Working Paper

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After the Conflict: Nation-Building and Corruption

Globally, there are 26 ongoing armed conflicts and nearly one-sixth of the world's population lives in so-called 'weak governance' zones.[1] In 2009 alone, the United Nations estimated that 42 million people were displaced due to conflict and persecution.[2]

The scale and scope of the challenge to end violence and rebuild countries cannot be underestimated. Corruption poses a unique set of obstacles to reconstruction and recovery in countries suffering the aftermath of violent conflict, whether internally or externally sparked.

In a post-conflict context, corruption undermines state legitimacy and can undo the process of reconciliation, leading to a return to violence. The manifestations of corruption are various and may be perceived differently in different countries depending on the local norms and rules about corruption.[3]

Yet there is one common lesson on corruption that applies to all post-conflict countries: tolerating corruption erodes the prospects for sustainable stability and nation-building. Corruption destroys the idea that there can be a fair power-sharing agreement, collective peace and trust.

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Afghanistan and Post-Conflict Programming: Accountability to Whom?

Findings from the Ministry of Finance in Afghanistan show that up to 80 per cent of donor funds are not disbursed through government institutions. This situation can undermine domestic accountability, both to the government and national stakeholders on how these monies are being spent.

For example, due to the nature of donor programming in the country, the Afghani government does not know how up to 20 per cent of donor funds are allocated.[5]

What Defines 'Nation-building'

Nation-building can be understood as the 'actions undertaken, usually by national actors, to forge a sense of common nationhood, usually in order to overcome ethnic, sectarian or communal differences; usually to counter alternate sources of identity and loyalty; and usually to mobilise a population behind a parallel state-building project'.[6]

Here, projects and initiatives tend to be broader, more holistic and longer-term. In Kosovo, the Serbian province that after 10 years declared independence in February 2008, the UN mission and donors like the United States and the European Union pursued initiatives to ease ethnic conflict and promote power-sharing between the Albanian majority and Serbian minority.

1. Post-conflict countries: the sources of corruption

The corruption challenges for post-conflict countries[4] will depend on the sources and extent of corruption prior to and during the conflict. Corruption may be a trigger of conflict due to greed-fuelled struggles over money, natural resources, power or all three. During conflicts, corruption may also be used as a means of feeding power struggles (economic and political), as a coping strategy (survival), for getting things done (inefficient bureaucracy), or for benefitting from the prevailing uncertainty (profiteering). These drivers of corruption, as well as the networks and relations that underpin them, are likely to be carried over into the post-conflict phase, when nascent institutions cannot yet fill the governance vacuum, and nation-building itself offers promising new rent-seeking opportunities for powerful elites.

At this stage, the role of donors and international assistance is crucial. Once conflict ends, aid tends to follow quickly — from bilateral donors, multilateral agencies and international non-governmental organisations. Although there is an understandable desire and demand by donors to achieve quick results — such as constructing roads, schools and hospitals — the pressure to disburse large amounts of funds often meets with limited absorptive capacity on the part of countries receiving the assistance. To prevent aid (both funding and projects) from becoming a source of corruption, policies need to have a very clear anti-corruption focus. This must be reflected in their design, implementation and oversight, through horizontal and vertical accountability mechanisms. Taking short-cuts on what aid is provided for and how can lead to parallel donor structures that do not help the legitimacy of the state and which deprive the public sector of building skills and ownership. It can also contribute to an accountability void (see side bar).

2. Nation-building: the risks of corruption

Nation-building aims to secure government legitimacy and rebuild society, physically as well as psychologically. Related efforts on nation-building can be grouped around four key areas: security and public safety, political leadership, economic growth and social integration. As a long-term process, the ultimate goal of nation-building is to bind different groups, which may have been in conflict with each other, around a legitimate, ethical and trusted government (see side bar). Corruption can make this endpoint elusive, however, by destroying citizens' belief in a fair peace and the notion of a nation.

Security and public safety

Laying down weapons — whether as a result of brokered negotiations, external intervention or collective decision-making — is based on the idea that the return on this action is greater than a continuing conflict. Whether this holds true is tied to ensuring that public safety and personal security return in the country or areas that have been affected. Otherwise, arms and violence may be viewed as a better alternative than the peace provided by the state.

For this reason, security efforts typically include the implementation of initiatives that aim to consolidate law enforcement and the use of force in the hands of a legitimate government. These activities centre on setting up the military, police and judiciary as part of the institutions needed to ensure the rule of law. Reforms tend to focus on building the capacity of each of these bodies. Initiatives may also try to promote the effectiveness of institutions in order to build trust in them.

Corruption can compromise security arrangements and foster impunity, however. A public perception that the police and military are untrustworthy and can be bought off by local strongmen may lead citizens to seek out other options, in the form of self-defence and vigilante justice. At the same time, public distrust can contribute to an environment where citizens perceive corruption to be a more effective recourse for securing their own protection.

Reforms to improve security and public safety can be quickly undermined when there is corruption among police and the military. According to Transparency International's citizen surveys in more than 60 countries, the police are consistently singled out as the institution where bribes are most likely to be solicited.[7]

In the case of the judiciary, low capacity, political interference and lack of training and resources can be severe impediments to its effective functioning. In Afghanistan, for instance, claims have been made that only 20 per cent of judges are properly qualified.[8] Low salaries make it difficult to attract qualified candidates. They also increase the likelihood that judges engage in bribery, the trading of influence and other forms of corruption.[9] In post-conflict countries such as FYR Macedonia, Croatia, Georgia and Kosovo, the judiciary is perceived to be the most corrupt of all state institutions.[10] This popular perception of a corrupt judiciary can feed feelings of citizen insecurity which can — and often do — trigger a resumption of violence. This has been illustrated both in Timor-Leste (in 2006 and 2008) and Lebanon (2006).[11]

Political leadership and institutions

By its very nature, negotiating an end to the fighting or violence demands political will and leadership both inside and outside the country. Once peace is struck, setting up a legitimate administration and effective and democratic institutions are among the principal aims.

Yet as the United Nations has suggested, there is a variety of possible scenarios, which makes these two objectives anything but easy: the old regime may stay in power; a new regime may be set-up; a power-sharing agreement may be struck; or a brokered peace deal may be secured.[12] In any of these four cases, the government's legitimacy and effectiveness are compromised if a country's leadership is viewed as corrupt or tolerant of high-ranking and party officials abusing their positions for private gain.[13]

Reconstruction and Corruption in Iraq

The reconstruction effort in Iraq has been severely undermined by endemic corruption. An estimated US$ 122 million was found to be missing from public budgets in the first half of 2009 alone.

Corruption has proved a considerable threat to maintaining security since the police and security forces have been plagued by absenteeism and low capacity. Petty corruption has become such a problem that suicide bombers are allegedly able to move through checkpoints and reach their targets by paying small bribes, perpetuating instability and insecurity.[14]

Governments in Post-Conflict Countries: Citizens Assess their Anti-Corruption Efforts

As the 2009 Global Corruption Barometer notes, the willingness of post-conflict governments to fight corruption may often be lacking.

The most recent findings show that 71 per cent of respondents in Bosnia & Herzegovina, 49 per cent in Iraq, 43 per cent in Kosovo and 65 per cent in Lebanon deem the anti-corruption efforts on the part of their leaders to be totally ineffective.[19]

The international community that has brokered the peace usually plays a large role in trying to set up a legitimate and trustworthy leadership. The pressure to prevent further conflict may at times seem difficult to reconcile with the long-term imperative of having good and fair political leaders. Ultimately these two objectives are complementary. Only good and fair leadership will lay the foundations for lasting stability. Decisions based on a perceived trade-off between these goals could reinforce corrupt behaviour on the part of the government's leadership. In the case of Bosnia and Herzegovina, two of the post-conflict governments, which have come to power with strong support from the international community, have been criticised within the country as a result of corruption scandals and allegations of embezzlement.[15]

Even when donors back well-meaning political and government reforms, including on anti-corruption, the changes may not be achievable or sustainable by the leadership in power. For example, the government may subscribe vocally to donor-supported political reforms in order to access needed funding for re-building. In other cases, reforms may actually contribute to an increase in corruption because appropriate, complementary measures to prevent abuses are not taken. This has been an issue for political decentralisation efforts which have not always established appropriate oversight mechanisms at the local level for planning, budgeting and monitoring.[16]

Economic development

Generating economic opportunities and employment are important to reabsorb ex-combatants and displaced families into civic life, scale-up reconstruction and development, and build public trust in the state. At the same time, building the economic foundations of a nation may require dismantling some economic structures that were established before or during the conflict by unaccountable powerbrokers to plunder the economic assets and resources of the country.

These considerations form part of initiatives to re-start the economy. For example, economy-friendly programmes may focus on strengthening national regulatory frameworks in order to encourage the private sector to invest in certain sectors, such as oil and gas, or infrastructure projects that are viewed as essential for economic growth.[17] Programmes may also be geared towards generating necessary public investment, mobilised internally and from donors, to reconstruct damaged roads, bridges and rail systems that are the links between local producers and their markets. Apart from helping people to re-establish their economic livelihoods, these infrastructure projects help reconnect a country and citizens with each other.

Corruption undermines all these attempts at economic rebuilding. Corruption serves as a disincentive to private investment and engenders weak rule of law, insecure property rights and low levels of governance.[18] Revenue flows from natural resources may end up filling the coffers of the corrupt and their cronies, rather than funding national development initiatives. In the case of infrastructure

projects, the lack of strong anti-corruption controls in a post-war county increases the risks of corruption. This can manifest as price-fixing, bid-rigging or the misuse of donated funds (see side bar).[20] Regardless of the channel, the results of corruption are that projects are either wasteful, not completed or are substandard, leaving the economy's reintegration as a set of disconnected pieces.

Preventing corruption from damaging a post-conflict country's economic development requires tackling corrupt practices that may have emerged during the war time economy. There may be vested interests that view corruption as the most effective way to hold onto the influence and earnings that they have accumulated, however. During conflict, informal markets and economic networks were probably set up to supplement the lack of formal channels for trade and exchange. As economic lifelines, they generated funds for people to wage war, profit, cope or survive.[21] In such a setting, it is important to demonstrate that continuing corruption is not in these groups' long-term interests, both to ensure that the economic pie grows and peace is sustained.

Social integration

Bringing groups together who were once in conflict, also known as 'social reconciliation', is one of the more complicated tasks of nation-building. It is based on creating a trust among citizens that may have been shattered during the conflict.[22]

Ethnic and religious identities may overlap and deepen the divisions drawn during the conflict. In the context of conflict and an absent state, kinship ties, ethnic networks or patron-client relations become stronger and more important when it comes to personal safety, economic survival and political affiliation. Entrenched networks and loyalties may be difficult to transcend in order to build social cohesion, inter-group trust and the development of a collective national identity that views the state as a legitimate power.

Corruption may serve as a tool for personal networks to carry their influence over into the post-conflict period. They may try to exert their control over new state institutions and steer public resources and jobs to their own group members. Groups may also rely on corruption for constructing their economic, social and political powerbase. Such an approach, however, risks intensifying further the divisions that social reconciliation aims to bridge (see side bar).

Broader nation-building initiatives need to recognise this deeply entrenched and pernicious role of corruption on social integration. Efforts to change related attitudes can involve demonstrating the benefits of peace and having respected faith-based and community leaders speak out against corruption. Yet if corruption arises in other areas of nation-building before this can happen, social groups may be provided *de facto* with the reason and resources to renew the conflict.

Corruption in Rebuilding from Conflict: The Case of Lebanon

In Lebanon, the national reconstruction strategy, though successful in quickly rebuilding Beirut following the civil war, was reportedly plagued by corruption.

Based on capital expenditure figures for construction contracts, experts estimate the total cost from corruption at up to US$ 1.5 billion per year (from 1992 - 2000).[23] Part of this problem is a consequence of difficulties in establishing monitoring mechanisms quickly enough to oversee speedy reconstruction efforts.

As a result, deal making — the exchange of favours and ultimately corruption — supplanted accountability as wartime elites extended their influence into post-war Lebanon.

Corruption in Kosovo's Land Management: Adding to Ethnic Tensions

The absence of formal transitional regulation and a shaky administration has led to a number of opportunities for corruption in land administration, which has eroded property rights and exacerbated ethnic tensions and discrimination.

Corruption has, as a consequence, reportedly posed a considerable problem for reconstruction and prevented the resettlement of many internally displaced people as part of the country's social reintegration efforts.[24]

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3. Devising an anti-corruption approach: A way forward

Anti-corruption initiatives need to be integrated in to post-conflict efforts from the outset as part of nation-building. A review of eight post-war reconstruction countries has shown that neglecting to include corruption on the list of policy priorities to be addressed contributed to overall increased fragility.[25]

The table below provides an overview of more specific actions to address the corruption risks that have been identified for each area of nation-building in the section above. Actual implementation will depend on specific country contexts and the nature of the conflict and peace processes, but one lesson is clear: identifying and preventing corruption risks at the outset will always be more effective than trying to overcome corruption in a country whose recent peace can be quickly undone by its influence.

Table: Anti-Corruption Interventions to Support Nation-Building[26]

Nation-Building Component	Corruption Risk	Anti-Corruption Action
Security and Public Safety	Bribery of police and military personnel.	Competitive and adequate public wages.
	Abuse of power and influence of judges.	Whistleblower hotlines (for staff and citizens).
		Internal oversight mechanisms.
		Asset declarations and lifestyle checks.
Political Leadership and Institutions	Politicisation of civil servant positions.	Parliamentarian oversight and sanction of high-level nominations.
	'Spoil' politics.	Strengthening of electoral processes at local and national level.
	Failure to address corruption within government.	Transparency of political party financing.
		Judiciary reforms.
		Public expenditure tracking by civil society.
		Legal gap analysis, such as through the UN Convention against Corruption (UNCAC).

Nation-Building Component	Corruption Risk	Anti-Corruption Action
Economic Development	Price-fixing among competitors. Bid-rigging in procurement. 'War' economy vestiges.	Use of integrity pacts and pledges for procurement. Citizen oversight of public procurement processes. Full disclosure and transparency of donor funds. Small grants and economic stimulus for new productive sectors. Effective and graduated taxation.
Social Integration	Patron-client and tribal networks. Weak media and civil society organisations.	Provision of quality basic services. Media training. Public information campaigns and innovative approaches, such as through sport and inter-faith activities.

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[2] *UN, 'The Millennium Development Goals Report 2010' (New York, NY: UN, 2010).*
[3] *In addressing corruption in post-conflict countries, it is important to understand how the local population views corruption and related acts, otherwise the area targeted by donors may be wrong and promote a return to violence. See: Karen Hussmann, Martin Tisné and Harald Mathiesen, 'Integrity in State-Building: Anti-corruption with a State Building Lens', DAC Network on Governance, Meeting of the GovNet's Anti-corruption Task Team (Paris, France: OECD, 1 April 2009).*
[4] *There are various ways to define post-conflict states. In this paper, post-conflict countries are understood to mean post-war, including those emerging from conflict and are embarking on rebuilding and reconstruction efforts.*
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Transparency International (TI) is the civil society organisation leading the global fight against corruption. Through more than 90 chapters worldwide and an international secretariat in Berlin, Germany, TI raises awareness of the damaging effects of corruption, and works with partners in government, business and civil society to develop and implement effective measures to tackle it. For more information go to: www.transparency.org ISSN 1998-6408