

Corruption and State Fragility

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“If you don’t fix the administration of this country—go after the bribe-gobblers and the tyrants—you can send all the soldiers you want, security will never come.”¹

These colorful words, spoken by a village elder in Afghanistan in 2009, suggest an insight whose implications Western policymakers are only now beginning to grasp. Corruption—to put it academically—as it has developed in this turn of the 21st century, is at the root of state brittleness. It is not just a consequence, which can be tended to at some later date after security is established. As the experiences in Afghanistan and Iraq have most biting demonstrated, it is impossible to reduce fragility and some of its most chaotic manifestations while corruption runs rampant.

An indication that this realization is hitting home—after 15 years of interventions that ignored it—can be found in recent official statements pillorying corruption. “From the Arab Spring to Latin America,” wrote U.S. Secretary of State John Kerry in May 2016, “political turbulence has made clear that governments are unwise to shrug off their citizens’ growing

concerns about corruption. ... It is long past time for the international community to treat corruption with the seriousness and attention it deserves.”²

But such truculence carries a risk: that the gap between words and practice will widen. Indeed, while the scramble for remedies is on, it is usually subcontracted to poorly resourced or regarded specialists at the bureaucratic margins, while dignitaries (once their remarks are delivered) get on with business more or less as usual.

Given the significance of the consequences—in terms of sustainably distributed economic progress, the ability of a state to control its territory and citizens’ faith in the legitimacy of their government or their willingness to keep submitting to it—that problem must instead be central to policy development, engaging every aspect of how the United States interacts with fragile states. But to understand why, and how to put it there, a better grasp of the phenomenon is needed. As it stands, the rush to action has leapfrogged efforts to analyze how corruption is structured and operates on behalf of the sophisticated networks that

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control many fragile states. Without a clearer picture of this functioning, piecemeal “remedies”—usually outweighed by other interventions that reinforce the abuse and redound to the discredit of the interveners—have little hope of making a difference.

HOW CORRUPTION MAKES BRITTLE STATES

It is easiest to see the link between corruption and state fragility in cases of popular protests that explicitly name the nemesis. More than half a dozen such anti-corruption uprisings, often sparked by leaks or judicial proceedings, have flared worldwide since 2015. In Brazil and Guatemala, chiefs of state have fallen; elsewhere they are threatened, often amid protracted political turmoil.

While sometimes overshadowed by the East-West geopolitical drama, corruption was also at the heart of the 2014 Maidan revolution in Ukraine. Protesters took explicit aim at the corruption of the Yanukovich regime and devoted significant effort to developing ways of preventing an alternate version of the same system from taking its place. The shock of those events has been instrumental in focusing international attention on the security implications of systemic corruption.³

It was also that species of corruption—a methodical purposing of government functions around the objective of extracting resources to enrich ruling networks—that helped set off the wave of Arab Spring revolutions in 2011. While Western analysts largely sought explanation in such anonymous phenomena as unemployment or a “youth bulge,” demonstrators brandished banners bearing the photographs of corrupt ministers behind bars. They demanded that stolen assets be seized and repatriated. The focus of their indignation could not have been clearer.

In the wake of these uprisings, Syria and Libya imploded, and Saudi Arabia sent tanks into Bahrain and attacked Yemen. Yemen itself is teetering, and Egypt

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suffered a violent restoration of one of its pre-revolution networks.

These events have delivered some lessons. Fragility, for one, can be deceptive. It doesn't always look chaotic, as in a Tajikistan or a Democratic Republic of the Congo. The glossy exterior of corrupt strongman states may camouflage how breakable they really are. Those who would ally with such governments in the name of stability should beware. In this light, largely unconditional military partnerships with such governments as Algeria's, Ethiopia's, Kenya's, and Saudi Arabia's require thoughtful reassessment.

The causal connection between corruption and violent extremism may be less self-evident. Though the preaching and propaganda of Boko Haram and al-Qaida leaders have been just as explicit on corruption as Tahrir Square posters, the point has largely been lost on Westerners horrified by the terrorists' excesses.⁴

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Two elements of today's corruption particularly lend themselves to extremist recruitment: the humiliation that accompanies it, inflicted by officials who are corrupt in all senses of the word (violating women or boys, indulging in ostentatious excess when surrounded by want), and the lack of recourse.

When a proud young man in Nigeria or Uzbekistan is slapped by a policeman, or his sister is raped by a professor as the price of her matriculation, what could sound more logical than the arguments of jihadi preachers? “They were saying the truth about the violations committed by government agencies,” recalled residents of Maiduguri, Nigeria, about the early preaching of the extremist group Boko Haram, during an outdoor conversation on November 21, 2015. “They said, if our constitution were based on the

Islamic system, all these things wouldn't be happening; it would be a just and fair society."⁵

Many, like those Maiduguri residents, or Iraqis who have tasted Islamic State (IS) rule, have lived to regret their gullibility. But in the heat of the moment, the appeal is persuasive.

And when the suffering is meted out by the very officials whose job is to uphold the law and apply it equally—police or judges, for example—and all avenues of redress are blocked, the temptation of violence is great for those who cannot envisage a life of submission to the indignities. Even Tunisia, whose peaceful political transition has emerged as a model, is seeing young people leave its territory for Syria in numbers that eclipse those of any of its neighbors.⁶ One explanation might be found in the unwillingness and inability of the country's new political leadership to address the corruption that sparked the 2011 revolution in the first place. "We didn't deserve the Nobel Prize," economy student Lamia ben Allouche told me in November 2015. "I thought, 'They can't reproduce the Ben Ali system.' But I was wrong."⁷

Nor are these varieties of public contestation the only ways that flagrant and structured corruption contributes to fragility. Some government institutions are deliberately weakened, lest they pose a threat; or, like the militaries of Iraq or Nigeria, they are cannibalized for their budgets. Or indignation at corruption can provoke revolts from within governments, as in the case of Mali's 2012 coup. Elsewhere, as in Somalia or South Sudan, a contest over spoils may pit separate kleptocratic networks against each other.

It is increasingly hard to overlook the role corruption plays in generating state fragility.

INCREASED ATTENTION BUT POORLY ADAPTED RESPONSES

That conclusion may be part of what led British Prime Minister David Cameron to organize an international summit in May 2016 devoted expressly to combating corruption.

The opportunely timed international coverage of material leaked from the database of Panamanian law firm Mossack Fonseca just days before the summit helped force concrete commitments from Western institutions that often serve as facilitators for corrupt officials in developing countries. Real progress has

been made, both at that summit and separately, on stripping away some of the secrecy protections that shield the actual beneficiaries of shell companies domiciled in specialized jurisdictions, which are used to buy assets with looted money. Western professionals who participate in these transactions, by registering the companies, serving as proxy directors, or selling swish properties in London or New York to such phony businesses, will be subject to increasing scrutiny. Law enforcement professionals will enjoy increased resources and enhanced information-sharing on complex investigations that often cross multiple jurisdictions.

Such remedies begin to lay down a regulatory substrate without which the pursuit and punishment of corrupt officials and their accomplices are impossible. But in two regards they represent an insufficient response to severe corruption—and especially its intersection with fragility: They imply it is primarily the work of venal individuals, to be chased down one by one. And they imply that the principal way the U.S. facilitates corrupt practices abroad is through secrecy jurisdictions such as Nevada, or the activities of private professionals, such as banks or law firms.

Neither is the case.

Corruption as it exists in the countries of concern here is not just a litter of reprehensible behaviors indulged in by some—or even many—public officials. It is the operating system of sophisticated and successful structures, more or less tightly organized, that are bent on maximizing revenues for their members, not on governing. At best, governing serves as a camouflage or a front activity; at worst, it is the means through which resources are extracted.

These structures are almost always vertically integrated, meaning some proportion of the street-level shakedowns that plague the people is funneled up to those at the top. Either government positions are purchased, despite their low official salaries, because of the enrichment opportunities they offer, or a percentage of the take from extorted bribes is paid to an immediate superior, and so on up the line. Such racketeering should not be dismissed with a wave of the word "petty." It is during these shakedowns that searing personal insult to the victims is most often added to financial injury. And the sums extorted and passed upward—several billion dollars a year even in impoverished Afghanistan⁸—represent a significant

revenue stream for the network, as well as an equivalent loss to the state.

Kleptocratic networks are also horizontally integrated, across categories that U.S. officials may presume to be distinct: public and private sectors, for example, or ostensibly licit actors in government or business and the murky worlds of organized crime or even terrorism. Most of these networks carefully weave together elements from all these sectors.⁹

In Azerbaijan and Egypt, for example, construction companies that win fat public contracts belong to members of the ruling family, ministers, or retired generals.¹⁰ In Azerbaijan, in Zine el-Abidine Ben Ali's Tunisia and in Hamid Karzai's Afghanistan, the banking sector is or was controlled by the kleptocratic networks.¹¹ Moldovan banks' business model has for years included serving as a vast money laundering facility for the Russian mob.¹² Activities more openly criminal, such as drug trafficking in Afghanistan or a number of Latin American countries, or smuggling of consumer goods in countless others, are also part of the portfolio.

Government function, meanwhile, is shaped to help maximize the returns—or discipline network members or dissidents. Tax authorities may be more active in auditing businesses that refuse to cough up a portion of their take, or in pressing tax evasion charges against investigative journalists, than they are in collecting dues. The judiciary is almost always captured. Judges might not take bribes, but respond to the wishes of those at the top of the network in return for promotion, perks, and influence. Otherwise, the sector is disabled, through low salaries, poor training, or the shunting of talented or independent personnel away from sensitive cases.¹³ How else could the network ensure impunity for its members? Armies, valued to the tune of their budgets, not national security, may be stripped of salaries and materiel.¹⁴ Such practices compound the difficulty of defeating insurgencies and terrorists on the battlefield, as ranks thinned by "ghost soldiers" or disabled by missing supplies prove incapable of defending their territory.

This is the context in which U.S. anti-corruption policy toward such states should be understood. It's not just a question of explicit anti-corruption programming. All the ways Washington interacts with them may inadvertently reinforce and empower their kleptocratic structures, thus facilitating corruption

and by extension exacerbating fragility. Military assistance and development projects are especially problematic. If captured, the financing can serve as a juicy revenue stream. But even absent documented episodes of waste, fraud, or abuse, military partnership with the United States, or U.S.-trained and -equipped units, can be brandished for intimidation purposes, so corrupt practices are reinforced by the implied might of U.S. backing. Money that should have been spent providing public services can be skimmed off if U.S. Agency for International Development (USAID) projects fill the gaps. The bare fact of U.S. development work in-country, or investment by an international development bank, can serve to bolster a government's power.

These dynamics help explain why the interventions of the past 15 years—whether the footprint was large or small—have so consistently exacerbated corruption, and why they have often helped tip conditions of mere fragility over into spiraling violence or outright state collapse.

To hear the security policy debate in Washington, it is as though a species divide separates the interventions in Afghanistan and Iraq from the 2011 Libya operation and the ongoing drone strikes in Yemen. In the first cases, the narrative goes, the United States aimed way too high, presuming to remake those deeply troubled countries in its own image. Learning the lesson, we hear, officials tightly circumscribed involvement in Libya. Many argue the United States should not have intervened there at all, given the ultimate outcome. But then there's Syria, an example of nonintervention.

It seems whatever Washington does or does not do comes out wrong.

The reality is that these apparently divergent models of intervention share one obvious characteristic. None of them—whether the means applied were plentiful or limited, whether the stated aspirations were modest or expansive—put the quality of governance delivered to local populations at the center of the mission. Where "state-building" did figure among initial stated goals, the emphasis was on improving service delivery—measured materially, in terms of the number of schools built or the distance between patients and the nearest medical clinic.

This materialist bias regarding the attributes of a government that might command the respect of its

citizens in turn leads to an emphasis on the quantity of resources expended in development assistance. That government officials are stealing the money and the people know it doesn't seem to affect U.S. officials' view of how legitimate that government would seem to its people. In the event, self-dealing governments excite even more disgust than if they had not been helped in the first place. And U.S. officials, when they stand shoulder to shoulder with the thieves, are blamed.

But in most cases—even in Afghanistan or Iraq, where institution-building was part of the plan—other priorities systematically trumped good governance. Corruption was never considered to be a significant factor in the likely outcome of the mission, or therefore in operations.

In dealing with fragile states in the future, that has to change.

RECOMMENDATIONS

There is no single formula for curbing corruption in a fragile state, or even for not actively helping it thrive. While the structure and functioning of kleptocratic networks in different countries share many features, the manifestations differ according to the character of the country and its neighborhood, among other factors. The interveners, too, will be influenced by varying political trade-offs and calendars.

So the first and most critical recommendation is to **obtain a brutally honest picture of the network(s)' structure, operations, and context.**

- Develop priority intelligence requirements for countries of interest and assign them to the intelligence community.¹⁵ Ideally, establish a specialized fusion center to this end, incorporating technical expertise such as financial intelligence. Reapportion personnel billets. Task relevant embassy staff to contribute to a continually updated picture for their country. Count performance on this task for career advancement.
- Include in these requirements such questions as:
 - How many corrupt networks operate side by side in the country?
 - If more than one, how contentious is their rivalry?
- What elements of government function have been distorted to ensure compliance with corrupt practices or to maximize revenues?
- What elements of government function have been expressly hollowed out or cannibalized (i.e., where are capacity deficits deliberate)?
- What are the key private-sector network elements?
- Are there any outright criminal or insurgent elements?
- Do the networks extend across national boundaries?
- What are the key external facilitators (such as Mossack Fonseca) or enablers (such as development loans to captured businesses)?

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- What are the most important revenue streams captured?
- What are the final destinations for looted assets?
- Who are the most constructive counterweights within and outside the host-country government?
- What other conditions (deep identity rift within the population, sudden economic downturn, severe environmental pressure, etc.) is severe corruption interacting with that increase the risk that fragility will degrade to fracture?
- What are the political trade-offs (provision of basing or flyover facilities, diplomatic

engagement with a problematic third country, etc.) that must be taken into consideration when developing policy with regard to this country?

- Develop a standard infographic format for summarizing the information for each country analyzed.¹⁶
- Include the most recently updated version in the read-aheads for every Deputies' and Principals' Committee meeting devoted to the countries in question.

The second overarching recommendation is to **shape all elements of U.S. intervention in light of the above analysis**, rather than assigning corruption issues exclusively to specialized personnel within agencies that do not participate in national security decision-making, such as the Department of Justice or USAID. In 2016, despite Secretary Kerry's strong statements on corruption, officers in the State Department's Bureau of Political-Military Affairs "roll their eyes when they hear the word 'corruption,'" according to one of them, and refuse to require that corruption figure in the military training delivered, the expectations set for partner officers and units, or even to monitor the transparency of partner country utilization of the support.

In "mainstreaming" corruption, officials should bear in mind the following principles:

- Senior leaders must develop explicit guidance spelling out how enhanced attention to corruption will affect familiar ways of doing business in different operational branches of their agency.
- A vast array of leverage exists between the extremes of providing a virtual blank check to a corrupt government and labeling it a pariah. This leverage resides chiefly in the domains of diplomatic practice, military and civilian assistance, trade promotion, and, to a limited extent, legal proceedings.¹⁷
- Military and civilian assistance must avoid wherever possible units or sectors that are clearly part of the kleptocratic network's portfolio. Loans provided by U.S.-supported development banks are especially vulnerable to mistakes in this domain.
- In cases where, after a probing debate on costs and benefits, a decision is made to provide assistance,

packages—no matter how insignificant—must put as much emphasis on governance, integrity, and citizens' oversight as on the packages' ostensible objectives. Even if military assistance is limited to tactical training, the treatment of the population should be as central to the curriculum as how to shoot or clean a weapon. Development projects should include larger than normal relative budgets for monitoring and evaluation, should require citizen oversight mechanisms, and should include clauses for suspension or cancellation in cases where the activities are found to contribute to corruption.

- Diplomatic and military exchanges and invitations should reflect the level of U.S. comfort with the corruption of the invitee. Image laundering is as important for many of them as money laundering.
- U.S. trade promotion should be discriminating. The character of specific counterparts (chiefs of state or economy ministers) should be taken into con-

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sideration when foreign trips by the U.S. secretary of commerce are planned, and the kleptocracy analysis above should shape U.S. officials' investment recommendations. The business community looks to the government to provide guidance on acceptable countries and sectors. Such guidance can take a variety of forms that lie between economic sanctions and an unqualified green light.

The above approach represents a significant departure from much current habit. A final recommendation, therefore, is: **Train and rehearse.**

The Department of Defense (DoD) routinely stages exercises to explore potential scenarios and test capabilities. The National Security Staff should schedule exercises that include interagency representatives (CIA and Defense Intelligence Agency, Commerce, DoD

uniform as well as civilian, Justice, State, Treasury, and a red team), featuring real countries, not invented ones (so as to work the intelligence community), with the objective of developing and testing strategies toward those countries that emphasize governance and anti-corruption.

Just performing such exercises at regular intervals would be critical to changing the institutional culture that persistently shunts corruption concerns to the background when a fragile state becomes a national security priority.

Indeed, real changes in culture will be required to put the type of approach described above into practice. Elements of that culture that can be counterproductive include the store that diplomats and military officers set by their friendly personal relationships with counterparts, USAID metrics that weigh dollars spent more heavily than ultimate outcomes achieved, and the parochialism that keeps different U.S. departments from working together to develop a single legible policy toward a given country. A class on corruption, including the skills needed to participate in the analysis and mapping processes above, should be a required part of the curriculum for midcareer and pre-deployment training. Career incentives should be modified.

Such deep alterations in institutional culture and practices may read like a tall order. But the experience of the past 15 years suggests the stakes are too high not to try.

NOTES

1. Handwritten notes of a conversation with tribal elders from Shah Wali Kot district, Kandahar Province, in the city of Kandahar, May 25, 2009. Names withheld for security reasons.
2. Secretary of State John Kerry, "Time to treat corruption with seriousness it deserves," *USA Today*, May 12, 2016, <http://www.usatoday.com/story/opinion/2016/05/12/anti-corruption-summit-london-crime-transparency-over-sight-john-kerry-column/84241662/>.
3. Vice President Joe Biden delivered strongly worded anti-corruption messages to the post-Maidan government; see "Remarks by Vice President Joe Biden to The Ukrainian Rada" (The Rada, Kyiv, Ukraine, December 9, 2015), <https://www.whitehouse.gov/the-press-office/2015/12/09/remarks-vice-president-joe-biden-ukrainian-rada>). The U.S. House of Representatives passed a sanctions bill including detailed anti-corruption language; (see U.S. House of Representatives, *Ukraine Support Act*, HR 4278, 113th Cong., 2nd sess., <https://www.congress.gov/bill/113th-congress/house-bill/4278>). And the International Monetary Fund (IMF) has been conditioning its support to Ukraine on anti-corruption reforms since at least 2014. Personal conversation with a senior IMF official, November 28, 2014. And see, for instance, Larry Elliott and Patrick Wintour, "IMF warns Ukraine it will halt \$40bn bailout unless corruption stops," *The Guardian*, February 10, 2016, <https://www.theguardian.com/world/2016/feb/10/imf-warns-ukraine-halt-40bn-bailout-corruption-christine-lagarde>.
4. For an ample exploration of this connection, see Sarah Chayes, "Corruption and terrorism: the causal link," in Prime Minister's Office, *Against Corruption*, Gov.UK, May 12, 2016, <https://www.gov.uk/government/publications/against-corruption-a-collection-of-essays/against-corruption-a-collection-of-essays>; or Sarah Chayes, *Thieves of State: Why Corruption Threatens Global Security* (New York: W.W. Norton, 2015).
5. From my handwritten notes of that conversation, November 21, 2015.
6. The Soufan Group estimates the number of Tunisians at more than twice as many as those coming from any other country of origin. See "Foreign Fighters: An Updated Assessment of the Flow of Foreign Fighters into Syria and Iraq" (The Soufan Group, December 2015), http://soufangroup.com/wp-content/uploads/2015/12/TSG_ForeignFightersUpdate3.pdf; and Yaroslav Trofimov, "How Tunisia Became a Top Source of ISIS Recruits," *The Wall Street Journal*, February 25, 2016.
7. Handwritten notes of the conversation, November 12, 2015.
8. See "Corruption in Afghanistan: Recent patterns and trends" (United Nations Office on Drugs and Crime, December 2012), https://www.unodc.org/documents/frontpage/Corruption_in_Afghanistan_FINAL.pdf; and similar surveys by Integrity Watch Afghanistan.
9. For a fuller discussion of the structuring of kleptocratic networks, see Sarah Chayes, "The Structure of Corruption: A Systemic Analysis Using Eurasian Cases" (Carnegie Endowment for International Peace, June 30, 2016), <http://carnegieendowment.org/2016/06/30/structure-of-corruption-systemic-analysis-using-eurasian-cases-pub-63991>.
10. Ibid.; and Shana Marshall, "The Egyptian Armed Forces and the Remaking of an Economic Empire" (Carnegie Middle East Center, April 15, 2015), <http://carnegie-mec.org/2015/04/15/egyptian-armed-forces-and-remaking-of-economic-empire>.
11. "Azerbaijani First Family Big on Banking" (Organized Crime and Corruption Reporting Project, June 11, 2015), <https://www.occrp.org/en/corruptistan/azerbaijan/2015/06/11/azerbaijani-first-family-big-on-banking.html>; Chayes, "The Structure of Corruption"; Beatrice Hibou, *La Force de l'obéissance: économie politique de la répression en Tunisie* (Paris: Editions la Decouverte, 2006); and Dexter Filkins, "The Afghan Bank Heist," *The New Yorker* (February 14, 2011), supplemented by extensive personal knowledge of practices in the Afghan banking sector and interviews in Tunisia, 2011-2015.

12. See the series of investigative reports by the Organized Crime and Corruption Reporting Project under the umbrella title “The Russian Laundromat,” accessed June 18, 2016, at <https://www.reportingproject.net/therussianlaundromat/>.
13. For examples of all such practices, see Chayes, *Thieves of State*.
14. Such was the fate of the militaries of both Iraq and Nigeria in 2014.
15. For sample sets, see Sarah Chayes, “Corruption: The Priority Intelligence Requirements” (Carnegie Endowment for International Peace, September 9, 2014); and Chayes, “The Structure of Corruption.”
16. Chayes, “The Structure of Corruption,” provides one potential template.
17. For a non-exhaustive list of such leverage, see Chayes, *Thieves of State*, 184-204.



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