Short Session Report

Session Title: Corruption, Conflict and Development: Delivering Results in High-Risk Environments
Date & Time: Monday October 22; 12-2pm; Workshop Room 2
Report prepared by: Francesca Recanatini, Lead Economist, World Bank

Experts:
- Abdallah Al Dardari, Sr. Adviser on Reconstruction, World Bank
- Alina Mungiu-Pippidi, Chair of the European Research Centre for Anti-Corruption and State-Building (ERCAS) at Hertie School of Governance
- Matthew Murray, International Member, Monitoring and Evaluation Committee (MEC), Afghanistan

Moderated by: Francesca Recanatini
Session coordinated by: Francesca Recanatini

Main issues raised in kick off remarks. What’s the focus of the session?

Corruption undermines growth and acts as a regressive tax penalizing the most vulnerable citizens. Corruption however can be especially harmful for countries emerging from conflict, or in a state of ongoing conflict, and trying to re-build their own institutions. For post-conflict and fragile countries, to implement policies aimed at promoting long-term peace and inclusive growth is especially challenging because of the weak institutions present on the ground and the pressure to focus on the physical reconstruction rather than on institution building and delivery of services to the citizenry. The limited success in
supporting inclusive growth and accountable institutions in countries like Afghanistan, Iraq, Haiti, Yemen, Sierra Leone and CAR is a sobering reminder of the long-term consequences that corruption can have for fragile countries. The panel’s focus was on experiences from around the world to identify corruption and understand its link with conflict and the reconstruction process. The experts were asked to share examples of how corruption may have undermined reconstruction efforts and created the condition for future conflict, and to identify particular types of corruption that may be especially dangerous for countries with very weak institutions and limited capacity. Moreover, the experts were also asked to identify policy tools or approaches that could be more effective to reduce the risk of corruption in fragile and post-conflict countries especially in the early stages of reconstruction, institution-building and efforts to facilitate inclusive economic growth.

What initiatives have been showcased? Briefly describe the Game Changing strategies/ ideas (if applicable)

The experts shared experiences and lessons learnt emerging from a diverse set of countries – from Afghanistan to Kosovo, Colombia, Iraq, Yemen, Libya and Syria. This diverse set of experiences pointed to the following “Game Changing” strategies

1. Understand the political environment and landscape (“Ask who before you ask what”)
2. Integrate corruption in the peace negotiation process – corruption is a national security issue
3. Do not plan for things you cannot implement and be mindful of the absorptive capacity at the local level
4. Identify interventions through a bottom-up approach, involving all the different actors (including youth, women and other excluded groups)
5. In post-conflict settings, focus on establishing the foundations for a new social contract that promote inclusive (and not extractive) institutions
6. Understand the potential trade-offs of engaging in fragile and post-conflict settings and be aware of unintended consequences
7. Finally, complement the local and national efforts with international ones as corruption also includes international channels

Briefly describe the highlights including the thematically interesting questions and ideas that were generated from the discussion or from the floor, and session quotes.
A few emerging highlights from the panel discussion

1. Corruption is both as cause and an outcome of conflict and fragility
2. Success (in term of sustained growth, peace and some control of corruption) is not common. Countries like Colombia, Georgia and Rwanda are relevant examples. (please see also: https://www.mitpressjournals.org/doi/abs/10.1162/daed_a_00500
3. The strategic approach should focus both on prosecution and prevention efforts and be mindful of the limited resources available on the ground
4. AC agencies can help but it is more effective and more sustainable in the long-term to integrate AC efforts throughout the government and not to empower only one single agency
5. Interventions should also include capacity building and education in skills that can support economic development

What are the key recommendations, follow-up Actions (200 words narrative form)

When preparing for peace and engaging in fragile environments, a few basic lessons are emerging:

a. Corruption, fragility, and conflict are strongly correlated. In fact, they turn in a vicious circle.
b. Corruption should occupy a central place in peace arrangements and reconstruction planning at a very early stage; during conflict, not post conflict.
c. Addressing corruption while adopting classical reconstruction approaches would not do the job. Cronies and political powers have succeeded in forcing the hand of the international community and use post conflict finance to enhance their grip on power.
d. Adopting new economic structures that limit the scope of capture and corruption should be integral parts of peace building and post-conflict planning. This should include:
   i. Moving away from centrally planned large public investment projects towards small bottom up reconstruction strategies,
ii. Moving towards digital economic activities allowing the youth to pioneer with small financial resources away from the crony capture of public and formal private economies.

iii. Make sure that women and girls have equal access to these new small, digital opportunities, even if they are still at home.

Key Insights that could be included in the IACC Declaration

1. Corruption is both as cause and an outcome of conflict and fragility
2. Understand the potential trade-offs of engaging in fragile and post-conflict settings and be aware of unintended consequences
3. Identify interventions through a bottom-up approach, involving all the different actors (including youth, women and other excluded groups)
4. Finally, complement the local and national efforts with international ones as corruption also includes international channels

Rapporteur’s name and date submitted
Francesca Recanatini, October 22, 2018

This Short Report needs to be submitted within 2 hours after the session.