



# Accountability in Reconstruction: International Experience and the case of Ukraine

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## Ukraine's reconstruction challenge

Russia's invasion of Ukraine has led to enormous destruction. The Ukrainian state, businesses and ordinary citizens must deal with the loss of human life and fleeing populations, the crippling of infrastructure and homes, as well as immense economic shocks from the demolition of factories and the blockade of ports. A preliminary assessment puts the economic losses from over 100 days of war at \$600 billion. Ukraine needs to rebuild over 200 production facilities, 12 airports, 1,000 schools, 300 bridges, and over 25,000 km of roads<sup>1</sup>.

On the whole, experience from the last two decades suggests anti-corruption efforts in reconstruction do not have a good track record. Ukraine will emerge from the war with new challenges for combating corruption. Opaque emergency decision-making and the influence of the security services and the armed forces on the government's agenda brought about by the war may not recede quickly. Politics will be in a state of flux, with social and political institutions possibly too fragile to assert themselves.

The immediate challenge for Ukraine and international partners is not to make corruption worse through reconstruction. The broader aim should be to establish multi-faceted anti-corruption initiatives as part of an agenda of democratic renewal and economic progression. This paper provides some initial suggestions and is divided into five short sections.

(1) demonstrates that systemic and transnational corruption, as well as policy and implementation capture, are elements of the likely corruption risks;

(2) explains that anti-corruption in reconstruction matters for trust, efficiency, and broader state resilience;

(3) considers the distinct advantages and disadvantages of Ukraine's efforts to fight corruption;

(4) recommends that principles of political sensitivity, local empowerment, and mutual accountability should underpin recovery efforts; and

(5) suggests efforts for tackling transnational corruption, maintain awareness of gender issues, institute effective procurement and boosting state capacity as possible immediate interventions in designing reconstruction programmes. The sustained empowerment of a broad array of actors – from local community groups to business associations – is also necessary to support lasting institutional change.

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<sup>1</sup> Slovo i Dila (2022), 'Шмигаль розповів, скільки збитків Україні вже завдано від війни' ('Shmyhal' announces scale of losses Ukraine has already suffered from the war', 25 March 2022, <https://www.slovoidilo.ua/2022/05/25/novyna/ekonomika/shmyhal-rozpoviv-skilky-zbytkiv-ukrayini-vzhe-zavdano-vijny>)

## What kind of corruption emerges in reconstruction?

Corruption risks occur across all dimensions of reconstruction, manifest themselves in many forms and are enabled by an ever-changing array of actors. Some forms are opportunistic and occur on a one-off basis. But when these instances become more regular, embedded, and enabled by a broad coalition of often powerful actors, they present a more systemic challenge. More subtle forms of subversion and capture, which aim to illegitimately sway reconstruction for the benefit of a few, occur at both policymaking and implementation levels. Corruption in reconstruction is also transnational.

Five broad categories capture the variety and far-reaching scope of risk. Each jeopardises reconstruction in different ways and requires specific policy responses and approaches, an imperative that re-emphasises the need for multifaceted anticorruption efforts, sensitive to local variations in the nature of the problem.

<b>Category of corruption</b>	<b>Character</b>	<b>Practices involved</b>	<b>Type of actors involved</b>	<b>Consequences for reconstruction</b>
<b>Opportunistic corruption</b>	One-off instances of corruption involving just a handful of actors.	Budget leaks, bribery, extortion, embezzlement, fraud	Public officials, contractors, citizens, politicians, managers	Leaks and inefficiencies  Poor standards of reconstruction
<b>Systemic corruption</b>	Repeated corruption through institutionalised schemes	Kickbacks, bid rigging, bribery, money laundering, theft, intimidation, violence, collusion	Organised crime, large firms, senior politicians	Systematic losses  Cements power of 'strong men'
<b>Policy subversion and capture</b>	Manipulation of policy decisions for private interests	Fraud, cronyism, political manipulation, trade in influence, conflict of interests, rent-seeking	Large business interests, corporations, senior civil servants, the judiciary, politicians, journalists	Systematic inefficiencies in resource allocation  Closed-off markets
<b>Implementation subversion and capture</b>	Manipulation and appropriation of resources at level of delivery	Vote buying, absenteeism, fraud, trade in influence, exchanging favours	Mayors and local politicians, local officials, NGOs, local contractors	Clientelism  Exclusion of most vulnerable
<b>Transnational corruption</b>	Collusion between domestic and international actors	International illicit financial flows	Professional enablers, banks, lawyers, corporations  Politicians	Systematic losses

## How well prepared is Ukraine to minimise corruption in reconstruction?

The picture is likely to be contradictory. On the one hand, the marked success of devolved decision-making to local communities as a result of the decentralisation reforms carried out after 2014 provides grounds for optimism that anti-corruption measures will function more effectively. Coordination of resources at the local level has served as the backbone of Ukraine's resilience against Russian aggression. If Ukrainian society can transfer this resilience in local decision-making to battling corrupt governance practices, the space for misuse of reconstruction funds will be significantly reduced.

On the other hand, as inevitably happens during war, Ukraine's anti-corruption institutions, its law enforcement agencies and its courts have faced operational constraints that have weakened capacity to fight corruption. In parallel, transparency and accountability in decision-making have been reduced as the government has tried to marshal resources quickly during the war. Governments cut corners during times of national crisis, as the experience of fighting the Covid-19 pandemic has shown in several European countries. The normal procurement rules were often pushed aside to achieve quick results with politically connected businesses the beneficiaries.

Ukraine will emerge from the war with an urgent need to overhaul its judicial system from top to bottom and re-energise its anti-corruption institutions. In October 2020, the Constitutional Court ruled that key elements of the anti-corruption agenda were anti-constitutional triggering a constitutional crisis that remains unresolved. In parallel, the judicial reform process had run into severe difficulties as anti-reform constituencies flexed their muscles and resisted renewal of the High Council of Justice (HCJ), the highest judicial governing body. The wartime process for vetting new members of the HCJ has met with strong criticism from civil society.

On the plus side, some of the major business groups that previously shaped the business environment to their advantage appear severely weakened and may be unable to exercise the same level of influence as they did before the war. War tends to boost social mobility. This gives hope that new players may, of course, emerge quickly and constitute powerful driver for modernisation of governance.

Leaving these variables aside, Ukraine's system of governance displays several weaknesses that will heavily impact the effectiveness of the reconstruction effort in the absence of action to address them. The main problems relate to:

- a) Tendency towards informal decision-making in favour of powerful interest groups centred around big business;

- b) A trend for large state-funded programmes to favour politically connected companies to the detriment of competition and efficient spending, as evidenced in the state-funded ‘Big Construction’ project<sup>2</sup>;
- c) A tendency to concentrate power in the Office of the President and bypass democratic procedures intended to ensure accountability. War has naturally exacerbated this trend in addition to the majority government formed by President Zelensky’s Servant of the People party;
- d) A national parliament penetrated by business and other interests that does not hold government to account in line with its democratic mandate and generates poor-quality legislation benefiting key constituencies;
- e) The lack of an independent judiciary that has made the courts unreliable and impeded the development of a rule-of-law culture. This has created an environment of impunity for the embezzlement of public funds;
- f) Institutionalised arbitrariness exemplified by the Prosecutor’s Office, the tax authorities and most of the national police force, which have barely undergone reform and are a tool for protecting the interests of the ruling class against its rivals;
- g) Overlapping interests of organised crime with sections of both the national police and the security services;
- h) Under-developed regulatory authorities with a tendency to favour the interests of big business and contribute to sustaining barriers to entry and discouraging investment. Over-monopolisation of several key economic sectors, especially energy, road construction, transport;
- i) Strongly coordinated resistance by key constituencies in business, politics and the state bureaucracy to efforts to advance the anti-corruption agenda developed after 2014;
- j) Heavy concentration of media assets in the hands of big business owners, which they use to protect their interests to the detriment of impartial reporting and informed debate; and
- k) The lack of a culture of integrity across much of the private sector reflected in poor standards of corporate governance, particularly in the areas of transparency and accountability.

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<sup>2</sup> Volodymyr Zelensky’s administration directed substantial amounts from the state budget to the Big Construction Programme, <https://bigbud.kmu.gov.ua/>. Its aim was to modernize infrastructure and build new roads, bridges, stadiums, schools, hospitals. In 2022 Ukraine earmarked UAH140 billion (€4.5 billion) to upgrade roads and bridges. Independent investigative journalists have reported that it is common under the programme for costs to be inflated by 30% and for senior policy makers to receive kickbacks of 10%. See Nashi Hroshi (2022), ‘Націнка на «Великому будівництві» складає 30%, влада збирає 10%, – Амірханян’ (‘Margin on ‘Big Construction’ reaches 30%, officials take 10% - Amirkhanyan’), 21 February 2022, <https://nashigroshi.org/2022/02/21/natsinka-na-velykomu-budivnytstvi-skladaie-30-vlada-zbyraie-10-amirkhanian/>

At the same time, Ukraine has important strengths that can be harnessed to mitigate the risks of the misuse of reconstruction funds:

- a) An impressive track record of success since 2014 in reducing the space for corrupt practices in public procurement as well as taxation and the provision of public services. The post-Euromaidan award-winning procurement system Prozorro <https://prozorro.gov.ua/en> is the keystone of the more transparent spending of public money;
- b) New, functioning anti-corruption agencies and a specialised anti-corruption court built on solid foundations with the potential to play a much stronger role in a political environment that favours them;
- c) Substantial public finance reform with improved transparency of spending. E-data.gov.ua and other digital platforms allow for significantly improved oversight and monitoring;
- d) Decentralised governance that has ensured much more efficient delivery of public services. This should provide a basis for the empowering of local communities to shape the re-building of their cities;
- e) Highly capable civil society organisations experienced in anti-corruption issues with a powerful voice and motivated to achieve change. The sector is adept at using social media, which reinforces its capacity to run online educational campaigns about the negative consequences of corruption and to impact both individual attitudes and daily practice<sup>3</sup>;
- f) Vibrant business community, both local and international, that has no fear of making its voice heard;
- g) A well-established culture of investigative journalism that can be an important tool in holding to account businesspeople, politicians and public officials;
- h) Well-developed digital infrastructure that can be adapted to provide the level of data exchange needed for effective coordination of reconstruction efforts. Existing practice of civic monitoring of public spending using the Dozorro platform<sup>4</sup> provides a powerful example of how digital technology can enable transparency and accountability;
- i) A strong IT community well placed to contribute to the further digital modernisation of Ukraine;
- j) A pluralistic political culture that is likely to develop further as citizens at the local level see the need for the greater involvement of voters in ensuring that their elected representatives deliver the oversight of investment projects

<sup>3</sup> Denisova-Schmidt, E., Prytula, Y. and Huber, M (2020), 'Can Online Videos Change the Acceptance of Corruption Among Ukrainian Students?', 9 October 2020, <https://voxukraine.org/en/can-online-videos-change-the-acceptance-of-corruption-among-ukrainian-students/>

<sup>4</sup> <https://dozorro.org/>

intended for the benefit of citizens and not the contractors or those administering the process; and

k) The prospect of EU membership as an anchor for rule-of-law reforms and an increased focus by the EU and its member states on improving governance

Ukraine's reformers are likely to have a significant opportunity to shift the country away from the governance system formed in the 1990s that legitimised rent seeking by politically connected business groups in alliance with the state bureaucracy. This underlying system has proved remarkably adaptable and resistant to pressure and has so far survived two revolutions. Although weakened after 2014, it has not gone away.

Despite the election of President Zelensky on an anti-corruption ticket, the system's players were able to mount strong resistance to the anti-corruption reforms started after 2014, in particular, in healthcare and some areas of public procurement. They also prevented progress on customs reform, judicial reform, privatisation and strengthening the regulatory environment.

Before Russia's invasion in February 2022, President Zelensky's approval ratings were in sharp decline as his administration appeared unable to rein in powerful networks determined to keep their influence over the government's allocation of resources and its legislative agenda. As a result of his war-time leadership, Zelensky reversed the trend and today enjoys strong public support. This renewed trust can be a key factor in promoting the next stage of reforms, particularly those identified by the European Commission as conditions for Ukraine's EU candidate status.<sup>5</sup>

## Why invest in well-designed anti-corruption efforts?

Many of the below suggestions are drawn from experiences from reconstruction in the western Balkans, in addition to general anti-corruption research. They should be approached not as prescriptions but as a background material to inform reconstruction planning.

### 1. A just reconstruction matters for social resilience

To be successful, reconstruction depends on citizens coming together to support and engage in the process. This kind of collaboration depends on reconstruction being trusted and seen as legitimate. A solid body of research demonstrates that trust is built up in reconstruction processes not through the mere receipt of material resources – cash, a renovated hospital, or a repaired road – but through how reconstruction is done. Citizens trust reconstruction – and by implication this will legitimise and help build resilience, including of the state – if their everyday experiences show that it is being done with fairness, dignity,

<sup>5</sup> Commission Opinion on Ukraine's application for membership of the European Union, 17 June 2022, p 21

and impartiality, and aligns with for communities' broader identities and most salient issues.<sup>6</sup> At the same time, perceptions of corruption and capture alienate communities from these processes, even pushing people into seeing corruption as the only viable option or as a way to get ahead. Ensuring reconstruction is not tainted by corruption matters therefore for rebuilding and maintaining social unity and for avoiding division, contestation, and disengagement.

## 2. Anti-corruption helps secure a needs-based reconstruction

Corruption tends to blight the most critical areas of reconstruction disproportionately. Construction is considered the most vulnerable sector to corruption and estimates of the percentage of construction costs lost to bribe payments alone vary globally from 5% to over 20%.<sup>7</sup> Across all areas of reconstruction, such losses make it harder to address critical needs, forcing impossible choices about whether to rebuild a school or hospital, or result in systematically poor standards of construction. Meanwhile, undue influence on policy making and implementation can lead to redundant disbursements and 'policy capture', with reconstruction designed to serve elite interests rather than the public good, and so fuelling systemic corruption. Striving for proper oversight, accountability, transparency and enforcement can help protect resources, promote more rational policy that translates into higher standards and more needs-based reconstruction, as well as undermine systemic corruption. The cost-benefit gains are quite clear. By way of example, a minor investment in community-based social accountability in Ethiopia was shown to save US\$3.5 million and six months of works on the construction of a rural road.<sup>8</sup>

## 3. Anti-corruption promotes longer-term security and modernisation

Though it may be characterised as a mere accounting or compliance issue in the early stages of reconstruction, anti-corruption should be considered as something more expansive, a potential engine for transformative agendas. Neglecting accountability and transparency early in the western Balkans led to graft becoming routine and, here and elsewhere, the bad politics that enabled corruption was in turn fuelled by corruption. Shadow administrative structures and markets emerged, beyond democratic control, threatening stability.<sup>9</sup>

<sup>6</sup> Secure Livelihoods Research Consortium (2017), *Are public services the building blocks of state legitimacy? Input to the World Bank's 2017 World Development Report*, London: Overseas Development Institute (ODI),

[https://assets.publishing.service.gov.uk/media/5ace039340f0b617df3357d9/13.-Are-public-services-the-building-blocks-of-legitimacy\\_Input-to-the-World-Banks-2017-WDR.pdf](https://assets.publishing.service.gov.uk/media/5ace039340f0b617df3357d9/13.-Are-public-services-the-building-blocks-of-legitimacy_Input-to-the-World-Banks-2017-WDR.pdf)

<sup>7</sup> Department for International Development (2015), *Corruption in the construction of public infrastructure: Critical issues in project preparation*, London: Department for International Development, <https://www.gov.uk/research-for-development-outputs/corruption-in-the-construction-of-public-infrastructure-critical-issues-in-project-preparation>

<sup>8</sup> The Infrastructure Transparency Initiative (CoST), *CoST success stories from around the world*, page 2, London: CoST – the Infrastructure Transparency Initiative, [http://infrastructuretransparency.org/wp-content/uploads/2018/06/2186\\_CoST-Success-Stories.pdf](http://infrastructuretransparency.org/wp-content/uploads/2018/06/2186_CoST-Success-Stories.pdf)

<sup>9</sup> Richter, S. and Wunsch, N. (2019), 'Money, power, glory: the linkages between EU conditionality and state capture in the Western Balkans', *Journal of European Public Policy*, 27(1), doi:10.1080/13501763.2019.1578815



Stronger promotion of integrity and public spiritedness can help shift governance norms to lay the groundwork for more effective state capacity, durable democracy and inclusive markets. With its emphasis on social accountability and civil society, anti-corruption can also help shift power downwards to communities and away from elites. Through encouraging the independence of accountability institutions, such as the judiciary or audit institutions, it also protects from political decay, especially state capture. Investments in anti-corruption should be seen through this longer-term lens of how it contributes to democratisation and economic progress.

## **Guiding principles: embedding anti-corruption in recovery**

### **1. Anti-corruption must have a political focus and edge**

Too often anti-corruption in reconstruction has been politically neutral, the domain of technocratic expertise and capacity building. Yet anti-corruption can provoke hostile reactions from the elites that benefit from fragile governance systems persisting. This political pushback is frequently mis-characterised as an ‘implementation gap’, implying shortcomings in competence or know-how, rather than a political fight where powerful actors wilfully resist, scupper, or even seize control of anti-corruption efforts. Governance of reconstruction should therefore be highly sensitive to the political economy of reforms. Analysis should aim to identify political constraints and opportunities, as well as unintended consequences of reforms. Equally important is the need to back reforms with political capital. Highly sensitive discussions with elites around the political capture of institutions and the economy were mostly avoided in the western Balkans. Efforts were instead disproportionately focused on the operational capacity of accountability institutions, such as the judiciary, rather than their ability to act autonomously without political interference. Elected leaders and senior officials, including international partners, must take political responsibility for seeing initiatives through, which means making hard choices. Political unity between international actors and domestic representatives on ensuring the independence of accountability institutions is vital.

### **2. International actors must anchor anti-corruption in local agendas**

Through financing, know-how, and political backing, international partners must provide a strong steer on the need for accountability, transparency and tracking of resource flows. But ultimately, international partners should forego the temptation to control all these processes. Externally driven anti-corruption in reconstruction often leads to misalignments with local capacities and corruption priorities. Experience from the western Balkans, for example, suggests internationally-led ‘deficit-based approaches’ – making policy choices according to what countries may lack from particular western European systems

– sometimes resulted in a ‘parallel process’ of tick-box reforms without any improvements in outcomes.<sup>10</sup>

Successful anti-corruption is sustained by a firm anchoring in domestic – national and regional – political agendas and not as a quid pro quo for funding. One key role for international actors should be to enable and support domestic constituencies: local politicians, NGOs, business groups and community representatives, who have the knowledge and networks to mobilise support, develop the right policies, and seize opportunities in politically astute ways.<sup>11</sup>

‘Us and them’ dynamics between international and domestic actors cause projects to quickly stagnate. Trust is important so that plans can adapt as challenges evolve. Mutual learning and reinforcement are important for sound policy. Donor-designed reconstruction accounting and compliance systems, for example, should be informed by local needs and capacity. As international actors and their partners are also vulnerable to corruption in the reconstruction process – a pattern clearly evidenced, but often overlooked – mutual accountability is also essential. Conscious efforts should be made to ensure the integrity of international staff, contractors and NGOs, including the provision of whistleblowing mechanisms. Ensuring international staff lead by example is especially important because donor corruption scandals in reconstruction have an oversized negative effect on public morale (including in aid-giving countries) and willingness to join anti-corruption efforts.<sup>12</sup>

### 3. Decentralise policy design to target priorities

Reconstruction priorities vary by region, district, village, and by group and identity, including gender. Therefore, models of delivery – who, when, to what end and through what channels – are diverse, and each model brings different types of risk. Corruption risks are also determined by local circumstances, such as distinctive social norms, forms of political organisation and particular personalities. Yet, anti-corruption approaches in reconstruction have been highly centralised, whereby frameworks devised by justice ministries or donor meetings are expected to be rolled uniformly into regions and beyond. A strong drive from the centre provides a foundation – but an open-mindedness to diverse approaches at sub-national levels should be accommodated.

Another centralising tendency has been to target all forms of corruption. But not all corruption is equal. As anti-corruption is constrained by resource limitations, targeting those forms of corruption that cause the most damage to the economy and social well-being should be a priority. Grasping regional variations in both reconstruction and corruption will be essential for targeted approaches. This requires disproportionately sized investments in upfront research, monitoring, and establishing information flows.

<sup>10</sup> Mungiu-Pippidi, A. (2019), *Europe’s Burden: Promoting Good Governance across Borders*, Cambridge: Cambridge University Press

<sup>11</sup> Overseas Development Institute (2014), *Politically Smart, Locally Led Development*, London: Overseas Development Institute, <https://odi.org/en/publications/politically-smart-locally-led-development>

<sup>12</sup> Anti Corruption for Development (2016), *Corruption in Post-War Reconstruction: The Experience of Bosnia and Herzegovina*, Singapore: United Nations Development Programme, <http://www.anti-corruption.org/wp-content/uploads/2016/11/Bosnia-herzegovina-Corruption-in-post-war-reconstruction-TIRI-Devine.pdf>

## 4. Be guided by trade-offs but don't trade away corruption

Anti-corruption in reconstruction is full of dilemmas: how to provide relief rapidly, while maintaining appropriate control over disbursement; how to procure goods and services where economic governance has been replaced by informal networks; or how to work with local representatives to build ownership without strengthening those responsible for corruption or other problems.<sup>13</sup> A tendency to subsume anti-corruption under elementary frameworks, such as 'zero-tolerance' or 'war on corruption', tends to obscure these trade-offs, to the detriment of policy. Uncomfortable tensions should be made explicit, communicated and become the frame for policy making, out of which more balanced policies can emerge. For example, it could lead to more informed discussions around priorities or more phased approaches to zero-tolerance.<sup>14</sup>

Broader trade-offs also exist around the need for security and stability. Anti-corruption can be politically de-stabilising. But this does not mean that it should ever be left as the final chain in a sequence. Once corruption becomes embedded in reconstruction processes, it entrenches patterns of governance that are difficult to dislodge. Contextually sensitive and nuanced approaches can lead to meaningful anti-corruption progress early on, preventing the longer-term damage from inaction.

## Priority action points to consider now

### 1. Seal competitive and transparent procurement processes to ensure open markets

The scale of government spending combined with the need for rapid delivery means procurement processes are particularly under stress. Relaxing procurement rules delivers speed at the expense of control. Even subtle manipulations between business elites and politicians embed systemic inefficiencies in reconstruction. Analysis shows that each small subversion in procurement processes leads to a price increase of between 1-5%; this means in countries where there is a more persistent collusion, reconstruction costs are artificially inflated to exorbitant levels.<sup>15</sup> Robust procurement systems don't need to be slow: it is worth investing in competitive processes, open systems and state-of-the-art monitoring, transparency, and management capacity. Sustained enforcement of conflict-of-interest laws is also essential to get procurement right early on, so a more open and inclusive economy can emerge.

<sup>13</sup> Anti Corruption for Development (2016), Devine, Corruption in Post-War Reconstruction: The Experience of Bosnia and Herzegovina

<sup>14</sup> Strand, A. (2020), 'Zero Tolerance of Corruption in International Aid', U4 Anti-Corruption Resource Centre, 3 May 2020, <https://www.u4.no/zero-tolerance-of-corruption-in-international-aid>

<sup>15</sup> International Monetary Fund (2022), *Assessing Vulnerabilities to Corruption in Public Procurement and Their Price Impact*, Washington: International Monetary Fund, <https://www.imf.org/en/Publications/WP/Issues/2022/05/20/Assessing-Vulnerabilities-to-Corruption-in-Public-Procurement-and-Their-Price-Impact-518197>

## 2. Invest in collective action and transparency for bottom-up accountability

Delivery mechanisms in reconstruction are fundamentally difficult to monitor by public authorities or aid organisations, with multiple layers of activity, high speed, and information overload. Interlocutors ('fixers') on the ground, essential to 'get things done', can exploit this. Investments in local collective-action capacity (helping groups to organise) can counteract risks associated with such discretion. Specialist local NGO watchdogs and social accountability tools, like social audits, can be useful, but formal civil society organisations can be weaker than more representative, community-based organisations in contexts of reconstruction.<sup>16</sup> There should also be a strong focus on organising and ensuring the voices of those communities who may lose out from corruption, like local business groups, trade unions, community and professional associations, are heard. Additional investments should support local media and investigative journalism to raise questions on practices and provide transparency and accountability as well as a fact-based discourse.

## 3. Protect and nurture state capacity

Public administration reform must remain a key priority. Reconstruction involves complex processes, so requires the best expertise. In recovery, the state administration is normally the largest of few sources for employment opportunities. Political leaders and senior officials, at national and local levels, are often under pressure to fill administrations with their contacts or political affiliates.<sup>17</sup> Political parties can also make a 'land grab' for employment positions, with clientelism hollowing out capacity. Basic meritocratic and integrity standards should govern hiring and promotion, backed by specific tools to ensure enforcement. States also require minimal levels of capacity to protect themselves. Open conversations are needed about what this minimum level is and the support required to reach it.

## 4. Confront transnational corruption – with aid donors starting at home

Aid entering a country for reconstruction can be rapidly laundered out by organised criminal groups, corporations, and political elites, who work with 'professional enablers' to play the different national legal, accountancy, and banking systems. The World Bank documents how aid disbursements to aid-dependent countries coincide with sharp increases in bank deposits in offshore financial centres, estimating a leakage rate of 7.5 percent.<sup>18</sup> Natural resources, frequently subject to intensive economic exploitation in post-conflict environments, also come under transnational corruption pressures, a result of

<sup>16</sup> Institute of Development Studies (2017), *Theories of Change for Promoting Empowerment and Accountability in Fragile and Conflict-Affected Settings*, Brighton: Institute of Development Studies, <https://www.ids.ac.uk/publications/theories-of-change-for-promoting-empowerment-and-accountability-in-fragile-and-conflict-affected-settings/>

<sup>17</sup> Jackson, D., 'Clientelism: The Alternative Dimension to Kosovo's Governance', *Southeast European and Black Sea Studies*, 18(2), <https://www.tandfonline.com/doi/full/10.1080/14683857.2018.1474543>, doi:10.1080/14683857.2018.1474543

<sup>18</sup> The World Bank Strategic Research Programme (2020), *Elite Capture of Foreign Aid: Evidence from Offshore Bank Accounts*, Washington: The World Bank, <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/493201582052636710/elite-capture-of-foreign-aid-evidence-from-offshore-bank-accounts>

collusion between multi-national companies and domestic politicians keen to use natural resources as sources for rents.<sup>19</sup> All international partners should immediately reflect on how their own domestic systems could contribute to transnational corruption in reconstruction. They should devise real-time risk assessments, actions to address loopholes, and take enforcement action against professional enablers.

## **5. Plan for and sustain a priority on combating gender exploitation and corruption together**

Corruption in reconstruction has an unequal effect on women. The impunity and exploitation that drive corruption also enable gender exploitation and violence. Sextortion affects women at far higher rates than men. Male-dominated patronage networks can hinder women's ability to hold positions of authority, access employment, and even participate in important reconstruction processes.<sup>20</sup> Reconstruction is an opportunity to push for greater empowerment and gender equality. Monitoring gendered effects, integrating gender-responsive budgeting and participation, and putting in place gender-sensitive policies and safeguards can help prevent exploitation. For example, evidence demonstrates when reporting corruption, women value anonymity more than men, so whistleblowing mechanisms should be designed accordingly.<sup>21</sup>

## **6. Make anti-corruption an active responsibility in all investments – and resource it**

Reconstruction will involve massive financial flows to a complex and evolving list of sectors. While supporting central and national anti-corruption architecture is important, the latest anti-corruption research suggests that each major investment or sector deserves its own corruption risk analysis and sector-specific policies. This benefits from high-quality, independent, open-access research that can be debated by, and inform the anti-corruption efforts of, all actors involved in reconstruction. This requires expertise, capacity and a budget – which could mean that all parties consider and agree a minimum percentage of each sector budget or investment to be earmarked for corruption risk analysis and mitigation. This could be informed by estimating likely losses in that sector if corruption is not actively mitigated.

<sup>19</sup> Zaum, D. and Cheng, C. (eds) (2011), *Corruption and Post-Conflict Peacebuilding: Selling the Peace?*, Abingdon: Routledge.

<sup>20</sup> U4 Anti-Corruption Resource Centre (2021), *Corruption and Gender Equality*, Bergen: U4 Anti-Corruption Resource Centre, <https://www.u4.no/publications/corruption-and-gender-equality-hd>

<sup>21</sup> U4 Anti-Corruption Resource Centre (2020), *Gender Sensitivity in Corruption Reporting and Whistleblowing Mechanisms*, Bergen: U4 Anti-Corruption Resource Centre, <https://www.u4.no/publications/gender-sensitivity-in-corruption-reporting-and-whistleblowing>

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