



## ***Corruption and Post-Conflict Peacebuilding***

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*Corruption has been recognized as a key challenge to post-conflict peacebuilding efforts, undermining the legitimacy and effectiveness of state institutions, and compromising key peacebuilding tasks such as disarmament and reconstruction. However, in the short run accepting corruption might be necessary to finding a political settlement and stabilizing a post-conflict order. Our review of the debate suggests that corruption in these contexts is first and foremost a political problem and needs to be addressed as such. Anti-corruption measures, such as promoting accountability and the rule of law, need to be considered in the context of wider peacebuilding objectives.*

Corruption has become an increasingly salient issue both for societies that are transitioning from war to peace as well as for major donors, such as the World Bank, that help fund these transitions. As the international community has grown more involved in post-conflict peacebuilding, it has also become apparent that corruption deeply affects all aspects of the recovery process, including activities such as institution building, DDR (Disarmament, Demobilization, and Reintegration), reconstruction, and economic development. The correlation between corruption and lower economic growth (Kaufmann and Kray 2002), as well as the perpetuation of war-time power structures and the unjust distribution of public resources have made it a key challenge to peacebuilding efforts.

From the growing literature on corruption in post-conflict environments, two issues in particular have emerged. The first is the tension between the long-term impact of corruption on economic development and the sustainability of institutions on the one hand and the short-term stabilization goals of post-conflict peacebuilders on the other. A range of scholars emphasize the negative impact of corruption on economic development and the way in which it undermines the legitimacy and effectiveness of government (i.e. Boucher et.al. 2007, Large 2005, Looney 2008, O'Donnell 2006). On the other hand, studies have shown how, in the short term, corruption can have a stabilizing effect by inducing spoilers to participate in peace processes (Stedman 1997), even if its medium- and long-term consequences are detrimental to peacebuilding (LeBillon 2003).

The second issue that has emerged is that corruption can take a range of different forms, each one with a different impact on stability and development. One common distinction made in the

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literature is between ‘grand’ and ‘petty’ (or ‘political’ and ‘administrative’) corruption. The difference refers not so much to the scale of corruption but the level at which it takes place: within the political leadership or within the bureaucracy that implements and administers policy. Similarly, corruption could also be distinguished by its depth, its reach, and its entrenchment, all of which affect the impact that corruption has on peacebuilding efforts.

Post-conflict corruption has an important international dimension. Taking a critical political economy perspective, Pugh (2007) argues that corruption is shaped by international policy choices – such as sanctions regimes, which provide incentives for corrupt behavior as a means of avoiding new controls (see also Andreas 2005) - and is inextricably linked to the global capitalist economy. Furthermore, not only is corruption prevalent among the elites within post-conflict societies, but the situations in Iraq and Afghanistan have also made it clear that there is also corruption within the donor community (GAO 2007, Ghani and Lockhart 2008). While corruption by these groups deserves further study, they are beyond the scope of this synthesis. This paper examines key issues that arise from the literature and the implications for post-conflict peacebuilding. It is divided into three sections. The first section examines the concept of corruption and explores some of the definitional difficulties that arise when examining the relationship between corruption and peacebuilding. Section II explores the relationship between corruption and peacebuilding by examining the impact of corruption on the re-emergence of conflict and peacebuilding activities as well as how a major international presence can shape corruption structures and dynamics. It highlights how the activities of the international community (the UN, multilateral and bilateral donor agencies, IFIs, and NGOs) can facilitate, or even encourage corruption in some cases, and how it can inhibit it in others. Part III concludes this synthesis by outlining anti-corruption measures in the context of peacebuilding and highlighting some of the implications that emerge from this review for the purposes of formulating policy.

### ***I. What is Corruption?***

The corruption discourse has become one of the major lenses through which post-conflict societies are examined. A wide range of distinct social problems such as weak and dysfunctional government institutions, mismanagement of public assets, complex relationships between political actors and public economic assets, and post-war extra-legal networks have all at various times been subsumed under the catch-all concept of corruption. Such a broad understanding of corruption not only undermines the analytical usefulness of the term, it also makes the development of effective peacebuilding policies more difficult. Each challenge to a peaceful and prosperous order requires its own distinct response and cannot be repeatedly addressed using the same instruments.

It is therefore useful to provide a precise definition of corruption. Mark Philp suggests the following: corruption occurs where

a public official (A), acting in ways that violate the rules and norms of office, and that involves personal, partisan or sectional gain, harms the interests of the public (B) (or some sub-section thereof) who is the designated beneficiary of that office, to benefit themselves and/or a third party (C) who rewards or otherwise incentivizes A to gain access to goods or services they would not otherwise obtain. (Philp 2008).

This definition is useful as it clearly distinguishes corruption from mere theft and embezzlement, as well as from the more general problem of lacking accountability and transparency. In this definition, the benefits from corruption are not exclusively financial— they can also be political. The consequences for the political system, however, are the same: the legitimacy of the state and its ability to effectively provide public services is undermined.

As norms of public office can differ between societies, the general understanding of what constitutes corruption, and the extent to which it undermines the legitimacy of state institutions can also vary. Importantly, in some circumstances certain forms of corruption (in particular, forms of corruption structured around patrimonial or tribal ties) can be part of a society's moral economy (Smith 2007). However, in the context of international peacebuilding efforts, the international community's conception of corruption may be markedly different from that of the local population. This poses a serious concern given that most of the funding for post-conflict peacebuilding is provided by developed countries in the West while the vast majority of peacekeeping missions take place in the world's poorest countries and the peacekeepers themselves come mostly from developing countries. The diverse range of backgrounds of the international personnel involved in post-conflict peacebuilding operations can also heighten existing tensions and cause misunderstandings, for example, in drawing the line between legitimate patronage and corruption.

To examine the social consequences of corruption, some scholars have tried to distinguish between different types of corruption, for example according to its reach, depth, and entrenchment (Philp 2008). Another way to categorize corruption is to separate grand and petty corruption – sometimes also referred to as political and bureaucratic corruption respectively (Fjedstad, Andvig et.al. 2000). The difference here is not based on the scale of corrupt activity—as the terms 'grand' and 'petty' might suggest, but rather the level at which it takes place: either within the political leadership or within the bureaucracy. Given the different functions and levels of discretion afforded to administrators and political leaders, it should not be surprising that the consequences of grand and petty corruption are also different. Grand corruption is more likely to deeply and persistently penetrate the institutional structures of the state, lead to state capture, and erode public trust in the political system. Furthermore, pervasive corruption within the political leadership sets the example for the rest of government: if the elites can abuse their power for personal gain then why shouldn't the bureaucrats who work for them do the same? At the same time it should also be noted that grand corruption is not necessarily entirely negative; it can help to stabilize internal order by sustaining patronage networks and co-opting opposition movements into the system. Many weak states have been stabilized by such networks for long periods of time, including Côte d'Ivoire, Nigeria, and Sierra Leone (Keen 2005, Smith 2007).

## ***II. The Relationship between Corruption and Peacebuilding***

While corruption can help to stabilize the political order, it can also contribute to the outbreak and persistence of conflict. As Philippe LeBillon has highlighted, if the state's control over the resources that fund corruption and internal patronage networks is threatened, the state may resort to violence to defend its control over these resources (LeBillon 2003). Similarly, in countries where resource rents are controlled by the government (e.g., oil or gas), rebels have yet another incentive to capture the state. The end result is that corruption undermines state institutions by robbing them of desperately needed resources. This in turn leads to an erosion of public trust in the political leadership and in government more generally.

The declining legitimacy and effectiveness of the state also indirectly facilitates violence: corruption encourages a culture of impunity in which certain individuals are 'untouchable' and at the same time, it can create a compelling premise for those who have made peace to take up arms once again. This is especially true where the state itself serves as the prize by serving as the main source of patronage (Williams and Picarelli 2005, see also Bayard et.al. 1999).

The relationship between corruption and peacebuilding is therefore characterized by a recurring tension between accepting (or even encouraging) forms of corruption in the short term to attain greater stability and the need to counter it in the longer term in order to lay the foundations for

legitimate political institutions and sustainable economic development. Notably, corruption directly affects several key peacebuilding activities including negotiating a political settlement, disarming combatants, and providing humanitarian aid and reconstruction assistance.

### **Corruption and Political Settlement**

Offering warring parties power, patronage, and access to state resources can facilitate a literal ‘buy-in’ into a peace settlement. In the Democratic Republic of Congo (DRC), the main faction of former rebel leaders were all made vice presidents in the government and were given the right to appoint associates to political posts and managerial positions in state-run companies, providing them with a major source of patronage, and leading to the embezzlement of millions of dollars from state-run companies (International Crisis Group 2006). In Mozambique, the international community established a trust fund which was used to buy the RENAMO rebels’ assent to the peace agreement, as well as ensuring that it could share in the spoils of government. In Liberia, the Comprehensive Peace Agreement divvied up the cabinet positions between the three warring factions; during the two years the transitional government was in power, many government officials took full advantage of their positions for financial and political gain. Securing political stability is often the first priority after war. Accepting corruption – or even implicitly endorsing or furthering it – can thus buy an end to violence, and at least short- to medium-term stability. Research by Hoddie and Hartzell (2007) on power-sharing after war shows how important these arrangements are. In the long run though, corruption undermines economic development and entrenches or even enhances economic inequality, possibly giving rise to new grievances and sources of conflict. Still, it may be necessary to use corruption to put an end to the fighting so that there is enough political space to institute anti-corruption reforms.

### **Disarming Rebels**

Creating a sustainable peace requires the disarmament of combatants and their reintegration into society and the peacetime economy, as well as a re-establishment of the state’s monopoly on the legitimate use of force. Corruption can easily undermine this process, especially if military and rebel commanders (in their capacity as official representatives) siphon off DDR funds for non-existing ‘phantom soldiers’, as occurred, for example, in Afghanistan and the Democratic DRC (Ghani et.al. 2007, Swarbrick 2007). In some instances, the international presence has even been accused of being complicit in corrupt behavior, as in the Congo’s DDR program where Pakistani peacekeepers allegedly traded weapons in exchange for gold mined by the local militias.<sup>2</sup>

### **Humanitarian Aid and Reconstruction**

The delivery of humanitarian and reconstruction aid can be significantly affected by corruption – some NGOs are even rumored to allocate a percentage of their budget to account for corruption costs, and in several European countries, bribes paid abroad used to be tax deductible. On the other hand, corrupt and weak governments also make it very easy for aid agencies to enter (for a small fee) and address important humanitarian concerns directly, sidelining the government with regard to service delivery in the process. While this form of corruption might enable a rapid and effective response to post-conflict humanitarian emergencies, it also entrenches the weakness of state institutions, with public services largely being funded by the international donor community and implemented by international NGOs

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<sup>2</sup> A UN enquiry later found evidence of gold smuggling, but no evidence of gun-running. See ‘Peacekeeper “smuggled Congo Gold,”’ *BBC News*, 2007, <[http://news.bbc.co.uk/1/hi/world/south\\_asia/6896881.stm](http://news.bbc.co.uk/1/hi/world/south_asia/6896881.stm)> (13 July 2007).

Corruption not only affects the efficacy of post-conflict reconstruction and peacebuilding, but the nature of peacebuilding efforts also contributes to an environment in which corruption can thrive. First, the large international presence that has been typical of recent peacebuilding efforts creates a particular set of incentives and structures that can heighten levels of corruption. The large, sudden inflow of donor aid constitutes a tempting source of income, and coordination problems between the large number of disparate international actors (the UN and its agencies, the IFIs, regional development banks, NGOs, and bilateral donor agencies among others) and the desire of donors to quickly disburse funds all combine to create a situation in which corruption can flourish. Such environments often attract shady actors – both local and international – trying to benefit from these funds. The problems with US contractors in Iraq in the aftermath of the 2003 war have been well documented, but similar problems (though on a much smaller scale) were also prevalent in earlier post-conflict peacebuilding missions as well, for example in Kosovo and Bosnia.

Secondly, some of the economic prescriptions that have characterized recent post-conflict peacebuilding efforts, in particular the emphasis on market liberalization and privatization, have also created opportunity structures for political elites and war entrepreneurs to cheaply gain control of economic assets (Cramer 2006, Divjak and Pugh 2008, LeBillon 2008). Rather than removing the incentives and structures that were feeding corruption, the prescriptions of liberal peacebuilding often led to further entrenchment of corruption. Rather than transforming post-conflict societies, these standard policy prescriptions sometimes simply ended up legitimating the *de facto* power and ownership structures through elections and privatization. Such policies threaten to deepen the unjust distribution of resources (and thus further the grievances that may have previously fuelled conflict) in addition to entrenching and formalizing war-time power structures.

### ***III. Anti-Corruption Efforts in Peacebuilding***

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. 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 end of war.

Sometimes, these efforts can go badly wrong: In Afghanistan, for example, efforts to stem corruption associated with the production and trade of opium controlled by local warlords led to an increase in violence (Goodhand 2008). From the literature, several suggestions for policy makers emerge, which might help to cope with the multitude of competing demands.

First, donors should increase the transparency and accountability of their own programs and push for greater transparency and accountability of local governments and economic actors. For peacebuilders, one of the most basic recommendations is to lead by example and to be transparent when interacting with local communities and to abide strictly by the laws of the country no matter what the activity (contract tendering, meting out appropriate punishment for international staff who commit crimes, obeying local traffic signals, etc.). While this recommendation may seem obvious, it is surprising how often the international community does not live up to the standards that it sets for others.

To increase the accountability of local institutions, donors could make greater transparency a condition for lending and financing projects, and provide technical assistance to reform accounting systems and support civil society actors to monitor government spending and activities. A range of donor governments, the IFIs, and NGOs have focused on anti-corruption programs designed to increase the transparency of public finance systems in order to enhance the credibility of the system and reduce opportunities for corruption (e.g. the Extractive Industries

Transparency Initiative and Publish What You Pay). Such programs may even include instituting a degree of international control, as in the case of Liberia's Governance and Economic Management Assistance Program (GEMAP). The reasoning behind the need for increased transparency and accountability is that it then becomes much harder for governments to misuse resources.

Second, anti-corruption efforts should focus on key fiscal and regulatory institutions. Policymakers have frequently emphasized the importance of promoting the rule of law. Lord Paddy Ashdown, the former High Representative in Bosnia, famously reflected after the end of his tenure that the international community should have put the establishment of the rule of law first, as everything else (i.e. democracy, economic development) depends on it. However, establishing the rule of law has proven to be one of the greatest challenges of international peacebuilding. One reason for this is that establishing the rule of law is not a technical problem with a technical solution in the same way as building a public finance system or providing primary healthcare is. Rather, it is deeply rooted in culturally-specific conceptions of justice and authority. It is this cultural specificity that makes the transfer of legal institutions and 'best practices' much more challenging. It might be more effective if anti-corruption efforts focus on controlling and building the capacity of key fiscal and revenue-raising institutions such as customs and the treasury, along with building the more 'technical' integrity pillars such as supreme audit institutions. While such efforts will not be sufficient to fight corruption, they can help to increase public trust in the government, and contribute to an environment within which broader political and institutional reforms can be attempted.

In the end, it needs to be recognized that corruption is a political problem, shaped by the political and social dynamics of a particular society, as well as the uncertainty and opportunity that characterize post-conflict situations. Thus, anti-corruption efforts need to be embedded into broader attempts to create legitimate political institutions. As the literature suggests, however, key aspects of the liberal peacebuilding model can create an environment that further enables and entrenches corruption. International actors might therefore have to be more nuanced and targeted in their approach to institutional reform, to ensure that their efforts do not undermine their broader goal of establishing legitimate institutions that help a society to peacefully resolve rival claims to power and resources and address societal grievances.

While corruption poses an important challenge to international peacebuilding efforts, it is only one of many challenges faced by post-conflict countries. As critical as fighting corruption is for sustainable improvements in security, governance, and development, it needs to be balanced with the other challenges that confront a society as it attempts to put itself back together again in the aftermath of war.

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