



By Rena Feghali

Wasta: Connections or Corruption in the Arab World

In the wake of the Arab Spring, corruption has become one of the Arab World's most talked about problems. Islam strictly prohibits corruption and there are undoubtedly many in the Arab World who take the Quran's injunction seriously: "And do not eat up another's property unjustly nor give bribery to the rulers that you may knowingly eat up a part of the property of others sinfully." Corruption continues, however, to be a fact of life across the Arab World and has been a key trigger for the popular protests that have swept the region since 2011.

Several countries have since stepped up efforts to fight corruption, although with mixed results. In the United Arab Emirates, a federal anti-corruption law has been drafted and is expected to be ratified soon. This law is expected to call for the establishment of a Federal Authority for Combating Corruption and for measures to protect whistle-blowers. Qatar has set up an anti-corruption watchdog to probe abuses of state funds, while Oman is currently engaged in a high-level corruption probe with several senior public officials on trial or convicted for accepting bribes in exchange for facilitating contracts. Saudi Arabia has also created the National Anti-Corruption Commission (Nazaha) to promote transparency and fight graft. There are, however, ongoing doubts over whether Nazaha will be able to tackle corruption across the key ministries of defence and interior with one analyst describing it to the Saudi Gazette as a "toothless lion."¹

While the initiatives outlined above are notable in a region that has long tolerated corruption, the underlying cultural context needs to be addressed. Any effective crackdown will also need to take into account the hidden force in Arab society, namely: wasta.

Often jokingly referred to as "vitamin W", wasta comes from an Arabic root conveying the idea of the middle (واسط in Arabic).² As a noun, it refers to intermediaries and loosely translates as "connections," "clout" or "influence." By using this influence to perform a service, "a person with wasta acquires prestige and honour but, perhaps more importantly, the person receiving the favour incurs a debt of gratitude which may have to be repaid in the future."³

Wasta is described by one commentator as "the magical lubricant that smoothes the way to jobs, promotions, university places and much else in business and government."⁴ As a result, "those who have wasta can jump the queue and acquire permits, get jobs, obtain favourable rulings from agencies,

get government contracts and benefit from government rules that limit competition.”⁵ With the right connections, it is said that “wasta can solve almost any problem.”⁶

Today, the prevalence of wasta across the Arab World is regarded by many as an intrinsic part of the culture and a way of conducting business. Wasta has become deeply embedded in Arab society and is often regarded as a family obligation.

The origins of wasta are “by no means disreputable,” according to one blogger, nor is it unique to this region.⁷ Similar practices exist in China and are referred to as guanxi. Wasta “has a long and generally respectable history in the Arab World as a way of managing relations between families, clans or tribes through intermediaries.”⁸ For example, in the event of a blood feud, wasta through an individual or group of elders respected by both sides could be called upon to resolve the matter through negotiation and compromise while salvaging the honour of the parties involved.⁹

However, wasta has changed over time. According to one study, its main purpose has been transformed from “defusing tribal conflict to acquiring economic benefits.”¹⁰ While wasta may have a positive side whereby it humanises bureaucracy, the same study shows that it also hampers economic development and impacts business by providing unfair advantage, yielding decisions based on connections instead of merit and reducing productivity. Ultimately, wasta can be “a source of nepotism, cronyism and corruption generally” but unlike other forms of corruption that are typically characterised by “a quid pro quo,” direct reciprocity is not necessarily a requirement for wasta.¹¹ Instead, the exchange may come in the form of an implicit obligation to provide aid when requested by other members of a specific social group, often a family or a tribe.¹² To put it simply, money does not need to change hands for wasta to happen.

Nevertheless, for Western firms doing business in the Arab World, it is important to note that wasta’s most insidious manifestations can lead to liability under anti-corruption legislation, including the US Foreign Corrupt Practices Act and the UK Bribery Act.

How to Obviate Risks Posed by Wasta Culture

When doing business in the Arab World, it is critical to be attuned to the invisible hand of wasta. In order to mitigate the attendant risks, many companies develop, implement and strengthen integrity systems and conduct extensive due diligence (in particular on agents, vendors and other third parties) when planning to do business in the region.

Conducting due diligence can, however, be challenging in a region that lacks transparency and accountability. The public domain is often limited and much of what would be considered public information in the US or Europe is not readily—or legally—available in the Arab World. Public information may also be unreliable or biased. It is not uncommon for the names of dead individuals to be listed as shareholders on corporate filings in some countries or for these documents to contain out-of-date shareholding information. Further, land deeds relating to ruling family members can be incomplete or missing, and property records are often decentralised or stored only in hard copy. While corporate and property records in certain countries like Lebanon and Bahrain are generally accessible, they are restricted in others such as Algeria. Also, although there are limited exceptions, there are generally no credit bureaux throughout the region. With these limitations in mind, it is important to supplement available public records with thorough research of media and internet sources in the local language and, in some cases, other relevant regional or international languages including Kurdish, Farsi or French.

Cultural differences also represent a challenge when conducting due diligence in this region. Family plays a key role in Arab society with namesakes common as males are frequently named after their grandfathers or other ancestors. Accordingly, it is important to be attuned to this commonality of names and to situate an individual within his wider family in order to avoid a case of mistaken identity.

While women in the region are less visible than in the US or Europe, the female line is important when determining the provenance of wealth. This can be particularly significant as unexplained wealth can be a red flag for corruption-related issues. Described by one regional publication as “Swiss bank accounts,” the wealth of women in the Gulf has been estimated at nearly \$400 billion.¹³ Much of this capital is invested in shares, companies and real estate, and will be inherited by their family members.

In a region in which public records are limited, obtaining a complete picture requires access to additional sources of information—whether to avoid mistaken identity, to determine an individual’s source of wealth or to determine someone’s involvement in *wasta*. For this reason, the ability to conduct confidential enquiries with in-country resources in the region is an essential part of the process as these resources help uncover and shed light on information that is not yet in the public domain. Equally, they assist in analysing political and business relationships and provide insight on developments in key sectors such as defence or energy.

At the same time, it is essential to understand fully the background and position of a source, their relationship to the subject of an investigation, their past track record regarding their reliability, and any bias they may have that might affect their information. Similarly, a good investigator must always carefully consider what a source is reporting and tease out any inferences which should always be triangulated and corroborated.

Time and again, we have seen that having trusted resources in place and having the relevant experience to appropriately focus enquiries can be the difference between spotting or missing the key warning signs of corruption or other “red flags.” By way of example, in an investigation in the defence industry in one Gulf state, a local industry source provided damning evidence of corruption, involving the state’s leading agent, that has never appeared in the public domain—including instructions from the state’s ruler banning the agent from ever working in the sector again.

Wasta remains a challenge when doing business in the Arab World, but by recognising and addressing the issue through in-depth due diligence—rather than accepting it as an unavoidable risk of conducting business in the region—one can mitigate the problems associated with this cultural phenomenon.

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2. <http://www.al-bab.com/arab/background/wasta.htm>.
3. Ibid.
4. <http://prezi.com/xvylm-72pkf2/wasta>.
5. Regulation, Trust, and Cronyism in Middle Eastern Societies: The Simple Economics of ‘Wasta’, available on <ftp.iza.org/dp7201.pdf>.
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7. Ibid.
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12. Ibid.
13. <http://gulfnnews.com/business/economy/gulf-businesswomen-need-to-be-in-the-public-eye-1.1127891>

About the author

Rana Feghali is an expert in conducting investigations throughout the Middle East and North Africa where she has lived, worked and traveled extensively. She is a graduate of the American University of Beirut, Lebanon and the School of Oriental and African Studies at the University of London.

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Contact

Rana Feghali

Associate Managing Director

Dubai International Financial
Centre
PO Box 125115
Dubai, UAE

T: +971 4 401 9207

F: +971 4 401 9991

rfeghali@nardelloandco.com

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