

## **Introduction: the Corruption Dimension of Post-War Reconstruction**

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The corruption dimension of post-war reconstruction is only just starting to get the attention it needs. In October 2001, in the midst of the biannual International Anti-Corruption Conference, which was then being held in Prague, I convened a spontaneous meeting to discuss the issue. The meeting included NGO and government participants from eleven countries that had emerged from large-scale violence over the past decade. The people in that room were from Asia, Africa, Europe, Central America and the Middle East. They represented countries at different stages of development that had emerged from quite different conflicts. These experiences included wars of liberation and decolonisation, civil wars and inter-national wars. Among the people in that room were three of the authors contributing to this report - Jeremy Carver, Charles Adwan and Zainab Hawa Bangura.

Some of us took it almost for granted that post-war reconstruction provided an almost ideal setting for large-scale corruption. We thought that it should therefore be examined more closely – with a view to working on reforms and lasting solutions that might address some of its particularities. That was not the consensus view at the beginning of the meeting, however. A significant number of participants questioned whether there was anything unique to corruption in the reconstruction process that distinguished it from corruption in developing countries or in foreign assistance more generally.

What became apparent from this informal discussion was how little most of the participants knew about other recent conflicts, particularly those outside their immediate region. Parallels could not easily be drawn when so little was known about the problems others faced. Furthermore, the experience of post-war recovery is *sui generis* to most people. It is something experienced at most once in a lifetime. It became apparent that before lessons could be learned, they first needed to be shared.

As Daniel Large shows in his introductory survey, this weak comparative understanding is not limited to civil society. There is an extensive recent literature on post-war reconstruction. It contains numerous passing references to the forms and consequences of corruption, some anecdotal and some more analytic. So far, there has been no in-depth work of a comparative nature on the subject.

Subsequent to the informal meeting held in Prague, and with the active encouragement and financial support the United Nations Development Programme (UNDP), a special workshop was held at the next International Anti-Corruption Conference in May 2003 in

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Seoul. This report contains the proceedings from that session, the first to be devoted to the theme of corruption in post-war reconstruction.

The primary aim of the Seoul workshop was to show that post-war reconstruction is a phase with a unique conjuncture of factors that provide particular opportunities for corruption. While post-war states share many of the characteristics of weak and poor states generally, there are both problems – and potential opportunities for reform – that deserve particular attention during this phase.

The papers in this report should be read as an initial exploration of the subject. The report is preliminary only in the sense that it is among the first international comparative analyses devoted to this subject matter. The authors share among them many years of engagement and expertise on this issue. Jeremy Carver has worked for more than three decades on war-torn societies and refugee issues through his association with the International Rescue Committee, one of the oldest NGOs devoted to this issue. He has also acted as an international lawyer during the Iraqi occupation of Kuwait and immediately after Kuwait's liberation. Zainab Hawa Bangura and Charles Adwan have had leading roles in their respective countries, Sierra Leone and Lebanon, as civil society leaders, responsible for a range of initiatives on accountability and transparency in the post-war process. Vera Devine has held senior positions with several international organisations in post-war setting, having worked Office of the High Representative in Bosnia-Herzegovina, with the European Commission, and most recently with the OECD. Daniel Large is a PhD candidate at the School of Oriental and African Studies in London who has researched the issue on a comparative basis.

A note on the concepts used in this report might be useful at this stage. Why do we depart from the common usage in the literature, which refers to 'post conflict' reconstruction and use 'post-war' reconstruction instead? Almost fifty countries emerged from and experienced large-scale violence in the past fifteen years alone (see the table below). After a lull, several of these countries have seen recurrent violence on a significant scale (see in particular those countries marked with an asterisk).

The key variable for these countries is not whether a conflict has been resolved to everyone's satisfaction and that the country in that sense is 'post-conflict'. The key question is whether the conflict is manifested through large-scale violence or has been transformed into a non-violent political form that allows for a significant reconstruction process to begin. Moreover, it is not conflicts per se, which are part and parcel of political life, but their manifestation in large-scale violence that leads to the need for significant reconstruction of both physical infrastructure and public institutions. The two are not synonymous. This large-scale violence can take the form of genocides, civil wars, international wars, and anti-colonial wars of liberation. It is characterised in this study under the shorthand of 'war'. The analysis excludes countries that have been through peaceful transitions and largely non-violent revolutions. These prevailed in most of Eastern and Central Europe and the former Soviet Union from 1989 onwards. The analysis should in principle include sub-national regions that may not form independent states, particularly if the administrative infrastructure is rebuilt on a devolved or semi-autonomous basis.

**Countries Emerging From and Experiencing Large-Scale Violence (1989-2004)**

Africa	Europe	Americas	Asia	Middle East
Angola	Armenia	Colombia*	Afghanistan*	Algeria
Burundi	Azerbaijan	El Salvador	Burma	Iraq*
Central Africa Rep.	Bosnia & Herzegovina	Guatemala	Cambodia	Kuwait
Chad	Croatia	Haiti*	East Timor	Lebanon
Congo	Georgia	Nicaragua	Sri Lanka	Palestine*
Côte d'Ivoire*	Kosovo	Peru	Tajikistan	Yemen
Dem. Rep. of Congo*	Macedonia (FYROM)			
Djibouti	Serbia			
Eritrea	UK (Northern Ireland)			
Ethiopia				
Guinea-Bissau				
Liberia				
Mali				
Mozambique				
Namibia				
Niger				
Rwanda				
Sierra Leone				
Somalia*				
South Africa				
Sudan*				
Uganda				

*Source:* Adapted and updated from UNDP and World Bank sources.

As all the studies in this report show, corruption, broadly defined, is frequently an integral part of the covert financing of war and, perhaps more perniciously, in many cases also forms part of the ongoing motivation for violent conflicts. Warring factions have been allied with drug trafficking, arms dealing and smuggling interests, the exploitation of timber, oil and gas as well as precious metals and stones. A continuum therefore exists between the emergence of the conflict, the dynamics that sustain it and the post-war phase. A more detailed comparative analysis would need to take this continuum into account. This initial report focuses on the reconstruction phase.

As the attention paid to the reconstruction of war-torn societies has grown, development policies for these countries have been burdened with growing list of ascriptions. Post-war reconstruction has become a black box for developmental aspirations that include free-and-fair elections, fully-fledged political parties, development policies that seek to attain the UN's Millennium Development Goals, proper usage of natural resources, gender equity in public policies, etc. While all these factors are essential, processes that have required numerous years to mature in other societies are given an urgency in these contexts that is perhaps both unrealistic and sometimes even counterproductive in the context of war-torn societies. This analysis would not wish to be added to such a list. A case must therefore be made not only for the particular problems and consequences of corruption in the reconstruction process – an identification of the importance of the

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problem - but also how a practical set of reforms may genuinely contribute to the improved prospects of post-war societies.

What, then, are the particular problems of post-war reconstruction? This introduction, taking into account the analyses made by the authors of the report, suggests that they can be analysed under four headings.

**Problem No. 1: The State of Exception - The Spending Imperative**

In the rush to spend significant resources in a short period of time, the first casualty of post-war reconstruction is frequently found to be prudent administrative procedure. Post-war reconstruction is a state of exception in which, as in emergency humanitarian relief, it is all too often permissible to accept significant 'leakage', to bend rules, to award major contracts without competitive tendering, and to turn a blind eye to profiteering. While some level of loss may be genuinely unavoidable in humanitarian relief situations, as the authors in this report show, innumerable examples of unnecessary waste are found in post-war situations.

Waste is not, of course, the same as corruption. Poor administration, waste and corruption should not be conflated. It is easier to demonstrate waste, and while the phenomena are distinct, procedures that are complacent about waste and profiteering frequently entail corruption at various administrative levels. Moreover, too many examples prevail of widespread low- to high-level corruption in post-war countries not to come to the prima facie conclusion that where waste is widespread, corruption is not far away. Finally, in a system where corruption is contained, waste is likely to be reasonably contained as well.

From the perspective of the public interest – be it the taxpayers of the donor governments, or the populations of the countries being rebuilt – the consequences of extensive waste and widespread corruption are much the same. The indirect consequences for local populations of such inflationary spending are also significant. The costs of basic foodstuffs and medicines increase appreciably, and a two-tiered, artificial (because short-lived) economy emerges dividing those with employment from foreign donors and those without it (see Jeremy Carver and Vera Devine). Finally, with foreigners setting the tone, external aid and resources, including domestic and international borrowing opportunities, become viewed not so much as an enabling resource for development, but as an opportunity for rapid personal gain. These are values that are not conducive to prudence in public spending and resource allocation.

The end of major fighting in Iraq was announced in May 2003. It would be premature to characterise the country as 'post-war' by the summer of 2003, yet significant reconstruction contracts were being awarded by then. The country therefore offers some striking recent illustrations of waste in public spending. US Congressman Henry Waxman wrote on 26 September 2003 to the director of the US Office of Management and Budget, complaining about such waste:

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The general in charge of northern Iraq, Major General David Petraeus, told a congressional delegation that included my staff that US engineers estimated that it would cost \$15mn to bring a cement plant in northern Iraq back to Western production standards. Because this estimate far exceeded the funds available to General Petraeus, he gave the project to local Iraqis, who were able to get the cement plant running again for just \$80,000.

According to [governor of Basra] Judge Abdul Latif [...] non-Iraqi contractors charged approximately \$25mn to refurbish 20 police stations in Basra by providing new doors, windows, paint, and furniture. Judge Abdul Latif contends that a qualified Iraqi company could have done the work for about \$5mn and that the remainder would have been enough to restore every government building in Basra.<sup>1</sup>

Jeremy Carver offers another illustration following the first war with Iraq in 1991. The electrical grid of the country, together with other key elements of the public infrastructure, had been rendered inoperable by the bombing. A UN team estimated it would cost US\$4-5 billion and take between four to five years to rebuild it. Financially constrained after the war, a team of Iraqi scientists and engineers attempted to do this with their own resources. They were able to patch up the electrical grid and bring it to a workable condition in less than five months. This effort was done at the price of a few million dollars, rather than billions, and with no external resources.

In his letter, Congressman Waxman estimates that ‘the costs to the American taxpayer of many reconstruction projects could be reduced by 90% if the projects were awarded to local Iraqi companies rather than to large government contractors’.<sup>2</sup> Based on the specific examples from Iraq, and from other countries as far a field as Lebanon, Timor Leste, Afghanistan, Bosnia and Eritrea, 90 per cent savings appear to be a good working estimate of what it would cost to bring public infrastructure up to a workable standard using local expertise and labour compared to using industrial country-standards and foreign contractors. This analysis suggests that in terms of both cost-effectiveness and the immediate and long-term benefits of local populations, international competitive tendering standards are woefully inadequate for obtaining best value-for-money.

### **Problem No. 2: The Weakness of Governments in Transition**

Immediate post-war governments are often of a transitional nature. They are by definition weak and may have varying degrees of internal legitimacy, particularly if they are perceived to have been imposed externally. Two characteristics of this weak public authority lend themselves to major acts of corruption. The first is that in this interim phase, for which there is often no clear timeline, public authority will be significantly impaired. The rule of law is often in abeyance as constitutions are drafted and elections are yet to be held. Properties and natural resources that were previously in the possession of the state or members of the regime have often been privatised during such times, most often illegitimately. In the process, post-war fortunes are made. Jeremy Carver gives

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<sup>1</sup> Henry Waxman, ‘Evidence of Waste of US Taxpayers’ Dollars in Iraq Contracts’, *Middle East Economic Review*, Vol. XLVI, No 40 (2003).

<sup>2</sup> Ibid.

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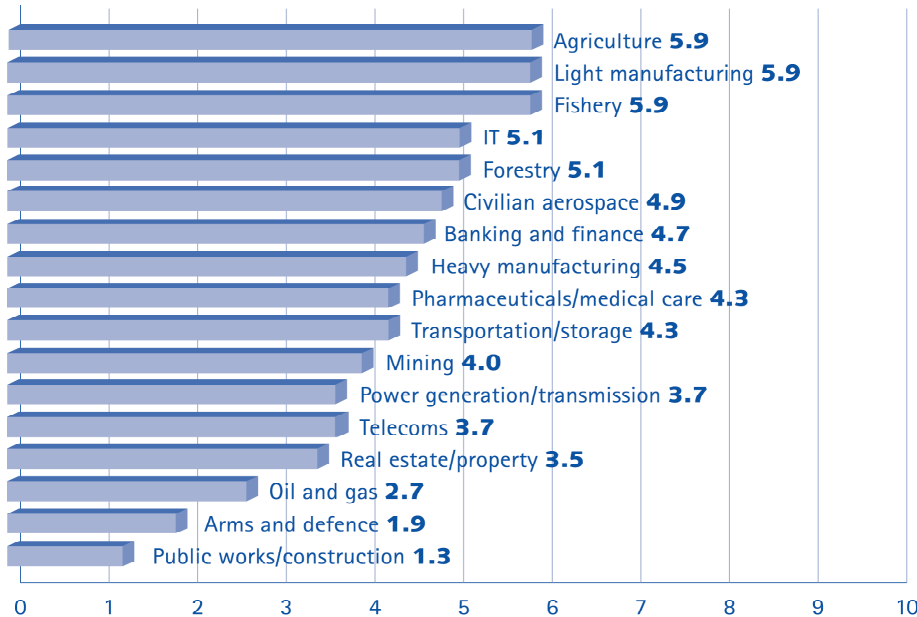
illustrations for this in post-War Europe as well as from the Indian subcontinent post-independence and the wars of partition between India and Pakistan.

The second manifestation of this problem is more structural than opportunistic. Charles Adwan and Vera Devine show how transitional authorities are able to institute a form of legitimised blackmail in which corruption is deemed to be an acceptable price of the peace process. Bribery becomes ‘political money’. This occurs both at central government as well as for the delivery of reconstruction assistance at the local level, where former military and militia leaders still hold sway.

**Problem No. 3: The Construction Boon – Public and Private Infrastructure**

The third problem is in a sense generic, although the sheer scale and the weakness of public oversight render it uniquely opportune to corruption in post-war settings. According to an international survey for which I have been responsible conducted both in 1999 and in 2002, with more than 800 senior business executives in fifteen emerging markets around the world, public works and construction is the sector most prone to high-level extortion and bribery (see the graph below). This sector ranks ahead of arms and defence and oil and gas as the international business sector most prone to corruption by high-ranking public officials.

**International Bribery by Business Sectors**



Note: The scale is from 0.0 to 10.0, where ten equals no corruption and zero a completely corrupt business sector. Over 800 business executives in 15 emerging markets were asked to assess the business sectors they were most familiar with.

Source: *Transparency International Bribe Payers Survey 2002*

None of the countries surveyed were in any sense ‘post-war’. The problem of corruption in public works has been found both in industrialised as well as in developing countries. What is difficult to control in times of peace is all the more difficult to ascertain in a post-war situation.

#### **Problem No. 4: Lack of Oversight and Coordination**

The fourth factor is the absence of those very ingredients that governments and aid agencies call on developing country governments to have: transparency and accountability. Oversight and accountability between aid donors and major multilateral institutions tends to be far from adequate in immediate post-war settings. Donor consortiums and conferences have tended to be inadequate instruments for such information sharing. More seriously, external accountability agents – in particular domestic civil society and local media – find it particularly difficult to obtain disclosure on information and decisions that affect them. As the studies in this report show, waste, duplication, mismatched priorities and corruption can be among the unfortunate consequences.

#### **Moving Ahead**

Any one of the four above-mentioned factors would be insufficient to make post-war reconstruction particularly prone to large-scale corruption. Moreover, several of these characteristics are found to varying degrees in weak and poor states generally. What is qualitatively different in the post-war process of reconstruction is the tacit legitimacy – for administratively and politically expedient reasons – for ‘leakage’, widespread waste and sometimes outright bribery. Post-war reconstruction is one of the rare settings in which international institutions and aid organisations remain tolerant and sometimes actively complicit in such practices. The combined effect of major construction of private and public infrastructure, the imperative to cut corners and spend significant resources in a short period of time, combined with weak-to-illegitimate transitional governments, and poor oversight and coordination are widespread corruption in the short term. The medium to long-term consequences, as the contributions to this report show, are swelling public debt, opportunities wasted, the weakened legitimacy of domestic and international institutions, and all too often, the institutionalising of corruption in the longer term.

What, then, might be done to counteract this trend? The following nine proposals for discussion here have emerged from the Seoul process, from the contributions to this report as well as from subsequent consultations. They could readily be instituted in all post-war settings and their combined effect would be to appreciably reduce the waste, fraud, and corruption too frequently associated with this process.

#### **Proposal No. 1: Break the Cycle: Abandon the Notion of the State of Exception**



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The notion that extensive corruption and bribery in post-war settings is somehow unavoidable, permissible or even expedient and functional must be abandoned. It is one of the 'last frontiers' in this regard. Institutional reforms to significantly curb corruption in post-war reconstruction will be impossible without a public change of attitude, particularly by international agencies and donors. This change will only emerge out of a recognition that the consequences of inaction and a continuation of the 'old model' are unacceptable in the medium to long-term as well as in the immediate.

### **Proposal No. 2: Rebuild Pre-War Local Value Systems**

Societies that survive conflicts, sometimes lasting for generations, are always found to have their own formal traditions of accountability. Some of these forms are less progressive than others but they have the merit of being internally cohesive and resilient. Internationally administered post-war reconstruction seldom genuinely draws on these traditions and 'institutions'. If it makes the pretence to do so, it is by co-opting individuals in traditional leadership positions, such as religious, tribal or local leaders. The latter is frequently problematic and often invites corruption. The proposal would in effect hold leaders to account, not allow them to be the principal arbiters of accountability.

### **Proposal No. 3: Favour Local Governance over National Governance**

Post-war governments are frequently based on wide-ranging coalitions, often bridging conflicting factions and interests. The ties between the central government authority and local and provincial authorities on the one hand and wide segments of the population on the other are often frayed and weak. And yet, for historical, diplomatic and political reasons, international aid donors tend to work directly with these central governmental authorities, often to the exclusion of a direct engagement with the grassroots, local provinces and outlying municipalities. The logic of a post-war entente frequently dictates that the central government must be supported in spite of its weaknesses. Several experiences contained in this report document the importance of building governance from the localities and devolving the reconstruction process instead of centralising it. Although this devolution works against the prevailing logic of reconstruction it is an overriding trend in administrative reforms and development assistance. Favouring local governance would contribute significantly to strengthening the instruments of governance, and it would go a long way towards ensuring that reconstruction meets the needs of wider segments of the population most in need of such assistance.

### **Proposal No. 4: Favour 'Value for Money' in Reconstruction**

Transparency and international competitive tendering do not guarantee value-for-money, particularly in post-war contexts. How, then, can value-for-money be obtained, if not through international benchmarking? As examples in this report show, much progress



could simply be made if local skills, companies and labour were favoured over using international contractors. If this were combined with innovations in civil society monitoring to ensure quality control, considerable saving would still accrue while ensuring that the immediate benefits of reconstruction are overwhelming local.

**Proposal No. 5: Facilitate the Sharing of Experiences Across Post-War Countries**

Most governments and civil societies in post-war countries lack any form of comparative experience with post-war reconstruction. Even senior officials often only have a minimal understanding of how their experiences compare with those in similar countries. A sharing of experiences, both between government officials and civil society leaders, would contribute significantly towards pre-empting some problems, sharing reform experiences, etc.

**Proposal No. 7: Domestic and International Civil Society Monitoring**

The second proposal referred to the importance of sharing experiences across post-war countries. The eighth proposal is that civil society, particularly through NGOs and the media, develop the capacities to both monitor and strengthen reforms far more effectively. To do so a coalition between NGOs in post-war countries and donor countries would be particularly effective.

**Proposal No. 7: Develop Integrity Principles for Post-War Reconstruction**

Finally, as a natural outcome of this reform process, rather than as an immediate short-term goal, there should emerge a set of integrity principles for post-war reconstruction. These principles would be based on good practice and an empirical case for both the necessity and importance of a renewed set of standards in post-war reconstruction.

**Proposal No. 8: Create Reconstruction Trust Funds for Long-Term Disbursement**

The incentives that call for a maximum amount of resources to be disbursed in a short period of time must be counteracted. ‘Reconstruction Trust Funds,’ which have been advocated for some time, based on minimum ten to fifteen year-commitments, would enable post-war countries to plan and develop longer-term strategies of sustainable reconstruction.

**Proposal No. 9: Greater Transparency – and Improved Coordination - Through ‘Publish What You Pay’**

Full transparency and disclosure of all disbursements is essential to a proper management and accountability of resources. They are an essential element in genuine donor

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coordination but also in external monitoring. In other words, transparency, properly conducted and genuinely shared, makes both horizontal and vertical accountability possible.

## **Conclusion**

The aim of this report is to show that there are particularities in post-war reconstruction that render it almost uniquely prone to corruption and to recognise that far too little attention has been paid to how it may be most effectively countered. The aim is not just to highlight a problem and its consequences. Such an exercise would merely add to an already long list of institutional prerogatives for post-war reconstruction. This report is motivated by the ambition of initiating a dialogue on the necessity, feasibility and practicality of reform.

The nine proposals in this introduction have emerged from the contributions to the report, the Seoul conference workshop and subsequent consultations. The first two proposals are a precondition for the effective implementation of the remaining seven. Arguments condoning or even legitimising widespread waste and corruption in post-war reconstruction as acceptable and occasionally even functional, must be both countered and abandoned. We hope this report will contribute to this effort.

Much remains to be done to effectively share experiences across post-war countries, among government officials and non-governmental organisations in particular. The remaining seven proposals would contribute significantly to raising standards of accountability and transparency on the one hand and increasing the effectiveness and prudence of reconstruction efforts on the other. The most effective contribution to lasting reform in the field of post-war reconstruction the coming years will be a combination of local and international advocacy, the thorough documentation of existing initiatives reflective of these principles, and the implementation and piloting of further initiatives on the ground. This report forms part of a commitment by several organisations, national and international, governmental and non-governmental, to engage in such a process.