

# U4 Expert Answer



## Lessons learned in fighting corruption in post-conflict countries

### Query

*What are the lessons learned in fighting corruption in post-conflict countries?*

### Purpose

This will help inform our strategy for Afghanistan.

### Content

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### Summary

Anti-corruption interventions face a specific set of challenges in post-conflict settings. Countries emerging from conflict are often characterised by endemic corruption, low state legitimacy, low state capacity, weak rule of law, wavering levels of political will and high levels of insecurity. Corruption opportunities abound in such context, through the combination of weak institutions and governance structures, low absorption capacity, donors' pressure to disburse and massive inflows of foreign aid.

In the absence of practical guidance and documented evidence of best practices, donors need to develop an understanding of the local context as well as how to

fight corruption in a given context and at different stages of the state-building process to design anti-corruption interventions that will not jeopardise the fragile peace-building process.

### 1 Corruption challenges in post-conflict countries

#### The linkages between corruption, conflict and fragility

The linkages between corruption, conflict and fragility are difficult to assess and quantify and the direction of causality is not always clear. However, post-conflict situations are likely to be characterised by high levels of corruption and conflict probability. For example, post conflict countries such as Somalia, Sudan, Iraq and Afghanistan are consistently ranked at the bottom of major corruption indicators such as Transparency International Corruption Perceptions Index or the World Bank Worldwide Governance Indicators. While there can be wide variations across these countries in terms of levels and patterns of corruption, perceptions of corruption are consistently higher in those countries than in countries with comparable income levels (O'Donnel, M, 2006 and Bolongoita, E., 2005).

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### *The impact of corruption on factors affecting stability*

While there is relatively little conclusive empirical evidence on the impact of corruption on conflict and vice-versa, it is usually accepted that corruption is likely to negatively affect key factors of state fragility in the long term. Government lack of effectiveness, capacity and legitimacy are key features of fragile states, that undermine their ability or willingness to govern and are all affected by corruption. Corruption is likely to undermine both state effectiveness (the ability to govern) and state legitimacy (the recognition of the right to govern) (O'Donnel, 2006).

There is a broad consensus that perceptions of high level corruption erode citizens' trust in public institutions as well as in the political system, which in turn undermines the legitimacy of government institutions as well as government efforts to mobilise society to help fight corruption. In some countries, the state has been close to in-existent and unable to deliver reliable public services in many parts of the country and state legitimacy has to be built as opposed as "re-built".

For example, survey data covering 80 countries indicate that freedom from corruption, income equality, and mature democracy are positively associated with social trust (Jong-Sung You, 2005). Similarly, a 2006 study empirically exploring perceptions of corruption and trust in political institutions in Mexico points to a powerful mutual causality between the two variables (Morris, D., and Klesner, J., 2006). Perceptions of corruption have been identified as key determinants of government legitimacy in cross-country comparisons (Seligson, M., 2003 and Andreev S., 2008).

### *The impact of corruption on instability*

The literature alternatively considers corruption as a potential cause of conflict, weakening government and fuelling discontentment, or as a mean to prevent conflict by bribing competing contenders for power. Other authors see corruption and conflict as deeply intertwined, caused by closely connected mechanisms (Andvig, J.C., 2007).

Some authors argue that corruption contributes to state fragility by impeding economic growth and undermining democracy. This is likely to affect the state capacity to prevent and manage conflict, creating an enabling environment for countries to slide back into civil conflict to arise. In addition, when corruption networks exacerbate inequitable wealth distribution as well as

social or ethnic divisions, this can further fuel conflict and instability (O'Donnel, 2006).

Conflict is also likely to feed corruption and extortion and bribery are likely to increase as a result of insecurity (Andvig, J.C., 2007). For example, corruption plays an important role in facilitating illegal cross-border trafficking, securing security provision or creating an enabling environment for state impunity for human right abuses and corruption. A previous expert answer has specifically focussed on the linkages between corruption and organised crime (Chêne, M., 2008). The literature also suggests that the likely effect of violent conflict on corruption is to bring about a change in its composition towards military organisations and activities (Andvig, J.C., 2007).

However, the literature also points to the potential (short-term) stabilising effect that corruption may have under certain circumstances. Different types of corruption can serve to mitigate or exacerbate potential for conflict, depending on the political context. For example, while in some contexts corruption can exacerbate existing social or ethnic divisions, corruption networks can also mitigate these effects by bridging these divisions in other contexts, as elite may share economic interests that bring them to set aside their differences. It is argued that it has been the case for a certain period of time in countries such as Rwanda or Macedonia (O'Donnel, M., 2006 and LeBillon, P., 2003). The impact of corruption on conflict is largely determined by forms of corruption and changes in corruption patterns. In the context of degenerating patrimonial regimes for example, corruption can lead to or sustain large-scale violence and predatory regimes, when in other cases, corruption can sustain a degree of stability and facilitate transition to peace by "buying off" belligerents.

A 2012 U4 study exploring how different forms of corruption can threaten political legitimacy and stability based on the cases of Liberia, Nepal and Colombia also indicates that some patronage scenarios can be more detrimental to stability than others, when the state or illegal actors sustain a corrupt network by violently eliminating opponents; or when corruption benefits a small group of people and the proceeds of corruption are not distributed fairly and the population needs are not met (Dix, S., Hussmann, K., and Walton, G., 2012). On the contrary, patronage networks involving a wide variety of actors and the peaceful co-opting of members of the opposition were perceived as less harmful.

## Corruption risks in post-conflict countries

A number of factors exacerbate corruption risks in post-conflict countries. Post-conflict countries are often characterised by endemic corruption, low state legitimacy, low state capacity, weak rule of law and high levels of insecurity (O'Donnell, M., 2006). The combination of weak institutions and governance structures, low absorption capacity and massive inflows of foreign aid provide high opportunities for corruption and abuse, with relatively low risks of being caught and adequately punished. These risks are exacerbated by intensive struggle for economic and political power.

### *Legitimacy challenges*

A key feature of fragile states is that formal state institutions often co-exist with informal institutions, blurring the distinction between the public and the private spheres as well as undermining the legitimacy of the formal state. Post-conflict governments often lack the capacity to govern and do not always have control beyond the capital city and bigger cities (OECD, 2009). With low level of legitimacy, the government lack citizens support, undermining its ability to exercise power and efficiently manage the re-building process.

These legitimacy challenges are further complicated by the dependence of post-conflict states on foreign aid, which can undermine further the accountability of post-war governments to their citizens. In such settings, fragile states are accountable to both their citizens and international donors. Citizens' expectations may not always be aligned with those of external actors, whose engagement in post-war contexts is often influenced by priorities of political or geopolitical nature. Such agenda can conflict with anti-corruption efforts (OECD, 2009).

### *Capacity challenges*

Post conflict countries are confronted with major government effectiveness challenges, through the loss of infrastructure and trained staff and weakened professionalism and systems as well as lack of administrative capacity and resources. In some countries such as South Sudan and Afghanistan, traditional bureaucracies have not really existed for long periods of time (South Sudan, rural Afghanistan, etc.).

As a result, the imbalance between the rapid inflows of aid combined with weak institutions and people's urgent and growing needs is a common feature of post conflict countries, while the scope and nature of the aid are rarely attuned to the needs of the recipients (Galtung,

F., Tisne, M., 2008). Massive inflows of aid also provide incentives for rent-seeking behaviours, as people know that there is small window of opportunity to "make as much money as they can as long as peace and/or international assistance persists". Against this backdrop, there is often a major gap between the financial resources provided by foreign donors and state capacities and effectiveness to effectively absorb and use the massive influx of foreign aid in a transparent and accountable manner (USAID, 2008). The combination of pressure to disburse large amounts of aid and the low absorptive capacity creates incentives for corruption and rent seeking (OECD, 2009). As a result, the formal state lacks the capacity to deliver quality public services to citizens, manage budget processes in a transparent manner, and establish adequate governance structures and accountability frameworks.

In such settings, donor may be tempted to sustain war-time practice and channel assistance directly to the population through local or international NGOs, perpetuating parallel systems of aid delivery in the post-conflict era. While circumventing inefficient government structures and institutions can improve access to basic services in the short term, in the longer term, this approach is likely to erode the state's ability to deliver public services, undermine further its legitimacy and weaken the accountability framework, with people continuing to turn to external stakeholders for assistance (Boucher, A., et al, 2007)

### *Political will*

In addition to capacity and legitimacy challenges, post-conflict settings are often characterised by varying quality of leadership, with weak, non-existent or changing government leadership lacking the political will and/or capacity to address governance issues and corruption.

In many countries, leaders are associated with corrupt patterns of governance or fear of opposing factions (O'Donnell, M., 2006). Some officials may even have incentives for corruption to persist and the peace process to fail, as they benefit from corrupt and illegal activities. For them, improving governance would result in heightening the risks and reducing the opportunities for corruption and illicit enrichment (Bolongaita, E., 2005).

In such settings, politicians may also be tempted to (mis)use state resources to overcome legitimacy challenges and secure the support they need to remain

in power, offering material rewards in exchange for political support and securing political survival through patronage networks (OECD, 2009). This can undermine their political will to effectively address corruption.

### *Legacy of the wartime corruption*

Post-war states inherit patterns of corruption that existed before and during the war, fuelling a culture of secrecy and impunity that supports corruption patterns. Corruption thrives in conflict-affected countries, and is often at the core of conflict and fragility. It may have initially triggered the conflict as part of a struggle to gain power or control over natural resources. During conflict, corruption can be used as a coping strategy for survival, to overcome inefficient bureaucracies, or for profiteering from the war economy (Transparency International, 2010). Corruption is further fuelled by war-created political-military structures of influence that persist after the war, concentration of wealth flowing from illicit trade and the mechanisms by which the war was funded and resources plundered to purchase weapons (Boucher, A., et al, 2007).

These structures are often sustained in post-war contexts, with agents and networks that benefitted financially from the conflict or engaged in illegal activities such as smuggling illicit arms, seeking protection of officials or challenging state control to continue to operate (Ackerman, R., 2008; UNDP, 2010). Illegal cross border activities continue after the war, with the combination of free-flowing illicit goods and poor regulatory capacity resulting in fuelling a dominant informal economy and reducing incentives for legitimate economic investments and taxable revenues (Boucher, A., et al, 2007).

Against this backdrop, there is often some kind of power vacuum or extreme struggle for power with very fluid political alliances, in post-conflict settings. The need to "buy" allegiance and to bring opposing factions on board, which can and often is done through some kind of co-optation.

In addition, the presence of international peace-keeping missions can have a destabilising impact on the local social, political and economic dynamics. In some cases, peace-keeping operations can serve as a vehicle for the delivery of wider state functions, such as border enforcement and crime fighting. Such operations can also be hampered by corruption, for example in connection with contracts for fuel, food, construction and other materials and services used by peacekeeping operations. There have also been documented cases

of sexual exploitation of refugees in countries such as Sierra Leone and Liberia (IASC Task Force, 2002),

### *Insecurity and lack of rule of law*

In contexts where law enforcement is minimal, corruption and power abuse become low risk/high reward activities. In post-conflict states, poor legal conditions, weak, underfunded and inefficient judiciaries as well as security challenges create a permissive environment for impunity for both war related human rights abuse and corruption (O'Donnel, 2006). As a result, corruption, extortion and abuse of power plague many post-conflict armed and police forces, posing serious security challenges to the rule of law and the fragile peace-building process.

The judiciary, prosecutorial bodies and police forces are often part of the problem in such settings, as corruption can be used as a way to ensure impunity and avoid prosecution for crimes committed during the conflict, reinforcing further the weaknesses of the judicial system (Ackerman, R., 2008). Justice systems that suffer from discriminatory practices, corruption or abuse of power by officials and failure to protect human rights can exacerbate violence and instability and potentially trigger a resumption of violence, as illustrated in Timor Leste and Lebanon (Transparency International, 2010).

In some countries, there are some traditional conflict resolution mechanisms which are often not sufficiently used or brought in too late in the reconstruction process. While they can also be co-opted, there has been some positive experience of using local courts in countries like Rwanda and Afghanistan.

### *Weak civil society and media*

There is a broad consensus that civil society involvement is an important factor to the success of post-conflict peace building. Yet, years of violence and conflict are likely to have eroded the social and community fabrics, resulting in weakened civil society and the media's capacity to organise themselves and mobilise citizens (USAID, 2008).

First, civil society is often affected by the dynamics of the post conflict environment. During and immediately after the conflict, civil society tends to be organised along conflict lines, reflecting the social divisions that may have led to conflict. This can foster clientelism and patronage, reinforce social cleavages and hinder democratisation and the fragile peace building process (Harpviken, K., Kjellman, K 2004).

In addition, post-conflict violence and insecurity can fuel mistrust in new power relations after the conflict, prevent legitimate forms of civil society from taking root in localised contexts and often hinder people from participating/engaging in democratisation processes as well as in local community life (Peacebuilding Initiative, no date). War may also have eroded the authority and legitimacy of traditional leaders as well as of communal norms, especially in urban settings. The legacy of war and violence can also lead to coping mechanisms that are no longer anchored in community-based mechanisms but rather in individual struggle for survival.

Most CSOs may lack capacity, resources, organisational and technical to perform their role in the post-conflict context. In addition, civil society can also be a part of the problem, with fake NGOs to channel money, or local politicians creating their “own” NGO, non-transparent governance and finance structures, competition for funding. It is also a challenge for donors to reach real community based organizations, and support indigenous mechanisms of social control without distorting them by throwing money at them.

## Corruption patterns and high risk areas

In the context of high aid inflows, pressure to deliver, weak state institutions and legacies of the war, corruption opportunities abound. However, although most post-conflict countries experience higher levels of corruption than countries with similar income levels, there can be wide variations in terms of forms of corruption and nature of vulnerabilities, depending on the local political context. In spite of variations, post-conflict countries are likely to share some common features (Galtung, F., Tisne, M., 2008):

### *Administrative and petty bribery*

Low paid civil servants can exploit the weaknesses of ill functioning institutions and governance systems and resort to extortion as a coping strategy in post-war contexts. Widespread petty corruption is often a signal that inefficient public services and inadequate law enforcement jeopardise basic survival needs of citizens (USAID, 2008).

### *Reconstruction programmes (including major infrastructure projects)*

The rehabilitation of destroyed or damaged infrastructure involves massive construction projects

and there is often a lack of transparency in contracts, money spent, etc. In many countries, the public budgetary and financial management systems are barely functioning, exacerbating the corruption challenges associated with procurement for large-scale infrastructure projects.

### *Political corruption and state capture of public institutions*

The webs of local conflict power networks are sometimes consolidated in the post-war era, with corruption being used to buy political power and sustain patronage networks, resulting in state capture of public institutions, nepotism or the purchase of key ministries, as in Afghanistan and Kosovo; (Galtung, F. Tisne, M, 2008).

### *Aid and humanitarian assistance delivery*

Aid allocation to victims can also be vulnerable to corruption, as it involves the exercise of discretion, with rent seeking behaviours and underlying social divisions in fractionalised post-conflict societies likely to distort resource allocations (Ackerman, R., 2008). High levels of corruption perceptions in post-conflict countries can reflect a lack of trust in the equability of reconstruction (Galtung, F., Tisne, M., 2008).

### *Natural resources management*

Resource management and distribution in countries endowed with mineral wealth often lies at the core of conflict and fragility, with belligerents fighting for control over resources. In the aftermath of war, the management and distribution of massive influx of material wealth derived from natural resources is vulnerable to corruption, as stakeholders seek to secure control over national mineral wealth (UNDP, 2010).

### *Organised crime*

As already mentioned, conflict fuels illicit enrichment through the trafficking of weapons, drugs, or people, creating profitable new markets for smuggled goods. As criminal groups profit from instability, they have few incentives for peace and anti-corruption, representing a major threat to the peace keeping process, as experienced in countries like Afghanistan.

## 2 Addressing corruption in post-conflict countries: lessons learned

### General recommendations and principles

#### *Underlying principles for engagement in post conflict countries*

While there is a new consensus on the importance of state-building, there is no consensus yet on how to incorporate corruption into it. While there is still relatively little guidance on best practice on how to fight corruption in fragile states, the OECD has developed principles for good international engagement in fragile states and situations that are relevant to anti-corruption interventions (OECD, 2007):

- Take the context as the starting point and acknowledge different challenges of capacity and will as well as specific challenges of countries recovering from conflict, deteriorating governance environment and of stopped development; Do no harm: International intervention can create social divisions and worsen corruption if no appropriate safeguards are established. Equally, international response to serious cases of corruption and human rights must not exacerbate poverty and insecurity through sudden withdrawal of aid. In such cases, harmonised and graduated response; Prioritise prevention; Recognise the link between political, security and development objectives; Focus on state building as the central objective. The long term vision of building viable sovereign state involves two main areas: 1) strengthening the capacity of states to fulfil their core functions such as ensuring security, justice service provision and 2) supporting the legitimacy and accountability of the state by addressing issues of good governance, human right and peace building; Promote non-discrimination as a basis for inclusive and stable societies; Align with local priorities in different ways in different contexts; Agree on practical coordination mechanisms between international actors.

#### *Recommendations for anti-corruption interventions in post-conflict countries*

Consistent with these principles, a few more specific recommendations emerge from the literature for anti-corruption.

#### Pre-requisites

There are a number of pre-requisites for fighting corruption in post conflict countries, including 1) End to the fighting and relative security; 2) credible local leadership 's political will; and 3) public support for the fight against corruption (Boucher, A. et al, 2007).

#### Starting early

In post-conflict settings, there is often a tension between focusing on short term immediate objectives such as promoting access to health and education versus longer term governance and institution building objectives. Corruption is often relegated behind what is considered more pressing and easily solvable issues, which can contribute to "institutionalise" corruption and undermine nascent state legitimacy and public confidence in institutions (Doig, A., Tisne, M., 2009; OECD, 2009). Experience demonstrates the critical importance of addressing governance issues from the outset

The first pre-requisite for effectively addressing corruption is to recognise it as a serious impediment to reconstruction from the onset. This is not as self-evident as it seems, as measures to tackle corruption are rarely integrated into peace agreements (Bologoita, E., 2005). Yet, experience shows that the few countries which integrated such provisions experienced improvements in their governance indicators within the five years after the agreement was signed. In addition to indicating promising level of political will, this approach allows for rapid provision of resource and assistance to the parties to implementation of negotiated provisions (USAID, 2008). Such provisions should be as detailed, specific, targeted as possible to translate them in actionable AC programmes

#### Tailoring anti-corruption to corruption patterns and quality of leadership

While sharing common features, post-conflict countries are also very diverse, especially with regard to the quality of their leadership, with fragility fuelled by lack of capacity, lack of willingness or a combination of both. Some states are weak but willing, whereas others may appear weak to external actors in terms of resources and institutional capacity but may be strong and repressive. In this connection, some authors emphasise the need to differentiate between the concept of state fragility (lack of power) versus state predation (abuse of power) (O'Donnell, 2006) and tailor anti-corruption interventions accordingly. Anti-corruption solutions for post-conflict situations are not generic but heterogenic

and the local context should inspire varied response to different patterns of corruption and the credibility of the local leadership.

#### Securing early and visible victories

It is recommended to initiate early program that yield rapid and visible results (USAID, 2008). Quick and visible wins will help gain citizens support for reform and send a strong signal of change. This can include for example, the conviction of figures thought untouchable. Similarly, reforms should be prioritised at first in areas where they are likely to meet the least resistance offering quick pay off to groups that are potential constituencies for further reforms. This can involve tackling corruption in the health, education and justice sector, contributing to build or restore trust in the institutions where people interact most. These early successes should be widely publicised, as even small successes can contribute to build trust, restore confidence and mark change. Having effective communication strategy is therefore an important element of anti-corruption interventions (Mathisen, 2007).

#### Supporting anti-corruption champions and islands of integrity

Even in challenging contexts it is possible to identify and support groups or individuals within the public sector or specific institutions who can champion anti-corruption and accountability reforms. To achieve this, it is critical to discover and empower actors that have a genuine interest in anti-corruption reform (USAID, 2008; Federal Ministry for Economic Cooperation and Development, 2006, Chêne, M., 2012).

#### Strengthening rather than circumventing government structures

There is a need to find the right balance between state and non-state capacity development. It is often a temptation for donors to circumvent inefficient state structures to deliver more effective public services, using non-state actors or creating parallel structures for aid and service delivery. While this approach may improve access to public services in the short or medium term, it will have little impact on building the government capacity. In addition, relying exclusively on non-state actors for anti-corruption sends a strong signal that government structures cannot be trusted and can undermine the accountability framework and long term sustainability of reforms (Chêne, M., 2012).

#### *Unintended effect of anti-corruption in post-conflict countries*

While there are also risks involved in addressing corruption in post-war contexts, there has been no systematic assessment of the impact of anti-corruption programmes on state building efforts (OECD, 2009). Anti-corruption crack-downs used to silence political opponents, involving law-and-order approaches can potentially undermine stability. False charges may be lodged against anti-corruption reformers themselves to hamper anti-corruption efforts and the international community may not be in a position to distinguish scapegoating and character assassination from well-intentioned efforts (O'Donnel, 2006).

Exposing corruption can also be politically destabilising, fuelled by unrealistic expectations on the part of both voters and international actors. Over-ambitious anti-corruption plans that generate frustrations and cynicism and undermine trust building efforts. International actors often require strong and up-front commitments from political leaders to address corruption, while anti-corruption assistance programs are put in place in a slower pace, and take time to yield results, undermining efforts to deliver results before the next elections. Therefore, it is important to consider timing and sequencing to help committed leaders show results and manage the citizens' expectations.

#### Anti-corruption approaches and good practices

##### *Areas of intervention*

There is no consensus in the literature on best practices in anti-corruption in general and some recommended strategies are not all applicable in post-conflict settings.

##### *Fighting impunity through law enforcement approaches*

In general terms, some authors argue that focus should be on making corruption high risk low reward activity through measures aimed at increasing the risks of effective detection, investigation and prosecution (Bologoita, E., 2005). As a corrupt justice sector promotes discretionary enforcement of the law and has a corrosive impact on state legitimacy, this may involve strengthening the legal anti-corruption framework and building an effective criminal system including independent judiciary and effective law institutions (Boucher, A. et al, 2007).

The criminalisation of corruption can be an effective approach for countries where enforcement is a feasible and realistic option. When this is not the case, some authors argue that in post setting countries, such approach can be counter-productive and result in inflating the returns of criminal acts, which could create financial incentives for corruption. For example, a ban imposed on poppy cultivation in post-Taliban Afghanistan was not initially enforced and had the unintended effect of raising poppy prices and increasing financial incentives for cultivation (Boucher A. et al, 2007).

Enforcement approaches can be destabilising in post-conflict settings, as they are easily politicised (OECD, 2009). Similarly, the establishment of specialised anti-corruption commission (ACC) is a debated approach in post-conflict settings. There are very few examples of successful ACC across the world, and in post-conflict countries, they are often hampered by lack of effective control and accountability frameworks (Doig, A., Tisne, M., 2009). They can also be subject to political manipulation. In addition, some authors argue that primary systems should be in place before secondary bodies like ACCs are created to oversee the functioning of inexistent institutions. For example, none of the ACCs established in Afghanistan, Kosovo or Sierra Leone had managed to prosecute corrupt officials as of 2009 (OECD, 2009). In Afghanistan, the creation of an ACC was envisaged in the constitution, and the Presidency requested international assistance to train and equip this office, while several line ministries still had no Chief Financial Officers in place (O'Donnel, M., 2006). The High Office of Oversight and Anti-corruption (HOOAC) that was heavily supported by the donor community was barely functioning to the extent that an oversight mechanism (MEC) for the high office of oversight, fuelling disappointment and cynicism.

Little is known on anti-corruption measures relating to the police or the army. Some countries have taken a radical approach, cleaning up police forces after the conflict or a regime change. In Liberia for example, all officers (the majority) recruited by former President Charles Taylor were removed from the police forces in the post-conflict era, as he had filled the police rank with corrupt supporters (Boucher A., et al, 2007). Various experts recommend strengthening controls over the wage bill. In DRC for example, embezzlement of funds were reduced by the combination of improved oversight by the Congolese authorities and the introduction of a new payroll mechanism by the EU (OECD, 2009). In South Sudan very careful efforts are

under way to clean up the payroll from ghost army officials, but such approach requires time and negotiation

#### Strengthening financial management systems

Most recommendations to address corruption in fragile states call for the establishment of transparent regulations and procedures and emphasise the need to strengthen public finance management (PFM). Approaches that are reported to have achieved some success include strengthening audit and control capacity, which contributed to improve system and infrastructure, detect inefficiencies and achieve greater accountability in six post-conflict countries (USAID, 2008). Improving financial management through training and technical assistance in budget monitoring, procurement processes, cash and debt management and financial management information systems (FMIS) also resulted in more effective controls, increase in revenue collection and greater budgetary controls in these countries.

A 2012 comparative study of PFM reforms in eight post-conflict countries support these findings. In most countries, PFM reforms were positively associated with gains in state 'resilience' and control of corruption and this approach also translated into a higher share of aid using country systems (The World Bank, 2012). While capacity remains a challenge in all countries, findings also indicate that seeking international recognition and/or major debt relief is an important incentive for PFM reforms in these countries. Progress has been achieved on budget execution, with post-conflict situations offering a window of opportunity for reforms such as introducing a TSA, an improved chart of accounts, and Financial Management Information Systems (FMIS).

These findings are also supported by other studies. Strengthening instead of bypassing local financial management systems is considered good practice, including through the intensification of monitoring activities that do not side line the state but provides incentives to improve its performance while diagnosing problems. For example, concurrent and random state audits by national audit offices of donor countries on a rotating basis can be used in such settings (O'Donnel, M., 2006).

In some countries, donors promote dual control mechanism to better manage public expenditures, requiring two signatures for releasing funds, one from government and one from an external monitoring agent



(OECD, 2009). In Liberia, donors adopted an unprecedented, somewhat debated and yet successful approach, with a heavy involvement of the international community applied to domestic revenues. Internationally recruited experts were placed within key agencies to establish transparent financial systems and provide technical guidance. However, such approach can only be successful when it is backed by a strong leadership and political will (O'Donnell, 2006).

Ensuring a sustainable and legitimate government revenue stream, preventing tax evasion and increasing the country's revenue base is essential to strengthen the accountability line between citizens and the government rather than to donors. Related corruption risks involve revenues from natural resources and illicit goods, as in the case of East Timor and Afghanistan or state control of public institutions through patronage networks, or the purchase of key ministries such as in Afghanistan and Kosovo (OECD, 2009).

#### Strengthening public administration and government accountability

Building or restoring effective governance is an essential element of post-conflict reconstruction, as a way to restore the government's legitimacy and gain the support of fractionalised constituencies. The peace building process can be undermined by ineffective, incompetent, or corrupt civil service, lacking in the resources to effectively deliver public services. As a result, addressing corruption in service delivery is an important aspect of post-war reconstruction. Early institutional and civil service strengthening programmes can contribute to re-establish effective service delivery, with measures aimed at eliminating red tape and inefficiencies and building stronger and more capable public administration with barriers to cronyism and nepotism. But some authors argue that such programmes, while bringing immediate result in controlling petty corruption, often neglect to take into account the systemic nature of corruption (OECD, 2009).

It is also important to strengthen government accountability through transparent and accountable political process, including through measures aimed at promoting free and fair election. Such measures are typically neglected by anti-corruption policies (OECD, 2009).

Similarly, programmes tend to focus on the executive, with little attention paid to strengthening the capacity, transparency and accountability of parliaments. As a

result, MPs may have little capacity to perform their oversight role or be subject to influence peddling (OECD, 2009 and Boucher A. et al, 2007).

#### Addressing corruption in aid:

In addition to strengthening partner systems, it is also essential for donors to establish adequate safeguards to prevent aid and development funds from corruption. This involves strengthening control and prevent corruption in the delivery of aid through NGOs, UN agencies or humanitarian assistance programmes that they have control over. Promoting aid transparency common standards in the records of how aid money is spent is an important dimension of this agenda, with initiatives such as the International Aid Transparency Initiative.

In addition, donors should "mainstream" an anti-corruption lens into the sectors, policies and programmes they support (e.g. how to address corruption risks in a rural development programme, in education/school development programmes, etc.) as well as ensure that multilateral agencies they channel funds through such as UNICEF, FAO, etc. adopt similar mainstreaming approaches. Increasingly, donors seek to coordinate their response to corruption in such settings by developing joined approaches such as in Afghanistan. However, in practice, it has proved difficult to agree on a common strong message to government on corruption across different dialogue channels, or to reinforce this with concrete agreements on anti-corruption measures and monitoring of progress (OECD, 2009b).

#### The role of civil society and social accountability mechanisms

Mobilising non-government actors for anti-corruption reform is essential to build support for reform, as civil society has been found to play the most effective (supportive) role in areas such as protection monitoring, and advocacy in post conflict settings (Paffenholz, T., 2009).

As enforcement approaches often fail in fragile states due to lack of independence, functioning judiciary and long term support from donors, the potential of social accountability mechanisms emerges as a key lesson and a promising alternative (Schouten, C., 2011). In particular, community based approaches sometime represent the only feasible option in post-conflict setting for controlling corruption in service delivery (OECD 2008) through mechanisms such as participatory monitoring of expenditures, scorecards, and

independent media. Similarly, in state affected by high levels of state capture countries, promoting horizontal accountability by providing reinforcing non-government actors such as NGOs and the media is likely to be more effective than focussing on the executive which may be a part of the problem (Bologoita, E., 2005).

However, engaging with civil society in post-conflict countries is associated with a set of specific challenges. Existing grassroots engagement can be easily undermined by throwing money at the NGOs – while approaches in communities should focus on strengthening existing mechanisms, rather transfer of know-how. The starting point should be to identify existing resources and actors that can provide a basis upon which to rebuild (Peacebuilding Initiative, no date). In addition, as corruption can also affect civil society organisations, transparency and open government in NGOs should be as much part of donor AC approaches as the same for state institutions and donor behaviour itself.

#### Privatisation and economic development

Some argue that privatisation can boost economic development and fight corruption, while others argue that privatisation may not improve service delivery and in fact risks reinforcing cronyism if state's assets are not allocated through competitive and transparent bidding processes (Boucher, A. et al, 2007). As the privatisation of assets is highly vulnerable to corruption and has the potential of raising corruption from petty to high level, some authors recommends postponing privatisations until a reasonable regulatory system is in place and/or supported by credible international agents (OECD, 2009).

#### Sanctions by external actors

Sanctions by external actors (e.g. embargos or aid withdrawal) can also be used as a way of countering corruption, illicit trafficking and corrupt resource agreements. However there are some risks associated with such approaches, as sanctions can have a humanitarian impact on non-targeted civilian population and reinforce illicit trade. This is reinforced by the "Do no harm" principle (Johnston, M., 2011), which warns against the potential impact of sudden withdrawal of aid and recommends harmonised and graduated response to serious human right and corruption cases rather than sudden withdrawal of aid which can exacerbate poverty and insecurity. In practice, these risks are increasingly taken into account and sanctions are increasingly targeted at specific actors with measures such as travel bans and asset freezes (Boucher, A. et al, 2007).

#### Sequencing and prioritisation

There is no consensus on the prioritisation and sequencing of anti-corruption in fragile states which typically need to arbitrate between (often) competing and resource-intensive priorities: peace-building, security, humanitarian needs, institution building and longer term social and economic development. However, failure to address corruption in order to attend more "pressing" issues can contribute to fuel fragility (OECD, 2009). In practice however, anti-corruption reforms are often postponed to a later stage of re-building efforts (Mathisen, H., 2007).

According to some authors, the first priority should consist in dismantling wartime political-military structures to avoid war players using legitimate mechanisms such as election to remain the main political actors and hold onto power to maintain their control over state resources. In resource rich countries, the management of natural resources should be a priority area of intervention. Sealing national borders to illicit trafficking would be a priority to curb illicit networks and ensure that cross-border trade contributes to increasing government revenues for public services and salaries. Another priority is to strengthen the integrity and capacity of public administration to avoid diversion of resources. (Boucher A. et al, 2007). In all cases, in spite of the lack of guidance, there is a growing recognition that context specific responses are needed.

While not providing specific guidance on sequencing, USAID identifies key priorities for donor support to for post-conflict countries to ensure that (USAID, 2008):

- Basic public services are delivered;
- Adequate legal framework are developed; Civil service is trained and professionalised
- Accountability is established through internal checks and balances (controls and audits) and external (civil society and media);
- Public finance systems established and monitored;
- Regulations for business are simplified.

In addition, experts consulted within the framework of this query warn against the risk of generating too high expectations through awareness campaigns or political interventions such as the development of an anti-corruption strategy or the establishment of an anti-corruption agency as long as the state lacks the capacity to deliver. Emphasis should rather be put on the need to:

- Focus on transparency and access to information Promote community involvement (and not only CSO) in monitoring reconstruction projects and services Focus on addressing and preventing corruption in aid.

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<sup>i</sup> See: <http://www.washingtonpost.com/wp-dyn/content/article/2007/12/17/AR2007121701914.html>