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## ***Buying Peace? The Political Economy of Power-Sharing***

Felix Haafß and Martin Ottmann

Using a power-sharing arrangement to integrate insurgents into a country's political system, either by granting them government cabinet posts or greater territorial autonomy, has become an increasingly common method by which to pacify violent conflicts. However, power-sharing reinforces patterns of corruption and patronage, which are detrimental to sustainable peace and development in the long run. This is especially problematic as some of this corrupt behavior is fueled by official development assistance.

### **Analysis**

Power-sharing institutions have been empirically shown to prolong peace after civil conflict. Nevertheless, an often overlooked but central mechanism to this is that power-sharing institutionalises access to state resources for both the government and rebels. Political elites from both sides often divert state income to finance their political support networks or simply to enrich themselves, creating a political economy of corruption and patronage.

- Power-sharing often ends long-running bloodshed. But by simply buying off violent state and non-state actors, it frequently fails to address the root causes of conflict. Furthermore, by institutionalising self-enrichment and clientelism, power-sharing may actually inhibit post-conflict political and economic development in the long run.
- Post-conflict countries with power-sharing institutions are, on average, more corrupt than post-conflict countries without power-sharing institutions—at the same time, official development assistance to power-sharing countries has increased.
- Post-conflict Liberia and Aceh, Indonesia, show that the political economy of power-sharing is at play in both political power-sharing arrangements (whereby political office is distributed amongst former belligerents) and territorial power-sharing arrangements (whereby greater territorial autonomy is granted to a rebel group).
- International donors need to be aware of the inherent dilemma in buying peace through power-sharing: securing peace in the short term can result in increased corruption. Although corruption may be a necessary side effect of ensuring immediate peace, international assistance should focus on reducing corruption in the long run.

*Keywords: Power-sharing, corruption, post-conflict peace, Liberia, Indonesia*

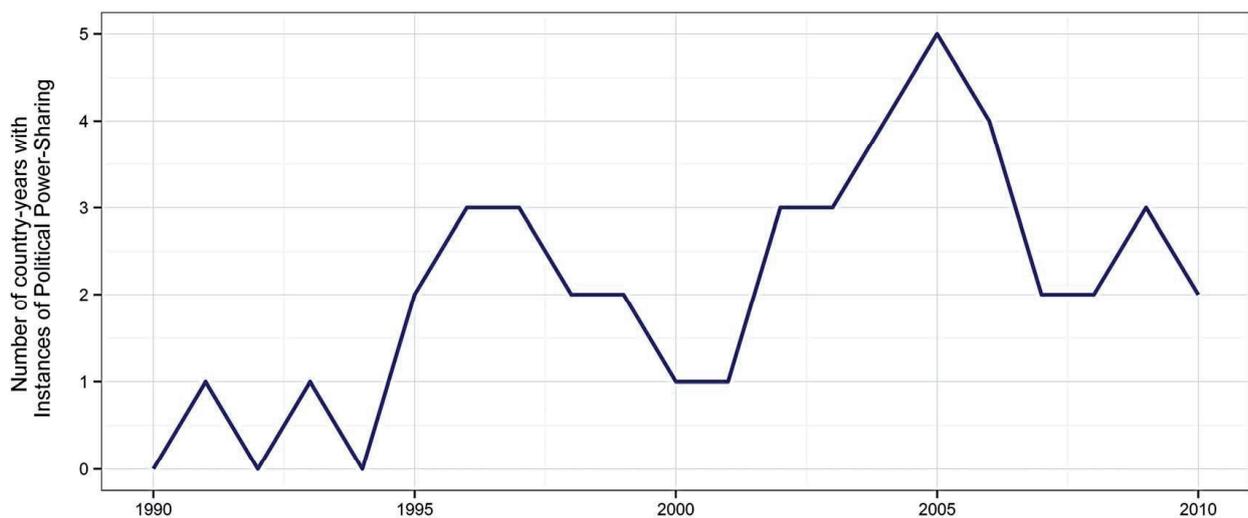
## Introduction

As an instrument to end protracted internal conflict over political participation or territorial autonomy, power-sharing has an inherent appeal: by meeting the insurgents' demands, power-sharing can bring an end to violent conflict. In fact, arrangements that mandate joint control of power between rebels and governments or that allow for greater territorial autonomy have been steadily on the rise since the end of the Cold War (see Figure 1) – for example, in Bosnia and Herzegovina (1995), Liberia (2003), the Democratic Republic of the Congo (2003), Nepal (2006), and Aceh, Indonesia (2005) (Ottmann and Vüllers 2015). At the same time, international donors have increased official development assistance (ODA) to both post-conflict countries without power-sharing arrange-

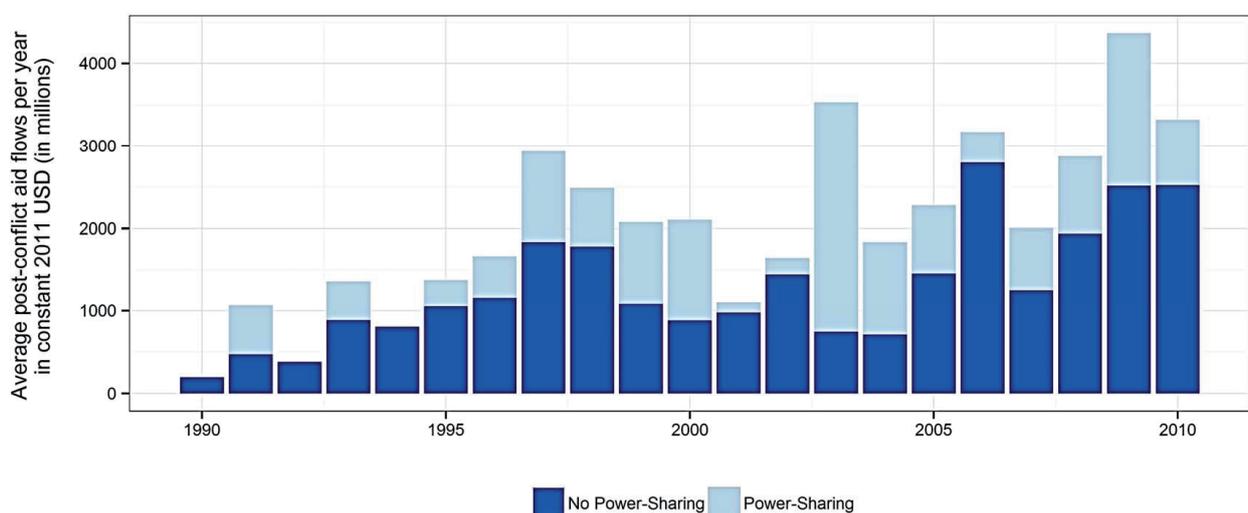
ments and those with power-sharing arrangements (see Figure 2).

Has this surge in ODA for countries with power-sharing agreements paid off? There is evidence that power-sharing can indeed decrease the risk of conflict relapse (Hartzell and Hoddie 2007; Walter 2002). In the Democratic Republic of Congo (DRC), for example, the 2003 Final Act of the Inter-Congolese Political Negotiations ended a long-running civil war between the government in Kinshasa, on the one hand, and the Congolese Rally for Democracy (RCD), the Movement for the Liberation of Congo (MLC), and a few smaller rebel outfits, on the other hand. Crucially, the agreement allowed these rebel groups to participate in the transitional government that would be in place until presidential and parliamentary elections were held in 2006. The arrangement enjoyed some

**Figure 1: Trends in Executive Power-Sharing Practices after Conflict**



**Figure 2: Trends in Aid to Post-Conflict Countries**



success, as the RCD and MLC have not returned to large-scale violent conflict.<sup>1</sup> Despite this, it is still unclear *why* power-sharing “works” – not only in the case of the DRC but also in other instances.

### The Political Economy of Power-Sharing and Corruption

We argue that power-sharing’s success can be attributed – at least partially – to how such arrangements institutionalise rebels’ and government officials’ access to state resources and how they create a political economy of patronage and corruption (Haass and Ottmann 2015).

Post-conflict power-sharing takes various forms. The most common type is an interim government in which rebels are allocated various cabinet posts, which are usually relatively insignificant – for example, in Djibouti in 2007 rebels were given control over the Ministry of Youth, Sports, Leisure, and Tourism. However, rebels have on occasion managed to secure access to the inner core of power and have assumed the presidency or vice presidency – such as the MLC’s Jean-Pierre Bemba who became vice president of the DRC in 2003. Another form of power-sharing is the integration of rebel fighters into a country’s military or police force. This type was applied to the rebels of the National Union for the Total Independence of Angola (UNITA) in Angola; Bosnian, Muslim, and Serbian forces in Bosnia and Herzegovina; and the Moro National Liberation Front in the Philippines. A further power-sharing type is an economic-based arrangement, which sees rebels receive shares in or even control of parastatal or state companies. Such economic power-sharing was employed in Burundi and Liberia. Granting greater territorial autonomy to rebels is also a type of power-sharing. In virtually all such cases, rebels have assumed positions of power in the newly created subnational governments – such as in the Chittagong Hill Tracts, Bangladesh; Bougainville, Papua New Guinea; and the southern part of then Sudan.

Such power-sharing practices are often understood as essential for peacebuilding. The argument goes that guaranteeing rebels a place in their country’s institutional framework will satis-

fy their grievances and remove the causes for violent unrest. Moreover, power-sharing institutions bring together former foes and allow them to overcome their mutual distrust. It is assumed that this will fairly quickly break the spiral of animosity and bitter violence (Hartzell and Hoddie 2007; Jarstad and Nilsson 2008; Walter 2002).

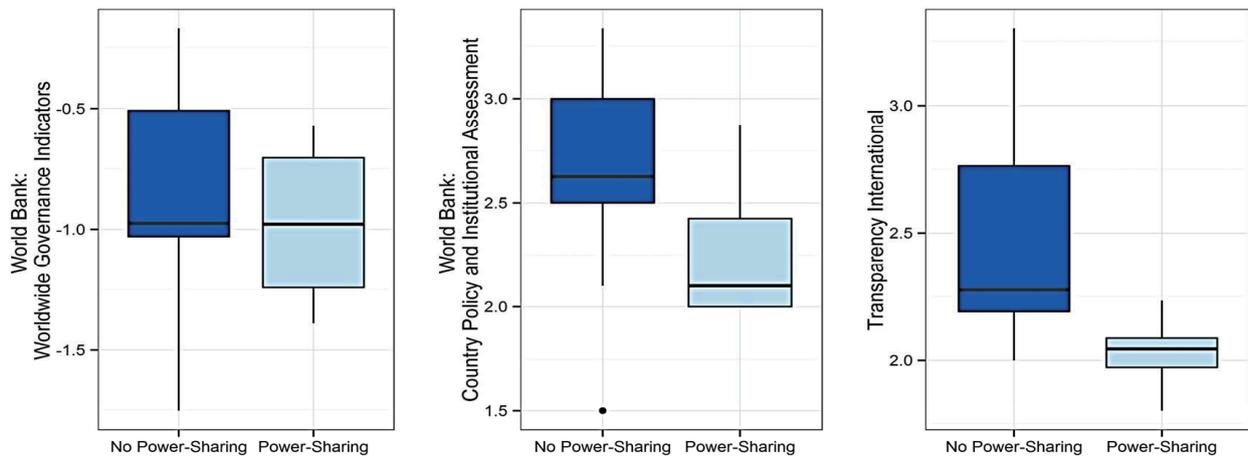
However, power-sharing arrangements are not panaceas for a post-conflict country’s ills. Even though such agreements might be beneficial for post-conflict stability in the short term, we would expect power-sharing to make post-conflict countries more prone to corruption, clientelism, and patronage than other post-conflict countries for two reasons.

First, power-sharing grants rebels access to state resources, and the inclusion of former belligerents adds another player to the game of patronage and clientelism. Thus, increased competition by a greater number of actors over a limited pool of resources is likely to increase these actors’ motivation to enrich themselves and their support networks. Rebel organisations are typically based on loyalty developed between political leaders and military commanders/soldiers during conflict (Ottmann 2015). Rebel leaders must cultivate these wartime networks to ensure they remain in positions of power once the conflict has ended – power-sharing gives them access to the resources to do so. Given the increasing trend of providing foreign aid to post-conflict countries (Figure 2), these resources frequently not only come from domestic sources (such as taxes) but also international ones (such as foreign aid).

Second, rebel and government actors locked in interim power-sharing institutions often have limited time horizons due to impending elections; this therefore increases the likelihood that these actors will engage in corrupt and/or clientelistic behaviour. The nature of elections means that rebels and government elites cannot be certain that they will remain in positions that grant them access to state resources. Even though government officials in developing states without histories of conflict encounter similar limited time horizons, power-sharing countries – which have a history of conflict – face an added security dilemma. This exacerbates the negative implications of a limited time horizon: none of the power-sharing parties can be certain that the other side will not return to violence and unilaterally end the arrangement. As a result of this uncertainty, many rebels and gov-

<sup>1</sup> However, other Congolese rebel groups have since emerged, meaning that the civil war in the DRC is ongoing.

**Figure 3: Power-Sharing and Corruption**



Source: Own calculation based on World Bank and Transparency International data.

ernment elites will likely divert as many state resources as they can into their own and their supporters' pockets (Levi 1989).

A first look at comparative data on power-sharing and corruption confirms the implication of these ideas – namely, that power-sharing countries are more prone to corruption. The box plots in Figure 3 compare power-sharing and non-power-sharing countries with respect to their scores on different measures of corruption.<sup>2</sup> Between 2001 and 2010 power-sharing countries scored much lower on all major corruption indices. Since lower scores indicate higher levels of corruption, this means that, on average, power-sharing countries are more corrupt than non-power-sharing countries.<sup>3</sup> The fact that this trend holds across these different indicators is especially revealing, as no indicator covers all countries at all points in time. Taken together, however, these data present a relatively comprehensive picture of the negative relationship between power-sharing and corruption.

2 A box plot is used to compare distributions of data points. Roughly speaking, the further apart the boxes (representing 50 per cent of all data values) are from each other, the further apart are the groups, on average, with respect to the value depicted on the y-axis.

3 In our calculation of average corruption estimates, we included only those countries that experienced a major civil war with more than 1,000 battle-related deaths per year prior to the power-sharing arrangement. Data on power-sharing is taken from the Power-Sharing Event Dataset (Ottmann and Vüllers 2015); corruption data, from the World Bank (<<http://data.worldbank.org>>) and Transparency International. Only post-conflict periods since 2001 are included because of limited availability of corruption data before that year.

### Buying Peace in Liberia and Aceh

Our explanation that power-sharing often increases the level of corruption in a post-conflict country is also substantiated by case evidence from Liberia and the aftermath of the conflict between the province of Aceh in Indonesia and the Indonesian government.<sup>4</sup>

The first case focuses on post-conflict developments in Liberia after the 2003 Accra Peace Agreement between the government forces of Charles Taylor and the Liberians United for Reconciliation and Democracy (LURD) and the Movement for Democracy in Liberia (MODEL). The Accra Peace Agreement proclaimed a commitment to fostering mutual trust and promoting better relations between Liberians. To this end, it formulated a series of far-reaching political, economic, and social reforms. One of the central pillars of this endeavour was the establishment of the National Transitional Government of Liberia (NTGL), which presided over the country until national elections were held in 2006. The NTGL brought together Taylor and his supporters from the Liberian government and representatives from the two rebel groups, LURD and MODEL. Together with representatives from political parties and civil society, the Taylor representatives, as well as LURD and MODEL leaders carefully distributed NTGL cabinet positions in a delicate balance amongst each other.

4 The following description of Liberia's and Aceh's political economy of corruption is based on field research conducted by Martin Ottmann in November/December 2013 and March 2014. Due to the sensitive nature of this topic, most interviews were conducted with strict guarantees of confidentiality.

The second case is the 2005 Memorandum of Understanding (MoU) between the Indonesian government and the Free Aceh Movement (Gerakan Aceh Merdeka, GAM). In contrast to Liberia, this conflict was localised to mostly the Aceh region, with the rebels fighting for an independent state of Aceh. Reminiscent of other conflicts over autonomy in Asia, the Aceh peace agreement proposed a territorial power-sharing arrangement which would give the province far-reaching autonomy rights. The core of the MoU between the Indonesian government and the GAM was the Law on the Governing of Aceh. This was an acceptable compromise for the GAM as the MoU also allowed the rebel group to compete in provincial elections. In effect, this offered the GAM the prospect of being in power in Aceh. Soon after autonomy for Aceh was established, GAM representatives won positions of power in the province's executive and legislative branches.<sup>5</sup>

At first glance, the negotiated settlements in Liberia and Aceh appear to function according to the central logic of power-sharing – that is, both agreements seem to address the underlying root causes of the civil war and attempt to resolve the security dilemma between the government and rebels. In fact, however it were the economic incentives created by the agreements which guaranteed that all relevant actors had an incentive to participate in the process—the same incentives that created a political economy of corruption along the way.

### *Liberia*

Observers of the Liberian peace negotiations have concluded that the whole process revolved around nothing more than the guarantee of jobs for the leading figures of all sides (International Crisis Group, 2003). They claim that government and rebel participants alike were less concerned with making Liberia a more peaceful state than they were with debating who should get which ministerial positions in the transitional government. The Liberian peace agreement also contained detailed appendices that distributed public corporations and state agencies amongst the warring parties. Representatives of the former Taylor government, for example, received control over the Liberia Petroleum Refining Corporation, the Liberia Water and Sewer Corporation, and the Budget Bu-

<sup>5</sup> More detailed information on these (and many other) peace agreements can be found in the Power-Sharing Event Dataset (PSED) (Ottmann and Vüllers 2015).

reau. Meanwhile, LURD and MODEL were allocated state companies like the Liberia Telecommunications Corporation, the Forest Development Authority, and the National Ports Authority.

These practices allowed corruption to bloom within the transitional government: funds were embezzled, construction contracts were awarded to business partners, and exploitation rights of natural resources were given to those willing to pay the largest bribe. Human Rights Watch (2005: 33) reports that on 3 August 2005 “J. D. Slinger, the head of Liberia’s Maritime Bureau and a former senior member of the Movement for Democracy in Liberia (MODEL), was together with two of his deputies charged with economic sabotage and fraud for their part in siphoning off of USD 3.5 million of government money.” What is more, “NTGL officials also recognised numerous concession agreements, including several for timber and diamond mining that violated Security Council sanctions. Timber concessions awarded by the NTGL and its predecessor covered 2.5 times more timbered territory than the country possess” (Reno 2013: 128). Outgoing NTGL politicians even voted to keep their official Jeep Cherokee vehicles (*ibid.*).

Foreign aid played a major role in the Liberian political economy of corruption and patronage by significantly contributing to the budgets of almost every Liberian ministry and agency (International Crisis Group 2004). Data from the AidData project and the World Bank show that foreign aid in Liberia went from 67 per cent of the country’s gross domestic product in 2004 to 199 per cent in 2008 – far above the average of about 23 per cent of aid/GDP in other post-conflict African countries (between 1990 and 2010).

When corrupt members of the Liberian elite eventually left public office, they were able to use their contacts and networks in the government and business world to secure positions on public corporation boards. The rebels’ rank and file fighters did not play a role in Liberia’s new political economy. Once they had been disarmed, they posed no threat to the new rulers and were consequently ignored. There was little effort on the part of the elite in the NTGL and its ministries, agencies, commissions, and public corporations to reform the conflict-ridden country. Against this background, it appears that the Accra Peace Agreement was less about addressing the root causes of the Liberian civil war and more about

putting an end to the fighting by securing positions in the political economy for Taylor elites, LURD leaders, and MODEL leaders.

#### *Aceh, Indonesia*

The economic dimensions of conflict resolution also featured prominently in Aceh's MoU. While achieving special autonomy for Aceh was indeed a crucial achievement for the GAM in particular and the Acehnese people in general, the GAM elite was also intent on rewarding itself and its rank and file fighters for their efforts against the Indonesian government (Aspinall 2009). In addition to Aceh's special status, the government and GAM negotiators also agreed on several economic opportunities for the province: former combatants were to be given financial assistance to build a civilian existence; Aceh was to keep 70 per cent of its oil and gas revenues (a much greater share than any of the other Indonesian provinces received); and the Aceh government was to have access to a special autonomy fund for 20 years from the start of the peace agreement.

For the GAM, occupying political office meant control over state funds and, crucially, the extensive reconstruction funds from international and national donors following the tragic tsunami in December 2004. It is estimated that USD 7.7 billion in post-tsunami reconstruction aid was committed by the Indonesian government, bilateral and multilateral donors, and international NGOs (Masyrafah and McKeon 2008).

The GAM and its successor organisations – the civilian Aceh Party (Partai Aceh, PA) and the Aceh Transitional Committee (Komite Peralihan Aceh, KPA), which represents its demobilised fighters – used their newly won positions of power to sustain and extend their patronage networks and entrench their position as a central political power broker in Aceh. GAM leaders not only controlled which former combatants and war-affected civilians received compensation and financial assistance, they also decided who was hired by government agencies and which businesses were awarded provincial government contracts. The Aceh construction sector in particular fell prey to elites from the PA and the KPA (Aspinall 2009). As a result of favouritism and distributive politics, political and economic power in Aceh is now firmly in the hands of these actors. As in Liberia, this political economy of patronage and corruption is merely a continuation of the previous system. The

peace in Aceh is therefore at least partially due to the fact that the GAM and its successor organisations, the PA and the KPA, have managed to integrate themselves into the broader Indonesian political economy.

#### **What can be done?**

Power-sharing can be a successful instrument to curb the violence of civil conflict. Yet, by essentially buying off armed opponents it can also foster patronage and corruption, thus endangering long-term peacebuilding and development. Power-sharing often brings rebel groups into an existing system of corruption. Together with the pressure of early post-conflict elections and often a limited period in office, the incentives are high for rebels and government officials to engage in corrupt behaviour. In countries that receive large amounts of development aid the opportunities to divert state funds into private bank accounts or the pockets of key supporters are bigger. Although such funds might pacify a country in the short term – especially if a power-sharing arrangement is in place to ensure that each faction receives their proper share of aid spoils – they might paradoxically contribute to entrenching a system of patronage and corruption.

We do *not*, however, advocate an end to all development aid to power-sharing countries or the non-use of power-sharing as an instrument of conflict resolution. Both aid and power-sharing play crucial roles in stabilising post-conflict situations, and ending bloodshed must be the main goal of all parties involved.

Nonetheless, we want to highlight the inherent dilemma between power-sharing, corruption, and international aid. Corruption might be the cost of peace, at least in the short term, but it can undermine the legitimacy and stability of post-conflict political systems in the long term. However, donors must be aware that anti-corruption measures that are too rigid may threaten a fragile stability that is held together by the distribution of spoils. Therefore, donors should slowly push for institutional mechanisms that control access to state resource and regulate how funds are used once the immediate post-conflict phase has passed and basic stability has been ensured. Fostering administrative institutional capacity, such as professionalised and independent finance ministries that can

control resource flows, are crucial instruments in that regard. Such institutions are, however, often secondary to more pressing issues such as disarmament or political compensation. Nevertheless, they are indispensable tools to prevent short-term corruption from becoming completely entrenched in the future of a post-conflict state.

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## ■ Related GIGA Publications

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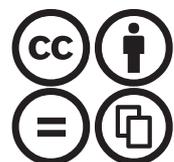
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