



Risks of corruption to state legitimacy and stability in fragile situations

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Abstract

Examining the cases of Liberia, Nepal and Colombia, this study asks how corruption poses risks to political legitimacy and stability in fragile situations. The report focuses on the key role of elites and their views of the state's legitimacy in determining the extent to which there will be instability or stability. Qualitative interviews of elites show that two particular patronage scenarios are seen as threatening stability. One is when the state or illegal actors sustain a corrupt network by violently eliminating opponents. The other is when corruption benefits few people, the benefits are not distributed "fairly," and the population's basic needs are not met. Public opinion data suggest that despite corruption, the legitimacy of governments and public institutions in the three countries studied is reasonably high. The impact of corruption on legitimacy and stability is mitigated by other factors. Anti-corruption initiatives potentially strengthen state legitimacy, but undermine it if they fail to deliver or become too far-reaching. In conclusion, the report makes recommendations to the international community for prioritising action on corruption.

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Abbreviations

ATI	accountability, transparency, and integrity
CA	Constituent Assembly (Nepal)
CIAA	Commission for the Investigation of Abuse of Authority (Nepal)
DFID	UK Department for International Development
GAC	General Auditing Commission (Liberia)
GDP	gross domestic product
GEMAP	Governance and Economic Management Assistance Program (Liberia)
HDI	Human Development Index
NGO	nongovernmental organisation
NTGL	National Transitional Government of Liberia
NVC	National Vigilance Centre (Nepal)
OECD	Organisation for Economic Co-operation and Development
UNCAC	United Nations Convention against Corruption
UNMIL	United Nations Mission in Liberia

Executive Summary

Part I: Introduction, concepts, and methods

The popular uprisings in North Africa are a powerful reminder that failure to curb corruption can directly affect the legitimacy and stability of political regimes. In theory, addressing corruption should be in the interest of every government as a means to ensure social peace and avoid internal conflict. Nonetheless, in the October 2011 negotiations of the Conference of the States Parties to the United Nations Convention against Corruption (UNCAC), some country representatives strongly resisted measures that would allow independent and open civil society participation in oversight of UNCAC implementation.

States in fragile situations face an apparent dilemma. Acting to prevent corruption can strengthen their legitimacy and stability, but allowing corruption often seems to do so as well, at least in the short run. In countries emerging from conflict, for example, governments face a stark choice between increasing legitimacy by bringing war criminals to justice for crimes including corruption, on the one hand, and increasing stability by integrating past combatants, including leaders involved in corruption, into the new political order, on the other.

Although research is available on the connections between corruption, legitimacy, and stability in stable democracies, including developing countries, relatively little has been written on this subject with respect to fragile states in particular. A review of literature carried out for this study showed that:

- The views of both citizens and elites (those who hold or influence political power) are important in understanding the connections between corruption, legitimacy, and stability.
- The literature on the impacts of corruption on legitimacy and stability is inconsistent. Some researchers argue that corruption undermines legitimacy and stability, while others contend that it can contribute to legitimacy and stability.
- Along with increased donor support for anti-corruption interventions around the world, there is a growing literature on the unintended outcomes of such initiatives. However, little is known about the effects of anti-corruption initiatives in fragile situations.

The present study seeks to understand how different forms of corruption pose risks to political legitimacy and stability in fragile situations, and what this means for prioritising action on corruption. It focuses in particular on potential types of engagement and support by the international donor community. It also considers how anti-corruption initiatives affect political legitimacy and stability in fragile situations.

Drawing on qualitative survey evidence from Liberia, Nepal, and Colombia, the study presents the informed opinions of elites in countries with different degrees of fragility. The research team interviewed political leaders, lawmakers, government officials, intellectuals, and others who influence decision making at both national and sub-national levels. These actors were studied because they wield a disproportionate amount of political and economic power in “fragile states.” Elites’ views of the state matter for state stability. Elites have the means to instigate coups, popular uprisings, or open warfare against (or in support of) government forces. When they view the state as illegitimate, they are likely to undermine it through the means at their disposal.

The study also examines available secondary data on citizens’ views of corruption, legitimacy, and stability. Public perceptions are critical because citizens, often together with elites, may marshal public

sentiment to justify or orchestrate coups, wars, or uprisings. Moreover, a state's legitimacy is determined by a dynamic tension between citizens' expectations and the state's ability to meet these expectations. If elites or citizens perceive that the state is failing to meet citizens' expectations, instability often results.

Using this methodology, the study provides an initial look, from the ground level and in a comparative context, at issues that constitute a vast research area with a wide array of unknowns and methodological challenges. Given this context, as well as limitations of resources and time, conclusions are inevitably preliminary and exploratory in nature.

Part II: Findings

Liberia, Nepal, and Colombia are characterised, to different degrees, by systems of patronage that are apparent in society, politics, and the economy. These countries are emerging from internal conflict (Liberia, Nepal) or still grappling with pockets of conflict at the sub-national levels (Colombia). Patronage networks in these countries have been linked to crime and violence, as well as corruption.

Public opinion data suggest that despite corruption, the legitimacy of the respective governments and public institutions in these countries (as measured by surveys of public trust) is reasonably high. While the findings from public opinion studies do suggest a negative relationship between corruption and some dimensions of legitimacy, this impact is mitigated by other factors. What is not possible to deduce from this secondary data is the relation between corruption and stability. Here we turn to our interviews with elites.

As the study shows, corruption is a significant challenge in all three countries. However, corruption was not identified by those surveyed as an overarching issue with precedence over other pressing issues. Respondents were keenly concerned about unemployment and the economic well-being of citizens, about overcoming conflict, and about the viability of the political system. In Colombia, organised crime was another key concern. These issues were more worrisome to respondents than corruption per se.

Patronage networks were viewed by elites in Liberia and Nepal to be a part and parcel of the young democracies. In Colombia, a country with a much longer history of formal democracy, clientelistic networks are recognised but are perceived as largely illegitimate and as hindering the path towards deeper democracy. In all three countries, two particular types or scenarios of patronage were considered to be threatening to stability. First, when the state or illegal actors use violence to sustain a network, eliminating opponents and challengers, this is viewed by elites as a threat to state stability. Second, when corruption benefits a narrow group of people, the benefits are not distributed "fairly," and the population's basic needs are not met, instability is seen as more likely.

Patronage networks that benefit a wide variety of actors and involve the peaceful co-opting of members of the opposition and potential forces for reform were viewed as less harmful than other patronage scenarios. As the case of Nepal more or less shows, patronage with wide benefits may strengthen the legitimacy and stability of the incumbent government and politicians, at least in the short to medium term. Even so, anti-corruption and reform-minded elites stated that donors should not promote this scenario as a "good enough" or "lesser evil" alternative to worse scenarios, because it is still harmful and unacceptable.

Critically, the research finds that elites play a key role in determining the extent to which there will be instability or stability. Political entrepreneurs can use corruption and its adverse effects on legitimacy, combined with exclusionary politics, to create instability and mobilise violent conflict. On the other

hand, elites who themselves view the state as legitimate can positively influence public sentiment, moderate expectations, and promote peace.

With regard to government efforts to reduce corruption, the non-enforcement of laws when political actors are charged with corruption was a key concern for many respondents, who suggested that the judicial systems do not adequately punish those allegedly involved in corruption. This results in frustration about the impunity of politicians and their supporters.

The governments of all three countries have introduced a number of institutional and legal measures aimed at curtailing corruption. They have done so with the support of donors, particularly in the cases of Nepal and Liberia. Nepalese civil society, government, and donors have used the country's recent regime change as an impetus to undertake reforms to address corruption. It is possible that additional anti-corruption institutions may arise from constitutional reform in Nepal, but the current stalemate around the constitution means it is far from certain that this will happen. In Colombia, reforms to address corruption as part of a wider governance agenda came about in response to pressure by activists and traditional political actors. For example, some of the party finance reforms have been sanctioned in response to the tremendous capture of drug money and organised crime in this area. Among the three countries, Liberia has demonstrated the most consistent interest in substantive reform measures since the regime change of 2005.

Despite their differences, all three countries have dynamic anti-corruption movements. These are made up of anti-corruption commissions, control bodies, nongovernmental organisations (NGOs), local activists, private sector actors, and other institutions, including donors in Liberia and Nepal. They have helped to bring about anti-corruption reforms, at least formally.

In agreement with much of the international anti-corruption literature, respondents believed that anti-corruption initiatives have bolstered the legitimacy of the state. For example, in all three countries they said that the strengthening of, and credible action by, oversight and control agencies had increased state legitimacy. In Liberia and Nepal, elites perceived that passing anti-corruption laws, creating anti-corruption agencies, and signing UNCAC had bolstered domestic and international legitimacy.

However, international and national anti-corruption programmes were also seen as undermining legitimacy if they failed to deliver or became too far-reaching. Respondents were particularly concerned that politicians may disappoint public expectations. This happens when they use anti-corruption rhetoric and agree to initiatives to increase legitimacy but do not make good on their promises, failing to deliver substantial systemic changes and adequate punishment of those found guilty of corruption. This leads both elites and citizens to question state legitimacy. Thus, the respondents' views suggest that the promotion of anti-corruption campaigns without substantial results undermines legitimacy in fragile situations.

Donors were perceived to play an important role in bolstering state legitimacy in the two countries with significant donor presence, Liberia and Nepal. Elites saw donor support of any sort as providing a signal to the global community that the nation-state is "legitimate." The linking of anti-corruption initiatives and reform to funding, they suggested, sent a message to the international community that the state is capable of managing its resources, as well as the resources of other countries. While some respondents were concerned that such conditional aid can constitute a form of neocolonialism, for many the support of the international community sends positive signals to investors and the wider public. In Liberia and Nepal, respondents in these particular contexts agreed that knowing that the international community was in the country and supported anti-corruption initiatives had augmented state legitimacy.

Finally, respondents suggested that the threat of corruption should not be exaggerated. Donors should be aware that good governance and anti-corruption initiatives are a means to improve social and

economic outcomes, not an end in and of themselves. Respondents in Liberia and Nepal also cautioned that the label of “states in fragile situations” can be misleading, not taking into account the resilience and optimism that comes with moving from conflict into peace. External measures of fragility can miss such points of strength.

These findings provide the basis for the recommendations outlined below.

Part III: Conclusion and recommendations

This part of the report considers the implications of the research findings and makes recommendations to donors for prioritising action on corruption in fragile situations. The study concludes that:

- Instability and legitimacy crises may offer windows of opportunity for state building, as political actors, civil society, and others push for reforms that would previously have been off the table.
- Corruption has the potential to contribute to legitimacy as well as to erode it.
- All six types of corruption studied (patronage-related types, electoral corruption, and petty bribery) are seen as predominantly delegitimising. In conjunction with other contextual factors, they are destabilising to the extent that they reallocate resources in a way that is exclusionary, or allow armed or organised crime groups to infiltrate the state or increase their resources.
- Anti-corruption efforts, whether direct or indirect, are seen as having a potentially legitimising and stabilising effect, but only if successfully implemented with strong, high-level leadership.
- Anti-corruption rhetoric or efforts that fail to meet public expectations are viewed as delegitimising, especially when they fail to address the impunity of corrupt actors.
- “Corruption” was generally not the most important issue for elite respondents or for citizens.
- Addressing corruption was seen as important if it was shown to contribute to improved social, political, and economic outcomes.

Based on these conclusions, we offer the following recommendations for donors supporting both direct and indirect anti-corruption initiatives.

Recommendation 1: Analyse the incentives that drive corrupt behaviour. When these are known, donors may be able to better engage elites and citizens in supporting and implementing initiatives to prevent and control corrupt behaviours.

Mapping the different networks of interests at stake will help guide the choice and framing of initiatives so they are compatible with the interests of reform-minded bureaucrats and politicians. *Donors should not assume that widespread participation in corruption means that it is universally preferred to integrity.* Many citizens and policy makers may benefit from the status quo, but those who are excluded from the benefits of corruption, and those who would benefit from integrity or who uphold it as a value, will potentially support and implement change. Conversely, the importance of leadership and incentives also means that donors must recognise that *the existence of widespread discontent with corruption does not mean everyone wants to stop it.* A few specific action points emerge from this discussion:

- Evaluate the incentives and relative power (including ability to resort to violence) of leaders, citizens, and any other actors on whom the success of anti-corruption initiatives relies.
- Incorporate inclusive national visions and plans, as well as risk mitigation strategies, when making joint country assessments.
- Support local and national surveys of public perceptions, as well as citizen feedback, ensuring capacity to collect, manage, and disseminate such data.

Recommendation 2: Be cautious about supporting explicit “anti-corruption” initiatives that may not suit the context and may add to unrealistic expectations, thus reducing legitimacy when results fall short. Instead, address corruption primarily through implicit measures aimed at strengthening institutions and addressing the drivers of corruption.

Donors should avoid promoting traditional, direct anti-corruption measures such as specialised anti-corruption agencies or national anti-corruption strategies. These measures may be strongly advocated by international and national actors, particularly for the sake of compliance with UNCAC. However, they may not suit the contextual realities. One should be careful not to raise expectations beyond the capacity to deliver results, as this leads to anti-corruption fatigue and reduces the legitimacy of those leading the efforts. Initiatives to strengthen existing oversight bodies, such as supreme audit institutions, and to address the underlying structural drivers of corruption, like campaign finance reforms, may be more promising.

Recommendation 3: Over the long term, support non-state actors, including the media, that engage with government or catalyse government action.

Donors should support initiatives to make the host country’s government systems, as well as donor assistance, directly transparent and accountable to domestic constituents. Bottom-up accountability mechanisms at both national and sub-national levels are crucial to this end. Anti-corruption initiatives should be independently monitored and evaluated in terms of their impact on broader social and economic goals, even if this impact is only measured in terms of perceptions. And donors should provide ongoing support to independent investigative journalism and local research, focusing on capacity building for institutional and human resources, including the media.

Recommendation 4: Support anti-corruption efforts that improve the equitable distribution of public resources by the state.

This study suggests that citizens in fragile states are often primarily concerned with access to public goods and services rather than with corruption as such. Donors need to make the case that corruption directly affects the resources available to citizens. Budget transparency initiatives, even if modest in cases where financial systems are rudimentary, may be the first step in clarifying where resources are actually being directed. The focus should be on resources or services that are essential to economic prospects or public well-being. An integrated or mainstreamed approach to public sector management reforms, and to monitoring progress and outcomes, may be more feasible in a single sector than as a comprehensive initiative.

Recommendation 5: Unpack the concept of “corruption” and address specific abusive practices with concrete policy, legal, or behavioural measures aimed at fostering the state’s responsiveness to citizens’ needs.

It is important to unpack the umbrella concept of corruption into specific risks and practices. Donors should encourage partners to be specific about which ones they want and are able to address (e.g., conflicts of interest, position buying, illicit campaign financing, large-scale bribes in concessions, etc.)

and help them deliver results. Using precise terminology and building consensus around a definition of the problem is an important first step in the search for practical solutions, as well as in the measurement and communications of results. Efforts may include a stronger focus on political party and campaign finance, the merit-based selection of public officials at the sub-national level in particular, the regulation of conflicts of interest, and investments in information management systems, among others.

Recommendation 6: Explore ways to address the impunity of allegedly corrupt actors.

In the three countries studied, the impunity of leaders and other elites appears as a central challenge. Efforts to cut off opportunities for corruption threaten political and economic interests, and leaders may consider them incompatible with power-sharing arrangements or concessions they deem necessary for peace. Given the challenges of addressing impunity in local contexts, it may be necessary to explore approaches that have emerged in recent years that do not depend so much on local institutions or processes. In some donor countries, laws make it possible to prosecute corrupt officials from other countries if their actions are connected to the donor country (see Fontana 2011). Diplomatic tools such as visa denials have also been integrated into some donor countries' anti-corruption efforts.

Recommendation 7: Understand how corruption is used by organised crime and strengthen the state's capacity to resist infiltration by illegal groups and those engaged in illicit transactions.

Donors should accelerate efforts to combat illicit financial flows by strengthening anti-money laundering measures, addressing tax evasion, and strengthening national policies, legal frameworks, and institutional arrangements for tracing, freezing, and recovery of illegal assets, including in the absence of mutual legal assistance requests. This includes enacting laws and policies that facilitate improved international cooperation on these matters and improving performance on bank transparency, "know your customer" regulations, and related issues as a key item on the development agenda. This will be easier in countries with developed financial systems. However, they are important tools to develop from the start.

Recommendation 8: Emphasise agency-level integrity measures and the do-no-harm principle in development cooperation.

Donor staff need to be conscious of the potential consequences of anti-corruption reforms and of the challenges and opportunities for transparency, accountability, and integrity measures. This is important for staff conducting field operations as well as for those developing indicators to assess the impact of interventions. A do-no-harm perspective should inform any activity to address corruption in fragile situations. In addition, donors should invest more effort to ensure a strong accountability, transparency, and integrity focus in all donor-funded and -implemented activities. Greater efforts should be made to support genuine high-level commitments and bottom-up initiatives.

Part I: Introduction, concepts, and methods

1. Introduction

This research investigates how corruption poses risks to political legitimacy and stability in fragile states and what this means for donor agencies undertaking action and support for actions on corruption. Its findings form the basis for suggesting donor policy approaches to addressing corruption in fragile situations in particular. Towards this end, the study takes into account the local political context as well as the wider context in which donors work. It also considers how donors contribute to corruption or its control, and how this affects political legitimacy and stability.

A state in a fragile situation has by definition not yet established a stable political and security environment in which the government can extend its influence and deliver core services over the entire territory. Political instability is of particular concern in fragile states because of the potential for widespread violence with devastating social, political, and economic effects. Although not all fragile states experience violent conflict, if and when they do, it becomes very challenging to support development in the conflict or post-conflict context. At the same time, conflict receives more international public attention than poverty, and one often sees massive inflows of aid to post-conflict states or settings that may be weak and have little capacity to absorb it.

People's experiences with corruption undermine legitimacy in developing countries, as noted by academic writers (Booth and Seligson 2009) and policy research analysts (UNDP 2010a). Beyond these actual experiences, the ways in which people perceive corruption and its impact on the state matter as well. Perceptions are, arguably, as important as the actual incidence of corruption because they are a reflection of how people view the state and its legitimacy (Gupta 2005). We consider that both elites' and citizens' views of state legitimacy are relevant to understanding the factors that contribute to instability (Holmes 1993; Booth and Seligson 2009). In this study, due to time and fiscal constraints, we only interviewed elites. However, we also considered relevant studies conducted by other researchers with citizens in each of the three case study countries. These provide an important counterpoint to elite views. We also look at the broader literature about the political and corruption context in each state during the period under review.

In this report we analyse qualitative empirical data from three countries that represent different types of fragile situations. Liberia has been recovering from civil war since a 2003 peace agreement; it rates as fragile according to international measures.¹ Nepal has suffered from violence and is in the midst of instituting a new democratic regime. It is borderline fragile, with ongoing political instability. Colombia's fragility is of a different sort, with relatively strong institutions at the national level but weaker sub-national government structures and threats from illegal armed groups that create fragile situations in parts of the territory.

Following this introduction, the remainder of part I introduces the conceptual framework and reviews existing knowledge on the risks of corruption to political legitimacy and stability in states in fragile situations. It identifies gaps in the knowledge base and specific research questions to be addressed, and discusses the research design and methodology used to gather evidence for our study. Part II presents the results of our research. It gives an overview of corruption in each country and presents the findings

¹ See the Harmonized List of Fragile Situations FY11, compiled by the World Bank. [http://siteresources.worldbank.org/EXTLICUS/Resources/511777-1269623894864/Fragile_Situations_List_FY11_\(Oct_19_2010\).pdf](http://siteresources.worldbank.org/EXTLICUS/Resources/511777-1269623894864/Fragile_Situations_List_FY11_(Oct_19_2010).pdf).

from our country-based literature reviews and interviews of key experts and policy makers. Part III discusses the implications of the findings and makes recommendations to donors regarding anti-corruption interventions in fragile situations.

2. Literature review

This chapter presents issues and debates involving state fragility and corruption. It is based on an extensive reading of the relevant literature, on the authors' previous field experiences, and on their earlier work in this thematic area for the Anti-Corruption Task Team of the OECD-DAC (Development Assistance Committee of the Organisation for Economic Development and Co-operation) (Husmann and Tisné 2009). It highlights definitions of key concepts, points to knowledge gaps on this topic, and outlines the specific areas to which the study will contribute new knowledge. The chapter has four sections. The first introduces the concepts that are key to this study. The second summarises the debates about the effects of corruption on legitimacy and stability. This is followed by an overview of anti-corruption initiatives in fragile states. The final section summarises key findings from the literature review and how they relate to this study.

The discussion is necessarily selective, for the purposes of this study, and is not intended as a comprehensive survey of the literature. A number of the works cited contain more detailed summaries of the literature (see, for example, Booth and Seligson 2009 on the legitimacy literature).

2.1 Definitions of key concepts

Throughout this report we refer to several key concepts that have helped frame this research. These concepts, briefly described below, include corruption, anti-corruption, state in a fragile situation, legitimacy, political stability or instability, and failed state.

Definitions of *corruption* are contested (Holmes 2006a, 2006b). Transparency International defines it as the "abuse of entrusted office for private gain." However, corruption is often understood more narrowly as "the abuse of public office for private gain," and this is how it is operationalised here.² While "public office" is a contested concept (Ruud 2000), most literature on corruption has focused on corruption in the state, among bureaucrats and politicians (Hutchinson 2005). This definition stresses that corruption occurs when the public and private spheres interact and the lines between them are blurred. It has become the basis for the way in which corruption is understood and anti-corruption initiatives are formulated by many donors and anti-corruption organisations (World Bank 1997, 2007; Transparency International 2006; Bukovansky 2006; McClusker 2006; and Treisman 2000).

This definition has its limitations. In fragile states, holders of public office (high and low) are seldom universally recognised as legitimately "public." On the contrary, they are often seen by large sections of the population as hostile representatives of specific private, factional, or parochial interests. Furthermore, office holders and citizens alike often do not maintain a clear distinction between what is public and what is private (as is typical in patrimonial systems), further diluting the meaning of abuse or misuse for private gain (Mathisen and Orre 2008; Rose-Ackerman 2008). Some have argued that by defining corruption in this way, donors and anti-corruption organisations fail to account for the realities facing developing countries where there is no clear separation of the public and private spheres (Bratsis 2003; Harrison 2007; Mungiu-Pippidi et al. 2011).

Anti-corruption initiatives have come to be associated with a variety of practices that are used to mitigate corruption either directly or indirectly. Examples of measures to address corruption directly include support for dedicated anti-corruption institutions (e.g., anti-corruption agencies, special anti-

² While the authors of this report view corruption in broad terms along the lines of the Transparency International definition, the study examines corruption in the public sector; it does not specifically address issues of corruption in the private sector, non-state institutions, or donor agencies.

corruption courts) or for oversight agencies with a broader mandate but a particular role in detecting corruption (e.g., supreme audit institutions, ombudsman offices, or parliamentary oversight committees). Other examples include the development and implementation of a national anti-corruption strategy or policy, passage of legislation such as whistleblower protection and freedom of information acts, as well as ratification and implementation of UNCAC. Sector-specific anti-corruption initiatives might target, for example, corruption in the distribution of essential drugs or leakage of education expenditures as they flow from the national to village level. Indirect initiatives include support for civil service reform, strengthening of public financial management, free and fair elections, strengthening of the security sector, rule of law, media development, and civil society participation in governance. Both direct and indirect anti-corruption initiatives have become central to efforts by policy makers to fight corruption.

A state in a fragile situation is understood to be an economically poor state that lacks the capacity to adequately govern its citizens (OECD 2010; Balamoune-Lutz and McGillivray 2008; UNU-WIDER 2008; Vallings and Moreno-Torres 2005; DFID 2005). The OECD defines this as a state that has a limited ability to govern or rule its society and, more broadly, to develop mutually constructive and mutually reinforcing relations with society (OECD 2010). However, the classification of countries as fragile or not varies among donors. DFID (2005: 7) considers fragile states to be “those where the government cannot or will not deliver core functions to the majority of its people, including the poor.” This definition focuses upon the delivery of services, particularly to the poor, whereas the OECD’s 2010 definition does not.

Moreover, definitions have changed over time, even within donor agencies. An earlier OECD definition focused on poverty, considering states to be fragile “when state structures lack political will and/or capacity to provide the basic functions needed for poverty reduction, development and to safeguard the security and human rights of their populations” (OECD 2007: 41). Thus, different assessment criteria may be used to determine whether a state is fragile or not, even though all definitions include lack of state capacity as a central feature.

For some, a key role of states is to provide security for their citizens, and the absence of security thus signals a fragile state. Insecurity within fragile states is often linked to two interconnected issues. First, existing ethnic tensions and marginalisation can ignite violence. Ethnic violence arises where there is the denial of separate ethnic identities, an absence of security for minorities, and barriers to their effective participation (Azar and Burton 1986). Second, economic conditions influence violence and instability. Economic decline and volatility may give rise to internal strife and war, which in turn further damage the economy, with production capacities disrupted and destroyed. This situation can be exacerbated by external actors (OECD 2008b). For instance, withdrawal of international economic support has led to decline of state structures, as seen in some countries during the 1990s, when aid was cut off because countries failed to meet pro-market conditionalities (Stedman and Holloway 2002). In order to retain popular support, political leaders need both the will and the means to provide security for the people, including protection against internal violence and external aggression.

Legitimacy connotes the voluntary acceptance of a ruling regime as an authority. Linz (1978: 16) defines legitimacy as “the belief that in spite of shortcomings and failures, the existing political institutions are better than any others.” Legitimacy implies “the moralization of authority ... the moral grounds for obedience to power, as opposed to grounds of self-interest or coercion” (Parkinson 2003: 182, citing Crook 1987 and Poggi 1978). Linz (1978: 18) further argues that legitimacy “contributes to the ultimate outcome: persistence and relative stability of the regime.” Linz and Stepan (1996: 6) find

that consolidated democracy ultimately depends on legitimacy and not on other factors such as “following rules and procedures.”³

To avoid crises of legitimacy, both citizens and rulers must perceive the state to be legitimate. According to Holmes (1993: 18), legitimacy is more a matter of rulers believing in what they are doing than of the ruled believing in the state. If political authorities themselves view the state as illegitimate, a “legitimation crisis” can occur, threatening state stability (Holmes 1993, 2006a, 2006b; Norad 2010). This does not imply that citizens’ views do not matter, but it means that elites’ perceptions are particularly important in understanding how the state gains its legitimacy.

Many scholars equate legitimacy to citizens’ perceptions of the regime and government (Norris 1999; Booth and Seligson 2009). For these writers, legitimacy is conferred to the extent that the state has the capacity to manage and meet the public’s expectations. However, elites often wield a disproportionate amount of power, particularly in fragile states. This means that their decisions and actions, based on their perception of the state, can quickly translate into instability. Many elites have the capacity to initiate coups, provoke popular uprisings, or even wage open warfare against (or for) government forces. Those who view the state as illegitimate are more likely to undermine it through the means at their disposal.⁴

Building legitimacy is a dynamic process that links state and society, with both political elites and the public accepting the rules that regulate the exercise of power and the distribution of wealth as proper and binding. Sources of legitimacy in a given context depend on what the relevant group of people believes (Hurd 2007). In Weber’s ideal type of rational-legal legitimacy, the state is legitimatised through the mechanisms it uses to govern. But in a fragile state, there may be other rules, including informal norms and procedures, that compete with the state’s legal structures. Strong traditional legitimacies often exist in states in fragile situations. These traditions are linked to non-state institutions and practices, shaping peoples’ allegiance, trust, and identity. As Bellina et al. (2009) observe, some modern fragile states borrow items of traditional legitimacy and incorporate them into their own systems of legitimacy.⁵ Some argue that a state-building process is most likely to generate legitimacy when it includes all major political forces and is open to public participation. It is suggested that citizen participation enhances or is even necessary for state legitimacy (von Kaltenborn-Stachau 2008; Whaites 2008; DFID 2010; Uvin 2006).

Political stability refers to the sustainability of governments and state institutions. It is affected by a wide range of factors: the economic system, rule of law, and use of force in a society (Hoehne 2008), as well as the length of government tenure (cabinet stability), degree of coherence of government

³ Legitimacy is multidimensional. Six main dimensions include legitimacy of regime principles (core values of the political system), regime performance (the functioning of the regime in practice), regime institutions (the actual institutions of the government), political actors (incumbent leaders), political community (the nation), and local government (Norris 1999; Booth and Seligson 2009).

⁴ For example, businessman George Speight claimed to be a champion of indigenous Fijian rights when he led a takeover of the Fijian parliament in 2000. Invoking ethnic dissent over the election of the country’s first Indo-Fijian prime minister, he kidnapped the prime minister and 35 other parliamentarians. As a member of the elite, Speight had the wherewithal to instigate the coup while playing on broader concerns of the elite and citizens about the government’s legitimacy.

⁵ Some research on Africa suggests that the interests of traditional authorities are compatible with state building and governance (Pitcher, Moran, and Johnston 2009). However, the literature offers little in the way of empirical evidence on changing interest structures. Moreover, traditional leadership in Africa, deriving legitimacy from local cultures, has often been marginalised by state authorities. Traditional leaders are often more prominent where state interactions with the citizenry are weak, and the population turns to traditional authorities for justice and resolution of disputes.

policy (regime stability), and sustainability of institutions (institutional stability) (McGann 2006). Political stability is multifaceted, related to the continuity of the state and its core function as well as of the government.

At the same time, as Stewart and Brown (2009) explain, political systems fail when citizens respond to instability, which is most often initiated by elites. Citizen-led political instability is often “a response on the part of communal groups in national populations to elite instability which either fails to bring about a reapportionment of ethnic representation in government or a redistribution of other goods” (Morrison, Mitchell, and Paden 1989: 124, cited in Arriola 2009). Thus, political stability is connected to the perceptions and actions of both elites and citizens.

A *failed state* is one that is not able to perform the fundamental role of a modern-day nation-state. Hameiri (2007) notes that the failure of a state is linked not only to empirically observed decomposition, but to the *perceived* failure to live up to modern statehood. Political leaders need the means and credibility to compel internal order and fend off external aggression, and to provide for the people, in order to get their support. A fully collapsed state is one that has lost *legitimacy*, has few functioning institutions, offers few or no public services to its constituents, and is unable to contain fragmentation (Baker and Ausink 2006).

2.2 Corruption, legitimacy, and stability

Two positions on the relationship between corruption and legitimacy can be identified in the literature. The first can be traced back to the Weberian view found in modernisation theory, which holds that corruption, by its nature, is detrimental to developing societies. “Moralists” (a term applied to this group in the literature; see Caiden and Caiden 1977 and Bakker 2000: 24) believe that “when legislation and regulation are considered arbitrary in a society, public support ceases to exist: people are no longer willing to live by the rules” (Elders 1987: 16, cited in Bakker 2000: 24). As a result, corruption causes the legitimacy of a regime to decrease.

This approach was challenged by “revisionist” scholars in the 1960s, who regarded corruption as potentially beneficial to state legitimacy. For Heidenheimer, a well-known scholar on the subject, “in the early stages of political-administrative development ... nepotism, spoils and graft may actually promote national unification and stability, nation-wide participation in public affairs, the formation of a viable party system and bureaucratic accountability to political institutions” (1970: 479). Huntington also argued that corruption can, under favourable circumstances, contribute to political development because “corruption provides immediate, specific benefits to groups which might have otherwise been thoroughly alienated from society. Corruption may thus be functional to the maintenance of a political system in the same way that reform is” (1989: 381). For revisionists, then, some forms of corruption may strengthen legitimacy.

This debate also occurs in the recent literature. For one group of scholars, corruption contributes to delegitimisation in poor or fragile states. Recent studies have suggested that corruption causes political distrust among citizens, leading to legitimacy crises in political systems (Anderson and Tverdova 2003; Booth and Seligson 2009; Seligson 2002). Booth and Seligson (2009) use evidence from surveys in eight Latin American countries (Mexico, Guatemala, El Salvador, Nicaragua, Costa Rica, Honduras, Panama, and Colombia) to test six dimensions of legitimacy: political community, regime principles, regime institutions, regime performance, local government, and political authorities. They find that experience with corruption (small-scale bribery in particular) undermines people’s trust in the state, in turn reducing its legitimacy. Similarly, using data from the East Asia Barometer, Chang and Chu (2006) find a strong trust-eroding effect of political corruption in Asian democracies, suggesting that citizens’ perceptions of increased corruption reduce state legitimacy. (Their study accounted for contextual factors of political culture and electoral politics in Asia, which might neutralise the negative

impact of corruption on citizens' institutional trust.) While surveys use various indicators to measure corruption and legitimacy, increasingly a negative relationship between the two is found.

Other scholars, however, argue that some kinds of corruption can help maintain some dimensions of state legitimacy. They suggest that patronage may be a source of legitimacy in fragile situations (Bellina et al. 2009; see also Papagianni 2008 and OECD 2008a). In patron-client systems, political actors ("patrons") and bureaucrats and business people ("sub-patrons") use public resources to offer material or other rewards ("patronage") in return for political support (Reno 1995a). This exchange, carried out through vertical and horizontal networks, facilitates corruption but may help to legitimate political actors with the recipients of patronage.

Similarly, the literature features two contrasting approaches to understanding the links between corruption and stability. Those who suggest that corruption may contribute to stability focus on the government or the political system (regime) rather than the state. For example, Lindemann (2008) argues that corruption may result in political stability, depending on the nature of the elite bargain with society.⁶ Others observe that systems may work quite well for those who benefit from them, and that the winners' interests lie in the maintenance of the systems (Mungiu-Pippidi et al. 2011). Arriola (2009), for example, argues that by expanding their patronage networks, African leaders have been able to extend their tenure in office – a key indicator of political stability.

Others view corruption as undermining state stability. Galtung and Tisné (2009), for example, attribute the return to violence in postwar countries such as Timor Leste to perceptions of corruption. This effect has also been observed in Africa. Annan argues, "The nature of political power in many African States, together with the real and perceived consequences of capturing and maintaining power, is a key source of conflict in the continent. It is frequently the case that political victory assumes a "winner-takes-all" form with respect to wealth and resources, patronage, and the prestige and prerogatives of office" (1998: 4). From this point of view, patronage is at odds with state building. Offering a possible explanation for the apparent divergence in views, Beissinger and Young (2002) argue that patronage may have a legitimating effect *for political actors and government*, but that it can ultimately weaken the state when the interests of political actors or the incumbent government conflict with and are put ahead of the state's.

In capitalist democracies, "state legitimacy, the widespread public belief that the society's governing institutions and political authorities are worthy of support, is commonly held to be a precondition for political stability" (Useem and Useem 1979: 840). However, in fragile states the relationship is often complex. Indeed, as Arriola (2009) argues, one may engage in activities (e.g., patronage) that undermine the legitimacy of the state but increase political stability, at least in the short to medium term. Thus, while augmenting political legitimacy has often been seen as strengthening state stability in capitalist democracies, in fragile states that relationship may not hold.

While there is a strong debate in the literature about the effects of corruption upon legitimacy and stability, it is also difficult to empirically specify the relationship between legitimacy and stability. In advanced industrialised democracies, trust in government (understood as equivalent to legitimacy) has been declining since the 1960s, with few if any visible effects on regime stability. Nevertheless, some argue that undermining state legitimacy will eventually lead to instability. On the performance dimension of legitimacy, it is argued that when the state does not ensure that citizens have access to basic services, the risk of state failure increases (Rotberg 2004; Eldon and Gunby 2009; OECD

⁶ Political settlements are the agreements among elites – and eventually, society, as democracy develops – about the political "rules of the game." Some political settlements lead to states that are unresponsive, ineffective, repressive, and corrupt (see Collier 2007).

2008a). Moreover, the literature suggests that legitimacy may lead to instability when it compromises the state's provision of security. Putzel (2007), for instance, argues that at a minimum, states must be able to fulfil "survival" functions, or they become vulnerable to challenge. When legitimacy is undermined by lack of service provision and/or security, instability is more likely to result.⁷

In sum, the literature suggests that no firm conclusions can be drawn about the relationship between corruption, legitimacy, and stability in fragile states. There are opposing views on whether corruption consistently erodes legitimacy and stability or, alternatively, can contribute to legitimacy and stability. This study contributes to the debate between these schools of thought while also seeking to elucidate the relationship between legitimacy and stability within fragile states.

2.3 Assumed impact of anti-corruption efforts

The anti-corruption literature suggests that supporting a government's anti-corruption efforts may bolster stability and contribute to political resilience (e.g., Cheng and Zaum 2011; UNDP 2010a; Hussmann and Tisné 2009). However, there is little empirical evidence to support this contention. Research is lacking on the relationship between anti-corruption reforms, stability, legitimacy, and fragility or resilience. The propositions that anti-corruption initiatives contribute to stability and legitimacy and reduce fragility have yet to be tested.

At the same time, the literature includes examples of possible unintended consequences of anti-corruption interventions. Among such possible effects are negative impacts on state legitimacy (Putzel and van der Zwan 2006; Galtung and Tisné 2009; UNDP 2010a). For example, prosecution of corrupt high-profile leaders may be politicised, and the resulting backlash can undermine the legitimacy of fragile law and justice institutions.

The international community is increasingly concerned with improving transparency and fighting corruption in fragile states and states emerging from conflict (UNDP 2010a; Rose-Ackerman 2008; Le Billon 2005). Attempting to get around corrupt government systems, national or international non-state actors or international agencies may take over service functions. This can lead to parallel service delivery structures that do not work through, and consequently do not legitimate, the state (Bellina et al. 2009). The literature fails to fully address the issue of how donors can work with and support the development of a legitimate state in a way that minimises corruption, yet also avoids undermining the state or increasing instability (see Kaplan 2008; Fritz and Rocha Menocal 2007).

Several studies caution that anti-corruption efforts should target practices that undermine state building and contribute to instability (Hussmann and Tisné 2009; Galtung and Tisné 2009). To this end, Johnston (2010) offers typologies of corruption that this study attempts to operationalise (see chapter 3, below). While it is plausible that different types of corruption may vary in their impact on legitimacy and stability, it remains to be seen what the practical implications may be for targeting or deemphasising specific types of corruption in a fragile situation.

⁷ Legitimacy may be further eroded in the context of economic shocks. States in fragile situations experience lower rates of aid predictability and higher volatility than other developing countries. Two-thirds of aid shocks between 1970 and 2006 occurred in fragile states. The impacts are particularly significant in small economies, such as Liberia, which experienced several aid shocks between 1970 and 2006. In general, such volatility is estimated to shave 15 per cent off the value of official development assistance (OECD 2011a).

2.4 Summary

This chapter has discussed key concepts related to this study; links between corruption, legitimacy, and stability; and the potential for anti-corruption initiatives within fragile states. Four key points should be stressed. First, the definitions of most concepts are still contested. As Harrison (2007) argues in her study of corruption, their meaning should be understood by how individuals actually interpret them. Our study accordingly focuses on exploring how stakeholders understand key topics and concepts of concern in relation to corruption, rather than assuming a specific definition in advance.

Second, to understand the connections between corruption, legitimacy, and stability, both elites' and citizens' views are important. Both elites and citizens can participate in corruption that undermines the legitimacy and stability of the state. While many academics and policy makers focus on citizens' relationship to the state, in fragile situations in particular, it is most often elites who determine the patterns of corruption, legitimacy, and stability. This study therefore focuses on elite views. But it also places those views in the context of citizen perceptions, since the interaction between the two is an essential factor affecting legitimacy and stability.

Third, the literature on the impacts of corruption on legitimacy and stability is not conclusive. Some scholars suggest the impact is consistently negative, while others suggest that it may be positive. This study tests these claims. Legitimacy is multidimensional, so the research considers the relationship between corruption and different dimensions of legitimacy, and the perceived threat to state stability.

Finally, little is known about the effectiveness of anti-corruption initiatives in fragile situations. In particular, there is scant guidance on how donors can support anti-corruption initiatives in a way that does no harm. There is a growing literature concerned about possible negative effects of anti-corruption initiatives in developing countries. In light of this, the present research also examines the apparent and perceived effectiveness of anti-corruption initiatives in fragile situations. The aim is to provide donors with policy options that may both reduce corruption and avoid unintended harmful consequences in these settings.

3. Methodology

This chapter provides an overview of the methodology employed by this study. It presents the research question, the selection of countries, the approaches for collection of primary and secondary data, and, finally, the limitations of the study.

3.1 Research question

The study addressed a central research question: What forms of corruption pose the greatest risk to state legitimacy and stability, and what does this mean for prioritising action on corruption in fragile states? The study also examines how anti-corruption initiatives affect political legitimacy and stability in fragile situations, and the implications of this.

Thus the study aims to add to knowledge of corruption risks in states in fragile situations, as well as to examine the effectiveness of anti-corruption initiatives and provide recommendations for donor action. It should be understood as exploratory and as an contribution to the larger discussion on how democratic regimes overcome crisis and evolve into stable political systems.

3.2 Case selection

This study focuses on three post-conflict states: Liberia, Nepal, and Colombia. These countries provide distinctly different contexts of state fragility. This is useful for understanding the different links between corruption, legitimacy, and stability that donors and other policy makers may face. The study examines one fragile state (Liberia), one borderline fragile state (Nepal), and one relatively resilient state with elements of fragility at the sub-national level (Colombia).⁸

What these countries have in common is that they are all moving out of violent conflict but are not now in active nationwide conflict. The selection criteria ruled out states that have not experienced conflict recently, as well as those where conflict is still widespread, such as Afghanistan and Iraq. Also among the criteria was the presence of active civil society organisations, allowing researchers to examine how potential countervailing forces may possibly check corruption. Despite the commonalities, however, each of the three countries selected has a different landscape of capacity, legitimacy, and state-society relations.

3.3 Primary data

Drawing mainly on qualitative survey evidence from Liberia, Nepal, and Colombia, the research team collected data on the views of elites in fragile situations, which are not often studied. Respondents include political leaders, lawmakers, government officials, intellectuals, and others who influence decision making at the national or sub-national level. As already noted, their views matter greatly because elites by definition wield a disproportionate amount of political and economic power. *Their actions and decisions, taken on the basis of their perceptions of the state, can quickly lead to turmoil.* Elites have the means to instigate coups, foster popular uprisings, or even wage open warfare against

⁸ Harmonized List of Fragile Situations FY 2011 (see note 1 above). According to the table, countries in “fragile situations” have a harmonized average CPIA (Country Policy and Institutional Assessment) rating of 3.2 or less, or the recent presence of a UN or regional peacekeeping force. The CPIA rating for Liberia is 2.825 and for Nepal, 3.300.

(or for) government forces. When elites view the state as illegitimate, they are more likely than ordinary citizens to have the means to undermine it.

The study obtained a total of 255 *responses* from two complementary groups. First, across the three countries, interviews were conducted with 196 *key experts at the national and sub-national levels*. The number of interviews completed in Liberia was 66, in Nepal 66, and in Colombia 64. These were obtained by purposively targeting 20 to 25 key experts at the national level in each country, and 20 to 25 at each of two sub-national locations in each country. Respondents included representatives from government, academic and religious institutions, local and international NGOs, the private sector, grassroots groups, multilateral and bilateral organisations, and other relevant organisations. Organisations and individuals were identified for interviews through a scan of the country-specific literature, a scan of the past year's media reports, and consultations with the local researcher partner, existing Tiri/U4 contacts, and in the case of Colombia, an advisory committee.

Second, interviews were conducted with a total of 59 *national legislators*. Researchers administered the questionnaire to 25 national legislators in Nepal, 25 in Liberia, and 9 in Colombia.⁹ While other research has surveyed public opinion, and Transparency International's Global Corruption Index, Global Integrity's Country Reports, and Crisis Group International all consult key experts, there have been few qualitative surveys of legislators in the countries under study. This study is the first to interview legislators in fragile situations specifically on the topic of corruption. It assumes that they are relevant policy makers whose views and interests will influence, or pose obstacles to, anti-corruption interventions if such initiatives require legislative reform. Furthermore, in many developing countries, legislators who serve as ministers of finance, treasury, planning, health, and other sectors are influential in determining resource allocations, setting sectoral policies, designing the country's poverty reduction strategy, and directing the bureaucracy.

Data collection and tools

Primary research was conducted in each country by a research team consisting of one international researcher and one lead national researcher supported by other national researchers. Each team collected evidence on the relationship between corruption, legitimacy, and stability, as well as on the risks and unintended consequences of anti-corruption initiatives. The teams collected data at both the national and sub-national levels, with research conducted in capital cities and two separate rural administrative areas in each country.

A semi-structured interview guide was designed to pose key questions for the research (see appendix 1). The instrument was flexible and allowed researchers to probe respondents to elaborate on their answers. Questions focused on priorities for policy makers and lawmakers, changes in legitimacy and stability of the state, and the relationship between corruption, stability, and legitimacy. Respondents also evaluated typologies of corruption in terms of their potential to strengthen or undermine legitimacy and stability.

Each researcher used the same semi-structured interview guide, following standard research protocols that the lead researcher reviewed with each team. The tool was designed collaboratively by the international and national researchers. The project advisory board offered comments on the guide, and it was contextualised by each country team before field use. The questions were designed to enhance

⁹ Despite intensive and persistent efforts of the Colombian research team and the support of the national advisory committee, it was not possible to secure more interviews with national parliamentarians in the time available.

validity of the data by including cross-checks within the interview. Data were also triangulated by comparing responses from different interviewees in a given country.

Typologies of corruption

Because corruption is a broad and contested concept, it is important to specify the types of corruption being studied. Many argue that corruption is a fluid concept that is difficult to define adequately (Hindess 2005; Klitgaard 1991). Asking people what they think about corruption without further specifying the meaning is problematic, as one person's understanding of what corruption is may differ from another's. Using the term corruption in cross-cultural research studies has been found to cause confusion among respondents and researchers (Savage et al. 2007), thus potentially distorting research findings. One way to be more precise in talking with people about corruption is to provide scenarios or statements that represent different typologies of corruption. This approach has been used by a number of researchers to better understand perceptions both among citizens and elites (ICAC 1994; Jackson and Smith 1996). In addition to enhancing clarity, such specification can help identify specific areas where anti-corruption efforts may be more effective.

The literature points to three different types of corruption that have the potential to undermine state legitimacy and political stability. Patronage-related corruption is important because of its contested effect on legitimacy and stability, which can arguably be both negative and positive (see discussion in section 2.2). OECD (2010) research suggests that in some cases it can contribute to legitimacy and stability. Corruption during elections has been found to have a negative effect on legitimacy and stability in a range of countries (Standish 1999, 2006). Research also indicates that people's experiences with administrative bribery are associated with lower levels of legitimacy (Booth and Seligson 2009) across five of the six dimensions of legitimacy (except for national community).

Therefore, the research tools included scenarios related to patronage, electoral corruption, and small-scale bribery (see table 1). The first of these, patronage-related corruption, was further broken down into four distinct scenarios or types, based on Johnston's (2010) typology: (1) Official Mogul corruption (very harmful to development); (2) Oligarch & Clan corruption (seen by Johnston as the most harmful to development); (3) broad-based Elite Cartels (harmful but acceptable to Johnston as an interim stage); and (4) the Influence Market (found in industrialised democracies). While Johnston argues that the worst forms of corruption are harmful to *development*, our research sought to find out whether they contribute to *political instability*. For example, they could do this by provoking economic collapse or extreme insecurity. We also included one scenario for each of the two other types of corruption. Taken together, these scenarios act as a proxy for the term "corruption."

With regard to patronage-related corruption (scenarios 1–4), it should be noted that the patronage systems do not constitute corruption in and of themselves. Rather, they are forms of social, political, and economic organisation that often facilitate corrupt practices. This study did not set out to isolate the risks of specific corrupt practices in patronage systems, which can include small- and large-scale bribery, position buying and selling, favouritism in appointments, procurement kickback schemes, collusion, cartels with monopolistic or oligopolistic powers, money laundering, fraud, extortion, and more.

Each respondent was asked to evaluate how each of the six scenarios would affect stability in his or her country. Responses from the three countries show how different types of corruption are seen to augment or undermine stability in different political contexts.

TABLE 1: TYPOLOGY OF CORRUPTION

TYPE OF CORRUPTION	SCENARIO PRESENTED TO INTERVIEWEES
1. Patronage (Official Mogul)	A small number of powerful actors and their personal friends, networks, or family members cooperate together to use state power however they want. They intervene in the economy, and use foreign aid and investment for their personal benefit.
2. Patronage (Oligarch & Clan)	A small number of powerful actors and their personal friends, networks, or family members compete with each other to use state power. They intervene in the economy, and use foreign aid and investment for their personal benefit. At times they use violence to take as much as possible, as quickly as they can.
3. Patronage (Elite Cartel)	A high-level broad-based network of politicians, party leaders, bureaucrats, media owners, military officers and businesspeople share (spoils, benefits) among each other. The network binds together and resists pressure from political and economic competitors. Critics are bought off, but not killed.
4. Patronage (Interest Market)	Economic actors, for example businesses, want state institutions to make specific decisions or provide certain outcomes. The actors sometimes buy or rent influence directly through large bribes, and at other times they go through politicians and parties to get what they want.
5. Illicit election campaign contributions	In a national elections campaign, private actors donate large sums of money to support their candidates or parties, in excess of the amount legally allowed. Politicians may contribute large sums as well. The contributions are seen as an investment to be repaid.
6. Petty bribery	Every day, citizens pay small bribes to government officials to get public services that should be free. For example, one day they pay for a baby to be delivered, and the next day they pay to get a driver's license.

3.4 Secondary data

In addition to the review of relevant literature, which was presented in chapter 2, we also examined available secondary data on citizens' views of legitimacy and stability in the three countries. To the extent possible, we attempted to determine how experience with corruption relates to these views (or not). While the views of citizens may not be as influential as those of elites, they are clearly a factor in stability as well as, of course, in legitimacy.

Reports and studies conducted within each of the countries were consulted. Existing data on public opinion were also collected and analysed. However, less emphasis was put on public opinion survey

data because of the study's explicit focus on elite views, time considerations, and the fact that existing public opinion data do not directly address our specific research questions.

For Liberia, the following sources of secondary data were examined: an Afrobarometer survey conducted in 2008, a USAID-funded survey in 2009 on urban youth perspectives, a 2010 survey on Liberian voting preferences, a Gallup Poll conducted in 2007, and a 2008 survey on perceptions of corruption.¹⁰ For Nepal, relevant surveys included the State of Democracy in Nepal, Waves I and II (2004 and 2007); the Rolling Public Opinion Poll, Waves I and II (2010 and 2011); and the Nepal Contemporary Political Situation surveys (2005–2008).¹¹ For Colombia, the study utilises data from Latinobarómetro (2009 and 2010) and the 2010 AmericasBarometer (LAPOP 2011).¹² The AmericasBarometer data allow us to examine the relationship between experience with corruption, legitimacy, and stability.

3.5 Limitations

This study has three key limitations. First, it focused on “states in fragile situations” that were not experiencing widespread conflict and insecurity. Because research was not carried out in the midst of political turmoil, or in any currently failed or collapsed states (in part due to security considerations), *the most extreme level of instability was not directly observed by respondents*. This means, for example, that the study does not provide direct evidence on elite perceptions at the time of a popular uprising.¹³

Second, as the study is based on current views of elites, it cannot provide an account of the actual situation of corruption. It is not designed to measure the incidence or scale of different types of corruption in fragile situations. Nor does it provide a quantitative measurement that would allow us to definitively say that one type poses a greater risk to instability than another. The findings and recommendations in the following chapters are based primarily on interviews with elites, supplemented by secondary data on the views of citizens.

Finally, this study is an initial foray into a vast research area replete with conceptual and methodological challenges. Elite views offer one perspective on state stability and legitimacy, but many questions remain. In this context, and given limitations of time and resources for follow-up work, any conclusions are inevitably preliminary and exploratory.

¹⁰ Afrobarometer (2008, 2009); Walker, Millar Wood, and Allemano (2009); Batty (2011); Rheault (2008); Search for Common Ground (2008).

¹¹ Interdisciplinary Analysts, a research firm in Kathmandu, carried out the Rolling Public Opinion Polls and Nepal Contemporary Political Situation Surveys. There was also a 2011 Constituent Assembly survey and a DFID-funded Nationwide Survey on Drivers of Legitimacy (2007), which we are trying to obtain.

¹² See <http://www.latinobarometro.org> for Latinobarómetro and <http://www.vanderbilt.edu/lapop/> for AmericasBarometer.

¹³ On how retrospective survey data are affected by measurement errors, see, for example, Bound, Brown, and Mathiowetz (2001). The task is more difficult with a longer recall period or less salient event, and socially undesirable events go unreported.

Part II: Research Findings

This part of the report presents and discusses the research findings. Chapter 4 contextualises corruption in Liberia, Nepal, and Colombia and summarises the available public opinion data relevant to this study. Chapter 5 gives the views of experts and policy makers on key policy issues and on stability and legitimacy in each country. Chapter 6 describes respondents' views on the risks of different forms of corruption to political systems and on the conditions under which legitimacy or illegitimacy affects political stability or instability. Finally, chapter 7 considers how anti-corruption is perceived to affect political legitimacy and stability in fragile situations.

4. Country Context: Political Background and Citizen Views of Corruption, Legitimacy, and Stability

This chapter provides important analytical context for the information from elite interviews to be presented in the following chapters. It discusses the context of corruption, legitimacy, and stability in Liberia, Nepal, and Colombia, based on a literature review of secondary data (see also appendix 3 for overviews of government and economy in each country). It presents a snapshot of the political history of each country, including the peace settlements in Liberia and Nepal and the demobilisation agreement in Colombia; highlights the main problems of corruption and patronage; and provides a brief overview of recent measures to address corruption. It also draws on a variety of recent surveys that have been conducted in the countries to gauge citizen views on a range of social, political, and economic issues, including legitimacy of and trust in public institutions.

4.1 Liberia

Brief country context

From the 1980s until the early 2000s, the Liberian state operated under a highly patrimonial system of governance (Bøås 2001). It involved a “shadow state” system that was organised and centred on rulers' control over resources, with potential rival elites co-opted through largesse (Reno 1999). The system had its roots in Samuel Doe's regime in the 1980s, but it was intensified by his successor Charles Taylor, who dispensed with most of the formal bureaucracy and ruled the country through different forms of coercion. Important to the Liberian shadow state were links to foreign firms, who provided the Taylor government with weapons and money in exchange for rubber, timber, and mining contracts. This allowed the Taylor government to rule almost exclusively through non-bureaucratic elite networks while showing little or no regard for “conventional institutional notions of state power based upon maximising power through expanded bureaucratic capacity and administrative autonomy” (Reno 1995b).

The role of the Liberian timber industry perhaps best exemplifies the Liberian patrimonial state. Investment from foreign timber firms secured an informal, clandestine economy that prospered and became predominant after the collapse of Liberia's infrastructure and formal economy. From next to nothing in 1980, Liberia's timber industry expanded to account for 50 per cent of national export earnings by 1999 (Sayndee 2008; Hiemstra-van der Horst, Munro, and Batterbury 2011). The Liberian Forest Development Authority's members included Taylor's brother and international timber merchants operating concessions within the country. In 2000 Taylor passed the Strategic Commodities Act, which gave the president the sole power to negotiate all commercial timber contracts (Aning

2003). The harvesting of the country's timber became so linked with country's civil war that it was dubbed "conflict timber," and the belated placing of UN sanctions on Liberian timber exports in 2003 is widely seen as a key factor in bringing the civil war to an end (McAlpine, O'Donohue, and Pierson 2006).

The 2003 Accra Comprehensive Peace Agreement brought together the areas of Liberia that were run by different warlords during the conflict. A National Transitional Government of Liberia (NTGL) was charged with ensuring some level of accountability, especially for crimes against humanity, and with determining, through a Truth and Reconciliation Commission, who would receive amnesty. There was a struggle within the NTGL to balance the scales between accountability and peace. Demands from warlords for large sums of money had to be satisfied to placate them and their followers. Liberia secured peace by deferring accountability for the excesses of war.

Corruption and mitigating strategies

In the aftermath of the war, there was rampant state looting; initial anti-corruption efforts focused on protecting the state from further plunder. UN peacekeepers were posted to physically protect national assets, and the international community took a "trusteeship" approach. Since then, an anti-corruption drive has implemented needed reforms. Indeed, Liberia is one of a very few low-income countries to have shown sustained progress on international corruption indexes.¹⁴ This is attributable to the progress made during the early years following the war, but future progress and prospects remain in doubt. As President Ellen Johnson Sirleaf admitted in March 2011,¹⁵ her original estimate of the menace was understated.

Corruption in the public sector in Liberia generates rents that are distributed and redistributed through informal means, including scholarships for students; donations to constituents, churches, or organisations; direct transfer payments; community projects, social entertainment, and festivities; and vote buying. Redistribution takes place through investments that provide employment opportunities, and through assistance to vulnerable people who are likely to be associated with the owner or distributor of rents.

Three important preventive anti-corruption measures were put in place under the National Transitional Government. The first was the passage of the General Auditing Commission Act, which mandated the auditor general to report to the legislature, rather than to the president, and increased the security of the auditor general's tenure. The second initiative, the Public Procurement and Concession Commission Act, established the rules, procedures, and obligations of public procurement, as well as the process for granting concessions to investors. This was strengthened by a Contracts and Concessions Review of all 109 agreements signed by the NTGL between 2003 and 2005, including those with Mittal Steel and Firestone. The third initiative was the adoption of the Governance and Economic Management Assistance Program (GEMAP) in September 2005 (see box 1).

Following a spirited civil society campaign, Liberia signed the UN Convention against Corruption (UNCAC) in 2005 and ratified it in 2006.¹⁶ Lobbying by civil society also contributed to passage of the Liberia Anti-Corruption Agency Act, establishing the Liberia Anti-Corruption Commission. But the birth of the Commission and the nomination of its commissioner were overshadowed by controversy. The first controversy related to the kind of powers the Commission could have and the

¹⁴ For example, the Global Integrity Report: 2011 at <http://www.globalintegrity.org/report>

¹⁵ http://www.emansion.gov.lr/press.php?news_id=1852

¹⁶ On civil society in Liberia, see Pajibo (2007) and Agenda/Civicus (2010).

limits on the period in which it could investigate corruption. With regard to the latter, lawmakers opted for an agency that could only investigate cases occurring after the act was created, regardless of whether there was sound evidence of prior corruption. On the issue of powers, after heated arguments during the public debate in the National Legislature, the Commission was not given arrest, subpoena, or prosecution powers. Instead, it must submit cases to be prosecuted through the Ministry of Justice.¹⁷

BOX 1: LIBERIA'S GOVERNANCE AND ECONOMIC MANAGEMENT ASSISTANCE PROGRAM (GEMAP)

GEMAP was a programme for management of economic resources in Liberia. Internationally recruited experts paid by donors were assigned to Liberia's key revenue-generating agencies and the Ministry of Finance. These experts had co-signatory powers (i.e., their signature, along with that of the relevant Liberian official, was required to approve most expenditures). For example, in the Finance Ministry there was a co-signatory individual placed on the Cash Management Committee. The programme had some successes, but much depended on political leaders, on the willingness of the respective ministries and agencies to work with the experts, and on the type and level of leverage of the international community.

After a donor meeting in Copenhagen in May 2005, and with increasing civil society pressure to correct the government's financial mismanagement, the transitional government accepted GEMAP in September 2005. President Johnson Sirleaf did not support it during her election campaign in 2005, but she embraced it when she assumed office in 2006.

GEMAP faced challenges, including the issue of the accountability of the internationally recruited experts, as well as capacity and sustainability challenges with the organisations being supported. However, together with a more robust approach to economic governance in Liberia during the Johnson Sirleaf administration, GEMAP can rightly claim a significant number of successes, including enabling Liberia to qualify for debt relief under the Heavily Indebted Poor Countries (HIPC) initiative.

GEMAP's biggest success has been the rebuilding and strengthening of the General Auditing Commission and the recruitment of a Liberian auditor general, paid for by one of the contributing partners (the European Union). Under GEMAP, the public budgeting and cash management process was improved, and revenue sources were correctly booked and remitted to the central budget. Transparency in financial management and operations of several state-owned institutions were greatly improved. Support was provided to the General Auditing Commission, the Government Services Agency, the Ministry of Finance, and the Bureau of the Budget.

Civil society organisations also worked with the Governance Reform Commission to shape the drafting of a White Paper Against Corruption and the act establishing the Governance Commission (Agenda/Civicus 2010: 30). Civil society advocacy led the way for a team from the Economic Community of West African States (ECOWAS) to investigate allegations of corruption against the transitional government (Agenda/Civicus 2010: 30). The team's findings served as a basis for prosecution against the chairman of the Transitional Government and other officials in 2006. Since

¹⁷ Since the Commission was enacted in 2009, it has received 50 cases. It has forwarded seven cases to the Ministry of Justice: two in 2009, two in 2010, and three in 2011. Of the cases sent to the Ministry of Justice, one ended in mistrial and is scheduled for retrial. The remaining six are pending, and it is unclear whether they are going to be prosecuted or not. Aside from delays in prosecution of cases forwarded to the Ministry of Justice, there is also delay in implementing the recommendations from the Commission. The Commission lacks adequate staffing for investigation, has a very low budget, is unable to establish a witness protection programme for whistleblowers, and lacks in-house lawyers to prepare necessary documents and guide investigators in their work. Because it has no budgetary allocation for prosecutions, it mainly works by naming and shaming, which has been somewhat effective.

then, civil society's work has also had a positive influence on the Governance Reform Commission, resulting in enactment of a public code of conduct and establishment of the anti-corruption agency. As a result of such engagement, civil society organisations are now more widely included in government processes, commissions, boards of inquiry, and panels of investigation.

Public opinion on legitimacy of and trust in public institutions

Political actors appear to be perceived by the Liberian public as doing a reasonable job. This is particularly due to the leadership of President Johnson Sirleaf, who in her first term enjoyed more public support than her party. In the Afrobarometer poll, 24 per cent of respondents said they trusted the ruling party "a lot" (17 per cent said "somewhat"), while 44 per cent said that they trusted Johnson Sirleaf "a lot" (14 per cent said "somewhat"). Nevertheless, a survey by Search for Common Ground showed discrepancies between regions. In Tubmanburg, Johnson Sirleaf's home area, 90 per cent of respondents rated the government as doing a good job fighting corruption, while in Zwedru, an area of strong opposition to the current ruling political party, only 20 per cent of respondents responded positively (SFCG 2008).

In terms of corruption, different surveys report a broad range of positive and negative perceptions (Agenda/Civicus 2010). A list of major concerns expressed by respondents to the Afrobarometer survey is particularly revealing, since it shows that the public regards corruption as a low priority for the government to tackle. This is in contrast to the president's rhetoric, in which she has described corruption as "public enemy number one." Such rhetoric seems to be aimed more at the donor community, which accords corruption high priority, than at the Liberian public (Dunn 2010; Bertelsmann Stiftung 2009).

The existence of GEMAP complicates these perceptions. As discussed above, GEMAP is intended to prevent large-scale governmental corruption. However, some view it as an infringement of Liberia's sovereignty (Bøås 2009). This has blurred the distinction between the roles of the government and external political actors (Bøås and Stig 2010). Furthermore, the presence of the United Nations Mission in Liberia (UNMIL), which holds potential political opponents at bay, has contributed significantly to the current government's capacity to govern effectively (Bertelsmann Stiftung 2009). When the international peacekeeping force departs, there will be additional challenges for the Liberian government (see appendix 2).

The rebuilding of support for political institutions is perhaps the greatest challenge facing Liberia. Reisinger (2009) has observed that "Liberia can be considered a polity where formal state structures exist alongside powerful informal networks and institutions and where certain basic governance functions are executed by the international community."

In the Afrobarometer survey, more than half of respondents had a negative perception of the House of Representatives, and a further 70 per cent had little or no trust in opposition parties, which make up a majority of the Senate and the House of Representatives (Afrobarometer 2008). This distrust may have to do with the fact the National Assembly is largely made up of former leaders of different factions that warred with other during the country's conflict.¹⁸

¹⁸ The political participation of these former warlords and their patronage networks may be a necessary short-term trade-off for the establishment of long-term social and economic stability. This is because they offer the state instruments through which to co-opt non-state local authority structures (Reno 2008).

The political institution that causes the most public concern in Liberia is its judiciary. Less than half of citizens surveyed reported any faith in the operation of the country's legal system (SFCG 2008; Afrobarometer 2008; Rheault 2008). Furthermore, Liberians nearly universally regard the formal justice system as falling appallingly short of their expectations in terms of affordability, accessibility, and timeliness (Isser, Lubkemann, and N'Tow 2009). These issues may be due in part to the "brain drain" that occurred during the war, when many legal practitioners left the country; others have opted for private practice (CDD-Ghana 2007).

The efficacy of state institutions at the local level is also very limited, with ill-trained officials, low incentives, and limited infrastructure (Bertelsmann Stiftung 2009). More than half of respondents to the Afrobarometer survey had a negative attitude towards their local government, citing poor performance and failure to allow local participation in decision making (Afrobarometer 2008). The 2008 Liberian local and mayoral elections were cancelled because of financial constraints. These positions instead are to be temporarily appointed by the president with legislative consent. This situation perhaps further supports Reno's argument that the existing patrimonial networks of the former warlords in the House of Representatives are important to help co-opt local non-state authorities in the short term.

In terms of support for democratic principles, evidence from Liberia suggests that after more than 150 years of different forms of authoritarian rule, most Liberians now feel that they are living in a democratic, free society. Furthermore, the 2005 federal elections, despite having been constrained in terms of time and capacity, were generally perceived to be a success. In the Afrobarometer and Gallup surveys, 71 per cent and 68 per cent of respondents respectively perceived the elections to be fair and free (Afrobarometer 2008; Rheault 2008). Respondents were also generally happy with the outcome of the elections: 62 per cent described Liberia as a democracy or a democracy with minor problems, while 50 per cent were at least fairly satisfied with how the democracy was operating (Afrobarometer 2008, 2009).

The only survey to indicate significant concern focused on urban Liberian youth, with 66 per cent of respondents feeling that the government cared for them only a little or not at all (Walker, Millar Wood, and Allemano 2009). Thus, while there is evidence of widespread support for the regime's core principles, some work needs to be done in reengaging youth in the political process. This is particularly important when one considers that widespread disillusionment (and political disengagement) of the country's youth was a major factor in fuelling the country's civil war (Utas 2003).

4.2 Nepal

Brief country context

Nepal's current political situation is marked by ongoing instability and uncertainty. The country is experiencing a number of simultaneous political transitions, from an active monarchy to a democratic republic; from a unitary to federal structure; from a Hindu state to a secular state; from a "one-language, one-culture" policy to a multicultural, multiethnic, and multilingual policy; and from a first-past-the-post electoral system to an inclusive, mixed electoral system (Dix 2011). Frequent changes in government have led to frequent policy changes and reshuffling of ministers and bureaucrats in key positions, making policy formation unpredictable. Economic development, poverty alleviation, and service delivery are overshadowed by political crisis.

This situation has its roots in the April Movement of 2006. The April Movement followed a Maoist insurgency in 1996, two royal takeovers, and nearly a decade of violent conflict between Maoists and the Nepalese Army. In November 2005, the Maoists and the seven existing parliamentary parties

signed an accord in New Delhi by which they agreed to come together to form a movement against the autocratic monarchy. This led to the successful overthrow of the monarchy, but high public expectations for democracy following the April Movement have not been met or managed well by the government. The Constituent Assembly has made slow progress on the new Constitution, adding to the political uncertainty (Interdisciplinary Analysts 2011).

The country's diverse ethnicities, castes, and language groups have made it difficult to achieve political consensus among the Maoists, traditional parties, and new parties that are mainly regionally and ethnically based (in the Inner Terai and Madhesh regions) (Hachhethu 2007). Political uncertainty has allowed corruption to flourish and has contributed to disorder and lawlessness across the country. Localised regional, religious, ethnic, caste, and language-based conflicts in different parts of the country have given rise to armed and criminal groups. These groups, which are distinct from those that fought in the earlier armed conflict, are often protected by the political parties. Due to physical insecurity, local officials in the provinces are resigning from their jobs, which has had the effect of reducing state presence in areas like the Terai region.

Corruption and mitigating strategies

Available indicators suggest that corruption in the public sector has been increasing since Nepal's break with feudalism in the 1960s. The initial land reform coincided with the advent of foreign aid and Nepal's engagement in the international economy. Prior to this, there was no provision of public services. Since then, the national budget and the bureaucracy have grown, and with them, the scale and incidence of public corruption. In recent years, conflict and post-conflict insecurity have triggered extortion and forced "donations," as well as capture of procurement and public construction works using physical threats from armed groups. The illicit rents available to political actors, and obligations to personal networks, provide strong incentives to participate in corruption in Nepal. Furthermore, the costs of engaging in corruption are minimal in that the risk of being punished is low. This is because actors who benefit from the status quo effectively block any challenges to the system of sharing spoils. Moreover, oversight agencies are weak, in part because it is in the interest of those in power for them to remain so (Dix 2011).

The Ministry of Finance has recently implemented a number of initiatives that have enhanced transparency and accountability in Nepal. Examples of success cited by interviewees include e-bidding for road construction contracts and reform of the customs department to increase revenues. The finance minister under the Maoist prime minister (2008–2009) introduced tax reforms that increased government tax revenue by 33 per cent. Greater and more diverse tax revenues require the government to bargain with citizens, enhancing accountability as well as citizen participation in governance. In contrast, unearned income from natural resources or aid reduces the government's interest in promoting economic growth, providing incentives for business, and delivering goods and services.

Nepal's parliament has passed a number of anti-corruption laws in the past decade, as well as a 2009 national anti-corruption strategy. The anti-corruption laws are quite comprehensive, including a number of measures to prevent corruption and increase transparency and accountability.¹⁹ However, their implementation has been slow and ineffective in recent years. Anti-corruption agencies include the Commission for the Investigation of Abuse of Authority (CIAA), the National Vigilance Centre

¹⁹ These include the Commission for the Investigation of Abuse of Authority Act (1991), Revenue Leakage (Investigation and Control) Act (1995), Prevention of Corruption Act (2002), Special Court Act (2002), Impeachment (Procedural Regulations) Act (2002), Army Act (2007), and Money Laundering and Prevention Act (2008).

(NVC), and the Special Court (for hearing corruption related cases), but they have been constrained by their limited institutional capacity to discharge their functions effectively. At the sub-national level, the delegation of authority of the CIAA to district officers and regional administrators has been ineffective, limiting rural citizens' access to complaint mechanisms.

Multilateral and bilateral donor agencies have been involved in supporting good governance and anti-corruption activities in Nepal over the past decade. In 2002, the Nepal Aid Group meeting in London prompted the government's push for a new anti-corruption law. In light of the country's financial crisis in early 2000, donors wanted to reduce fiduciary risks related to budgetary support. The law created the above-mentioned anti-corruption institutions – NVC and the Special Court – and increased the power of the CIAA. This resulted in a dramatic increase in corruption complaints for a few years and raised the number of CIAA prosecutions. Since 2007, however, the CIAA's activity level and effectiveness have declined significantly (Dix 2011: 18–23). The parliament unanimously ratified the UNCAC in 2011.

Public opinion on legitimacy of and trust in public institutions

In the current political context, it is not surprising that the performance of political actors in Nepal was assessed as poor in the Rolling Public Opinion Poll. The percentage of respondents who rate their Constituent Assembly (CA) representatives as performing well is low, at 10 per cent in 2010 and 9 per cent in 2011. Those with negative views say that the representatives do not deliver, do not fulfil public expectations, and have been unable to bring about development or promulgate the constitution on time. Interestingly, when respondents were asked what should be done if the CA were not able to formulate a new constitution by the May 2011 deadline, 21 per cent said “the people should revolt and capture the state” – the most frequent response apart from the 34 per cent who responded “don't know.” Another 18 per cent (41 per cent in Far Western region) favoured dissolution of the CA and new elections; 8 per cent favoured extension of the CA; 5 per cent would revive the 1990 constitution; and 4 per cent would dissolve the CA and hand over constitution writing to experts.

Democratisation has made people more aware of the negative impacts of *exclusion*, and it appears that their demands in this regard have prompted the government to respond. While the situation is by no means rosy, there is a growing perception that the conditions of excluded people are improving.²⁰ Madheshi and Dalit respondents prioritised economic development over peace and reconciliation in the 2007 survey. Only 6 per cent of elites in the survey of parliamentarians believed the April 2006 events would bring about economic development.

When asked in the State of Democracy survey, Wave II (2007) about what weaknesses in the central government concern them, 21 per cent say that the government has not controlled prices, 18 per cent that it is unable to complete the formulation of a constitution, 17 per cent that it is unable to undertake development activities, 13 per cent that it has not made daily life normal, and 12 per cent that it has not fulfilled basic needs; 26 per cent say they do not know. *Corruption is the lowest ranked concern*, although it is interesting to note that it is a greater concern in the currently conflicted Terai region than in the Hill or Mountain regions. On a similar question in the 2011 Rolling Public Opinion Poll, corruption is also the lowest ranked concern in each region, but a greater concern in Terai (14 per cent) than in the Hill (8 per cent) or Mountain (4 per cent) regions.

²⁰ Those holding this view increased from 35 per cent in 2004 to 55 per cent in 2007. However, in the Rolling Public Opinion Poll, 23 per cent in the first wave (2010) and 25 per cent in the second wave (2011) said poverty had gone up.

BOX 2: CIVIL SOCIETY EFFECTING CHANGE IN NEPAL'S POLITICAL SYSTEM

Civil society has flourished in Nepal since the institution of a democratic regime in the 1990s. There are approximately 45,000 registered NGOs in Nepal. Many of these are active in service delivery, but they are weakly linked to the state. Some organisations, however, have been engaging with government to advocate on behalf of marginalised groups, trying to make the allocation of resources more equitable and less based on patronage.

On the other hand, government and individual political actors in Nepal rely on patronage as a source of legitimacy to maintain power. Rather than securing the support they need through the systematic institutionalisation of the state in society, they use state resources to offer material rewards in return for political support. Although alternative sources of legitimacy, such as elections, are available, there must be an incentive to turn to these.

Such an incentive has been provided by the ethnic movements since 2006, which include the non-violent Madhes, Tharu, Limbuwan, and Khambuwan movements. They have succeeded in gaining not only voice but some important concessions from the political parties. For example, after violent protests in the Terai area in 2007, federalism was included in the interim constitution as a binding principle for the Constituent Assembly (International Crisis Group 2011).

Although the ethnic movements in Nepal do not work directly to reduce corruption, they seek to influence those who control resource allocation. While they are not able to gain many seats in parliament, they have enough strength to influence those who do. As these civil society groups get more power, politicians are pressured to meet their needs, even when the ethnic group members are not members of the politician's patronage network.

This points to the potential for civil society to act as a countervailing force to give politicians and bureaucrats the incentive to allocate resources more fairly than is done through patronage. These actors could be encouraged to come together to participate in the evolving political settlement. Already, they have organised and raised concerns over inclusion and rights in the proposed new federal structure, and have successfully influenced legal structures and policies.

Democratic institutions receive a moderate amount of trust in Nepal. In the Rolling Public Opinion Poll, Wave II (2011), respondents rated the Electoral Commission and the Nepali Army highly in relation to other institutions (5.8 and 5.9, respectively, on a 0 to 10 scale). The judiciary and police also rated positively (5.4). The civil service rated as neither low trust nor high trust (5.0); the Constituent Assembly was on the low side (4.9), followed by the Cabinet (4.0) and the Maoists and their army (3.6). Political parties in general (3.6) are blamed for the current political deadlock and so are less trusted. A survey of parliamentarians, in comparison, showed that MPs have higher levels of trust in these same institutions: 30 percentage points higher for political parties (87 per cent versus 57 per cent), 15 points higher for the electoral commission, 11 to 12 points higher for the police and government, 7 points higher for civil service, and 5 points higher for Maoists. There was not much difference for the courts and army.

With regard to local government in Nepal, survey evidence suggests that corruption contributes to lower legitimacy. The rolling surveys of 2010 and 2011 show that citizens' main expectation of local government is development, and their view of its performance is worsening. The percentage of respondents rating local government as "good" declined from 40 per cent in the Wave I survey to 24 per cent in Wave II. Those who have a positive impression of their local government say it is able to provide development activities (47 per cent), domestic water (21 per cent), access to education (16 per cent), and law and order (14 per cent). Among respondents who have a negative impression, 41 per cent say that the local government is unable to undertake development activities, *20 per cent that it is*

unable to control corruption, 17 per cent that it is unable to generate local employment, and 16 per cent that it is unable to maintain law and order.

Popular support for core democratic principles is increasing. Support for a republic over a monarchy grew from 15 per cent in the first State of Democracy in Nepal survey (2004) to 51 per cent in the second wave (2007). According to the survey data, more than half of those who reject monarchy want a “government ruled by the people,” and two-thirds say democracy is preferable to dictatorship; at the same time, 44 per cent do not know what democracy is and 59 per cent are not sure what the Constituent Assembly is (2007). As these figures suggest, the April 2006 uprising that restored democracy was an anti-establishment rather than a pro-democracy movement per se.²¹ Elites participated more extensively and intensively in the movement (see appendix 2), which reaffirms the importance of elites and their role in shaping political outcomes.

4.3 Colombia

Brief country context

Colombia is one of the most politically stable countries in Latin America, despite having had the longest-lasting armed conflict in the continent. Nevertheless, the existence of social discontent and inequality and the persistence of groups operating outside the law pose a challenge to the state’s long-term sustainability. Internal displacement, conflict over access to land, and pressures on available natural resources are all drivers of conflict. Hopes for resolution of the armed conflict have been raised by the demobilisation of the M-19 guerrilla group, the enactment of the Constitution of 1991, the demobilisation of paramilitary groups initiated by former President Uribe in 2003, and the apparent weakening of other guerrilla groups. Nevertheless, there is still no peace agreement between the state and guerrilla groups, and illegal armed actors are resurfacing throughout the country, posing a challenge to the current government of President Juan Manuel Santos. The existence of these groups and of other criminal groups tied to drug trafficking weakens the state, in particular at the sub-national level, as was evident in the sub-national elections in October 2011.²²

Colombia presents a complex panorama with respect to fragility, despite the relative political and institutional stability at the national level. On the one hand, the state has had the capacity to generate a degree of political consensus and authority, and the legitimacy of the state is largely uncontested. On the other hand, the Colombian state faces challenges from guerrilla and paramilitary groups, as well as from drug trafficking and other organised crime groups. All of these groups have had the capacity to control certain parts of the national territory and impose their governing mandate by illegitimate and illicit force, often using different types of corruption – vote buying, patronage, and above all the co-optation of state institutions. Nevertheless, the Uribe government had the capacity to respond militarily, and it succeeded in disbanding and controlling these groups, recovering national territory by public force and restoring the political authority of the state through demobilisation of paramilitary

²¹ Nepalese people became more politically active against the royal regime for two reasons: because the worsening security situation (armed conflict between the army and CPN-Maoists) eroded the regime’s legitimacy, and because the alliance between the CPN-Maoists and the mainstream political parties in a 12-point pact in November 2005 brought the anti-establishment forces together.

²² See, for example, the election risk maps on the Misión de Observación Electoral website, where important municipalities are identified as facing security problems that can affect the democratic process (http://www.moe.org.co/webmoe/index.php?option=com_content&view=article&id=292:moe-presenta-mapas-de-riesgo-por-anomalias-y-violencia&catid=41:top-headlines&Itemid=170).

groups. This response to the illegal actors earned the Colombian state, and in particular the Uribe government (2002–2010), great popular recognition, although the regained security has not lasted in all places.

Corruption and mitigating strategies

The available indicators show a general perception of high levels of corruption in Colombia. The World Bank estimated in 2002 that “budgetary deviations and bribes in public procurement” amount to some US\$1,760 million.²³ In addition, “traditional” corruption is being replaced by a more dangerous form of corruption, namely state capture. Capture of state institutions, in particular at the local level, is carried out in Colombia by licit economic actors as well as by illegal armed and organised crime groups to achieve economic benefits for their respective groups and to ensure impunity.

Corruption in Colombia is particularly problematic in the areas of electoral processes, at both the national and sub-national levels. Electoral norms are violated by vote buying, by promises of favours in exchange for electoral support, and by illicit campaign financing. Corruption is also problematic in regulation processes, both in the development of laws and in their operationalisation through decrees or administrative directives. Furthermore, there is the misuse of public funds, particularly in procurement of public works and services at all levels of government, especially road infrastructure and concessions, but also in the use of royalties from natural resources and in the social budget at the sub-national level. Other problem areas include the judiciary as well as oversight, control, and sanction institutions, especially the national security service (DAS), the police, control organs, and the investigation and prosecution services. There continues to be intimidation of the judiciary by rebel and paramilitary groups, particularly at the sub-national level. This, along with the fear of repercussions in an insecure environment, discourages reporting of incidents of corruption, as well as of other crimes.

President Uribe raised the issue of corruption to some extent during his tenure. However, intentions to develop a national anti-corruption strategy did not get past the technical note stage. Other efforts during his term, like the Presidential Program Against Corruption, which was led by a so-called anti-corruption czar, are considered to have been largely ineffective. The revelation of a series of high-level and large-scale corruption scandals has raised further questions as to the political will of the former government to act on observable systemic weaknesses and organised schemes of high-level abuse involving the public and private sectors as well as criminal actors.²⁴

President Santos initiated his term in 2010 by calling for “national unity” among the political parties. He has successfully mobilised majority support for a number of high-profile political projects, including the new anti-corruption law, the reform of the national royalty system, and crucial conflict-related initiatives such as laws for the restitution of land and for victims’ reparation. President Santos has made addressing corruption one of the signature issues of his government, especially in key sectors such as health, in the management of royalties from natural resources, and in large infrastructure projects. His government included the development of an anti-corruption policy in the national development plan and presented an anti-corruption bill to Congress, which was approved in

²³ Around 50 percent of public procurement contracts contain some element of bribery, with the average amounting to some 19 per cent of the contract value. A more severe situation was identified with respect to the public budget. Public officials indicated that around 11 per cent of the allocated budget would be diverted to objectives other than those originally intended (Presidential Program Against Corruption 2002).

²⁴ Over the past year and a half, former president Uribe has often been accused of allowing high-level corruption to happen and/or of not taking action against corrupt actors, including those in his closest circles.

May 2011.²⁵ The law has yet to be fully implemented, and a national consensus for the anti-corruption policy is still developing. Nonetheless, Santos has sent strong signals to the public that he is serious about fighting corruption and about recovering from the “deinstitutionalisation” of the public administration that took place under the personalised leadership of Uribe.²⁶

Impunity remains high, investigation capacity is insufficient, and sanctions have been weak, at least to date. Nevertheless, a number of congresspersons and high-level public officials have been investigated, prosecuted, and judged.²⁷ This may be attributable to new leadership of some of the main control and oversight institutions, such as the Attorney General’s Office and the Comptroller General’s Office. The current government has also started to increase inter-institutional coordination among these law enforcement agencies, with an integrated control and oversight strategy that focuses specifically on high-level corruption cases.

There have been many specific reforms to address corruption, including both explicit and implicit initiatives. Colombia has a legal and institutional framework for preventing and fighting corruption, which includes the anti-corruption law of 1995 (Law 190), as well as its implementing decree, and ratification of the anti-corruption conventions of the Organization of the American States (IACAC) and the United Nations (UNCAC). Over the past four years, the public contracting law was modified, a directorate for royalties was created in the National Planning Department, and a national monitoring system was created for state funds transferred to the sub-national level, principally in the social sector. Also, many institutions conduct annual public accountability events (“audiencias de rendición de cuentas”) to inform the public about their past year’s performance and results. Some limited progress has been made in strengthening merit-based appointment systems. One should also note civil society participation, especially in the area of social control (see box 3).

Despite these and other reforms, a number of legal gaps remain. They relate to regulation of the revolving door that allows officials to move between government and the private sector, as well as to the criminalisation of certain corrupt practices and the severity of sanctions. Key conditions for effective civil society participation, such as a comprehensive access-to-information law and a regime of guarantees, are not yet in place. Work remains to be done on an integrated national anti-corruption policy and on clarifying the roles and responsibilities of the various public institutions that have partial and sometimes overlapping mandates to address corruption. Progress in all these areas, and the success of the investigation and prosecutions underway, will both depend on and contribute to the transformation of social values in a way that changes the current culture of illegality and impunity.

²⁵ This law includes preventative as well as punitive measures, including some particularly addressed to the health sector.

²⁶ The nomination of highly regarded professionals to posts in ministries and other important government institutions, based on their technical capacities instead of on patronage and political favours, has surprised the public and drawn positive reactions even from normally critical voices.

²⁷ “Parapolitics” (the influence of paramilitary forces) affected all levels of government, although the majority of judicial investigations have, until now, focused on actors at the national rather than sub-national level. According to data from the researcher Claudia López of Corporación Nuevo Arco Iris, an NGO, in 2010 the people judicially involved in the scandal included 100 members of Congress (83 still in office and 17 former parliamentarians), 17 governors (2 in office), 47 mayors (6 in office), and 18 local counselors (6 in office).

BOX 3: CIVIL SOCIETY WATCHDOGS AND ACCOUNTABILITY IN COLOMBIA

Civil society plays an important watchdog role in Colombia. Transparencia por Colombia, the Colombian chapter of Transparency International, produces regular transparency indexes on national, regional, and municipal institutions. These public rankings allow for comparison of agencies and tracking of trends over time, and they have encouraged many institutions to attempt to improve their performance. Transparencia also advocates public policies to strengthen transparency, integrity, and accountability. Other watchdog NGOs include Corporación Excelencia por la Justicia (Excellence Corporation for Justice) and Misión de Observación Electoral (Electoral Observation Mission). At the sub-national level, an array of groups carry out anti-corruption activities and monitor government performance on corruption. They include Ciudades Como Vamos (How Cities Are Doing) projects; Veedurías Ciudadanas, citizen watchdog groups (also at national level) that monitor a wide variety of issues related to government performance, including corruption; multi-organisation committees that monitor royalties; and local citizen watchdog groups.

The ability of civil society to play an effective oversight role depends on access to information. The constitution enshrines the right to information, and citizens have specific instruments like the right to petition. However, a specific right-to-information act is still pending. Access to information is facilitated through an e-governance programme that requires agencies to post information on their websites and through regulations on the publication of procurement information. Civil society can use this information to hold government to account, for example by filing court cases or launching campaigns through the media. In fact, the media, which remain fairly independent, and investigative journalists have played a strategic role in uncovering system-wide corruption networks, thus preparing the terrain for investigations and prosecutions.

In addition to taking direct actions, civil society also serves as a *catalyst to activate formal accountability mechanisms*. In part due to civil society pressure, the auditor general's office has implemented a monitoring and evaluation mechanism for the comptroller general's systems, which allows for better oversight. The executive branch has a special programme to monitor the use of income from royalties that has detected irregularities, prevented corrupt acts, administratively sanctioned violations, and reported them to oversight agencies. The Supreme Court has acted as an important check on the executive branch through its investigations and sanctions; civil society's actions help ensure that it plays this role.

Public opinion on legitimacy of and trust in public institutions

In Colombia, the president's approval level reached as high as 75 per cent in 2010. Those who thought security was the main problem in the country were more likely to rate the president's performance positively. Public opinion polls show increasing levels of approval of the government's performance over time (Latinobarómetro 2010). Based on our analysis of the survey data, this can be related to the decline in perception of security as the main problem in Colombia. The public's assessment of the legislature's performance is high compared to other countries in the region. Despite some criticism of Congress for interfering with the president and wasting time on lengthy debate, there is a growing perception that laws passed by Congress are important.

In terms of democratic institutions, trust in the justice system and in courts at the national level is relatively high for the region, and has remained stable. Perceptions of political parties show a decline in trust, however. This can be explained at least partly by a significant increase in the perception that the parties are corrupt. The 2010 Latinobarómetro shows 33 per cent of respondents trust the

Congress, 23 per cent trust political parties, 34 per cent trust the judiciary, 58 per cent trust the armed forces, and 48 per cent trust the government. Elections are perceived to be relatively fair. In terms of experiences with vote buying, 8 per cent of respondents reported experiencing this frequently, 11 per cent rarely, and the remainder never.²⁸

Colombians show among the highest levels of satisfaction in the region when it comes to the performance of local public service providers and public officials (LAPOP 2011). Despite high levels of perceived corruption at the sub-national level, as well as low levels of institutional transparency in municipalities, mayors and local councillors enjoy levels of trust among the highest in Latin America, according to *Transparencia por Colombia*. In 2004 the level of trust in mayors was 55 per cent, and in 2009 it was still 51 per cent. However, trust in local councillors fell from 51 per cent to 41 per cent. In addition, trust in and legitimacy of regional and national authorities is significantly higher than that of municipal authorities.

Public opinion data from the 2010 AmericasBarometer (LAPOP 2011) show that Colombians strongly support the political system, which helps explain its stability. The political system indicator is divided into five sub-indicators, which show that 70 per cent of respondents have respect for the country's institutions, 66 per cent support the political system, and 60 per cent are proud to live in the current system; however, only 53 per cent believe that there is respect for basic rights in the political system, and 52 per cent believe that the justice system guarantees a fair trial. Altogether, Colombia is one of the Latin American countries with the strongest support for its political system (60 per cent). It is interesting to note that levels of support for democracy fell from 60 per cent in 1996 to 36 per cent in 2001, rising again to 60 per cent in 2010 (*Latinobarómetro* 2010). This may be related to the high levels of insecurity and lack of state control over large parts of the national territory. It is also important to note that Colombians say the most urgent problems facing the country include unemployment, the country's economic situation, and crime (*Latinobarómetro* 2009).

Overall, despite the presence of illegal armed groups, high levels of violence, human rights violations with state forces among the perpetrators,²⁹ and perceptions of worsening corruption,³⁰ legitimacy is relatively high in Colombia as compared to other countries in the region, and has remained so over time (LAPOP 2011).

4.4 Summary

This chapter has considered the context of corruption and anti-corruption initiatives in Liberia, Nepal, and Colombia. These countries are emerging from internal conflict (Liberia, Nepal) or still grappling with pockets of conflict at the sub-national level (Colombia). All three are characterised by engrained systems of patronage in society, politics, and the economy.

In Liberia, in order to achieve peace, negotiators decided it was necessary to postpone holding perpetrators responsible for the excesses of war. Former warlords still hold considerable power. Although there is no longer active conflict, greater efforts are needed to reengage disaffected youth in

²⁸ However, other ways of influencing voters' behaviour are common in Colombian elections at both the national and, in particular, sub-national levels. Undue and illicit practices include promises of certain social services in return for votes, fraudulent inscription of non-existent voters or their double inscription at different election sites, and transportation of voters by specific parties.

²⁹ The "False Positives" scandal is the most atrocious example. Elements of the Colombian armed forces killed young Colombians to receive rewards and "improve" statistics.

³⁰ Transparency International's Corruption Index scores are not intended to be compared over time because of changes in methodology and sources from year to year. However, if one takes them as a rough guide to trends, the results for Colombia from 2005 to 2011 suggest that corruption is getting worse.

the political process if peace is to be maintained. Many of the achievements of the GEMAP and other donor-led initiatives on the proper management of national resources succeeded in part because of the backing of UNMIL and willingness of the Liberian government to temporarily cede sovereignty in return for international support for stabilisation. Their future viability remains to be seen. In Nepal, peace was reached with the military defeat of the Maoists, who are now part of the political system. The political settlement is continuing to evolve through the constitution-making process, with the country experiencing a number of simultaneous political transitions. In Colombia, despite a relatively strong institutional framework and a history of democracy, recent years have seen “state capture” by new groups backed by drug traffickers. The existence of groups operating outside the law and the persistence of social discontent and inequality pose challenges to the state’s long-term sustainability.

Although corruption is a serious problem in all three countries, it has not been one of the top issues of concern for many citizens and their governments. There is greater worry about other burning issues – improving the economic and social well-being of the people, overcoming the legacy of conflict, and sustaining the viability of the political system. At the government level, only Liberia has an anti-corruption drive that is strongly supported by the state, and even here one can question whether the effort may respond more to the demands of the international community than to local demands. In Colombia, attention to anti-corruption is off and on: high-level corruption has been tolerated under some governments, while others have attempted to address it. In Nepal, the constitution-making process is in the limelight. In all cases, public opinion is less concerned about corruption than about issues like unemployment, the economic situation of the country, and, in the case of Colombia, crime.

In terms of anti-corruption initiatives, all the countries in this study have introduced a battery of institutional and legal measures to address corruption through different means. In the absence of assessments of their effectiveness, it is only possible to make a few observations. First, specialised anti-corruption institutions (commissions, courts, czars) have been subject to political interference and seem to have been rather ineffective. By contrast, initiatives with international support or cooperation seem to have brought about change. This is clearly the case of GEMAP in Liberia. The prosecution of the parapolitics scandals in Colombia involved the extradition of leading drug traffickers to the United States and would not have obtained the same results without this international cooperation. On the other hand, initiatives led or stimulated by civil society were able to strengthen, and in certain cases activate, formal accountability mechanisms. Since the war ended, there has been a significant anti-corruption drive by civil society in Liberia. In Nepal, ethnic movements have brought about change in the political system. And in Colombia, civil society not only acts as an important watchdog, but also proposes and promotes concrete initiatives to address corruption.

A further observation that can be drawn from this chapter is the importance of disaggregation when analysing information about public views and priorities. In Liberia and Nepal, citizens in different regions express quite different evaluations of government performance and levels of support for government institutions and political leaders. In Liberia, differences in views among age groups also emerge as an important element that may affect legitimacy or stability. These variations could be especially important if they align with cleavages among elites, particularly if those elites have the resources to threaten political stability or even provoke a return to violence.

Finally, this chapter’s analysis of public opinion suggests that despite high levels of corruption in all countries, the legitimacy of and public trust in their governments and public institutions is reasonably high. The most pressing issues of concern include freedom, peace, and economic well-being in Liberia; performance of the constitutional assembly, service delivery, and price controls in Nepal; and security, crime, and unemployment in Colombia. Nevertheless, public opinion data do provide a basis for establishing a negative relationship between corruption and legitimacy, as those institutions that are least trusted are usually the same ones that show high levels of perceived corruption (including political parties, the congress, and the judiciary). What is not possible to deduce from this secondary

data is the link between corruption and stability. However, these two themes will be explored in the chapters below.

Overall, there is a disconnect between the priorities perceived by governments, citizens, and donors. Citizens, in particular, do not link corruption to the economic and social failings of the government. All governments studied here have carried out anti-corruption reforms, but the success of these reforms has often been undermined by political elites. Donors in each of these countries, as in other countries around the world, have prioritised anti-corruption initiatives as a means of bringing about economic and social justice. These three sets of actors seems to view the importance of anti-corruption in distinctly different ways.

5. Elite Respondents' Views: Key Issues, Legitimacy, and Stability

This chapter presents a synthesis of participants' responses to questions about which issues they considered to be most important for the government to address in the next year, which factors they saw as having an impact on stability, and how they thought the legitimacy of the government had evolved since the peace agreement (Liberia, Nepal) and since the demobilisation of paramilitaries (Colombia). Interviewers did not specifically raise the issue of corruption, but discussed it if it was brought up by the respondent. This was done to elicit a range of responses to contextualise the concern of elites over corruption, in comparison with other pressing priorities on the public agenda, and to gain an understanding of how corruption may affect stability and legitimacy.

5.1 Contextualising concern over corruption

When asked in question 1 about the main challenges facing their country, few respondents cited corruption as the biggest concern. Instead, respondents across the three countries cited a broad array of other social, political, and economic issues. In Liberia, these included security, poverty, unemployment, education, justice, free and fair second elections, and the need to increase resources for education and public works such as rural roads in the national budget. In Nepal, most respondents were primarily concerned that members of the Constituent Assembly had failed to draft a constitution within the given time frame, which was extended indefinitely by a Supreme Court decision in early 2011. Members of the Assembly and key experts alike saw the main job of the Assembly as drafting the new constitution; this requires addressing the contentious issues of the forthcoming federal structure, system of government, and electoral process, including sub-national elections, which have not been held since 2002. In Colombia, key issues that concerned the respondents were security, unemployment, income inequality, access to basic services, and conflict-related issues, in particular land tenure and restitution as well as reparations for victims. Security issues included addressing the growth of criminal organisations in cities as criminal illegal groups move their activities from rural into urban areas. Corruption in general, as well as in the upcoming sub-national elections, was mentioned by quite a few Colombian respondents as a concern, as well.

It should be noted that a wide array of issues may be connected to corruption. Criminal groups engage in corruption to further their economic and political interests; concerns about elections are connected to vote buying and illicit campaign financing; and access to basic services is hampered by government corruption. Those who did mention corruption noted the importance of new laws and, particularly, the enforcement of existing laws, as well as the strengthening of institutions. In Nepal many respondents were concerned about the anti-corruption commission's lack of influence. In Liberia, respondents said new anti-corruption laws were not as effective as hoped, with few prosecutions following them, and many suggested that laws need to be better enforced. In Colombia many respondents were concerned that existing laws were not being enforced and that the anti-corruption czar was not effective. Overall, however, corruption and terms used to describe it (bribery, nepotism, graft, etc.) were not front and centre for either experts or legislators alike.

5.2 Legitimacy

As indicated in answers to questions 3 and 4, *respondents believed that state legitimacy has improved since key peace agreements were reached*. In Liberia and Nepal, respondents indicated that the state has become more legitimate since recent peace agreements. In Liberia, those interviewed in this study perceive the state as more legitimate since the 2005 peace agreement because things were so terrible during the war that they could only get better. As one Liberian respondent put it, "We are beyond square zero now, we are at square one." Respondents in Liberia and Nepal also believed that security

has improved since the peace agreements. A number suggested that violence is no longer a regular part of the state's operations. This is illustrated by a Liberian who said, "At night no citizen is taken from their room for prosecution, and there is no threat of harassment and intimidation by illegal armed men."

In Nepal those interviewed agreed that since the Comprehensive Peace Agreement, the state's authority is accepted. Compared to the time of insurgency, rights are much better respected; there is right to life, right to property, so there has been improvement.

In Colombia a number of interviewees were positive about the impact of the demobilisation process on state legitimacy. However, some suggested that only group leaders benefited from demobilisation, not their supporters. Many said that demobilised persons have since rearmed, eroding state legitimacy once again. Others, in particular in the two sub-national regions, considered the demobilisation to have been staged.

While legitimacy is viewed as having improved since the peace agreements (Liberia and Nepal) and demobilisation programme (Colombia), many were concerned that non-state actors still threaten state legitimacy. In Liberia the legitimacy of lawmakers was threatened by the process of re-elections. Lawmakers interviewed in this study said they were concerned with re-election and with "finding a balance between being elected and doing the people's work." They said they were expected to provide citizens with economic resources and employment.³¹

In Nepal, a number of policy makers expressed dissatisfaction with how the state is functioning, arguing that sustained peace and government stability have not materialised. Both sides acknowledged that ideological differences between communists and non-communists contribute to the current political stalemate. Indeed, some perceive that Maoists still challenge legitimacy.³² Despite these concerns, Maoist members of the Constitutional Assembly affirmed that revolutionary groups gave legitimacy to the Comprehensive Peace Agreement, and the state's authority was accepted.

Respondents from Colombia also felt that violence was still latent and could permeate institutions again in the future, especially in the context of political struggles over the upcoming local elections, where drug trafficking and other illicit interests are likely to play a role. Quite a few respondents distinguished between the legitimacy of state institutions and the legitimacy of political actors. They indicated that the government of former president Uribe did not make sufficient progress on social development, which they felt had reduced its legitimacy, and said that the current government would have to focus on this area in order to maintain its legitimacy.

When legislators and experts were asked about legitimacy, they were mostly concerned about the state providing for public participation, economic growth, and security. Legitimacy is perceived in Liberia and Nepal to have increased as the state has allowed for popular participation in governance. While some acknowledged that some citizens still feel detached from government and do not feel they have been consulted on issues that affect the country, elections were perceived to solidify trust in

³¹ However, there were media reports that lawmakers voted themselves periods of time off, only to be called back under "special sessions" to discuss and pass bills, for which they were paid extra. They were also said to receive payments in order to undertake confirmation hearings for political appointees.

³² As expressed by one former Minister, "When we signed the peace deal we expected especially the Maoists to participate in peaceful politics, but they are not ready, they have not accepted plural politics, and that is the problem. They have maintained their militant forces, arms, semi militant cadres, say they have the right to revolt, and say they will prepare to revolt very soon. When we signed and forgave the past for atrocious activities, we were ready to kick out the monarchy because it was getting too ambitious. My party believed in constitutional monarchy but we gave it up in the hope that it would lead to peaceful plural democracy."

government in both countries. There is freedom of movement and freedom of speech. As noted in Liberia, “There is no witch hunt of opposition politicians.”

Legitimacy is also viewed as enhanced by the state’s provision of material benefits after the regime changes in Nepal and Liberia. Key experts and policy makers tend to think that citizens’ views and needs are now better taken into account, for example in the country’s development fund. Their perception is that citizens are seeing and feeling the impact of development. Civil servants are getting paid on time in Liberia. Nepalese civil servants feel underpaid but still paid better than others not in the public service, which is considered as contributing to legitimacy of the state.

In Colombia, respondents stressed the importance of security in adding to legitimacy. Better security has facilitated economic activity, in particular in the sub-national regions that had been most affected by both the paramilitary and guerrilla groups. The most important legitimacy gain has been the recovery of state control over large parts of the national territory. Policy makers and experts are concerned with being able to travel freely again over land, while ordinary citizens in the countryside can resume their livelihood and other activities.

Colombia may be instructive in terms of how it has managed to bolster state legitimacy. It was noted that political reforms, in particular campaign finance reforms, and high-level prosecutions, sanctions, and extraditions of politicians involved in parapolitics have served to limit the direct influence of paramilitaries in Congress. This is seen as enhancing state legitimacy. Those interviewed tended to think that the guerrillas and paramilitary groups have largely lost their legitimacy as compared to the state, noting that most popular support of these groups today is obtained through extortion.

In all countries, no non-state actor was perceived to have greater legitimacy than the government. This was the case even with long-established non-state institutions. For example, the Catholic Church in Colombia is powerful and well respected, yet it was not perceived to have more legitimacy than the state. Lack of competing sources of legitimacy was seen as reinforcing the wide acceptance of the state as the supreme authority.

In sum, when legislators and experts were asked about legitimacy, they suggested that state legitimacy has improved since the peace agreements. Although many were concerned that reforms have not lived up to expectations, respondents from all countries viewed the state as having more legitimacy than non-state actors. In Liberia and Nepal, non-state actors were perceived as threats to the state. In Colombia the state had, in the opinion of respondents, managed to mitigate the threat of illegal non-state actors to legitimacy through political reforms and a judicial crackdown on state capture. The case of Colombia may hold lessons for fragile states in this regard. However, the threat of illegal non-state actors to security and stability in Colombia, in particular at the sub-national level, remains worrisome.

5.3 Stability

As indicated in responses to question 2, *respondents had concerns about potential instability in all countries, although the sources and expected consequences of instability vary considerably.* In Liberia, the main concern was potential political unrest among the population, leading to violent conflict. Respondents suggested that the people would start to revolt if they perceived their conditions were not improving. Along these lines, legislators said they needed to “rework that PRS [Poverty Reduction Strategy] to make it more realistic” and support job creation to ensure stability. Provision of social services and livelihood needs were thought to promote stability, with equitable distribution of resources a major concern. For some respondents in Liberia, unemployment was threatening stability, as “idle people can easily be influenced to participate in a revolt.” There was also concern about national security, as the ranks of the armed forces are being thinned by resignations, and apparently police officers ask to get assigned to traffic duty so they can take bribes. This weakens security and border control.

In Nepal, current political instability was viewed in terms of frequent changes of government, the accompanying reshuffles of the Cabinet and other key posts, and extended vacancies in the top ranks of oversight agencies. Respondents were concerned that a caretaker government operated for more than six months in 2010–2011, during sixteen rounds of voting in parliament to elect a new prime minister. Parliamentarians believed that this was due to ideological conflict, vested interests of the parties, poor leadership, and weak party discipline. There is a fundamental conflict between those who want quick change and those who do not accept change and want things to remain as they are. Policies are often shifting in this uncertain environment, in part because of heavy political encroachment in the administration, with ministers and political parties influencing the bureaucracy. Given the lack of capacity in Nepal, respondents noted, “incapable groups always look for political protection.”³³ So there is no continuity in the civil service. Some respondents said that the situation of instability in the context of corruption and lawlessness could lead to anarchy or could be exploited by political actors to challenge the state. Respondents in Nepal were also concerned with non-state actors threatening the stability of the government. The postwar emergence of new ethnic-based groups with armed factions, particularly at the sub-national level, is a concern among those interviewed in Kathmandu and in the conflicted area of Terai.

In Colombia, the state was seen as fairly stable and as having been able, thanks to strong national institutions, to largely fend off challenges from drug traffickers, paramilitary groups, and guerrillas.³⁴ The threat to stability was more salient at the provincial and local levels, where institutions are not as strong.³⁵ In some areas, illicit economic activities, corruption, social inequality, and violence combine to pose a threat. Many respondents referred to corruption as one of the main factors affecting stability, not by threatening to bring down the government, but by disrupting the functioning of state institutions and thus detracting from legitimacy. In terms of government stability, national executives have served their full terms since 1958. On the other hand, sub-national authorities, including mayors (regularly elected since 1988) and governors (elected since 1992), have been removed fairly often due to their corrupt activities, causing institutional instability in terms of performance and continuity. However, this was also seen as positive because national-level oversight agencies were performing their roles. The larger question is how the underlying structures can be changed. The recent rise of criminal, corrupt, and violent activities of criminal gangs (called BACRIM, or neo-paramilitaries) was seen by many as a potentially destabilising factor. Many of these gangs have their roots in the former paramilitary organisations and have resurfaced as a result of an incomplete demobilisation and reintegration process.

5.4 Summary

Corruption is not the burning issue for many elites; rather security, economic opportunities, and access to basic services are seen as priorities in all countries. This suggests that while anti-corruption initiatives have become a key issue for donors and, in turn, for the governments of these countries (particularly Liberia), it is important to contextualise corruption in light of other pressing social and economic issues facing citizens. The views of elite respondents suggest that the threat of corruption should not be overblown. Rather, donors should be aware that good governance and anti-corruption initiatives are a means to improved social outcomes, not an end in themselves.

³³ For example, if a seat for a secretary is vacant, “everyone waits for a political decision and nobody gets a promotion based on merit and capacity.” Other positions in the bureaucracy change frequently because they are bought, and then bought out from under the occupant.

³⁴ The parapolitics scandal, which entailed a 30 per cent capture of Congress, did not lead to a collapse of the government. Media and justice functioned independently and traditional political elites reacted, at the national level at least.

³⁵ By “provincial” we are referring to the Colombian sub-national “departamentos.”

For those respondents who did say that corruption was the major issue facing the nation, legal enforcement was a key concern, with many suggesting that the judicial system did not adequately punish those involved in corruption.

State legitimacy was perceived by elites to have improved in all countries since key nationwide agreements. Improvements were seen in public participation, economic growth, and security, issues that respondents said were central to augmenting state legitimacy. On a related point, respondents from Liberia and Nepal pointed out that labelling them as “states in fragile situations” could lead to underestimation of the resilience and optimism that comes with moving from conflict into peace. Even so, respondents were concerned that organised illegal groups, or disenfranchised elites and citizens, could threaten state stability.

In Colombia, many respondents did cite corruption as a significant factor negatively affecting the legitimacy of the state and leading to institutional instability and discontinuity, in particular at the sub-national level. Colombia is an important case for understanding how the state can help reduce threats from illegal non-state actors, although since it is a middle-income country, one should be cautious in generalising these results. Still, its experience does highlight the need to build strong and independent national institutions, as well as the crucial importance of a free press and an independent judiciary.

6. Elite Respondents' Views: Risks of Corruption to State Legitimacy and Stability

This chapter synthesises responses to the six corruption scenarios presented in section 3.3. The different scenarios were described to the participants in the study in order to prompt discussion of the risks of corruption as these may relate to state legitimacy and stability “in the real world.” As noted in chapter 3, these scenarios were based on Johnston’s (2010) four typologies of corruption associated with patronage networks, with two additional scenarios added (see table 1 in section 3.3). Based on the responses, this chapter examines the perceived effects of corruption on legitimacy and stability (sections 6.1 and 6.2) and the relationship between legitimacy and stability (section 6.3).

6.1 How does corruption affect legitimacy?

The responses from those interviewed in all three countries suggest that all six types of corruption are problematic for legitimacy under specific circumstances, that is, when corruption is seen to create unequal distribution of and access to resources. Also, particularly in Liberia and Nepal, the interviews showed that experts and legislators regard the patronage system that facilitates corruption as both necessary and harmful. While elites may see patronage as a problem, patronage also provides other benefits not linked to corruption, and office holders may be required to participate in it to stay in office.

It is important to remember that these points, discussed in more detail below, reflect the responses of elites when asked about these scenarios and their effect on legitimacy. They do not imply that the scenarios actually reflect the realities of corruption in a particular country; nor can elite views be taken to represent the views of citizens.

Although political actors may use different types of corruption to enhance their own legitimacy, respondents said that this tends to undermine legitimacy of the state and political system. The benefits in material resources, jobs, services, and favours, and therefore the legitimacy effects as well, are not distributed evenly across society. In Liberia and Nepal, patronage is considered to have a more delegitimising than legitimising effect overall. In Colombia, however, while respondents generally rejected patronage as improper, it was seen as deeply engrained and legitimising at the sub-national level. There, different forms of patronage-related corruption, including economic or social benefits in return for votes, employment in the state apparatus, and so on, are expected and appreciated by the local population.

Most concerns about the effects of corruption on legitimacy centred on its negative impact on democratic regime performance, as well as on trust in state institutions and political actors. Some said that patronage-related corruption has a negative impact on national community as well, because marginalised groups have less sense of national belonging. In Liberia and Nepal, respondents put great emphasis on the problem of marginalisation. Elites noted that when the state does not meet marginalised people’s needs, its performance is ranked lower in citizen assessments and it loses legitimacy. This theme appeared even in discussing the scenario of electoral campaign contributions: “If paying back becomes a problem, you will have to bend the rules through contracts and concessions, thus marginalising others. When others feel they are unfairly treated, this breeds conflict.”

The links between legitimacy, corruption, and state performance were also reflected in concerns about economic performance. In Nepal, experts and policy makers said that corruption negatively affects economic performance and service delivery, and that the public sees legitimacy in these terms. More generally, in Liberia, corruption of any sort was seen as robbing the state of its resources, thus

contributing to poverty, which reflected poorly on the government. Furthermore, it was said that if economic actors were to start bribing political candidates, as discussed in scenario 5, it might distort the economy, thus influencing the state's economic performance. Likewise, "with the decision to accept bribes, policy decisions by the representative might not be in the interest of the people."

Respondents in Liberia and Nepal observed that *corruption must be somewhat visible in order to affect legitimacy; if it is hidden, then non-participants cannot assess it*. For example, behind-the-scenes influencing of politicians, as described in the electoral corruption scenario, could be least harmful to legitimacy in Liberia "because it is at a high level and requires sufficient surveillance to uncover." In Nepal, visibility or awareness was mentioned as a factor in whether or not corruption affects legitimacy. For example, some experts in Nepal suggested that many people do not really understand the rules of electoral campaigning, so illicit private sector influence does not affect public legitimacy. Vote buying also was not considered to affect legitimacy because people are happy to receive payment, and elections are generally considered to be legitimate. With respect to elections, "some are enjoying the fanfare going on, as an audience," but ordinary citizens have not really grasped the meaning of elections or understood the inherent value of their individual votes.

Evidence from Colombia provides contrasting insights. Illicit private sector influence in election campaigning and party finance was viewed by many as one of the key sources of corruption that affects state legitimacy. State capture by illegal actors often linked to drug trafficking and organised crime (called "co-opted reconfiguration of the state") is a serious though not necessarily visible problem at the sub-national level. On the other hand, respondents pointed out that favours in return for promises of votes (indirect vote buying) are often welcomed by citizens at the sub-national level. This is where patronage and clientelism have stronger influence on the local culture.

In all three countries, some interviewees said that the use of personal politics and networks decreases state legitimacy. Patronage (as described in scenarios 1 to 4) may bolster the legitimacy of political actors, allowing politicians to stay in office and to maintain power if they are temporarily out of office. But this goes against the interests of the state. Legislators are thus caught between their personal interests in maintaining local bases of political support and the state's interests. In Colombia, for example, this is seen in the dichotomy between the actions of lawmakers at the national and sub-national levels. At the national level, some legislators are exemplary in promoting policies for the public good. These same legislators operate differently in their home territories, behaving according to traditional clientelistic patterns. For example, one is nationally outspoken on reparations to victims of the conflict, while promoting his brother's mayorship back home. Another is progressive on national finances, but in his electorate he does not support local revenue generation.

Most respondents across the three countries viewed payment of small bribes as affecting legitimacy by lowering trust in government and society in general. The effect is potentially widespread, because this type of corruption, as described in scenario 6, directly touches the greatest number of people. For example, a Liberian legislator said that "small-scale bribery is good governance's worst enemy, and if it is part of the state, trust will not build." Although petty bribery is not as widespread in Colombia as in the other two countries, many respondents felt that it leads to distrust and affects legitimacy. Quite a few Colombian respondents saw the payment of small bribes as harmful because it reflects social tolerance for corruption that could open the door to higher-level forms of corruption.

The influx of massive international resources following peace settlements may encourage public officials to engage in low-level corruption. Often after a major conflict, as the international community moves back into a fragile state, inflation increases dramatically, particularly in urban areas. The resulting decline in real wages has an effect on lower-level government officials, who may turn to

corruption to provide for themselves and their families.³⁶ In Liberia, for example, respondents suggested that a drop in the economic well-being of bureaucrats contributed to corruption after the war ended. Related to this, disgruntlement occurs as government workers note that those employed in the private sector and NGOs, including nationals who may have lived outside the country during the conflict, are now paid much higher salaries. The interview data suggest that these disparities provide moral justification for corruption.

6.2 How does corruption affect stability?

In Liberia and Nepal, across the six scenarios, *corruption was seen as contributing to instability when its benefits exclude important segments of society*, and when citizens perceive this as inequitable and unfair. However, in Colombia, where there is greater stability, this argument was not made. Furthermore, respondents in Liberia and Nepal expressed the view that among the six scenarios, exclusionary patronage networks were most likely to lead to violent protest by those excluded, such as members of the general public or of an ethnic group. The research also shows that *when patronage networks use violent means to shut out political and economic competitors*, as described in scenario 2, *this is viewed as most harmful to state stability*. Respondents either did not agree, or were reluctant to acknowledge, that corruption of any sort could lead to stability; they emphasised that stability resulting from corruption would be short-lived.

These findings are discussed below, country by country.

In *Liberia*, elites seemed more concerned about the exclusion of the population (“the majority”) as a result of corruption than about whether networks of elites (“the minority”) excluded other elites. Respondents argued that “if state funds are siphoned it leads to revolt,” adding that “exclusion of the majority by a small group of corrupt people leads to instability.” In other words, “abuse of office or trading in influence amounts to discrimination and unfair practices that breed violence and lead to unrest.” Seen in this way, corruption excludes people not only from material benefits but from participation in governance. Some noted that ethnicity affects the workplace in Liberia, facilitating corruption among certain groups to the exclusion of others. In addition, when public officials engage in their own businesses while in office, “citizens may feel that these officials used government funds to operate their businesses, and this may lead to unrest.”

Many believed the Elite Cartel scenario was the least harmful because resources are shared and it does not explicitly involve violence. But some warned that when such patronage systems become too widespread, stability may be threatened. One respondent said that if too many people are “bought off [they will] not stand for the majority any more.” Moreover, it was suggested that if people are bought off and do not speak out about problems in governance, then these problems will go on uncorrected, further undermining the state.

Although many respondents in Liberia were reluctant to say that any type of corruption was less harmful than another, a number of respondents viewed the Interest Market type of corruption as the least destabilising because “influencing political actors is a part of democracy.” For these respondents, democracy inevitably involves a degree of bribery and rent seeking. Respondents did warn, however, that private sector support of politicians could trigger violence, because “if candidates do not win elections and cannot pay their investors, then they [the investors] will go into the bushes and rebel.”

³⁶ While a subsequent increase in real wages may or may not lead to a reduction in corruption, the point made here is that when officials cannot live on their salaries, there is an incentive for corruption.

The Elite Cartel scenario was viewed by many Liberian respondents as creating only temporary stability, because it would still exclude the majority of the population. Respondents believed that those left out of such patronage networks would feel dissatisfied and might “incite people against the state.”

With regard to petty bribes, it was recognised that they reduce trust in government and can be very costly and thus harmful to development. However, respondents in Liberia thought that citizens were not as outraged by it as by other forms of corruption, and that bribery was thus less likely to lead to instability. In the view of policy makers, “obviously it is wrong, but they don’t see it as disenfranchisement”; instead, “they see it as a little appreciation for work done.” One Liberian cautioned, however, that “if these people realise their rights are being violated, this might lead to a popular people’s uprising.” However, where respondents saw low-level bribes as part of a much larger system of patronage, they said it contributed to reduced legitimacy and also to instability.

In *Nepal*, it was noted that bribery is part of a system that is “institutionalised up to minister level.” Officials at low levels pay higher-ups to get their jobs, then recover their investment by taking bribes. This shows clearly the systemic nature of corruption in Nepal.

Respondents pointed to the harmful effects of patronage in Nepal, particularly where corruption is concentrated in a few hands, and especially where there is state or extra-state violence. The Maoist struggle in the past was cited as an example of the conflict that exclusionary politics promotes, and it was suggested that if the Maoists and their supporters become dissatisfied again, they could take up arms against the state. No historical evidence was offered to show that this was the case in the past; rather, the claim was that now that people have had the experience of rising up, they could potentially return to conflict if dissatisfied with the terms of peace. Emphasis was placed on the potentially destabilising effects of the struggle to monopolise power, which leads to great uncertainty. A current example is the attempt by two parties to control the Home Ministry in order to extract more benefits from it. Also, groups in Terai use arms against the state, causing “an unpredictable situation in Nepal.”

It was noted that when actors “share the spoils” of corruption, this results in a situation that “resembles stability, but underneath there may be conflict that results in instability.” In Nepal, sharing of spoils is an informal practice carried out among landlords, army officials, people connected to power, educated elites, businessmen, and bureaucrats. The nexus of corruption is the relationship between politicians and bureaucrats and businessmen. In many corrupt deals, the bureaucrats or public officials mediate between politicians and businessmen. Corruption also extends to armed groups that demand their share, and involves members of the general public, who are forced by the system to pay bribes.

Responses in Nepal to the Interest Market scenario were mixed. One view was that economic actors buying or renting influence “will not bring stability or instability per se because it will not affect the grassroots level; [the people] will not know the give and take going on at a high level.” Another view was that it contributes to instability because “it will erode the ethical values and standards and integrity in general.”

Drawing a parallel to Egypt today, one respondent said that given Nepal’s history of denial of political rights, suppression of minorities, and usurpation of power through illegitimate means, corruption in this context could lead to instability by creating discontent. As expressed by a Constituent Assembly member in Nepal, “Ethnic, religious and democratic aspirations that have remained dormant, suppressed for many centuries, have been awakened. Everyone is demanding rights. So management of popular aspirations and expectations is our main job. The gap between expectations and capacity creates a problem, and political parties are raising rather than lowering expectations. This is the main cause of instability.” From this perspective, *it is not a specific type or scale of corruption that would tip the balance, but rather the state’s ability or inability to manage expectations and reduce the expectations gap*, along with other complex and varied factors such as society’s ability to mobilise, experiences with repression, and social discontent.

In Nepal, respondents suggested that there is an “instability-stability dichotomy.” On the one hand, there is still “controlled instability” in the sense that the forces competing for power have a common interest in making sure the situation does not blow up in the short term. At the same time, the situation is unstable in the medium term, and it was suggested that people now in power would like to see it eventually spin out of control. That said, the difference between the so-called democratic forces and the so-called left forces is so great that if the democratic forces realise they are becoming weaker and that the left forces will capture the state, it is possible they would rather align with each other than let the state be captured by the left.³⁷

In *Colombia*, most respondents identified the Oligarch & Clan corruption scenario (patronage involving a small number of powerful actors, resulting in violence) as the most harmful to stability, because of the competition and violence. However, when they were asked about the current situation in Colombia, they did not readily associate corruption with instability. Some respondents held the view that illegal campaign contributions have negatively influenced policy decisions in a way that could contribute to instability. However, most observed that while there is a lot of corruption, the country has resilient institutions and is not in chaos because of it, although pockets of very weak state presence and associated instability remain a challenge in some parts of the territory. There is a sense that the rule of law prevails, despite the violations. Protest was generally seen as taking place within the democratic framework, appealing to the state’s authority rather than challenging it. In one locality, for example, there was a public protest over the lack of connection to public water services, due to corruption.

Many respondents initially suggested that corruption is a factor affecting stability. But when asked to explain how, most referred to the corrosive effect of corruption on the credibility of institutions which are quite resilient, saying that political instability is quite unlikely. In particular, corruption associated with illicit activities pursued by illegal armed groups, specifically the paramilitaries, was seen as affecting state institutions. However, it should be noted that these groups do not seek to destabilise the state but rather to infiltrate and permeate it so that they can use it for their own illicit economic purposes, as discussed below.

Respondents in Colombia indicated that political instability might sometimes be caused by illegal armed and corrupt actors seeking control over certain territories for drug trafficking routes. In these cases, seemingly stable patronage networks at the sub-national level might be undermined through a variety of corrupt practices, or they might be violently attacked in order to install new patronage networks serving the interests of the illegal actors. Once such a power shuffle has resulted in a new power equilibrium, political stability may be restored, although there are certain areas of the country where these kinds of violent power struggles among illegal actors are recurrent.

On the other hand, the link between corruption and instability was associated by many respondents with institutional rather than political instability. A good number of respondents referred to the fact that national oversight institutions, such as the Comptroller General’s Office and the Attorney General’s Office, have removed high-level elected and appointed public officials (mayors, governors, etc.) from their positions due to corruption allegations against them. This perceived crackdown on high-level corruption has intensified in the past year or so, coinciding with the term of President Santos, who has supported the initiatives of the largely independent oversight institutions. Although the removal from office of governors and big-city mayors might not result in political instability, given the strong and legitimate political system, it could still cause institutional uncertainty, disrupt

³⁷ The interviewee acknowledged that this may be an overgeneralisation because there are left forces among the democrats, and democrats among the left forces.

institutional performance, and reduce the credibility of institutions with the public, all of which could be perceived as contributing to institutional instability.

In all three countries, interviewees also suggested that corruption could facilitate the operation of armed groups (through funds, weapons, and movements), thus contributing to potential instability. The specific types and scale of corruption could vary in different contexts, including, among others, patronage-related corruption, small- and large-scale bribery to permit border crossings or arms smuggling, and even illicit election campaign financing.

In Nepal, respondents explained how a patronage system currently sustains the operation of illegal armed groups. Experts and policy makers noted that when development funds are transferred from central to sub-national government, or when donors give grants at the district or local level, a portion of these funds are allocated among the political parties or their sister organisations in proportion to their representation in the district or local area.

In Liberia, although armed groups are significantly less visible today, in the past corruption was a means to fund armed activities to hold on to (or get into) power. Liberians “worked in government and amassed wealth, put people in the bush and supplied them with weapons, with their gains from corruption.” Corruption also facilitated movement of armed groups, with illegal groups reportedly bribing security forces to cross the border or internal checkpoints. Prospective political competitors resorted to corruption to pay for arms.

In Colombia, respondents said that different corrupt practices, such as illicit campaign financing, the creation of fake companies in social sectors, favour-based appointments to public sector positions, and the like, are used by illegal and armed groups to penetrate the state. This has created new sources of power that have challenged the hold of traditional actors in politics. In a municipality, for example, traditional clientelism, such as giving out roofing materials, flour, or places in school, is no longer effective, because armed groups can come in and pay 200,000 pesos per vote. Traditional political actors cannot compete with this kind of money. In the former national government, a good part of Congress was involved with drug traffickers and paramilitary groups, as noted above. This is related to corruption in the management of royalties from national resources, in the health sector, and in infrastructure, among other sectors.

6.3 Summary

Based on the discussion of the scenarios, a series of themes emerged in the interviews, reflecting the respondents’ views of the effects of corruption on legitimacy and stability. In recent years the state has shown resilience in the three countries studied, despite challenges to legitimacy and stability. This is the context in which respondents spoke. With regard to legitimacy, the responses suggest that all six types of corruption potentially pose risks, but low legitimacy even across several dimensions (e.g., trust in government, trust in political actors, sense of national belonging) is not in itself sufficient to lead to instability.

Respondents suggest that instability is caused by a number of factors: (a) increased elite as well public expectations not being met; (b) denial of political rights; (c) types of corruption that reallocate resources in a way that is exclusionary, or allow for armed groups to infiltrate the state or increase their resources; and (d) discontinuity of top officials in public institutions. Patronage networks that are

exclusionary and resort to violence to fend off rivals, as described in scenario 2, are viewed as more harmful to stability than other forms of corruption.³⁸

It is important to note that elites themselves can play a key role in creating instability or supporting stability. This is because corruption and its effects in lowering legitimacy, in combination with exclusionary politics, can potentially be used by political entrepreneurs to create instability and mobilise violent conflict.

³⁸ Although we asked respondents which scenarios they thought were harmful and why, we did not attempt to directly measure which type was most harmful.

7. Anti-Corruption Efforts and Their Effects on State Legitimacy and Stability

This chapter discusses the views of experts and legislators regarding the positive and negative effects of anti-corruption initiatives. As mentioned in chapter 2, anti-corruption efforts are understood here as measures aimed at addressing corruption directly and indirectly. As this chapter shows, these measures are seen as having met with varying degrees of success.

7.1 Positive effects of anti-corruption on legitimacy and stability

Respondents agreed that *successful anti-corruption initiatives can strengthen legitimacy and stability* by enhancing public trust in government, political actors, and institutions, as well as potentially making more resources available for development so the state can better meet citizen expectations. Respondents emphasised that *these positive effects depend heavily on political commitment and government action*; otherwise the anti-corruption efforts can easily be dismissed as smokescreens, adversely affecting trust in government.

Many respondents cited investigative journalism as a positive example of initiatives to combat corruption. Oversight agencies were also frequently mentioned as examples of successful efforts. These agencies are not recently created but have been an established part of democratic institutions in Liberia, Nepal, and Colombia. The interviewees were thus referring to their current activities rather than to any effort to set up new institutions.

Anti-corruption efforts are also perceived by elites to enhance legitimacy and stability in other ways. Leaders have gained legitimacy when they have been seen as leading by example in efforts to curb corruption. In Colombia, the current attorney general and auditor general were mentioned, as were several well-reputed mayors of large cities like Bogotá and Medellín. Institutionalising the achievements of such leaders is more difficult, however. Another positive example cited as contributing to legitimacy and stability was the control and supervision of electoral campaign finance and of the campaigns themselves.

Justice reforms are also credited with increasing legitimacy and stability by strengthening the rule of law, security, and trust in government. Respondents stressed that corrupt actors must be held accountable for their actions. It was noted that anti-corruption only strengthens legitimacy “when the framework penalises people; otherwise citizens have lower regard for government.” Also, the penalties must be seen as outweighing the benefits of corruption.

Donors were perceived to play an important role in bolstering state legitimacy in the two countries with significant donor presence, Liberia and Nepal. Donor support of any sort was viewed by elites as providing a signal to the wider community that the nation-state is legitimate. The linking of anti-corruption initiatives and reform to funding, they suggested, sends a message to the international community that the state is capable of managing its resources (as well as the resources of other countries). While some respondents were concerned that such support could constitute a form of neocolonialism, others noted that the support of the international community sends positive signals to investors and the public. Respondents suggested that the very fact that international donors were present in the country, supporting successful anti-corruption efforts, was enough to increase state legitimacy. In this respect, Liberia and Nepal differ from Afghanistan, for example, and also from the countries of the Arab Spring, where the support of the international community to illegitimate potentates undermined legitimacy, not only of the governments but also of the donors.

In *Liberia*, the General Auditing Commission (GAC) was the most commonly cited example of an anti-corruption initiative. It has issued dozens of audit reports that are well regarded. Legislators and key experts commented that the “GAC sends a clear message, especially to spending agencies, that eyes are wide open on corruption, so people are watchful, themselves.” Along these lines it was noted that GAC audits have “made others afraid, that corruption is a no-go area” and that “GAC creates fear in officials.” It was acknowledged that “GAC has a capacity problem, but they have exposed waste through their work.” More positively, based on the audit reports, “public officials are careful about how they manage public funds. This is effective because international partners are behind the initiative.” Another lawmaker attributed GAC’s success to the commitment of the auditor general. The support of the international community, especially the European Union, was highlighted as a conducive factor. Specifically, the “government is being persuaded to empower the GAC, which is effective because civil society and others have been vocal.” A few non-lawmakers and one provincial respondent also mentioned the Governance and Economic Management Assistance Program (GEMAP), which they viewed as effective “because of the level of check and balance instituted by foreign experts.”

Interviews suggest that civil society plays a role in activating formal accountability mechanisms in Liberia, potentially creating a virtuous cycle. In particular, it is interesting that in Liberia, where the government has explicitly worked to promote the legitimate participation of non-state actors in governance, their contribution was viewed positively by key experts and lawmakers. A clear case in point is the role played by civil society organisations in the Forestry Concessions review process between 2003 and 2006, which resulted in the lifting of sanctions on the Liberian forestry sector. As noted above, the media has also played an important role in exposing corruption, and this is positively viewed as well.

President Johnson Sirleaf is seen as serious about corruption and about fulfilling her electoral promise to make corruption “public enemy number one.” A lawmaker also noted that “we were compelled to meet benchmarks to be considered fit by the international partners, we were compelled to fall in line, their interest was good governance.”³⁹ However, a number of respondents were critical of the Liberia Anti-Corruption Commission, with one calling it “a toothless bulldog without the power to prosecute.” Another challenge suggested by several respondents was a weak sense of belonging to a national community, which is a dimension of legitimacy. “People are more loyal to their tribal link than to the state” and “this makes people cover up corrupt acts, based on their tribal ties.”

Overall, anti-corruption reform in Liberia was attributed to the alignment of a number of state and non-state actors behind the cause. “The situation demanded a change, hence the government was compelled to comply, and all participated – executive, legislature, and civil society. All felt corruption had to be stopped.”

In *Nepal*, the most frequently mentioned success was the work of the Commission for the Investigation of Abuse of Authority and the National Vigilance Centre. To the extent that anti-corruption institutions have been successful, this was attributed to the political commitment backing them during certain periods of time. Currently, their effectiveness is seen as limited by the interests of political party leaders and politicians. Respondents perceived that while politicians from all parties supported the CIAA in principle, they weakened it in practice because they owed their posts to their parties. One respondent put it strongly: “Who will fight against this organised system when the whole body of politicians are involved in these activities?” From this perspective, the motivation to support

³⁹ Indeed, at the beginning, the president was opposed to the creation of the anti-corruption commission; international partner pressure was why she eventually acquiesced.

the CIAA was to have in place a constitutional mechanism to “give to people from the outside world the impression it was a democratic constitution.”

Other successes cited in Nepal include the adoption of e-bidding for government road construction and maintenance contracts, as well as the reduction of corruption in the taxation authority. These were attributed to the leadership and ability of finance ministers to leverage support for change. In the case of tax reform, respondents said it was driven by the government’s interest in increasing non-donor revenue. Successive governments followed this trend. Today, tax revenues, mainly indirect taxes such as customs duties on imported goods, provide a major source of income for the government. For the fiscal year 2010–2011, taxes represented 60 per cent of revenues.

These initiatives were viewed as important for two reasons. First, by reducing corruption they helped achieve the government’s goal of increased revenues. Second, it was recognised that revenues such as taxes require the government to bargain with citizens, which contributes to accountability and ownership of the results of tax expenditure. These results were made possible because the reforms were compatible with politicians’ interests in increasing revenue.

In *Colombia*, respondents saw indirect anti-corruption initiatives as having had some positive impact on state legitimacy, while direct measures have met with greater scepticism. Indirect measures such as the reform of political parties and campaign finance were considered to have reduced certain types of corruption, such as the illicit influence of paramilitary and other illicit groups in politics. This has helped the government recover some legitimacy in the eyes of the elites interviewed.

The strengthening of governmental accountability mechanisms, along with efforts to increase transparency and access to information (a bill has been drafted but not yet passed), were widely cited as crucial to increase state performance and public trust in government institutions at all levels. Direct anti-corruption measures, in particular the independent action of the judiciary to bring members of Congress and other high-level politicians to trial on charges of corruption and ties to paramilitary groups, were widely considered as providing legitimacy to the state. While respondents deplored the fact that these initiatives had not been carried out earlier, the determined leadership of the current attorney general and comptroller general, as well as the new anti-corruption drive and leadership of President Santos, were seen by many as instilling a sense of hope.

What all these initiatives in the three countries have in common is determined leadership at the highest levels of the respective institutions.

7.2 Negative effects of anti-corruption on legitimacy and stability

Anti-corruption initiatives were perceived to undermine legitimacy and stability when they failed to delivering on their objectives or unintentionally made corruption or governance worse. In such cases they were seen as reducing public trust and in some cases as contributing to conflict.

In Liberia, where anti-corruption reform was viewed as relatively successful, the Achilles heel seems to be the weakness of the judiciary. The perception was that judges are often bribed to let people off from corruption charges; in a number of cases as well, the prosecution has been unable to gather and deliver solid case files that can be successfully prosecuted. This has arguably made corruption worse, leading some officials to become involved in corruption because they believe nothing will happen. Furthermore, some respondents said that justice is based on status and wealth. They noted that when wrongdoers go unpunished, this diminishes trust in state institutions, including both the judiciary and the executive.

Even where bribery is not evident, prosecutions that fail to get results can be counterproductive. In 2007, for example, the Liberian government indicted the transitional government chairman Charles

Gyude Bryant on charges of corruption, along with a number of other senior NTGL officials. The feeling in the streets was ecstatic; it was unprecedented in the country's recent history to have a former leader held to account. But in 2010, the charges against Bryant were dropped, undermining public legitimacy. The president saying she would fight corruption in this case, and then failing to get results, also undermined her own credibility.

Economic reform measures introduced in Nepal in the 1990s were cited by some interviewees as having reduced corruption because they resulted in privatisation; as one respondent put it, "state corporations are the living monuments to corrupt practices." However, as evidenced in other countries, privatisation often leads to corruption in the process of selling state assets. Furthermore, in some countries, economic reform measures have come with conditionalities that have not been met, thus leading to the abrupt withdrawal of foreign aid. This has arguably contributed to conflict and instability (Stedman and Holloway 2002).

In Colombia, some measures to control corruption are seen as having had the unintended consequence of generating inefficiencies. As bureaucratic procedures to control corruption have become more complex and onerous, public officials have become risk averse. In some areas such as public procurement, they prefer not to do anything that might be slightly risky, even if within the rules, to avoid inadvertently falling into a control "trap." This results in slowness and ineffectiveness, which has a negative effect on legitimacy.

Although many respondents acknowledged some positive actions by the Presidential Program Against Corruption, attached to the vice president's office, there was widespread scepticism among respondents as to its overall effectiveness and impact. This perception contributed to loss of legitimacy for the Uribe government as a whole. Some respondents noted that while the programme existed for more than 10 years, it never received an independent evaluation. The current president ended this programme and established instead a Transparency Secretariat directly attached to the presidency.

Evidence from Colombia suggests that the persistence of impunity can have a severe effect on legitimacy. Even sending people to prison for corruption is not perceived as effective if the corrupt actors are freed after a short time to resume enjoying their illicit gains. At the sub-national level in Colombia, for example, corrupt actors, after being prosecuted and found guilty, are often only placed under house arrest. This is seen as minimising the deterrent effect and even making a mockery of anti-corruption. It was also noted that the judiciary is underfinanced, making it unable to process all the corruption cases across the country in a timely manner. The backlog in the administration of justice was seen as increasing corruption and undermining the institution's legitimacy.

In general, respondents in Colombia emphasised that the creation of new laws, formal norms, and institutions has not been sufficient to bring about the desired change. Some new measures are seen as important; respondents particularly stressed the value of increasing access to government information. But the greater problem lies in effective implementation of existing laws and institutions. As long as governmental and non-state action does not focus on changing behaviours and attitudes, formal anti-corruption measures will have minimal impact and will contribute to cynicism rather than to greater legitimacy.

7.3 Summary

Successful anti-corruption initiatives can strengthen legitimacy and stability by enhancing public trust in government, political actors, and institutions. They can also potentially make more resources available for development so the state can better meet citizen expectations, though there is no guarantee that freed-up resources will be used this way. Respondents emphasised that the positive effects depend greatly on political will, which may be absent or weak. Donors should be aware that

their leverage may be sufficient to achieve formal commitments to anti-corruption, but that this can backfire if such commitments are seen as empty rhetoric that is not put into practice.

Indeed, ineffective or counterproductive anti-corruption initiatives are seen as reducing public trust and in some cases as contributing to conflict. Specific reference was made to the negative effects of impunity for top officials, when happens when prosecutions fail or the penalties imposed are too light. Moreover, an emphasis on new initiatives, including specific anti-corruption laws and bodies, may lead to public cynicism if they do not deliver tangible and credible results.

Part III: Conclusions and Recommendations

This part of the report discusses implications of the research findings and makes recommendations to donors for prioritising action on corruption in fragile situations.

8. Conclusions

The countries studied here have experienced violent conflict in the recent past. Within this context, governments face a trade-off between increasing legitimacy by bringing to justice those guilty of war crimes, corruption, and other crimes through legal proceedings, on the one hand, and increasing stability by integrating past combatants (particularly elites) into the new government and political regime, on the other (UNDP 2010a). Donors need to be aware of this trade-off and understand that bolstering government and regime legitimacy at an early stage may come at the price of state stability. Some analysts even argue that corruption should only be addressed explicitly and proactively by donors when a polity is clear of major violence and has no significant stability threats (Mungiu-Pippidi et al. 2011). In addressing corruption and in encouraging greater inclusiveness and participation characteristic of open societies, the international community must remain attentive to how these efforts also affect further consolidation of the state.

In the long term, when stability is chosen at the expense of legitimacy, the resulting system and the interests of political actors within it may be at odds with state building. When particularism and despoiling the state are the rules of the game, this equilibrium is likely to persist over time (North, Wallis, and Weingast 2009). Under certain circumstances, such as major financial crisis, loss of elections, etc., agents who speak on behalf of those who are marginalised or left out of the system may challenge the incumbents and mobilise to change the governance regime to one based on universal principles (Mungiu-Pippidi et al. 2011). *This type of instability may offer a window of opportunity for state building, in some cases, as political actors, civil society, and others push for reforms that would previously have been off the table.*

The study found that *corruption as such was generally not the most important issue* for elite respondents; nor was it of central importance to citizens, as indicated by the secondary data on public opinion. Indeed, many respondents cited other social, economic, and political issues as higher priorities for remedial action than corruption. This is not to say that corruption is not a concern.

Addressing corruption was considered important if it was seen to contribute to improved social, political, and economic outcomes. While in theory anti-corruption initiatives promise a connection between reduced corruption and improved societal conditions, most respondents did not make such a link unless prompted. This is an important reminder that corruption is not the greatest problem facing fragile states, although anti-corruption efforts may be particularly important when corruption threatens important political, social, and economic outcomes. This implies that anti-corruption efforts should be mainstreamed into key social and economic programmes rather than always being conceived as stand-alone programmes to address political or governance issues.

When asked specifically about the impact of corruption, respondents noted that *corruption is likely to erode legitimacy and stability.* However, they also noted that under some circumstances it can contribute to legitimacy and stability. To understand these relationships, it is necessary to take into account not only the views of citizens, but also the views of those in power and the experts who influence them.

In the view of those interviewed in this study, *corruption poses the greatest risks when it reallocates resources in a way that is exclusionary, or allows armed groups to infiltrate the state or increase their resources*. Although there might be short-term benefits, respondents tended to view corruption in the long term as harmful – as both delegitimising and destabilising.

Anti-corruption efforts, whether direct or indirect, were seen as having a potentially legitimising and stabilising effect, but only if implemented with strong high-level leadership and only if they show results. Efforts to address corruption are inherently political. As such, they have the potential to be used as a partisan weapon, which may repress opposition or prolong underlying conflict. They may also unrealistically inflate public expectations, making it difficult for incumbents to govern when results fall short. Recommendations from those interviewed echoed those noted in the literature from other developing contexts, although the repercussions of mistakes are arguably greater in fragile situations. Donors need to be careful about supporting anti-corruption initiatives that are used as a political tool to disarm opponents, and/or that unduly raise citizen expectations.

Building on this and other research, as well as on recent commitments by international and national stakeholders to peace-building and state-building goals,⁴⁰ it should be possible to develop tailored modules, policy guidance, or toolkits to help practitioners and policy makers select, support, and evaluate anti-corruption programmes. These should be seen not as “best practices” but rather as a menu of possibilities, with practical guidance, ideas, and tools for diagnosing the context and current situation. These might include analysing “normal” systems of patronage, mapping corruption, and identifying which groups and actors are for or against the status quo (drivers of change). Tools could also facilitate selecting the most appropriate theory of change for addressing corruption in a given country, as well as defining the programme logic and prioritising interventions.

⁴⁰ See, particularly, the Monrovia Roadmap from the International Dialogue for Peacebuilding and Statebuilding, which highlighted five objectives for fragile states: legitimate politics, security, justice, economic foundations, and revenues and services.
http://www.oecd.org/document/13/0,3746,en_21571361_43407692_47879501_1_1_1_1,00.html.

9. Recommendations

Based on these findings, the following recommendations are offered for donors operating in fragile states.

Recommendation 1: Analyse the incentives that drive corrupt behaviour. When these are known, donors may be able to better engage elites and citizens in supporting and implementing initiatives to prevent and control corrupt behaviours.

Mapping the different networks of interests at stake can help guide the choice and framing of anti-corruption initiatives so they are compatible with the interests of reform-minded bureaucrats and politicians. Government officials interviewed in this study said corruption was not required to meet their basic needs, but many acknowledged that they needed to engage in dubious practices to maintain their positions. They suggested that there is a trade-off between “doing the right thing” and staying in a job.

Moreover, many suggested that patronage networks are an inevitable part of politics. It was less patronage as such than the violent nature of some patronage networks that caused concern. People who gained power were expected to provide favours to supporters. Patronage that was marked by competition or collusion between actors but did not result in violence was seen in Liberia and Nepal, in particular, as an unfortunate necessity of the political process. Respondents were most concerned about patronage networks that used force to achieve their goals. This referred to scenario 2, in which a patronage network is both exclusionary and resorts to violence to eliminate political and economic opponents.

Nevertheless, donors should not assume that widespread participation in corruption means that it is universally preferred to integrity. Many citizens and policy makers may benefit from the status quo, but those who are excluded from the benefits of corruption, and those who would benefit from integrity or who uphold it as a value, will potentially support and implement change. The study highlights the essential positive or negative role played by key political leaders. Thus, it is important to understand the incentives and qualities of leaders who have led anti-corruption efforts, both by deed and by example.

At the same time, donors must recognise that just because there is widespread discontent with corruption does not mean that the forces interested in stopping it have sufficient strength to do so. While citizens may be frustrated at being excluded from the benefits of corruption, even politicians and bureaucrats who oppose corruption in principle may feel compelled to participate in order to maintain their power and position. Political actors may propose or agree to anti-corruption reform in order to gain international legitimacy but have no real commitment to implementing it. Such hollow commitments may do more harm than good.

A few specific action points emerge from this discussion:

- Evaluate the incentives and relative power (including ability to resort to violence) of leaders, citizens, and any other actors on whom the success of anti-corruption initiatives relies.
- Incorporate inclusive national visions and plans, as well as risk mitigation strategies, when making joint country assessments.
- Support local and national surveys of public perceptions, as well as citizen feedback, ensuring capacity to collect, manage, and disseminate such data.

This does not mean that anti-corruption initiatives should make undue compromises with elite interests. Indeed, it is important that donors continue to support institutions (such as independent ombudsman offices, the media, and civil society groups) that challenge elite corruption in ways that can be uncomfortable. But it does suggest that donors need to be aware of the limitations of the “carrots” available to them to effect change.

Recommendation 2: Be cautious about supporting explicit “anti-corruption” initiatives that may not suit the context and may add to unrealistic expectations, thus reducing legitimacy when results fall short. Instead, address corruption primarily through implicit measures aimed at strengthening institutions and addressing the drivers of corruption.

Anti-corruption programmes and policies are often developed according to donor priorities without taking contextual realities into account. Donors should first seek to understand the multiple problems connected not only with corruption but with a broad range of state-society issues, instead of assuming in advance that their anti-corruption policies and programmes are appropriate answers to real problems. Initial anti-corruption work may simply focus on understanding the context in order to develop a long-term approach to corruption that eventually includes policy and programme development.

Donors need to be judicious about using the label “anti-corruption,” which has come to be associated with a broad array of activities. Labelling activities as “anti-corruption initiatives” may have little effect other than to raise unrealistic expectations for a swift and visible reduction in corruption. Raising such expectations while not delivering results leads to anti-corruption fatigue and reduces the legitimacy both of national leaders implementing the initiatives and of donors backing them. In addition, some politicians may use anti-corruption initiatives to gain an advantage over rivals or curry favour with the international community. This may lead to loss of legitimacy and can provoke destabilising reactions by political opponents.

Donors should, therefore, avoid providing unquestioning support for traditional, direct anti-corruption measures such as specialised anti-corruption agencies or national anti-corruption strategies without strong evidence that they can achieve results. It is important to assess a government’s real commitment to such measures before promoting or supporting them to avoid inadvertently doing more harm than good.⁴¹ Such measures may be strongly supported by international and national actors for reasons such as compliance with the United Nations Convention against Corruption (UNCAC). However, initiatives to strengthen existing oversight bodies, such as supreme audit institutions, and to address underlying structural drivers of corruption, such as campaign finance, may in fact be more promising.

Not undertaking explicit “anti-corruption” initiatives may in many cases be the best option. This choice may be particularly important where the power dynamics and political bargaining processes on the ground allow for only modest, relatively invisible, or behind-the-scenes measures to address serious misuse of public resources. At the same time, it must be recognised that this choice can create difficulties with regard to satisfying both the donor home audience, which increasingly demands value for money in development cooperation, and local public opinion in the country of operations, which demands action against corruption.

⁴¹ The 2011 survey of the Principles for Good International Engagement in Fragile States and Situations found that donors do not consistently follow the principles of “do no harm” and “avoid pockets of exclusion.” The study noted, among other challenges, a serious risk of development partners doing harm through their interventions because “they lack systematic operating procedures to assess and address risks and unintended consequences,” and because of the uneven geographic distribution of aid (OECD 2011b).

Recommendation 3: Over the long term, support non-state actors, including the media, that engage with government or catalyse government action.

Non-state actors have the potential to influence the existing incentive structure of those in power. In the long term, this has the potential to encourage the development of a more open political system.

Donors should support initiatives to make the host country's government systems, as well as donor assistance, directly transparent and accountable to domestic constituents. Bottom-up accountability mechanisms at both national and sub-national levels are crucial to this end. This can enhance the legitimacy of the state and donors and help safeguard aid funds. For example, social auditing is a mechanism that allows for communities to monitor the spending of aid, government, and private sector projects. It directly links the process of addressing corruption to the outcome of the finished project (e.g., a school building, road, or hospital). These types of initiatives should be supported by donors. In addition, donors should ensure that anti-corruption initiatives are independently monitored and evaluated in terms of their impact on broader social and economic goals, even if this impact is only measured in terms of perceptions.

Many of the respondents interviewed noted that anti-corruption initiatives raised their expectations of seeing results within a short time. Donors should not fall into this trap. Rather, they should provide continuous support for independent investigative journalism and local research. Rather than ad hoc trainings of journalists, donors should focus on long-term capacity building of the media and research institutions. Independent newspapers and research institutions are usually underfunded, and mid- to long-term investments (e.g., five-year cycles) in this area may generate high returns.

Recommendation 4: Support anti-corruption efforts that improve the equitable distribution of public resources by the state.

This study suggests that citizens in fragile states are often primarily concerned with access to public goods and services rather than with corruption as such. The study also found that legitimacy is at greater risk in the eyes of elites and citizens when corrupt distribution of public resources is perceived as exclusionary. Anti-corruption and good governance efforts, then, may be most usefully targeted to these issues.

The illicit appropriation of resources meant for public goods and services is largely hidden from view, even when specific corruption scandals are reported by the media. Our study suggests that donors need to make the case that corruption has a direct impact on citizens' resources. Budget transparency initiatives may be the first step in clarifying where resources are actually being directed. Elites should be encouraged to support these initiatives to ensure the government is ready to reallocate resources if the information reveals that distribution is exclusionary or unfair.

The focus should be on services or resources that are particularly notorious for corruption and/or those that are essential to economic prospects or the public's sense of well-being. An integrated or mainstreamed approach to public sector management reforms, and to monitoring progress and outcomes, may be more feasible in a single sector than as a comprehensive initiative.

Recommendation 5: Unpack the concept of "corruption" and address specific abusive practices with concrete policy, legal, or behavioural measures aimed at fostering the state's responsiveness to citizens' needs.

It is important to unpack the umbrella concept of corruption into specific risks and practices. Donors should encourage partners to be specific about which ones they want and are able to address (e.g., conflicts of interest, position buying, illicit campaign financing, large-scale bribes in concessions, etc.) and help them deliver results. Where public discontent with the government is high, where important segments of society feel excluded, and where government decisions are perceived as unfair, unequal,

or politically biased, corruption should be considered likely to erode legitimacy. Using precise terminology and building consensus around a definition of the problem is an important first step in the search for practical solutions, as well as in the measurement and communications of results.

There is no simple formula for such an exercise. Efforts may include a stronger focus on political party and campaign finance, the merit-based selection of public officials (particularly at the sub-national level), regulation of conflicts of interest, and investments in information management systems.

Recommendation 6: Explore ways to address the impunity of allegedly corrupt actors.

One of the most tangible results of anti-corruption activity is the prosecution and sanctioning of individuals alleged to be involved in corruption. Public faith in the justice system and in anti-corruption initiatives may improve if the public sees that those found guilty are justly punished.

However, in the three countries studied, impunity appears of leaders and other elites appears as a central challenge. The likelihood of an individual being caught and punished is low. This is often not for lack of oversight agencies or legislation, but because networks of powerful actors are able to block challenges to their power. Efforts to cut off opportunities for corruption threaten political and economic interests, and leaders may consider them to be incompatible with power-sharing arrangements or concessions they deem necessary for peace. In some cases, investigation, prosecution, and imprisonment of corrupt actors within the state has helped break their influence and has sent a signal against impunity. However, it is important to bear in mind that investigations and prosecutions of high-level officials may fail, or they may be politicised and seen as a witch hunt against the opposition. Such results at minimum contribute to cynicism, and may also have destabilising effects.

Given the challenges of addressing impunity in local contexts, it may be necessary to explore approaches that have emerged in recent years that do not depend so much on local institutions or processes. In some donor countries, laws make it possible to prosecute corrupt officials from other countries if their actions are connected to the donor country (see Fontana 2011). Diplomatic tools such as visa denials have also been integrated into some donor countries' anti-corruption efforts.

Recommendation 7: Understand how corruption is used by organised crime and strengthen the state's capacity to resist infiltration by illegal groups and those engaged in illicit transactions.

This study points to the need and potential for addressing the relationship between corruption and organised crime and criminal networks. Donors should accelerate efforts to combat illicit financial flows by strengthening anti-money laundering measures, addressing tax evasion, and strengthening national policies, legal frameworks, and institutional arrangements for tracing, freezing, and recovery of illegal assets, including in the absence of mutual legal assistance requests. This should include enacting laws and policies that facilitate improved international cooperation on these matters and improved performance on bank transparency, "know your customer" regulations, and related issues as a key item on the *development* agenda in donor countries. Although this will be easier in countries with developed financial systems, these are important tools for countries at all stages of recovery.

Recommendation 8: Emphasise agency-level integrity measures and the do-no-harm principle in development cooperation.

Donor staff need to be conscious of the potential consequences of anti-corruption reforms and of the challenges and opportunities for transparency, accountability, and integrity measures. This is important for staff conducting field operations as well as for those developing indicators to assess the impact of interventions. Evaluating the pros and cons of various approaches to assistance with respect to the risks of corruption and its possible negative influence on stability should be a key step in developing assistance strategies in fragile countries. Special attention should be paid to the risk that

assistance may do harm by exacerbating existing corrupt practices or providing opportunities for new ones.

It is important invest more effort to ensure a strong accountability, transparency, and integrity (ATI) focus in all donor-funded and -implemented activities. As shown in Liberia and Nepal, donor presence and activities to address corruption can be highly valued by elites and citizens, but donor engagement is also vulnerable to misuse and abuse. Donor agencies should put a stronger focus on internal integrity mechanisms directed at their own operations and staff behaviours, as well as mainstreaming ATI measures, including a corruption risk management approach, in all donor-supported programmes. This area, which donors themselves have most control over, would also support recommendation 5.

Although efforts in this area have been strengthened over the past years, there is much room for improvement. In addition, greater efforts can be made to support genuine high-level commitments and bottom-up efforts across international transparency initiatives, such as the Extractive Industries Transparency Initiative, the Construction Sector Transparency Initiative, and the Medicines Transparency Alliance. Initiatives such as the Open Government Partnership also offer opportunities to strengthen capacities and state-society relations to ensure access to information and fulfilment of state functions.

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Appendix 1: Interview Guide

Introduction

Thanks for meeting with me. My name is _____, and I'm helping to conduct a survey into governance and legitimacy in [country]. The research has been commissioned by Tiri, an NGO in London, and U4, a research organisation in Norway. The research explores what policy makers, donors, the private sector, and NGOs think about governance, legitimacy, and stability in post-conflict situations. The study is being carried out in three countries: Nepal, Liberia, and Colombia. So I'd like to ask you a few questions about governance, legitimacy, and stability in [country]. This interview is anonymous; your name will not be printed or recorded in any document. Your responses will be treated confidentially. The interview will last for approximately 45 minutes. May I begin?

Questions

Q1. What issues are most urgent for lawmakers/government to address in (country) this year? Why?

Q2. In your view, what are the most important factors that affect the stability of state institutions in (country) today? How?

Q3. Since (peace agreement or reference point) do you, yourself, think the state is more or less legitimate? Why?

Q4. Since (peace agreement or reference point) do you think citizens view the state as less or more legitimate? Why?

Q5. In your view, do non-state actors or institutions in (country) have more or less legitimacy than the state? Why? Examples? (Prompt: trust, authority)

Q6. I am going to describe six scenarios that can be seen in a number of countries around the world. (SHOW CARD) After I read all of them, I would like you to tell me if you think the scenario is relevant to (country) or not. Also, I would like to know how each (relevant scenario) might contribute to state stability or instability. (READ CARD) (a) Which scenarios are relevant to (country)? (b) How could this (relevant scenario) contribute to state stability or instability?

(CARD)

- 1) A small number of powerful actors and their personal friends, networks, or family members cooperate together to use state power however they want. They intervene in the economy, and use foreign aid and investment for their personal benefit.
- 2) A small number of powerful actors and their personal friends, networks, or family members compete with each other to use state power. They intervene in the economy, and use foreign aid and investment for their personal benefit. At times they use violence to take as much as possible, as quickly as they can.
- 3) A high-level broad-based network of politicians, party leaders, bureaucrats, media owners, military officers and businesspeople share (spoils, benefits) among each other. The network binds together and resists pressure from political and economic competitors. Critics are bought off, but not killed.
- 4) Economic actors want state institutions to make specific decisions or provide certain outcomes. The actors sometimes buy or rent influence directly through large bribes, and at other times they go through politicians and parties to get what they want.
- 5) In a national elections campaign, private actors donate large sums of money to support their candidates or parties, in excess of the amount legally allowed. Politicians may contribute large sums as well. The contributions are seen as an investment to be repaid.
- 6) Every day, citizens pay small bribes to government officials to get public services that should be free. For example one day they pay for a baby to be delivered, and the next day they pay to get a driver's license.

Q7. Thinking about the scenarios we have discussed:

- a) Which one would result in the most unstable situation? Why?
- b) Which one would result in the most stable (or least unstable) situation? Why?

(Probe: small number vs. larger number, competing vs. sharing, state violence vs. not violent, large sums vs. small sums, influencing elections vs. other things)

Q8. To what extent do you think corruption in (country) is linked to non-state, illegal groups like armed groups or drug cartels? (Probe: How does this relationship affect state stability?)

Q9. I'd like to ask you now about anti-corruption initiatives in (country).

- a) Could you give me examples of initiatives that have helped control corruption? Why?

(Prompt: explicit or implicit, i.e., "These could be designed to control corruption, or ones that were not specifically for that purpose, but indirectly had a positive effect.")

- b) In these examples of success, who were the most powerful actors pushing for reform? (Which ones? Why were they interested in controlling corruption? What was in it for them? How were they able to deal with potential blockages?)

c) Could you give me examples of other anti-corruption initiatives that made corruption or governance worse? (probe: explicit or implicit) How? Why?

Q10. Generally speaking, do you think anti-corruption initiatives strengthen or undermine state legitimacy? How? What about stability? Explain.

Q11. Do you have any questions for me, or recommendations on what (government/civil society/the private sector/donors) should do (to improve governance, support state building, or reduce corruption)?

Appendix 2: Government and Economic Context

Liberia

Liberia has a multiparty presidential system of governance modelled after that of the United States. The 1986 constitution, currently in force, provides for a bicameral legislature of 64 representatives and 30 senators. Since the 2005 national elections, the Unity Party, under President Ellen Johnson Sirleaf, has been the key custodian of state power. The opposition includes the Liberty Party and the Congress for Democratic Change. Policy proposals usually emanate from the executive and legislative branches of government in the form of regulations, white papers, and legislation. In some instances, civil society participates in policy making, notably in developing the Poverty Reduction Strategy for Liberia.

From the time the Republic of Liberia was established in 1847, until as recently as 1980, suffrage was only extended to the descendants of freed slaves, known as Americo-Liberians. This small elite group (around 1.5 per cent of the population) maintained control over the Republic, while the country's indigenous population was relegated to second-class status. As Morten Bøås (2010) notes, "Elections produce governments, but not necessarily reconciliation." The task in Liberia is not merely putting the country back together *again*, but rather, putting it together for the first time. This requires the construction a Liberian national identity based on the principle of inclusion instead of exclusion (Bøås 2009).

Between 1980 and 2010 Liberia's Human Development Index (HDI) rose by 0.1 per cent annually, from 0.295 to 0.300, which gives the country a rank of 162 out of 169 countries (UNDP 2010b). Its gross domestic product (GDP) per capita is estimated at US\$500. Income inequality is high, with a Gini index of 52.6. Liberia has witnessed steady progress in economic growth and development since 2005, with a growth rate of 4.2 per cent in 2009 and 5.1 per cent in 2010. Inflation reached 7.5 per cent in 2011, following a modest upward trend due to rising oil prices. Agriculture contributes approximately 77 per cent of the country's GDP and employs almost 70 per cent of the working population. The underdeveloped industrial sector employs 8 per cent of the labour force and accounts for 5.4 per cent of GDP. Major industries include rubber processing, timber, and diamonds.

Liberia has the highest ratio of foreign direct investment to GDP in the world, in part due to the current government's strategic measures to encourage foreign investments (GDP was also depressed by the conflict). The lack of electricity and water remains an obstacle to attracting investors. The road network and other infrastructure are in disrepair. But the country has signed several large concession agreements, including the widely known Mittal Steel Agreement for exclusive rights to the export of iron ore from the mines in Nimba County. International firms are now bidding for logging concessions after the lifting of UN timber export sanctions. And Chevron is expected to start drilling for oil shortly. Within Liberia, resident foreigners, including Lebanese, Syrians, Indians, Nigerians, and Guineans, wield considerable economic power.

Two forthcoming developments, namely the end of GEMAP (as discussed in chapter 4) and the departure of the United Nations mission, could bring about a sharp shift in perceptions of the political regime. At present there are only 2,500 Liberian soldiers for a population of 3.4 million, and Liberia's security is guarded by an 8,000-strong UN force known as UNMIL. UNMIL appears to be highly popular among the Liberian public. In a survey focused on UNMIL's activities, 90 per cent of respondents thought that UNMIL had done a good job of implementing the country's peace agreement, with a further 88 per cent stating they would like UNMIL to stay longer than its mandate (Krasno 2006). The popularity of UNMIL presents a challenge to the Liberian government, which will

need to meet the high expectations of its population with a more limited resource and institutional base once the international force departs.

Nepal

Nepalese citizens voted in 2008 to form a federal multiparty representative republic, with an interim constitution and an interim House of Representatives with 330 seats. The Constituent Assembly, with an initial two-year tenure and extensions in 2010 and 2011, has not been able to complete the drafting of a new constitution. Contentious issues include the type of federalism; the form of governance and electoral system; integration and rehabilitation of 19,000 fighters of the Maoist People's Liberation Army; democratisation of the Nepali Army; judicial reform; land reform; and the inclusion of marginalised people and communities in the political system. Political consensus was agreed on as a mode of political decision making. But the number of politically motivated and fragmented movements based on region, religion, ethnicity, caste, and language groups made it difficult to achieve consensus. With Maoists becoming the largest political party, and with the arrival of new political actors that are mainly ethnic-based political parties, decision making has shifted to majority rule. It is uncertain what the new system will look like.

The 2007 State of Democracy in Nepal survey, which included both a nationally representative household sample and a survey of legislators, showed that millions of Nepalese participated in the uprising against the royalist regime in 2005. Across age, caste, class, and region, 23 per cent of people surveyed indicated that they had participated and another 19 per cent were interested in participating. Those with more influence in society participated in greater proportion than the less powerful. This suggests that those who are disadvantaged, with less political awareness, low exposure to the media, and lower education face greater constraints to participation. It also highlights the importance of elites and their role in shaping political outcomes.

Between 1980 and 2010, Nepal's HDI rose by 2.4 per cent annually, from 0.210 to 0.428, giving the country a rank of 138 out of 169 countries in 2010. Its GDP per capita is estimated at US\$1,200. Income inequality is high, with a Gini index of 47.2. The real sectors of the economy (agriculture and manufacturing) have declined, while there is a thriving finance sector. Exports of garments, carpets, and handicrafts have declined due to loss of competitive advantages and labour problems. Imports of raw materials and petroleum products continue to contribute to trade deficits and an unfavourable balance of payments. As the Nepali rupee is pegged to the Indian rupee, in spite of increasing trade deficits, the foreign exchange rate between the Nepali rupee and the US dollar has remained surprisingly stable. Nepal's economic dependence on India has come at the cost of imbalances in the bilateral political relationship. While internally, Nepal's politics have guided the economy, externally, economic dependence on India has fostered political dependency.

Economic growth was a modest 3.5 per cent in 2010, due to internal factors such as strikes, closures, labour problems, and electricity supply shortages, as well as contraction in external markets. Since 2000, overseas remittances have been growing rapidly at over 30 per cent per year. During the global recession of 2009, remittances from Nepalese workers abroad increased 47 per cent to US\$2.8 billion. They benefit a third of households and are a major contributor to the country's economy, now representing 21 per cent of GDP. The economic situation today is still an improvement over the 1990s, when pro-market economic reforms arguably contributed to political instability because they failed to achieve distributional equality. This led to a political crisis and zero growth in 2000. In the process of belt-tightening in 2002, new anti-corruption laws and institutions were born. This is how good governance and anti-corruption appeared on Nepal's development agenda.

Colombia

In Colombia, governments have been democratically elected since the 1950s, and the country's institutions and regulatory frameworks have withstood regime crisis over time. Colombia has a multiparty presidential system of government. Since its groundbreaking new constitution of 1991, it is a decentralised, unitary state with a directly elected president holding executive power, a bicameral legislature, and an independent judiciary. There are two traditional parties, as well as minor ones that have emerged in the past decade and have had some effect on the long-standing two-party system. Public policies are largely initiatives of the executive, with national sectoral policies formulated by a National Political, Economic, and Social Council. Although civil society does not play a great role in policy making and lawmaking, economically and politically powerful non-state actors do have influence, generally informal. Annual sub-national development plans are submitted for approval to the legislature by the provincial, district, and municipal governments, which administer about 67 per cent of the country's public investment resources. These sub-national governments are responsible for providing education, health and other basic services, including special services for the poor.

Colombia ranked 79 in the Human Development Index in 2009, similar to its performance in recent years. It is the third most populous country in Latin America after Brazil and Mexico, with some 45 million inhabitants. However, it is important to note that between 1985 and 2007, nearly 4 million Colombians were displaced by the conflict between the government, illegal armed groups, and drug traffickers. Poverty rates remain high (45 per cent) and per capital GDP is US\$8,100, far below that of developed countries and even below that of some other Latin American countries such as Chile, Mexico, and Venezuela. However, Colombia does rank as a middle-income country, with institutional and economic development significantly greater than that of the other two countries in this study. As a result, the presence and influence of traditional donors is also far less than in the other two countries.

With the exception of a few years of economic crisis, Colombia has experienced real economic growth for decades. Since 2000 the economy has been stable, and inflation has declined from 9 per cent to 3 per cent. But due to lack of competitiveness, productivity, and international integration, growth rates are low (4 per cent in 2010). Although slow gains have been made in access to health, education, and water, and poverty is decreasing, income inequality remains extremely high. Colombia has just been ranked as the country with the highest level of income inequality (Gini index 58.3).

The finance sector represents 22 per cent of the economy, followed by the service sector (17 per cent), industry (13.5 per cent), commerce (13 per cent), transport, storage and communications (8 per cent), agriculture (7 per cent), and mining (7 per cent). Although not included in official figures, drug trafficking is considered an important element of the Colombian economy. Drug trafficking is linked with some large businesses that have significant influence on political decision makers, in some cases leading to capture of sectors of the state.

Appendix 3: Recommendations from Respondents

Note: These recommendations taken from comments by respondents are interesting in that the advice given is generally applicable, rather than limited to states in fragile situations.

Look inward. Donors have a tendency to “blame the aid recipient without looking at their own house” – at how they or their contractors and suppliers try to bribe recipients.

Ethical leadership. “I have been minister six times and there was never any pressure from my party to mobilise funds. There was pressure from others at times, but my leaders, no. If you have moral courage you can resist.” “Attract good people in politics – normally it is difficult, normally good people don’t want to go into politics.” Exchange legislators’ experiences across countries.

Civic education. Educate people on responsibilities of leaders so they make more informed decisions. Sensitise citizens on the workings of the government.

Participatory governance. Civil society and private sector should “continue on their path by helping government with ideas rather than allowing themselves to be bought.”

Judicial independence. Donors should be providing more funding to monitor the judiciary. Establish a corruption court where cases can be fast-tracked within a specific time frame.

Legal framework. Donors should “support the revitalisation of our laws to help reduce the chances of officials going with impunity.”

Corporate governance. Civil society and the private sector need to improve internal governance. “Keep an open eye on yourself; that will add to your reputation.”

Sustainable peace (security). “Security is necessary for development. Also, if there is no threat of harassment and intimidation, foreign investors will feel secure in investing.”

Job creation. Use additional resources from reduction in corruption to promote sustainable jobs. “When you have something to do, you don’t support uprisings.”

Resource allocation. Lawmakers should allocate more money for education and rural access roads in the national budget, and resources should be allocated more equitably.

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Examining the cases of Liberia, Nepal and Colombia, this study asks how corruption poses risks to political legitimacy and stability in fragile situations. The report focuses on the key role of elites and their views of the state's legitimacy in determining the extent to which there will be instability or stability. Qualitative interviews of elites show that two particular patronage scenarios are seen as threatening stability. One is when the state or illegal actors sustain a corrupt network by violently eliminating opponents. The other is when corruption benefits few people, the benefits are not distributed "fairly," and the population's basic needs are not met. Public opinion data suggest that despite corruption, the legitimacy of governments and public institutions in the three countries studied is reasonably high. The impact of corruption on legitimacy and stability is mitigated by other factors. Anti-corruption initiatives potentially strengthen state legitimacy, but undermine it if they fail to deliver or become too far-reaching. In conclusion, the report makes recommendations to the international community for prioritising action on corruption.