



THE FLETCHER SCHOOL
TUFTS UNIVERSITY

**The Nexus:
Corruption, Conflict & Peacebuilding Colloquium**

***Thought Piece: What is the impact: Effects of Corruption
in Post-Conflict***

Fighting corruption has become an increasingly important topic for governments of the industrialized donor nations and the institutions whose membership they dominate. The World Bank and US government are at the forefront of this agenda, though most of the European nations have subsequently added it to their foreign aid policies in recent years.

Despite the increasing attention placed on this issue by the international community, very little exchange occurs between those working on conflict/peacebuilding and those engaged in fighting corruption. The de-facto pillars operate simultaneously and often in overlapping sectors yet without co-ordination or purposeful mitigation of possible consequences (positive or negative) each may have on the other.

The Institute for Human Security within the Fletcher School at Tufts University hosted a select group of thinkers and policy makers to discuss the critical questions related to the nexus of conflict, corruption and peacebuilding on April 13, 2007. The *purpose* of the event was threefold:

- 1.) Finalize a map of existing research and activity related to the nexus;
- 2.) Exchange views and ascertain thinking about gaps and emerging questions; and
- 3.) Determine the questions of significance for a research agenda and attendant activities moving forward

In preparation for the colloquium, each participant was asked to draft a short *Thought Piece* on a specific aspect of the agenda in order to fuel the discussion. These pieces were intended to be 'food for thought' and not academic, formal publications;¹ nor were they intended to be made public. However after much discussion regarding the paucity of existing literature it was felt, where authors permitted, that there was value in making them available. For further information on the Colloquium, contact Professor Cheyanne Church at Cheyanne.church@tufts.edu or visit <http://fletcher.tufts.edu/corruptionconf/index.html> .

¹ Further information on the agenda and the parameters provided on the Thought Pieces may be found on the Colloquium website.

THE NEXUS: CORRUPTION, CONFLICT & PEACEBUILDING THOUGHT PIECE

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WHAT IS THE IMPACT: EFFECTS OF CORRUPTION IN POST-CONFLICT

Major potential effects are:

- Increased reluctance by donors to provide assistance
- Poorer economic recovery, marked by sustained high levels poverty and increased income inequalities
- Higher risk of renewed conflict and entrenched (unfair) political status quo
- High levels of criminality and impunity

According to the ‘good governance’ agenda and ‘aid selectivity’ principles currently stated by the main western development agencies, the most immediate consequence of corruption should be a negative effect on the volume, quality and targeting of reconstruction assistance provided by international donors and local authorities.

Empirical testing of aid provision as a factor of corruption between 1975 and 1995, however, indicates that such relationship is only valid for Scandinavian and Australian bilateral donors, but that the US actually provided more aid to more corrupt countries (Alesina and Weder 2002).

When local politicians influence aid delivery based on politically or economically corrupt premises, rather than on a competence and need basis, corruption will result in reluctant donors, under-performing or inadequate infrastructure and services, higher costs and sometimes delays, and the entrenchment of inequalities. A lack of commitment towards reconstruction goals and corruption in local public finances often acts as a deterrent to donor support, particularly when local authorities appear to have the resources to finance some of the reconstruction. Despite massive needs for reconstruction in Angola, donors have expressed reluctance to assist a government due to sustained allegations of large-scale corruption in this oil and mineral rich country (NRC 2004; HRW 2004). In Liberia, the cynicism and ‘greed’ of fighters and politicians prepared to jeopardize peace to secure a hoped-for lucrative position in the new government undermined donors’ confidence in, and support for the reconstruction process (ICG 2003).

Aid targeted solely at political constituencies and biased bidding processes favouring companies serving the interests of politicians can impair the security of the most vulnerable populations and overall economic growth. Poor beneficiary targeting, incompetent or wasteful contractors, inappropriate infrastructure and economic assistance projects can all participate to major setbacks. Continued lending by international creditors and private banks can end up putting local authorities in debt-traps for the long-term. The privatization of the reconstruction of Beirut's Central District through a company – Solidere - of which late Prime Minister Rafik Hariri and his associates were shareholders led to widespread suspicion of conflicts of interests and corruption. The priority of the first Hariri government was not put on public services for the poor, but highly visible, prestige construction projects fanning the resentment of the have-nots and leaving the country with a staggering debt of US\$33 billion.

To the extent that economic variables such as level, structure, and growth of income are key determinants of the risk of renewed conflicts, corruption can undermine peace building. Corruption often plays a major role in informal economic activities, with negative effects on public revenue, economic formalisation, or the protection of workers or the environment. Yet informal economic activities also support many local livelihoods and act as a valuable 'social pressure valve'. In many countries, reconstruction cannot be easily and effectively achieved through a blanket formalization and legalization of the entire economy. Rash attempts at cracking down on such economic activities can backfire both politically and economically. Any attempts at tackling corruption to formalize the economy should thus consider potential social and conflict impacts.

Another political consequence of corruption may be the entrenchment of an imbalanced power or political *status quo* inherited from the conflict. As the groups empowered by the outcome of the war sustain dominant political and economic positions through corruption, they may prevent the redistribution of power and stifle adequate checks and balances. At the extreme, donors may end up dealing with war criminals as official interlocutors – a situation that has been avoided in some cases through the executive powers granted to international agencies through trusteeship and transitional authority mandates as in the case of the Office of the High Representative in Bosnia (Caplan 2002).

Post-conflict mismanagement and embezzlement of reconstruction assistance can also delegitimize the local government and lead to social unrest. To cover this up, local political leaders may, once again, resort to a divisive politics of hatred and fear pushing

corruption issues into the background. There is little evidence that corruption increases the risk of renewed conflict. A basic evaluation of available CPI for 17 major 'peacebuilding and reconstruction' operations since 1989 indicates that CPI worsened in six countries without renewed conflict, while in hostilities recommenced in the other four countries for which the CPI worsened (Le Billon, submitted).

Finally, corruption facilitates criminality and persisting violence in post-conflict societies, by compromising the conduct and independence of the police and judiciary, and through the recycling of former combatants into the private militia of corrupt politicians or organized crime. In extreme cases, corruption can help turn post-conflict countries into criminal hubs, as was the case of Cambodia, Liberia or some of the Caucasus states in the 1990s. Corruption in the police and judiciary - along with weapons availability, endemic poverty and score settling - may help to explain the higher homicide rate in post-conflict situations (Collier and Hoeffler 2004).

Although the main consequences of corruption are overwhelmingly negative, functionalist arguments about corruption suggest that some forms of corruption may occasionally have positive effects. Corruption may help in securing some degree of political, economic, and social stability. Although corruption needs to be 'rooted out' as early as possible, it is often very difficult to address rapidly and effectively local sources of grievances and conflict. In this respect, some of the political and social effects of corruption may provide a short-term solution – such as buying out 'peace spoilers' or authorizing illegal yet licit economic activities sustaining local livelihoods (Le Billon 2003; Van Schendel 2005). Donors should thus ensure that reconstruction programs and interventions are sensitive to local contexts. Many examples, however suggest that such 'quick fixes', tempting though they may be, may have long lasting negative effects. Buying out spoilers is a risky venture, as impunity and economic rewards can sustain rebel movements, as demonstrated by in Angola with UNITA or Sierra Leone with the RUF. Informal economic activities strengthen the grip of quasi-criminal groups in the economic and government sphere, as well as negatively affect future economic development. In this light, every effort should be made to move beyond 'buying peace' to ensure short-term stability, to achieve the goals of social justice and sustainable peace. The difficulty, of course, is how to undertake such move.

