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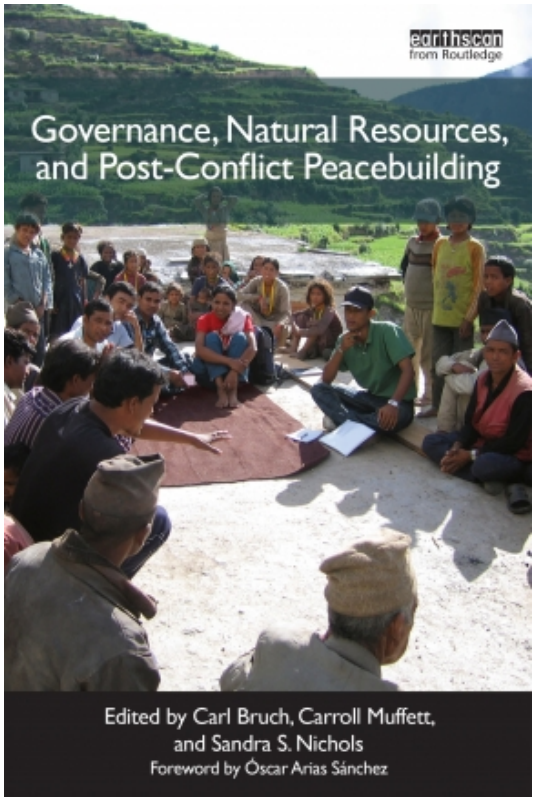


**Corruption and the Role of Natural Resources in Post-Conflict Transitions**

Christine Cheng[a] and Dominik Zaum[b]
[a] *King's College London*
[b] *University of Reading*

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# Corruption and the role of natural resources in post-conflict transitions

*Christine Cheng and Dominik Zaum*

In countries emerging from conflict, natural resources are often the most valuable economic asset, so it is not surprising when they become the focus of corruption. Because of the substantial rents that can be extracted from natural resources, those with power have an incentive to exploit them, either for private gain or for strengthening their hold on power (Soares de Oliveira 2007; Goodhand 2008; Gillies 2010).[1] Other characteristics common in post-conflict situations, such as unclear or contested property rights and the inability to monitor or enforce appropriate natural resource management, further facilitate corruption. Corruption thrives in environments that lack clarity and transparency.

In post-conflict situations, such as those in Cambodia, the Democratic Republic of the Congo (DRC), and Iraq, accusations of corruption abound, often in relation to the exploitation of natural resources. The central argument of this chapter is that natural resources serve as an important medium for corruption—and for addressing corruption—in post-conflict situations. Corruption in the context of natural resource management has attracted the attention of the peace-building community for two key reasons. First, when state revenues are siphoned off by corruption, the population is deprived of public services and community development projects that could have been used to address the very grievances that may have sparked previous conflict. Second, because control over natural resources has been identified as a factor in both the onset and the duration of conflict (Collier and Hoeffler 1998; Fearon and Laitin 2003; Ross 2004a, 2004b, 2006), peacebuilders should closely scrutinize any direct or indirect material benefits derived from natural resources.

Inevitably, post-conflict corruption also has an important international dimension. First, commodity markets are regional and global in nature, and most of the demand for commodities is likely to come from outside the post-conflict

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Christine Cheng is a lecturer (assistant professor) in war studies at King's College London. Dominik Zaum is a professor of governance, conflict, and security at the University of Reading.

[1] *Rents* are benefits that individuals or organizations can extract from resources without adding value to economic or social development.

country. Greater transparency in the behavior of multinational extractive companies (for example, through initiatives such as Publish What You Pay) is therefore an aspect of efforts to address corruption linked to natural resources in conflict-affected, natural resource–rich countries. Second, international policy choices may create opportunities for and shape the character of corruption, by influencing the context within which it occurs (Pugh 2007). For example, Peter Andreas has shown that the imposition of sanctions on internationally traded commodities has fueled corruption—as was the case, for example, with oil in Iraq (Andreas 2005). Other international initiatives regulating and monitoring natural resources have also affected corruption practices, directly and indirectly. These have included multilateral sanctions on commodities such as diamonds and timber,[2] as well as global transparency efforts such as Publish What You Pay and the Extractive Industries Transparency Initiative. Other regulatory efforts such as the Kimberley Process and section 1502 of the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act have also been established to prevent conflict minerals from entering the global supply chain. While these initiatives are aimed at curbing conflict financing or improving accountability, they also change the incentives and disincentives for corruption among the actors involved, and the types of corruption that are likely to occur.

In the realm of natural resources, corruption can take a variety of forms. Grand corruption primarily involves political and bureaucratic elites; the use of political influence to grant natural resource concessions under highly favorable terms is an example of grand corruption. Petty (or administrative) corruption involves minor officials; granting licenses to individuals to mine, fish, or hunt illegally is an example of petty corruption (Andvig et al. 2001).

This chapter argues that natural resources are an important medium for corruption in post-conflict situations, and that corruption can have both stabilizing and destabilizing effects, depending on the time frame and the nature of the underlying political relationships. The chapter is divided into five sections: (1) an examination of the concept of corruption and the difficulties that emerge from how the term is commonly understood and used; (2) a discussion of three conditions that make corruption particularly salient in post-conflict countries, and especially in relation to natural resources; (3) an analysis of the complex linkages between natural resources, peacebuilding, and corruption; (4) a discussion of three types of anticorruption measures that should reduce vulnerability to corruption in the management of natural resources in post-conflict states; and (5) a brief conclusion.

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[2] Examples of past United Nations sanctions include those on rough diamonds being exported from Sierra Leone and sanctions on timber and diamond exports from Liberia (UNSC 2000, 2003). In both cases, the sanctions were adopted during conflict and were maintained during each country's post-conflict transition to support the implementation of the respective peace agreements. For an analysis of UN sanctions on natural resources, see Le Billon (2012).

## DEFINING CORRUPTION

Corruption has become one of the major lenses through which post-conflict societies are examined. As a result, a wide range of problems have, at various times, been subsumed under the catch-all concept of corruption—from dysfunctional institutions; to the mismanagement of public assets; to the formation of extralegal networks that are willing to use violence to maintain their control over natural resources. But such a broad definition of corruption not only undermines the analytical usefulness of the term, but also makes it more difficult to develop effective policies to address distinct problems. Each problem that poses challenges to a peaceful and prosperous order requires a tailored response: the same instruments cannot be used to address all problems. It is therefore useful to precisely define corruption. According to Mark Philp, corruption occurs when

> 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 2011, 34).

This definition is useful for distinguishing corruption from poor governance in general—which, despite a characteristic lack of transparency and accountability, is not, by definition, corrupt. A clear definition thus helps to delineate the specific challenges that corruption poses. This definition also highlights two other important characteristics of corruption: first, the benefits are not exclusively financial but can also be political; second, the benefits may accrue to a group as well as to an individual. Regardless of whether the benefits are financial or political, however, the consequences are the same: corruption undermines the legitimacy of the state and its ability to provide public services.

Unlike widely used definitions—such as that of Transparency International, which defines corruption as "the abuse of entrusted power for private gain"—Philp's definition distinguishes corruption from mere theft and embezzlement (TI n.d.). While theft and embezzlement can also involve public officials and large sums, corruption is distinct in two respects. First, corruption has systemic effects that extend beyond the individual act. Not only is the individual corrupt, but the system is also corrupt. In the case of theft or embezzlement, in contrast, the act is self-contained, and the problem is limited to the individual; it is not linked to the system in its entirety. The second distinction is that corruption has a political dimension, in that it has the potential to change how power is structured in society. In comparison, theft and embezzlement are apolitical activities.

Just as the norms that govern conduct in public office can differ between societies, the general understanding of what constitutes corruption can also vary. For example, certain forms of corruption (in particular, forms structured around patrimonial or tribal ties) may be integral to the moral economy of a society—that

is, to the social norms that govern the society's economic relations (Bayart 1993; Smith 2007).

Differing definitions of corruption pose a particular challenge to peacebuilding, which is largely funded by developed Western countries whose conception of corruption may differ markedly from that of local populations. To complicate matters further, most peacekeeping troops come from developing countries, which means that they may perceive corruption differently from the donors who are funding the mission. The diverse backgrounds of the personnel involved in post-conflict peacebuilding efforts often make it difficult to draw the line between what is understood locally as legitimate patronage and what donors perceive as corruption.[3]

## POST-CONFLICT CONDITIONS THAT FACILITATE CORRUPTION

Corruption afflicts developed countries as much as developing ones and stable democracies as much as unstable authoritarian regimes, but it is a particularly salient issue in post-conflict states. There are three reasons for this:

- Societies emerging from conflict are often contending with power struggles in which many parties are vying for control over rents in order to access opportunities for corruption.
- In the aftermath of conflict, state institutions are often unable or unwilling to provide political and administrative oversight, for a variety of reasons. Often, the institutions are fragile and lack the capacity to monitor corruption or enforce the relevant laws, or they have no presence in certain parts of the country. Moreover, even where the state does manage to successfully develop a presence, it often becomes the locus of rent seeking and corruption, instead of establishing or strengthening institutions to prevent such behavior.
- The aftermath of conflict is a period of flux in which new rules are created, and political structures and the dynamics of political competition are being tested.

All of these conditions foster temptation and create opportunities for corruption, yielding an environment in which corruption is more likely to thrive. And in countries that have substantial natural resources, the control and management of these resources become instruments of corruption and one of the principal mechanisms by which the contest for political power is played out.

### Post-conflict power struggles

In the absence of a total and overwhelming military victory (which has become increasingly rare),[4] the post-conflict period is certain to be characterized by a

[3] Patronage involves "reciprocal obligations and exchanges between different actors" (Maconachie 2012, 263n7).

[4] See Fortna (2009). The 2009 defeat of the Liberation Tigers of Tamil Eelam by the Sri Lankan army is an exception to this trend.

power struggle between various parties that want to stake a claim in the new political regime.[5] For former belligerents, dividing up this peace dividend means carving up the state and fighting for the choicest bits—typically, the government posts associated with the largest budgets, the greatest number of discretionary appointments, or the largest amount of discretionary spending. In short, the most valuable appointments are those with the greatest opportunities for corruption.

In a natural resource–rich state, appointments connected to natural resource management are among the most sought after. Given the typically low levels of local development and material well-being, the government officials that serve as the state's natural resource gatekeepers wield real political and material power, including the ability to decide the fate of oil, gas, or mineral deposits that may be worth millions, or even billions, of dollars. Importantly, however, natural resources are simply a medium: in the inevitable post-conflict power struggle, control over natural resources is one way for political actors to amass power.

If corruption successfully transforms 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—if, in fact, it was not already the main prize (Williams and Picarelli 2005).[6] Corruption that renders the state a mere prize in a contest among factions can lead to localized violence, or even a return to full-scale internal conflict.

## Weak or dysfunctional state institutions

In the wake of conflict, state institutions are often weak or dysfunctional: typically, the bureaucracy has been gutted of its best employees; the remaining staff have not been paid in years; the government's physical infrastructure is falling apart; and the state has no funds even for the most basic supplies. In such settings, it is no wonder that bribes are often a way of life, for junior and senior government officials alike.

A weak bureaucracy and poor morale create an environment in which petty corruption is not only tolerated but expected—especially when it comes to granting licenses and permits for mining, fishing, logging, and other forms of natural resource exploitation. Further, if the regulatory institutions that serve as the lone safeguard against unsustainable exploitation are vulnerable to corruption, the natural resources overseen by those institutions are unlikely to be sustainably managed. The forests of Bosnia and Herzegovina—which were mismanaged after

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[5] For further discussion of the role of natural resources in peace agreements, see Simon J. A. Mason, Damiano A. Sguaitamatti, and María del Pilar Ramírez Gröbli, "Stepping Stones to Peace? Natural Resource Provisions in Peace Agreements," and Christian Webersik and Marc Levy, "Reducing the Risk of Conflict Recurrence: The Relevance of Natural Resource Management," both in this book.

[6] See also Bayart et al. (1999) and Chabal and Daloz (1999).

the 1992–1995 conflict and extensively exploited by illegal loggers—provide a case in point (ESI 2004).

The situation becomes even more problematic if one considers that politicians and government bureaucrats are responsible for managing multiyear concessions and natural resource–exploration contracts. Given the extraordinarily high value of these contracts, foreign firms may be tempted to secure them through kickbacks, and politicians and bureaucrats may be similarly tempted to accept the bribes. In Liberia in 2008, for example, Mittal Steel "donated" one hundred new jeeps to Liberian legislators (Maximore n.d.). Although the gift did not directly violate any laws, given that the firm had signed a US$1 billion iron ore contract in 2005, the legislature's decision to accept the jeeps still posed substantial ethical challenges. For their part, the legislators publicly justified accepting the jeeps because the vast majority of them did not own vehicles—not even to visit their own constituencies. Thus, the state's weakness (in the form of inadequate financial resources) provided political cover for ethically questionable behavior. In addition to poisoning the bidding process, this type of grand corruption makes potential foreign investors reluctant to invest in a state with such weak institutions.

## Flux and uncertainty

The post-conflict period is characterized by changes in political structure and changes in the dynamics of political competition. Peace agreements and transition processes give rise to new institutions at the same time as new rules for political competition are being settled. Even where formal rules are already in place, new, informal norms may arise, through the transition process, that prove to be more pliable than the formal rules; at the same time, new actors, both local and international, have the chance to take part in the new political competition. In a period of relative peace, notorious rebel leaders—such as Abdul Rashid Dostum, in Afghanistan, or Jean-Pierre Bemba, in the DRC—have the opportunity to become legitimate political participants and members of transitional administrations, exercising formal administrative responsibilities and power.[7] Exiled politicians return—as in Afghanistan in 2001, and in Iraq in 2003—and try to build or

[7] Abdul Rashid Dostum is an Afghan warlord who first fought with the Afghan army and the Soviet Union against the mujahideen (Islamic guerrilla fighters); in 1992, however, he joined the mujahideen—first to fight the forces of Afghan president Mohammad Najibullah, then to fight the Taliban. Dostum has held various positions in the Afghan government, and since 2009 has been chief of staff to the commander of the Afghan army. Jean-Pierre Bemba was the leader of the Movement for the Liberation of the Congo (Mouvement pour la Liberation du Congo), one of the major rebel movements in the DRC. In 2003, when a peace agreement ended the civil war that had raged in the country since 1998, Bemba became one of four vice presidents in the transitional government. In 2008, he was arrested near Brussels, Belgium, on an indictment issued by the International Criminal Court for war crimes and crimes against humanity. His trial began in November 2010, and remains ongoing as of August 2014.

rebuild domestic constituencies. At the same time, a plethora of international actors, including foreign governments and multilateral organizations, are attempting to shape the political dynamics, either by structuring political competition to their advantage (for example, by changing the electoral system) or simply by endorsing their preferred candidates.

Although the uncertainty that accompanies a newly established peace creates opportunities to transform the political dynamics that originally contributed to conflict, it also creates risk, particularly with respect to natural resources. For example, amid the disarray of the post-conflict environment, extralegal groups (often composed primarily of excombatants) can take over natural resource enclaves, strengthen their financial and organizational capacities by taxing the natural resources that are extracted, and thereby develop a local power base. The most likely result is a system of entrenched corruption that embraces both local authorities and extralegal groups and secures the position of the extralegal groups in their natural resource enclaves (Cheng, forthcoming).

On the other hand, the flexibility of the post-conflict environment offers significant opportunities to improve the public good by (1) establishing new procedural norms for managing natural resources and their revenues (including the award of natural resource–based contracts), (2) creating entirely new agencies and endowing them with powerful monitoring mandates, and (3) canceling unfair contracts. Liberia, where the management of the timber industry was completely overhauled in the aftermath of the civil war, illustrates the enormous potential for change. Under the oversight of the Forest Concession Review Committee, every logging company that had laid claim to a timber concession was subjected to a multistage investigation. Using basic criteria, the committee determined that none of the companies qualified as legitimate Liberian businesses. The committee then recommended that all timber and logging concessions be canceled—a move that garnered broad support from Liberian elected and appointed officials, international technical experts, local civil society groups, and the international community (FCRC 2005; Altman, Nichols, and Woods 2012).[8]

Executive Order No. 1, the first piece of legislation signed by President Ellen Johnson Sirleaf after she was sworn in, adopted the review committee's recommendation and declared all forest concessions null and void. In this instance, the period of flux created the space for a positive transformation of Liberia's forest industry. If the process had been managed less well, however, it could easily have been captured by other interests. For example, it is feasible that members of the review committee could have sold their influence on the committee to private interests.

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[8] Overlapping concessions were also a problem: Liberia had less than 10 million acres of forest, but logging companies had been granted concessions covering 26 million acres (Altman, Nichols, and Woods 2012). For further discussion of concession reviews in post-conflict Liberia, see K. W. James Rochow, "Concession Reviews: Liberian Experience and Prospects for Effective Internationalized Solutions," in this book.

## LINKING NATURAL RESOURCES TO CORRUPTION AND PEACEBUILDING

Natural resource–related corruption affects three aspects of peacebuilding in particular: economic development and state building; attempts to broker and implement political settlements; and efforts to maintain stability and prevent a resurgence of violence. The three sections that follow explore the complex impacts of corruption on these facets of peacebuilding.

### Economic development and state building

Scholars have suggested that corruption has a range of negative economic effects: Daniel Kaufman and Aart Kraay, for example, have pointed out that corruption reduces economic growth (Kaufmann and Kraay 2002), and Simon Johnson, Daniel Kaufman, and Andrei Shleifer have found that corruption is negatively correlated with private-sector development (Johnson, Kaufmann, and Shleifer 1997). Two of the prevailing explanations for the negative effect of corruption on economic growth concern (1) the underprovision of public services and (2) the undermining of extended trust.[9]

Without investment in basic public services and infrastructure, it is difficult to generate economic growth (Mauro 1997). But corrupt states are unable to invest in infrastructure or provide adequate public services, because corrupt officials take the money that should be spent on important public goods and pocket it themselves. Philippe Le Billon describes, for example, how the Cambodian timber industry became politicized during the post-conflict transition, contributing not only to corruption, but also to environmental degradation and greater disparities in wealth (Le Billon 2000). Between 1991 (when the peace agreement was signed) and 1998, the total value of Cambodia's timber exports was US$2.5 billion, accounting for 43 percent of the country's exports (Le Billon 2000). Given the massive value of these exports, one would have expected substantial sums to have made it into the state's coffers—and to have been put toward peacebuilding and state-building initiatives. Yet only US$97 million was collected in taxes—a mere 12 percent of what the World Bank and other donors thought the government should have received under a proper taxation system. Le Billon places the blame squarely on the shoulders of the "corrupt and self-interested politico-military elite" (Le Billon 2000, 787).

Extended trust is critical for economic interactions (Looney 2008; Zucker 1986), and its absence undermines economic growth. For extended trust to be present, however, a trustworthy third-party guarantor is required; the government usually plays this role. Where corruption undermines how citizens perceive

[9] Extended trust is a form of trust that allows individuals to enter into a transaction with little or no knowledge of their counterparts' particular attributes. It is distinct from ascribed trust, which exists between members of the same family or kinship group, and process-based trust, which is based on extensive previous transactions (Looney 2008).

government, it is difficult to trust the state to serve as the third-party enforcer of contracts. In many cases, the state simply lacks sufficient presence (for example, in remote areas) to be perceived as a credible enforcer of contracts; in other cases, the state's agents have enforced contracts so unevenly that the state itself is perceived as corrupt and predatory.

In addition to affecting economic institutions, corruption can damage the state's effectiveness by depriving it of critical revenues: when a country's natural resources are drawn down without contributing to state coffers (through taxes, payments pursuant to contracts or licenses, or other fees), the government loses the revenues that are necessary to provide public services and further economic development. Moreover, as exemplified by the post-election violence in Kenya in 2008 (Wrong 2009), corruption can undermine the legitimacy of state institutions and strain relations between groups.[10]

Given the deep poverty of most post-conflict countries, state resources are under intense pressure. When those resources are distributed in a way that is broadly perceived to be corrupt, some groups will feel excluded and marginalized, reinforcing ethnic divisions. Thus, where corruption intensifies the inequitable distribution of state resources among different ethnic or social groups, it becomes ever more difficult to sustain a peaceful political settlement.[11] In the DRC, for example, the militia of Laurent Nkunda, a former general in the Congolese army, played a divisive role in the Nord Kivu conflict. On the one hand, because Nkunda was strongly supported by the Tutsi-dominated Rwandan government, Tutsis in Nord Kivu saw Nkunda (who was a Congolese Tutsi) as a protector. Other local groups, however, such as the community-based militias of the Mai-Mai, viewed both Nkunda and the members of his militia as corrupt rebels who were mostly concerned with profiting from the country's mineral wealth.[12] The differing perceptions of Nkunda and his troops highlight the ways in which control over local mining areas by different militia groups exacerbated existing tensions and intensified violence in Nord Kivu.

## Corruption, political settlements, and natural resources

Bringing an end to armed conflict is a messy business involving extensive negotiations—and, often, unsavory compromises. In exchange for an end to the fighting, warring factions and other potential peace spoilers may be joined together in a power-sharing arrangement that gives them a certain amount of discretion over

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[10] Kenyans have long viewed their politicians as corrupt. In the wake of the 2008 elections, both major political parties used accusations of corruption at the local level to justify violent attacks (Itwaru and Johnson 2008).

[11] See, for example, the discussion of horizontal inequalities in Stewart (2000). Frances Stewart defines *horizontal inequalities* as "inequalities between culturally formed groups" (Stewart 2003, 1). See also Ross, Lujala, and Rustad (2012).

[12] In this chapter, the definition of *corruption* is limited to public officials. Nevertheless, Nkunda was viewed as a legitimate local representative, especially by Tutsis.

their newly assigned government ministries. Thus, accepting corruption, or even implicitly endorsing or furthering it, can buy an end to violence—and, it is hoped, short- to medium-term stability (Le Billon 2008). Corruption can also help to stabilize internal order by sustaining patronage networks and co-opting opposition movements, and thereby strengthen existing power structures (Chabal and Daloz 1999). Many weak states, including Côte d'Ivoire, Nigeria, and Sierra Leone, have been stabilized by such networks for long periods (Reno 1995; Keen 2005; Smith 2007).

An implicit acceptance of corruption has been a key feature of a range of peace agreements, including, among others, those in Liberia (2003), Mozambique (1992), the DRC (2002), and Sierra Leone (1999).[13] In the DRC, the former leaders of the principal rebel faction were assigned posts that were equivalent to vice presidencies and were given the right to appoint their associates to political posts and managerial positions in state-run companies—arrangements that provided the former rebels with a major source of patronage and led to the embezzlement of millions of dollars (ICG 2006). In a notorious example, the Lomé Peace Accord, signed in 1999 by the government of Sierra Leone and the Revolutionary United Front (RUF), appointed Foday Sankoh, the head of the RUF, as chair of the Commission for the Management of Strategic Resources, National Reconstruction and Development, granting him formal responsibility for the country's diamonds and other mineral wealth (Keen 2005). Clearly, President Kabbah and other West African leaders hoped that by offering Sankoh sufficient incentives, they could bring an end to the civil war and to the atrocities being committed by the RUF.[14]

Accepting, implicitly endorsing, or furthering corruption can sometimes buy an end to violence, but there is no guarantee that the peace will endure. In Sierra Leone, for example, the Lomé Peace Accord quickly broke down, and the RUF resumed its violent opposition. Nevertheless, research by Caroline Hartzell and Matthew Hoddie shows that increasing the extent to which power is shared improves the chances of achieving a sustained peace (Hartzell and Hoddie 2007). The implication for dealing with corruption as a by-product of post-conflict settlements is that even if entrenched corruption undermines economic development and state capacity building in the long run, it may still be necessary to accept it. Such acceptance may be the only way to create a post-conflict political space that is attractive enough for belligerents to lay down their arms.

Accepting corruption to shore up a peace agreement or to stabilize domestic order comes at a price, however. In the context of peacebuilding, it can reinforce one of the central unintended consequences of many peacebuilding policies —namely, the consolidation of wartime elites—and thereby undermine the

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[13] For further discussion of peace agreements, see Simon J. A. Mason, Damiano A. Sguaitamatti, and María del Pilar Ramírez Gröbli, "Stepping Stones to Peace? Natural Resource Provisions in Peace Agreements," in this book.

[14] Ironically, it was diamond mining and smuggling that had originally financed RUF's rebel campaign.

transformative ambitions of most peacebuilding efforts (Barnett and Zürcher 2008). Peacebuilding initiatives have strengthened and legitimized wartime elites, both domestically and internationally, in a number of ways: through elections that occur as part of peace processes (Paris 2004), through power-sharing deals (Hartzell and Hoddie 2007), and through reliance on local elites in the allocation and distribution of aid (Nakaye n.d.; Jackson 2005). This kind of consolidation has usually been accompanied by corruption, the financing of patronage structures, and the development of a shadow state that is often the real seat of power (Reno 1998; Ellis 1999). In 2002, Global Witness, an international nongovernmental organization that focuses on the corrupt exploitation of natural resources, reported that in Angola, from 1997 to 2002, over US$1 billion per year in oil revenues (one-third of the state's total revenues) remained unaccounted for (Global Witness 2002). The missing funds had most likely been used to finance patronage networks, in order to shore up government power.[15]

## Corruption, stability, and natural resources

As the previous section suggests, corruption's impact on peacebuilding and peace is complex. On the one hand, corruption reinforces inequalities that fuel grievances, often along ethnic, religious, or other social lines. Corruption also shores up the power of elites, who are often unresponsive to the needs of the larger society. Finally, a broad tolerance of corruption directly undermines the government's claim to stand for justice and fairness. All three of these effects can undermine the emergence of any "positive" peace—that is, peace that is more than the absence of overt violence. On the other hand, corruption can help bring an end to fighting. Thus, corruption can be either destabilizing or stabilizing, depending on the context. And because natural resources are often among the most valuable of the state's resources, these stabilizing and destabilizing effects are felt most strongly in the natural resource sectors.

The impact of corruption on peacebuilding depends on two factors in particular: (1) the time frame against which the impact of corruption is assessed, and (2) the political structures and relationships underlying the post-conflict order. In the short term, corruption can have a stabilizing effect, by inducing potential peace spoilers to participate in peace processes (Stedman 1997). In the medium and long term, however, corruption not only undermines the economic foundations for sustainable peace, but also damages efforts to set the terms of a new state-society relationship (Cheng, forthcoming). An inevitable tension emerges from efforts to manage these two sets of goals (Cheng and Zaum 2011).

The relationship between corruption and peacebuilding is thus characterized by a recurring tension between the need to accept (or even encourage) corruption in the short term, to achieve greater stability, and the need to counter corruption

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[15] For a detailed discussion of oil-related corruption in Angola, see Soares de Oliveira (2006).

in the long term, by laying the foundations for legitimate political institutions and sustainable economic development. How this tension is managed depends not least on the resources that outside actors are willing to devote to peacebuilding. In post-conflict situations where there is a large and sustained external security presence to confront potential spoilers, peacebuilders can focus their energies on helping to strengthen political and administrative institutions—efforts that, in principle, should mitigate corruption. In contrast, where an outside party cannot provide such security and stability, peacebuilders are unlikely to prioritize anti-corruption efforts. Yet even where outside actors have had a large presence and substantial governing authority for an interim period—as in Kosovo or Timor-Leste, for example—they have generally been unwilling to investigate and prosecute local elites for corruption-related offenses, for fear of destabilizing the post-conflict environment.

The second factor shaping the impact of corruption on peacebuilding is the character of the underlying political structures and relationships—in particular, the relationship between nonstate armed groups and the state. If informal structures are grafted upon the state and its institutions, establishing what Richard Snyder calls a regime of "joint extraction," (Snyder 2006, 948), then corruption can contribute to a stable, if problematic, political order (Reno 2008). Empirical work on the extralegal groups that controlled natural resource areas during Liberia's post-conflict transition confirms that joint extraction regimes are indeed viable (Cheng 2013). In the short run, such regimes can produce a live-and-let-live political arrangement in which the state (or an interim authority) allows excombatants to take over natural resource enclaves, and thereby temporarily avoids confrontation. But such short-term peace can come at the cost of long-term corruption (Cheng, forthcoming).

On the other hand, if armed nonstate actors are controlling and exploiting a natural resource against the wishes of the government, then corruption is likely to result. It is difficult to exploit a natural resource without interacting with state institutions at some point in the production and distribution chain; efforts to export commodities across borders or to evade local taxation, for example, will at best arouse suspicion, and at worst provoke arrest and prosecution. Often, the most efficient way to get around such obstacles is to buy the cooperation of government officials. This pattern is evident in southern Afghanistan, where the government's control is too tenuous to prevent opium production (Goodhand 2008). If nonstate actors who control a natural resource feel that their control is threatened, they may resort to violence to defend their claims (Le Billon 2003).

## ANTICORRUPTION EFFORTS IN PEACEBUILDING

Because of the intertemporal trade-offs associated with corruption in the context of peacebuilding, it is difficult for policy makers to devise anticorruption policies for the short run that will not backfire and contribute to more violence in the years immediately following the end of armed conflict. Sometimes, anticorruption initiatives can go badly wrong: in Afghanistan, for example, local warlords

controlled the production and trade of opium, and efforts to stem the associated corruption led to an increase in violence (Goodhand 2008). Nevertheless, the literature does yield several recommendations for policy makers attempting to deal with the tension between the short- and long-term efforts to address corruption in peacebuilding.

First, donors and other peacebuilders should lead by example, particularly by showing respect for the rule of law. Members of the international community should strictly abide by the laws of the country in which they are working and should strongly encourage those who work with them to do the same. This principle is of primary importance because a country's political culture is often a major driver of corruption. Leading by example signals that there really is one set of rules that everyone abides by—and that powerful people (local or foreign) do not get preferential treatment.

While this recommendation may seem obvious, it is difficult to apply and enforce. In Sierra Leone, for example, Maj. Gen. Vijay Kumar Jetley, force commander for the United Nations Mission in Sierra Leone (UNAMSIL), accused Nigerian peacekeepers of profiting from illegal diamond mining while international sanctions were in place (Alao 2007; Jetley 2000).[16] In an environment where rumors are common and accurate information (for example, from the press, government, and civil society) is hard to come by, it is difficult to confirm or dispel such allegations. The UN panel that investigated the accusation could not confirm wrongdoing—or perhaps chose not to, for strategic reasons. The ambiguity of the official response further fueled local rumors, undermining the local reputation of the peacekeepers.[17]

Even more troubling are the cases in which the international community has dealt with indisputable evidence of wrongdoing by covering it up. In the DRC, for example, the British Broadcasting Corporation, Human Rights Watch, and the UN's Office of Internal Oversight Services found evidence that peacekeepers from India and Pakistan had been trading arms for gold (BBC News 2007a, 2007b; HRW 2005). Although the issue received significant media attention, Martin Plaut suggests that the UN's internal investigation of the matter was eventually blocked for political reasons (Plaut 2007). One element in the pressure to cover up corruption is the fact that publicly sanctioning and disciplining the offenders would prove embarrassing for the home governments of those involved: the UN cannot afford to alienate the governments that supply the vast majority of the UN's peacekeepers.[18]

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[16] See also Annica Waleij, "Crime, Credibility, and Effective Peacekeeping: Lessons from the Field," in this book.

[17] For a more detailed discussion of UNAMSIL's internal politics, see Waleij, in this book.

[18] In the past, UN procedures for dealing with such offenses have been notoriously weak, relying on member states to discipline transgressors. Given the difficulties the UN faces raising sufficient troops for its peacekeeping operations, this weakness is arguably structural. Openly criticizing countries that contribute troops creates a risk that these countries will be unwilling to provide forces in the future.

The international community's willful blindness to corruption has been particularly appalling when public officials have abused their power in the most egregious ways—as, for example, in the oil-for-food scandal in Iraq,[19] and the sex-for-food scandals involving UN peacekeepers and staff members of the Office of the United Nations High Commissioner for Refugees stationed in Burundi, Guinea, Kosovo, Liberia, the DRC, and Sierra Leone (*Weekly Standard* 2005; Csáky 2008). When the international community—and powerful donor countries in particular—fails to live up to the standards being set for others, it undermines the goal of rooting out corruption.

A second recommendation is to increase the transparency and accountability of domestic institutions, and thereby make it more difficult for the government to misuse natural resource revenues. To this end, donors could make greater transparency a condition for lending and financing projects; provide technical assistance to reform accounting systems; and support public scrutiny of government activities, including the monitoring of government expenditures by civil society organizations. Increasing transparency and accountability also nudges the political culture in the direction of ensuring that the population at large will obtain direct benefits from natural resource extraction.

A number of donor governments, international finance institutions, and non-governmental organizations have designed programs that reduce opportunities for corruption by increasing the transparency and credibility of public finance systems. Some post-conflict countries have also established their own anti-corruption commissions (Heilbrunn 2011), which involved instituting a degree of international control over state-owned enterprises and accounting systems, as was the case with Liberia's Governance and Economic Management Assistance Program (GEMAP).[20]

With respect to natural resources, two major international initiatives focus on increasing transparency and accountability: the Extractive Industries Transparency Initiative (EITI) and Publish What You Pay (PWYP).[21] Both the

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[19] The UN Oil-for-Food Programme was created to allow Iraq to sell oil on the international market in exchange for food and medical supplies. While the Iraqi population did benefit from the program, the program was also mired in corruption. Saddam Hussein's regime, UN officials, and a long list of prominent individuals, organizations, and corporations worldwide received kickbacks from Iraqi oil contracts; companies were also overcharging for food and humanitarian supplies (Independent Inquiry Committee into the United Nations Oil-for-Food Programme 2005).

[20] Although GEMAP set up robust external controls to manage Liberia's revenues and financial systems, it has largely neglected the second part of its mandate, which was to strengthen local capacity in these areas.

[21] For a discussion of the EITI, see Gillies and Dykstra (2011) and Rich and Warner (2012). For a discussion of PWYP, see Koffi K. Michel Yoboué, "Stopping the Plunder of Natural Resources to Provide for a Sustainable Peace in Côte d'Ivoire," in this book. A third major initiative aimed at increasing transparency in natural resource trade is the Kimberley Process Certification Scheme (KPCS), which certifies that a diamond has not been mined in a conflict area (Grant 2012; Mitchell 2012). However, the KPCS does not specifically address corruption.

EITI and PWYP have the same goal: to ensure that revenues generated from natural resources benefit the citizens to whom the resources belong, and not just elites. While the origins of the two programs differ (the EITI was initiated by governments, and PWYP is led by civil society organizations), both advocate the same mechanisms: (1) transparency with respect to all company payments and government revenues from natural resources (oil, gas, and minerals) and (2) transparency in all natural resource contracts. While both the EITI and PWYP seem promising, many governments, for obvious reasons, are reluctant to participate. Many companies are similarly reluctant, citing concerns that the disclosure of such sensitive information may cause them to lose their competitive advantage. For example, when BP announced that it would disclose any payments it had made to obtain concessions for offshore exploration in Angola, the state-owned Angolan oil company, Sonangol, threatened reprisals, which discouraged other foreign oil companies from disclosing payments they had made to Sonangol (Leigh 2002).

Third, for anticorruption efforts to succeed, key fiscal and regulatory institutions must function adequately. This requires an emphasis on (1) controlling and strengthening the capacity of central fiscal and revenue-raising institutions, such as customs and the treasury; and (2) building meaningful monitoring and accountability institutions, such as independent auditing offices. Strengthening or creating fiscal and regulatory institutions is critical to the management of natural resource revenues and has the added advantage of assisting with broader, rule-of-law reform efforts, which are often among the most difficult—and arguably the least successful—aspects of post-conflict reconstruction (O'Donnell 2006; Bergling 2011).[22] While a focus on fiscal and regulatory institutions alone will not be enough to fight corruption, it will increase public trust in government, improve bureaucratic efficiency, bring more money into state coffers, and foster an environment within which broader political and institutional reforms can be attempted.

## CONCLUSION

While the presence of natural resources—particularly high-value natural resources—provides incentives for corruption, this alone does not cause corruption. Ultimately, corruption is a political problem, shaped by the underlying post-conflict political economy and the cultural and social dynamics of a particular society. In post-conflict situations, political instability combines with economic opportunity to intensify corruption. Natural resources simply facilitate this process and shape its character, through local political and economic structures.

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[22] One reason that it is so difficult to establish rule-of-law institutions—in particular, a functioning judiciary—is that rule of law is deeply rooted in culturally specific conceptions of justice and authority. This cultural specificity makes the transfer of legal institutions and best practices much more challenging: it is not simply a technical problem with a technical fix.

Ultimately, fighting corruption requires fundamental shifts in the political economy and political culture of post-conflict countries. The recommendations offered in the previous section are, for the most part, relatively narrow technical responses to a much broader problem, which inherently limits their impact. Nevertheless, they can help to create an environment in which the political culture can be challenged and transformed.

Anticorruption efforts need to be embedded into broader attempts to create legitimate political institutions: they are only one aspect of successful peacebuilding; as such, they complement—and, at times, compete with—other peacebuilding objectives. Unfortunately, however, two conditions that characterize post-conflict transitions (power struggles, and weak and dysfunctional state institutions) suggest that an emphasis on economic liberalization of local markets and early elections is likely to create an environment that supports and further entrenches corruption. International actors might therefore have to be more nuanced and targeted in their approach to institutional reform. This is necessary to ensure that their efforts do not undermine the broader goal of establishing legitimate institutions that could address societal grievances and assist with the peaceful resolution of rival claims to power and resources.

While corruption poses an important challenge to international peacebuilding efforts, it is only one of the many difficulties 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 of rebuilding a society in the aftermath of conflict.

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