

U4 Expert Answer



Literature review on corruption in fragile states

Query

Can you please provide a reading list or review of literature on corruption and fragile states, looking at the relationship between corruption and conflict, and corruption and legitimacy, as well as the effectiveness of anti-corruption interventions?

Purpose

This will assist the organisation to think through issues around corruption in fragile states, with the aim of sharing analysis and practical lessons across the organisation.

Content

1. Corruption and fragile states
2. Corruption and conflict
3. Corruption and legitimacy
4. Effectiveness of anti-corruption interventions

Caveat

The list of resources provided is not intended to be exhaustive but to give a snapshot view of the existing research on the relevant topics. There is a lack of data on the effectiveness of anti-corruption interventions.

Summary

This paper compiles publicly available articles and academic papers examining corruption in fragile states, with a focus on the relationship between corruption, conflict, and state legitimacy. There is a broad consensus in the literature on the correlation between corruption and fragility; the direction of causality is nevertheless debated. Corruption is generally seen as increasing the level of instability and delegitimizing the state; some studies however argue that corruption can have stabilizing effects in the short term.

A number of articles on the effectiveness of anti-corruption interventions are also featured but there is only limited available information on interventions in fragile states specifically.

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U4 is a web-based resource centre for development practitioners who wish to effectively address corruption challenges in their work. Expert Answers are produced by the U4 Helpdesk – operated by Transparency International – as quick responses to operational and policy questions from U4 Partner Agency staff.

1. Corruption and fragile states

Insecurity and violence, legacy of conflict, weak governance and the incapacity to deliver an efficient and just distribution of public goods and services are often observed in fragile states (Mcloughlin, 2012). There is a broad consensus in the literature on the existence of a relationship between corruption and fragility, but causalities is difficult to establish (Hussmann, Tisné, Mathisen, 2009). This bibliography will focus particularly on two aspects of fragility: conflict and legitimacy, and their relationship to corruption.

- **Topic guide on fragile states**
(Mcloughlin, C., 2012) Governance and Social Development Resources Centre,
<http://www.gsdrc.org/docs/open/CON86.pdf>
- **Concepts and Dilemmas of State Building in Fragile Situations**,
(OECD, 2008)
<http://www.oecd.org/development/conflictandfragility/4100930.pdf>

These reports highlight that there is no internationally consensual definition of what makes a fragile state. The the concept is generally referred to as the failure to perform state functions necessary to meet people's basic needs, such as security, rule-of-law, justice and basic services. The OECD DAC recently defined fragile states as states that are "unable to meet [their] population's expectations or manage changes in expectations and capacity through the political process" (OECD, 2008). Similarly, DFID describes fragile states as 'those where the government cannot or will not deliver core functions to the majority of its people, including the poor' (DFID, 2005) and the University of Oxford's Centre for Research on Inequality and Social Exclusion defines them as 'failing, or at risk of failing, with respect to authority, comprehensive service entitlements or legitimacy' (CRISE 2009). The OECD DAC has developed a typology of fragile states to enable a better comprehension of the wide range of states qualified as "fragile": "arrested development", "deterioration", "post-conflict transition" and "early recovery" (OECD DAC, 2008).

2. Corruption and conflict

Conflict-affected or post-conflict countries are perceived to be amongst the most corrupt countries in the world,

as illustrated by Transparency International's Corruption Perceptions Index 2012. Despite the lack of significant empirical evidence, there is a broad consensus in the literature that corruption and conflict are linked to one another but the direction of the causality is debated. Many experts see corruption and conflict as deeply intertwined, caused by closely connected mechanisms.

Corruption increases the level of instability and the risk of conflict by undermining the legitimacy and credibility of state institutions and weakening peace-building and peace-keeping efforts. In parallel, conflict creates corruption patterns that might not have existed previously. The papers featured below examine various aspects of the impact of corruption on stability and peace, such as the link between fraudulent diamond extraction and civil war, or the development of specific corrupt behaviours during war period and their effect on the aftermath of conflicts.

- **Corruption and Armed Conflicts: Some Stirring Around in the Governance Soup**
(Andvig, J.C., 2007) Norwegian Institute of International Affairs:
<http://english.nupi.no/content/download/1457/3940/4/version/6/file/WP-720-Andvig.pdf>

This paper discusses the impact of corruption on the probability of violent conflict events and traces the shifts in the composition of corrupt transactions during and in the aftermath of violent conflicts. It explores the causal linkages between corruption and conflicts, as well as the analogy of the phenomena with both dealing with the modus operandi of the state and the violation of institutional and normative restraints. Corruption and violent conflicts are basically *co-flux* phenomena caused by the same or closely connected mechanisms.

- **Post-conflict Corruption: A Rule of Law Agenda?**
(O'Donnell M., 2006) International Peace Academy: [Link to pdf](#)

Corruption has quickly become a first-order priority in some post-conflict transitions despite the fact that national capacities are often stretched thin by urgent demands on the ground and the massive inflows of international aid and conditionality. Within the international community, there is a renewed acknowledgement of the importance of the rule of law

not only to improve the well-being of citizens living under them, but also to reduce the negative spill-over effects of state failure for global stability and security. States that can govern well, it is now argued, are key to long-term development, to combating terrorism, and to preventing conflict and the resurgence of conflict in post-conflict transitions. Renewed emphasis on efforts to strengthen the rule of law is in large part propelled by this new consensus on the importance of state-building and governance.

- **World Development Report 2011**

(World Bank, 2011) [Link to download options](#)

Institutional legitimacy is the key to stability. When state institutions do not adequately protect citizens, guard against corruption, or provide access to justice; when markets do not provide job opportunities; or when communities have lost social cohesion—the likelihood of violent conflict increases.

Corruption—which generally has international links through illicit trafficking, money laundering, and the extraction of rents from sales of national resources or international contracts and concessions—has doubly pernicious impacts on the risks of violence, by fuelling grievances and by undermining the effectiveness of national institutions and social norms.

- **Corruption and Post-Conflict Peacebuilding: Selling the Peace?**

(Cheng, C., and Zaum, D.(eds.), 2011)

http://statesandsecurity.org/_pdfs/Zaum.pdf

The authors argue that corruption has become an increasingly salient issue for societies that are transitioning from war to peace, partly because it undermines the legitimacy and efficiency of the State. War-torn states are recognised as highly susceptible to corruption: their administrative and judicial institutions are weak, and they lack the capacity to monitor and enforce rules against corruption. Lingering social divisions from the war weaken shared conceptions of the public good and social norms that could otherwise constrain corrupt behaviour. There is extensive evidence, both quantitative and qualitative, of the prevalence of corruption in conflict-affected countries, which tend to cluster in the bottom of corruption indices such as Transparency International's Corruption

Perceptions Index, and the World Bank's Governance Indicators.

- **Civil Society Organisations in Situations of Conflict**

(Poskitt, A. and Dufranc, M., 2011) CIVICUS

<http://www.integrityaction.org/resources/publications>

There is a broad consensus in the CSO community that weak political systems and high levels of corruption have the most significant, negative long-term effect on civil society in situations of conflict. The inevitable breakdown of systems that occurs in conflict situations deeply mars the effectiveness of civil society.

This report illustrates the dynamics of civil society in situations of conflict and looks at how the international community and donors can ensure that their policies adequately empower citizens and civil society in all stages of peace-building and development.

- **Blood on the Stone: Greed, Corruption, and War in the Global Diamond Trade**

(Smillie, I., 2010) Anthem Press

<http://idl-bnc.idrc.ca/dspace/bitstream/10625/44666/1/131101.pdf>

Mineral wealth has long been linked to tax evasion, money laundering, conflict and corruption. In the 1990s, they were used to bankroll wars that claimed millions of lives and caused untold suffering.

This book addresses how diamonds fueled some of the most brutal wars in Africa, exploring the extraction of mineral resources from developing countries and the struggle to force corporate accountability for the abuses and imbalances that have resulted.

- **Corrupting Peace? Peacebuilding and Post-conflict Corruption**

(Le Billion, P., 2008) International peacekeeping

Vol15: [Link to pdf](#)

Many conflict-affected countries are among the most corrupt in the world, and corruption is frequently reported as a major concern of local populations and foreign aid agencies during transition to peace.

In this paper, the author attempts to demonstrate that different forms of corruption have different effects on conflict likelihood and peace-building, and that, even though corruption is generally an obstacle to peace, in certain situations it may provide a short-term solution to peace, by securing some elements of social, economic and political stability. The author argues that peace-building programmes ought to take into account the socio-cultural context not to plan any drastic measures that could potentially worsen the situation.

- **Controlling Corruption In Post-Conflict Countries**

(Bolongaita, E., 2005) USAID

<http://www.u4.no/recommended-reading/controlling-corruption-in-post-conflict-countries/>

The corrosive impact of corruption on societies is worsened in post-conflict situations because: firstly, perception of corruption weakens enthusiasm for donor support, reducing the level of aid, which prevents post-conflict institutions to function properly; secondly, corruption diverts parts of the post-conflict support creating a vicious circle that also discourages further assistance; thirdly, corruption fuels debt and poverty; fourthly, corruption feeds conflicts through greed and grievances patterns

The chances that corruption will distort and undermine peace-building and reconstruction intentions and plans of post-conflict peace agreements or settlements are relatively high. This is partly because post-conflict environments present high opportunities and low punitive risks for corrupt activity. The opportunities and scope for corruption are enhanced because post-conflict countries often attract or justify relatively high-levels of aid. Because of the weak governance environment, the incentives for private gain abound, magnified by the lack of disincentives for such illicit enrichment. In the absence of forces fostering transparency and accountability (media, civil society...), the spread of corruption is virtually assured.

3. Corruption and legitimacy

Lack of legitimacy is a common feature of fragile states, who have failed to satisfy citizens' basic needs and establish a functional social contract. The Centre for Research on Inequality, Human Security and Ethnicity of the University of Oxford argues that "states may be fragile because they lack authority (authority failure), fail to provide services (service entitlement failure) or lack

legitimacy (legitimacy failure)" (Frances, Graham, 2009).

Corruption is at the centre of fragility and can deeply undermine state legitimacy. Corruption impedes the fair distribution of public resources, creating unacceptable inequalities. It undermines the effectiveness of public administration and prevents the state to satisfy its citizens' needs. Corruption can lead to dysfunctional justice systems and public mistrust in the ability of the state to deal with the punishment of war criminals, for examples. Moreover, in some contexts, the existence of patronage networks and the use of force to maintain them is considered unacceptable by the general population, further eroding its trust in the state.

Despite the broad consensus around the relationship between corruption and loss of legitimacy, a number of reports defend the idea that, in some given situations, corruption can have stabilizing effects and provide a short-term solution to the establishment of a new political order. Nevertheless, this has not proved a successful long-term approach to successful accountable governance.

- **Fragile states**

(Stewart, F., and Brown, G., 2009), *CRISE*

WORKING PAPER No. 51, CRISE University of Oxford,

<http://economics.ouls.ox.ac.uk/13009/1/workingpaper51.pdf>

The paper emphasizes the relationship between fragility and legitimacy and serves as an introductory source to this part of the bibliography.

It proposes a three-pronged definition of fragility – states may be fragile because they lack authority (authority failure), fail to provide services (service entitlement failure) or lack legitimacy (legitimacy failure). We argue that each captures different aspects of state vulnerability, and that they are related to each other causally.

- **Risks of corruption to state legitimacy and stability in fragile situations**

(Dix, S., Hussmann, K., and Walton, G., 2012) U4
<http://www.u4.no/publications/risks-of-corruption-to-state-legitimacy-and-stability-in-fragile-situations/>

Examining the cases of Liberia, Nepal and Colombia, this study asks how corruption poses risks to political legitimacy and stability in fragile situations. The report focuses on the key role of elites and their views of the state's legitimacy in determining the extent to which there will be instability or stability. Qualitative interviews of elites show that two particular patronage scenarios are seen as particularly threatening to stability. One is when the state or illegal actors sustain a corrupt network by violently eliminating opponents. The other is when corruption benefits few people, the benefits are not distributed "fairly," and the population's basic needs are not met. The impact of corruption on legitimacy and stability is mitigated by other factors. Anti-corruption initiatives potentially strengthen state legitimacy, but can also undermine it if they fail to deliver or are too ambitious.

- **Integrity in Statebuilding: Anti-Corruption with a Statebuilding Lens**

(Hussmann, K., Tisé, M., and Mathisen, H., 2009) OECD,
<http://www.oecd.org/development/governanceanddevelopment/45019804.pdf>

This study argues that 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.

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, 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. 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.

- **The State legitimacy in fragile situations, unpacking complexity**

(OECD, 2010)
<http://www.oecd.org/development/conflictandfragility/44794487.pdf>

This report takes a different stand point than many other studies and defends the idea that sources of legitimacy play out differently in different social and political contexts. It argues that even though patronage, for example, is viewed as corruption that undermines legitimacy in the Western state model, it can provide sources of legitimacy in hybrid political orders and can help manage violence, create political alliances and maintain social stability in fragile situations.

The authors also argue that anti-corruption interventions by donors, can have unintended negative effects on legitimacy and stability, including political manipulation of anti-corruption commissions and cynicism born from over-ambitious anti-corruption initiatives that fail to deliver.

- **Fragile States: Securing Development**

(Zoellick, R., 2009) The International Institute for Strategic Studies
[Offprint from *Survival* | purchase article](#)

In this article the then-president of the World Bank defends the idea that a fundamental prerequisite for sustainable development is an effective rule of law, including respect for property rights. A legal order is a safeguard against the serious risk of criminalisation of the state. Corruption adds to fragility and undermines legitimacy. Abuse of state power destroys confidence, and ultimately the state's core purpose. Building the rule of law is also vital to public safety – poorly trained and paid police usually add to fragility by arming and empowering predators.

- **Afghan perceptions and experiences of corruption**
(Integrity Watch Afghanistan, 2010)
[Link to pdf](#)

This paper looks at the impact of corruption in the context of Afghanistan. It signals the triangular relationship of corruption, lost legitimacy and conflict. Corruption threatens the legitimacy of state-building, badly affects state-society relations, feeds frustration and the support for the insurgency, leads to increasing inequality (which spurs social conflict), violates basic human rights on a daily basis and impedes the rule of law according to Afghan standards, hinders access to basic public services, which impacts the poor most severely, and has a major negative effect on economic development.

- **Corrupting the State or State-Crafted Corruption?**
(Gardizi, M., Hussmann, K., and Torabi, Y., 2010)
http://www.humansecuritygateway.com/document/s/AREU_CorruptingState_StateCraftedCorruption.pdf

Chapter 3 of this study examines corruption and subnational governance structures in Afghanistan, linking corruption, governance and state-building. It states that not only do the co-optation agenda and the circle of corruption and power go hand in hand in Afghanistan, but it has also become clear that the manifold abuses of public office by often vertical criminal networks have negatively affected the trust between citizens and the state and undermined the legitimacy of an already weak state administration that has only a partial geographic presence in Afghanistan. State positions are perceived and used as a means to access or maintain power and as resources for enrichment of oneself or one's group.

- **Political analysis of Kenya**
(NORAD, 2009)
<http://www.norad.no/en/tools-and-publications/publications/publication?key=134242>

NORAD commissioned a Political Economy Analysis of Kenya to inform the development of its next strategy for governance in Kenya. The problems noted regarding corruption and the political use of violence are compounded by the issue of impunity that undermines the legitimacy of the state and political leadership. There have been a large number of official reports of

enquiry, and also large amounts of independent evidence gathered, that document the involvement of political leaders in corruption and violence. Still, to date, no senior leaders have been brought to court to answer for what they have done.

4. Effectiveness of anti-corruption interventions in fragile states

Very few publicly available resources specifically tackle the issue of the effectiveness of anti-corruption interventions in fragile states. There are, however, a number of reports that gather evidence on the on aid effectiveness in fragile states, some of which are listed below.

- **Topic guide on fragile states**,
(McLoughlin, C., 2012) Governance and Social Development Resources Centre,
<http://www.gsdrc.org/docs/open/CON86.pdf>

This resource guide introduces some of the best literature on the causes, characteristics and impact of state fragility and the challenge of aid effectiveness and lessons learned from international engagement in these contexts. It highlights the major critical debates that are on-going within the international development and academic community in relation to understanding and responding to fragile situations. It is intended primarily as a reference guide for policymakers.

- **Addressing corruption in fragile states: what role for donors?**
(Mathisen, H., 2007) U4
<http://www.u4.no/publications/addressing-corruption-in-fragile-states-what-role-for-donors/>

In this report, the author argues that fragile states pose different challenges for addressing corruption than normal development contexts. Development partners therefore struggle to find effective strategies for addressing corruption. As a consequence corruption is rarely addressed in aid programs. Experience, however, shows that neglecting the corruption problem from the outset is a dangerous strategy, as corrupt elites use the interlude to entrench themselves in politics and set up predatory schemes, which makes reform difficult to achieve at a later stage.

This report presents an attempt to bridge the divide between the fragile states literature with its broad principles for engagement, and recent international experience and research on corruption.

- **Principles for good international engagement in fragile states & situations**
(OECD, 2007)
<http://www.oecd.org/dac/conflictandfragility/38368714.pdf>

The Principles are intended to help international actors foster constructive engagement between national and international stakeholders in countries with problems of weak governance and conflict, and during episodes of temporary fragility in the stronger performing countries. This paper advises donors to carefully take the local context into account; to consider potential impact of continuation or suspension of aid on national reforms, insecurity etc.; to focus on building the relationship between state and society; to promote non-discrimination; to prioritise prevention; to avoid exclusion; and to align with local priorities.

- **Mapping evidence gaps in anti-corruption: Assessing the state of the operationally relevant evidence on donors' actions and approaches to reducing corruption**
Johnsøn, J., Taxell, N., and Zaum D., 2012) U4,
<http://www.u4.no/publications/mapping-evidence-gaps-in-anti-corruption-assessing-the-state-of-the-operationally-relevant-evidence-on-donors-actions-and-approaches-to-reducing-corruption/>

This paper charts the current evidence on effectiveness of different anti-corruption reforms, including in fragile states, and identifies significant evidence gaps. Despite a substantial amount of literature on corruption, this review found very few studies focusing on anti-corruption reforms, and even fewer that credibly assess issues of effectiveness and impact. The evidence was strong for only two types of interventions: public financial management (PFM) reforms and supreme audit institutions (SAIs). For PFM, the evidence in general showed positive results, whereas the effectiveness was mixed for SAIs. No strong evidence indicates that any of the interventions pursued have

been ineffective, but there is fair evidence that anti-corruption authorities, civil service reforms and the use of corruption conditionality in aid allocation decisions in general have not been effective. The paper advocates more operationally-relevant research and rigorous evaluations to build up the missing evidence base, particularly in conflict-afflicted states, in regards to the private sector, and on the interactions and interdependencies between different anti-corruption interventions.

- **Corruption and anti-corruption in Nepal**
(NORAD, 2011)
<http://www.norad.no/en/tools-and-publications/publications/publication?key=382812>

This study uses a political economy methodology to understand the context in which corruption occurs, to examine what can be done to promote integrity, transparency and accountability, and to suggest possible entry points for prioritized anti-corruption interventions.

Part 2 of the report discusses Nepal's past experiences in promoting integrity, transparency and accountability, which are described and found have largely been unsuccessful. From a political economy viewpoint, the crux of the problem is one of collective action: there is a lack of countervailing forces (within and outside government), able to change the existing incentive structure that is at odds with state building, and break the status quo. In Nepal's context of selective distribution of limited public resources (particularism), high poverty and inequality, ethnic tensions, and informal institutions that conflict with and prevail over the rule of law, donors will not be able to effect much change in the area of corruption without a change in governance regimes (from closed/particular to open/universal).