for the country's dismal rank (Kirchgaessner 2019).

The Basic Law of 1992 covers mass media but does not guarantee freedom of the press. The government owns and operates all terrestrial television and radio stations, and while the newspapers are privately owned, they are controlled by people with close ties to the royal family. Authorities are given extensive powers to prevent any action that may lead to disunity or sedition (Freedom House 2017).

Defamation is criminalised via the 2009 cybercrimes law (Freedom House 2017). Public criticism of Islam, government or the royal family is prohibited (Freedom House 2017). All sorts of demonstrations, marches, protests, and sit-ins are categorically prohibited on grounds that they "contradict Islamic Sharia law and the values and traditions of Saudi society" (BBC News 2011).

All blogs and websites, or anyone posting news or commentary online, are required to acquire a licence from the Ministry of Information or face heavy fines and likely closure of the website (Freedom House 2019). Local media laws state that nothing which contradicts Sharia (Islamic law), undermines national security, promotes foreign interests or slanders religious leaders is allowed to be broadcast. Punishment for violations include lifetime professional bans on journalists and fines

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of up to 500,000 riyals (US\$133,000) (Freedom House 2017). Various journalists and bloggers<sup>9</sup> have faced imprisonment, travel bans and fines (Freedom House 2017).

As part of a reported effort to white-wash its image on the international stage, Saudi Arabia is spending millions on public relations campaigns, especially after the brutal murder of journalist Jamal Khashoggi (Waterson 2018a). In 2018, Saudi Arabia spent more than US\$34 million on lobbying in the US alone (Hall 2019), while Waterson (2018b) reports that many conservative British MPs have received gift hampers, free trips and employment at think tanks with close ties to Saudi royalty.

## Civil society

Saudi Arabia has a “closed” civic space according to CIVICUS (2018). Reports by advocacy groups suggest that in the past few years the authorities have escalated their repression of any form of dissent, and are detaining people for peaceful activism or political opposition. Those targeted include non-violent religious figures, imams deemed to have strayed from the official religious line, Shia activists, women’s rights defenders, human rights activists and bloggers who the government claims have posted offensive comments (Amnesty International 2018; US Department of State 2018; Human Rights Watch 2019a). Secular thoughts have no place in Saudi society as new terror laws have designated atheists as terrorists (Bertelsmann Stiftung 2018).

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<sup>9</sup> Alaa Brinji was sentenced to five years in prison, an eight-year travel ban and a large fine over a series of tweets in which he accused the Saudi government of human rights abuses. Raif Badawi, a blogger, was sentenced to a 10-

Concerns about Saudi Arabia’s use of its counter-terrorism and cybercrime laws against individuals peacefully exercising their rights to freedom of expression have been expressed by the former UN Special Rapporteur on the promotion and protection of human rights (Amnesty International 2018).

Prominent reformist clerics advocating political reform face severe penalties. Examples include Awad al-Qarni and Salman al-Awdah. The latter was arrested a few hours after posting a tweet welcoming reports of a possible reconciliation between Saudi Arabia and Qatar (Al Jazeera 2019; Freedom House 2019).

Independent whistleblowers and anti-corruption campaigners are also facing a backlash. Salah al-Shehi, a columnist at Al-Watan, was arrested and sentenced in 2018 to five years in prison after he suggested on television that there was corruption in the royal court (Freedom House 2019).

It has been reported that Saudi Arabia uses surveillance technologies to hack into the online accounts of government critics and dissidents (Human Rights Watch 2019a). An academic research centre based in Canada, Citizen Lab, concluded with “high confidence” that in 2018 the mobile phone of a Saudi activist living in Canada was infected with spyware allowing full access to the victim’s files, chats, emails, photos, and the ability to secretly use the phone’s microphones and cameras to observe and eavesdrop (Human Rights Watch 2019a).

year prison term and 1,000 lashes in 2014. His sister, Samar Badawi, a prominent human rights activist, was also targeted (Freedom House 2017).



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Given the restrictive climate, there are practically no civil society organisations (CSOs) in Saudi Arabia that deal with issues of corruption (TI-DS 2015b). CSOs face many restrictions, including but not limited to invasive monitoring by government functionaries, restrictions on communicating with foreign peer organisations, a practical prohibition on external funding, and bans on political activities or advocacy (TI-DS 2015b).

One CSO whose members have issued public statements regarding official corruption is the Arabian Civil and Political Rights Association (ACPRA) (TI-DS 2015). One of the organisation's co-founders, Mohammad al-Qahtani, is now serving a 10-year prison sentence after making statements accusing the kingdom's princes of profiting from corrupt activities (TI-DS 2015b; al-Qahtani 2016).

Along with ACPRA's co-founder Dr Abdullah bin Hamid bin Ali al-Hamid, he was found guilty in 2013 of a list of charges including disobeying the ruler, questioning the integrity of officials, seeking to disrupt security and inciting disorder (by calling for demonstrations), disseminating false information to foreign groups and forming an unlicensed organisation (TI-DS 2015b). Other members of the group have faced travel bans, fines and imprisonment (US Department of State 2018).

Bluntly put, criticism is not tolerated in the kingdom. Saudi economist and entrepreneur Essam al-Zamil criticised MBS's economic plans and the privatisation of Aramco shares on social media, stating that oil revenues should belong to the Saudi people. He was subsequently detained and officially charged with joining a terrorist organisation, giving foreign diplomats information

about the kingdom and inciting protests (Dahan 2018).

Under MBS, the country has been attempting to project a more progressive image, such as by allowing women to travel and drive for the first time. As Human Rights Watch (2019a) point out, such measures cannot count as "real reform in Saudi Arabia if [they] take place in a dystopia where rights activists are imprisoned and freedom of expression exists just for those who publicly malign them" (Human Rights Watch 2019a).

In an environment with no effective checks and balances on executive power, complete opacity of government conduct and an extremely hostile environment for critical voices, any progress made in reducing corruption is likely to be fleeting, arbitrary in its application and limited to low-level officials (Transparency International 2019b; Kukutschka 2018). Systemic and ingrained forms of corruption such as patronage, clientelism and nepotism are likely to continue to ensure a high degree of impunity for those at the very top.

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