The Letort Papers

CORRUPTION, LEGITIMACY, AND STABILITY: IMPLICATIONS FOR THE U.S. ARMY

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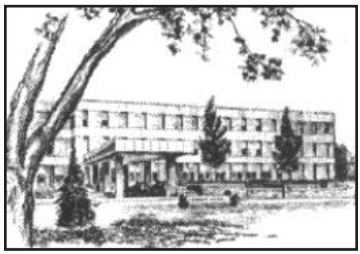

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FOREWORD

The relationship between corruption and stability is complex. What is clear is that corruption increases the level of instability and the risk of conflict by undermining the legitimacy and credibility of state institutions. For peacekeeping and state-building interventions to be effective, careful consideration must be given as to the reason the problem occurs, and to its broader impact, as well as ways to manage it.

In this Letort Paper, British academic and practitioner Dr. Shima Keene provides a comprehensive assessment of the relationship between corruption, legitimacy, and stability in fragile states, and explores what must be done by the U.S. Army to counter these issues that directly impact its operational effectiveness.

Dr. Keene is a subject matter expert in the fields of asymmetric warfare, counterterrorism (CT), and country stabilization. In her current role as Deployable Civilian Expert (DCE) for the United Kingdom (UK) Stabilisation Unit (SU) specializing in security and justice, she has developed considerable insight into the impact of corruption in fragile states, in theaters that include Afghanistan and Iraq.

This Letort Paper explores the subject of corruption as both a cause and effect of poor leadership and governance, as well as how Western interventions can exacerbate the problem. It suggests ways in which these unintended consequences may be mitigated in future operations. Dr. Keene also highlights the need for anti-corruption measures to be integrated into existing policy and operational procedures, and offers insights as to how this could be achieved.

The Strategic Studies Institute (SSI) considers that this Letort Paper provides a useful assessment of the key issues relating to corruption, legitimacy, and stability as well as their collective implications for the U.S. Army, and makes a valuable contribution to the debate on how to plan and shape future U.S. peace and stability operations.

DOUGLAS C. LOVELACE, JR.
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ABOUT THE AUTHOR

SHIMA D. KEENE is a British academic and practitioner specializing in defense and security. She is a Director of the Conflict Studies Research Centre, Oxford, and a Senior Fellow at the Institute for Statecraft, London. Dr. Keene is also a Deployable Civilian Expert (DCE) for the United Kingdom (UK) Government's Civilian Stabilisation Group (CSG), specializing in intelligence and security sector reform within the security and justice function of the CSG. She is a former Senior Research Fellow and Advisor at the Advanced Research and Assessment Group, Defence Academy of the UK, and Special Advisor to the UK Ministry of Defence (MoD), where she had responsibility for assessment and recommendations for the development of financial-counterinsurgency (FIN-COIN) strategies in Afghanistan.

Dr. Keene advises and works closely with a number of UK government departments and law enforcement agencies, to include the MoD, Foreign and Commonwealth Office, Department for International Development, and the National Crime Agency, as well as a number of regional law enforcement agencies. Outside the UK, Dr. Keene works with international organizations to include: the Organization for Security and Co-operation in Europe (OSCE), the Council of Europe, and the North Atlantic Treaty Organization (NATO), as well as U.S. Government departments, the military, and law enforcement agencies. Dr. Keene has 27 years of practitioner experience obtained through investment banking, defense intelligence, and academia, and is a former British Army reservist soldier with 7 years military service, most of which was spent with 4th Battalion, the Parachute Regiment.

Dr. Keene has published numerous internal and external government and corporate reports, as well as award-winning academic journal articles, and is the author of "Threat Finance: Disconnecting the Lifeline of Organized Crime and Terrorism" and a book chapter in the *Research Handbook on International Financial Crime*. She is a visiting lecturer at the BPP Law School, London, and the Centre for Development Studies, Cambridge University. Dr. Keene holds a Ph.D. in international criminal law and an M.Phil. in defence and security studies, and graduated with honors in business studies.

SUMMARY

Corruption increases the level of instability and the risk of conflict by undermining the legitimacy and credibility of state institutions as well as of peacekeeping and state-building interventions by the international community, to include the U.S. Army. Post-conflict states, or states emerging from conflict, are particularly vulnerable to corruption, due to the lack of good governance infrastructures, which makes it difficult to detect, disrupt, or bring about successful prosecutions against those who are involved in activities such as bribery, extortion, false accounting, and embezzlement.

Where corruption is rife, it is widely acknowledged that funds intended for country stabilization projects often do not reach their intended recipients. This, in part, is the reason that tackling corruption has become a high priority in some post-conflict transitions. In addition, anti-corruption efforts, whether direct or indirect, are seen as having a potentially legitimizing and stabilizing effect. However, such measures can only be successful if implemented with strong, high-level leadership, as corruption has the potential to contribute to legitimacy as well as to erode it. Lack of legitimacy is a common feature of fragile states, which have failed to establish good governance.

Poor governance, in turn, results in an environment where corruption and criminality can flourish. Corrupt individuals holding senior public roles of influence are able to abuse their positions to further their own personal goals and accumulate personal wealth, to the detriment of the people who they are intended to serve. This results in instability through the inevitable sense of injustice and desperation that

develops amongst the citizens of that regime, which can drive populations to civil war and leaves citizens susceptible to crime and radicalization, both as perpetrators and as victims.

History has repeatedly illustrated that this problem, if not dealt with effectively, will inevitably lead to conflict and instability, not only in the country directly affected, but in the global community, as fragile or failed states become fertile breeding grounds for insurgency, terrorism, and organized crime. This has direct consequences for the United States both at home and abroad.

For the U.S. Army, the threat of force and the ability to use force will always remain an important part of the military remit, but there is an increasing acknowledgment that such measures must be used as a last resort. Consequently, it is appropriate that the U.S. Army familiarize itself with alternative measures to achieve stability other than force. In tackling corrupt or hostile leadership, there are other effective ways in which corrupt leaders can be dealt with, such as the confiscation of assets, including funds that are the proceeds of bribery.

As such, it is essential that the U. S. Army develop an understanding of the ways in which corrupt leaders exploit funds, as well as the roles that the U.S. Government and the international community play in bringing such individuals to justice—the threat of which in itself can serve as a deterrent to such behavior—or bring individuals who have committed such crimes against their own people to justice. In addition, it is vital that the U.S. Army appreciates the unintended consequences of international interventions, like the mismanagement of international aid and funding, which exacerbates bribery and corruption and may do more to destabilize, rather than stabilize, a country.

The answer is to develop an integrated approach whereby anti-corruption measures are combined with existing policy and operational procedures so that corruption is not treated as a standalone problem. This can only be achieved through developing a contextual understanding of the interconnected challenges in relation to corruption, leadership, and stability, as well as addressing existing knowledge gaps through effective training and education. Furthermore, it is essential to implement monitoring and evaluation policies to promote a culture of transparency that assists with the prevention of corruption; and that intelligence assessments—to include the use of financial intelligence—are fully exploited toward that aim.

LIST OF ACRONYMS

AML	anti-money laundering
ANP	Afghan National Police
CJIATF	Combined Joint Interagency Task Force
COIN	counterinsurgency
CPS	Crown Prosecution Service (United Kingdom)
CSG	Civilian Stabilisation Group
CT	counterterrorism
DCE	Deployable Civilian Expert
DoD	Department of Defense
EFCC	Economic and Financial Crimes Commission (Nigeria)
FATF	Financial Action Task Force
FinCEN	Financial Crimes Enforcement Network
FIN-COIN	financial-counterinsurgency
FIU	Financial Intelligence Unit
GDP	gross domestic product
IMF	International Monetary Fund
ISAF	International Security Assistance Force
ISIL	Islamic State of Iraq and the Levant
ISR	Information Submission Reports
JCOA	Joint and Coalition Operational Analysis

JIEDAC	Joint Improvised Explosive Device Analysis Centre
JNAC	Joint Narcotics Analysis Centre
MoD	Ministry of Defence
MONUSCO	United Nations Organization Stabilization Mission in the Democratic Republic of the Congo
NATO	North Atlantic Treaty Organization
NCA	National Crime Agency
NGO	Non-Governmental Organization
OCG	organized crime groups
OSCE	Organization for Security and Co-operation in Europe
PEP	politically exposed persons
PoCA	Proceeds of Crime Act
PRT	Helmand Provincial Reconstruction Team
SAR	Suspicious Activity Report
SOP	Standard Operating Procedures
SSI	Strategic Studies Institute
SU	Stabilisation Unit
UK	United Kingdom
UN	United Nations
UNCAC	United Nations Convention against Corruption

UNDP	United Nations Development Programme
UNOCI	United Nations Operation in Côte d'Ivoire
UNTAET	United Nations Transitional Administration in East Timor
USAWC	U.S. Army War College

CORRUPTION, LEGITIMACY, AND STABILITY: IMPLICATIONS FOR THE U.S. ARMY

INTRODUCTION

Corruption increases the level of instability and the risk of conflict by undermining the legitimacy and credibility of state institutions, as well as peacekeeping and state-building interventions by the international community, to include the U.S. Army. Post-conflict states or states emerging from conflict are particularly vulnerable to corruption, due to the lack of good governance infrastructures, which makes it difficult to detect, disrupt, or bring about successful prosecutions against those who are involved in activities such as bribery, extortion, false accounting, and embezzlement. History has repeatedly illustrated that this problem, if not dealt with effectively, will lead to further conflict and instability. This is problematic for the country immediately affected, and also has global security implications, because a fragile or failed state can become a fertile breeding ground for insurgency, terrorism, and organized crime. This has direct consequences for the United States, both at home and abroad.

Furthermore, there is evidence to suggest that corruption undermines interventions by the international community involved in peacekeeping and nation building. Additionally, corruption can increase the physical security risk to U.S. Army personnel and potentially damage the reputation of the Army itself if it is perceived to be working with personnel deemed to be corrupt. Consequently, the subject of corruption should be a key consideration when attempting to tackle conflict as well as related threats

such as organized crime, insurgency, and terrorism. However, corruption is often viewed by the military and other stakeholders involved in peacekeeping and state-building operations as an unfortunate characteristic of the "local culture" and tolerated as something that is too difficult to tackle. Alternatively, too often, it is considered to be a specialist topic or a side issue outside the immediate objectives of the mission.

The general neglect of the problem of corruption by militaries was evidenced in the 2013 Transparency International *Government Defence Anti-Corruption Index Report*, which found that only Australia, Sweden, and Spain provided training in counter corruption for commanders at all levels to ensure that they were fully aware of the corruption issues they may face during deployment.[1] The report also highlighted that two different countries, the United States and Greece, were the only ones to have written military doctrine addressing corruption as a strategic issue on operations. If achieving stability and security is a top priority for any intervention by the international community in an unstable or war-torn country, then countering corruption needs to be considered a priority objective by all states involved in overseas operations.

IMPLICATIONS FOR THE U.S. ARMY

In addition to its traditional combat functions, the military is increasingly becoming recognized as playing a key role in conflict resolutions as well as immediate post-conflict peacekeeping and state-building interventions.[2] In recent years, peacekeeping operations have served as a vehicle for the delivery of wider state functions, such as border security and crime fighting, as well as a coordination mechanism for other actors,

becoming a focal point for longer-term capacity building. One lesson from previous missions that has been repeatedly underscored is the inability to tackle corruption, which is recognized as a central factor undermining international interventions and requires immediate attention.

A case in point is Afghanistan. Since the fall of the Taliban in 2001, a considerable investment has been made by the United States—including the U.S. Army—and its international partners to attempt to establish and professionalize Afghan state institutions that are key to delivering and sustaining stability within Afghanistan. To that aim, international assistance has been provided to a number of Afghan institutions such as the Ministry of Interior, to include the police and the judiciary. However, recent research shows that widespread corruption, coupled with other challenges, such as the worsening security environment, has seriously undermined these interventions, making it highly questionable whether any achievements to date were effective, let alone sustainable.

Helmand Province in Southern Afghanistan is one example of the failure to achieve meaningful and sustainable results.[3] When American and British troops began their withdrawal from the province in October 2014, a return to Helmand was considered unlikely. However, in February 2016, only 16 months after withdrawal, the U.S. Army's 10th Mountain Division was redeployed as a result of the inability of the Afghan army to operate effectively without international assistance.[4] According to Brigadier General Charles Cleveland, Chief of Communications for the U.S.-led coalition, the deteriorating security situation has led to renewed concerns regarding the threat from international terrorism, resulting in the need to

re-establish an international presence in Helmand to combat the threat.[5] Although, it would not be possible to provide definitive comment on the extent to which corruption played a role in the resurgence of the most recent insecurity, interviews carried out with military and civilian personnel involved in the Helmand campaign suggest that corruption played a major role in the failure to achieve sustainable stability there.[6] This most recent development in the deteriorating security situation also confirms the concern that lessons were not adequately learned from the initial campaign, and failure to tackle corruption is likely to result in history repeating itself. This in turn will inevitably result in an ongoing need for U.S. military involvement as the threat of international terrorism re-emerges in the region.

Outside the Afghan campaign, the impact of corruption on peacekeeping and state-building missions is also becoming increasingly relevant to the U.S. Army as demand for peacekeeping and stabilization missions around the globe continues. Other missions requiring international assistance include Somalia, Mali, Nigeria, and Ukraine, all of which are affected by corruption. It is essential, therefore, that the U.S. Army not only understands, but also absorbs, the lessons from Afghanistan and other campaigns and adapts and applies those lessons to future missions, both at strategic and operational levels, in order to achieve long-term stability not only for those countries directly affected, but also as part of a global security agenda.

CORRUPTION: DEFINITION, PERCEPTION, AND SCOPE

Despite the wide use of the term "corruption," there is rarely agreement as to what the word means in practice. According to one definition, "corruption," from its Latin root *cor,* meaning "altogether" and *rumpere,* "break," suggests that if someone or something is corrupt, they have broken the moral code of behavior by performing immoral or illegal acts for personal gain without apology.[7] Corruption can also be defined as a deviation of practice or behavior from previously established purposes or expectations. However, what constitutes "corruption" in practice varies according to cultural perspective. For example, Western cultures would consider the offering, payment or receiving of "bribery" money to be corruption, even though what may constitute "bribery" differs greatly.[8] At the same time, such activities may be deemed perfectly acceptable in other cultures.

A case in point is the payment of a user fee or gratuity to low-ranking civil servants in Afghanistan. According to a report produced by the International Security Assistance Force (ISAF), most Afghans consider the practice of *baksheesh* (a user fee or gratuity for services rendered) to be acceptable and justifiable.[9] This is because there is a general consensus amongst the Afghan people that payment is needed to supplement low wages and because the "beneficiaries of 'corruption' were often not 'private' individuals, but members of ethnic and/or tribal patronage networks who looked upon these payments as providing traditional means for survival."[10] A comparable situation pertains to Russia, where anti-corruption programs habitually fail, in part because ordinary people see

additional payments or gifts to officials as an essential—in fact, the only—means of inducing them to carry out their functions.[11]

These and other examples of widely varying cultural practices around the world raise the consideration of whether U.S. Army internal policies can be adjusted to match local interpretations of corruption and to what extent should unacceptable and corrupt activities be tolerated or leveraged when operating abroad.

A second consideration is to what extent should U.S. military personnel adjust their own behavior with respect to actions and customs considered acceptable on home soil, but offensive to local populations and deemed corrupt according to the host culture. For example, a recent report published by Transparency International highlighted that Afghans consider managerial incompetence or ineptitude to be corruption.[12] One example provided was the waste generated by the mismanagement of international contracts, in which the hiring of multiple subcontractors for one contract led to inefficiencies, resulting in only 5 to 10 percent of the original contract value being delivered on the ground.[13] Although subcontracting is entirely legal and the West would consider this to be an issue of poor performance, not necessarily involving malfeasance, from the Afghan perspective this constitutes corruption. This again is something that directly affects the U.S. Army, especially where contractors are utilized. Similarly, it is important for the Army—and for the Department of Defense (DoD) more broadly—to ensure effective oversight and to properly manage contracts and be directly responsible for the behavior and performance of subcontractors in order to protect its own reputation as the "owner" of those contracts.

It is also interesting to note that there are over 15 words for corruption in Dari and Pashtu, the two official languages spoken in Afghanistan.[14] This is relevant in that linguistics can provide insights into the importance a culture places on certain matters. Generally speaking, the more words there are to describe something, the more prevalent that subject is in that society. For example, Japan has a deep-rooted shame culture and has at least seven words to describe various types of emotions relating to various aspects of shameful behavior.[15] Similarly, the fact that so many words exist for corruption in Dari and Pashtu can be seen as indicative of the significance corruption has in Afghan society. It also further highlights the differences between the Western and Afghan cultures in terms of the perception of what constitutes corruption, as well as the complexities associated with the issue.[16]

Despite these differences in attitudes, establishing an agreed-upon definition for corruption is the first vital step, because without an agreement on exactly what the problem is, any measures taken to counter it will be ineffective. Nevertheless, it is no surprise that there is no universally agreed definition of corruption. According to the World Bank, corruption is "the abuse of public office for private gain."[17] This is similar to the ISAF definition as "the misuse of positions of power for personal gain."[18] Unfortunately, these definitions proved problematic in some countries where the words "abuse" and "private" are often not appropriate in this context, as highlighted in the aforementioned example of *baksheesh* in Afghanistan.

As such, this Letort Paper will adopt the definition provided by Transparency International, which appears to be the best suited for describing corruption in the context of conflict environments, namely,

"the abuse of entrusted [public or private] power for [illegitimate] private [or group] gain."[19] To elaborate further, practices that are deemed as corrupt include bribery, extortion, mismanagement of public funds, stealing by public servants, neglect of duty, causing financial loss to the government, making false claims, embezzlement of funds, and the abuse of office, such as nepotism, forgery, and false accounting in public institutions and others.[20]

The Corruption Cycle.

In attempting to tackle corruption as a means of preventing or mitigating conflict, it is important to understand how corruption affects conflict and leads to insecurity. However, when examining the relationship between corruption and conflict, it is difficult to determine whether corruption leads to conflict, or whether corruption occurs as a result of the conflict environment. This is because corruption is both a cause and a consequence of conflict. Therefore, the relationship is better described as a cycle fueled by a number of factors, such as poor leadership, lack of legitimacy, and poor governance. Each of these factors, as well as their interrelated nature, needs to be fully appreciated by the U.S. Army if its stability deployment missions are intended to have longer-lasting effects.

A government with good leadership, deemed to be legitimate in the eyes of its citizens and supported by good governance structures that operate effectively, is able to reduce the incidence of corruption. Although corruption cannot be totally eliminated, these positive factors can assist in reducing corruption to a manageable level at which conflict and instability may be avoided, as illustrated in Figure 1.

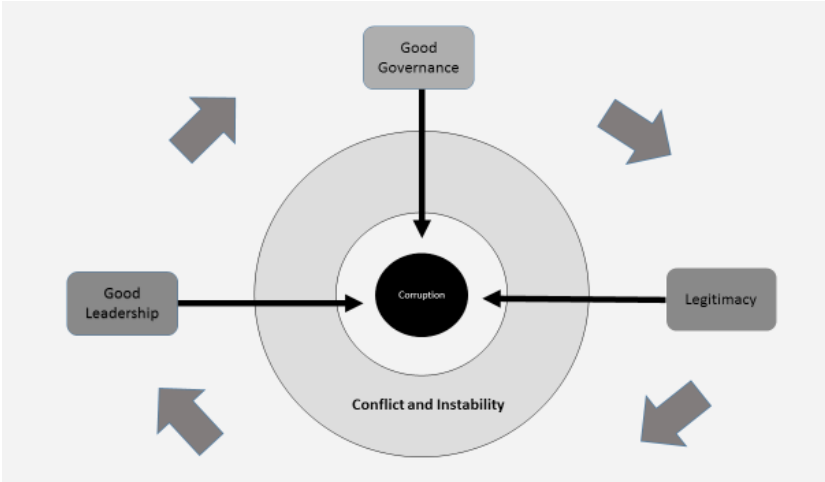

Figure 1. Reduced Corruption Risk.

Figure 2, on the other hand, illustrates the opposite scenario, in which the combination of negative influences, such as corrupt leadership, lack of legitimacy, and poor governance, exacerbates the existing problem of corruption and leads to conflict and instability.

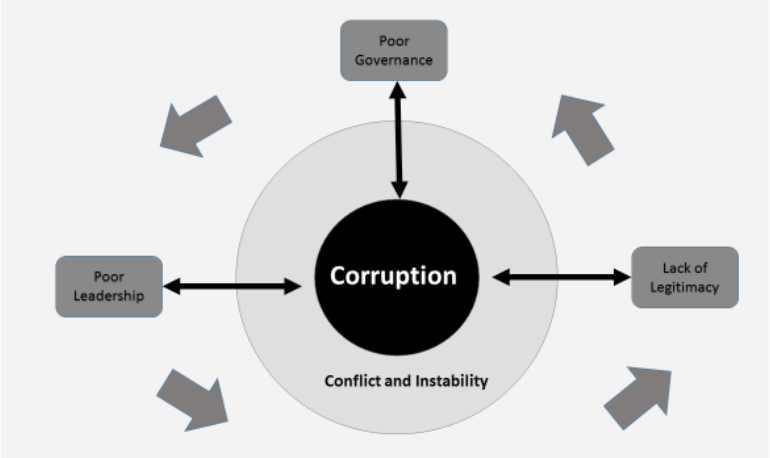

Figure 2. Elevated Corruption Risk.

The linkages between corruption, governance, and conflict are interrelated and complex, and, as the drivers of corruption, are capable of increasing or lowering corruption risk. The relationship between corruption and governance, leadership and legitimacy, respectively, deserves further attention.[21]

Governance.

Governance has been defined as the manner in which power is exercised in the management of a country's economic and social resources for development, or as the exercise of political, economic, and administrative authority in the management of a country's affairs at all levels, to include the private sector and civil society.[22] It is a subject highly relevant to the U.S. Army not only in terms of the impact of poor governance on the stability of nations, but also because it has very real and practical implications for the successful completion of a post-conflict or stabilization mission. This is because poor governance structures characterized by corruption will undermine any external intervention, including efforts to strengthen the capability of the domestic security forces to include the army and the police.

Poor governance occurs when the management of public resources is inadequate and unable to meet the critical needs of the society.[23] The key characteristics of poor governance are a lack of transparency and accountability, poor legislative oversight, abuse of human rights, societal inequality, and the general absence of rule of law. Collectively, poor governance results in an environment where corruption and criminality can flourish. Corrupt individuals holding senior public roles of influence are able to abuse their positions

to further their own personal goals and accumulate personal wealth, to the detriment of the people who they are intended to serve. However, the application of "good governance" principles can make it more difficult for corruption to take root.[24]

The importance of establishing effective rule of law as a key component of a government's governance infrastructure cannot be overstated. Rule of law is an inherently vague term and has no universally agreed-upon definition. One interpretation is that everyone should be governed by and equal before the law and constitution established by the legitimate government of the country in which they live, that they enjoy human rights, and that justice is open and accountable to independent oversight. Institutions that enable the rule of law include law enforcement, the judiciary, and the penal system. The term is commonly used to describe civil institutions, as opposed to military institutions, which generally have their own parallel legal systems and institutions. However, in countries where the police are heavily militarized, the distinction between civilian and military becomes less clear.

Without rule of law, corrupt individuals are able to enjoy impunity as a consequence of a dysfunctional law enforcement and judicial system.[25] Where rule of law prevails, citizens have equal standing under the law regardless of their political affiliation, social status, economic power, or ethnic background. In countries such as Afghanistan, the absence of rule of law is almost axiomatic. Afghanistan is a country where access to fair, efficient, and transparent justice continues to be limited. Senior judicial appointments are often made based on patronage or payment, as opposed to merit or qualification. In addition, formal Afghan courts are often difficult to access, especially for peo-

ple in the provinces. The courts are widely viewed by Afghan citizens as corrupt and lacking efficacy, partly because of the time it takes for the system to reach a verdict, and even when a verdict is reached, money can be paid to overturn the conviction.

This lack of justice characterized by corrupt practices is exacerbated by the complexity of the Afghan justice system, which incorporates hundreds of years of informal traditions, Islamic *Shari'a* law, former Soviet judicial practices introduced during the 1980s, as well as various Western influences since the fall of the Taliban in 2001.[26] Afghanistan's legal landscape is occupied by three competing sources of law operating simultaneously; namely, the formal state legal system reflected in various codes and legislation and enforced through a system of state courts; the informal customary system based on tribal mediation; and the Taliban legal system.[27]

The various shortfalls in the state system and its reputation for being corrupt, slow, and ineffective have resulted in continued reliance on the informal justice system, including the Taliban system of justice, which continues to be a popular system, as it is better able to reach verdicts quickly and effectively and is believed to be the least corrupt. This is problematic for two reasons. First, the punishments passed by the Taliban justice system, such as stoning an adulterer to death, conflict with commitments to human rights under both the Afghan Constitution and international law. Second, reliance on this system of justice gives the Taliban legitimacy, authority, and power, which is detrimental to interventions to counter the Taliban insurgency. The latter point is particularly relevant to the U.S. Army, whose resources continue to be in high demand in the ongoing conflict with the Taliban, which has now entered its fifteenth year.[28]

Despite intentions to reduce American military personnel on the ground in Afghanistan, former U.S. President Barack Obama's remarks made on May 23, 2016, with respect to the justification of the drone attacks to eliminate Mullah Mohammed Akhtar Mansour, indicate the trouble the United States has had in developing the Afghan security infrastructure to a level that it can operate on its own against Taliban attacks.[29] If the U.S. Army is serious about tackling the threat from the Taliban, it needs to not only focus on the combat capability of Afghanistan's security forces, but also consider further the reasons the Taliban is able to maintain its power and authority. Part of the answer is its ability to deliver better rule of law and justice compared to the "legitimate" rule of law infrastructure of the Afghan authorities.

A further problem is that law enforcement in Afghanistan is also riddled with corruption.[30] District police chiefs, for example, are able to buy their positions for $100,000.[31] The Afghan National Police (ANP) views itself as a military organization and does not see itself as a service for the community. It views the local population as a target for corruption, from which to extract bribery money, as opposed to a community to protect.[32] It also sees itself as above the law, going unpunished for any crime committed. In an environment where human rights abuses are commonplace, this causes further resentment amongst Afghan citizens.[33]

This is particularly problematic in more "traditional" regions, such as Helmand Province, where women and children continue to be seen as disposable possessions, and customs that are in serious violation of international human rights law continue to be practiced by the police on a regular basis.[34] When a state institution such as the police, whose notional purpose

is to protect the citizens of its country, is corrupt, it inevitably leads to a sense of great injustice and desperation, which in turn fosters instability.

Another important aspect of good governance is the ability to manage public administration effectively. Depriving the state of resources through misallocation and corruption weakens the ability of the state to provide key public services, such as justice and security. For example, if police officers remain unpaid or receive inadequate equipment or training to carry out their tasks as a result of embezzlement, their ability and motivation to serve are likely to decline, directly impacting the security of the state. In Afghanistan, such scenarios have led to police officers leaving their posts to join the insurgency on economic grounds as opposed to on the basis of ideology.[35] This has had the effect of further exacerbating the security situation by tipping the scales in favor of the enemy, further hampering the U.S. Army in its fight against the insurgency.

Legitimacy.

Poor governance characterized by corruption also brings into question the legitimacy of the leadership and the regime. It is problematic for the U.S. Army on several levels if the political leadership and its regime are considered to be illegitimate by its citizens, regardless of how they came to power. First, achieving security and stability requires the support of the local populations. It will be difficult to win the hearts and minds of local populations if the Army is assisting a political regime that is viewed as "illegitimate" in the eyes of its people. In fact, those who resent the regime will de facto deem the U.S. Army as the

"enemy." As such, not only will the Army suffer a lack of credibility among local populations, but its actions may also come under criticism by American citizens at home, who are likely to question why their taxes are being spent on supporting a corrupt regime that is not viewed by its citizens as a legitimate source of authority. The situation will be further exacerbated as soon as the instability results in civilian or military casualties and deaths.

Corruption also has the ability to undermine the legitimacy of the state, in cases where the government's failure to fulfill its citizens' expectations increases their willingness to violently challenge the existing regime. This was witnessed in the Arab Spring, where corruption was a central narrative and addressing it was a central demand of protesters.[36] The ability of corruption to undermine the legitimacy of the state holds true even when the state and its leadership have been established through legitimate means. This is because, although that government may technically be deemed as "legitimate" in the way it came into existence and operates according to the laws of that country, several other factors may exist that override its legitimacy.[37] For example, if there are no laws as to how a government and its leaders are appointed or re-appointed, or if the system is so corrupt that electoral procedures are deemed meaningless, then the government will lack legitimacy.

A legitimate government has justifiable authority and power, which enable it to maintain public order, and can exercise moral justification to induce its citizens to obey its laws. A corrupt government loses legitimacy on the grounds of morality as well as in practical terms, as a result of its inability to deliver basic services to its citizens.

At the same time, despite the importance of tackling corruption, consideration must be given to the fact that attempting to implement anti-corruption measures too aggressively and too quickly may do more to erode legitimacy than to contribute to it.[38] This is especially true when proper governance systems are not yet in place that are capable of supporting such measures. This is because corruption often permeates not just one single individual or group of individuals, but the entire political network, and taking apart entire networks can do more harm than good because they are a component of the overall system. If the problem has become an institutional trait within that country, caution needs to be exercised in trying to remove it. For example, corruption may have become a way of life in many societies, as described in the case of Russia above, or may be a necessary evil for survival when the systems, institutions, and processes that should protect the safety and well-being of citizens are weak or completely lacking.[39] Instead, corruption needs to be tackled carefully, thoughtfully and over time.[40] To use a medical analogy: if corruption is a cancer affecting a vital organ, then a less immediate treatment than excision is required in order to prevent the patient from dying.

Consequently, governments emerging from conflict, along with the international community that provides support to those governments (to include the U.S. Army), face a major dilemma in deciding the approach to be adopted in tackling corruption. The dilemma is whether to attempt to increase legitimacy by bringing former senior officials involved in crimes (like corruption and drug trafficking) to justice, or to reinstate these individuals, who have established a support network out of concern that removing them

may have a destabilizing effect in that region.[41] There is also the question, if corruption is to be tackled over time in a piecemeal manner, which corrupt individuals in positions of power and influence should be tackled first. The decision is likely to depend partly on whether there is a suitable candidate to take their place. If not, simply removing those individuals is likely to result in instability. Such decisions can be made only if there is sufficient intelligence on corrupt networks in order to make these assessments. Analysis of this kind would require the U.S. military to establish or access appropriate resources within the intelligence community, with the ability to make short-, medium-, and longer-term impact assessments of the effects of dismantling corruption networks and infrastructures, in order to be able to guide military commanders on the action they should take in tackling corruption. Given the current lack of analysis of corrupt networks, it is unsurprising that some consider tolerating corruption in the short term an acceptable price to pay for stability over legitimacy.

The problem is that this further encourages a short-term approach to tackling the problem. This is particularly true in the case of the U.S. Army and other militaries whose units are deployed to countries on an annual or 6-month cycle. Commanders are placed under enormous pressure to achieve often very unrealistic goals within their tours of duty, as well as to make this achievement demonstrable to further their careers within the military.[42] Since tackling corruption requires a long-term sustained effort likely to extend over several tours of duty, it is essential that senior leadership recognizes this problem and adjusts its expectations of commanders accordingly.

Corrupt Leadership.

The third factor to be considered in the corruption cycle is the matter of national leadership. This issue is particularly important for the U.S. Army, as military interventions often take the form of action to support the current leadership of the country. Corrupt leadership not only will have operational consequences for the U.S. Army in terms of that particular mission, but is likely to risk wider reputational damage with longer-term consequences. Furthermore, if the leaders that the U.S. Army is working with emerge as being corrupt during a mission, it is important that steps are taken to ensure that the problem is recognized and addressed in order to protect the Army's own integrity and reputation. It is therefore essential that U.S. military personnel are able to recognize corrupt leadership, and understand the motivations for it, as well as to establish Standard Operating Procedures (SOPs) to ensure that adequate steps are taken to tackle the problem.

Corrupt leaders are driven by self-interest and motivated by the pursuit of power. Powerful leaders, in turn, seek to obtain even more power. Money plays a key role in achieving that power and lifestyle, and it is widely recognized that corrupt senior officials throughout the world abuse funds intended for the public good. In such cases, there is much that the international financial system can achieve in interdicting and confiscating such funds with the cooperation of in-country authorities as well as the wider international community, to include law enforcement and the judiciary.

One example of the abuse of public funds by a corrupt leader is the case of Pavel Lazarenko, the former

Prime Minister of Ukraine. Lazarenko acquired $20 million of public funds through theft and extortion during his time in office between 1996 and 1997. He then laundered the money through U.S. banks in the period that followed the collapse of the Soviet Union. An American jury convicted Lazarenko in 2004 for money laundering and sentenced him to 9 years in prison.[43] The significance of this case is that this was the first time that a senior politician of a foreign jurisdiction was put on trial in a U.S. court for crimes committed in his own country. Furthermore, the U.S. ruling is believed to have supported Ukraine's efforts to strengthen its own legislation with respect to corruption and money laundering whilst reinforcing a strong anti-corruption message in Ukraine.[44]

Another example is the case of Joshua Dariye, the former governor of the Plateau State in Nigeria, who was in office between 1999 and 2007. In 2003, a credit card fraud investigation in London led by the Metropolitan Police found that Dariye had laundered approximately $5 million through associates and front companies, which led to his arrest in 2004. After being released on bail, he fled England and managed to avoid arrest as a result of his constitutional immunity. However, the British Crown Prosecution Service (CPS) filed an international freezing order for his assets outside of Nigeria. Consequently, the Nigerian Economic and Financial Crimes Commission (EFCC), through the assistance of the London Metropolitan Police and the CPS, was able recover a house and around $8 million from multiple bank accounts in London. When Dariye eventually stepped down from office in 2007, he lost his political immunity, and the EFCC was finally able to bring about a successful prosecution against him in Nigeria.[45]

Other examples of large-scale theft of public resources from developing countries by former leaders include Ferdinand Marcos of the Philippines, former Nigerian President General Sani Abacha, and former President Mobuto Sese Seko of Zaire.[46] A common denominator of these cases is the way in which the illicit proceeds of corruption were channeled to bank accounts in foreign countries, typically jurisdictions with high levels of banking secrecy, and in all cases, large amounts of money were recovered after these leaders left power. As such, the U.S. Army should develop a basic familiarity with money-laundering methods as part of its intelligence capability, in order that such activity can be recognized, monitored, and interdicted as appropriate, at the earliest possible opportunity, and ideally with the cooperation of in-country authorities.

MONEY LAUNDERING

Money laundering is the process by which the existence, illegal source, or illegal application of income is concealed and then disguised to make it appear legitimate.[47] The money-laundering process is recognized as having three stages: "placement," "layering," and "integration." In the first stage of "placement," cash is placed into circulation through a number of vehicles, including financial institutions, such as banks. Next, in the "layering" phase, a complex web of transactions is created to enable the disassociation of the funds from their illicit source. This can be achieved through the creation of "dummy" accounts, multiple transfers, and international transfers. Finally, during the "integration" phase, the laundered funds are brought back into circulation in the form of clean and often taxable income through methods such as property deal-

ing, the use of front companies, false loans, and false invoicing.[48]

However, this model describing the money-laundering process has been criticized by some practitioners who argue that it is misleading from an operational perspective, in that criminals do not necessarily follow the steps identified sequentially. As a result, the model has been simplified more recently to be described as "raise, move, and store."[49] In terms of the specific methods used, the United Kingdom's (UK) National Crime Agency (NCA) describes them as falling into one of two broad categories: cash-based money laundering or high-end money laundering.[50]

Cash-based money laundering can occur in several ways. One is currency smuggling, which involves the physical movement of currency over national borders through, for example, the use of cash couriers. This is particularly relevant for the U.S. Army and its international partners when operating in conflict environments, as large amounts of cash are easily detectable. Any currency transaction reports (CTR) carried out should note the presence of large volumes of cash, and observations of regular movements of cash transported via vehicle, truck, helicopter or fixed-wing aircraft should be collated, identifying the travel origin and destination wherever possible.

Once the money enters jurisdictions where strict banking compliance practices exist, other techniques to get the cash into the banking system are used. One well-known technique is "smurfing," where cash is deposited in random quantities less than the amount when reporting is required in that jurisdiction. For example, in the United States, the threshold is $10,000; therefore, random amounts of less than $10,000 can be deposited into various accounts, including those

held by relatives or friends at many different banks, in order to minimize detection. This is where understanding corruption networks becomes particularly relevant, as these networks are likely to be utilized for money-laundering purposes. In addition, businesses with high cash throughput may be used as a cover, with payments being broken down even further into smaller amounts to avoid detection.[51] After all, the best place to camouflage "bad" money is with "good" money and as such, money launderers often utilize cash businesses for this purpose. The key is to determine whether these businesses are proving to be more "profitable" than they should be, indicating that additional cash, possibly the proceeds of crime, is being added to the takings.

High-end money laundering, on the other hand, usually involves transactions of substantial value, and the abuse of the financial sector by so-called "professional enablers."[52] Examples include the use of currency exchanges and securities brokerage houses, shell companies, tax havens, and offshore financial centers.[53] Shell companies are usually non-publicly traded corporations, limited liability companies, and trusts that typically have no physical presence other than a mailing address and generate little to no independent economic value.[54] Their purpose is to provide opacity in order to confuse even the most dedicated and well-resourced investigators and to defeat any attempt to reconstruct a money trail. Intelligence analysts investigating corruption in particular should be alert to the existence and nature of these entities and incorporate them into their analysis of networks wherever possible.

Another method of laundering money that intelligence officers should consider is the purchase of

assets.[55] The criterion is that they must be of high value in relation to bulk, making them physically easy to smuggle as well as relatively easy to reconvert into cash at the point of destination. Examples include diamonds, gold, precious stamps, and other collectibles. High-value assets such as property, vehicles, and business assets can also be bought, which can then be sold as part of the money-laundering process.[56] The financial audit trail can be further obscured when these assets are bought in the name of family members or companies. The properties have also been known to be used as vehicles for money laundering through additional financial arrangements such as mortgages.

Countering Money Laundering.

According to Global Financial Integrity, approximately $1 trillion of illicit funds were estimated to have been removed from developing countries between 2002 and 2006.[57] A considerable proportion of these funds are likely to be the result of corruption either directly, as proceeds of bribery, corruption, and theft of public funds or indirectly, resulting from willful blindness to crimes including human trafficking, narcotics trafficking, or arms trafficking, where both senior and junior officials may have played a part in allowing crimes to be committed and go unpunished. In this context, intelligence analysts trying to piece together a money-laundering pattern based on corruption will not be starting from scratch, since there is likely to be considerable intelligence captured from activities such as narcotics trafficking and arms trafficking. What is required is to bring together these strands of available intelligence and re-interpret the information from a counter money-laundering perspective.

In terms of action that could be taken when the proceeds of crime stay within the country of origin and circulate within that country, interdiction and seizures of these criminal funds through normal legal means may prove difficult. This is because fragile states tend to suffer poor governance structures and lack effective rule of law institutions, which are likely in themselves to have been affected by corruption. Nevertheless, capturing this information will be invaluable for intelligence analysts, because understanding financial flows can be fundamental to understanding key networks and their vulnerabilities.

Another characteristic of fragile states is the lack of a developed economy, making investment and expenditure more difficult. As part of the laundering process, a likely scenario is that the bulk of illicit funds will leave that country to make their way to economically stable countries where the money can be laundered and invested more effectively. For example, for an investor, it is far more prudent to invest in real estate in countries where property prices are higher, property rights are strong, the value of the property is likely to increase, and resale of that property is guaranteed.[58] Similarly, the purchase of financial instruments or commodities in financial markets where the economy is stable provides a greater degree of security for the investment.

When illicit financial flows leave the country of origin into developed economies such as the United States or the United Kingdom, anti-money laundering (AML) interventions by the international community can play a key part in reducing them through detection, interdiction, and confiscation. Here, the U.S. Army could work with its U.S. and international partners in several ways. It could share intelligence on

corrupt networks and suspected money-laundering activity. If intelligence analysts are trained appropriately, this could be achieved through sanitized reporting, thus protecting sensitive intelligence, whilst sharing information for the mutual benefit of the whole counterterrorism (CT)/counterinsurgency (COIN)/counter-crime community. As such, the concept of "Need to Know" can operate simultaneously with the concept of "Need to Share."

The concept of "Need to Share" has become recognized as particularly important within the financial community as well as in government departments that have set up various intelligence fusion cells in recent years. Initially the concept was met with much skepticism and resistance—unsurprisingly, as this inevitably involved sharing sensitive information that each party felt could make them more vulnerable to a number of security threats. This concern was felt within financial institutions in the private sector as well as in government departments. For example, private sector organizations were concerned about protecting their commercial interests from other similar organizations whom they regarded as competitors as opposed to partners. Equally, organizations operating in the public space were concerned about sharing sensitive material for fear that the broader significance of that information might not be immediately apparent to other stakeholders, therefore remaining open to potential abuse.

Despite these challenges, significant progress has been made in recent years to share information to the benefit of all stakeholders. Although the use of fusion cells has enabled better cooperation among the military, government agencies, and law enforcement, meaningful collaboration with the private sector con-

tinues to be rare, and the analysis and use of financial intelligence is basic at best. This is particularly relevant with respect to financial intelligence, as the AML regime globally has been considerably strengthened since the 9/11 attacks. This highlighted the importance of considering the financial aspects of terrorism as part of the overall CT effort.[59]

To begin with, private sector organizations such as banks, law firms, accountancy firms, and real estate agencies serve as the first line of defense in the detection of suspicious funds.[60] International AML regulations, supported by the Financial Action Task Force (FATF) recommendations, stipulate that these businesses must become familiar with their customers prior to commencing business with them.[61] This is referred to as the "Know Your Customer" rule, which is the process of basic due diligence to verify the identity of clients. The purpose is to enable businesses to effectively manage their money-laundering risks by reducing the likelihood that they will take on a client who will be using them to launder money. This in turn helps organizations manage their regulatory risk by ensuring compliance with domestic legislation and regulations relating to money-laundering and terrorist finance.[62]

Additional due diligence is required when dealing with individuals who are considered to be higher risk, known as politically exposed persons (PEP). A PEP is an individual who is or has been entrusted with a prominent function that has the potential to be abused for the purpose of laundering illicit funds or other predicate offences such as corruption or bribery.[63] However, many challenges face the international financial community with respect to PEPs. To begin with, there is no universal definition of a PEP.

For example, the FATF explicitly limits PEPs to individuals with prominent functions in a foreign country, while the United Nations Convention against Corruption (UNCAC) defines PEPs (without employing the term itself) as "individuals who are, or have been, entrusted with prominent public functions, and their family members and close associates," widening the definition to include those close to a prominent official, while leaving open whether these should include domestic or foreign officials. A further dilemma is deciding how wide the circle of PEPs should be.[64]

Some jurisdictions restrict the definition to spouses; others to spouses and their children—whilst other broader definitions include current and former spouses, their children, as well as their girlfriends or boyfriends.[65] One consideration is that, once individuals have been identified as a PEP, they retain their PEP status, adding considerable burdens on the institutions that need to monitor their financial activity as the circle of PEPs grows larger and larger. If this additional monitoring volume resulted in the increase in the detection of suspicious transactions, there would be justification in adopting the wider definition. However, there is no concrete evidence to suggest that this is the case, with some arguing that the wider definition simply leads to data deluge and may have the opposite effect by overburdening the system.[66]

Regardless of who may or may not constitute a PEP, it is a requirement in most jurisdictions that all financial institutions have a system in place to monitor financial transactions.[67] If there is suspicion about the nature of a financial transaction, a Suspicious Activity Report (SAR) is required to be submitted to the Financial Intelligence Unit (FIU) of that country, stipulating whether the transactions represent either potential

money-laundering or terrorist financing activity, and stating the reason for the suspicion together with details of any internal investigations carried out to date.[68]

However, the international AML regime is far from being a perfect system. There has been criticism that AML is more about managing regulatory risk for financial institutions as opposed to tackling the problem of money laundering itself.[69] In addition, as a result of inadequate cooperation between FIUs, law enforcement agencies, and the private sector, data captured are not adequately shared or utilized. However, despite these imperfections, one positive aspect of the AML regime is that the data have at least been captured, and where early detection was missed, these can still be used retrospectively to bring about a successful prosecution at a later date.

One challenge that U.S. Army intelligence officers should be aware of is that financial intelligence alone is often insufficient to arouse suspicion. For example, research into the financial transactions of the 9/11 hijackers in the 6 months leading to the attacks highlighted the fact that the financial transactions in themselves were unlikely to have indicated impending terrorist activity, even if a better AML regime had existed at that time.[70]

However, when financial intelligence is combined with other intelligence, its real usefulness emerges. Not only is financial intelligence able to provide evidence that can be presented in an international court of law, but analysis also can lead to the discovery of networks, and the use of big data is capable of detecting financial flow patterns at a macro level, which can reveal new leads for investigations. Consequently, better awareness of AML capabilities coupled with inter-agency cooperation and improved information

sharing can enable the interdiction of funds flowing out of developing countries raised through the proceeds of corruption.

It should also be noted that financial information that can then be turned into financial intelligence through analysis could be obtained through numerous sources. This is true, not only for "financial" intelligence but for intelligence in general. For example, in UK law enforcement agencies, all police officers, and police staff submit "intelligence" in the form of Information Submission Reports (ISRs). In other words, information collection and submission for intelligence purposes is considered the duty of all police officers, not just those directly tasked with intelligence duties.[71] This is equally true in the U.S. Army, where non-intelligence Soldiers collect raw data, typically during patrol. All Soldiers are considered part of the intelligence collection process, especially in light of the past decade of COIN lessons learned.[72] For example, in the U.S. Marines, intelligence collection has been part of pre-deployment briefs for infantry units since 2002, prior to the invasion of Iraq, where "every Marine was considered a collector."[73]

Unfortunately, financial information or intelligence is often overlooked, as it has not traditionally been part of patrol collection requirements.[74] However, if the significance of financial intelligence is fully understood in the context of the anti-corruption mission, and the collection of financial information is part of the intelligence collection requirements for military personnel on patrol, then it is likely that highly relevant information can be captured.

It is worth noting that channels of communication on financial intelligence between the military and other agencies, the private sector, and the judiciary are

generally deficient or poor at best. This is because the organizations involved with financial intelligence are not aware of how useful and relevant military intelligence can be, and equally, the military are not aware of the organizations and capabilities that are potentially available to them. Military commanders and their intelligence analysts at all levels should be aware of this potential, and seek to develop ways in which financial intelligence can be shared and nurtured to the benefit of all stakeholders involved in tackling corruption networks. Platoon- and company-level commanders, in addition to their S-2/G-2 colleagues (as lieutenants and captains), may be some of the more suitable individuals to take the initiative and develop information-sharing suggestions and identify local financial intelligence sources. In addition, it is worth noting that new leads often come from the junior enlisted, who are often the most tactically engaged in data aggregation.

IMPACT OF INTERNATIONAL AID ON CORRUPTION

There has been a general tendency not only for the U.S. Army but also the West in general to adopt a one-sided narrative blaming corruption on local culture. Afghanistan is a case in point: "corruption" within Afghanistan is identified as the reason so many international stabilization interventions have to date been unsuccessful.[75] However, it is interesting to note that most Afghans tend to think of corruption as a relatively new problem for their country, introduced in 2001 when international troops arrived in the country. They believe that corruption evolved progressively since that time, driven by international aid. Many in

the international community also agree that it was the sustained volume of mismanaged international funding that has created a new culture of corruption in Afghanistan, which has since become an epidemic.[76] According to recent Transparency International reporting:

> 20 years ago corruption was a shame among Afghans. If you were corrupt, your life was hell because people would stop talking to you. And now that's completely changed. A new culture has risen: if you're not corrupt, people think you're stupid.[77]

There is a broad body of evidence to suggest that aid can distort the economies of conflict-affected countries, especially if the volume of funding exceeds the country's capacity to absorb these funds, fueling rent-seeking and providing incentives for corruption in the process.[78] Karl Eikenberry, former Commander of the U.S.-led Coalition Forces in Afghanistan and former U.S. Ambassador to Afghanistan, has acknowledged this problem:

> *The net result of our well-intentioned efforts is that the international and national development agencies, along with the NATO [North Atlantic Treaty Organization] and US military forces, flooded Afghanistan with cash to such an extent that efforts to build accountable institutions suffered* [italics in original].[79]

In the case of Afghanistan, the sums of money flowing into Afghanistan have been extremely large. Total U.S. spending since 2001 has exceeded $760 billion, which included approximately $104 billion in reconstruction funding up to mid-2014.[80] However, the inability of post-conflict countries to absorb the

sheer volume of incoming financial flows is not a new problem, nor an issue that is unique to Afghanistan.[81] Peacekeeping and country stabilization operations are inevitably accompanied by large amounts of aid and financial assistance, while the lack of local infrastructure and economy make it difficult to spend the money in country. Liberia is another example where aid and other financial contributions, such as security expenditures by foreign militaries, have exceeded the local gross domestic product (GDP) by multiples. The inability to absorb funding is often exacerbated by the need to disburse funds quickly in order to address emergency situations, or achieve highly visible "quick wins" through rapid impact projects, and to proceed without robust procurement and auditing procedures.

For example, there has been wide criticism of the tendency for the international community, in particular the United States, to prioritize the speed and scale of the disbursement of funds over the achievement of concrete project goals. In fact, recent research has shown that many projects were implemented without adequate consideration of local concerns or the potential impact on similar projects already in operation by other donors from the international community. Instead, many of the projects were considered to be "throwing" funding at a project as a way to demonstrate commitment without giving adequate consideration to the effectiveness or impact of the project. Consequently, the desire to be seen as "doing" overrode many other concerns, including accountability and corruption.[82]

Mismanagement of International Aid and Funding.

Evidence from stabilization and peacekeeping operations suggest that international interventions and aid can develop and exacerbate the problem of corruption if not managed effectively.[83] This is relevant to the U.S. Army because it may not be aware that well-intended actions may in fact create and worsen the problem of corruption, which may hinder future efforts. In the case of Afghanistan, problems relating to corruption were manifested at operational levels during the early stages of the intervention as a consequence of a lack of control over early inflow of funds. According to one senior policymaker interviewed by Transparency International:

> Much of the corruption was introduced by some elements of the very poorly planned aid response and the flood of unaccountable money through multiple channels.[84]

In addition to the sheer volume of money entering Afghanistan, pressure from international donors to deliver results within a short time frame resulted in a climate of perverse spending.[85] For example, in April 2013, it was reported in "International Policy Maker" that the heads of the United Nations (UN) agencies on the ground were given 10 days to write $2.7 billion worth of projects.[86] One consequence was that much of the work was outsourced to external contractors, as governments lacked the capacity to deliver the projects internally. The use of external contractors in itself is not a problem. However, a general lack of coordinated planning and management led to the creation of numerous opaque deals, with minimal monitor-

ing and evaluation. As both local and international individuals and institutions profited quickly in an environment of fast-moving deals and general lack of transparency, coupled with the absence of corruption-reducing measures, these factors combined to encourage a climate of corruption.

Absence of central coordination of effort adds to the confusion. This is particularly problematic, given the number of international donors and agencies routinely operating in the same space, to include the U.S. Army. The situation is further exacerbated by the fact that if a state is considered to be incapable of self-management, as well as being generally corrupt, most aid and interventions will bypass it.[87] The understandable concern of most donor countries is that if aid is given directly to the state, the money will be mismanaged or stolen rather than being used for its intended purpose. Consequently, donors prefer to provide funding off budget to ensure better control of their investments. However, this approach has two problems.

First, bypassing the state is often found to further weaken state authority, which directly contradicts the purpose of funding intended to put governance measures in place to strengthen the state and give it legitimacy. Research into the impact of aid and informal social service delivery by Non-Governmental Organizations (NGOs) or communities at a local level has shown that this often revives and reinforces the patronage power of local elites, who become the gatekeepers to aid and services.[88] Notably, the way that the 2002 Loya Jirga (grand assembly) was run in Afghanistan was denounced as "throwing money . . . at corrupt and predatory local actors."[89] This situation was compounded when no steps were taken to rein in the warlords, and consequently their power and

influence grew, further exacerbating corruption as well as bringing further security concerns.

The second problem is that direct delivery of aid and interventions (i.e., bypassing the state) does not necessarily result in successful delivery of projects free from corruption. Indeed, there is an internal dimension to corruption risks that must also be considered. Despite the expectation of peacekeeping and state-building missions to be conducted with integrity, the record is replete with instances where they have directly contributed to increased corruption levels either by the misdeeds of a few individuals or a failure to understand the consequences of not tackling corruption. In the case of the military involved in peacekeeping operations, there is potential for corruption in financing troops and equipment, which often lacks effective oversight. As such, it is likely that U.S. Army commanders will need to be extra vigilant and have oversight structures in place to ensure that equipment and money are used by in-country troops as intended by donors.

The areas that require particular attention in terms of corruption risk are theft, fraud, and waste, especially in relation to external contracting. Many cases of theft from within peacekeeping missions involve saleable commodities, such as food and fuel. For example, fuel mismanagement, theft, and fraud have been found across a number of UN peacekeeping missions, including UN Operation in Côte d'Ivoire (UNOCI), UN Transitional Administration in East Timor (UNTAET), and UN Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO).[90] Resulting from inadequate supervision and poor record-keeping, several cases of large-scale theft by local and/or UN staff, and collusion with nationals to sell

the goods to local markets, have been reported. Fraud and waste is another significant issue. For example, according to the Commission on Wartime Contracting, "at least $31 billion, and possibly as much as $60 billion" of U.S. funds were lost because of contracting waste and fraud in Afghanistan and Iraq between financial years 2002 and 2011.[91]

These are not new problems; the challenges were familiar from earlier interventions. Consequently, better measures should have been in place to ensure that all funding included proper conditionality and much-tighter oversight of disbursement. However, this oversight and effective management of funds and assets continue to be lacking. As peacekeeping operations are large consumers of international funds, they can unintentionally fuel and entrench corruption in fragile and conflict-affected environments.[92] Since corruption is likely to account for a larger proportion of illicit flows coming out of the least developed countries, which are dependent on aid, it is of paramount importance that the dual internal-external nature of corruption threats to missions—which are a function of local conditions and the impact of international actors—are acknowledged and tackled.[93]

HOW CORRUPTION FUELS CONFLICT AND INSTABILITY

The main reason for the U.S. Army to engage with peacekeeping operations and state-building missions is to encourage peace and bring stability to the region it has been tasked to assist. As such, it is essential the the U.S. Army is aware of factors that will undermine this mission—such as corruption. Yet, systematic evidence of the impact of aid on corruption is lacking.

This is partly because of the unavailability of reliable data, especially in conflict-affected countries, but also because of the challenges of measuring corruption in a meaningful way. However, there is evidence to suggest corruption fuels conflict and instability. As highlighted above, the relationship between corruption and conflict is symbiotic in that corruption increases the risk of conflict and, in turn, conflict increases the risk of corruption. Together, this relationship threatens peace and stability in states already besieged by violence. Corruption-fueled conflict and instability that the U.S military should be aware of is discussed next in several ways.

Social Grievances.

Corruption often leads to a sense of inequality and injustice as a result of discrimination felt by individuals and groups who are excluded from the elite who benefit from it. In addition, corruption distorts government decisions and undermines the provision of public services such as education and healthcare.[94] This in turn can drive populations to civil war, as well as leave them susceptible to crime and radicalization, both as perpetrators and as victims.

Rents.

"Rents" refer to incomes that are higher than would otherwise have been earned.[95] The rent-seeking opportunities that come with corruption can provide incentives for violent conflict as those excluded from power and rents use violence to seek access and control over these opportunities.[96] This is especially true in countries that are resource-rich.[97] If corruption has

transformed the state from a set of institutions providing public goods into a set of institutions to be exploited for private gain, the state becomes a prize to be fought over.

Criminality.

The relationship between corruption and organized crime is symbiotic. Criminal entities use a combination of violence, intimidation through the threat of violence, and corruption to establish control. Organized crime groups (OCG) take advantage of corruption, whilst corrupt officials also benefit from OCGs by maintaining their personal position of power as well as financially in the form of kickbacks. In some cases, "political patronage" creates a vertical system of corruption that functions from top to bottom in all public institutions, to include politicians, government administative agencies, and judiciary and law enforcement agencies.[98]

Corruption also facilitates the operation of illegal markets such as narcotics, extortion, and human trafficking. This is particularly the case for fragile states, which lack stable markets where transactions are organized according to entrenched rules and order is maintained through strong leadership, hierarchy, and authority.[99] In unstable markets, disputes over the control of territory and markets are likely to result in the use of violence by the criminal organizations in competition. In certain drug markets, for example, sudden changes in demand and supply for a drug can create instability between the organizations involved in the drug trade and, consequently, increase the chances of violence. Organized crime enables conflict, and the illicit sources of funding derived from the proceeds of crime extend the duration of conflicts.[100]

Insurgency.

Corruption can fuel insurgency in several ways. First, if money intended to be used to pay the salaries of soldiers or police officers is siphoned off by their corrupt leaders, those men will not be paid and will be unable to feed themselves or their families. One consequence is that they will leave their post to join the local insurgency based purely on economic, as opposed to ideological, grounds. As such, the men who were meant to be fighting the insurgency switch sides to become the enemy, further adding pressure on national and international security forces. In Afghanistan, where this has been a common occurrence, recent interventions have included the deployment of UK Technical Advisors for the purpose of ensuring that each police officer is identified and paid directly to prevent this. Second, corrupt activities can fund insurgencies directly, which then can fuel instability as well as pose direct physical threats to peacekeeping troops on the ground.[101] Third, an insurgency leader, through effective information operations aimed at winning over the population as well as external supporters, can exploit moral outrage over corrupt practices by the state to support the insurgency.[102]

Terrorism.

There is a substantial body of terrorism research demonstrating how individuals become radicalized as a result of a sense of injustice.[103] Corruption augments this sense of injustice and may consequently contribute to radicalization. Once part of a terrorist organization, terrorists may finance themselves through crimi-

nal activities facilitated by corruption. Alternatively, the terrorist organization may have linkages with OCGs, where corruption is used to further criminal activities. Evidence with respect to the financing of the Islamic State of Iraq and the Levant (ISIL), for example, highlights the fact that terrorist groups continue to depend on illicit networks and appropriate their tactics to help finance their operations.[104] According to the FATF, ISIL:

> manages a sophisticated extortion racket by robbing, looting, and demanding a portion of the economic resources in areas where it operates, which is similar to how some organized crime groups [and nonstate conflict actors] generate funds. This vast range of extortion, including everything from fuel and vehicle taxes to school fees for children, is done under the auspices of providing notional services or protection.[105]

UNDERSTANDING THE CHALLENGES

Numerous challenges exist in tackling corruption. These challenges need to be understood by the U.S. Army and its partners so that appropriate action can be taken to amend existing policies and practices and incorporate effective anti-corruption measures in existing and future operations. In addition, there is a need to raise awareness of the issues relating to corruption and its impact on wider peacekeeping missions and state-building interventions in order to be able to better manage the expectations of future missions.

Short-Term Stabilization Effect.

Corruption undermines the long-term goals of peacebuilding, but at the same time, it has the potential to help stabilize post-conflict situations in the short- to medium-term.[106] This paradox makes it very difficult for peacebuilding actors to devise anti-corruption policies that will not backfire and contribute to more violence in the years immediately after the conflict.[107]

Increase in Short-Term Instability.

Anti-corruption interventions in the immediate short term can have negative side effects. In Afghanistan, for example, interventions aimed at stemming corruption associated with the production and trade of opium controlled by local warlords led to an immediate increase in violence.[108] This is particularly problematic for commanders, who are typically in post for a year, because there is considerable pressure to achieve visible results, which may be unrealistic, especially during the period of a single mission/deployment.[109]

Conflict of Interest.

Where anti-corruption measures exist as part of the overall peacekeeping and stabilization program, stabilization advisers and peacekeeping missions are likely to be forced into a conflict of interest in that they are forced to work with corrupt regimes, since removing those regimes outright would do greater harm and risk the collapse of the entire regime.

Political Support.

Eliminating corruption requires genuine political buy-in driven by top leadership, extending throughout the entire political elite and down to the grass roots level of society. This can be difficult if corruption has become an institutionalized practice. Even where the leadership is committed to tackling corruption, it is likely to be confronted with considerable resistance. It is highly unlikely that progress can be made quickly, with positive results unlikely to be evident until the next generation.

Economic Dependence.

The political elite are the main beneficiaries of corruption and are likely to be receiving payments that they should not be getting, driven by greed as a result of corrupt practices. At the same time, many officials at the grass-roots level receive low rates of pay. To make matters worse, even those payments may be inconsistent, especially when senior officials siphon off payments intended for lower-ranking officers. As such, corrupt payments are needed to supplement salaries in order to be able to provide basic economic support for themselves and their families.

Lack of Rule of Law.

There is no internally recognized court in international criminal law, except for crimes committed against international humanitarian law, making the prosecution of corrupt officials difficult, especially when they cannot be prosecuted domestically due to the corruption in the judicial system.

Short-Term Strategy.

The problem of corruption cannot be resolved overnight. Nevertheless, there is a tendency for peacekeeping missions to consider short-term gains in the quickest possible timeframe. Unfortunately, short-term strategies for a long-term problem never work.

Lack of Continuation of Missions.

Due to the long-term nature of the problem, anti-corruption measures will be an ongoing issue that needs to be handed over to successive missions. However, research has repeatedly shown that the continuity between missions necessary to achieve longer-term objectives is absent.[110]

CONCLUSION—CORRUPTION AND STABILITY

The relationship between corruption and stability is complex. It is often difficult to establish whether unstable environments result in corrupt regimes or vice versa, as corruption is both a cause and an effect. In addition, the perception of what constitutes corruption will differ from country to country. As such, there cannot be a single universal resolution to tackling the problem. Instead, assessments need to be made on a case-by-case basis to determine the best way of implementing anti-corruption measures.

Furthermore, an understanding of the requirement for delicacy and circumspection in tackling corruption is essential. Peacekeeping forces have to balance a number of competing goals and objectives. An over-aggressive implementation of anti-corruption measures carried out in haste is likely to do more harm

to stability—making careful consideration of whom to target and how, a must. There may be no option but to work with local actors involved in corruption in order to help stabilize a particular region. However, what is important is to discard the existing paradigm that corruption is somehow an inevitable part of the context in which peacekeeping missions must operate, as those beliefs will be counterproductive to the longer-term objectives of the missions.

In many ways, the relationship between corruption and instability is not only symbiotic, but also multidimensional. Positive factors such as good governance, establishment of effective rule of law institutions and practice, as well as good leadership will have the effect of negating corruption. On the other hand, poor governance and corrupt leadership will have the opposite effect and exacerbates the problem, ultimately leading to instability and the need for further international interventions. The following recommendations are designed to help commanders and policymakers avoid this eventuality.

RECOMMENDATIONS

Recommendation 1: Develop an Integrated Approach.

Develop an integrated approach whereby anti-corruption considerations and measures are integrated into existing policy and operational procedures, and not treated as a standalone problem. Approach the subject in a multidisciplinary manner to ensure that as many "solutions" as possible are considered.

Recommendation 2: Develop Contextual Understanding.

Assess how and why corrupt leadership and poor governance can lead to conflict and instability, and their impact on wider global security. Also, develop an appreciation of the broader political agenda and the work of partner agencies in the field of anti-corruption, which have direct relevance to U.S. peacekeeping operations.

Recommendation 3: Address Knowledge Gaps.

Highlight knowledge gaps that must be filled in order to be able to make an accurate assessment of the success/failure of existing measures to counter the threat. Consider also how anti-corruption efforts, direct or indirect, can have a legitimizing and stabilizing effect.

Recommendation 4: Prepare for Unintended Consequences.

Develop awareness of the possible side effects of existing countermeasures to tackle corruption, which may be counterproductive in protecting U.S. national security interests in the medium to long term.

Recommendation 5: Training and Education.

Enable personnel at all levels to develop a deeper understanding of corruption and its impact on peacekeeping missions as well as on broader security implications through operationally relevant training and education.

Recommendation 6: Exercise Diplomacy.

Exercise particular caution when working with officials from corrupt governments and be fully aware of the implications and power balances at play when tackling corruption.

Recommendation 7: Achieve Transparency Through Monitoring and Evaluation.

Encourage the implementation of monitoring and evaluation policies where possible to promote a culture of transparency that will assist in the prevention of corruption. This is of particular importance when outsourcing projects to external contractors.

Recommendation 8: Intelligence Assessments.

Ensure that corruption is addressed as a key component of security risk assessments. Increase the number of personnel assigned to examine elements of corrupt networks and their operations. Areas of focus should include network structures, facilitators, preferred sources of revenue, patterns of life, protection mechanisms, and vulnerabilities.

Recommendation 9: Financial Intelligence.

Design and develop intelligence collection requirements aimed at filling existing knowledge gaps in corrupt networks, in order to leverage financial intelligence to support the broader intelligence picture on networks sustained by corruption.

Recommendation 10: Know the Global Financial System.

Be aware of the global system that exists to combat threat finance, and take full advantage of the different authorities that monitor potentially suspicious financial transactions, especially with respect to PEPs.

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