Integrity in Statebuilding:

Anti-Corruption with a Statebuilding Lens

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Introduction

The OECD Development Assistance Committee (DAC) has been involved over several years in helping to further both the fight against corruption and the process of statebuilding. The field of anti-corruption actions is driven by the Anti-Corruption Task Team (ACTT) of the Network on Governance (GOVNET), while that of statebuilding is the responsibility of the DAC Fragile States Group, recently merged into the International Network on Conflict and Fragility (INCAF).

Regarding donor engagement, the relationship between statebuilding and anti-corruption policy perspectives and programmes in fragile situations requires further study and debate, despite a significant evolution in approaches to both. In response to this growing concern, the DAC Network on Governance (GOVNET) and the DAC Fragile States Group (FSG, now INCAF) initiated a discussion in October, 2007 to advance understanding of the key issues and challenges related to fighting corruption in fragile states. This discussion underlined the contribution that anti-corruption efforts can make to the process of statebuilding, and to achieving stability in fragile contexts.

To respond to the need for further guidance on how anti-corruption efforts may be strengthened in fragile states, the ACTT requested a background paper to identify the opportunities, challenges and constraints for addressing corruption in fragile states. Its brief was also to explore the complementarities between the international community's current approaches towards both statebuilding and fighting corruption in fragile states. This study draws on the experience of donors' attempts to tackle corruption in fragile state situations, and relevant lessons learnt in related areas.

Fragile situations encompass weak, conflict, and post-war states (see section 1.2.). The conceptual section of this paper (section 1) and the section on policy guidance (section 2.1), will be of relevance to all fragile situations, while the sections on donor practices on the ground (sections 2.2 and 2.3 and section 3) deal specifically with post-war countries only, because of the scarcity of documented evidence concerning other fragile contexts. The aim is to identify key areas for more focused analysis in the PWB 2009/10.

The central argument that emerges from this analysis is that in order to tackle corruption and to build integrity in fragile states, those involved in anti-corruption actions could benefit from positioning their activities as an integral part of the wider, overall vision and process of statebuilding. They could adopt a statebuilding 'lens'. Conversely, statebuilding actors stand to gain from the contribution of anti-corruption approaches and the establishment of tools to assess corruption.

By adopting a wider, statebuilding vision to anti-corruption efforts, policymakers are better able to understand which forms and risks of corruption to prioritise and when, which reforms to prioritize and how, how to approach trade-offs between corruption and stability and how to best mitigate the unintended consequences of anti-corruption interventions.

By applying the approach of statebuilding to anti-corruption activities, policymakers can better evaluate, through political economy analysis, the impact of corruption and anti-corruption measures on those processes identified as being central to statebuilding. This report argues that the focus on statebuilding should supersede poverty reduction as the framework for engagement in fragile states. Poverty reduction policies are a part of statebuilding, and their contribution to building resilient states depends upon the nature and the level of the involvement of the state as well as its citizens in the design and implementation of those policies.

As a result of interviews with senior members of ten donor agencies, it became apparent that those engaged in anti-corruption activities and those involved in the issues of statebuilding and fragile states had little knowledge of each other's approaches and strategies.[1] This report seeks to remedy that situation and to offer opportunities for co-operation.

1 For this paper we interviewed officials from the headquarters of CIDA, Danida, DFID, Dutch Ministry of Foreign Affairs, GTZ, Norad, SIDA, UNDP, USAID, World Bank. The authors are also grateful for comments provided for the first draft of this paper by AusAid, GTZ and UNODC.

Section 1 gives a brief overview of the conceptual basis of anti-corruption and statebuilding policies, and an analysis of their interaction. Section 2 focuses on donor approaches to corruption in fragile states, beginning with an analysis at headquarters' level, examining the established principles and policy guidance for action. This is followed by a brief analysis of the experiences and results of past and present anti-corruption reforms in a number of fragile states, specifically focusing on post-war situations. The final part of section 2 details the results of donor efforts to fight corruption. Section 3 outlines what an anti-corruption approach determined by a vision of statebuilding might consist of, and identifies remaining gaps in research in this area.

A number of donors who were approached for this study believed that both a more forward looking and positive approach to establishing principles of integrity in fragile states were preferable to the more blunt imposition of anti-corruption measures. As one respondent put it, the issue was about "what we want to spur". The concept here is to institutionalise practices based on accepted principles of incorruptibility, wholeness, soundness and internal consistency. It involves the establishment of a web of vertical and horizontal structures across society with which to check corruption, and the setting up of mechanisms for social accountability, all of which should be a backbone to the statebuilding process.

The term 'anti-corruption' was felt to be too heavily associated with the punitive aspects of controlling corruption and enforcing anti-corruption legislation. From the perspective of those involved in statebuilding, the process of building integrity was regarded as one that begins by positively involving the broad base of a country's population, and, in a sense emphasising country ownership, particularly when related to the respect, use and strengthening of local norms and value systems. By contrast, the anti-corruption approach was perceived to be a top-down process, prescriptive and driven by international standards, translating less easily into local norms and systems (including the use of informal systems). Finally, anti-corruption programmes in countries emerging from war all too easily risk becoming politicised. Sections 1 and 2 contain a description of anti-corruption policies and results in the field, while we describe what might replace it in section 3, with the notion of integrity.

This report replaces the hitherto commonly-used phrase 'post-conflict reconstruction' with that of 'post-war reconstruction'. Large-scale violence is described in this study as 'war'.[2] down donor resistance to providing budget support.

2 "Almost 50 countries emerged from and experienced large-scale violence in the past 15 years alone. After a lull, several of these countries have seen recurrent violence on a significant scale. The key variable for these countries is not whether a conflict has been resolved to everyone's satisfaction and that the country in that sense is 'post-conflict'. The key question is whether the conflict is manifested through large-scale violence or has been transformed into a non-violent political form that allows for a significant reconstruction process to begin. Moreover, it is not conflicts per se, which are part and parcel of political life, but their manifestation in large-scale violence that leads to the need for significant reconstruction of both physical infrastructure and public institutions. The two are not synonymous. Large-scale violence can take the form of genocides, civil wars, international wars, and anti-colonial wars of liberation." (Galtung, 2005)

1 Links between Corruption and Fragility

1.1 Corruption and anti-corruption: definitions and debates

Corruption

While the early years of anti-corruption work focused largely on personalised transactions, it is now recognised that corruption is a much broader problem that is often ingrained in political systems.

There is no single, universally accepted definition of corruption. The most commonly used definitions, such as those adopted by the World Bank and Transparency International, refer to the abuse of public or entrusted power for private or personal gain.

A recent evaluation of anti-corruption assistance, commissioned by Norad and written by Scanteam, suggests a widening of current definitions to include "the abuse of entrusted authority for illicit gain", which covers the systemic dimension of corruption. The expression "entrusted authority" describes the ability to take decisions through a position of legitimacy accepted by all parties, whether formal ("power") or informal (custom, or norm). It describes both individual and systemic corruption under neo-patrimonial systems and state capture. The term "illicit", defined by the Oxford Concise Dictionary as "forbidden by law, rules or custom", indicates that not all acts of corruption are necessarily illegal, although corrupt acts are clearly understood to be unfair.[3] The phrase "illicit gain" refers to personal, family, clan or group benefit (Norad, 2008). The United Nations Convention against Corruption (UNCAC) does not advance any one, particular definition of corruption as such. Precisely because a universally acceptable definition was not forthcoming, it typifies a series of corrupt practices as being criminal acts. Corruption is a complex and multi-faceted issue that requires contextual analysis and understanding.

The question of defining corruption is central to understanding its significance and its prominence in fragile situations, in particular within conflict and post-war contexts. The latter are uniquely often prone to different and changing patterns of corruption in an environment with multiple, often competing sets of rules, norms and expectations regarding positions of public office (Philp, 2008). While the international community is guided by its own set of increasingly harmonised rules and standards, these may be quite different to the predominant local norms, rules and expectations. Furthermore, there may also be significant differences in local perceptions of what is acceptable and unacceptable behaviour, according to the differing viewpoints among various local factions holding a strong personal, group or sectional interest. Every society tends to share a particular understanding of what, in each context, "constitutes" corruption (Anderson, 2007).[4]

In many countries there is a significant section of the population who do not regard corruption as being simply the result of poverty or disorder, but rather view it as being something that is appropriate or at least tolerable (Reno, 2008). However, this tolerance is usually limited, and may not apply to all forms of corruption. In Nigeria, a rise in corruption based solely on personal enrichment and self-aggrandizement alone and marked by deception is regarded with hostility, in contrast to a tolerance for that perceived to be rooted in a moral economy dominated by the ethics of kinship.

To acknowledge the importance of local norms and rules in terms of what is acceptable and unacceptable behaviour, or of what constitutes corruption in any given socio-political context, does not imply a return to cultural relativism. Rather, it is a necessary recognition of the realities on the ground and creates the starting point for a gradual move towards internationally sanctioned standards. To achieve this may well take decades. Donors must seek to understand exactly what criteria constitute corruption in the view of local citizens, especially in contexts of fragility, conflict or recovery as well what lies beneath corruption perceptions. Otherwise, there is a danger that policy responses to the perceived corruption may target the wrong problem.

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3 One weakness of this definition is that "abuse" may imply it is perpetrated by individuals. However, much of the large-scale and systemic corruption is not performed by individuals. It is often an integral part of political and administrative structures; political actors may use it to ensure the continuation of the system and their own group's control of political and economic resources (Norad, 2008).

4 Definitions vary from region to region, but each society defines a line that divides acceptable behaviour from unacceptable behaviour (Anderson, 2007).

Anti-corruption

Anti-corruption reform promoted by governments, donors and civil society alike, has traditionally covered a range of interventions. These include those that target corruption specifically (*e.g.* anti-corruption commissions or national anti-corruption strategies) and those which, without specifically targeting corruption, play a role in diminishing it (*e.g.* public finance reform, the strengthening of audit institutions, freedom of information and transparency reform). The evaluation study referred to above established the following comprehensive list of areas targeted by anti-corruption campaigns (Norad, 2008):

- Political and social dimensions: systemic corruption;
- Rule of law: control and prosecution;
- Public administration and systems reform: prevention;
- Extractive industries and service delivery: sector corruption;
- Non-state actors: transparency and accountability;
- Capacity building and organisational development: anti-corruption abilities.

Contextual peculiarities have proven to be the Achilles' heel of the anti-corruption movement, often undermining anti-corruption campaigns. There is a growing recognition that promoting formal institutional structures modelled on OECD countries is unwise (OECDa, 2007). Several anti-corruption reforms applied across different countries have been criticised for their standardised approach whereby the specific nature of systemic corruption (where neo-patrimonial systems are often rife) has not been taken into account.

Nevertheless, there have been some successes, although these often involved reforms that are not strictly limited to and defined as anti-corruption measures alone. Such reforms include those targeting the management of public finances, support to external audit functions, sector based approaches and value chain analysis, the encouragement of social accountability (as with participatory budgets) and widening the responsibility for anti-corruption enforcement beyond more than just one policing agency (otherwise known as adopting a 'distributed' approach to enforcement). Bottom up approaches that emphasize local accountability and transparency, and which build on local resources and skills according to the particularities of each country, have been the most successful in both countering corruption and also in promoting more effective and inclusive programmes and policies.

The anti-corruption movement does not lack approaches. They could benefit from a better understanding of the local context, and thus of the entry points in reform processes. Policies and practices for the integration of anti-corruption measures should be based in existing reform programmes.

1.2 Fragility and statebuilding: definitions and debates

State Fragility

In recent years, the international community has shown increased concern for the issue of state fragility. But despite its significance in international policy discourse, state fragility remains an elusive concept, one which is difficult to quantify, evaluate and classify . Many states may be described as "fragile", as these include weak states, those in conflict areas or post-war environments, and those with strong capacity but which are unresponsive to the needs of their citizens or the international community. Fragile states are not necessarily post-war states.

Donor countries recognise that fragile states represent a particular challenge and require specific attention and policy interventions. Recent years have seen a considerable convergence of opinion among donors about what constitutes state fragility. The OECD Principles for Good International Engagement in Fragile States, revised in 2007, declares: "States are fragile when state structures lack political will and/or capacity to provide the basic functions needed for poverty reduction, development and to safeguard the security and human rights of their populations" (OECDb, 2007).

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5 For more detail on this subject, please refer to the bibliography at the end of the paper.

6 *Source:* www.gsdrc.org

This increasingly dynamic approach has focused on the legitimacy of the state regarding the service it provides to citizens, as well as societal expectations of state performance. The measure of fragility can be reached from a study of both of these concerns (OECDc, 2008).

A major feature of fragile states is that formal, state institutions co-exist with informal institutions, removing a clear distinction between the public and the private spheres, and hindering constructive relations between the two (OECDd, 2009). Informal institutions may be perceived as more legitimate than formal ones. The formal state itself is more or less legitimate and may never be involved in geographical areas beyond the capital and bigger cities. Little or no legitimacy is a major factor in state fragility because it implies a government has no popular support. It prohibits the formation of a political community or identity, and prevents the state from efficient management of the country regarding the social and financial costs of its actions (OECDd, 2009).

Defining levels of fragility remains a subject of debate. A simple way of evaluating these different levels is to consider a stabilising group and a declining group (or deteriorating governance as opposed to gradual improvement). Other measurements of fragility consider situations that are deteriorating, those affected by conflict, situations that are post-war, those in a state of recovery or those experiencing prolonged crisis. These may weigh up the level of governance and the development of government performance (BMZ, 2007). A particular country may be classified as fragile in some respects of its core functions, but not in others.

Aggregate measurements or classification of fragility can be misleading. An example of this is Colombia, which has shown macro-economic stability over decades while not being able to ensure security in large parts of its territory (Di John, 2008). Increasingly, policymakers have moved towards a more functional analysis of the processes considered to be central to statebuilding, and whose interaction might mean that a state is more or less fragile, deteriorating or improving, stagnating or in a state of transition. Thus, instead of a country being judged according to which broad category it finds itself in, it is considered according to local contextual analysis.

Statebuilding

INCAF has adopted a definition of statebuilding as being a "process of strengthening the capacity, institutions and legitimacy of the state, driven by state-society relations." (OECDe, 2008). This definition places political processes and relations between state and society at the heart of statebuilding (OECDf, 2009). It includes all levels of government, from local to national, as well as civil society; "statebuilding is about strengthening state-society relations and working with all three branches of government and civil society."[7]

Context is all-important here. Statebuilding processes differ from one country to the other. They can be messy, implicit, non linear, and are often fraught with conflict, whether violent or not. Context is therefore key to evaluating what form of state can reasonably be expected to emerge (OECDd, 2009). Statebuilding is dependent upon prevailing power relations within society and the ways in which they may be determined by class, ethnic, religious, regional or gender identities (OECDf, 2009). Therefore, "statebuilding should be understood as a constantly renegotiated process, driven and impeded by a variety of social and political interests, rather than the attainment of a set of formal state qualities assumed to be in a linear relationship"(Wimpelmann, 2006).

More often than not, donor approaches to development in fragile states have been modelled on state structures and attributes which are commonly associated with modern statehood, such as effective bureaucracy, revenue collection and allocation. 'Skipping straight to Weber' runs the risk not paying sufficient heed to context, which in turn damages chances of long-term stability and resilience. Donors operating in fragile states are cautioned to look at how things are, as opposed to how it is considered they should be (Whaites, DFID, 2008).

7 Kinshasa statement, 2008.

A debate is currently underway within the donor community as to how best to understand statebuilding processes. Alan Whaites (DFID) has suggested three dimensions of responsive statebuilding (Whaites, DFID, 2008); political settlements, state survival functions and state-expected functions.

Critics argue that the distinction places too little emphasis on the degree to which the expected functions of a state can contribute to its survival. For example, the ability to raise revenue depends in part on the legitimacy of the state. Legitimacy is partly achieved through effective resource allocation and service delivery.

Box 1: Responsive Statebuilding, Alan Whaites, DFID, 2008

Political settlements are the deep, sometimes unarticulated, understandings between elites about how the division of power will work. [Elites] must maintain the ability to organise, persuade, command or inspire to maintain their power base [...] Political settlements underpin the creation or re-establishment of state institutions and structures that serve the interests or beliefs of the elites in power. Where there is responsive statebuilding, the interests of those in power will be served through strong state institutions but will also support delivery of core functions leading to robust engagement with citizens. The literature suggests two categories of state functions: "Survival functions" and "Expected functions".

Some functions are essential to maintain a state's strength and control, thereby ensuring its survival. They are common for all states and are the priority areas for those in power. These are: (1) provision of security (to be able to control the use of violence); (2) the ability to raise revenue sustainably, particularly through taxation; (3) the capability to rule through law; and to be seen to do this.

In addition to these survival functions there will be functions that are 'expected' by the population. These can include service delivery, employment, economic wellbeing or social justice. Responsive governments will try to meet public demands to some degree. Even repressive states usually deliver against some expectations as a means of reducing dissent and or meeting the aspirations of the (necessarily limited) constituents of the elites in power.[8]

This paper does not attempt to provide an authoritative and academic conclusion to the debate, but does seek to suggest a broad approach that the ACTT and INCAF might wish to follow. There is as yet no common understanding at the OECD/DAC on functional definitions of statebuilding, and it is a relatively new discussion within INCAF. Whichever definition is ultimately chosen by INCAF, this paper proposes that a functional definition of statebuilding, and one that summarises the concept in core functions and processes engaged by the state,[9] may be best suited to layering and prioritizing anti-corruption within it. Anti-corruption reforms are 'layered' within core state functions and processes when the particular effects of core statebuilding policies at the point of planning, implementation and evaluation on corruption, transparency and accountability are strategically considered.

1.3 Corruption, Integrity and Statebuilding

1.3.1 Corruption, legitimacy and fragility

Corruption lies at the core of fragility. Certain forms of corruption can fundamentally delegitimize the state. It is therefore important to try and understand both how and why certain forms of corruption have a more significant impact on state legitimacy and what forms these take. This can be complex, because interactions between corruption and fragile situations are multiple, including in conflict and post-war contexts, making it difficult or even impossible to establish clear causalities. A systemic approach is therefore required.

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8 Whaites cautions donors from making hasty decisions about which areas of service delivery will have most effect on statebuilding. Focusing on delivery of services and local development can bolster legitimacy and settlement, if these are deeply rooted in state competence. Outside execution can lead to lack of confidence in state performance, and ill-considered decisions about what services matter.

9 These core functions include political settlements, security, tax and revenue raising, rule of law, economic development, service delivery, state society relations.

While research has only recently begun into the interactions of corruption and statebuilding, Goodhand takes a historical perspective to argue that the processes of early state formation were never smooth and linear. States, bandits and criminality have frequently been close companions (Goodhand, 2008). That is not to suggest that these interactions are desirable or cannot be addressed, but rather it offers a dose of realism for consideration to what are currently often stylised or normative approaches, however well-intended.

The nature of systemic corruption can take multiple forms in fragile situations. It may be structurally linked to a dominant party or executive power, as in Zimbabwe or Cambodia. In other cases, corrupt networks are run by business or militia groups that have "captured" the state and which dominate politics, as in Albania or Chad (DIIS, 2008). Where the state is absent or weak, organised crime may play an important role in economic, social and political activities, filling the gap left by the absent or weak state. Structures of organised crime may use corruption as a method to escape prosecution and to capture the state. Organised crime networks also act as enforcement institutions for corrupt deals, providing protection services.

There is no clear consensus that corruption has a negative impact on fragility at all times. Some researchers conclude that corruption clearly undermines the state and its capacity to manage and prevent conflict while others, less categorical, observe that corruption can have both destabilising and stabilising effects.

Destabilising effects include the undermining of the legitimacy of the government in cases where its members are seen to be self-serving. When the limits of public tolerance of corruption are overstepped, even a hitherto repressive regime may collapse, giving rise to conflict (O'Donnell, 2006).

Corruption multiplies the inequalities among the population and political factions, thereby increasing the risks of instability and a return to conflict. This is particularly so where large amounts of licit or illicit resources are made available, such as natural resources or a massive influx of international aid. Corruption, or permeation of national security forces by criminal gangs, can result in the state failing to provide proper security. As a consequence, people seek protection from warlords or other armed rivals of the state, thereby increasing fragility and the risk of conflict (Di John, 2008).

There is a view that corruption plays an important subsidiary and beneficial function in many countries. While it undermines the effectiveness of public administration, it can also help to stabilise regimes. Therefore it is tolerated by governments (Norad, 2008), who may even have incentives to promote it. It is argued that, in conflict settings, corruption can "facilitate the creation of a new political order (or the consolidation of an old one) and that the dividends of peace obtained through corruption may outweigh the costs of inefficiencies" (Goodhand, 2008).[10] Those that the donor community regards as remnant networks of wartime combatants may enjoy a measure of local legitimacy, and might also provide the basis for a more efficient local economy. "Some powerful individuals and networks that featured in Liberia's wartime political economy may have material and social assets that can contribute in a restructured Liberian economy" (Reno, 2008). The political and social effects of corruption may provide short-term solutions, such as buying out 'peace spoilers' or authorising illegal but licit (*i.e.* accepted by custom or morality) economic activities that sustain local livelihoods. However, these immediate benefits may later haunt peace and development in the medium to long term.

Political survival can depend in large part on patronage:

> "In many states in situations of fragility, regimes secure the support they need not through the systematic institutionalization of the state in society, but by using state resources to offer material rewards in return for political support. If the preservation of its power depends on sources of legitimacy of this kind, governments are trapped in a situation where their political survival is incompatible with (responsive) statebuilding." (OECDd, 2009)

Empirical evidence is needed to sustain the arguments outlined above, and to tease out the complex relations between

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10 David Harris argues that, prior to the 2005 elections in Liberia, tolerance of a degree of corruption enabled relative newcomers to enter politics. This avoided the consolidation of wartime incumbents in politics at the exclusion of others. (Reno, 2008).

corruption and state legitimacy. More research is needed both to identify the types of corruption that either generate or undermine legitimacy, and the interaction between donor interventions and a state of legitimacy.

International engagement in fragile situations, in particular as a support for statebuilding, is a double-edged sword. It can provide the necessary resources, help build institutions as well as providing political and technical support to curtail corruption and build integrity. But the dynamics of an international presence can also create new opportunities for corruption and increase or entrench the extent of existing patronage or corrupt networks. In this regard, it has been argued that corruption is institutionalised within peacebuilding and reconstruction initiatives; nepotism, fraud, over-invoicing, lack of accountability, and the practice by foreign investors of tax avoidance all contribute to "undermining the integrity, efficiency, legitimacy and role-modelling" of these initiatives (Le Billon, 2008).

The effects of corruption on legitimacy and fragility depend on a series of context-specific factors. These include the structure of power relations, peace and political settlements, the nature of licit or illicit resources that different groups can either access or control, the nature of the predominant forms of corruption, and the role of international actors. Given the complex multiple relations between corruption and fragility, great attention is needed to specifically identify the true causes of corruption.

1.3.2 Statebuilding, accountability and integrity

There has been clear criticism of donor policies on governance in fragile states; "Against the reality of state capture, state failure [...] the continual adherence of development agencies to an institutional vision of governance has been problematic." (OECDc, 2008). This paper espouses an understanding of governance that prioritises the political processes underpinning relations between state and society, and the mechanisms to sustain them. According to this viewpoint, governance mechanisms are key to statebuilding. This is not only because they can deliver performance (Grindle, 2007) and extend both the authority and reach of state institutions, but also because they have a mediating role between state and society. This includes tackling locally unacceptable behaviour, such as corruption, at the interface between citizen and state.

> "The overarching priority of statebuilding must be political governance: the articulation of a set of political processes or accountability mechanisms through which the state and society reconcile their expectations of one another. A focus on governance structures that address inequities and inequalities and promote accountability and transparency, in particular in their locally existent and expected forms, is likely over time to promote resilience" (OECDc, 2008).

In this sense, accountability mechanisms reinforce the stability of fragile states. When statebuilding includes the establishment of integrity in its approach, it provides for these vertical and horizontal mechanisms, rooted in local competencies,[11] transparency and the local context.

There is a common, though yet under-researched, view emerging from studies into how violence and conflict are linked to weak accountability, the presence of corruption and the absence of transparency. "There are people who need to be informed about what is going on or else they will be picking up weapons," warned one aid official based in East Timor. Accountability, transparency and integrity are critical but neglected themes in statebuilding. As mentioned above, security is a key function of the state. If security sector reform is undertaken without inclusiveness and accountability, this can result in human rights abuses, political and economic exclusion, the loss of state legitimacy and even war (Call, 2008). Lack of attention to these factors is partly responsible for the recent resurgence of violence in Timor Leste.

Accountability is also vital to service delivery. "Accountability, which emerges as a complex chain of relationships

11 This paper makes a distinction between "competencies" and "capacities". While capacity is the ability or power to do, experience or understand something, competence is the ability to do something successfully or efficiently.

linking users, policy makers and service providers is central in this regard. The ability of clients to impose accountability on policy makers or providers will affect whether services are delivered effectively" (OECDg, 2008). Interventions must be designed not only to deliver services but also to strengthen the accountability of policy makers to citizens.

Some suggest that where state capacities are limited, and where the threat of corruption to political stability is low, anti-corruption activities could begin after establishing the first stage of a functioning society. This initial stage is one in which the core institutions of governance have been satisfactorily introduced, where there is a reasonable standard of equitable services regarding health, education and professional activity, and where civil society has begun to assume a noticeable role in national governance. However, a review of eight post-war reconstruction settings has shown that failure to address corruption in order to favour what were considered more pressing issues can contribute to the fragility of the state (Doig and Tisné, 2009). As will be argued in section 3, anti-corruption measures, such as a reform of the police, may be layered within existing priorities for fragile states, as defined by the state itself and its citizens.

International engagement creates its own specific challenges to establishing accountability. The dilemma faced by many fragile states is that the expectations of citizens do not correspond with those of external actors. Fragile states are accountable both to their citizens and to their donors. Donors, in turn, are accountable to their legislative bodies and ultimately to their own citizens. There are two lines of accountability, each of which may require a different type of answerability; one focused on the probity of funding, the other on whether security has been re-established and services function.

"In ideal, typical terms, participation is a central source of legitimacy" (OECDd, 2009). Vertical, horizontal and social mechanisms of accountability reinforce the state in complementary ways. According to a recent draft OECD paper titled *Legitimacy of the State in Fragile Situations*, "a state whose legitimacy rests too much on one or a few sources of legitimacy is inherently unstable." The paper argues for the deepening and broadening of legitimacy to create "resilient webs" of many sources. The ranges of accountability mechanisms, both formal and informal, play an important role in bolstering these webs. Legitimacy is in the eye of the beholder; what donors consider the most effective and legitimate form of statebuilding may not be seen as legitimate by domestic actors. Process matters and citizens need to be involved.[12]

12 In East Timor, in 2001 a national consultation was undertaken prior to the establishment of a National Development Plan. While the consultation itself was welcomed, there were no subsequent efforts to update the people on the findings and progress of the plan which they had played a part in putting together. The perceived lack of accountability of the process persists on the island to this day.

2. Donor Approaches to Corruption in Post-War Situations

Donors[13] have recognised that fragile states merit specific interventions. They have made great efforts to develop specific conceptual approaches, analytical tools, guidance for programming, options for financing modalities and general principles for donor engagement in fragile situations. They have also made similarly great efforts to develop tools and approaches for tackling corruption. Corruption in its different manifestations has been recognized by the OECD as threatening the legitimacy and stability of fragile states.[14] What does this mean for donors seeking to address corruption in fragile states? In practice, have specific types of fragility led to specific anti-corruption programmes? This section seeks to answer these questions, looking at both policy guidance and engagement in specific countries.

Fragile states are not necessarily affected by violent conflict. As stressed in this study, information on corruption and anti-corruption in fragile states is scarce and most available information concerns post-war settings.[15] The emphasis of this chapter, and those that follow, is on post-war settings. Section 2.1 reviews anti-corruption policy guidance by donors for fragile states, both by individual donors and collectively through the OECD. Section 2.2 looks at how donors have addressed corruption in post-war environments. Lastly, we examine in which way donors' engagement in fragile states generates unintended effects on the fragile relationship between corruption and stability.

2.1 The View from Headquarters

2.1.1 Individual donor guidance

Donor agencies interviewed for this paper have at least two different teams, units or departments that separately focus on anti-corruption efforts and issues of peace-building/conflict/statebuilding.[16] The different communities of practice are not systematically linked and in most cases, they each employ such different conceptual approaches that there is a significant difference in understanding the key issues between the two.[17] Broadly, the anti-corruption approach regards corruption as having a negative impact in all cases, while the statebuilding approach will more readily ignore certain forms of corruption in order to safeguard the statebuilding process. There is no common agreement about the issue of corruption within the process of statebuilding.

Despite the clear links between corruption, fragility and statebuilding, donors' policy guidance on these issues has not, until recently, connected these issues. The great majority of donors have developed policy guidance or institutional strategies for anti-corruption efforts, and for their involvement with fragile states. Policy guidance on anti-corruption in fragile states has mostly been characterised by a "business as usual" approach,[18] producing *ad hoc* responses and with little emphasis on identifying the context-specific risks of corruption.[19] Three of the donors contacted for this study recently began to develop anti-corruption guidance concerning fragile and/or post-war settings.[20]

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13 For the purpose of this paper the term "donor" is used to refer to bilateral and multi-lateral agencies as well as the multi-lateral development banks.

14 If not tackled early, corruption, and public perceptions of it, can undermine trust in the state and in international actors, and weaken state legitimacy (OECDc, 2008).

15 See http://www.tiri.org/index.php?option=com_content&task=view&id=68&Itemid=

16 For this paper we interviewed headquarter officials from, CIDA, Danida, DFID, Dutch Ministry of Foreign Affairs, GTZ, Norad, SIDA, UNDP, USAID and the World Bank. In all cases we spoke to officials from the anti-corruption teams, and in some we also managed to speak to officials from the respective fragile states/peace and conflict teams.

17 An exception is the Dutch Ministry of Foreign Affairs, where the governance/anti-corruption team and the peace/statebuilding team worked in the same department. They were split into two approximately one year ago when the fragile states agenda became more relevant.

18 An illustration of this was given by a donor official; "The fragile states strategy provides for guidelines regarding the selection of specific modes of delivery, according to the reform/development orientation of the government in a fragile state. In addition to the modes selection, a general focus is on capacity development and on supporting a constructive relationship between state and society. The strategy, however, does not provide for specific guidelines for the implementation of projects, such as anti-corruption, on the ground. Thus, our projects for combating corruption in fragile states do not necessarily differ from projects in other partner countries."

19 "How applicable are broader anti-corruption approaches to post-conflict settings? Countries emerging from war frequently have high or endemic corruption, low state legitimacy and capacity, weak rule of law, and high levels of physical insecurity and residual violence. Economic legacies involve concentrations of wealth flowing from illegal or unregulated trade and unofficial "taxes" collected by soldiers, rebel factions." (O'Donnell, 2006).

20 USAID is currently in the final stages of drafting anti-corruption policy notes specific to post-conflict settings, while the UNDP and the World Bank have recently started to identify and promote synergies.

The analysis of context is very important in both fields of donor engagement, but there is largely no link between different context assessment methods. The anti-corruption community does not have an approach of contextual analysis specific to fragile states. The fragile states community has not introduced within its multiple assessment methodologies the appropriate means to evaluate context-specific types and patterns of corruption. Sector programming in fragile states is designed to be conflict-, gender-, human rights- and environment-sensitive, but until now there has been no move for "corruption-sensitive" approaches.

There is little focus upon, nor understanding of, the systemic nature of corruption in fragile situations. Settings where corruption is the norm and not the exception are insufficiently understood.[21] Distinctions made between petty corruption and grand/political corruption are often unhelpful when corruption is systemic. So-called petty corruption is often a part of broader systems and networks that involve large-scale corruption.[22] Too little is known about how war-time networks and structures of organised crime attempt to integrate and control political power and subsequently change over time, nor how to break though these organisations.

Anti-corruption guidance for fragile states has been criticized for being too technical and prescriptive, and disregarding of political realities and historical trajectories. Donor approaches are largely based on "Weberian" state models. Informality is the hallmark of fragile states and this has been difficult to reconcile with existing approaches to anti-corruption.

There is little guidance from the anti-corruption community on how to build Do No Harm into anti-corruption programming. Anti-corruption interventions can have unintended negative effects that may undermine stability or even contribute to the return of violence. These include anti-corruption commissions used to silence political opponents, ambitious anti-corruption plans that are not implemented, or awareness-raising campaigns that are not matched by reform and changes. All of these interventions create frustrated expectations and cynicism, and undermine the legitimacy of the state instead of strengthening it. These dimensions of donor engagement on corruption in fragile states have received insufficient attention.

Main factors that help explain the approach to date

There is no agreement on the prioritisation and sequencing of anti-corruption in fragile states. A particular challenge in post-war countries is the need to balance the competing priorities of four resource-intensive, complex agendas; the peace settlement and security concerns; humanitarian needs; public institution building and social and economic development. A donor official interviewed for this study illustrated part of the dilemma:

> "There are major shortcomings in the way we have addressed anti-corruption and integrity. We have been so busy with service delivery that we failed to integrate integrity in our approaches. In [region X] we support the construction of several schools. We could have engaged the partner country integrity institutions, including requirements to photograph the construction of the schools from the air for example. This should take place via the country partner's systems. We were in such a hurry that we did not have time to include it in. I fear this will be detrimental to the sustainability and legitimacy of those very projects."

Addressing corruption is considered to be potentially destabilising. But not addressing corruption early can also contribute to renewed conflict at a later stage. Finding the right balance to deal with this dilemma is a major challenge for donors. It is also an opportunity in post-war settings, where power relations are in free flow.[23]

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21 Mungiu-Pippidi observes that donors tend to take a view of corruption as an aberration of a norm. Corruption is defined as being something exceptional. This is based in what she terms as universalism. Society has universal values and incidents of corruption go contrary to those. She then asks what if the norm was corruption. If the public administration system is built on corrupt structures and processes, how useful is it to define corruption as the exception? Mungiu-Pippidi refers to this as a system of particularity, where each transaction is executed according to personal decisions and directives, without reference to a functioning system of impersonal rules (Norad, 2008).

22 In Afghanistan, the Ministry of Interior is possibly the public agency worst-affected by "multi-tiered graft" and "concentric circles of corruption" (Kent, 2007). It has also been described as a "shop for selling jobs" (AREU, 2007)", and is cited in the Afghanistan case study "Towards more effective collective donor responses to corruption", Davila, J. et al (2009) for the OECD ACTT, forthcoming.

23 Although in many countries corruption may have been systemic before the conflict, war-time networks fight post-war for power. They can create new corrupt networks which soon become deeply rooted following large inflows of aid money and the exploitation of natural resources (licit or illicit). This situation is difficult to reverse at a later stage. Whether or not this is avoidable will not be known until it is given serious attention.

Anti-corruption and fragile states/post-conflict departments operate as separate entities. Attempts to integrate them are currently being made by some donors. We were often referred back to the anti-corruption teams when approaching fragile states teams, and vice-versa. Most donor organisations have large, matrix-type management structures that cover a wide array of issues with often only small teams for each. Dealing in a comprehensive way with anti-corruption as a cross-cutting issue is a challenge for most donor agencies.[24]

2.1.2 OECD principles for policy and action

The OECD *Principles for Good International Engagement in Fragile States and Situations* (2007) as well as the *Principles for Donor Action on Anti-corruption* (2006) are the most relevant principles for anti-corruption action in fragile states.

The principles for donor engagement in fragile situations warn about the potentially negative impact of donor interventions on corruption. They advocate a careful analysis of the effects of reducing funding because of corruption, and highlight a donor's responsibility for addressing the international dimensions of corruption.[25] The principles do not provide guidance on the need for donors to consider and address different and changing patterns of corruption as one of the major characteristics of fragility. Furthermore, the principles do not emphasise the need for donors to encourage accountability and transparency regarding aid towards the local population.

The anti-corruption principles are of a general nature. While having no specific reference to fragile states, they are considered to be relevant in fragile situations. While many of the specific principles may be applied with particularly careful consideration of the context, a strategic focus on the specific challenges, opportunities, and necessities for tackling corruption in fragile states is missing. Interestingly, the anti-corruption principles do refer to the need to foster accountability and transparency in aid, but they in turn lack reference to the Do No Harm approach.

In conclusion, the two sets of principles are to some extent complementary, but have not created the potential, and required, synergies. There is no anti-corruption vision in the principles for donor action in fragile situations and anti-corruption principles are not adapted to fragile situations. Thus, a distance remains between the separate donor communities of practice involved with these issues.

2.2 Country Perspective: Donor Approaches to Corruption in Post-War Contexts

In many post-war countries, donors began to address corruption relatively late. Few post-war countries focussed on anti-corruption from the beginning. The few exceptions are those where the national government set out on an anti-corruption crusade as part of its legitimising efforts and where donors focused on financial accountability from the outset (*e.g.* Liberia). Anti-corruption approaches by donors tend to be punctual interventions rather than strategic ones.

Donors strongly emphasise protecting their own funds from abuse, mainly through the selection of country-specific means for delivering aid. But what is less clear is the extent to which donors have been attentive to the Do No Harm principle by not contributing to the increase, change, entrenchment or tolerance of corruption in partner countries. There is little documented evidence on the specific approaches donors take to corruption in fragile states that are not post-war ones.

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24 The topical or geographic departments are hesitant or resistant to integrate anti-corruption plans into their activities; they do not consider it to be a problem that concerns them because they deal with technical issues like infrastructure, service delivery or the like, while corruption may be relegated as uniquely an issue of governance.

25 These responsibilities include asset recovery, money laundering, banking transparency and interactions between their companies and partner governments, *e.g.* the Extractive Industries Transparency Initiative (EITI).

2.2.1 Contextual analysis

Political economy analyses have not focused directly on corruption problems. Research in eight post-war countries found that corruption and its consequences remained poorly understood among the donor community (Tiri, 2007). It found that in most countries, "country context has been insufficiently accounted for in anti-corruption programming" (Norad, 2008). DFID 'drivers of change', SIDA 'power analyses' and the Dutch 'SCAGA' provide country-level analytical tools, but their relevance to programming remains a subject of debate.[26] Their influence is subtle and affects the way donor field offices work, perceive issues and engage with interlocutors. "In the West Bank, the work done on public administration reform influenced our thinking on how to work with stakeholders, which then opened up new areas for reform," one aid official told us. To concretise these gains, donors have moved on to analyse the political economy at sector levels, in order to provide the necessary level of detailed information for programming.[27] The World Bank is exploring "problem-driven approaches", using political economy analyses to explore particular problems. So far, these have not covered anti-corruption. In contrast, assessments of sector-level vulnerability to corruption have been too technical, and have paid scant, if any, attention to sector governance.[28] In general, little is known as to what extent this knowledge is used for anti-corruption programming.

Contextual analyses for anti-corruption programming focus on comparing a country's legal and institutional system against international standards, rather than on a better understanding of performance or the lack thereof.[29] This is largely based on what traditional anti-corruption approaches prescribe, leaving little room to consider historical or local perspectives of corruption. Disregard for performance is common, and in the instances when one-time assessments are performed they do not allow the monitoring of progress over time.[30] UNCAC gap analysis and other National Integrity System-type approaches fall into this category.

Donors have not developed a common understanding of why they should address corruption in a given context and stage of the statebuilding process.[31] Although it is illusory to expect neat dividing lines, this could offer some strategic focus. The Road Map to Fight Corruption in Afghanistan (2007) was a modest attempt in that direction. There seems to be little documented knowledge about whether or how donor action on anti-corruption in fragile states has been informed or guided by whole-of-government approaches.

2.2.2 High-level political dialogue between donors and governments

In post-war countries, corruption in the early years of recovery is often either not addressed or is limited to vague declarations during high-level government-donor forums.[32] This is due partly to the trade-offs mentioned above, partly to a lack of whole-of-government approaches towards corruption, and partly to incentives to create success stories. The diplomatic communities still frequently consider corruption as a technical issue that concerns the field of development, and want to steer clear from political interference.

There is often no shared strategic vision between the government and donors about the most pernicious forms of corruption. Political agreements on anti-corruption often remain formalistic. High-level political agreements on

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26 Since 2003, DFID has identified drivers of change for 16 countries, many of them fragile states. SIDA has commissioned nine power analyses. No common methodology was adopted. They documented how neo-patrimonial systems are structured and function, and the rational logic that lies behind them.

27 This is the case of a DFID analysis of the politics and conflicts associated in the water sector in Yemen.

28 VCAs have been carried out in Afghanistan in sectors (such as road construction and energy) as well as in specific ministerial departments (such as those of the budget and ministry of finance). However, these risk assessments largely focused on procedures and did not analyse the power structures of the different ministries concerned and which have often been described as permeated by patronage networks.

29 One researcher commented: "Donors have an uncomfortable tendency to consider some fragile states as ailing patients amenable to standard types of treatment, whether humanitarian, reconstructive or developmental" (Brown, 2007).

30 See forthcoming U4 Issue Paper "Lessons learned from the Americas for Monitoring the United Nations Convention against Corruption", by Peñailillo, M. (2009).

31 The question posed here is what are the final goals of anti-corruption efforts? Analysis of context and strategies to address it will vary according to the pursued purpose (***e.g.*** to ensure equal access to power and resources, to mitigate inequalities, to end exploitation, to improve service delivery). (Anderson, 2007).

32 High-level political forums that focus on strong rhetoric frequently suffer from three major shortcomings; international pressure for anti-corruption reform is not linked to performance-oriented change; expectations of the population are raised but not fulfilled, which alienates citizens from both the state and the international community alike; the rhetoric is often not linked to an incentive system that supports reforming forces within government.

formal benchmarks, the creation of institutions and the passage of laws, often serve as window dressing.[33] Donors choose to participate because other, more important strategic priorities need to be safeguarded, such as the maintenance of dialogue and the protection of weak reform progress.

High-level political dialogue is focused on mutual accountability between donors and partner countries, neglecting the issue of accountability of partner countries towards their citizens. In fragile situations where state capacities are weak, state-citizen accountability requires reinforced, and re-focused support by donors.

2.2.3 Programmes related to anti-corruption efforts

Building on the success of Public Financial Management (PFM) in other situations, *donors have promoted dual control mechanisms to better manage public expenditure*.[34] Dual control systems are expected to produce institutions that prove to be more robust in terms of accountability and transparency, and improved public expenditure.[35] Until now, little attention has been paid to identifying and systematically reviewing potential corruption risks.[36] In exceptional circumstances, dual control systems can be applied to domestic revenues, as in the Governance and Economic Management Assistance Program (GEMAP) established in 2005 in post-war Liberia (Boyce, 2007). However, the degree of probity of the disbursements effectuated by multi-donor trust funds is in direct proportion to the ability of the monitoring agent to run spot checks on receipts for expenditure. The purpose of dual control is to enable donors to work directly with the state, to reinforce the budget as central tool of policy-making, and thereby strengthen state-citizen relations. So far, citizen engagement in these mechanisms remains limited.

Programmes related to anti-corruption efforts focus on executive power, while there has been little attention to parliaments. The aforementioned programmes consist of public sector reforms that contain an implicit set of anti-corruption aims. Even in cases where parliaments are funded, their overseeing capacity is seldom strengthened and programmes which encourage transparency and accountability of the institution of parliament and its members are rare. There is also little support given to MPs to allow for more informed debate.[37]

Judicial sector reform remains a striking weakness. In post-war countries, the police and judiciary are often weak, ineffectual and riddled with corruption. Tackling systemic corruption and establishing integrity in the judiciary has mostly been left to one side. Despite occupying a central position regarding state legitimacy and the rule of law, judicial reform ranks among the lower priorities of reconstruction assistance (Tiri, 2007). In fragile settings, formal legal systems co-exist with "customary" or "traditional" legal regimes. Donors have until now not given proper attention to traditional justice institutions, particularly at local level. Although they may not comply with international standards on human rights, they do exist and can be used. Examples of efforts to bridge formal and informal justice mechanisms exist in Rwanda (Gacaca courts) and Sierra Leone (Timap for Justice Project).

Elections and competitive politics in fragile states are largely neglected by anti-corruption policies, despite the risks they present. International support for elections has been a major field for engagement by donors in post-war countries. A particular challenge here is dealing with potential spoilers. It is essential to ensure a transparent vetting process, and even without full agreement on the criteria applied. Campaign financing is a contentious issue and which has had little consideration. The only known reform in this area was in Mozambique, in the 1990s, when donors set up a UN trust fund to support the opposition party Renamo (and subsequently other political parties). ONUMOZ personnel overlooked the lack of accountability in expenditures in order to keep the peace process on track. Indeed, it stayed on track, but Mozambique remains extremely corrupt and its structures non-accountable (Nuvunga, 2007).

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33 This can be the case with anti-corruption agencies, comprehensive anti-corruption strategies or plans, the ratification of UNCAC, or the passage of a specific law, no matter what the quality may be.

34 In the case of the Afghan Reconstruction Trust Fund, two signatures are needed to release funds; one from the government, and one from the external monitoring agent.

35 "The government allocates these external resources through its internal budgetary process, reinforcing the budget as the central instrument of policy. When the ministries spend the money – for example, paying teachers – an external monitoring agent appointed by the World Bank verifies that the accounting standards of the ARTF and government (which are the same) have been met, and releases the funds. The ARTF thus is like a bank account with a fiduciary screen. Approximately two-thirds of the Afghan government's non-security recurrent budget is now being funded by the ARTF, although this amount remains small relative to total external assistance" (Boyce, 2007).

36 See the review of the ARTF in Afghanistan (Norad, 2008).

37 An example is that there is just one researcher for the parliament of Sierra Leone.

Programmes for the improvement of service delivery seek to address petty corruption, but they fail to take its systemic nature into consideration. These programmes are often part of wider sector reforms aimed at building more effective and responsive public institutions. Efforts to eliminate red tape, and hence corruption, may have some immediate positive results. But little is known about how these affect systemic patterns of corruption. Such programmes harbour great potential to bring different thematic donor communities together (sector, governance, statebuilding and community development), and could subsequently provide multi-disciplinary ways to reach appropriate solutions.

National anti-corruption strategies and specialised agencies have been a popular but ineffective vehicle for donor-supported, anti-corruption activities. Despite the success of anti-corruption commissions in Hong Kong and Singapore, the track record of these agencies is generally weak, and in post-war countries it is dismal. None of the agencies created in Sierra Leone, Afghanistan or Kosovo, for example, were able to prosecute those identified as the major culprits.[38] Holistic anti-corruption strategies are often prepared for governments by international consultants, and not by governments themselves. The will to link anti-corruption with other priority reforms exists mostly on paper, and implementation is unsatisfactory.

Campaigns to raise awareness of anti-corruption issues run the risk of increasing cynicism and distrust of the state. Public concern about corruption can be an important driver for change. Governmental bodies and non-official, civilian organisations set up to fight corruption receive considerable support from donors for their broad campaigns to raise awareness of the issue.[39] In weak post-war states, widespread talk of corruption without effective counter-measures can increase citizens' sense of frustration and cynicism towards the state and also the donor community. That, in turn, can have a destabilising effect.

Community-driven reconstruction has been relatively successful, both in terms of development and for the prevention of corruption. Some of the most effective initiatives in post-war reconstruction have relied on the empowerment of local communities.[40] This requires considerable investment in the process, but it has paid back in results (PRDU, 2006). Capacity building at the local level is a pre-requisite for success. Local structures are essential to underpin a gradual rebuilding of the social capital which was destroyed by war. The most successful approaches are those that build on pre-existing, local and often informal accountability mechanisms that can be rapidly re-established (Galtung and Tisné, 2009).

Episodic support to Civil Society Organisations (CSOs) centred mostly on raising awareness over the negative consequences of corruption, and on supporting CSO monitoring exercises. The more successful initiatives were those that directly targeted the promotion of accountability in statebuilding efforts, educating citizens on their rights, and expanding citizen-government dialogue in a targeted fashion.[41] In these examples, the relation with the nascent state determined whether these efforts contributed to statebuilding or whether they were, inversely, state-damaging. Community-driven accountability efforts have failed in cases where government cannot fulfil the expectations generated by monitoring.[42] Successful cases were those where local government was able to interact with communities and their representatives. Support of CSOs is still mostly applied on a project-by-project basis, rather than through core funding supplied by an alliance of donors. Although there is little interaction between governance-related CSOs and service delivery NGOs, potential synergies exist, especially with regard to their specific accountability towards beneficiaries and other stakeholders.

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38 In Mozambique, where several investigations into ranking suspects were opened and subsequently dropped, two recent high-profile cases of prosecution involved the conviction of a man suspected of stealing a goat and a DVD player, and five people found to be responsible for a fraud valued at $250 (Galtung/Tisné, 2009).

39 There is little information as to whether these campaigns address local conceptions of corruption or whether they reproduce international conceptions about corruption.

40 The Afghanistan National Solidarity Programme is an example; it did not set out to fight corruption but targeted small community structures involved in the delivery of aid for reconstruction for which specifically elected councils were held accountable.

41 In East Timor, local NGO Luta Hamutuk (meaning "Struggle Together") monitors electricity services, healthcare, education, as well as veteran housing projects. In the Democratic Republic of Congo, a project facilitated by the NGO Innovative Resources Management helped affected communities and those involved in river transport to join forces to report illegal payments to the Congolese Ministry of Interior.

42 In Nepal, the NGO Pro-Public conducted public hearings at which communities came together to debate the effectiveness and integrity of government services. A number of government officials were both unable and/or unwilling to respond (Galtung/Tisné, 2009).

2.2.4 International instruments for tackling corruption

The ***United Nations Convention against Corruption (UNCAC)*** is the most comprehensive international agreement to combat corruption, building on and complementing other regional anti-corruption treaties, as well as the OECD convention on international bribery. It has thus been referred to by many donors as the most important international framework to address corruption and as a useful tool to further anti-corruption work, both at national and international levels. The convention consists of four main chapters focusing on measures for corruption prevention, criminalization, international co-operation and asset recovery. Particularly in the area of asset recovery, UNCAC is the only legally binding instrument with specific provisions to address international drivers of and safe havens for corruption. Asset recovery is also one of the priority issues for a good number of developing countries. In line with these provisions and partner country priorities, donors pursue initiatives to support developing countries to recover stolen assets and provide technical assistance to bring public officials accused of corruption to court.[43] As with other anti-corruption efforts, there are currently open questions as to whether or not these initiatives will have an impact on large scale corruption in fragile states and whether donors should develop different approaches to support asset recovery in fragile and non-fragile states. The potential benefits of asset recovery assistance are associated with recovering large amounts of money for development. These initiatives need to be complemented by targeted in-country anti-corruption reforms.

With UNCAC increasingly being used to *frame anti-corruption approaches*, partner countries and donors alike have only recently started looking into exploring country-specific approaches to UNCAC implementation, in particular for the setting of priorities, sequencing and expected path to comply with the international standards set by UNCAC. This is particularly relevant for fragile countries. While UNCAC can be a useful vehicle to open political dialogue by depoliticizing corruption, it is not an end in itself.[44] As a globally agreed legal instrument that prescribes certain obligations to its States Parties, it is clear that UNCAC itself does not differentiate between fragile and non-fragile contexts. However, those who pursue the implementation of UNCAC need to assess its relevance and opportunities for its use in fragile states on a case-by-case basis.

Natural resources, wealth and management [45] provide fertile ground for corruption and conflict in fragile situations. Revenues from resources endowments are often at the heart of contention.[46] What is commonly referred to as the 'resource curse' has been linked to rent-seeking behaviour and to patronage. The Extractive Industries Transparency Initiative (EITI) and IMF Reports on Observance of Standards and Codes are examples of important donor projects here. But transparency has to be addressed beyond the current scope of EITI and transparency in contracts and concession allocation should be incorporated. Existing rules and regulations concerning public and private banks are not strong enough and transparency initiatives need to cover the financial sector as well.

Transparency is a necessary but not sufficient measure and other measures may be even more important.[47] Pledges by political elites to be accountable before citizens are diminished when these same elites engage in opaque relations with private industry (Nordstrøm, 2008). It is of specific importance for fragile states that the international community becomes engaged in tackling the economic base causes of conflict. A first step would be to agree on a joint definition of what "conflict resources" are, and to join to this a "coherent and proportional response to the trade in conflict resources, including targeted sanctions and asset freezes when appropriate" (Heinrich Böll Stiftung, 2008). Particularly donors must be more attentive, early in the peacebuilding stage, to the reform of regulatory authorities and other bodies

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43 In this field some donors are particularly active, such as DFID, which has the specific Financial Accountability Team tasked with working on international dimensions of corruption affecting developing countries. Also, among the bilateral donors Norway places great emphasis on these issues and provides financial and technical support accordingly. On the multilateral side, the World Bank and UNODC are key players.

44 States parties and their supporting donors need to pay special attention to agree on commitments for UNCAC implementation that go beyond the formalistic level (such as benchmarks that focus on one-off events like ratification of UNCAC or the passage of a particular law) and allow instead tracking the level of progress in fighting corruption. .

45 The authors gratefully acknowledge the contribution of Aled Williams from U4 in drafting this section.

46 Examining the relationship between natural resources and civil war, Ross (2004) finds that oil endowments increase the likelihood of conflict, while easily transportable commodities like gemstones, may prolong it.

47 The impact of transparency measures will depend both on the nature of the information provided and the ability of individuals to process and act upon it. This implies that transparency should be seen as only one among many policy options and that it should not necessarily receive the highest priority by donors (Kolstad *et al.* 2008).

in order to curb political patronage and rent-seeking.[48] Better support must be given to the most important institutions involved in regulating a country's natural resource management. Furthermore, distribution of revenues from resources to sub-national government can mitigate or compound regional, and hence conflict-generating, imbalances. However, there is an insufficient presence of anti-corruption efforts at the centre of institutional support programmes for regulatory bodies, and donor initiatives have not given enough emphasis to bringing on board parliamentarians, the media and other players to act as a counterbalance to government power.[49] Supply and international issues need to be addressed, in particular by influencing the control of illicit financial flows stemming from corrupt resource extraction.

2.3 Impact of Donor Behaviour on Corruption and Post-War Situations

A significant part of the literature reviewed for this paper focused on the potentially corrupting effects of large amounts of international aid. The most immediate detrimental consequence of corruption in post-war areas is seen in the volume, quality and targeting of reconstruction assistance provided by international donors and local authorities (Le Billon, 2005).

This section looks at the main issues related to corruption that result from the presence and dynamics of donors in post-war settings.

2.3.1 Unintended consequences of donor interventions on corruption – Do No Harm

The Do No Harm [50] ***approach in war and peace contexts has not been subjected to a systematic review of issues of concern for anti-corruption policies.*** Such a review would allow the identification of specific corruption-related drivers of conflict and the process of a state losing its legitimacy. Donor commitments to remain engaged with what are sometimes even the most corrupt, dysfunctional and autocratic governments lends legitimacy to what is illegitimate, and can contribute to a return of conflict. When this occurs, donors are likely to ultimately fail in their attempts to introduce democracy, as was the case in Haiti (Buss & Gardner, 2006).

There has been no systematic assessment of the impact of anti-corruption programmes on statebuilding efforts. The policies of international agencies and financial institutions have compounded and transformed corruption in some fragile states, notably through economic sanctions, structural adjustments and the privatisation of state assets (Le Billon, 2008). Donor pressure to prosecute high-profile individuals can result in a crackdown by the executive powers on corruption among political opponents, which can in turn lead to new conflict. As noted earlier, donor-supported generic campaigns to raise awareness about corruption can have the pernicious effect of creating cynicism and distrust of the state. Lack of donor engagement on transparency and accountability can also contribute to further entrenching local power structures.[51]

A lack of integrity in donor practices can directly or indirectly damage the legitimacy of the state in the eyes of the local population. The establishment of contracts involving huge amounts of reconstruction funds often involves corrupt practices that favour political interests and the creation of corruption networks. Non-transparent salary supplements create room for rent-seeking and frictions with those left out of the process. Poaching from the public sector drains

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48 Recently-discovered resource endowments present particular challenges. Pressures to begin production may outweigh calls for gradual extraction following the establishment of an appropriate regulatory regime. After the discovery of oil in the mid-1990s In São Tomé and Príncipe, a US-based Nigerian company acquired exclusive exploration rights to the country's waters for a relatively modest USD 5 million, allegedly due to bribes. Though these events occurred before donors arrived in the country, they illustrate the incentives to pursue quick extraction at the cost of social benefits.

49 In a study of petroleum-related aid provided by three donors (NORAD, USAID and CIDA), the focus of support was found to centre on technical advice on macro-economic, resource or environmental management issues (Kolstad *et al.* 2008a).

50 The OECD INCAF has begun studying how donors can Do No Harm and avoid undermining statebuilding processes. Following Marie Anderson's methodology, this means examining the impact of donor action on political processes that are at the heart of statebuilding, the ways in which donors contribute to or undermine the creation of administrative capacities of the state, the impact of interventions on territorial integration and the complex ways in which donor interventions may affect the legitimacy of the state (OECDf, 2009).

51 "A number of local people told us that, during the presence of the international community at a time of crisis, many would have welcomed outside influence that would have helped to change patterns of local patronage. They also said that local staff of international NGOs could not have this influence. It required on-site visits (carried out respectfully rather than accusatorially) by international staff. To a surprising degree, they held the international community accountable for not having changed this "unfair" system when they had a chance to do so" (Anderson, 2007).

both the public and private employment markets of skilled people and does not allow building local competencies in state administrations.[52] In some countries, such as Afghanistan, high salary differentials are considered by the local population to be tantamount to corruption. Aid agencies appear to insufficiently address the issue of integrity among staff members.[53]

2.3.2 Delivery pressure – the spending imperative

Following post-war pledges and commitments, donor agencies come under pressure to begin spending, while ignoring problems of corruption (DIIS, 2008). Partly to blame here are the organisational incentives and evaluation systems that focus on the level of funds disbursed rather than on the results achieved. Warnings over wasteful spending may be ignored for political reasons, as the money has to be spent.[54] Delivery pressure is at odds with doing things properly in a conflict-sensitive, Do No Harm approach. The pressure for aid delivery and quick impact projects neglects an adequate focus on quality, results and oversight. It results in a loss of trust by the public, which is the contrary of what was intended.

The combination of pressure to disburse large amounts of funds and the low absorptive capacity of the state and society creates incentives for corruption and rent-seeking. The enormous pressures for delivery are in stark contrast to the minimal capacity of local actors to absorb funding in the initial post-war stages (Tiri, 2007). ***Measures taken by donors to mitigate this capacity gap can themselves reinforce these incentives.*** A particular and often found problem consists in non-transparent salary top-ups, sometimes allowing public officials to receive salaries for the same job from a variety of donors, as donors hope to "buy" the official's support for individual project implementation.

2.3.3 Transparency of donor engagement – information asymmetries

The international aid system is opaque. Transparency is crucial for mutual accountability, and is a key principle of development partnerships under the Paris Declaration. In post-war settings especially, it is often difficult for the government, local NGOs and local communities to obtain information on aid flows. Donors fail to provide the government and local population with information about their engagement in a timely, accessible and understandable manner. Where donors have made efforts to communicate results of aid contributions, their reports are rarely accessible or understandable by a non-English speaking public.[55] Although generally willing to share information when asked, donors tend to have a passive approach towards disseminating and targeting information to specific audiences. The International Aid Transparency Initiative (IATI) is a key step in addressing this.

On the ground, donors are fearful of being tainted by corruption scandals concerning their own funds. This leads to a lack of healthy self-criticism and the chance to learn from mistakes.[56] It also prevents serious discussions about the problems, including corruption, that are faced during the execution of programmes or projects. Donors face politically sensitive questions regarding the usage of tax-payers' money abroad. A balance must be struck between responding flexibly to complex situations and taking open and fearless corrective action where needed.

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52 In Kosovo, donors frequently complained of the lack of suitable local partners during the early reconstruction phase. Instead of working with local competencies, they competed to attract the most skilled local staff. Local professionals were offered salaries far in excess of those in both the public and private sectors. This created a temporary artificial labour market with inflated pay levels (Tiri, 2007).

53 There is little provision of face-to-face, inter-cultural (international and national staff) training about issues of integrity, ethics, codes of conduct, local culture and customs, and sometimes there is none at all. However, it is important to note that, for the local population, international and national staff members are role models and represent the visible face of donors.

54 In the case of Haiti, Buss and Gardner (2006) observed that "donors saw that projects and programs were unraveling and likely to lead to aid failures. Rather than reworking plans to be more realistic for the situation on the ground, donors pressed on. There is no justification for continuing to invest in hopeless enterprises. Many seem to have adverse consequences." See also Hussmann (2009) for comments on this same issue in Afghanistan.

55 Language is one of the biggest barriers to transparency in aid but it donors appear to lack proper policies or strategies regarding translation. While general information may often be available in local languages, this is not the case for more relevant information about objectives, funding and results.

56 See UNDP report "Transparency and Integrity in Practice", forthcoming.

2.3.4 Competing political priorities and co-ordination

Donor engagement in post-war contexts is profoundly political, is often of a geopolitical nature, and the many different political agendas involved are in conflict with anti-corruption efforts. These differences tend to exist between different groups of donors (*e.g.* war on terror compared to peace for development) as well as within different branches of government of one specific country (*e.g.* development versus security). This leads to tensions and trade-offs. For example, corrupt officials involved in illicit trade, such as drugs or diamonds, are considered as an obstacle to development, but they may also be key figures for guaranteeing stability. Finding appropriate compromises is a risky undertaking and requires case-by-case appraisal; above all, it demands a clear vision of the over-riding political objective.[57]

To date, there is very little documented information about whether whole of government approaches include a strategic focus for addressing corruption in statebuilding processes. Donor countries have various political aims that drive their interventions in fragile and post-war states, including the establishment of peace and security, pursuit of a war on terror, engaging a war on drugs, attaining access to markets and development or poverty reduction.[58] These interventions often involve a variety of government departments and agencies. Whole-of-government approaches, including the so-called 3Ds (diplomacy, defence, development), and also ministries of justice, economy etc., are intended to bring strategic focus to the political aims.[59] Political priorities tend to sacrifice anti-corruption action, and anti-corruption staffs within donor agencies are thin on the ground. For this reason, it is highly likely that the important opportunity to include tackling corruption as an integral part of whole-of-government approaches has so far been missed.[60]

Donors face particular challenges with co-ordination, and the frequent absence of government leadership. Strategic co-ordination for anti-corruption programmes tends to fall through the cracks. Aid co-ordination and donor co-ordinating mechanisms in early post-war stages often do not include co-ordination sub-groups to manage anti-corruption responses. Donor-government co-ordinating mechanisms may look good on paper, but fail in practice in fragile settings. Donor forums to co-ordinate strategic priorities and approaches are not used to develop joint responses to corruption.

2.3.5 The effects of aid delivery methods on corruption and integrity in statebuilding

Fragile states have become social science laboratories for testing new hybrid methods for the provision of aid. Given the rapidly changing context, donors need to be flexible, co-ordinated and must be strategic.[61] In their design of aid delivery methods, donors have largely, and understandably, followed the logics of managing risks to their fiduciary role and reputation. There has been too little attention paid to how the different aid delivery methods might affect local patterns of corruption, and which are those that undermine the integrity and legitimacy of the statebuilding process.

Where aid is kept off-budget and delivered by non-state actors, local capacities are overlooked. This creates dependencies that undermine the legitimacy, capacity and the coercive powers of the state (Brinkerhoff, 2008). Budget and Sector Support should therefore, in theory, be the preferred aid delivery model. But, as pointed out by Galtung and Tisné (2009), this is insufficient in itself, because sending more money through the state may simply increase the opportuni-

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57 One researcher commented; "The endgame of liberal peacebuilding may not be peace but market access, and corruption is tolerated or even promoted [by donors and investors] if it fosters the right kind of stability [for geopolitical and economic objectives]. This type of donor behaviour was particularly noticeable towards governments, such as Mozambique and Uganda, which were successfully carrying out [neo-liberal] donor-sponsored reforms" (Le Billon, 2008).

58 In Afghanistan, for example, the most powerful actors were late in recognising that competing strategies resulted, in effect, in no strategy, and they subsequently gave leadership to the UN (Chandran, 2008).

59 The positive effects of peace-building can be enhanced by combining development and diplomatic strategies. But more commonly, dissonance between diplomatic and development action has undermined attempts to influence the parties involved in conflict (DFID, Peacebuilding, 2009).

60 If priority is to be given to prevention, particularly through national accountability and transparency, enforcement or international action, governments must decide if these should be complementary, how they might reinforce each other or if and how they may contradict each other or do harm, and how to link political dialogue with implementation.

61 Donor agencies are faced with two key dilemmas in fragile states; how to rencile immediate humanitarian needs with longer-term statebuilding and how to very rapidly spend a significant amount of money through several channels, adjusted to local capacities, while also ensuring the integrity of donor funds. An additional challenge is how to reconcile funding modalities for the "neutral" humanitarian aid often channelled through NGOs with the more "political" aid for statebuilding purposes, ideally channeled through state systems.

ties for waste, corruption and bad administration. Higher levels of programme-based aid must be followed by even more and better assistance to improve PFM systems and practices. A greater focus on corruption risks is needed. External overseeing and assessment methodologiess are not equipped for this purpose and do not appear to be made aware of local knowledge of cases of bad practice.[62] It is also not clear whether donors have incentives to uncover fraud in these programmes.

One of the greatest challenges for donors is to keep resources flowing through the state while still maintaining acceptable levels of fiduciary management. One positive example is Ethiopia where, after the turmoil in the country in 2005, there was a move from budget support to a Protecting Basic Services (PBS) programme. A key component of the PBS was the inclusion of strong accountability mechanisms. One supported public budgeting processes and the other provided funds to CSOs to increase the accountability of government to citizens (OPM and ILD, 2008). Other examples include multi-donor trust funds in Afghanistan, Iraq, Sudan, and Timor Leste, where donors pool funding to pay for the government's recurrent expenditure, and the Liberian co-signature mechanism. Even though trust funds received a favourable opinion in a recent review (Norad, 2008), more research is needed on the associated corruption risks.[63]

Donors demand accountability and performance on the part of partner governments, but aid provision in many fragile states suggests that they will continue to award aid even in the most problematic of cases. In Haiti, democratisation programmes, especially elections, continued to receive funding despite fraud, opposition boycotts and low participation. In the early phase of reconstruction, results-based management and the compliance with regulations, controls and conditions is not the primary focus of attention (see section 2.3.2). Awarding a blank cheque to dysfunctional countries or ministries is to court disaster. Rather than focusing on disincentives (aid suspension or reductions), funding could be awarded with incentives for good performance (Buss and Gardner, 2006).

62 In Afghanistan, for example, local testimony (although off-the-record and unpublished) illustrated the pattern of payments needed to keep the public finance chain turning. Line ministry officials alleged that they have to pay officials of the ministry of finance to release allotted salaries. Within the line ministry, officials said they have to pay the human resource officials for their salaries to be released. While formal evidence of this is missing, it deserves to be seriously considered in further assessments of the PFM system.

63 Other approaches guided by financial accountability have been developed elsewhere. While these systems strengthen financial management, their deterrent effect on corruption remains unproven. PLO slush funds co-existed with the move by Palestinian Minister of Finance Salam Fayyad's to institute public financial management in 2003 and 2004 (Galtung and Tisné, 2009).

3 Integrity in Statebuilding

3.1 Anti-corruption with a statebuilding lens

This analysis makes clear that in order to tackle corruption and to develop integrity within the process of statebuilding, those engaged in anti-corruption activities could benefit from adopting a statebuilding lens. Conversely, those concerned with statebuilding would gain by integrating anti-corruption policies as part of their approach.

A statebuilding lens enables policymakers to better understand:

- which forms and risks of corruption to prioritise, and when;
- which reforms to prioritise, and how;
- how to approach trade-offs between corruption and stability; and
- how best to mitigate the unintended consequences of anti-corruption interventions.

Applying a statebuilding lens to anti-corruption activity allows policymakers, through studies of the political economy, to assess the impact of corruption and anti-corruption reforms upon those processes identified as central to statebuilding. A focus on statebuilding supersedes poverty reduction as a framework for engagement in fragile states. Poverty reduction is part of statebuilding. Pro-poor policies can help build resilient states, depending on the nature and level of involvement of the state and its citizens in the design and implementation of those policies.

The challenge in post-war environments is to target both the types of corruption which, if not addressed, can derail the entire transition, and to layer transparency, accountability and anti-corruption throughout the central processes of state-building in a manner that reinforces stability and builds trust in state-society relations.

The graph below presents a model for analysing these dynamics in post-war reconstruction settings. This section, and the graph, is copied from Galtung and Tisné (2009) "Integrity after War". Derived from the findings of Tiri's research in eight post-war settings, and including independent data, the graph indicates two major negative trends during a country's recovery from war. The first of these (indicated in the graph below – by the *Figure I*, and which is referred to as the Potlatch Effect[64]) reaches an apex one to three years after a peace settlement. High expectations, both among the recovering communities and external donors, are characteristic of this phase[65].

During this period, corruption opportunities abound amid high aid inflows, the pressure to deliver, weak state institutions and the legacies of war economies. Networks created during the war can take advantage of their position after the war to entrench their peacetime power through corruption. In Afghanistan after 2003, and in Lebanon in the early 1990s, peace was reached at least in part by buying factional adherence to the process. One or more warring factions were given political and often financial rewards to join in the peace settlement. The more pernicious effect of the potlatch is that patronage and corrupt practices are entrenched in a fragile social and political environment. Short-term gains achieved by corrupt means inevitably backfire during the volatile late awakening phase, three to five years after reconstruction started.

The second gap (indicated in the graph below - by the *Figure II*, and referred to as the Late Awakening) appears three to five years after the peace settlement. In the "late awakening", old and new corruption patterns become entrenched and are more visible. Expectations easily turn into frustrations, and public perceptions of corruption rise.[66] This period often coincides with a decline in aid. Internal critics are likely to make powerful demands for accountability. Aid donors usually

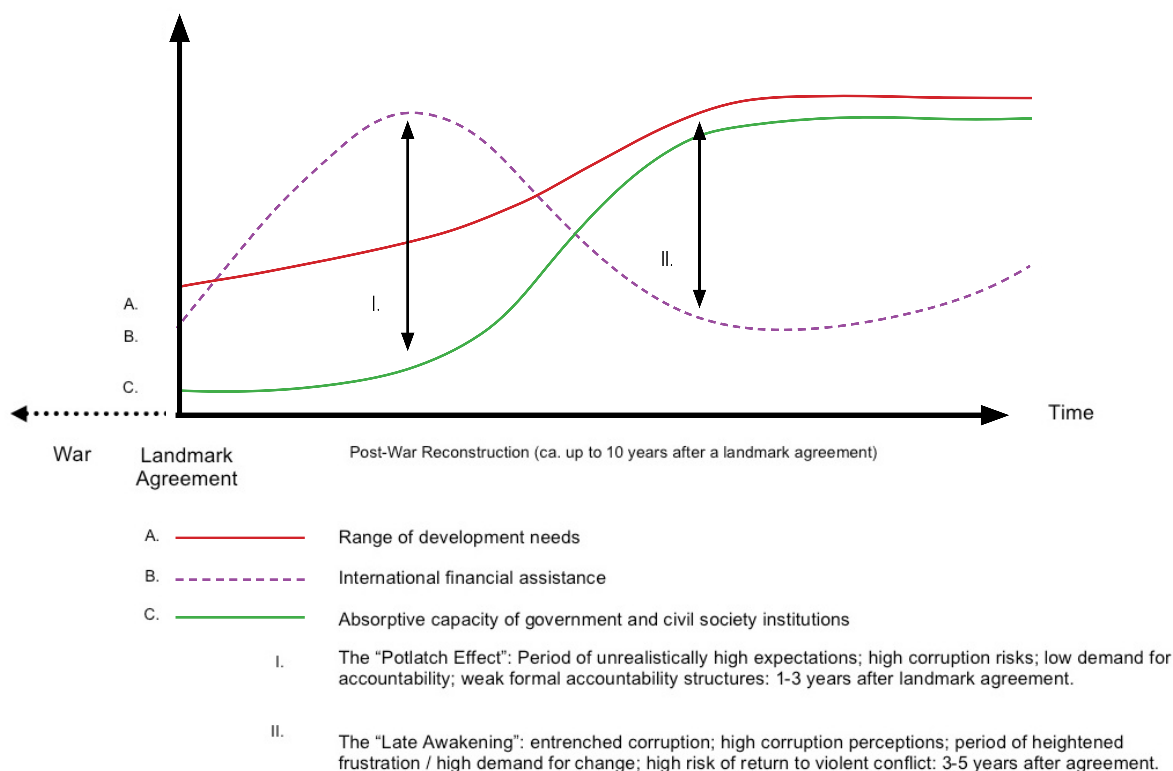
64 This notion is borrowed from the rites of First Nation tribes in the US and Canadian Pacific Northwest. The potlatch is an elaborate ritual wherein lavish gifts of clothes, food and precious items are given to another tribe or family. The gifts bear no relation to the needs of the recipients, or even their ability to consume them. In the case of post-war aid, the international and domestic prestige of donor governments is closely related to the size of their aid commitment and the importance of the ministries and sectors they work with.

65 Since 2002, five million Afghans have returned from exile to rebuild their country. The first three years after the ousting of the Taliban were characterized by a widespread expression of hope and enthusiasm among Afghans and donors alike.

66 In countries for which survey data was available, public perceptions of corruption rose rapidly in this phase. During a survey in 2006 in Afghanistan, 93% of respondents said that bribes were demanded in more than half of the country's public services, while 60% of respondents believed the Karzai administration was more corrupt than the Taliban, the Mujaheddin and Communist regimes (Torabi/Delesgues, IWA, 2006).

step up their demand for financial accountability regarding their funds, while internal critics are likely to insist on social and political accountability.[67] A "late awakening" is the period when the post-war state is at its weakest, and it is when many countries return to violent conflict.

Figure 1. **Phases and Dissonances of Post-War Reconstruction**[68]



Source: Galtung F. and M. Tisné (2009) "A New Approach to Postwar Reconstruction", Journal of Democracy Volume 20, Number 4.

Recovery in countries emerging from violent conflict is more likely to occur and remain sustainable if risks of corruption are addressed early (Bolongaita 2005; Le Billon 2005; Spector 2008). The graph calls the attention of policymakers to the dimensions that need to be taken into consideration for the sequencing of transparency, accountability and anti-corruption reforms over time.

No one post-war setting is identical to another. Contextual analysis that combines the statebuilding and anti-corruption perspectives is an indispensable pre-requisite for policy making. The analytical tools developed recently by the fragile states community could incorporate corruption assessments adapted to the distinct dimensions of the statebuilding processes. Conversely, corruption assessment tools could be adapted to the specific characteristics of fragile states.

Once the contextual analysis is undertaken, policy makers could map possible approaches to anti-corruption efforts at each stage of the statebuilding process (for each central element of statebuilding). The following table illustrates ways to bring together:

- an understanding of the central statebuilding processes;
- an analysis of key corruption risk areas;
- the approaches developed and tested over time by the anti-corruption community (as well as those where expertise was missing);
- an attempt to sequence these approaches;

67 The East Timor capital Dili was disrupted in 2006 by violent anti-government demonstrations against corruption and nepotism.

68 The authors wish to acknowledge the help of professor Sultan Barakat in developing the graph.

There is also a cautionary note with regards to the risks inherent in anti-corruption programming in fragile settings. Sections in the table marked in *italics* indicate knowledge gaps. The table and the following sections are a first attempt to suggest a joint way forward for those involved in anti-corruption programmes and those concerned with fragile states. It does not aspire to be a fully comprehensive guide.

The table proposes an analysis which starts with the central statebuilding processes understood as: political settlements, security, revenue raising and taxation, rule of law, economic development and service delivery. State-society relations are presented as an additional, cross-cutting category which warrants specific approaches. The impact of donor behaviour upon statebuilding is also included as a cross-cutting issue under each section. Anti-corruption mechanisms are explicitly tied to a specific end (*e.g.* strengthening the security sector or reinforcing healthcare provision among excluded groups who might become spoilers).

Political Settlements

Political settlements[69] refer to the ongoing agreements between elites about how the division of power will work. The following paragraphs refer specifically to the early stages of settlements in post-war settings (landmark agreements). A fuller picture would cover the range and timescale of settlements.

The direct consequences of a landmark agreement, such as the Palestinian state-sponsored, monopolistic control over basic commodities and foodstuffs like cooking oil, flour and petrol, present a key corruption risk. In response, negotiators might include specific provisions in the peace agreements that address these risks as well as help to ensure the transparency of the peace agreements themselves. In a recent study of six countries where negotiated peace agreements included integrity provisions, and also seven countries in which the negotiated agreements did not include such provisions, the countries where corruption was expressly addressed were shown to have better records at reducing corruption index scores (Spector, 2008).[70] Whether these reforms had an impact on levels of legitimacy and stability remains undocumented, as do the practical impact of better corruption index scores. This presents an interesting area for future research.

Likewise, quick moves to electoral politics could be accompanied by new measures to remove incentives for parties to engage in a scramble for resources (O'Donnell, 2006). In order to reduce pressures on parties to turn to these tactics, donors in Mozambique took the unusual step of creating a trust fund for political parties. Mozambique was one of few countries that permitted international financing of political parties through this special trust fund. This approach could be tested elsewhere.

Elections are intended to bring legitimacy to the government, but what if the candidates are not legitimate in the eyes of the electorate? The vetting of electoral candidates has been pursued in some countries, as in the parliamentary elections of 2005 in Afghanistan. The transparent establishment and consistent application of credible and acceptable vetting criteria may increase the legitimacy of the election process as well as of its outcome. If supportive of such a process, donors need to invest extra efforts to ensure the credibility of the process.[71]

Is it feasible and even wise to uniformly seek to exclude corrupt individuals from the peace settlement? As mentioned above, what matters is not so much the corruption of the individual but the nature of the corrupt network the individual belongs to. Very little is known as to the (de)stabilising nature of specific types of patronage networks and possible long-term damage to state legitimacy and stability as a result of including them. The parties to a peace agreement could consider establishing an amnesty for past corruption and concentrate on protecting the reconstruction process from blatant abuse.[72]

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69 Political settlements include (but are not limited only to) reforming constitutions or drafting new ones, reforms to the political and electoral system, reforms and new designs regarding the exploitation of resources, and issues of power distribution through decentralisation.

70 The study suggests that peace negotiation processes should adhere to several key principles – inclusion, external participation, comprehensiveness and attention to detail. This includes attention to the initiating and underlying causes of the conflict, including corruption and abuse of power.

71 The vetting process of parliamentary candidates in the run-up to Afghan elections in 2005 suffered from serious flaws and the UN, tasked with supporting the vetting, was widely criticised for a perceived failure.

72 The amnesty could be limited to criminal charges while civil prosecution could be permitted, in particular for the recovery of state assets looted during conflict.

Central statebuilding processes	Key corruption risk areas	De-Stabilizing/Stabilizing corruption forms	AC approaches in early stages (potlatch phase, early post-conflict)	AC approaches in mid-term (late awakening scenario, deteriorating governance)	AC tools mid-term (gradual improvement)	Risk of AC programs
Political settlement (dependent on type of settlement)	Corruption as direct consequence of the settlement		Specific AC provisions in peace agreements Mozambique style political trust funds	Legislative oversight		Use of AC commissions to consolidate predatory power Feed and reinforce pre-existing dividers in societies
Security	Corruption in DDR process		*AC in police* Probity in public wages, improving roster and distribution (police, army) Dual control mechanisms, PFM reform	Strengthening of audit offices – twinning		Cynicism, lack of trust in state
Revenues/taxation →	Corruption in natural resource revenues Corruption in customs and revenue authorities →	*We do not know* →	→	→	→	
Rule of law	Capture of key ministries, through patronage networks, nepotism		Co-ordination formal/informal justice reforms			
Economic development	Corruption in property rights		International drivers of corruption	Integrity in privatizations/ concessions/investment promotion	Participatory budgeting	High, unrealistic expectations
Service Delivery	Privatisation of state assets Capture of aid programmes		Sector based approaches (value chain analysis) Community based projects; community based accountability Sectoral integrity measures	Sector based approaches (value chain analysis), in non-confron-tational sectors (*e.g.* health) Community based approaches, community based accountability	External audit function (SAI) to support state service provision Sector based approaches (value chain analysis)	Diversion of resources from key state functions
State/society relations (cross-cutting)			Public sphere reform (WB commgap) Donors leading by example	Donors leading by example	Donors leading by example	

The building and maintenance of a landmark agreement is an important opportunity for donor countries to help safeguard its integrity. Whole of government approaches early on provide a means with which to analyse interactions between competing political agendas, such as the perceived need to purchase the allegiance of wartime power holders (*e.g.* by financial payment as allegedly occurred in Afghanistan), and the result of the settlement on political governance and legitimacy.

Security

Too little is known about anti-corruption measures relating to the police and army. Efforts so far have focused largely on wages and curbing the embezzlement of funds to feed and pay soldiers and police. Various experts have suggested measures for strengthening control over the wage bill, like improving estimates or rosters of public employees and improving distribution of payments. In DRC, a combination of improved surveillance by the Congolese authorities and the introduction of a new payroll mechanism by the EU led to lower levels of embezzlement of funds to feed and pay soldiers in 2006 (ICG, 2005). Former Afghan Finance Minister Ashraf Ghani has argued that the restoration of a payments system for public employees was a "key element in reassertion of the authority of the state" (Ghani and Lockhart, 2008).

Revenue raising and taxation

The ability to raise revenues is key to statebuilding. An increased focus on taxation can help ensure that the accountability line is directed towards the partner country rather than the donor. "To collect revenues, the state must be seen as legitimate in the eyes of its citizens; at the same time, to secure legitimacy, the state must allocate resources and manage expenditures effectively" (Boyce, 2007). Corruption risks include revenues available from valuable natural resources and drugs, as in Afghanistan and East Timor, systemic corruption in property rights, as in the Lebanon, and state control of public institutions through patronage networks, nepotism or the purchase of key ministries, as in Afghanistan and Kosovo. Dual control mechanisms (see section 2.2.3) are an important area for future attention regarding public expenditure. Greater efforts need to be made to avoid tax evasion and increase a country's revenue base. The initial focus could be upon high tax payers. Despite donor statements that improved PFM will lead to reduced corruption, primarily by closing down easy access to public resources, there appears to be no empirical evidence to support this (Norad, 2008).

Economic Development

The privatisation or concessions of state assets contain particular risks of corruption. Early privatisation could be delayed until reasonable regulatory systems have been put in place, and concessions could be managed with the transitory help of credible international agents. This is particularly important in the area of natural resource management.[73] In addition, economic development programmes could include a dimension of integrity to address the most pernicious forms of corruption (such as in licensing or land use).

Rule of Law

In post-war countries, the judiciary is usually weak and ineffectual. Enforcement-led anti-corruption approaches (with the aim of prosecuting corrupt individuals) are easily politicised. They are more often than not political when attacking figures and practices at the heart of fragile state institutions. Efforts to reduce corruption through law enforcement may be destabilising. The debate is still open as to whether it is preferable to prosecute high profile cases early or to adopt longer, preventative measures. One aid official told us, "we do not have enough perspective on this", adding that she would be "speculating" if establishing policy on the matter now.

Distributed approaches to enforcement, whereby the state does not rely on the powers of one or several enforcement agencies[74] but on the collective force of state, civil society and donor-sponsored approaches, may prove effective.

73 A recent memorandum on Resource Governance in the 21st Century suggests the "sequencing of investments to ensure that adequate governance conditions exist in client countries prior to financing projects". It further suggests that all future "partnerships" for investment and trade are designed with development linkages" (Heinrich Böll Stiftung, 2008). There should be screening to ensure integrity in statebuilding.

74 In Nepal, an innovative energy programme providing hundreds of remote villages with solar panels and micro-hydro power plants sends private auditors to a random sample of some 20% of recipient villages. When fraudulent practices by contractors are uncovered, a fine of five times the value of the project is imposed. Contractors or communities that refuse to pay the fine are blacklisted. The rates of fraud in this programme have been independently verified and found to be very low. Such a system of fines or sanctions is uncommon in post-war aid. Most donors prefer to discreetly withdraw their support when fraud is uncovered (Galtung/Tisné, 2009).

The strategy here could combine private auditing, probity in grant making and country support in order to neutralise international drivers of corruption. DFID's Financial Accountability and Anti-Corruption Team has adopted a programme of suppressing international drivers of corruption (*e.g.* money laundering). As a complement, donors might create a live list concerning senior political figures and their associates, contributed to by local civil society groups that have the requisite local knowledge. International banks are now required to enhance their scrutiny of these politically exposed persons (PEPs). The more scrutiny they face, the harder it is for the proceeds of corruption to enter the banking system. The present databases nonetheless have many gaps. Almost no information currently exists concerning the leading officials of most fragile states. Donors could invest in long-term capacity building for the justice sector by supporting university education programmes for lawyers, and offer more exchange programmes or post-graduate studies in return for a commitment by students to serve a minimum number of years in the public sector of their country of origin.

Service Delivery

Focusing on service delivery and local development can bolster legitimacy of the state as well as that of the settlement itself. Available studies cautions against making hasty conclusions about which services matter to the people. In Nepal, the DFID used opinion surveys and a participatory governance assessment to help distinguish between real and assumed expectations.

There is a risk of corruption in attempts to obtain control of aid programmes (including the reconstruction of health, education, water and irrigation systems or major infrastructure projects) by networks of influence. Further risks include the capture of public institutions through patronage networks, nepotism or the purchase of key positions and even whole ministries.

Anti-corruption approaches that have proved effective include analysis of the interactions in sector-based value chains (*e.g.* among public officials, between public and private sector actors, public officials and consumers). This involves monitoring the entire length of the chain; policy making and regulation; planning and budgeting; donor financing; fiscal transfers; management and programme development; tendering and procurement; construction; operation and maintenance and payment for services. Each is screened for potential corruption hotspots. This could be pertinent for fragile situations if it is combined with sector-based political economy analyses for a better understanding of the politics involved.

Donors themselves could offer initiatives such as a pact of integrity concerning salaries, which might include a collective commitment of transparency concerning salary supplements, to desist from draining scarce skills from the public sector, and to avoid sitting allowances.

The success of community-driven reconstruction programmes, and their perceived influence upon improving citizen-state relations by directly involving citizens in planning, encourages a policy of increasing the promotion of social accountability. Citizen-based monitoring has been successfully applied to developing and transition countries such as Brazil, India, Indonesia, Mexico and Uganda. There are few known examples, however, in countries recovering from war. A community-driven programme of accountability seeks to engage local government institutions in the participatory process. This develops understanding of how institutions work with communities, of what their capacities and constraints are, and of how to achieve change through consensus. Communities monitor the integrity and quality of services, providing feedback and incentives for local government to enact reforms.[75] When local government is directly involved it is able to respond better to the needs and desires of local communities (Galtung and Tisné, 2009).

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75 Many participating civil society monitoring programmes work with government, but most often these are conducted at an individual level. Civil society monitors receive information and communicate with government officials whom they get to know and trust. The community-driven accountability approach suggests more integration with the government.

State Society Relations

The study has identified state-society relations as a cross-cutting theme spanning all central statebuilding processes. The separate anti-corruption approaches mentioned above must work to improve a state's ability to respond to the demands and expectations of citizens, and to develop understanding among citizens of the state's capacity or incapacity, to deliver. The World Bank proposes a holistic approach to the mechanisms and tools that can help to manage expectations, alter perceptions, build public trust in state institutions and repair citizen-state relations. This approach is based on an analysis of the connections between the media, the state's communication apparatus, including spokespersons, communication structures, public information act, national archives and legislative public hearings, and civil society (World Bank, 2008). Although it does not directly target corruption, this framework can indirectly help to reduce it, while focusing on statebuilding. It could be adapted to include each country's local and informal structures (*e.g.* village councils) and further our understanding of those institutions' potential role in promoting transparency and accountability at the local level.

Increasing access to information and improving the transparency of government and international actors could empower citizens of fragile states and address grievances while also strengthening state legitimacy. The easiest step for donors to take for the improvement of state-society relations is to lead by example. Just as governments need to produce a so-called budget-in-brief in a manner that citizens can understand, donors could provide a foreign-aid-in-brief to improve the transparency of donor pledges, disbursements and outputs, including the implementing agencies (O'Donnell, 2006a).

Leading by example could be regularly practised by donors in other crucial areas concerning the integrity of their engagement in fragile states. They could consistently involve beneficiaries in the design and monitoring of aid financed projects. They might put greater emphasis on establishing or strengthening cultures of integrity within their own organisations and among the partners they work with; this could include explicit training, on-the-job coaching and participatory monitoring. They could create data that references the prices of local goods and services, including rents for properties. Furthermore, they might support the creation of regular meetings of constructive dialogue between state and non-state actors.

Incentives

In the current international economic climate, a focus on integrity in statebuilding will likely be welcomed as an opportunity to achieve greatest value for investment. Dual accountability to the citizens of partner countries as well as to those of donor countries need not pull in opposite directions. There is no necessity for a compromise between satisfying tax payers that public money is properly used and a willingness and ability to take risks. Pragmatic anti-corruption approaches, implemented from the very start of the international intervention, may provide reassurance to a sceptical home public that aid funds are used effectively overseas.[76] Furthermore, the portfolio of approaches that reinforce dual accountability mechanisms enables donors to engage more directly with the state.

The international dialogue on peacebuilding and statebuilding between donors and developing countries, resulting from the Accra roundtable on situations of conflict and fragility, provides an incentive for partner countries to both improve donor engagement and to increase country ownership for the implementation of anti-corruption policies with a statebuilding lens.

In the absence of documented studies concerning strategic and consistent anti-corruption activity in fragile states, little is known about concrete incentives, both for the partner governments and donors alike. With regard to donors, it should be noted that the different players within whole-of-government approaches (not least those involved in diplomacy, development and defence) pursue different political objectives and institutional mandates. Incentives will

76 This would combine random audits in partner countries conducted by partner institutions, involving external audit bodies with local counterparts, using social audits as a means of ensuring the probity of government programmes, and a wide approach to enforcement that targets both local and international drivers of corruption.

differ. Understanding which player may be motivated by which incentive to promote integrity in which area of the statebuilding process is an important pre-condition for deciding upon effective approaches. Donor governments could benefit significantly from future research into this area.

3.2 Analysis of research gaps and concluding remarks

Donor understanding of the dilemmas and dynamics of corruption and integrity in statebuilding is beset by a lack of knowledge and the absence of systematic analysis of what works or not, why and under which conditions. What emerges through the gap analysis is a research agenda driven by the need to strengthen stability and legitimacy in fragile settings through integrity. Promising programming areas do exist, but these all rest on the assumption of effectiveness rather than upon its test. To fill the knowledge gaps, more research in the following areas would be useful:

- Assessment of donor anti-corruption approaches in fragile states: this paper can only offer very preliminary findings, based on existing secondary data. There is little documented evidence on the specific approaches donors take to corruption in fragile states. Given that there is no concrete and specific guidance on how donors should deal with corruption in fragile environments, research could be performed in an inductive manner, based on field work and primary data analysis. Little is known about whether or not donors have developed a shared understanding of why they want to fight corruption in a given context and specific stage of the statebuilding process. This would, however, shed light on the effect or not of whole-of-government approaches, as well as on the use and contribution of political economy analyses in field programming.
- (De)stabilizing forms of corruption and assessment tools: there is little knowledge on the effect of corruption on state legitimacy, what forms of corruption might hinder or help statebuilding and why. These will differ from context to context and are likely to change over time. In particular, better understanding of systemic corruption and its effects on both state legitimacy and statebuilding is needed. The analytical tool(s) to analyse these phenomena is/are missing.
- PFM impact on corruption and integrity: PFM and dual control mechanisms are a key programming area. The success of PFM reforms in fragile settings to help better manage expenditure has been recognised. But their effects upon corruption, as well as the capacity of integrity institutions, remain undocumented. It is not possible, given current knowledge, to conclude as to whether the statebuilding benefits and development results have outweighed the risks of corruption. Concerning the generating of revenue, more research is needed to identify appropriate entry points to create a sustainable and broad tax base in order to overcome aid dependence and to strengthen state-society accountability mechanisms in the medium- to long-term.
- Community driven accountability: the potential to scale up social accountability mechanisms beyond episodic pockets of integrity (*e.g.* the use of social audits in one location) to a regional or even national level is untested. If it holds true, this could prove to be the most rapidly and effectively developed anti-corruption tool for the early stages of statebuilding. Potentially, community-driven accountability could complement PFM reform, acting as a check on state spending.
- Integrity reform in the police and the army: building integrity in the security sector, in particular in the early stages after conflict but also in fragile situations in general, is essential for statebuilding. To date little is know about how corruption patterns, patronage, war or criminal networks undermine these areas. There is not sufficient documented experience on integrity reform in these institutions.
- Transparency and information flows: there is little documented knowledge about the consequences of information asymmetries to fragility (what kind of information is expected, in which form, by which audience and to what effect). An assessment tool might gauge citizen and state expectations early on and correspondingly inform policy-makers. There is a promising focus on the effects public sphere reform can have on stability and legitimacy. The proposed assessment tool (World Bank) remains in its early stages and could be experimented by a group of like-minded donors.

- **The impact of aid delivery modalities on corruption and integrity in statebuilding:** particular aid delivery modalities are assumed to carry specific risks of corruption and to integrity (*e.g.* the contracting of large projects with multiple layers of sub-contracting). To date there is little systematic research into the impact of aid modalities on local patterns of corruption and integrity in the statebuilding processes.
- **Anti-Corruption Do No Harm:** donor behaviour in fragile and post-war settings can have a variety of unintended effects that increase the practices and volume of corruption. So far there is little systematic research into these areas. There is little effort to systematically assess what consequences, including those that are unintended, anti-corruption programmes themselves have had on statebuilding efforts. Nor are there documented efforts to assess the effects of donor behaviour and practices on corruption, such as the payment of salary top-ups, sitting allowances, draining human resources from the public sector and delivery pressures. More research in this field is needed. Do No Harm principles should be applied to anti-corruption efforts.[77]
- **Global Instruments:** over the past years a variety of new international initiatives (intergovernmental, non-governmental and mixed) that pursue integrity in different subject areas relevant to fragile states have emerged. These include the Good Humanitarian Partnership initiative, EITI, the Publish-What-You-Pay Initiative on oil, gas and mining revenues, the Publish-What-You-Fund campaign on aid transparency, the Forest Integrity Network, the Water Integrity Network, Asset-Recovery-Initiatives such as Star or the Corruption-Hunters-Coalition, to name but a few. Few efforts have been made to assess in which way the use of UNCAC needs to be adapted to post-war and fragile states. The way in which these initiatives may apply, or not, to fragile states is as yet unknown. How do they relate to the statebuilding process? What are the opportunities and risks from a Do No Harm perspective? What synergies exist between them?
- **Integrity in peace negotiations:** little is known about the impact of anti-corruption provisions on the stability and legitimacy of the statebuilding process over time. Is it feasible or even wise to seek to exclude corrupt individuals from the peace settlement? What is the impact of allowing or encouraging corrupt individuals to partake in the settlement? Which types of integrity provisions have played a positive or negative role in which context? What types of integrity provisions should be considered in a peace agreement, in the road map for a new or revised constitution, a new or reformed political system?
- **Incentives to promote integrity in statebuilding:** understanding which player (partner government, donor government or other political groups and including illicit ones) may be motivated by what incentive to promote integrity in a particular area of the statebuilding process is an important pre-condition for the design of effective approaches. Research into this area is largely missing.

A donor's ability to positively influence statebuilding processes rests in part on their understanding of the interplay between corruption, transparency and accountability, and state fragility. This remains an unexplored and promising area of research and programming.

77 One option might be to include corruption and integrity into the "Listening Project" by CDA Collaborative Learning Projects, exploring the opinions and insight of people who live in societies that have received international assistance.

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