
COMBATANTS TO CONTRACTORS: THE POLITICAL ECONOMY OF PEACE IN ACEH

Edward Aspinall¹

In November 2007, I met Darwis Djeunib, a former Free Aceh Movement (Gerakan Aceh Merdeka, GAM) guerrilla leader at his brand new home in Bireuen, on the east coast of Aceh. During the years of war in Aceh, Darwis had been a legendary rebel leader, as famous for his austere personal lifestyle as for his daring raids on army posts. He was also well-known for his humble origins: beginning as an ordinary village boy, he became in his youth a small-time *preman*, or gangster, in Medan, and then worked as a day-laborer in Malaysia and Singapore, where he joined GAM and was sent to Libya for military training. More years of privation and hardship followed. Now, since the Helsinki Memorandum of Understanding (MoU) was signed by representatives of GAM and the Indonesian government in August 2005, Darwis's

¹ This article is written on the basis of my research in and about Aceh over the last ten years, most of it funded by the Australian Research Council. In particular, it is based around a series of about forty interviews with GAM leaders, independent contractors and other businesspeople, government officials, NGO members, and other relevant persons in Aceh during four visits in February 2007, June 2007, October–November 2007, and August 2008. Because of the illegal or semi-legal nature of many of the activities discussed, and because of possible repercussions for informants, most interviews were conducted with strict guarantees of confidentiality. This means that it is often not possible to detail exact locations or names of individuals in the following discussion. An early version of the paper was presented at the workshop on "The State and Illegality in Indonesia," Australian National University, Canberra, September 22–24, 2008, and I thank participants in the workshop for their feedback, and the Australia–Netherlands Research Collaboration for funding the workshop. I am also thankful to Sidney Jones, Blair Palmer, Patrick Barron, Adrian Morel, Robert Wrobel, Marcus Mietzner, Paul Zeccola, and the reviewers appointed by *Indonesia* for their comments. Unfortunately, I was not able to respond adequately to all their suggestions. Any errors of fact or interpretation are my responsibility.

fortunes have changed dramatically. His new home is a two-storey mansion, built in an extravagant decorative style. It cost, Darwis told me, about US\$60,000, a large sum in Aceh. But it had not cost him anything personally: instead, "rich men" in the district had "donated" the building materials. Darwis also became, at least for a time, a successful entrepreneur, providing material to the construction industry, courtesy of contracts awarded by local government officials. In the past, Darwis had expounded a vision of remorseless struggle against the Indonesian state. Now he said he was more concerned with ensuring that his former followers had jobs and did not slide toward lives of violent crime.

Darwis Djeunib's story encapsulates the phenomenon that lies at the center of this article: the dramatic transformation of former leaders and members of GAM into businesspeople, and the part this process has played in consolidating peace in Aceh. Since the signing of the Helsinki MoU, most key GAM commanders have moved into business. Specifically, most have become contractors working in the construction industry. Their chief activities involve building infrastructure (especially roads, bridges, and irrigation channels) or providing materials (sand, stones, and timber) for such work. By doing so, they have entered one of the most politicized and corrupt sectors of the Indonesian economy. Throughout Indonesia, construction contracts are often awarded on the basis of political connections, and large proportions of contract costs are lost to corruption.

The Aceh experience is thus of interest in two regards. First, it throws light on broader patterns in Indonesia's political economy. Since the collapse of Suharto's New Order regime in 1998, it has been all too obvious that patterns of corruption and predatory behavior that grew and consolidated under that regime have persisted into the new era of democratic and decentralized politics, and that New Order era neopatrimonial networks linking the worlds of politics and business have been both resilient and adaptable, especially at the local level.² In particular, some scholars have noted the important place that the construction sector occupies in the nexus between business and politics, especially in provincial areas.³ In such regions, construction is often a large part of local economies, construction projects are a major focus of collusive and predatory behavior, and *kontraktor* (contractors) are often prominent not only in business but also in politics. In this regard, Indonesia is not unique. Throughout the world, as one writer on the topic has noted, "Surveys reveal corruption to be higher in construction than in any other sector of the economy."⁴ In China, for example, one author refers to the construction sector as a "quasi-criminal domain" in which widespread official corruption leads to shoddy building standards

² There is an already large and still rapidly growing literature on local corruption, money politics, and related phenomena in post-Suharto Indonesia. See, for example, various articles in Edward Aspinall and Greg Fealy, eds., *Local Power and Politics in Indonesia: Decentralisation and Democratisation* (Singapore: Institute of Southeast Asian Affairs, 2003); and Gerry van Klinken and Henke Schulte-Nordholt, eds., *Renegotiating Boundaries: Local Politics in Post-Suharto Indonesia* (Leiden: KITLV Press, 2007).

³ See especially Gerry van Klinken, "Social Foundations: Illegality in the Construction Sector in Provincial Indonesia," paper presented at the workshop on "The State and Illegality in Indonesia," Australian National University, Canberra, September 22–24, 2008.

⁴ Neill Stansbury, "Exposing the Foundations of Corruption in Construction," in Transparency International, *Global Corruption Report 2005* (London: Pluto Press, 2005), p. 36.

and fatal building collapses.⁵ A study of “everyday corruption” in West Africa describes a world of public procurement and construction based on “a triangle composed of corrupting contractors, corrupted officers, and intermediaries” in which “a web of deep complicity is woven between the public and private sectors in such a way that [...] corruption is dressed up in a transactional form perceived as mutually beneficial.”⁶ Moreover, in many countries corruption in the construction industry is a lynchpin connecting the worlds of business and politics. In Japan, for example, construction is so central to the economy that the country has been described as a “*doken kokka*” (construction state), in which “money flows through the system guided by the bureaucrats to benefit those who form part of the privileged national grid of politicians, bureaucrats, and business people.”⁷ In Indonesia, especially provincial Indonesia, construction is no less important.

The Aceh case presents a striking illustration of how political influence and corruption work in Indonesia’s construction sector. The province has been the site of an extraordinary building boom as a result of the reconstruction work that followed the December 2004 Indian Ocean tsunami. It has also witnessed predation on an almost equally spectacular scale. Moreover, the entry of GAM actors into the sector is intrinsically revealing of the sector’s dynamics. This is because GAM entrepreneurs are very obviously winning contracts because of their political influence and potential for violence, not because of their experience, skills, or capacities in construction. In most provinces, the best established players in the sector can generally claim at least a modicum of construction expertise, even if they also depend upon connections and bribery for their success. The success of inexperienced GAM contractors lays starkly bare the underlying political dynamics of the construction sector. It also provides a salutary lesson about the extraordinary resilience of the neopatrimonial and corrupt networks that suffuse political and business life in provincial Indonesia. In the case of Aceh, as the following analysis makes clear, these networks have shown themselves to be more than capable of absorbing even a former armed rebel movement. Rather than transforming the construction sector, the new GAM contractors are being transformed by it.

Second, the Aceh experience also presents a fascinating case study in the political economy of peace processes. Over the last decade, there has been a burst of scholarly interest in the political economy of civil wars. Some scholars have stressed the role of the “resource curse” in sparking conflict, while others have focused on the dynamics of rebel financing or the role of corruption and “shadow economies” linking state and insurgent actors in conflict dynamics.⁸ However, there is so far relatively little research

⁵ X. L. Ding, “The Quasi-Criminalization of a Business Sector in China: Deconstructing the Construction-Sector Syndrome,” *Crime, Law & Social Change* 35,3 (2001): 180.

⁶ Giorgio Blundo, “An Ordered Corruption? The Social World of Public Procurement,” in *Everyday Corruption and the State: Citizens and Public Officials in Africa*, ed. Giorgio Blundo and Jean-Pierre Olivier de Sardan, with N. Bako Arifari and M. Tidjani Alou (London and New York, NY: Zed Press, 2006), p. 260.

⁷ Gavan McCormack, “Afterbubble: Fizz and Concrete in Japan’s Political Economy,” Japan Policy Research Institute Working Paper no. 21, 1996, p. 4, available at <http://www.jpri.org/publications/workingpapers/wp21.html>, accessed March 12, 2009. See also Brian Woodall, *Japan under Construction: Corruption, Politics, and Public Works* (Berkeley, CA: University of California Press, 1996).

⁸ Key texts include Paul Collier and Anke Hoefler, “Greed and Grievance in Civil War,” *Oxford Economic Papers* 56,4 (2004): 563–95; Mats Berdal and David M. Malone, eds., *Greed and Grievance: Economic Agendas in Civil Wars* (Boulder, CO and London: Lynne Rienner Publishers, 2000); Karen Ballentine and Jake

that extends this focus to post-conflict contexts by looking at the role of corruption in peace processes and what one observer of Bosnia has called “the transformation of the clandestine war economy into a postwar criminalized economy.”⁹ Much of the research that has been produced is written for a policy audience and stresses the deleterious impact that corruption can have on peace, especially by undermining post-conflict development and impeding the delivery of a “peace dividend” to aggrieved populations.¹⁰ However, in a small but rapidly expanding field, some authors have noted that corruption may have positive effects on peace, at least in the short term, because it may “help in securing some degree of political, economic, and social stability.”¹¹ In particular, it is sometimes noted that peace deals are often based on an implicit understanding that former combatants integrated into post-conflict governments “will be permitted to exploit fully the economic opportunities provided by government positions.”¹² Corruption, in other words, may be a means to buy out potential peace spoilers.

The Aceh experience confirms that corruption can, at least in the short term, be highly functional for securing peace. Since the Helsinki MoU, large-scale programs of economic redevelopment and formal programs of reintegration for ex-combatants have, at best, only partly succeeded. Their failings have engendered discontent among former fighters and the wider public. As this article demonstrates, GAM members and supporters have instead mostly been reintegrated into Aceh’s political economy by way of predatory and clientelistic patterns of economic behavior that seek to extract rents from the state, with the construction sector as a particular focus of this activity.

This article is divided into several sections. The first sections provide the background necessary to understand the post-conflict fund-raising patterns that are central to this study. The first section surveys the methods that GAM combatants used during the war years to finance their struggle. It draws attention to extortion and “shadow state” links that presaged the predatory patterns that became dominant in the post-conflict period. The second section outlines the changed political and economic context of Aceh in the post-tsunami, post-MoU period, emphasizing the tremendous increase in funds that became available for predation. Next is an outline overview of the various methods GAM actors have used to raise money since the conflict ended. Although some former combatants have returned to the activities they engaged in before the conflict (farming, petty trade, and so on), the more common and lucrative methods for securing income all rely on the political resources and powers of

Sherman, eds., *The Political Economy of Armed Conflict: Beyond Greed and Grievance* (Boulder, CO and London: Lynne Rienner Publishers, 2003); and Jeremy M. Weinstein, *Inside Rebellion: The Politics of Insurgent Violence* (New York, NY: Cambridge University Press, 2007).

⁹ Peter Andreas, “The Clandestine Political Economy of War and Peace in Bosnia,” *International Studies Quarterly* 48,1 (2004): 46. For the best selection of work so far on corruption in peace processes, see various articles in *International Peacekeeping* 15,3 (2008).

¹⁰ See for example, Transparency International’s *Global Corruption Report 2005*, which focuses on the issues of corruption in construction and post-conflict reconstruction. Available at: http://www.transparency.org/publications/gcr/download_gcr/download_gcr_2005#download

¹¹ Philippe Le Billon, “Corrupting Peace? Peacebuilding and Post-conflict Corruption,” *International Peacekeeping* 15,3 (2008): 355. See also, by the same author, “Buying Peace or Fuelling War: The Role of Corruption in Armed Conflicts,” *Journal of International Development* 15,4 (2003): 413–26.

¹² Christine S. Cheng and Dominik Zaum, “Introduction—Key Themes in Peacebuilding and Corruption,” *International Peacekeeping* 15,3 (2008): 303.

intimidation that ex-combatants have at their disposal. The final two sections focus on the construction sector. One outlines the patterns of predatory and collusive behavior that permeated the sector even before the ex-combatants joined it. The final section looks closely at how GAM players have transformed themselves into construction contractors by using their political and coercive resources, and by cooperating with established contractors and state officials. This discussion shows that, despite the apparent large-scale transformation of former combatants into entrepreneurs, most of these GAM “contractors” have been absorbed into the construction industry without changing it fundamentally, and often even without becoming true construction entrepreneurs at all. Except at the lower level, where they provide low-skill labor and construction materials, most GAM actors merely levy fees on other players in the system. They operate as another layer of rent-seekers and brokers in a system already suffused with such players.

GAM Fund-Raising during the War Years

Before analyzing in detail how GAM actors have inserted themselves into the construction sector since the Helsinki MoU, it is helpful to consider the immediate historical background, notably how the movement raised its funds during the conflict. Like any insurgent movement, GAM faced great challenges in attaining the funds it needed to prosecute its guerrilla war, especially for purchasing weapons. This war stretched intermittently over almost three decades. GAM was founded in 1976–77, when its leader, Hasan di Tiro, first declared Aceh’s independence from Indonesian rule.¹³ The history of the insurgency thereafter is conventionally divided into three periods.

In the first phase, 1977–79, the movement’s supporters struggled to establish a base in the mountainous interior of Pidie district, but the Indonesian military soon captured or killed most of them. During this period, the movement was small and weak, and it struggled not only to fund itself, but even to survive. Hasan di Tiro had recruited a handful of supporters who were both wealthy and influential, and these people provided modest funds to support his initial attempts to spread a nationalist message. However, GAM members at this point had few modern weapons at their disposal, a shortage that generated considerable internal dissension and hampered their attempts to raise funds.

During the second phase of the rebellion, between 1989 and the mid-1990s, the rebellion was temporarily re-energized by an infusion of young recruits, many of whom received military training in Libya. They launched a series of armed attacks that soon prompted even more brutal military reprisals and forced the movement into abeyance once more. Even in 1989, when the first fighters returned from Libya, they brought no armaments with them, and many of their first raids on military posts were designed to secure weapons. Most active supporters by this time were young men from villages and small towns, and though they could rely on family members and neighbors to take care of their immediate needs, most of them lacked the wealthy

¹³ GAM has gone by different names in different periods. Early on it was mostly known as Aceh Merdeka in Aceh, or ASNLF (Acheh-Sumatra National Liberation Front), in its publications for external consumption.

urban and elite connections that Hasan di Tiro had previously enjoyed. Some of them did, however, have underworld ties, including in the marijuana trade, for which Aceh is famous, and among military personnel active in the black-market economy, through which they acquired at least some funds and weapons.¹⁴ However, these links still did not provide the movement with many resources. The first systematic attempt to raise money came only in the early 1990s, when members of the Acehnese diaspora in Malaysia donated considerable sums, enabling the first purchases of black-market weapons in Thailand. There were subsequently some sporadic attempts to raise money by other means—such as a robbery of a Bank Central Asia branch in Lhokseumawe in 1997—but this was a time when the movement was still weak and its supporters had difficulties in maintaining their clandestine network, let alone in raising much money to fund it.

Finally, in the third period, between 1998 and 2005, GAM members took advantage of the political turmoil that followed the collapse of the Suharto regime and for the first time became a truly powerful and mass-based insurgency. The movement recruited many thousands of fighters and, for a while, controlled much of Aceh's countryside. GAM's economic fortunes dramatically changed in this period. The growth of the movement's organizational structure to cover much of Aceh's territory greatly helped it to identify and exploit revenue sources. Now, in every part of Aceh there was at least notionally a local GAM military commander and often a cohort of local GAM informants, activists, and fighters. This structure provided GAM commanders with close knowledge of, and direct access to, virtually every part of Aceh's economic life. As a result, for the first time GAM became not only a real guerrilla army but also a massive money-making machine.

Many ordinary people voluntarily supported the movement, especially in rural areas where GAM fighters were part of village communities. These communities donated food, medicine, cigarettes, and small sums of money to cover fighters' basic material needs. Sometimes, too, villagers, or at least the wealthier individuals among them, would pool their resources to pay for a gun or two for local "youths" who had joined the movement.¹⁵ However, GAM fund-raising was actually far better organized and systematic than this. As was widely discussed at the time in the media and in scholarly literature, the movement levied fees, which it called *pajak nanggroe*, or "state taxes," on a huge variety of economic activities. GAM taxed everything from the wages of civil servants and the activities of small-market traders right up to construction projects funded by the government and some of the big natural-resource companies in the province, often at a rate of about 10 percent (though the rate varied tremendously).¹⁶ Although many citizens gave this money voluntarily, everybody concerned also knew that fighters had the capacity to retaliate, either directly or indirectly, against individuals who refused to pay (even if the behavior of fighters in this regard varied greatly from area to area). Thus, for example, businesspeople who wished to operate in areas where GAM was strong knew they had to pay the

¹⁴ Geoffrey Robinson, "Rawan is as Rawan Does: The Origins of Disorder in New Order Aceh," *Indonesia* 66 (October 1998): 149–50.

¹⁵ This, at least, is what former fighters I have interviewed in many parts of Aceh frequently claim.

¹⁶ See for example, Kirsten E. Schulze, *The Free Aceh Movement (GAM): Anatomy of a Separatist Organization* (Washington, DC: East-West Center, 2004), pp. 24–29.

movement if they did not want their activities to be disrupted, their workers harassed, or their equipment destroyed. In this regard, GAM operated much like the protection rackets that *preman*, small-time gangsters, run throughout Indonesia. An even more telling comparison was with the military: GAM's regional structure and its ability to extract levies and fees in the areas it controlled was reminiscent of nothing so much as the TNI (Tentara Nasional Indonesia, Indonesian National Military), which, through its own territorial structure both during and after the New Order years, used its coercive power to extract resources from all manner of local economic activities.

However, describing GAM in the conflict years as merely a "criminalized" movement, or one that was parasitical on the rest of the economy, does not quite capture the complexity of the dynamic at play.¹⁷ Such characterizations miss the extent to which GAM members were intimately connected to other actors in the formal economy and in the state, and how their links to those actors were extensions and adaptations of pre-existing patterns of rent-seeking and predatory behavior that infused the entire political economy. In Aceh, as in other parts of Indonesia, much economic activity was shaped by a neopatrimonial pattern of connections between state officials and actors in the private economy, in which political favors and economic resources were routinely exchanged in order to facilitate extraction of rents from the budgets, contracts, licenses, and other economic resources that the state controlled.¹⁸ GAM, to a large extent, funded its insurgency by fitting into that pattern. Thus, for example, GAM members not only levied fees from businesspeople and contractors, they also pressured and lobbied officials to ensure that businesspeople they favored would win government contracts.¹⁹ They not only took money from senior local government officials, they also did favors for them, such as by intervening in bureaucratic promotions or elections of district government heads to assist relatively sympathetic and generous officials. Not only did they fight members of the Indonesian security forces, they also met with them, either directly or via brokers, to purchase arms, ammunition, and other equipment.

The result of all this collaboration was that GAM, though fighting to expel the Indonesian state from Aceh, was to a large extent dependent upon the state for a large part of its funds. On the surface, GAM and state officials fought each other in a deadly conflict; below the surface, they were locked in an intimate embrace, seeking mutual economic advantage. Such patterns of subterranean cooperation between enemies are a frequent feature of those civil wars in which predation figures prominently on the agendas of the warring parties.²⁰ Space does not permit here an extended discussion of

¹⁷ The author who argued the criminalization thesis most strongly was Kirsten E. Schulze. See her *The Free Aceh Movement (GAM): Anatomy of a Separatist Organization*, p. 17, and "Gerakan Aceh Merdeka: Freedom Fighters or Terrorists?" in *Aceh under Martial Law: Conflict, Violence, and Displacement*, ed. Eva-Lotta E. Hedman, Refugee Studies Working Paper no. 24 (Oxford: University of Oxford, Refugee Studies Centre, 2005), pp. 29–33.

¹⁸ For a study of how this system worked in Aceh, see M. Isa Sulaiman and Gerry van Klinken, "The Rise and Fall of Governor Puteh," in Van Klinken and Schulte-Nordholt, *Renegotiating Boundaries*, pp. 225–52.

¹⁹ According to one senior GAM leader from Aceh Besar, the figure of 10 percent that is often cited as the usual cut that GAM took as *pajak nanggroe* from government-funded construction projects was, in fact, only levied on projects in which GAM fighters had played a role in securing the contract in the first place, by "lobbying" government officials. Personal interview, Tgk Muchsalmina, Banda Aceh, August 29, 2008.

²⁰ Thus, for example, David Keen observed that "Conflict in Sierra Leone has involved bizarre forms of collaboration between government and rebel Revolutionary United Front forces, including coordinated

how such patterns worked in Aceh.²¹ For present purposes, it is sufficient to note that one result of these fund-raising efforts was that, during the war years, many GAM fighters learned the unwritten rules of Aceh's neopatrimonial economy. They became well-versed in how best to strike shady deals with state officials and how to translate muscle power into profit. Such skills equipped them well for the post-conflict period.

The Helsinki Peace Deal: New Political and Economic Opportunities

The Indian Ocean Tsunami of December 2004 and the Helsinki MoU of August 2005 dramatically changed the context in which GAM operated. Not only did the movement fundamentally revise its political goals and methods, its move into the open also provided it with new incentives and opportunities to raise funds.

Many other studies have sketched the basic story of the Aceh peace process and GAM's subsequent transformation, which allows me to be brief here.²² The political deal at the heart of the peace agreement saw GAM giving up its demand for independence and its armed struggle in exchange for concessions from the Indonesian government. These concessions have mostly involved Aceh being granted greater political and economic autonomy than other provinces of Indonesia, as part of what GAM and other Acehnese call "self-government," but which most mainstream Indonesian political actors refer to as *otonomi khusus*, special autonomy. Additionally, the deal offered GAM and other Acehnese nationalists the hope of participating in, and even controlling, Aceh's local government by allowing them to compete in elections for executive government positions and seats in local legislatures. Far from envisaging that GAM would disappear, the peace process provided its members with strong incentives to expand their movement's political coherence and influence.

The peace process has played out in several stages. During the first stage, when the Aceh Monitoring Mission, an EU-led and funded peace-monitoring body, was in Aceh, GAM disarmed itself and began the process of transforming itself into a peaceful political movement. The TNA (Tentara Negara Aceh, Armed Forces of the State of Aceh—the armed wing of the movement) dissolved, and a new organization, the KPA (Komite Peralihan Aceh, Aceh Transitional Committee) took its place to accommodate former GAM combatants. A new phase began in mid-2006, when Indonesia's national legislature passed the LoGA (Law for the Governing of Aceh, *Undang-Undang*

movements to rob civilians, transfer of arms from one side to the other, the avoidance of pitched battles, government soldiers posing as rebels and deserting to the rebels, and, finally, in May 1997, a joint coup by the RUF and elements of the military." David Keen, "Incentives and Disincentives for Violence," in *Greed and Grievance: Economic Agendas in Civil Wars*, ed. Mats Berdal and David M. Malone (Boulder, CO and London: Lynne Rienner Publishers, 2000), p. 35.

²¹ See chapter six of my forthcoming book, *Islam and Nation: Separatist Rebellion in Aceh, Indonesia* (Stanford: Stanford University Press, 2009) for more details.

²² See for example, Edward Aspinall, *The Helsinki Agreement: A More Promising Basis for Peace in Aceh?* (Washington, DC: East-West Center, 2005); Patrick Barron and Adam Burke, *Supporting Peace in Aceh: Development Agencies and International Involvement* (Washington, DC: East-West Center, 2008); *Accord* (2008), special issue, "Reconfiguring Politics: The Indonesia–Aceh Peace Process," ed. Aguswandi and Judith Large; Michael Morfit, "The Road To Helsinki: The Aceh Agreement and Indonesia's Democratic Development," *International Negotiation* 12,1 (2007): 111–43; and Kirsten E. Schulze, "From the Battlefield to the Negotiating Table: GAM and the Indonesian Government, 1999–2005," *Asian Security* 3,2 (2007): 80–98, as well as various reports by the International Crisis Group.

Pemerintahan Aceh). Although it did not meet all demands of GAM and other Acehese political actors, the law substantially altered the structure of relations between Aceh and the central government. Importantly, the law also included new provisions concerning political arrangements and elections. These enabled GAM-aligned candidates to compete as independents in the provincial and district-level executive government elections (*pilkada*) held in December 2006 and over following months. The former GAM strategist and propagandist, Irwandi Yusuf, was elected as governor of Aceh, and by late 2007 GAM-approved candidates had been elected as either *bupati* (district heads) or mayors in ten regions: Aceh Jaya, Sabang, Pidie, Bireuen, North Aceh, Lhokseumawe, East Aceh, West Aceh, South Aceh, and Pidie Jaya. The LoGA also allowed for the formation of local political parties to compete for seats in district and provincial legislatures (local political parties are not allowed in other parts of Indonesia due to legal provisions requiring registered political parties to have branches in a large proportion of provinces and districts across the country). GAM supporters formed Partai Aceh as their electoral vehicle and, as this article goes to press, they are confident of success in the provincial and district legislative elections scheduled to occur as part of national elections in April 2009. Thus, after almost four years of peace, GAM members had not only secured strategic positions in local executive government and were poised to dominate local legislatures, they had also succeeded in maintaining their movement as a political network with many thousands of adherents and, consequently, great needs for funds to finance the network's activities and secure its base.²³

In addition to outlining political arrangements, the Helsinki MoU also included an economic dimension from its inception. Indonesian government officials had seen the conflict as being driven by anger about economic marginalization and had long pursued a policy of trying to co-opt former GAM fighters by offering them economic inducements if they surrendered.²⁴ Such inducements were also built into the peace deal. Thus, the Helsinki MoU states that, "All former combatants will receive an allocation of suitable farming land, employment, or, in the case of incapacity to work, adequate social security from the authorities of Aceh" (item 3.2.5a). There are similar provisions for economic assistance for former prisoners and even for "all civilians who have suffered a demonstrable loss due to the conflict." At the macro level, the MoU also confirmed more generous economic arrangements for Aceh than for other provinces, provisions that had been inherited from a 2001 Special Autonomy Law. As well as granting the province a greater share of its oil and gas revenues than those received by most other provinces, the LoGA also gave Aceh enhanced Special Autonomy Funds equal to 2 percent of the National "General Allocation Fund" (*Dana Alokasi Khusus*) for the first fifteen years after 2006, and 1 percent for the following five years.²⁵

²³ I use "GAM" in this article loosely to refer to the adherents of the movement and the leadership structures that direct them. The key formal institutions through which GAM adherents are currently organized are the KPA and Partai Aceh.

²⁴ Aspinall, *The Helsinki Agreement*, pp. 10–11, 16.

²⁵ Patrick Barron and Samuel Clark, "Decentralizing Inequality? Center-Periphery Relations, Local Governance, and Conflict in Aceh," Washington, DC, The World Bank, Social Development Papers, No. 39 (December 2006), p. 8, available at www.conflictanddevelopment.org/data/doc/en/regCaseStudy/aceh/Decentralizing%20Inequality.pdf, last viewed March 31, 2009.

The implementation of the peace process took place in a context during which there was a tremendous flow of funds coming into Aceh, of a volume and force probably unprecedented in the history of Indonesian development. There are three main sources of funds that GAM actors have been able to tap: post-conflict “reintegration” funds, post-tsunami reconstruction funds, and the development budgets of provincial and district governments. Of these, only the reintegration funds were specifically designed to smooth the transition of former fighters into civilian life and help them to support themselves economically. However, despite the far-reaching promises in the MoU, and the heightened expectations these reintegration funds aroused among ex-combatants and conflict victims alike, they turned out to be the least significant in terms of their quantity: they are discussed in more detail below.

Far greater amounts have been available through the other two sources. Post-tsunami reconstruction brought a massive influx of money into Aceh. The tsunami not only killed approximately 167,000 people in Aceh, it also made an estimated 655,000 people homeless and destroyed basic infrastructure and whole communities, prompting an outpouring of international and domestic reconstruction assistance, funds that Patrick Barron of the World Bank estimates were over twenty times larger than those available for post-conflict reintegration.²⁶ The BRR (Badan Rehabilitasi dan Rekonstruksi Aceh-Nias, Aceh-Nias Rehabilitation and Reconstruction Agency) has been the chief government body charged with coordinating and distributing post-tsunami reconstruction aid, both from the government and from international donors. According to the organization’s website, by the end of 2007 the body had received a total of 57.2 trillion rupiah (approximately US\$5.2 billion), with 25.5 trillion (US\$2.3 billion) of that coming from the national budget and most of the rest from international donors.²⁷ In addition to the BRR and its partner organizations, a large number of local and foreign agencies and NGOs also entered Aceh to carry out reconstruction and rehabilitation work (in September 2005, the BRR put the number at 438²⁸). The influx of reconstruction funds provided multiple sites for predation, both in the key institutions disbursing funds (such as the BRR), where politically connected and technically savvy players could skim off funds or direct projects to favored partners, as well as at the thousands of building sites scattered throughout Aceh, where less sophisticated local actors lacking such political access could still exert pressure directly on those carrying out reconstruction work.

The third source of funding is Aceh’s ordinary development budget, which has also increased substantially since the Suharto era due to a series of general and special autonomy laws passed since 1999—most recently the LoGA. World Bank researchers Patrick Barron and Samuel Clark note that “special autonomy boosted natural resource revenues kept within Aceh by more than 150 times, from Rp. 26 billion (US\$2.7 million) in 1999 (or 1.4 percent of total revenue) to Rp. 4 trillion (US\$421 million) in 2004 (40 percent).”²⁹ They also point out that the enhanced Special Autonomy funds

²⁶ Patrick Barron, “The Limits of Reintegration Programming: Lessons for DDR Theory and Practice from Aceh,” *Small Arms Survey 2009* (Cambridge: Cambridge University Press, 2009) (forthcoming).

²⁷ This is according to the BRR website: http://www.e-aceh-nias.org/donors_partners/source_of_fund.aspx, accessed October 23, 2008.

²⁸ “Aceh: Proyek Rehabilitasi Rawan Dikorupsi,” *Kompas*, September 14, 2005.

²⁹ Barron and Clark, *Decentralizing Inequality?*, p. 7

provision of the LoGA would bring in “an approximate extra Rp. 4 trillion per year (over US\$421 million), around one-third of Aceh’s revenues.”³⁰ Total regional expenditure thus almost quadrupled, from 1.2 trillion rupiah in 1999 to 3.99 trillion in 2005.³¹ In 2008, the sum was even greater, with a provincial budget of 8.5 trillion rupiah (approximately US\$770 million), and a further projected increase to 9.8 trillion in 2009.³² District governments have also had dramatic increases in their budgets. This increase of funding has brought with it corresponding increases in local government spending on infrastructure and social welfare.

GAM’s Post-Conflict Fund-Raising: Broad Patterns

This infusion of funds into the province also provided opportunities for GAM members to benefit economically both from targeted economic assistance and from predation.

Those taking advantage of the opportunities range from the highest leaders of the movement down to the ordinary individual ex-combatants in the villages. Since the transition to peace, GAM has largely kept in place the strictly hierarchical territorial organization it developed during the war years. In particular, the KPA replicates almost exactly the structure and terminology of the old TNA. Under the senior commander of the KPA are the *panglima wilayah* (territorial commanders), each with authority over ex-combatants in an area roughly equivalent to a *kabupaten* (district) in the government’s system. In turn, under each *panglima wilayah* are four *panglima daerah* (regional commanders) who, in turn, oversee several *panglima sagoe* (*sagoe* commanders), each of whom is responsible for several villages or *gampong*. In this way, all of Aceh’s territory is divided and subdivided into progressively smaller territorial units.

The scale of economic activities engaged in by former GAM combatants roughly follows their position in the movement’s steeply pyramidal structure. At the apex are those for whom all of Aceh is their economic arena: people like Muzakkir Manaf, the head of the KPA and former supreme commander of the TNA, and Sofyan Dawood, former TNA commander in North Aceh and former KPA spokesperson. Both individuals are widely understood to be involved in winning high-level contracts and in feverish lobbying and brokerage activities with major state-owned enterprises, politically connected private companies in Jakarta, and foreign (usually Chinese and Malaysian) investors in mining (especially coal, iron ore, and lead), electricity generation (coal and geothermal), and similar fields. Moving down through the structure, GAM and KPA leaders target progressively smaller-scale economic activities in the areas they control, finishing with the *panglima sagoe*, influential KPA members and ordinary toughs who try to extract resources from whatever government agencies or NGOs carry out reconstruction or development activities in their *gampong*.

³⁰ Ibid, p. 8

³¹ World Bank, *Aceh Public Expenditure Analysis: Spending for Reconstruction and Poverty Reduction* (Jakarta: World Bank, 2006), p. 51. Figures are in constant 2006 prices.

³² “RAPBA Disahkan,” *Serambi Indonesia*, May 31, 2008; “Hasil Sidang Paripurna DPR: APBA 2009 Disetujui,” *Serambi Indonesia*, January 30, 2009.

With this background in mind, it is helpful, as a starting point of our analysis, to outline several modes of economic behavior by which former GAM members have gained access to funds in the post-conflict period.

1. *Return to prior economic activity.* An unknown proportion of GAM fighters are returning to the economic activities they were engaged in prior to the conflict, which for many of them was farming or petty trade. During my field trips, I met with many former GAM fighters who have returned to farming or other manual labor. Indeed, a World Bank survey conducted in 2008 found that 85 percent of former Acehese fighters surveyed were engaged in full-time employment, whereas the figure for ordinary civilians surveyed was 78 percent.³³ However, many former combatants do not see returning to this lowly economic status, which so many experienced before joining GAM, as a desirable state of affairs. Talking to such people, one often hears angry denunciations of the “failure” of reintegration and the peace process; the chief complaint of these men is that their individual economic situation has not significantly improved. During the conflict, though few GAM fighters became personally wealthy, many of them found that joining the movement was a way to earn respect in the *gampong*. Young men who were unemployed or poor and who were used to being ordered around by their social betters suddenly found themselves with weapons, at the center of an exciting political venture, and with a new ability to tell others what to do. In the post-MoU phase, obtaining money is the key for preserving their improved social status. As one NGO leader with close experience of GAM contracting activities explained:

Ex-combatants want money, and they use it for consumption. Most of them used their [reintegration] money to get married, buy a motorbike, a handphone, a TV, or a house, or to get their house upgraded. This is because their great social need is to be respected in the community. They want to be acknowledged. That’s why they joined GAM in the first place. If you talk to them about peace education, or peace transformation, they are not interested. Their needs are immediate and material, [and they seek to fulfill them] as a way of improving their social status. The only thing that can take them out of their current situation of feeling socially disadvantaged is wealth. They don’t want to be always bossed around [*disuruh-suruh*] by others, they want to boss others around. Society is still feudal. It’s only rich people who are acknowledged in the *gampong*. People who come back to the village after going away to work [*merantau*] without becoming rich are viewed as failures. You’re nobody in the *gampong* if you don’t own a car.³⁴

This outlook has propelled many in GAM to try to rapidly acquire private wealth in the post-conflict period.

2. *Direct grants and economic assistance.* In order to speed the process of post-conflict “reintegration,” the Indonesian government, with support from the international community, paid cash grants to former GAM combatants. However, while international donors have had great influence over the disbursement of tsunami aid, and contributed much of the funds, to a large extent the Indonesian government itself maintained control of this reintegration process, with relatively few of the payments

³³ Barron, “Limits of Reintegration Programming.”

³⁴ Confidential interview, Banda Aceh, August 18, 2008.

being made or organized by international bodies.³⁵ The key body for the distribution of such grants has been the BRA, Badan Reintegrasi Damai Aceh, or Aceh Reintegration Agency. By mid-2008, the BRA had received from the central government in the vicinity of a total of 1.3 trillion (approximately US\$118 million), an amount which, though less than promised by the government, was still significant.³⁶ This amount covers various reconstruction and compensation activities (e.g., compensation payments to family members of individuals killed in the conflict and payments for reconstruction of burned houses). Although none (or few) of the land grants envisaged under the MoU have been made, there have been substantial cash payments, both to individual ex-combatants and to the KPA as an organization, as well as to cooperatives under its control.

During the first phase of the peace process, the disbursement of “reintegration funds” to ex-combatants was controversial. The Helsinki MoU put the number of GAM fighters to be demobilized at three thousand, but the actual number was much higher. GAM leaders also claimed they needed money to support GAM widows, orphans, and other conflict victims in their base areas. The movement was reluctant, however, to provide the government with lists of its members, which the government claimed was necessary to ensure that the funds were distributed in a fair and transparent manner. These circumstances produced an extended controversy about whether payments should be made to the three thousand individual combatants (the government’s view) or to the KPA, whose representatives would then divide the money up as they saw fit. In the end, a messy compromise was reached by which money was distributed via local KPA leaders who had great discretion in the disbursement of the funds, dividing the amounts up among the larger number of beneficiaries for whom they felt responsible.³⁷ It is also widely understood that parts of these funds were set aside to help cover the operational costs of GAM/KPA and of their political campaigning. At least in the view of some ordinary ex-combatants, portions of this money were also privately consumed by KPA commanders and other GAM elites, or used to support their business activities. These patterns of distribution meant that the sums respective individual ex-combatants received varied greatly, a situation that partly accounted for the popular view among ex-combatants that reintegration had “failed” and that they had somehow been cheated (though they typically blamed the government, not their own leaders).

In addition to these reintegration funds, there have been other sources for direct transfers of funds to GAM networks. The BRA has provided some direct subsidies to the KPA. Various forms of assistance have also been provided to cooperatives and other ventures under the KPA umbrella, with the aim being to support income-generating projects and training programs for KPA members and others in GAM-dominated communities. For instance, BRR provided large sums to a network of KPA-affiliated cooperatives for livelihood support, with relatively little oversight of the use

³⁵ Barron and Burke, *Supporting Peace in Aceh*.

³⁶ Interview with BRA official, Banda Aceh, August 31, 2008.

³⁷ Barron and Burke, *Supporting Peace in Aceh*, p. 39. See also International Crisis Group, *Aceh: Now for the Hard Part* (Jakarta/Brussels: International Crisis Group, Asia Briefing No. 48, 2006), pp. 6–8; and *Aceh: Post-Conflict Complications* (Jakarta/Brussels: International Crisis Group, Asia Report No. 139, 2007), pp. 8–13.

of these funds (according to one confidential source, the money provided amounted to 1.5 billion rupiah each to about twenty cooperatives, a sum totaling approximately three million US dollars).³⁸ Since the 2006 local executive government elections, GAM-affiliated *bupati* in various districts have also supported land grants and other assistance programs to GAM-affiliated cooperatives or individuals, though many of these schemes are still being negotiated through Indonesia's labyrinthine bureaucracy and, at the time of writing, few have yielded fruit.

3. *Targeted employment.* GAM actors have also gained access to economic resources during the post-conflict phase by arranging to have GAM members and allies hired in various government agencies. The key body in this regard has been the BRR, per the Helsinki MoU provision (1.3.9): "GAM will nominate representatives to participate fully in all levels of the commission established to conduct post-tsunami reconstruction (BRR)." One BRR staffer interviewed in November 2007 estimated that there were approximately five hundred former GAM members employed in BRR; another interviewed in August 2008 said that about 10 to 20 percent of BRR staff were GAM members. In fact, few GAM members had the professional skills needed for high-level white-collar employment, but those who were skilled could expect that their GAM affiliation would prove to be an asset. In the BRR, a few individuals were promoted to important managerial posts. The main figure was Teuku Kamaruzzaman, a man who, before joining GAM in the late 1990s, was a contractor and a member of a politico-bureaucratic family in Lhokseumawe. Kamaruzzaman became second-in-charge in BRR as secretary of its executing agency. A number of former exiles who had attained education and professional skills overseas also came to occupy significant managerial posts in BRR. Some important GAM leaders, such as the GAM "prime minister" Malik Mahmud, the senior GAM figure Muhammad Lampoh Awe, and Muzakkir Manaf, were also given positions with euphemistic job descriptions (such as "mass communication") and drew large salaries of 25–35 million rupiah (US\$2,200–3,200) per month while rarely, if ever, coming into the office.³⁹ When these salaries were added to earnings from similar advisory or honorary positions in other government agencies, the sums added up to considerable private incomes for GAM leaders. The majority of GAM members employed in BRR were in lowly positions, as security guards or in monitoring and evaluation teams. More important for GAM's financial operations was the access to informal sources of funds and control over allocation of construction projects that the positions in BRR provided.

4. *Pajak nanggroe and security fees.* After the Helsinki MoU, GAM/KPA leaders also continued to employ the main method they had used to raise money during the conflict years: levying fees, or *pajak nanggroe*, on other economic actors in areas they controlled. There are various modus operandi in the levying of such fees. Typically, this type of extortion targets construction or other projects, with demands for sums in the vicinity of 10 percent of a project's value. Such demands are usually accompanied by explicit or implicit threats of violence. This pattern became so open in early 2007 that the new governor, Irwandi Yusuf, and various GAM-affiliated *bupati* and mayors

³⁸ Confidential interviews, Banda Aceh and Lhokseumawe, August 2008.

³⁹ Interview with senior BRR staffer, October 31, 2007.

repeatedly and publicly ordered their followers to stop levying *pajak nanggroe*.⁴⁰ By middle to late 2008, the term *pajak nanggroe* was rarely used by former fighters, and local KPA commands had issued orders to their members to stop using intimidation.⁴¹ This did not mean, however, that GAM actors were no longer extracting levies. Often they simply used different phrases, such as “fee” (in English) or *persen* (percent), when issuing their demands. Now, they often say they need money to pay for the upkeep of orphans, widows, and other conflict victims. Occasionally, they say they need the money to pay for Partai Aceh activities.⁴² Most commonly, however, direct payment of fees is made in exchange for “security” and is typically explained and discussed in these terms, or in terms of “cooperating” with and providing economic opportunities for the “community.” KPA leaders typically say that, in their base areas, where KPA men monitor and control the comings and goings of people in the *gampong*, active participation by these guards is essential to prevent theft of project materials and other disruptions by outsiders. In reality, of course, it is usually these same men who are the source of the threats, intimidation, destruction of property, and violence that endanger projects and the staff who run them. In effect, these fees are thus levied as part of a protection racket. Levying of fees also often takes place in conjunction with efforts to win construction contracts or supply materials for building projects, a pattern of activity that is discussed below.

5. *Private business activities.* GAM members have also become active in business. By far the most important sector for the network is construction, which is discussed in much greater detail later in this article. Other important sectors include trade, mineral exploration and mining, electricity production, and agriculture and plantations. Thus, Muzakkir Manaf’s Pulo Gadeng company over the last two years has either been involved in, or has announced ambitious plans to be involved in, activities as diverse as the importing of cars and the exporting of agricultural products, construction of a light steel factory, establishment of an animal feed mill and a plastics factory, the upgrading the Malhayati port, and banking.⁴³ What most such activities have in common is that they depend on political connections. This is especially the case with construction, as we shall see, but it also applies to the other sectors. Thus, former rebels who get involved in trade often do so by bidding to become suppliers for *dinas* (bureaus or divisions of regional government), especially those with the biggest budgets, such as health and education. Those who become involved in mineral exploration and mining do so because they can help mining companies acquire government licenses, and so they enter into joint ventures with, or act as brokers for,

⁴⁰ “Mantan GAM Dilarang Kutip Pajak dan Memeras,” *Analisa*, April 13, 2006; “Ilyas A. Hamid: Stop, Pemerasan terhadap NGO,” *Serambi Indonesia*, March 8, 2007; and “Tak Boleh Lagi Ada Pajak Nanggroe,” *Serambi Indonesia*, March 17, 2007.

⁴¹ One such directive in the possession of the author is dated June 1, 2008, and was issued by the KPA in the *wilayah* of Batee Iliak (Bireuen). It bans individuals from making threats or using the name of the KPA, GAM, or Partai Aceh in lobbying to win projects for their personal benefit. However, it also requires KPA people who do win projects to provide 5 percent of their value to the organization.

⁴² Field notes, East Aceh, Lhokseumawe and Bireuen, August 2008.

⁴³ George Junus Aditjondro, “Profiting from Peace: The Political Economy of Aceh’s Post-Helsinki Reconstruction,” INFID Working Paper no. 3, 2007, p. 18. See also “Pengusaha Lokal Sambut Kran Investasi,” *Serambi Indonesia*, April 9, 2007; “Pabrik Kerangka Baja akan Dibangun di Aceh,” *Serambi Indonesia*, January 13, 2007; and “Jelang Penyerahan Aset BRR BPK Pertanyakan Pengadaan Rangka Baja Rumah Rp 59,6 M,” *Serambi Indonesia*, August 4, 2008.

well-established national companies or foreign investors. Those who seek to become involved in agriculture (especially the booming oil-palm plantation sector) do so by seeking access to government-organized land grants or licenses, or by attaining money provided to KPA-linked community cooperatives. Thus, even most lower-level KPA members who are struggling to set up marginal enterprises often depend at least indirectly on the political position of the movement as a whole and the privileged access to state-controlled resources that this brings.

6. *Clientelistic distribution within GAM networks.* GAM/KPA members who are suffering financially or lack promising economic opportunities of their own regularly approach their superiors in the hierarchy to ask for cash handouts or other assistance, or they are provided with such support as a matter of course. In Aceh, it is easy to visit the offices or homes of senior GAM figures-turned-government-bureaucrats like Teuku Kamaruzzaman, Irwandi Yusuf, or any of the GAM-affiliated *bupati* and see large numbers of former combatants, family members of deceased combatants, conflict victims, and other supplicants waiting in the guest rooms, usually prepared with (typically very genuine and moving) stories of personal woe and hardship, ideas about economic projects, and hopes for remuneration. As one senior BRR staff member told me:

Ampon Man [Teuku Kamaruzzaman] constantly has to deal with GAM people coming in and asking him for money. Some of them go away disappointed, slamming the door. He's constantly shelling out 300 thousand rupiah [approx. US\$27] for transport money just so they will go home. They say he spends ten million a day [US\$900] on this sort of thing.⁴⁴

In fact, these former GAM leaders-turned-officials often find this dynamic causes them serious problems. When I asked the new *bupati* of East Aceh, the renowned former guerrilla leader Muslim Hasballah, to explain the greatest challenges he faced in office, he was blunt:

The biggest one is, in fact, facing the demands from ex-combatants who don't understand how the government and its regulations operate. They assume that once I have become *bupati*, then everything is in my hand to give away and be decided. All I can do is explain to them how things stand: that we are tied by government rules and regulations. Most of them can accept this. Some find it difficult to accept and get angry. They say things like: "We used to be in the forest together, if there was food we ate it together, if there was none we went hungry together. Now you have shiny shoes, have a car." I have to explain that all of these things are owned by the people, that they are just facilities which I am using temporarily as a government officer.⁴⁵

This dynamic operates at every level of the GAM/KPA structure. Every moderately successful *panglima sago*, KPA treasurer, or GAM businessman faces regular requests for payments from needier members of the movement. Thus, one small-scale religious leader and businessman in East Aceh with KPA links explained to me that he doles out approximately one million rupiah per day (approx. US\$90) in response to requests

⁴⁴ Confidential interview, Banda Aceh, October 31, 2007.

⁴⁵ Interview, Langsa, November 14, 2007.

from local ex-combatants, who come to him for help in paying debts, setting up small businesses, or simply meeting their daily needs. This can be an exhausting and even frightening experience for many of those targeted by such requests, especially when, as sometimes happens, the requests are accompanied by angry denunciations and threats of violence. However, it is also by distributing economic largesse in the form of money and contracting and other opportunities downward through the GAM network that its more senior and prosperous members establish their personal authority and influence, establishing chains of economic dependence to reinforce the hierarchical discipline that has long been a feature of GAM.

In concluding this brief summary of economic strategies commonly adopted by former combatants, it is worth stressing that in Aceh the language of peace-building has been appropriated to justify the various predatory economic behaviors discussed above. NGO workers and government officials in Aceh routinely say, at least privately, that ex-combatants need to be provided with meaningful employment and other economic opportunities if they are to be successfully reintegrated into society and not revert to rebellion, and that this justifies turning a blind eye to corruption or extortion. KPA commanders and other ex-combatants sometimes often use more earthy language to describe the same dynamic: one often hears from them phrases like “if our stomachs are not filled, Aceh will soon be at war again.” Many peace-building and reintegration programs, meanwhile, are merely thinly camouflaged forms of rent-seeking. Despite the irenic language, it should already be obvious from the above discussion that GAM actors have relied above all on their longstanding powers of intimidation, and on their newfound political influence, to prosper economically in post-conflict Aceh, as a study of the construction industry also shows.

Building Relations and Winning Contracts: How the Construction Sector Works

Before discussing how GAM members have transformed themselves into construction contractors, it is helpful to explain how the construction sector works. This sector forms a large part of Aceh’s post-tsunami economy. Thus, according to the head of the Aceh branch of the Institute for the Development of Construction Services (Lembaga Pengembangan Jasa Konstruksi, LPJK), Nova Iriansyah, in 2007 alone the total money circulating in Aceh from the national budget (APBN, Anggaran Pendapatan dan Belanja Negara), regional budgets (APBD, Anggaran Pendapatan dan Belanja Daerah), and BRR was approximately thirty trillion rupiah, of which about twelve trillion (approx US\$1.1 billion), or 40 percent, was allocated to pay for construction activities.⁴⁶ Little wonder, then, that the number of players is considerable. The website of the LPJK puts the total number of contractors in Aceh at 3,800.⁴⁷ However, this is a steeply hierarchical world. According to the system of contracting and tendering established by the key central government regulation on procurement,

⁴⁶ “60 Persen Dana Rekonstruksi Aceh Mengalir ke Luar,” *Serambi Indonesia*, April 13, 2007. Of this money, Nova Iriansyah estimated that about 60 percent of it ended up leaving Aceh because contracts were won by outside contractors or because of the need to purchase material and employ consultants and labor from outside the province.

⁴⁷ See http://www.lpjk.org/modules/statistik/badan_usaha/2008/propinsi_golongan.php, accessed March 12, 2009. This is with a breakdown of 3,189 companies categorized as small, 597 as medium, and 14 as large.

Keppres No. 80 of 2003 (a Presidential Decree on “Guidelines for the Implementation of Government Procurement of Goods and Services”) and its various implementing regulations, companies are divided into seven different grades. The lowest grade companies can only bid for the smallest contracts, while grade-six contractors can work on contracts valued up to 25 billion rupiah (US\$2.1 million) and grade-seven companies can bid for contracts over 25 billion. To move up through the grading system, contractors must meet various requirements: they must show that they have appropriate work experience and a record of success in past projects, and they must demonstrate that they have appropriate management systems, sufficient reserves of capital (which they need to begin work on any government project, as the first payment is usually made only after 30 percent of the work has been done), and so on. Typically, it takes at least ten years for even a highly successful and professional contractor to reach grade six. Of the large number of contractors in Aceh, only a tiny proportion of them have qualified for grades six and seven. According to a Department of Public Work official’s estimate, only about 1 percent of local companies (about fifty enterprises in total) are able to compete with outside contractors for projects valued at over five billion rupiah. Local firms win 30 to 40 percent of those big contracts, with the remainder typically being won by big companies from Jakarta (often state-owned companies, BUMN, Badan Usaha Milik Negara) or by foreign construction companies cooperating with Indonesian firms. On the other hand, at the lower levels, contracting is virtually an Acehnese-only affair.⁴⁸

When it comes to awarding contracts, under the system established by Keppres No. 80 of 2003, there is a process of tendering. *Penunjukan langsung*—direct appointment without a tendering process—is generally only allowed for relatively small contracts valued at under 100 million rupiah.⁴⁹ Tenders are announced publicly in newspapers, and the *panitia pelelangan*, or tendering committee (whose members must be properly certified public servants), rank the bidding companies on the basis of both the amount and the quality of their bids. The decision to award a contract is then made by the *pejabat pembuat komitmen* (commitment-making officer), who is appointed by the *kepala dinas*, the head of the government bureau commissioning the work.⁵⁰

In theory this is an open and transparent process for awarding contracts. In fact, it is an open secret in Aceh—as in other parts of Indonesia—that the tendering process is shot through with manipulation. The central dynamic here links those offering contracts (the *panitia pelelangan*, the *kepala dinas*, and officials who appoint them, as well as, usually, the local government head—the *bupati*, mayor, or governor—who is at the apex of the system) with those bidding for them, the contractors. Payment of fees and the trading of political influence are virtually ever-present ingredients in these decisions regarding contracts. Winning contractors routinely pay fees to those on the

⁴⁸ Confidential interview, Lhokseumawe, August 23, 2008.

⁴⁹ This is according to *Keputusan Menteri Permukiman Dan Prasarana Wilayah Nomor : 339 /Kpts/M/2003 Tentang Petunjuk Pelaksanaan Pengadaan Jasa Konstruksi Oleh Instansi Pemerintah*, Section III B (3).

⁵⁰ For a discussion of the role of the *pejabat pembuat komitmen*, see Toni S.H., “Revitalisasi Panitia/Pejabat Pengadaan,” December 20, 2006, Indonesia Procurement Watch website (<http://www.iprocwatch.org/?pilih=lihatopini&id=11>). The relevant regulations are *Peraturan Presiden Republik Indonesia Nomor 8 Tahun 2006 Tentang Perubahan Keempat Atas Keputusan Presiden Nomor 80 Tahun 2003 Tentang Pedoman Pelaksanaan Pengadaan Barang/Jasa Pemerintah* and *Undang-Undang Republik Indonesia Nomor 1 Tahun 2004 Tentang Perbendaharaan Negara*.

panitia pelelangan or to their superiors or associates. These fees are often called *jatah pimpro* (the project leaders' "share": *pimpro*, or *pimpinan proyek*, was the term used for the officials who were in charge of commissioning and overseeing projects before Keppres No. 80). When I interviewed them, anti-corruption NGO activists, GAM businesspeople, and junior bureaucrats made varying estimates of the amounts paid by the winning bidder as *jatah pimpro*, but most of these estimates fell in the same approximate range: 10 percent of the project's total cost. Usually this money is paid by the winning company via an intermediary, and then part of that money is "*disetor ke atas*" (literally: "deposited higher up"): in other words, the officials who receive the money then make payments to their superiors, with part of the money making its way up to the *kepala dinas*, and then to the regional government head. In exchange for such fees, the officials' superiors provide those lower down with political support and assist their promotion upward through the bureaucratic hierarchy.⁵¹ Bureaucrats involved directly in awarding contracts can also secure their positions by granting other favors to their superiors, notably by directing contracts to their relatives or associates.

Although it is conventional wisdom in Aceh that *jatah pimpro* payments are made in most tendering processes, few of my informants who were directly involved in deciding on or bidding for tenders told me directly that this was how the system worked. While I cannot verify the accuracy of their claims, they typically instead described a looser set of exchange relations, using terms like *melobi* (lobbying) and *membangun relasi* (building relations). Big contractors typically say that being able to "mix with all kinds of people," having "*pergaulan luas*" (wide social relations), and being able to "bridge all sides" are keys to their success. In short, this is a world where, in order to be successful, a contractor must invest not only funds but also a considerable amount of time and energy in getting to know all manner of bureaucratic and business players who might one day be useful, and distributing lots of petty and informal favors and gifts in all directions. To the extent that most contractors admit making direct payments to officials, they typically talk about doing things like paying for entertainment or travel costs for them.

One senior GAM member, who is a successful contractor on the east coast, explained the system in very direct language:

We don't give *jatah pimpro*. There's no rule of that sort. But in reality it's not so different. Instead it's lobbying. It just depends on how clever we are at making promises to him, that's all. You have to have insiders, people in the tendering committee or among the *kepala dinas*. You approach the people in the committee. As the Batak people say: "to know someone is to love him, if you don't yet know them, you won't yet love them." You have to know them. The key is you have to know the character of the people there. For example, if one likes girls on a Saturday night, then we'll take him to Medan on Saturday night. We'll take him to a hotel and give him a woman so that tomorrow he'll love us. If he likes entertainment, we'll give him entertainment. If another one likes fighting cocks, I'll go out and buy him a big rooster in a cage and bring it round to his house on a

⁵¹ Two former GAM *bupati* I interviewed explained that they were puzzled early on during their terms of office when *kepala dinas* began to make unexplained payments to them—payments they said they refused. Presumably, these monies flowed upward according to the general pattern of project allocations described here.

Sunday. If another likes to eat venison, we go and find venison and bring it to him. The key is that we must be able to read the character of other people. He won't ask for it: we need to be able ourselves to know what he likes. That's the general pattern. And how much does all this cost? Well if the project is one billion, then 100 million is pretty reasonable. That's not a written rule but, yes, it's about 10 percent.⁵²

Another contractor, the owner of a substantial company, made similar remarks:

Actually there's no such thing as a set fee, say 10 percent of the contract cost. That's not how it works. Instead, if they [i.e., government officials] have a meeting, then we have to support them, if they want to go to Jakarta, then we support them. The philosophy of the entrepreneur is we have to be close to the government leaders. There must be synergy.⁵³

One expression of this synergy is that contractors in Aceh, as in other parts of Indonesia, often play an important role in supporting candidates for executive office in *pilkada* campaigns, frequently as members of their *tim sukses* (success teams). Samuel Clark and Blair Palmer, in their excellent study of Aceh's 2006 *pilkada*, note the prevalence in *tim sukses* of "contractors and businessmen, people who were already enmeshed in neopatrimonial networks with government figures, and used to pragmatic deal-making."⁵⁴ The *tim sukses* members expend their own financial resources in building networks and distributing material incentives down to the village level to build support for their candidate, with the hope "that their assistance would be repaid by political or material favors."⁵⁵

Because of the highly political nature of the contracting world, virtually all actors with political influence are able to stake a claim in it. Take, for example, legislators in the DPRD (Dewan Perwakilan Rakyat Daerah), the Regional People's Representative Councils, at both the provincial and *kabupaten/kota* levels. They have influence in the contracting process both because of their ability to set—in negotiation with the executive government—the regional development budgets and their spending priorities, and because they have political leverage over the executive government. Obstreperous legislators can make life difficult for local government heads and *kepala dinas*: they can alter budget allocations and so block favored programs, or they can delay budgets and other legislation and launch investigations into government

⁵² Confidential interview, August 26, 2008.

⁵³ Confidential interview, East Aceh, August 18, 2008.

⁵⁴ Samuel Clark and Blair Palmer, "Peaceful Pilkada, Dubious Democracy: Aceh's Post-Conflict Elections and Their Implications," Jakarta, World Bank, Indonesian Social Development Paper No. 11 (2008), p. 27, available at www.conflictanddevelopment.org/aceh/aceh_page.php?id=420, last viewed March 31, 2009.

⁵⁵ Ibid, p. 28. In the December 2006 elections, contractors tended to be less prominent in GAM candidates' *tim sukses*, partly because these election campaigns were run from within KPA structures, but perhaps partly also because the development of relations between contractors and GAM was still at a relatively early stage. In some areas, however, contractors did provide money to GAM candidates, with a clear expectation of quid pro quo if the candidate were victorious. In at least one *kabupaten* where a GAM candidate did win and where I conducted research, however, the *tim sukses* entrepreneurs were not rewarded with contracts because the new *bupati* thought that repaying support with economic opportunities in this way was corrupt: a senior GAM member who had acted as a broker in securing donations from about ten wealthy local contractors related bitterly to me how embarrassed he felt as a result, and how this would harm future fund-raising efforts.

mismanagement or abuse. The executive typically makes direct payments to the DPRD representatives (for instance, when it wants them to pass important regulations, such as regional budgets), but rewards can also come in the form of projects for favored contractors.⁵⁶ Thus, Acehese legislatures—as in other parts of Indonesia—have attracted large numbers of people who have backgrounds as contractors. For example, after the 2004 election, twenty of the twenty-five newly elected South Aceh DPRD members—80 percent—turned out to be contractors.⁵⁷ One of Aceh's largest contractors estimated that about 20 percent of all DPRD members in Aceh have a contracting background; a Department of Public Works staff member said he thought it was more like 60 to 70 percent.⁵⁸

Other persons able to stake a claim in the world of contracting are from the state's security forces. During the conflict years, it was widely known that the TNI extracted massive rents from all manner of legal and illegal businesses in the province.⁵⁹ It is possible to find visible evidence of the influential role that TNI officers played in the construction sector on the walls of the offices of many influential contractors in Aceh, which are often covered with pictures of the contractor posing with this or that senior military officer. Most observers agree that TNI business activity in Aceh has receded since 2005, though how far is not clear. The police are even more prominent in business, at least according to the daily gossip in the coffee shops where contractors, government officials, and KPA men gather to swap stories and strike deals. Some contractors and government officials I interviewed mentioned cases where police were able to claim projects for themselves by launching corruption investigations against suspect government agencies; the investigations ended once new projects were directed to the police officers in question. All players know that it is important to stay on the good side of actors with the power to punish (judges and, especially, prosecutors fall into the same category).

Finally, contracting and tendering can also involve all sorts of cooperation among private companies that, ostensibly at least, are competing for the same limited set of projects. There are several modes of cooperation possible in such cases. For instance, a group of companies might bid for the same project and end on the tendering short list, then all but one will withdraw, with the winner either making payments to the others or striking an agreement that they will take turns as winners in the future (the phrase used for this in Aceh is *intat linto: antar pengantin*—literally, “accompanying the bride/groom”). Another common technique is the lending and borrowing of

⁵⁶ For a description of one recent scandal, see Suryadi, “Terkait Pembagian Proyek: Giliran Rakyat Menjadi Agunan,” *Modus Aceh*, Week 3, June 2008, p. 3. The story reports on intervention by DPRD members in Bireuen to direct fifty-eight *penunjukan langsung* projects valued at between 27 and 100 million rupiah each to favored *rekanan* (partners). One local anti-corruption investigator suspected that the contracts were offered as a pay-off during a protracted dispute between the executive and the DPRD over the *kabupaten* budget.

⁵⁷ At the DPRD's opening session in 2004, the speaker jokingly remarked that he hoped that those with such “double professions” would be able to “carry out their work with better quality” because of the experiences they would gain in the DPRD. “80% Anggota DPRD Aceh Selatan Didominasi Kontraktor,” *Waspada*, September 4, 2004.

⁵⁸ Confidential interviews, East Aceh and Lhokseumawe, August 25 and 28, 2008.

⁵⁹ Lesley McCulloch, “Greed: The Silent Force of the Conflict in Aceh,” in *Violence in Between: Conflict and Security in Archipelagic Southeast Asia*, ed. Damien Kingsbury (Clayton: Monash Asian Institute, 2005), pp. 203–27.

companies (discussed in more detail below) to allow poorly qualified contractors to bid for projects at a higher grade. Especially important in the system established under Keppres No. 80 of 2003, which aims to reduce corruption in government procurement, is the role of supervisory consultants (*konsultan supervisi* or *konsultan pengawas*). These consultants are employed to check on the progress of a project and ensure it is running on time and in accordance with project specifications. The government agency commissioning a project will pay each installment to the contractor only after receiving positive reports from the *konsultan supervisi*. Such consultants are typically paid 10 percent of the project cost to perform this task, and in large projects these consultancy roles are also awarded by tender. However, according to one leader of a local anti-corruption group, such consultants' reports are "80 percent lies" because the consultants receive payments on the side from the contractor working the project.⁶⁰

Because so many fees and commissions are extracted from available construction funds at every stage, very few projects are completed well (to pay for all the fees, contractors skimp on material and equipment). Manipulation of the consultants' reports allows contractors responsible for late projects, poor-quality projects, and even *proyek fiktif* (fictional projects: i.e., projects where no work at all is done) to still receive payment in full by the government.

In sum, the world of contracting is one in which a great variety of actors from the executive government, security forces, law enforcement agencies, the legislature, and business are bound together by tight webs of mutual dependence, exchange of resources and of favors, and of the potential threats they represent to each other. This, in short, is the world of *membangun relasi*: a world where rivalries and competition do occur, but where the key to business success is the ability to build wide networks of influence and familiarity.

Combatants in the Construction Sector

Since the Helsinki MoU, many GAM actors have entered into this system of construction contracting at all levels. At the upper level are the central leaders of the movement who bid for major contracts awarded by the provincial government, the BRR, or even the national government. One of the largest such projects, funded from the national budget, was valued at over 24 billion rupiah (approx. US\$2.2 million) and involved the construction of a major bridge in the city of Lhokseumawe; the contract was won by Muzakkir Manaf and his Pulo Gadeng company.⁶¹ Pulo Gadeng also won a BRR project of about the same value to construct metal frames for tsunami houses in Calang on the west coast.⁶² In addition to these spectacular cases, almost *all* KPA commanders at all levels of the organization's structure are engaged in the search for *proyek* and contracts, targeting the level of government where they can wield the most influence. Thus, while most of the better-connected *panglima wilayah* bid for large

⁶⁰ Interview with Akhiruddin Mahjuddin, Banda Aceh, August 30, 2008.

⁶¹ See "Jembatan Cunda Mulai Dibangun," *Serambi Indonesia*, March 28, 2007; and "Jembatan Cunda Mulai Dibongkar," *Serambi Indonesia*, April 14, 2007.

⁶² "Jelang Penyerahan Aset BRR BPK Pertanyakan Pengadaan Rangka Baja Rumah Rp 59,6 M," *Serambi Indonesia*, August 4, 2008. This project was poorly executed and ran very late, leading to a BPK audit and a fine of one billion rupiah.

contracts awarded by the BRR or the provincial government, those at the *panglima sago* level and below typically target smaller contracts, which can be allocated by *kabupaten* and *kota* (urban municipality) governments by *penunjukan langsung* (direct appointment). For those at the lowest level—the level occupied by the ordinary ex-combatant—the construction sector also has considerable absorptive capacity because much of the manual work involved can be performed by people with low technical skills, education, management experience, or capital. As a result, a large proportion of former combatants are involved in *proyek* (as one illustration, a senior KPA figure in the district of Aceh Besar estimated that about 25 to 30 percent of the three thousand former combatants in that district had at least some employment or other involvement in construction projects⁶³).

GAM actors who seek to become significant players by winning contracts face two obvious challenges. First, their lack of capital, experience, and know-how is a significant obstacle to establishing high-grade construction companies or carrying out sophisticated construction work. Few of them have high school diplomas, let alone engineering degrees. Almost none has the money they need to complete the first 30 percent of a project, which is required before the government will pay the first installment of the project fee. Second, they have to deal with the corrupt system for allocating contracts described above, in which relations between key players are already established. On the other hand, GAM contractors *do* have access to political power, and they can mobilize the intimidating muscle power of their followers. These two resources have allowed them to insert themselves into the construction sector in ways that, if traced, illuminate its underlying dynamics.

Political Influence

Most construction contracts are awarded by government bodies. Allocation of contracts is therefore susceptible to political pressure and influence. One of Aceh's most senior established contractors explained to me that it was easy to see why GAM was moving into contracting: "They have no skills in construction, but they have power. The best way to make money fast in Indonesia is contracting. If you have a contract, then you have work. So this is why many of the contractors make friends with or combine with the power of the former GAM people in order to get contracts."⁶⁴ One term that many contractors and GAM people use to explain the attraction of contracting is that it is a source of "*uang instan*" (instant money), at least for those with political connections.

As already explained, GAM leaders and their allies have won considerable political influence in the post-Helsinki-MoU period. They began to leverage this influence to succeed in the construction industry even before their victories in the December 2006 *pilkada*. As soon as GAM fighters began to come down from the hills, canny government officials in areas where the movement was formerly strong began to offer them economic assistance and business opportunities, in the hope of obtaining their political support. Darwis Djeunib's involvement in construction, mentioned at the

⁶³ Interview with Tgk Muchsalmina, Banda Aceh, August 29, 2008.

⁶⁴ Confidential interview, East Aceh, August 18, 2008.

beginning of this article, began in this period. Even in some districts won by non-GAM candidates in the 2006 *pilkada*, local governments have continued to allocate contracts to local KPA members. For example, in the district of Aceh Barat Daya, there were reports that the non-GAM *bupati* allocated twelve billion rupiah (around US\$1.1 million) in contracts to companies linked to the KPA. Presumably partly as a result, he won the support of the main local KPA commander in a public dispute about land allocations that threatened to remove him from office.⁶⁵

After the December 2006 *pilkada*, access to contracting and other lucrative economic opportunities greatly expanded for GAM members in areas where GAM candidates were elected as *bupati* or mayors. In such areas, the new governments have unstated policies of directing large numbers of small-scale projects (especially those that can be awarded by *penunjukan langsung*) to *sagoe* commanders. In one east coast *kabupaten*, a close advisor of the *bupati* explained that there were about 240 construction packets that were open to tender in a year. An informal policy dictated that about 25 percent of these packets should be directed to KPA bidders. This was not a written policy, nor was it directly communicated from the *bupati* to the *kepala dinas* or *pejabat pembuat komitmen*, but instead was explained through intermediaries. In this way, it was hoped that each *sagoe* would get one project, though in fact some failed to produce correct bid documents and thus could not be awarded any.⁶⁶

It should be noted, however, that not all the GAM-affiliated local government leaders have satisfied the demands of their constituents. During the *pilkada* election campaigns, GAM-nominated candidates condemned entrenched corruption in Aceh and promised to bring about cleaner administration, punish wrong-doers, and ensure that their own administrations were run according to proper procedures.⁶⁷ Governor Irwandi Yusuf is himself widely considered to be personally clean, in the sense that he does not directly intervene in the allocation of projects or derive personal benefit from them. Several other GAM-affiliated *bupati* and mayors have similar reputations, including Munawarliza, the mayor of Sabang, and Nurdin Abul Rahman, the *bupati* of Bireuen. In some cases, the failure of these new local government leaders to allocate projects to KPA supporters in sufficient numbers to satisfy them has led to bitter disillusionment and anger. In Bireuen, in interviews in August 2008, several KPA members explained angrily that Nurdin had betrayed them and was considered as having *meninggalkan jemaah*—abandoned the movement—a charge that in the conflict years could lead to violent retribution. They recounted stories of angry confrontations between Nurdin and KPA members in which the latter tried to force Nurdin's hand to release small-scale projects to them. Through 2007, a series of grenade attacks on the residences and offices of newly elected local government officials with GAM backgrounds in Bireuen, Lhokseumawe, and North Aceh were widely suspected to be carried out by local KPA cadres angered by their lack of access to contracts, their

⁶⁵ World Bank/DSF report, "Aceh Conflict Monitoring Update: September 2007," published in Banda Aceh, p. 2.

⁶⁶ Confidential interview, Banda Aceh, September 1, 2008.

⁶⁷ International Crisis Group, *Indonesia: How GAM Won in Aceh*, Asia Briefing No. 61 (Jakarta/Brussels: International Crisis Group, 2007). Edward Aspinall, "Elections: Consolidating Peace," in *Accord*, special issue, "Reconfiguring Politics: The Indonesia–Aceh Peace Process," ed. Aguswandi and Judith Large (2008): 46–50. See also Clark and Palmer, *Peaceful Pilkada, Dubious Democracy*.

failure to secure appointments as *kepala dinas*, the new bans on raising *pajak nanggroe*, and related issues.

This kind of dynamic has put some of these rebels-turned-*bupati* in an ironic position, such that—as one of them put it to me—they now see teaching GAM veterans to be “obedient to the existing rules and regulations” as their main task. The same *bupati* also explained that his budget was not large enough to pay for everything his former KPA supporters wanted: “I told them if I gave them all the projects they wanted I would have to close the whole government down.”⁶⁸

Intimidation and Violence

The coercive and intimidatory power that the GAM network exercises is also central to its success in the contracting business. When it comes to winning tenders, gaining fees from projects, or attaining supply and subcontracting opportunities, KPA/GAM members typically exercise pressure against three sets of actors: decision-makers who allocate projects, business rivals, and staff who implement projects in the field. In all cases, the methods of intimidation can be direct and frightening. Thus, concerning the first category of KPA targets, I have heard reports of BRR and NGO staff on the west coast being threatened (often by way of anonymous telephone calls or SMS messages, but sometimes in face-to-face encounters) that they would have their throats cut or their offices burned down if they failed to award contracts to KPA bidders. On the east coast, I have heard many reports of members of tendering committees and *kepala dinas* being visited by KPA members who showed them bullets and threatened to kill them, or who even abducted them for short periods. In some cases, the threats and intimidation became so bad that some officials in lucrative posts were said to be trying to resign, or were having to take evasive measures like moving to different houses, holding meetings in secret locations, and changing their motor vehicles to avoid pressure. As one of my informants (a BRR staff member) said of the Public Works *kepala dinas* position in Lhokseumawe: “This used to be a tempting position, now it’s terrifying.”⁶⁹ In the second category, rival contractors are frequently targeted with similar threats to prevent them from competing for projects coveted by GAM bidders or to force them to withdraw from projects they may have already won. In some cases, simple measures (like writing the word “GAM” next to a company name on a list of tendering companies at a government office) are enough to make rivals withdraw their bids.⁷⁰

⁶⁸ Confidential interview, east coast of Aceh, August 30, 2008.

⁶⁹ Confidential interview, Lhokseumawe, August 28, 2008.

⁷⁰ It is worth noting, however, that by the time of my fourth field trip to investigate this phenomenon in August 2008, informants in some areas were saying that, while threats and violent incidents still took place, they were becoming less intense. Thus, for example, informants in Lhokseumawe who in 2007 had recounted ugly scenes of KPA members beating up rival contractors or officials when tenders were being awarded, or of KPA members running off with and destroying boxes full of tender documents, by mid-2008 were saying that such activities were now the exception rather than the rule. This did not mean that GAM people were giving up their predatory behavior, but rather that that such behavior was becoming institutionalized and regularized. Contractors, other businesspeople, and government officials were becoming habituated to the new system and were often paying KPA operators without having to be asked to do so, or even approaching them in order to use them as *beking* (backing) or *kaki* (feet, i.e., tools) in winning tenders.

But it is the third choke point—the territorial control the KPA network still exercises in many of Aceh’s villages—that is the key to GAM’s business leverage. Thus, NGOs or contractors who try to work in GAM areas without making the proper arrangements with local movement leaders can find that their staff might be threatened, intimidated, or beaten when they try to visit project sites. Their trucks and other vehicles might even be prevented from entering the site by crowds of angry young men and villagers, their materials and equipment might be stolen at night, or their offices and heavy machinery burned (this happened to one contractor the day after I interviewed him). Contractors generally recognize that KPA controls, as they often say, “*akses ke lapangan*” (access to the field) throughout much of Aceh, and that economic players who want to operate safely in rural areas where the movement is strong simply cannot do so without paying off its local leaders, in the form of sub-contracts, employment, or cash payments.⁷¹

It should already be apparent that the line between acting as construction contractors and engaging in extortion is very thin. Indeed, direct extraction of security fees or percentages of project values are often integral to the contracting process. For example, KPA commanders who bid for a project, but then lose, will often pressure the winning company to pay a 10 or 15 percent fee for “security.” At the local level, if a project takes place in a *sagoe* (examples of such projects would be the construction of school buildings, digging of irrigation channels, or improvement of village roads), local KPA commanders often monopolize the provision of sand, timber, cement, or other material to contractors or NGOs working in their area, but then charge several times the market rate. On other occasions, KPA members are paid to provide labor on a project but fail to turn up to do any of the work. In such cases, payments are made formally for construction activities, but all those concerned understand that these payments are more akin to the *jatah preman* (gangsters’ share, or gangsters’ fees) that are charged by petty criminals running protection rackets throughout Indonesia. Two case studies for which I collected information in some detail throw light on the broader patterns.

The Village View

The first example was a project to construct schools in a district on the east coast. In this case, money for the project, distributed in amounts of 100–150 million rupiah (US\$9,000–14,000) per school, was transferred to school committees in the respective villages. The committees, each made up of village residents, would manage the project funds and oversee construction. The school committees were intended to be a grassroots, participatory, and transparent means to manage the project, a characterization based on the assumption that because the schools directly benefited the villagers, the committee members would ensure that the buildings were constructed in the best and most efficient manner possible. GAM was very strong in this district, to the extent that, in the words of one of the NGO workers involved, “NGOs who try to come in, sure, they can report to the subdistrict [government office],

⁷¹ This is a process rife with peril for the unwary, however. Sometimes contractors or NGOs might not be aware of local rivalries among KPA members and so pay only one group, which leads to trouble. Alternately, they might pay off only a senior leader (e.g., a *panglima wilayah*) who then fails to transfer payments to his subordinates at the *sagoe* level or whose views are no longer respected by those beneath him. In such cases, worksites can still be disrupted even though payments have already been made.

but if they don't report to GAM their programs will not run." Accordingly, the NGO workers always made sure that they explained their goals at KPA meetings before entering each village, and KPA people were often directly involved in the school committees. Even so, this participatory mechanism did not protect the program from predation. In most cases, KPA people sought to provide materials (cement or timber) or labor for the school construction, and to do so they either asserted influence through the school committees or pressured alternative suppliers not to compete. If these tactics failed, they would "enter via the contractor" and levy fees on the contractors who ended up supplying the material; these fees could range anywhere from 5 to 30 percent of the value of the material. Some KPA men preferred to supply materials and do the work on the schools themselves, while others preferred to levy fees. The pattern varied from village to village: where the local KPA was "a little open," they preferred to do the work because this was a way to avoid "moral pressure" from the local community; most, however, preferred the less troublesome method of taking fees.⁷²

The second and somewhat larger-scale example involved a substantial international NGO that built several hundred houses in partnership with the BRR not far from Banda Aceh. Some of the NGO staff, but especially the employees of the building constructors hired to do the work, began receiving threats when they started to set up in their village sites. Some of the contractors were so frightened that they abandoned the worksites. For a while, it seemed that the program would break down. Then a meeting with the local KPA *panglima wilayah* was organized. He suggested that the NGO should involve the "community" in the construction process. Since this was another GAM base area, all concerned understood that this meant hiring local KPA men. The contractors then began to employ locals to provide the labor for the construction. At the same time, the contractors paid about 10 percent of their project fees to local KPA commanders. Thus, a large portion of the project funds were diverted to the KPA, although the international NGO itself was not directly involved in the diversion. Eventually, the project got back on track. It was due to be completed at the time of my field research.⁷³

Borrowing and Lending Companies

Low-level skimming of money from construction projects can deliver substantial sums to local KPA operators, but this process is essentially passive and opportunistic: KPA men lay in wait for economic activities that come to their areas and then squeeze money from them in one way or another. When they try to take the initiative by winning contracts, relatively small-scale GAM contractors typically face difficulties of two sorts. The first arises when, due to political influence or intimidation, a KPA contractor wins a contract but lacks the capital, equipment, and technical knowledge to carry it out. The second challenge arises when a would-be GAM contractor has the

⁷² Some of the money so obtained by local KPA figures was put to collective use (for example, by being distributed to widows, orphans, and other dependents). One of the NGO workers involved in this case estimated that 40 percent of the money collected was used in this way, but 60 percent was consumed privately by local commanders. All information in this paragraph is derived from confidential interviews conducted in Aceh in November 2007 and August 2008.

⁷³ Confidential interviews, Banda Aceh, August 28, 2008.

ambition or capacity to work a contract, or to perform at least some of the work on it, but does not own a company with a sufficiently high grade to bid for it.

In the first instance, a common pattern is that the GAM contractor will win the contract and sell it on to an established contractor who has the capacity to do the work. One established, large (non-GAM) contractor explained this strategy as follows:

If GAM people win a contract, they usually sell it and take 6 to 8 percent of the contract price as their fee. That's if it's a building, a smaller contract. If it's a big one, like a highway, they could take 15 percent. It's quick money.⁷⁴

In other words, if a GAM contractor wins a contract valued at one billion rupiah, he will sell it to a larger or better outfitted construction company for sixty to eighty million rupiah, making an instant profit without having to do any work on the project. Most informants agree that this happens regularly (though how regularly is hard to ascertain). According to most GAM informants, however, the more common pattern is that the two parties (the KPA leader and private contractor) will collaborate. One senior KPA figure in Aceh Besar, for instance, explained that in large projects (those valued above five billion rupiah), typically the established contractor would do about 60 percent of the work and take 60 percent of the profit, and the KPA entrepreneurs would take 40 percent, providing workers to handle mostly the low-skill labor-intensive work, such as digging and road hardening.⁷⁵

The second pattern occurs when a GAM figure wants to bid for a project but does not own or control a company of a sufficiently high grade to make the bid. In such cases, there is an established pattern of "borrowing" companies; even established contractors participate in this sort of exchange. The system works like this. The would-be bidder approaches the owner of a company with the appropriate grade. To "borrow" this company, the company's director can get a public notary to make out a note empowering the would-be contractor to use the company to make a bid. The person "borrowing" the company then pays a fee to the company's owner. In such cases, the owner lends the company only to trusted individuals, because if the "borrower" concerned wins the bid and then fails to complete the project properly, the "borrowed" company can end up on the government's black-list of nonperforming contractors. Many informants suggest that loaning and borrowing companies in this way is a common practice. According to one contractor in Bireuen, the practice is so widespread that there are standard market prices for it in that district: the borrower would pay 2.5 percent of the project cost for a grade-four project (contract value under 300 million rupiah), 2 percent for a 300–700 million rupiah project, 1.5 percent for a project worth up to one billion, and 1 percent for a project worth over one billion. "That's what the market is in Bireuen, there's no need to even ask about it."⁷⁶

Again, however, the same contractor explained that because would-be GAM contractors (especially at the level of *panglima sago*e and below) usually lack capital, they generally need not only to borrow the company to win the tender, but also to use its money to purchase construction materials and pay workers before the first

⁷⁴ Confidential interview, East Aceh, August 18, 2008.

⁷⁵ Confidential interview, Banda Aceh, August 29, 2008.

⁷⁶ Confidential interview, Bireuen, August 20, 2008.

installment of the contract price is paid, and to borrow its equipment and staff actually to perform the work. In such cases, too, the model used typically requires the “borrower” either to pay out a share of the profit or pay a larger fee to the “borrowed” company’s owner. This particular informant preferred charging a fee because it was simpler.⁷⁷

In all such cases, established contractors run risks in collaborating with GAM players. Not only does the payment of fees skim an extra layer of money off contract costs, leading to a reduction in the quality of the final product, but there is a risk that the GAM contractors or workers will simply lack the skill or inclination to do the work properly, resulting in late or badly flawed projects. Thus one senior GAM contractor on the east coast said that he would allow only about 10 percent of the *panglima sagoe* in his area to borrow his own company. There are some cases where GAM workers in the field failed to perform their tasks properly, resulting in investigations, penalties, or blacklisting for the construction company concerned.⁷⁸ But most established contractors have little choice but to comply with GAM requests for participation if they want their projects to go ahead at all.

Predation and Structure

Our discussion thus far points toward a striking conclusion: despite all the energetic construction and contracting activity engaged in by former GAM fighters, in fact relatively few of them are establishing reputable contracting companies, accumulating equipment or capital, or substantially increasing their own management and technical skills in the construction field. In short, very few of them are becoming genuine construction contractors. Instead, much of what passes as GAM contracting and construction activity involves collaboration with established contractors and the extraction of fees from them and other actors. It is mostly only at the lowly *sagoe* level that GAM members play a significant physical role in construction, typically by performing tasks that require low skill and little capital for other contractors or NGOs. But the two local case studies discussed above also suggest that, often, at this level, too, it is hard to distinguish between subcontracting and extortion.

But the predominance of extortion does not mean that the transfer of funds involved is inconsequential. On the contrary, enormous sums are involved. In a confidential interview, one experienced consultant with BRR estimated that, on average, post-tsunami reconstruction projects pay about 8 percent of their project fees to KPA actors, and about 6 to 8 percent to the tendering committees or government officers.⁷⁹ He added that, “with government projects, I can guarantee 100 percent that if you do not have relations with the tendering committee and the KPA, you will not win the tender.” Another person in a similar position estimated that every post-tsunami reconstruction project outside Banda Aceh and areas where GAM was weak (for instance, in the highland districts of Bener Meriah and Central Aceh) was paying about

⁷⁷ Ibid.

⁷⁸ See, for example, discussion of a case of bridge construction in Aceh Tamiang: Junaidi Hanafiah, “Pembangunan Jembatan Gantung Aceh Tamiang dimanipulasi,” *Sumberpost*, http://sumberpost.com/index.php?option=com_content&task=view&id=72&Itemid=1, accessed September 1, 2008.

⁷⁹ Confidential interview, Banda Aceh, August 30, 2008.

10 percent of the value of their projects to the KPA alone.⁸⁰ These are rough estimates, and it is difficult to verify them. But all my informants in Aceh involved in the world of contracting and monitoring gave similar figures. Remembering Nova Iriansyah's figure of US\$1.1 billion for construction activities in Aceh in 2007, and even allowing for conservative estimates of the amounts of money retained in Aceh and transferred to GAM, we must conclude that tens of millions of dollars have made their way into GAM networks from contracting in the post-MoU period.⁸¹

Recognizing the enormity of such sums, we might characterize the economic behavior of GAM actors since the Helsinki MoU with such terms as "predation" and "greed" and seek to understand them by focusing on the motivations, actions, and culpability of the individuals and groups concerned. In the study of contemporary Indonesia, this is a conventional framework for understanding illicit economic activities by provincial political elites and strongmen. I do not object in principle to using such terms and have done so in this article. However, it is also worth bearing in mind the structural context in which these activities occurred, and the incentives and constraints that pushed GAM actors toward them. As I have already stressed, GAM leaders lacked the capital and skills to prosper in private business, but they did possess two resources—political influence and a capacity for intimidation and violence—that were established ingredients of economic success in Aceh, as in other provinces of Indonesia. It is little wonder that they used these resources to the full, given their situation: grasping for economic success after the hardships of the conflict years, trying hard to satisfy the heightened expectations and demands of their supporters, and confronting a system that all of them knew was deeply corrupt. Many who did so were well-versed in raising funds by extortion and through manipulating linkages in the shadow economy during the conflict years. To a large extent, GAM's post-MoU economic behavior was simply an extension of a pattern established in the war years.

But others felt personally uncomfortable about their new role. As one former NGO worker, who now advises one of the GAM-affiliated *bupati*, explained to me:

GAM people have no capital, they have no experience, they don't even know how to put the bid documents together. So they have no choice other than rent-seeking, they have to use *preman* methods. If we don't use those methods, contracting will still be dominated by the old networks, which are no less undemocratic. We came in with all those ideas about good governance, but when these clashed with reality, well, we had to adapt a bit.⁸²

One GAM commander-turned-contractor I met at one of Banda Aceh's famous coffee shops put it to me more bluntly: "We have no other choice but to use *model 98* [by which he meant the intimidatory methods they used when building GAM after the fall of Suharto] ... ya, show our teeth a bit. If not, there's no way we'd get in. Only the old contractors and the TNI people would win."⁸³ Other GAM contractors I interviewed

⁸⁰ Ibid.

⁸¹ "60 Persen Dana Rekonstruksi Aceh Mengalir ke Luar," *Serambi Indonesia*, April 13, 2007. A conservative estimate of 5 percent of project funds transferred to GAM produces a figure of US\$55 million for 2007 alone. The figure falls to US\$22 million if we accept Nova Iriansyah's claim that 60 percent of the construction funds ended up leaving Aceh.

⁸² Confidential interview, Banda Aceh, September 1, 2008.

⁸³ Confidential interview, Banda Aceh, August 24, 2008.

regularly talked about how they had no choice but to wield bribes, fees, and commissions, and so adjust to “the enemies’ habits,” “their methods,” “the old ways”—they used a number of similar phrases. While acknowledging the obviously self-serving character of these comments, we can also recognize that these statements help to capture and reflect the entrenched nature of the established system for achieving success in Aceh’s construction sector: new entrants have to adapt to its rules if they want to prosper. Corruption in the sector is not a deviant personal behavior. Rather, it is compelled by the sector’s structure and norms.

Conclusion: A Resilient Political Economy, a Patrimonial Peace

What are the implications of the analysis presented in this article for the study of Indonesian political economy, and for the study of Aceh’s peace process? On the first topic, it is important to begin by reiterating a point already made in this article: despite the vast scale of GAM contracting activity, most GAM players are *not* becoming independent economic actors, in the sense of building up their professional expertise and capital in the construction sector. Instead, they are establishing themselves as a predatory component within a set of already well-established neopatrimonial political and economic arrangements. Indeed, GAM players on the whole are not displacing existing contractors. As we have seen, most are performing only two functions: first, they are extracting fees from established contractors and other economic actors in exchange for protection and brokerage services and, second, they are performing mostly low-level and low-skilled construction work, usually in conjunction with better established players. Experienced contractors who are willing and nimble enough to cooperate with GAM actors—and most are—have found it easy to work with them and have even found it convenient to make use of GAM’s political muscle for their own benefit. In addition, GAM actors are cooperating not only with established contractors, but also with all the other players in the system. They are building connections with *dinas* staff, members of contracting committees, DPRD members, and whomever else they need to guarantee the success of their enterprises. There are even indications that some of the more successful are distributing economic benefits to local police and military officers, in exactly the same manner that other businesspeople do.⁸⁴ In sum, therefore, the entry of these new players into the world of construction and contracting in Aceh is not transforming the underlying structure of that world, let alone transforming Aceh’s broader political economy. Instead, GAM actors are being absorbed and transformed by that political economy.

⁸⁴ Hence, one successful GAM contractor in a major east coast town explained to me that he had donated several air-conditioning units when the local *kodim* office was renovated; another with a large and busy streetside restaurant on the main Medan-Banda Aceh road was said by one of his followers to spend about two million rupiah every day on free meals for soldiers and policemen who drop by. During the course of one interview, a public servant with whom I was speaking received a telephone call from a senior GAM figure who was trying to arrange for a security fee to be paid out of a massive construction project for which a well-known GAM company had made a losing bid; according to my interviewee, the caller promised that part of the fee would be distributed to local police and military offices. In another case, an advisor to one of the newly elected GAM *bupati* told me that the *bupati* would ensure that at least one project per year would be granted to local military and police to ensure that they did not make trouble for the new administration.

Many scholars have argued that, despite Indonesia's dramatic political democratization in the post-Suharto years, the underlying distribution of political and economic power has, in fact, changed little. This argument has been put most strongly by Richard Robison and Vedi R. Hadiz, who suggest that Indonesia's oligarchy has managed to survive the political transition mostly intact.⁸⁵ Looking at the regions, they and other observers note that local elites nurtured during the Suharto years have been able to capture state power and adapt their predatory methods of gaining access to state resources to the new political dispensation. Other observers, while agreeing that there is much continuity, argue for a "more pluralist view" and note that the new democratic rules provide for some competition and circulation among local elites and for entry by new players.⁸⁶ In Aceh, there has been obvious social mobility within the local elite: the war and subsequent peace have allowed GAM fighters like Darwis Djeunib to rise from lowly positions to become influential and wealthy local figures. However, at the same time, post-conflict Aceh also provides fresh and vivid evidence for the continuity thesis: even the entry of a former armed rebel movement into the system has barely shaken it. Former combatants have adapted their methods to the system and mostly worked with, rather than displacing, established economic players and methods. Moreover, GAM's behavior in the post-Helsinki-MoU period accords with patterns of rent-seeking, predation, and extortion that are visible in local economies throughout Indonesia. Even their use of violence and intimidation to achieve economic success distinguishes them only in degree, not substance, from the *preman* and vigilante groups that have become influential in local political and economic life in many parts of the country.⁸⁷

With regard to the implications for the Aceh peace process and the study of peace processes more broadly, as noted at the outset of this article, it is axiomatic in much of the international peace studies literature that conflict can only be overcome by good governance principles and transparency in the allocation of government funds. According to this argument, as good governance produces economic development, both ordinary civilians and ex-combatants alike reap benefits from the peace, and this condition ameliorates the social tensions and grievances that gave rise to armed conflict in the first place and diminishes the likelihood of a return to conflict in the future. Yet in Aceh we see evidence for the opposite: it is precisely through corruption and clientelistic distribution of economic benefits that former fighters are being integrated most successfully into Indonesia's governing structures. Former GAM commanders have achieved levels of economic prosperity they could previously have only dreamed about. They are building strong interests in the continuation of the current economic and political system and are establishing connections with established players in it. Predatory exploitation of post-tsunami and post-conflict reconstruction funds has had an important buy-in effect on the peace process.

⁸⁵ Richard Robison and Vedi R. Hadiz, *Reorganising Power in Indonesia: The Politics of Oligarchy in an Age of Markets* (London and New York, NY: RoutledgeCurzon, 2004); Vedi R. Hadiz, "Decentralization and Democracy in Indonesia: A Critique of Neo-Institutionalist Perspectives," *Development and Change* 35,4 (2004): 697–718.

⁸⁶ Michael Buehler, "Local Elite Reconfiguration in Post-New Order Indonesia: The 2005 Election of District Government Heads in South Sulawesi," *Review of Indonesian and Malaysian Affairs* 41,1 (2007): 119–47. See also Marcus Mietzner, "Local Democracy," *Inside Indonesia* 85 (2005): 17–18.

⁸⁷ Ian Wilson, "Continuity and Change: The Changing Contours of Organized Violence in Post-New Order Indonesia," *Critical Asian Studies* 38,2 (2006): 265–97.

It is worth noting, also, that this pattern of peace-building by economic cooptation and corruption seems to be mirrored in other parts Indonesia recovering from the violent communal conflicts of the post-Suharto period, although little has so far been written on this topic. In Poso, Central Sulawesi, where Muslim and Christian communities clashed, anecdotal evidence suggests that authorities are deliberately channeling economic assistance, including construction contracts, toward former militants.⁸⁸ In Maluku, the site of even greater Muslim-Christian violence, there was an “enormous influx of reconstruction funds in the aftermath of the conflict,” which helped the governor, Karel Ralahalu, to build a patronage machine such that he “easily endeared himself to many segments of society, missing few opportunities to open newly established churches, mosques, and community centres.”⁸⁹ Papua, the other major site of separatist agitation, did not experience as much violence as Aceh, Maluku or Poso, and there have been no formal negotiations or a peace agreement there, or any post-conflict reconstruction. However, special autonomy in Papua has, as in Aceh, resulted in a dramatic increase in the funds available to provincial and district governments, leading to intensified competition between local elites for access to political power and the patronage resources it brings, expressed in a scramble to create new provinces and districts, which leads to bitter local electoral contests. The resulting divisions have undermined Papuan unity of purpose against Jakarta and promoted mobilization around local rather than Papuan identity, arguably further diminishing the prospects for successful anti-Jakarta mobilization.⁹⁰ Peace-building by patronage distribution thus seems to be a broad Indonesian pattern, and it has certainly been more prominent in all of these local cases than the truth-telling and justice mechanisms that advocates of post-conflict reconciliation typically prescribe.

Some observers of peace processes warn that such “attempts to buy short-term peace by tacitly condoning corruption may end up backfiring” because ubiquitous corruption may re-stoke the grievances that triggered conflict, and because groups or factions excluded from the buy-in may eventually express their disillusionment violently.⁹¹ In other words, corruption can be helpful in the short term, but in the long term it may “sow the seeds of future political and economic instability.”⁹² This warning appears to be relevant—at least in part—for Aceh, where the struggle for post-conflict economic benefits has not only produced cooptation but has also generated new forms of tension among some ex-combatants and growing disillusionment with GAM among some of its former supporters and the broader community.⁹³ Many ordinary ex-combatants have not been as well-equipped as their leaders to benefit materially from

⁸⁸ Personal communications, Dave McRae and Sidney Jones, January 2009.

⁸⁹ Dirk Tomsa, *Local Elections and Party Politics in a Post-Conflict Area: The Pilkada in Maluku*, Indonesian Studies Working Paper No. 8 (Sydney: University of Sydney, 2009), pp. 7–8.

⁹⁰ On this dynamic, see Marcus Mietzner, “Local Elections and Autonomy in Papua and Aceh: Mitigating or Fueling Secessionism?” *Indonesia* 84 (October 2007): 1–39; Richard Chauvel, “Rulers in their Own Country?” *Inside Indonesia* 94 (2008).

⁹¹ Cheng and Zaum, “Introduction—Key Themes,” p. 304. See also Billon, “Corrupting Peace?,” p. 356.

⁹² Cheng and Zaum, “Introduction—Key Themes,” p. 305.

⁹³ This phenomena was described wittily and memorably by the Acehnese intellectual M. Adli Abdullah in his article “Perjuangan Berhenti di Kijang Innova” [The Struggle Ends in an Innova Kijang van], *Serambi Indonesia*, October 21, 2007, in which the author alludes to the ubiquitous, highly visible, and frequently remarked upon phenomenon by which hundreds of former GAM commanders and fighters acquired shiny new motor vehicles throughout Aceh after the peace process.

the post-conflict setting, and some have become disenchanting as a result. So far, however, it appears that only very few of these veterans have been so antagonized that they have rejected the peace process as a whole or considered returning to violent action. Most ex-combatants who have reacted violently have done so in an individualized manner, engaging in robbery, kidnapping, and other criminal acts.⁹⁴ Others, on a smaller scale, have acted violently against their own leaders, especially against those who have moved into local government. There have also been new violent rivalries among former fighters who now compete for access to the same state-controlled resources.

Incipient signs of a dynamic that threatens to produce more violence are thus *already* visible in the predatory logic of the political economy that has developed through Aceh's peace process. Indeed, the current situation is far from being "peaceful": petty intimidation and violence is built into the structure of Aceh's new political economy, even if most violence is now classified by observers as being criminal rather than political in nature. The persistence of such predatory violence, and the close connections between the worlds of politics and economics, will keep violence never far from the surface of political life in Aceh. Predatory violence is unlikely, however, to generate by itself a dynamic producing a breakdown of the peace process or a return to major armed conflict. So far, the economic benefits of predation have been spread so widely through GAM networks that, though they have fallen short of satisfying most former fighters, they have kept most key commanders and leaders satisfied. Moreover, the logic of economic cooptation and predation has fragmented the former rebel movement—and created a concomitant fragmentation in the pattern of violence—rather than serving to unify it against a common enemy. This pattern seems set to continue, meaning disillusionment about economic benefits is likely to be expressed violently only by small groups, which are just as likely to fight one another as to oppose the state. A return to large-scale rebellious violence would require a crisis in the broader aspects of the peace deal, such as a central government retreat from the special autonomy compromise or a concerted attempt by government security forces to undermine the compromise. The patterns of predation and clientelism identified in this article are *in themselves* unlikely to be enough to prompt a return to large-scale rebellious violence. The fact that these very same patterns are found throughout Indonesia, where they often have integrative effects on local political life, tends to confirm our conclusion. Predatory peace may be an undesirable state of affairs, but it is potentially a stable one.

⁹⁴ See International Crisis Group, *Indonesia: Pre-election Anxieties in Aceh*, Asia Briefing No. 81 (Jakarta/Brussels: International Crisis Group, 2008), pp. 12–13, for a brief discussion of what might be early signs of a recombination of "criminal" violence with rejection of the peace deal among some GAM loyalists. The World Bank produces useful regular Aceh Conflict Monitoring Updates, available at: <http://www.conflictanddevelopment.org>.