

# Political economies of corruption in fragile and conflict-affected states: Nuancing the picture

Addressing corruption in fragile and conflict-affected environments is constrained by the risk that reforms can spark violent resistance. Two different political economies of corruption in fragile states – distinguished by the character of elite politics – affect the way corruption manifests itself. The differences have important implications for anti-corruption programming. Gradualism, changing elite incentives, and creating political space for reforms are approaches to emphasise. Anti-corruption institutions can be access points for reforms when underlying conditions are conducive.



There is general recognition that corruption affects development and security in fragile and conflict-affected states. But competing claims are made about the role of corruption in such environments and about its impact. On the one hand, corruption is widely assumed to damage institutional development, constrain economic growth, and fuel violence and conflict.<sup>1</sup> On the other hand, some forms of corruption, such as patronage, are at times seen as part of the “glue” that holds together societies with weak state institutions, contributing to the durability of often authoritarian regimes. In some cases it is also central to the political settlements – formal or informal – that limit violent conflict.

## The political economy of state fragility and corruption: Mogul or Oligarch?

Focussing on the scale of corruption tells us little about the pathways through which corruption affects fragile states. Afghanistan and Burma (Myanmar) might have the same score on Transparency International’s Corruption Perceptions Index, but *how* corruption affects governance, economic development, and security, *what* its implications are, and *how* it is best addressed will be different for each of these countries.

Factors that shape the character of corruption and its effects on political dynamics in a country include, among others:

- the wider social and political order,
- the resources and rents around which corrupt activities are organised, and
- the strength of the formal political and economic institutions which are compromised by corruption.

In a country with vast mineral wealth – such as Angola (oil/diamonds) – that wealth is often the primary source of corruption. In countries with large, illicit resources – such as Afghanistan (opium) – corruption may be linked primarily to their production and transport. In Kosovo – and other countries without major resource wealth – government procurement may be a main source of corruption. Corruption patterns also vary depending on whether there is a dominant political class or a still-contested political settlement. Corruption is thus a syndrome linked to the underlying political economy.<sup>2</sup>

Several scholars have developed typologies of political economies. These systems are distinguished first by the strength of their political and economic institutions, indicating the degree to which the exercise of power is institutionalised and rule-based rather than personalised. Second, they are distinguished by the degree to which power is concentrated: is the elite small and cohesive, or fragmented and competitive?<sup>3</sup> As fragile states generally have weak institutions, an analysis of corruption in these states can limit itself to two types of political economies that are distinguished by the character of their elite politics. These are what Johnston has termed “official mogul” systems, with cohesive, uncompetitive elites, and “oligarch and clan” systems, with fragmented, competitive elites.<sup>4</sup>

Official mogul corruption is characterised by a small ruling elite that effectively captures the state, controls key resources,

and dispenses patronage. Potential challengers are either suppressed or co-opted into the elite. Mogul corruption can be very stable, especially if patronage structures are interwoven with other social bonds, such as kinship or religious ties. Patron-client relationships tend to extend beyond elites and draw large numbers of people into networks of corruption. Examples include Uzbekistan, Burma (Myanmar), Cambodia, and, until recently, many Middle Eastern countries. However, as events in Tunisia, Egypt, Libya, and Syria have shown, even with a wide range of beneficiaries, endemic mogul-type corruption can undermine the legitimacy of a regime and fuel popular grievances that can lead to violent protests and the overthrow of these regimes.

Oligarch and clan corruption, on the other hand, is characterised by a divided political elite whose members compete for access to power and control over resources. This is relatively typical of post-conflict countries, especially those with peace agreements that involve power sharing between different wartime groups and informal elite pacts. The competitive nature of this type of corruption means that these states often suffer from physical, political, and economic insecurity. Oligarchic corruption and insecurity can create opportunities for economic gain for some elites, but it also imposes wider political and economic costs, increasing the likelihood of violence. Examples include Afghanistan, the Democratic Republic of Congo, Bosnia and Herzegovina, and Somalia.

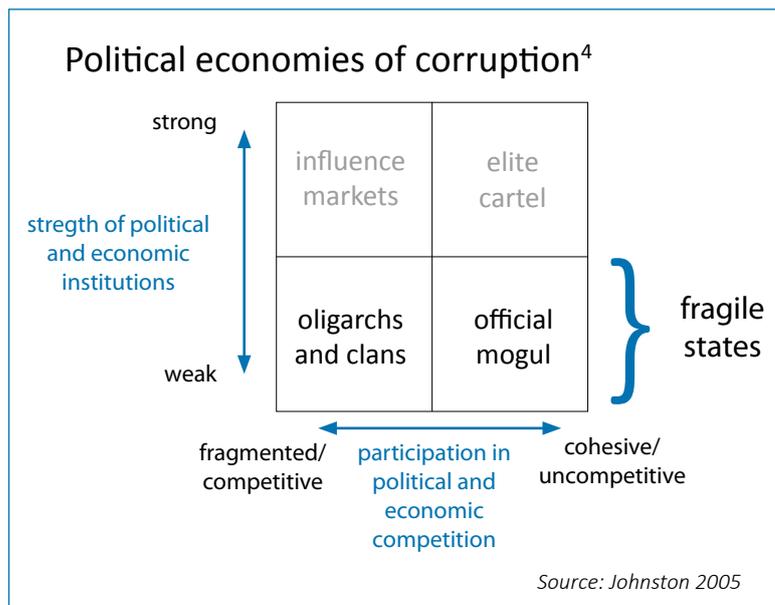
## Corruption, security and governance

What does the evidence suggest about the impact of corruption on security and governance in fragile states with these two different political economies?

In mogul-type systems, corruption is often associated with stability and the absence of conflict, as it helps sustain political settlements through patronage and ties together elite actors. Corruption that is seen to undercut security by fuelling competition over rents,<sup>5</sup> weakening security institutions, undermining state legitimacy, and increasing the social acceptability of violent challenges to the state,<sup>6</sup> is mostly associated with oligarch and clan-type political orders.

However, the macro-level stability and limited violence associated with mogul corruption can often mask or even fuel insecurity at the level of communities and individuals. Patronage can ensure the literal buy-in of powerbrokers into the new political order. However, the pervasive dependence upon moguls on the part of less-powerful people, who lack political and economic resources and any real protection beyond that deriving from personal loyalty, generates a degree of impunity for the moguls within their jurisdictions.<sup>7</sup> It can entrench persistent physical and economic insecurity, for example by encouraging violence or land grabs by individuals protected by patron-client relationships and crony networks, or by facilitating organised crime.

Furthermore, security based on patronage requires constant access to the resources that sustain the patronage



network. Sudden shocks that undermine resource availability – like the withdrawal of external financial support, or a rapid fall in the price of valuable natural resources – can quickly lead to insecurity and conflict. This was witnessed in the wake of the cold war, when financial and military assistance to rulers in developing countries declined rapidly and suddenly, fuelling the rise in “state failure” and conflict.

Corruption affects two aspects of governance in fragile states: the exercise of political authority, and the allocation of public goods and services. Corruption helps determine who exercises public authority both through its impact on elections and through patronage in the selection of public officials. But the processes differ in mogul and oligarchic systems. In the former, elections are likely to be of limited relevance, as rulers often control electoral bodies and can set the rules or use their control over state resources to ensure the desired outcome.<sup>8</sup> In the latter, no single group systematically controls electoral institutions, and corruption interferes more directly with the election process through efforts to manipulate the composition of electoral bodies or through bribery or vote buying. Rather than an act of popular choice and accountability, elections become another arena of elite competition over rents. Elections are a central part of the process of legitimating the emerging post-conflict political order and its institutions. If corruption compromises the integrity and credibility of the electoral process, donors risk having to work with local partners in a government whose institutions and policies are unlikely to command local legitimacy. In the worst case, this might fuel violent resistance to the regime.

Beyond elections, both mogul and oligarchic corruption involve the awarding of positions of public authority on the basis of patronage rather than formal, merit-based criteria. Patrimonial relations can involve long-term reciprocal relationships between patrons and clients that bind them together and distribute rents quite widely; this can make political orders structured around such relations very stable.<sup>9</sup> However, such orders can also be dominated by a small number of competing political actors and their supporters, with their competition for power and resources in an insecure environment disrupting the development of institutions and fuelling further insecurity. While mogul-

type corruption is likely to feature hierarchical, long-term patrimonial ties, oligarch and clan-type corruption tends to involve competitive patrimonial relationships based on narrow common economic interests.<sup>10</sup>

Although corruption can help populations access some public goods and services, in particular by facilitating black markets and informal service delivery, it is generally considered to have an overwhelmingly negative effect on the quality of public services and on fair and equitable access to services. Corruption reduces funds available for the delivery of public services. For example, it reduces revenue collection by facilitating smuggling and VAT tax fraud at the border, and by enabling tax evasion in return for bribes.<sup>11</sup> It also limits access to key services such as health care and education through favouritism or by imposing illegal user charges in the form of bribes.<sup>12</sup>

## Implications for anti-corruption efforts in contexts of fragility

Considering corruption as a syndrome that reflects the underlying political economy has several implications for anti-corruption efforts in fragile and conflict-affected countries. The centrality of patronage and corruption to managing politics in fragile states, in an atmosphere of pervasive uncertainty and insecurity, makes it rational for both elite and non-elite actors to engage in corruption, if only to deal with the vagaries of daily life. Many aspects of corruption in fragile states therefore have the character of collective action problems.<sup>13</sup> The frequently noted “lack of political will” to address corruption in such environments is therefore a structural aspect of the political economy of fragile states, and addressing corruption ultimately requires changing the underlying political settlement that drives it. Three implications of this stand out.

First, anti-corruption efforts in fragile states need to start from an understanding of the underlying political economy and drivers of corruption, and recognition of the limitations these impose. Attempts to transform the system rapidly may risk triggering violence and instability, as in the case of the Nigerian government’s attempt to remove the corrupt system of fuel subsidies in January 2012. Donors have often attempted to ignore the political economy foundations of corruption and focus instead on technical anti-corruption reforms, such as in budget management. Or they may concentrate on local communities, where stronger shared norms and informal institutions can help overcome the collective action challenge that corruption poses. While such interventions have been effective to a degree,<sup>14</sup> there are also obvious limitations, as they do not address the underlying structures driving corruption.

The same is true of the internationalisation of anti-corruption efforts in some contexts. Examples include the international role in budget processes, such as the Governance and Economic Management Assistance Program (GEMAP) in Liberia. Policing and anti-corruption investigations can also be internationalised, as in Kosovo, where the European Union Rule of Law Mission investigates and prosecutes corruption cases, or Afghanistan, where the International Security Assistance Force has investigated corruption. Such efforts can have positive effects while in place, but they require extensive

international political will that is unlikely to be sustained, given the high costs of the interventions. The lasting effect of such efforts and their ability to address the underlying political economy are therefore uncertain.

Second, a key aspect of transforming political settlements that fuel corruption is changing elite incentives, moving away from short-term clientelist politics towards long-term investments in institutions and initiatives that have lasting political pay-offs.<sup>15</sup> This can open up political space for more substantive state-building and anti-corruption reforms. This is likely to be more difficult in competitive and fragmented oligarchic environments, where control over rents and security of tenure are often more tenuous, encouraging short-term rent seeking. Security of tenure provides rulers with incentives to develop more rule-based government that stabilises their relationships both with other elites (who are the main threat to their power) and with non-elites. Key to this is greater central control over resources and over military forces. The greater resilience of such an order can also make it easier to induce rulers to remove highly corrupt individuals from the structures of power and influence and move from “rule by warlords” to “rule over warlords.”

Our understanding of how to influence elite incentives in this way remains limited, and what works is also likely to be context-dependent. In addition to a degree of security of tenure, an important condition appears to be pressure from within society for more accountable (and less corrupt) government. This means increasing the political and economic cost of continued clientelism and corruption. Donors have long supported civil society organisations and media freedom to that end, and there is some evidence that civil society has played an important role in publicising corruption problems and keeping corruption on the political agenda.<sup>16</sup> However, anti-corruption reforms like the introduction of merit-based civil service systems have in the past often relied on support of reformers within the governing elite.<sup>17</sup> Identifying and supporting the building of such coalitions can help generate pressures and momentum for reforms.

A third implication is that anti-corruption institutions are unlikely to have a quick impact on corruption or on the wider political economy, as they challenge the distribution of power and rents. Individuals benefitting from rents are likely to resist such changes, leading to the development of informal institutions that adapt the distribution of rents and power to better reflect existing power balances.<sup>18</sup> However, strengthening institutions and actors that can generate and articulate demands for reforms, and that can attenuate elite power, is nonetheless important. Over time, they can change power balances by gradually empowering marginalised groups, or by providing focal points for collective action.<sup>19</sup> This can open up opportunities and spaces for further anti-corruption and governance reforms. These institutions and actors can also provide a framework and access points for advancing anti-corruption efforts when the political environment is more conducive.

## Conclusion

The challenges to anti-corruption reforms are exacerbated in fragile countries, where institutions are weak and



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corruption and patronage are often a central part of the underlying political economy. Anti-corruption policies that challenge structures and practices central to the maintenance of the existing political order can ignite violence, as powerful actors resist these changes. The centrality of corruption and patronage to minimising violent conflict in fragile states suggests it would be wise to focus on reforms that gradually change and open up the underlying political economy, rather than seeking rapid transformation. While in mogul-type environments the risk of violence as a result of reforms is lower, and the incentives of rulers to build institutions are greater, the scope for mobilising coalitions in support of

anti-corruption reforms might arguably be greater in more competitive environments.

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1. See, for example, *World Development Report 2011: Conflict, Security, and Development* (World Bank) <http://bit.ly/16dZvC8> and R. I. Rotberg, ed., *Corruption, Global Security, and World Order* (Washington, DC: Brookings Institution Press, 2009) <http://bit.ly/1eocsCm>
2. M. Johnston, *Syndromes of Corruption: Wealth, Power, and Democracy* (Cambridge, UK: Cambridge University Press, 2005) <http://bit.ly/1gxynnj>
3. M. Johnston, *Syndromes of Corruption*; Brian Levy, "Working with the Grain: Integrating Governance and Growth in Development Strategies," presentation at the Johns Hopkins School of International Studies, Washington, DC, 4 April 2012 <http://bit.ly/18ynrqz>
4. Johnston (see point 2).  
"Influence markets" and "elite cartels" are political economies typically found in states with strong institutions and are therefore less relevant to the discussion here. This typology of corruption obviously presents ideal types, and the boundaries between them are fuzzy. Furthermore, there might be subnational variation between different political economies of corruption.  
See also D. Zaum, "Corruption," in *Routledge Handbook of International Statebuilding*, ed. David Chandler and Timothy D. Sisk (Abingdon, UK: Routledge, 2013), 15-28 <http://bit.ly/19eDaWX>
5. J. Goodhand, "Corrupting or Consolidating the Peace: The Drug Economy and Post-Conflict Peacebuilding in Afghanistan," in *Corruption and Post-conflict Peacebuilding: Selling the Peace?*, ed. C.S. Cheng and D. Zaum (Abingdon, UK: Routledge, 2011), 146-63; <http://bit.ly/15CieqC> and S. Gordon, *Winning Hearts and Minds? Examining the Relationship between Aid and Security in Afghanistan's Helmand Province* (Boston: Feinstein Center, 2011) <http://bit.ly/18b85EE>
6. B. Clausen, A. Kraay, and Z. Nyiri, "Corruption and Confidence in Public Institutions: Evidence from a Global Survey," *World Bank Economic Review* 25, no. 2 (2011): 212-49 <http://bit.ly/17Jw0vM>
7. I am grateful to one of the anonymous reviewers for this formulation.
8. B. Speck and A. Fontana, "Milking the System": *Fighting the Abuse of Public Resources for Re-election*, U4 Issue 2011:7 <http://bit.ly/1brhWLS>
9. Their stability, however, does not necessarily mean that they are developmental. It only suggests that efforts to remove them can fuel instability and violence.
10. W. Reno, "Anti-Corruption Efforts in Liberia: Are They Aimed at the Right Targets?," in *Corruption and Post-Conflict Peacebuilding: Selling the Peace?*, 127-43 (see point 5).
11. O-H. Fjeldstad, *Revenue Administration and Corruption*, U4 Issue 2005:2 <http://bit.ly/17JIdAN>
12. See, for example, K. Hussmann, *Addressing Corruption in the Health Sector: Securing Equitable Access to Health Care for Everyone*, U4 Issue 2011:1 <http://bit.ly/19e0bKE> and "Corruption in the Education Sector," U4 Issue 2006:4 <http://bit.ly/156cZAp>. Importantly, if public servants are low-paid or paid irregularly, illegal user fees may be the only way to enable them to continue providing a particular service like education. In these cases, the detrimental corruption problem is the fact that resources allocated for their salaries are embezzled before they reach the intended beneficiary.
13. A. Persson, B. Rothstein, and J. Teorell, "Why Anti-Corruption Reforms Fail: Systemic Corruption as a Collective Action Problem", *Governance*, forthcoming. A classic example is corruption in health care, where resources (e.g., hospital beds) are scarce and bribes are necessary to secure treatment. While generally people would prefer not to have to pay bribes to see a doctor or be admitted to hospital, and would prefer that treatment be allocated according to need, for individuals it can be economically rational to pay a bribe to get treatment. Among other things, the cost of the bribe may be less than the costs of lost income from illness.
14. J. Johnsen, N. Taxell, and D. Zaum, *Mapping Evidence Gaps in Anti-Corruption*, U4 Issue 2012:7 <http://bit.ly/1ephYos>
15. D. Acemoglu and J. A. Robinson, "De Facto Political Power and Institutional Persistence," *American Economic Association Papers and Proceedings* 96, no. 2 (May 2006):325-30; <http://bit.ly/156ecrD>  
T. Kelsall and D. Booth, *Developmental Patrimonialism? Questioning the Orthodoxy on Political Governance and Economic Progress in Africa*, APPP Working Paper 9, Africa Power and Politics Programme, Overseas Development Institute, July 2010 <http://bit.ly/1dp9WZC>
16. Johnsen, Taxell, and Zaum, *Mapping Evidence Gaps*, 26-28 (see point 14)
17. M. S. Grindle, *Jobs for the Boys: Patronage and the State in Comparative Perspective* (Cambridge, MA: Harvard University Press, 2012). <http://bit.ly/169HL1F>
18. M. Khan, "Political Settlements and the Governance of Growth-Enhancing Institutions," unpublished paper, School of Oriental and African Studies, University of London, July 2010; <http://bit.ly/19e2MEU>  
J. Putzel and J. DiJohn, *Meeting the Challenges of Crisis States* (London: Crisis States Research Centre, London School of Economics and Political Science, 2012) <http://bit.ly/16EMbuW>
19. A good example is reforms that have gradually expanded the voting franchise beyond property holders and men. Over time these have made state institutions more inclusive and responsive to demands of newly empowered groups, including women. At the micro level, there is evidence that social accountability institutions, especially community monitoring institutions (e.g., in education), can empower local communities and increase transparency and reduce corruption. See Johnsen, Taxell, and Zaum, *Mapping Evidence Gaps*, 26-27 (see point 14).