Integrity After War

Why Reconstruction Assistance Fails to Deliver to Expectations

Fredrik Galtung and Martin Tisné[1]

The first years in the reconstruction of a country after war are a period of hope and excitement. Since 2002, five million Afghans returned from exile to rebuild their country. The goodwill and hope of these early years is often short-lived. Our recent analysis of eight post-war settings researched by local groups shows that in most countries, people become frustrated and lose trust in the process of reconstruction within three to six years of a peace settlement. Around half of post-war countries resume violent conflict within ten years. Lack of integrity in processes of reconstruction is a major cause of state fragility.

Three factors taken together – accountability, competencies, and corruption – contribute to the integrity of a post-war reconstruction process. Accountability mechanisms mediate the social contract between citizens and the state. Formal accountability, such as elections, needs to be combined with local mechanisms to engage citizens, particularly those at risk of losing trust in the reconstruction of their country. In the past two decades, tens of billions of dollars were spent on post-war recovery without accountability to the ultimate beneficiaries. Information on aid in these countries is incomplete, opaque and often misleading. Estimates of the aid received by East Timor between 2001 and 2006 range from $1.9bn to over $3bn. "There are people who need to be informed about what is going on or else they will be picking up weapons," warned an aid official based in East Timor.

There is a gap between the financial resources provided by foreign donors and state capacities in the early years after war. While the state may be weak, local competencies to meet society's needs do exist. That is how societies are held together during the conflict. Local competencies are the bedrock on which sustainable integrity processes rests. They need to be identified and developed rapidly. "The longer this is delayed, the higher the extent of long-term insecurity. People become angry, sympathetic to those promising to 'do something about it'", says Jeremy Carver, co-chair of the International Rescue Committee UK.

Public perceptions of corruption soar in fragile states receiving large amounts of aid. Sixty percent of respondents to a 2006 survey in Afghanistan rated the Karzai administration as more corrupt than the Taliban, Mujahiddin and Communist regimes.

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Over half the respondents polled across thirteen provinces felt that corruption in the police and army had reduced their personal safety. In 1996, 57 percent of Palestinians stated that there was significant corruption in the Palestinian Authority. By 2005 this negative perception had risen to 85 percent. Hamas, the Islamist political movement, won the January 2006 Palestinian legislative elections on a platform of development and reform. A majority of voters turned against the ruling Fatah party, widely perceived as ineffectual and corrupt despite receiving such significant assistance.

Corruption perceptions are reflective of a lack of trust that reconstruction is equitable. Short-term improvements in people's lives can coexist with waste and corruption, when sufficient external resources are made available, whether through aid or public borrowing. In Lebanon, where the central government had only limited sovereignty over its territory and many people failed to benefit from the reconstruction illustrates the partial success of such an approach. The process can be selectively effective but is inherently fragile.

When demands for accountability are fuelled by claims of systemic corruption, they can be enormously destabilizing. "What is needed is not to make communities panic," according to Wafa'a Abdel Rahman, a Palestinian civil society activist, but to "bring people together and expose falsity without feeding cynicism". This essay explores how the three dimensions of integrity relate to state fragility and the likelihood of return to war.

Phases and Dissonances of Post-War Reconstruction

Over the past two years, we have led a team of researchers and activists from countries recovering from war: Bosnia and Herzegovina, Kosovo, Lebanon, Palestine, Mozambique, Sierra Leone, Afghanistan and East Timor[2]. The countries included in this study were selected to represent a range of experiences spanning the past fifteen years (see below). They range in size from a population of 32mn in Afghanistan to just over 1mn in East Timor. They include older states such as Lebanon and newly established states with little or no previous history of autonomous rule such as Kosovo. They also include widely differing economies. The annual GDP per capita of Bosnia and Herzegovina is $5,500. In Afghanistan and Sierra Leone, two of the poorest countries in the world, the annual incomes are $800 and $900 per person, respectively. The recent history, levels of economic and institutional development, and the nature of the conflicts in these countries also vary greatly. Despite their differences, the countries in this study share two significant features.

[2] Centro de Integridade Publica (Mozambique); Independent Bureau for Humanitarian Issues (Bosnia-Herzegovina); Integrity Watch Afghanistan; Kosovar Stability Initiative (Kosovo); Lebanese Center for Policy Studies; Lebanese Transparency Association; National Accountability Group (Sierra Leone); The Coalition for Accountability and Integrity – AMAN (Palestine); Timorese Institute for Development Studies (East Timor).

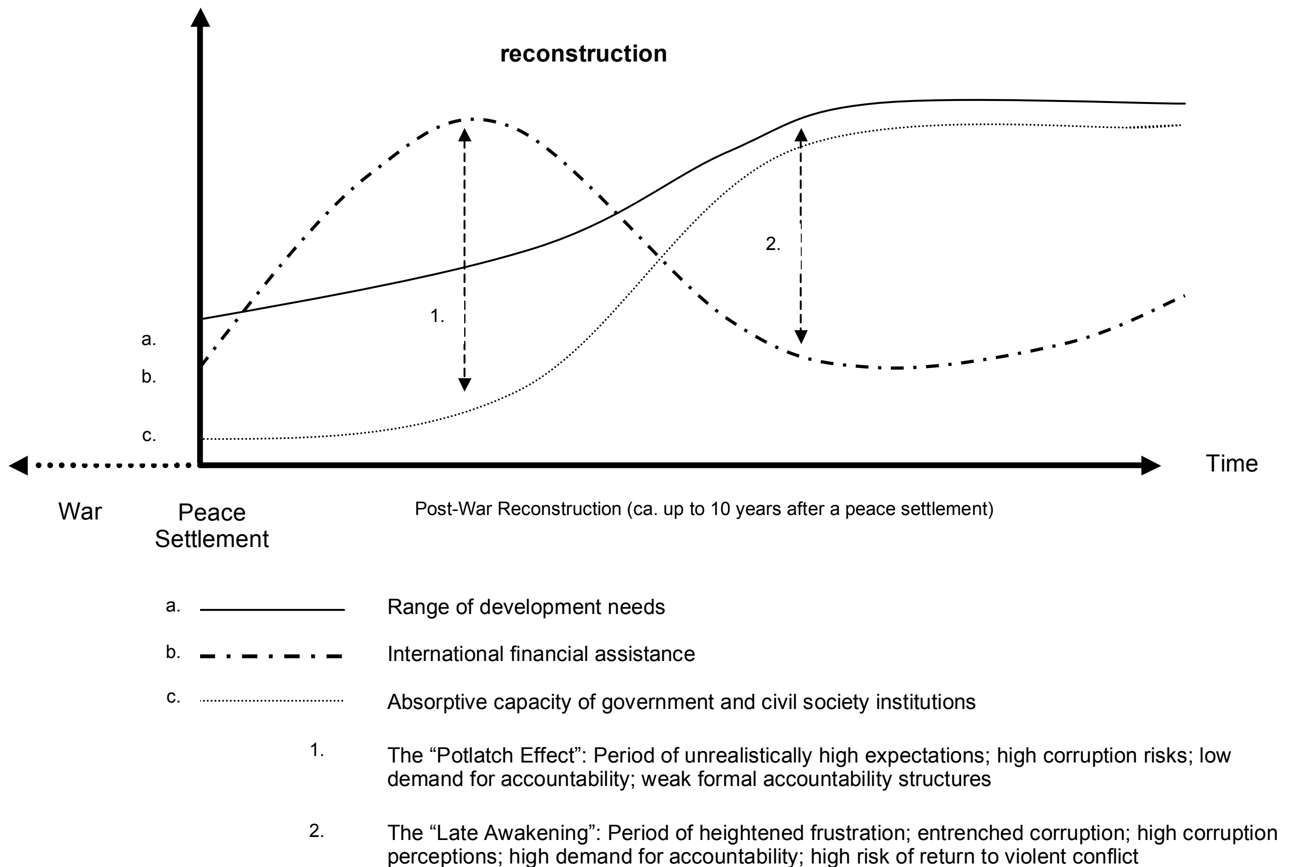
Countries in the Study

Country	Benchmark Agreement
Afghanistan	Bonn Agreement (2001)
Bosnia and Herzegovina	Dayton Peace Agreement (1995)
East Timor	Declaration of Independence (1999)
Kosovo	Military Technical Agreement (1999)
Lebanon	Ta'ef Agreement (1990)
Mozambique	General Peace Agreement (1992)
Palestine	Oslo Declaration of Principles (1993)
Sierra Leone	Lomé Peace Accord (1999)

The first common attribute is the threat of a return to violence. This risk has consequences for the legitimacy of the state and its stability. Of the eight countries in this study, Palestine and Afghanistan have experienced a gradual worsening of the levels of violence since 2004. In 2004 Kosovo had episodic civil unrest. East Timor had significant civil strife in spring 2006 and early 2008. Having partly reconstructed after its civil war, Lebanon had a devastating month-long war with Israel in 2006. Destabilized by the war, divisive agitation over the structure of government followed. This led to fears of renewed open conflict.

The second shared characteristic is an imbalance between the rapid inflows of aid coming into a country with weak institutions and people's urgent and growing needs. The graph below illustrates the growing needs of the population. The range of development needs (line a) are initially humanitarian and then increase in complexity and cost over time. Aid flows have a different trajectory. According to data gathered by the World Bank, these follow a boom and bust curve: a rapid rise in the immediate post-war years followed by a sharp decline and the possibility of gradual rise thereafter (line b). In Kosovo, aid was at its height in 2000 just after the NATO intervention and was then cut in half each succeeding year. Donors disbursed over $2.5bn to the Palestinian people between October 1993 and September 1998. In the late 1990s funding for development work started to be cut back until development assistance was replaced by humanitarian assistance during the second Intifada after 2001. Following the election victory of Hamas in January 2006 and the boycott of the new government by the US, EU, Russia and the UN, development aid by the West stopped almost entirely for more than a year. Line c, also drawing on World Bank comparative data, shows that state absorptive capacities are initially low. Many state and civil society institutions are new or newly rebuilt. They cannot initially cope with the requirements of international aid.

Phases and Dissonances of Post-War Reconstruction[3]



The graph shows two big discrepancies as the country recovers from war. The first gap develops within the first three or four years after a peace settlement. Ashraf Ghani, Afghanistan's former finance minister, and Clare Lockhart refer to this period as an "open moment" for major reforms[4]. Too often, this opportunity is squandered. Rapidly rising foreign aid inflows are out of step with the capacity of the state and civil society institutions to absorb the support. The new government or transitional administration benefits from international political goodwill. The overriding ambition is to secure the peace and make what are often called quick wins. These are development gains, such as new roads, hospitals and schools. Progress in this period is usually measured in weeks and months. We refer to this period as the "potlatch phase". 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 package and the importance of the ministries and sectors they work with. The scope and nature of the aid is too rarely attuned to the needs of the recipients. In December 2007, the Palestinian Authority came to the Paris

[3] The authors thank Sultan Barakat for his insights and help in developing the graph.
[4] Ghani and Lockhart, *Fixing Failed States*, forthcoming 2008

donor conference requesting $5.6bn over three years. Donor governments offered them $1.8bn more than they asked for.

High expectations, both among the recovering communities and among external donors, are characteristic of this phase. Under these conditions there is minimal pressure for accountability. Between the exigencies of securing peace, responding to humanitarian needs, and engaging in large-scale public institution building and economic development, fighting corruption is seen as an obstacle. Neither governments nor donors have an incentive to act. "What Palestinians don't realize", a top aid official told us, "is that corruption levels in Bangladesh and Tanzania where I was stationed before are much higher than they are here. They really should not be getting so worked up about it." The official seemed to ignore the fact that a higher incidence of corruption elsewhere would be of no consolation to Palestinians, especially when they were electing their own representatives.

Corruption opportunities abound in the mix of high aid inflows, pressure to deliver, weak state institutions and legacies of the war. In Bosnia and Herzegovina, wartime networks controlled public sector appointments leading to tight patronage networks and the capture of the privatization process. Most countries also inherit legacies of non-accountability from the war. The money laundering techniques learned by the PLO during its four decades of struggle were not forgotten when its leadership took control of the Palestinian Authority.

The second gap (2) appears four to ten years after reconstruction starts. In the latter part of the reconstruction phase, the "late awakening", corruption patterns become entrenched. Expectations easily turn into frustrations, and public perceptions of corruption rise. This period often coincides with a decline in aid. Both internal critics and donors are likely to make demands for accountability at this time. While aid donors are more likely to demand financial accountability for their own funds, internal critics are likely to demand social and political accountability on behalf of communities and specific constituencies. Some people may not be willing to wait for an election and may not trust its outcome. In East Timor, perceptions of corruption and nepotism prompted young men to join in violent anti-government demonstrations that shook the capital, Dili, in 2006. The late awakening is the period when the post-war state is at its weakest and numerous countries revert to violent conflict.

The recent literature on fragile states and post-war recovery suggests that these gaps should be addressed by adjusting the inflow of aid so that it is more attuned to growing state capacities. A widely proposed policy recommendation is to increase funding gradually over time and to make long-term commitments of support. Our research findings suggest that while this would be a positive step, on its own this innovation would leave the dangers associated with the potlatch phase and late awakening unresolved. The management of aid inflows is only one part of the equation. Three other factors must be taken into account: the quality of accountability mechanisms; the risks associated with corruption and anti-corruption, and the use of local competencies.

Understanding Local Accountability

Post-war states are accountable both to their own citizens and to their foreign financial and political backers. These external actors, in turn, are accountable to their legislative oversight bodies and ultimately to their own citizens. Aid agencies tend to emphasize financial accountability above other concerns. Post-war governments, however, are held to account by their citizens for more immediate needs that include security, the effective delivery of public services, public infrastructure and employment opportunities. The post-war state's survival depends on its ability to manage the tensions and contradictions of this dual accountability system. There is too little linkage between the perspective of donors and beneficiaries. It is the perspective of beneficiaries that matters if a renewal of conflict is to be avoided.

Better accountability in reconstruction can engage and empower citizens who are otherwise at risk of losing trust in the recovery process. If handled well, accountability mechanisms can help policy-makers with one of their most difficult tasks – knowing how to prioritize reforms and projects. Local accountability mechanisms exist before the recovery process starts. They can be used and scaled up from the earliest stages.

Rooted in pre-existing local accountability systems, community-based accountability can be established quite rapidly. This contrasts with the slow pace of judicial reform for example. Despite its centrality to state legitimacy and the rule of law, investment in judicial reform ranks among the lowest priorities of reconstruction assistance. This negligence can come at a high price. "Afghans are reverting back to the traditional system of justice because the formal legal system does not work," says Yama Torabi of Integrity Watch Afghanistan. "The Taliban are gaining popularity in part because they can offer an alternative to the dysfunctional and corrupt judiciary that is the norm in many districts." This does not imply funding Taliban-style Islamic courts, but rather exploring hybrid systems based on community values, such as the Gacaca community courts seek to do in Rwanda.

Elections are a blunt accountability instrument

After a peace treaty, the first milestone in fortifying state legitimacy is a general election. On average, elections were held a little over two years after the peace settlement or transitional arrangement was reached. The international community knows how to support elections in these states from a technical standpoint. The Palestinian Central Election Commission was a success and was widely praised for the management of elections in both 2005 and 2006. Clean and fair elections can take place even under conditions of limited sovereignty. The right people need to be in charge, be independent, and have adequate resources. Early elections were held at great expense in all the countries in this study.

The real difficulties start after the elections. Electoral campaigns create expectations that must then be managed – and there must be accountability for promises made. An active, engaged legislature is needed. In all the countries we surveyed, the elected legislatures are under-resourced. In East Timor, which received over $2bn in foreign support between 1999 and 2006, parliament received only $20mn, less than one percent of the total. Even where parliaments are funded, their oversight capacity is

seldom strengthened. When elections fail to deliver on popular expectations, the resulting frustrations come to the fore in the late awakening.

Potential spoilers must sometimes be included in the reconstruction process to improve its chances. In this process some bedfellows may appear unpleasant. Lakhdar Brahimi, the UN secretary general's special envoy to Afghanistan, regretted in an interview held in October 2001 that the Taliban were completely marginalized in the peace-building process: "A lot of people have joined [the Taliban]. And I don't think that you can exclude all these people[….] I very much hope that these people will be available for the future of Afghanistan." The more accountable the process, the more likely these players are to be constructively engaged in the recovery process. In Afghanistan, a large-scale community-driven development programme – the National Solidarity Programme (NSP) – formed elected councils to determine spending priorities for local community projects in two thirds of Afghanistan's 24,000 villages. These councils provided a forum for power holders to continue playing a role in their communities and to work out their differences in the open. They also provided a forum for communities to be actively involved, by voluntarily donating labour, for example. The programme gave Afghans a stake in rebuilding their country. A report by Human Rights Watch found that NSP-built schools were less likely to be attacked by the Taliban than other newly built schools. These projects illustrate a potentially virtuous link between local competencies, social accountability and stabilization.

Information asymmetries are a latent cause of tension

To play an active role within the community development councils, local leaders needed access to information on the projects. Too often, the international aid system is opaque. "Information is now recognized as a key ingredient of success in reconstruction," according to Kai Kaiser, a World Bank public sector expert. Aware of the strategic value of information in Afghanistan, NATO's International Security Assistance Force (ISAF) created a database of the more than 45,000 reconstruction and development projects across the country, including roads, schools and clinics. ISAF took this initiative because no other agency – not the Afghan government, USAID, the World Bank or the UN – had produced a reliable, comprehensive database. Although the ISAF database is nominally accessible to the public, it can only be viewed at military bases and is in English. For the 32mn Afghans who live far from a military base, have little inclination to visit one, are computer-illiterate and do not read English, this database has little value. What could be an empowering monitoring and coordination tool currently excludes most Afghan citizens, aid agencies and local decision-makers from the oversight process.

The accountability of private contractors is much worse. In Afghanistan, it was impossible for a local group of concerned citizens to get access to even the gross budget figures for specific large-scale aid projects undertaken by private contractors and sub-contractors. This is worrying since a growing percentage of aid is sub-contracted through major contractors and NGOs.

Poor information breeds inadequate coordination. It enables a few efficient and well-placed ministries to capture a disproportionate share of aid. In the early part of the present decade, a few well-connected Palestinian ministries received the lion's share of assistance, while others were cut off. The Sierra Leonean Development Assistance

Coordination Office was established without a national policy on aid coordination. Line ministries sometimes submit proposals directly to donors; donors are free to disregard national priorities. As one ministry official in Sierra Leone put it, the donors "ask you to take the driver's seat, but they retain the steering wheel."

Donors have established coordinating mechanisms to remedy the problem. A system that looks good on paper often fails in practice. Some major donors ignore the coordination system altogether. Donors that participate in it sometimes ignore their own principles. "With aid coordination it's like children with no teacher in the classroom. The donors exchange information and then do what they want," says an aid coordination official in Palestine. There are two ways to make the system work, according to the official. First, the recipient can veto the aid. "It's the recipient who holds the key. [The recipient has] the power to say 'no.' " Some recipients do say no to senseless projects that duplicate existing efforts or exceed their capacities, but this attitude remains exceptional and many post-war states are too weak or fragmented to say no. The other option is through transparency and the creation of a public space to build accountability around aid.

Poor information breeds inadequate oversight. To this day, no information resource encompasses all aid projects in Palestine financed since the Oslo accords. The first large-scale evaluation of aid to the Palestinian territories was undertaken by UNDP in 2000, seven years after the Oslo agreement. The report concluded that most aid projects were urban. Rural areas and refugee camps, where the aid was most needed, were neglected. No one knew how much money the PA was receiving. Reporting requirements improved when Salam Fayyad became finance minister in 2002.

At a village or project level, monitoring of reconstruction projects by stakeholders is rare. East Timor is an exception. Shortly after the country declared independence, La'o Hamutuk, an NGO, was established to monitor and report on the activities of the principal international donors in the small island state. They produced regular, detailed updates on aid flows and major reconstruction programmes. The primary audience was domestic. They circulated their findings in several languages, including Tetum, the local vernacular, through churches and schools and directly to government officials, who often did not have access to up-to-date information themselves. English and Japanese versions of key reports were produced so that international NGOs and support groups would know what was actually happening in East Timor and would hold donors and their own governments to account. In Nepal, the local NGO Pro-Public conducted public hearings at which communities came together to debate and discuss the effectiveness and integrity of reconstruction aid programmes.

In all eight countries in this study, information on aid flows was difficult for local NGOs and local communities to obtain. Where donors made efforts to communicate aid results, their reports were rarely accessible or understandable by the non-English-speaking public. Access to information is a condition for accountability in reconstruction assistance work. Information makes it possible for a range of stakeholders, including state agencies, members of parliament, community leaders and NGOs, to provide input and oversee the reconstruction process. Improved transparency is also a necessary condition for curbing double-dipping by aid recipients, coordinating activity, and reducing waste and duplication. In post-war

countries the process matters. By involving and empowering citizens, information can help restore trust in government.

To remedy the information asymmetry between donors and recipients, a global Publish What You Fund campaign should be launched. The campaign would call for a universal norm of transparency for donor assistance and multilateral loans and financing. It would include both direct funding of post-war governments and off-budget funds. Many local decision-makers and leaders do not speak English and have either no access or inadequate access to the Internet. If information is only accessible to the educated middle class, their demands and those of the urban centres will be heard loudest. Key project information should therefore also be made available in national languages and easily understandable formats. Local government agencies, community leaders, community groups and local civil society organizations can be engaged to disseminate such information, for example through women's, student, and youth groups, religious centres, local television and radio stations, newspapers and schools.

Some aid officials will counter that detailed information on aid is too sensitive to be disseminated widely in a post-war setting. Decision-makers, whether in government or in aid agencies, so the argument goes, must have a free hand to decide whom to support without being second-guessed by local communities, opposition groups or NGOs. The experiences of all the countries in our study indicate that short-term efficiency gains are almost always outweighed by their negative consequences. Opacity breeds patronage, heightened suspicion, poor management, and often corruption. Poor transparency and accountability also increases the likelihood that the reconstruction process will be out of step with people's needs. This is a major risk that improved accountability must seek to mitigate. While frustrations are likely to build over time, better information can be used to defuse these tensions.

Improved accountability to beneficiaries could contribute significantly to solving the riddle of how to prioritize in reconstruction. East Timor provides a telling example. Many Timorese were grateful for the central role played by the Falintil guerrilla movement in the struggle for self-determination. Some prominent Timorese called for social and economic aid to be given to former fighters. Foreign donors nonetheless failed to give priority to security sector reform in the potlatch phase or to understand the nature of the relationship between Falintil and the population. In a tumultuous late awakening, the poorly managed demobilization of Falintil and its inadequate transformation into the newly independent country's military was partly responsible for clashes in the capital that temporarily brought the country's reconstruction process to a standstill in 2006. Better accountability would enable donors to prioritize more effectively. It would also reduce the jarring effect of a late awakening. Ultimately, the legitimacy of the reconstruction effort will be judged by the delivery of services that people need and want.

Reassessing Anti-Corruption

Post-war settings have all it takes for corruption to flourish: negligible oversight, plenty of money and significant discretion vested in a few people. We found that

corruption and its consequences in post-war settings remain poorly understood in the donor community. Political leaders in post-war countries and their foreign supporters consistently fail to find adequate solutions to this problem. Underlying this failure are two widely held beliefs. The first is that the fragility of the peace settlement overrides the risks associated with leakage or mismanagement. The more pernicious belief is that some degree of corruption is beneficial; that it helps to oil the peace process; strengthens the hand of the favoured reconstruction allies; and can be used to buy off detractors. We find that although short-term gains can be achieved by corrupt means, these benefits backfire during the volatile late awakening three to six years after a peace settlement is reached.

Public concern about corruption is a warning signal that has tended to be misinterpreted by policy-makers and politicians. Misguided policies follow. Governmental bodies to fight corruption are hastily established, accompanied by radio and billboard campaigns to raise awareness of the hazards of corruption. In weak post-war states, widespread talk of corruption without effective counter-measures can increase people's sense of frustration and cynicism. Corruption can be destabilizing, but so can efforts to fight it. In the majority of countries studied, people are angry with the government, and they mistrust donors and non-governmental organizations.

In the countries for which survey data were available, public perceptions of corruption increased as reconstruction progressed. In Afghanistan, 93 percent of respondents to a national survey in 2006 stated that over half of the public services demanded bribes. Over half the respondents polled across thirteen provinces felt that corruption in the police and army reduced their personal safety. According to Lorenzo Delesgues of Integrity Watch Afghanistan, "today money has become all important, and those with access to ready cash can buy government appointments, bypass justice or evade the police." Afghan president Hamid Karzai recognized early on that corruption would pose a risk. He committed himself at the first donor conference for Afghanistan in Tokyo in 2002 to "make the elimination of corruption one of my top priorities". Instead of disappearing, between 2002 and 2007 corruption became a systemic problem.

Whether corruption perceptions reflect real underlying changes, experiences or a general mistrust of public institutions, they should be taken seriously. Opposition groups are quick to use rising public perceptions of corruption for political gain. In Palestine, Hamas had a track record of community engagement free of corruption and exploited dissatisfaction with Fatah. In Lebanon, the opposition alliance between Hezbollah and Christian General Michel Aoun used anti-corruption rhetoric to denounce the Siniora government. In Afghanistan, opposition parliamentarian Ramazan Basherdost led a popular campaign against the inefficiency and corruption of the government and foreign NGOs, as have the Taliban.

Understanding Corruption Patterns

Post-war states inherit patterns that existed before the war. Some corrupt practices may have sustained the armed conflict. Under the pre-Taliban government in Afghanistan from 1992 to 1996, corruption spread rapidly as the state fragmented. The Palestinian Authority was saddled with patterns of corruption established during the PLO leadership's exile and almost three decades of Israeli civil and military

administration. When the PLO leadership returned to Palestine in the mid-1990s, they introduced new patronage patterns in the West Bank and Gaza and continued to manage their economic interests with as much opacity as they had in the past. Sierra Leone's lawlessness, money laundering, and diamond smuggling networks pre-date the civil war and flourished during the violence.

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. In Afghanistan, warlords were able to buttress their positions by extorting rents from the disarmament process. In Sierra Leone, Bosnia and Herzegovina, and Palestine, state actors were tacitly allowed to reap the benefits of peace. In Palestine, monopolistic licences for basic commodities such as flour, cement and petrol were all held by people close to Fatah, some of them in high political offices. In Bosnia and Herzegovina, the political settlement determined the nature of the corruption that flourished after the war. Political parties distributed control over public sector appointments. This strengthened patronage networks and aided the elite in taking over the privatization process. In this way, characteristics of the Dayton accords made possible an environment ripe for corruption.

These webs of local conflict power networks were sometimes consolidated in the aftermath of war. In fluid post-war environments, corruption is used to buy political power. Patronage and nepotism are rife. Networks created during the war can take advantage of their position after the war to entrench their peacetime power through corruption. In most of the countries surveyed, the establishment of formal political parties is combined with opportunities to jockey for political patronage. The state is often the only significant employer and therefore forms an invaluable political base if public positions can be distributed according to patronage. In Kosovo, the power and influence of political parties has gradually extended into the executive, legislature and judiciary. In Palestine in the 1990s, *wasta* (nepotism) in the distribution of positions at all levels within the PA became commonplace.

In Afghanistan and Bosnia-Herzegovina, international actors entered the country in emergency mode. They dealt directly with whichever local authority had control over physical infrastructure. This enabled local power brokers to benefit from the reconstruction programmes both materially (e.g. through control of construction companies and the provision of goods and services) and politically (e.g. by nominating the beneficiaries of reconstruction aid).

Aid policies may have an unintended impact on corruption levels. In Mozambique and Bosnia-Herzegovina, the decision to privatize state assets early created an entrenched class of corrupt high-level officials. Policies designed to transform the former vanguard of the Mozambican revolution into businessmen saw the government selling bankrupt state companies to former comrades. Some high-level officials took loans for these purchases from state-owned banks and never repaid them. Some banks were bailed out by the state but investigations against the officials were dropped. The privatization of the banking sector was particularly controversial in Mozambique in the 1990s. Foreign donors must adopt a more politically sensitive understanding of their impact on networks of influence.

Corruption as a lens for high-risk areas

An understanding of the corruption dynamics of reconstruction provides a lens for focusing on high-risk sectors. Six potential risk areas should be of particular concern and should be assessed and addressed early on in countries where they are relevant: corruption risks related to revenues from valuable natural resources and drugs, as in Afghanistan and East Timor; privatization of state assets, as in Mozambique; control of reconstruction aid programmes (including major infrastructure projects) by networks of influence, as in Bosnia and Herzegovina; systemic corruption in property rights, as in Lebanon; state control of public institutions through patronage networks, nepotism or the purchase of key ministries, as in Afghanistan and Kosovo; consequences of the political settlement, such as the Palestinian state-sponsored monopolistic control over basic commodities and foodstuffs like cooking oil, flour and petrol. If corruption is entrenched in one or more of these six areas, it can provide access to significant revenues, affect large numbers of people and destabilize the state-building process. In each case, the potential positive outcomes of the reform interventions should be weighed against their potential to destabilize the country.

Donors supported dedicated anti-corruption bodies in five of the eight countries in our study. In Sierra Leone support for the anti-corruption agency became, at one stage, the largest aid project by the country's largest donor, the United Kingdom. Despite the success of anti-corruption commissions in Hong Kong and Singapore, the track record of these agencies is generally weak. In post-war countries, it is dismal. None of the agencies created in Sierra Leone, Afghanistan or Kosovo, for example, were able to convict any "big fish". None of them are vested with prosecutorial powers. They rely on the attorney general, police or ministry of justice to take cases to court. At that stage, if not sooner, most big cases are dropped. In Mozambique, where several high-level cases have been opened and subsequently dropped, a recent highlight was the conviction of a man suspected of stealing a goat and a DVD player and five people responsible for fraud to the tune of $250.

A campaign to raise awareness of corruption as a societal problem is another frequent remedy. These have involved radio spots, billboards, newspaper ads and leaflets in schools. In post-war settings, raising awareness of corruption risks doing more harm than good. Such a campaign can have a destabilizing impact, significantly increasing expectations of reform. Failure to meet these expectations can contribute to widespread cynicism about the state and politicians. That, in turn, can strengthen the hand of political spoilers.

Towards an alternative approach

Although fighting corruption may be destabilizing, corruption cannot be ignored. Systemic corruption is incompatible with the founding principles of a state in formation. It directly undermines state legitimacy. Conventional approaches call for national anti-corruption strategies, dedicated agencies, and the frying of "big fish" on the supply side, coupled with awareness-raising campaigns on the demand side. In a post-war country, this is a waste of resources and scarce political capital. In developing and transition countries, downsizing the state can be a complementary anti-corruption strategy. Such a strategy may reduce opportunities for corruption. In

recovering states, the state has to meet basic social and security needs. Downsizing the state and privatizing state assets are not viable options in most cases.

Recent conventional wisdom favours tight controls on international aid. In Liberia aid staff embedded in high-spending ministries co-sign all outlays with local ministry officials. 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 Palestinian Finance Minister Salam Fayyad's move to institute public financial management in 2003/2004. The integrity of disbursements by multi-donor trust funds is only as resilient as the ability of the monitoring agent to run spot checks on receipts for expenditure. In practice, these offices are small and under pressure to disburse quickly.

Our study suggests that an alternative approach is needed that is better suited to the exigencies of post-war countries. This approach must recognize that corruption is by definition designed to avoid detection. The most pernicious forms of corruption will therefore only be uncovered if they are sought out proactively. A prevention strategy should start with an analysis of the six risk areas outlined above. This can be undertaken at first during the early needs assessment survey conducted in post-war settings – the post-conflict needs assessment.

Development programmes that combine engagement with local communities and grassroots social accountability have had a good track record in those post-war countries where such techniques have been used. According to a local contractor in Kosovo, "there is no way you can corrupt people at the community development fund. Really, these people are very strange. They have very high criteria. What is most interesting is that they won't even have coffee with us. The day after I signed a contract with the municipality to build a road, officials there asked me to take them out to lunch."

Citizen-based monitoring has been successfully used in developing and transition countries such as Brazil, India, Indonesia, Mexico and Uganda. There are only a handful of known cases in countries recovering from war. A focus on local accountability and monitoring from below serves to both help citizens regain trust in the recovery process and to root out localized corruption.

In the Democratic Republic of Congo, informal tax collectors masquerading as police and customs officials extorted traders carrying goods down the River Congo every few miles. In a project facilitated by Innovative Resources Management, an American NGO, affected communities and river transporters joined forces to report illegal payments to the Congolese Ministry of Interior. The government, traders and local communities were all suffering financial losses and had incentive to co-operate. The project succeeded in reviving commerce along the river and was implemented during a period of turmoil in a large country where corruption was seen by most as intractable. In Afghanistan, the National Solidarity Programme already extends to two thirds of the country's villages. It could be used as a catalyst for citizen-led monitoring of other programmes. Such programmes are scalable and their impact can be significant. This leveraging power should be harnessed to monitor relevant corruption risk areas, disbursements by multi-donor trust funds, and the services and

key social development programmes that matter most to the people, such as those pertaining to health and education.

Social accountability approaches must be combined with spot checks, audits and a credible sanctions regime to curb corruption effectively. In Nepal, an innovative energy programme providing hundreds of far-flung villages with solar panels and micro-hydro power plants sends private auditors to a random sample of about 20 percent of villages. When fraud by contractors is uncovered, a "fine" five times the value of the project is imposed. The logic is that only one fifth of the villages were audited. Contractors or communities that refuse to pay the fine are blacklisted. The rates of fraud in this programme have been independently verified and are very low. Such a system of fines or sanctions is uncommon in post-war aid. Most donors prefer to withdraw their support quietly if fraud is uncovered.

There is a tool that could prevent much of the fraud by recipients of aid. High-priority government departments and NGOs working in sectors like education, rehabilitation and health are sometimes offered more funding than they are able to absorb. In these situations there is a high risk that some recipients may accept or seek to fund the same project more than once. The recipient is able to divert the additional funding for other, sometime personal, benefits. As a condition for receiving grants, grantees should be obliged to report each grant to an independently managed registry. This would curb much of the double-dipping that currently takes place.

Other preventive tools can be introduced at an early stage in the recovery process to deter some forms of high- to mid-level abuse of office. One such approach is to create a live list of senior political figures and their associates, maintained by local civil society groups that have the necessary local knowledge. International banks are now required to subject these politically prominent persons to enhanced scrutiny. The present databases nonetheless have many gaps. Currently, almost no information exists on top officials in post-war countries.

In post-war countries, the police and judiciary are usually weak and ineffectual. An anti-corruption strategy predicated on effective enforcement is likely to fail. Dedicated anti-corruption agencies can only be viable under the following four conditions: a functioning judiciary or full prosecutorial powers for the agency; a functioning and credible system for asset declarations by all senior officials; a commitment by the government and key donors to at least ten years of core funding; and an enforcement strategy that is a component, but not the driver, of broader institutional reforms. These conditions are unlikely to be met in most post-war settings. Preventive and proactive approaches are therefore all the more important. If they are introduced too late they are certain to encounter strong resistance. Their credibility will also be lessened if they are introduced against the backdrop of scandals or perceptions of abuse.

Building on Local Competencies

After post-war pledges and commitments have been made, donor agencies are under pressure to start spending. The capacity of the state and civil society groups to absorb funding in the initial stages is minimal. Many local government leaders, civil servants

and community leaders have their first interactions with foreign donors and the aid process at this time. Despite the rhetoric to the contrary and numerous studies highlighting the problem, building the capacities of the state is a neglected aspect of reconstruction support. Every post-war state we studied suffered a discrepancy between external support and internal capacities.

Where capacities are weak, the state is often circumvented. At a time when state capacities should be systematically strengthened, many practices have the opposite effect. In Afghanistan 75 percent of the aid is channelled outside of the government budget. In Bosnia and Herzegovina, the figure was 80 percent. In Palestine, because of the western boycott of the Hamas government, Western aid after 2006 was channelled almost entirely through the President's office, bypassing the elected parliament.

International aid can have the unintended effect of harming the skills of local people. In Kosovo, donors frequently complained of the lack of suitable local partners in the early reconstruction phase. Instead of working with these local competencies, they competed to attract the most skilled local staff. Local professionals were offered salaries far in excess of public sector, and even private-sector, salaries. This created an artificial, temporarily inflated labour market. Educated Kosovars were, for example, hired as drivers. Half the drivers at the EU office in Kosovo were reported to be university graduates. This phenomenon drains both the public and private employment markets of skilled people. Rather than strengthening local competencies, it weakens them. Educated professionals lose some of their skills the longer they work as drivers or interpreters or hold other aid support jobs.

Excessive pressure from the aid world for speed of delivery also undermines these local competencies. In the run-up to the Afghan elections, an accelerated success programme was launched in September 2003 in order to boost the election prospects of Hamid Karzai. By June 2004, $1.4bn had been spent. Programmes had on average five months to be designed and implemented. This left little room for planning, community engagement or oversight. Speed matters in the early stages of post-war recovery when needs are most intense. But speed should not come at the cost of the way in which reconstruction is undertaken.

Infrastructure built with local skills is more sustainable. The technology it employs will be more familiar to a larger number of people. After the war in Kosovo in 1999, the World Bank created a local NGO there: the Community Development Fund (CDF). The CDF invested in projects identified and co-financed by local communities. Independent evaluations showed that user satisfaction with these projects was high and that they were more sustainable. "That handyman was on the road every day, covering the holes after each car! And, of course, this was much cheaper for the municipality when it eventually came around to asphalting the road. It is in really good condition even today," according to Flaka Surroi, former executive director of the CDF.

In an earlier paper, we spoke of the need to reform the "spending imperative": in the rush to disburse significant resources rapidly, prudent and locally adapted administrative procedures are cast aside. Reforming the spending imperative may be difficult. There are too many incentives that create pressure in favour of retaining it.

In any case, as shown above, good management of aid inflows alone will not resolve the problem. The increased use of trust funds whereby donors pool funding to match and strengthen state budget expenditures can bolster public financial management and smoothen revenue flows. Putting more money through the state will not in and of itself improve state capacities or develop local competencies. If done badly, it can simply increase the opportunities for waste, maladministration and corruption. Some aid will always have to be channelled outside state institutions through NGOs and contractors in the early years of reconstruction. A concerted strategy to build state capacities as well as raise local competencies rapidly is therefore still needed, whether one works through state institutions or bypasses them.

The first step in such a strategy is a commitment to use domestic skills and resources. In Europe, the principle that decisions are taken at levels as close as possible to the citizen is known as the subsidiarity principle. In Afghanistan, an estimated $1bn would be added to the rural economy if military forces purchased food and other items locally. The US military spent $58mn on imported bottled water in 2006. The US military now buys water from Crystal, an Afghan company. The NGO Peace Dividend Trust can take some credit for this. It champions an “Afghan First” approach to local procurement. Subsidiarity is a cornerstone of European Union law. The principle should also be applied in all reconstruction assistance. European donors should lead by example to ensure that international contracting is only justified when local options are lacking.

DFID, in a 2007 international call for proposals to NGOs, capped at 15 percent the amount of money that could be spent in industrialised countries. The consequence is an incentive to use local resources and competencies in the countries where the work is supposed to take place. Most international technical assistance projects and consultants currently repatriate more than 80 percent of the proceeds of their work to rich countries. Such positive incentives should be strongly encouraged in reconstruction settings.

Competencies also have to be raised among donors. Many reconstruction errors in Afghanistan and Palestine could have been avoided if donors were more conversant with and knowledgeable about local conditions, and used this knowledge to draw on local skills and competencies. Knowledge on both sides is key to successful reconstruction. Knowledge of the country, and its laws, traditions and culture matters for the external actors. Knowledge of the international donor world and its mechanisms and dynamics matters for the beneficiaries.

Various donor governments have suggested rapid response teams of judges, police and other civilian experts. The degree to which these can draw on the local skills and competencies of the countries they work in will be key to their success. Rapid learning clinics can help. Such a facility would provide aid officials with the necessary knowledge of the country they are working in. Thousands of aid officials work for short periods in volatile countries such as Afghanistan, Lebanon, and Palestine, lacking rudimentary knowledge of the country they have come to assist. Only a few major agencies provide basic training to their own staff. This knowledge would be designed to help them identify local skills and competencies in the country. In parallel, such a rapid learning clinic could also provide training to nationals on

working with foreigners. Short courses for national civil servants, particularly those working directly with international donors, community leaders and some local NGOs, would focus on the practices, reporting requirements, standards and political constraints of key international donors. This approach would be designed to help encourage skilled individuals to come to the fore.

In all immediate post-war environments some funding will have to be distributed through relief agencies that provide basic services. As state capacities grow, this arrangement should be phased down. This process should be undertaken with care to avoid creating a discrepancy between relief needs and state delivery. Incorporating local accountability mechanisms will help bridge that gap. Building on local competencies will both help identify those mechanisms, which often elude the eye of aid practitioners, as well as lay the foundations for a sustainable, locally-owned reconstruction process.

Conclusion

Post-war countries are one of the most volatile subsets of countries in the world today. These countries are a risk to themselves, to their neighbours, and sometimes to more distant countries. Transitional administrations and the first post-war elected governments are not chosen on platforms of accountability or anti-corruption. International donors have little incentive to make these issues priorities in the early reconstruction phase. Even where goodwill is widespread, the emphasis tends to be on securing the peace. Where significant conflicts remain unresolved, the emphasis tends to be on quick wins that are measured in weeks, not in months or years. Acting early on integrity is nonetheless essential. Doing so effectively improves development gains and strengthens state legitimacy. Moreover, developing key accountability institutions takes time; and political opponents are certain to exploit scandals to spoil the reconstruction process and gain political capital.

Integrity in reconstruction is a shared responsibility. All stakeholders can make positive interventions in the process of recovery. Foreign donors must lead by example. A watershed development for the coming decade will be a Publish What You Fund Campaign committing donors to open their books and make detailed information related to reconstruction easily accessible to beneficiaries. For communities and civil society groups, access to information and local accountability should become integral to any reconstruction project. All stakeholders have an interest in addressing the most destabilizing corruption risks to the countries. Corruption in post-war countries is the symptom of a failure of bureaucracies to deliver predictability and fairness, and of politics to deliver unity and trust. Our study calls for a new approach to reconstruction that empowers the population, restores hope and avoids feeding cynicism.