

## Minutes of the International Conference on Anti-corruption in Fragile States, Berlin 05. November 2019

Conference hosted by the German Federal Ministry for Economic Cooperation and Development (BMZ), Transparency International Germany, the U4 Anti-Corruption Resource Centre and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), at the Federal Academy for Security Policy in Berlin.

### Panel I: High-Level Panel on “Challenges and Lessons Learnt”

Moderated by Ute Lange, this opening High-Level Panel on “Challenges and Lessons Learnt” featured a discussion between Ms. Ingrid-Gabriela Hoven (Director-General, Global Issues—Sector Policies and Programmes at the German Federal Ministry for Economic Cooperation and Development, BMZ), Mr. John Sopko (Special Inspector General for Afghanistan Reconstruction, SIGAR), Mr. Mustafa Al-Hiti (Head of Iraq's Reconstruction Fund for Areas Affected by Terroristic Operations, REFAATO), and Ms. Michelle Ndiaye (Director of the Africa Peace and Security Programme at the Institute for Peace and Security Studies, IPSS).

The panellists discussed the link between corruption and fragility, leaning on lessons learnt from various fragile contexts such as Afghanistan and Iraq. The speakers emphasized that corruption is not just a criminal justice issue, it is an issue of security and governance. If a security apparatus is characterized by tribalism and corruption, it opens spaces for insecurity and terrorism to return, and further destabilizes fragile settings. This creates a vicious circle where conflict and corruption fuel each other, making peacebuilding and sustainable development impossible.

In Afghanistan, the international community experienced the pitfalls of not considering this connection from the outset. Relying on the underlying, but wrong assumption that money could buy security, donors overlooked the danger of altering the political economy of the country. Too much money was poured into a growing economy that exceeded its absorption capacity, without adequate monitoring mechanisms in place. The resulting spillage contributed to worsening the country's corruption problem. The combination of donor money and insufficient monitoring mechanisms was also identified as problematic in Iraq, where donor money indirectly contributed to funding corruption and non-state conflict parties.

The speakers agreed that oversight is key, and a more nuanced understanding of corruption must be included from the get-go. For the international community, this means getting their analysis right and building the capacity of oversight institutions within partner countries. As examples from Africa illustrated, oversight institutions, like parliaments, often struggle to exercise their oversight roles properly. This means that donors also need to critically examine their own control and transparency mechanisms, as well as deepening their understanding of the political economy of the partner country – before designing and implementing programs.

At the same time, several speakers emphasized the importance of looking at reconstruction from a more holistic view that puts human and collective security first. In order to better understand the human dimension of conflict, reconstruction needs to start with the people. Beyond mere physical reconstruction, donors need to engage with local communities to create the feeling of ownership necessary for encouraging accountability and sustainable impact.

## Panel II: High-Level Panel on “Solutions from the Conference for Future Implementation in Fragile Contexts”

The closing High-Level Panel moderated by Ute Lange consisted of Elke Löbel (Director of Directorate for Displacement and migration; crisis prevention and management; and Commissioner for refugee policy, German Federal Ministry for Economic Cooperation and Development, BMZ), Henriette Geiger (Director of the Directorate B “People and Peace” European Commission, Directorate-General for International Cooperation and Development, DG DEVCO), Charles Briefel (Senior Policy Officer for Rule of Law, United Nations Department of Peace Operations, UN DPO), Wilfrid Abiola (Head of the Governance and Public Financial Management Coordination Office, African Development Bank, AfDB).

This panel took stock of the day’s discussions and lessons learnt to identify potential ways forward for the peace-building and anti-corruption community. The speakers drew several important conclusions, among them the need for better donor coordination, better analysis, and the need for a strategic vision that considers the interlinkages between corruption, peace and security. There is a growing body of research linking corruption to peacebuilding and conflict, but policymakers and practitioners need to learn more about their interaction in order to draw concrete lessons to promote long-term accountability and to counter corruption. The starting point is to acknowledge existing trade-offs between stabilizing violent conflict, tackling illicit economies and organized crime, pursuing poverty reduction and sustainable development. For example, interventions towards stability and reforms may counteract or undermine each other. Anti-corruption therefore needs to be structurally embedded into donor programming from the start with a view towards long-term change processes.

Speakers pointed out that donors not only need to sing from one song sheet when engaging in a partner country regarding political dialogue, but also need to consider more joint planning and analysis. Better analysis – whether it be joint or not – was highlighted by several of the speakers. More in-depth political economy analysis is necessary in order to prevent doing harm by unleashing change processes, whose outcome cannot be controlled. This is especially true with regards to engaging with conflict actors, where donors should plan for a viable exit strategy before engaging. Disengagement strategies were also discussed for when donors are faced with a lack of political will. Some took up the calls for more and better conditionality that had also been voiced during various breakout sessions. Alternative options to counter a lack of political will include engaging more actively with civil society to achieve sustainability, as well as strengthening and empowering local communities and populations. However, donors need to be careful in managing expectations to not raise unrealistic expectations – also with respect to corruption – within the society of a partner country.

Beyond what donors can do to push for more and better anti-corruption in fragile and conflict-affected partner countries, speakers also pointed to the responsibility of the international community to more actively engage in the fight against illicit financial flows (IFF). Interrupting corruption as a ‘business model’ thus also means freezing and recovering assets that result from it. And donors should do more to increase transparency of their own funding contributions. As several speakers during the conference pointed out, humanitarian assistance is often as difficult to monitor as state budgets, adding to the challenges of anti-corruption efforts.

Lastly, both speakers and the audience agreed on the necessity of having spaces to openly talk about corruption in the context of fragility, and to push for more knowledge and support for anti-corruption in fragile states within international fora and institutions.

It is of vital importance to recognise that corruption is not a by-product of violent conflict that should be dealt with after its end. Corruption and fragility fuel each other and need to be addressed in a systemic way.

### **Breakout session 1: Corruption and allocation of powers in transition and peace processes**

In this breakout session, organized and facilitated by Dr. Ulrike Hopp-Nishanka (BMZ), experts presented examples from peace processes in Colombia, Yemen and Afghanistan. Despite differences in context, all cases revealed corruption to be a significant impediment to their respective peace processes.

Peace processes are particularly vulnerable to corruption because there is often a lack of information on budgets and aid flows – including those serving as incentives to the conflict parties, few accountability mechanisms, and a complex web of interaction between government and armed actors. Thus, it is crucial to embed accountability and transparency mechanisms already during peace processes, but also in peace agreements as a mitigation mechanism for corruption risks in the management of recovery and peacebuilding funds. A second aspect that complicates interventions in the context of peace processes is the transition from a war to a peace economy. Actors are faced with the difficulty of addressing economic and political drivers of prolonged conflict, including the elite bargains at their root. During the session, it was emphasized that the first step towards addressing these drivers is understanding them via thorough political economy analysis. While donors often face pressures for fast and visible results, more effort should be invested in designing interventions that address these underlying drivers, instead of focusing on more superficial quick wins. This call was echoed by participants who urged greater strategic long-term planning of intervention strategies as opposed to the projectization of aid currently witnessed.

A special responsibility also falls to international donors to “keep their own house in order” by increasing their own standards and becoming more transparent regarding their funding. Additional instruments at donors’ disposal that should be utilized more frequently include better coordination of measures, implementing conditionalities more consequentially, developing exit strategies with respect to problematic partners, as well as using symbolic measures that can increase leverage over local actors, e.g. withholding photo opportunities in case of lagging reforms. As a measure of last resort, donors should not shy away from putting projects on hold, when they feed into corrupt networks.

Lastly, all participants emphasized the importance of civil society actors for holding state, non-state, as well as international actors accountable. In some conflict affected contexts like Colombia, civil society actors have successfully launched public campaigns, involving social media and public shaming in order to increase accountability. In a further step, in order to address dysfunctional power structures fueled by corruption, empowerment of conflict affected societies should be prioritized over support for government administration. A special emphasis should be put on youth and women – be it in the context of supporting renewed social contracts or more concretely in interventions that support access to justice and inclusive governance mechanisms.

### **Breakout Session 2: Supporting Accountability and New Economic Structures in the Context of Reconstruction**

This session, organized by Dr. Ulrike Hopp Nishanka (BMZ) and moderated by Francesca Recanatini (World Bank Group), centred on the challenges of economic rebuilding in the context of post-conflict reconstruction.

Participants stressed the complexity of the issue at hand, necessitating the reconstruction of a whole system, more than just reconstructing physical infrastructure. This means rebuilding an inclusive system that creates economic opportunities for often marginalised actors, in particular the younger generation. It includes transforming economies shaped by war into market economies characterized by transparency, through targeted incentives by governments and international donors. Understanding the pre-war drivers of conflict is essential in this regard.

Participants also stressed the need for understanding the different political microcosms of each sector being rebuild. Progress in ministries depends on the ministers themselves and whether they have been involved in corruption. While addressing corruption might therefore vary in its effectiveness depending on the institutional context, even the most corrupt ministries will harbour agents of change. Understanding the specificities of each sector is thus key.

The session also focused on the different aspects to consider when planning interventions – such as pace, sequencing, geopolitical context. Regarding pace, participants stressed the necessity of planning anti-corruption interventions with a realistic timeframe in mind. Fighting corruption takes time, especially when both the culture around corruption, as well as the perceptions of the problem, and citizen education regarding corruption, must be changed.

Equally important are the issues of prioritization and sequencing in order to avoid the danger of frontloading. Several possible sequences were suggested by participants such as focusing on the Ministry of Finance first, as it is a natural ally in fighting corruption, thereafter addressing the financial systems, especially registration procedures, and then the perpetrators of corruption. Another argument prioritized the reinforcement of security, then the reinforcement of anti-corruption bodies and subsequently the investment into education. Lastly, when designing interventions, the analyses needs to not only consider the national, but also the geopolitical context. Neighbouring or other interested states might pursue their own agenda and have an interest in destabilizing a region or partner country.

### **Breakout Session 3: Corruption and the Reconstruction of Basic Human Needs in Contexts of Fragmentation**

This session organized by Arne Strand and David Jackson of the U4 Anti-corruption Resource Center focused on the way fragmentation – of social structures, authorities, norms – impacts anti-corruption in fragile settings. Under these circumstances understanding and working with 'informality' takes on added importance. In settings characterized by fragility, 'conventional' anti-corruption approaches might not yield results, making it necessary to proactively work within existing fragmentation as part of the solution.

The following discussion focused on two main issues: how to adjust analyses and planning to these specific contexts and the challenges donor interventions face. With regards to the former, participants pointed out that fragile contexts might call for a stronger analytical focus on informal or customary power structures. As the bearers of legitimacy, trust and voice, customary authorities might act as potential partners.

Analyses of these structures should therefore consider the question of their autonomy, their constraints, possible checks and balances, and the existence of inclusive decision-making structures within less formal set-ups. Another approach worth considering is the analysis of social norms within systematic corruption analyses. In these contexts, despite a good legal framework being in place, social norms and resulting social pressures are a contributing factor for the resilience of corruption. Social norms are formed in networks, which very often are crucial for survival in fragile contexts. Therefore, programmes should consider forms of compliance with social norms, and strive to understand the boundaries of social networks.

Not taking social norms into account when designing interventions in fragile contexts can therefore backfire. Possible interventions could include behavioral change approaches or building islands of integrity by focusing on interventions in smaller network structures. However, donors themselves are often part of the problem. Complexity and fragmentation of donor support might inhibit open dialogue. Inflows of large amounts of aid might lead to the rise of corruption through NGO “mushrooming” or capture by corrupt elites.

#### **Breakout Session 4: Anti-Corruption and Security Sector Reform in Fragile States: Experiences and the Way ahead**

Organized by Transparency International Germany in cooperation with TI Defense & Security, the session on *Anti-Corruption and Security Sector Reform in Fragile States* was guided by two main questions: how anti-corruption measures can be included in security sector reforms (SSR); and what the role of donors should be.

During the session, participants stressed the inherent interlinkages between corruption, weak governance and the need for SSR. These interlinkages are not currently reflected in donor approaches, where anti-corruption and SSR interventions stand largely disconnected. The session offered advice to donors on how to better incorporate anticorruption aspects in SSR, starting from the acknowledgement that anti-corruption and SSR are fundamentally political and that donors must not shy away from politics when addressing both. Since anti-corruption reforms take away power from those who profit from revenue streams, it is necessary to map power dynamics first. Additionally, donors should consider working with more diverse partners than national authorities and include regional and local actors, informal structures, as well as approaches considering the whole of society. Experience has shown that blue-print solutions and solutions designed far away from the context they are to be incorporated in, often do not yield the desired results. Interventions thus need to be carefully tailored to the specific context. One suggestion for improving context sensitivity was for donors to listen more carefully to their front-line staff and incorporate their superior knowledge of local corruption dynamics into planning processes. For this to work, staff need a better understanding of what constitutes ‘mission success’ and how corruption might influence it. Mandatory trainings for advisors overseeing funds in fragile contexts are one way to achieve this goal.

However, it is important to keep in mind that successful reforms take time well beyond any project or funding cycle. Some practitioners say they might take up to 41 years on average. Before engaging in fragile contexts, the questions of whether preconditions are met need to be carefully considered: is high-level political buy-in present, does a broad base within politics, civil society and the population at large exist?

Risks that partners and potential reformers might be exposed to by donor support should also be identified. Donors also need to be clear on their own internal position and potential responses towards corruption.

Participants further discussed a range of approaches towards successful anti-corruption interventions, both in SSR reforms as well as more broadly, including joint planning processes between SSR, anti-corruption and local development practitioners, working with military and security staff more closely, and de-mystifying the anti-corruption toolbox, which includes focusing on corruption in procurement, and learning from audits and investigations. Importantly, anti-corruption needs to be strengthened along the whole anti-corruption chain of prevention, investigation, prosecution, and sanctioning, including making sure that corruption does not pay off, for instance by fighting illicit financial flows.

### **Breakout Session 5: Project Implementation and Anti-Corruption in Fragile States**

This breakout session, organized by the GIZ Sector Programme Anti-corruption and Integrity and moderated by Henriette Kötter (BMZ), looked at anti-corruption in fragile states from a range of perspectives spanning the macro-level of leveraging international commitments, the meso level of designing national anti-corruption strategies, to the micro-level of project implementation.

When leveraging international agreements, like for example the UNCAC, participants stressed the importance of incorporating capacity building for anti-corruption alongside, not only at the national, but also the community and subnational level. One challenge that must be addressed in this context is having adequate indicators to measure corruption to show how it affects the achievement of sustainable development. By delivering additional information, implementation reviews of international commitments can aid donors in project planning and design.

The issue of indicators and benchmarks was also critically discussed with respect to implementing anti-corruption strategies in partner countries. Benchmarks not only have to be realistic, but they must correspond to clear goals on the ground. Without this they can deteriorate to mere box ticking exercises lacking impact. But most importantly, when supporting national anti-corruption strategies, donors need to ensure that there is sufficient buy-in from partners, and the necessary political will to implement them.

Lastly, when it comes to implementing projects in fragile settings, the difficulties of fighting corruption are exacerbated when projects have to be monitored remotely. This increases the importance of local staff, and consequently of guidance and capacity development on issues such as proper procurement procedures. It might also necessitate incentives for proper project implementation, such as requirements of transferring back money as an incentive to finish projects. However, donors should be aware of the potential for anti-corruption measures, like reporting mechanisms, to be mis-used for political infighting.

As a lesson learnt, participants stressed that stabilization work, including anti-corruption, takes time. While project cycles can be fast-tracked, there is a resulting trade-off in less capacity development. Donors also often lack the tools to respond quickly to political developments.

## **Breakout Session 6: Addressing Corruption – The role of transitional justice (dealing with the past)**

The breakout session on the intersection between transitional justice (TJ) and anti-corruption was organized by the Sector Programme Peace and Security (GIZ). It critically examined the close relationship between the two. Perpetrators profiting from corruption are oftentimes the same individuals who commit atrocities and human rights violations. Both approaches also share the goals of strengthening the rule of law, and re-building trust in institutions.

However, TJ processes have been criticized in the past for focusing pre-dominantly on civic and political rights. This comes at the exclusion of economic and social root causes, such as corruption and the competition over resources that often fuel violent conflict. Corruption can furthermore serve as an impediment to TJ, when illegally gained resources are used to undermine justice.

Discussing examples of TJ processes in Kenya, Tunisia and beyond, participants looked at various instruments of TJ, and their potential cross-cutting use for anti-corruption efforts. Truth commissions are one such example, with the Truth and Dignity Commission (IVD) in Tunisia having a strong anti-corruption component. To be effective these commissions need expertise and training in anti-corruption. The Tunisian example also shows that attention must be paid to ensure that a sound legal framework is implemented in practice. Further examples for incorporating anti-corruption aspects are reparation and vetting mechanisms. Vetting procedures in Kenya's Truth, Justice, and Reconciliation Commission (TJRC) had a strong focus on identifying corrupt officials. Vetting can thus be an effective TJ tool for demanding accountability. Like anti-corruption commissions, sufficient resources, institutional independence, and a sound legal framework are important pre-conditions for their effectiveness.

The session therefore illustrated that TJ and anti-corruption initiatives are often confronted with the same challenges regarding, for example, witness and whistleblower protection, the right to information as well as identifying and including perpetrators and victims. Interestingly, sometimes it can be easier to prosecute perpetrators for corruption charges, as the evidence is easier to present, rather than for the human rights atrocities they also have committed. Going forward, more should be done to promote mutual learning through exchange and collaboration. And while the two areas of work are not yet working in synergy, participants pointed to the many existing entry points for incorporating anti-corruption efforts into TJ approaches. More needs to be done to make these implicit interlinkages explicit.