



# DLP

Policy and Practice for Developmental  
Leaders, Elites and Coalitions

DEVELOPMENTAL LEADERSHIP PROGRAM

Background Paper **10**

## Political Settlements, Elite Pacts, and Governments of National Unity

A Conceptual Study

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“The terminology of ‘political settlements’ has become much used, but often lacks definitional clarity”  
(Whaites, DfID 2008: 6-7).

“Advocating systematic governance reforms without analysing existing political settlements and state-society relations, and how reform might affect patterns of inclusion and exclusion may result in harmful advice.” (AusAID, 2011: 25).



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'One of the most infamous political settlements is the peace deal reached in Sierra Leone in 1999 ...' (Fritz and Menocal, ODI 2007: 59).

'Australia can support processes and spaces where on-going adjustment of the political settlement is decided inclusively and peacefully' (AusAID, 2011: 34).

'Deeper political settlements require shared understanding and acceptance of the rules of the game' (AusAID, 2011: 35).

'The structures of the state are determined by an underlying political settlement; the forging of a common understanding, usually among elites, that their interests or beliefs are served by a particular way of organising political power' (Whaites, DFID 2008: 4).

'Political settlements define how political and economic power is organized' (DfID, 2010a: 7).

'An inclusive peace process aims to achieve a peace agreement that lays a strong foundation for a new political settlement' (DfID, 2010a: 15).

'... the political settlement is central to all development... ' (DfID, 2010b: 8).

'Every state is based on a political settlement that represents the outcome (but also on-going process) of contention and bargaining between elites ... ' (DfID, 2010b: 12).

'Political settlements are presented as spanning the continuum from negotiated peace agreements to long-term historical development, in the latter sense approaching the concept of a social contract. Generally speaking, every political regime that is not in the midst of an all-out civil war over its basic parameters is based on some kind of settlement' (OECD, 2011b: 9).

'The historically specific dynamics of political settlements explain the difference in performance between countries with apparently similar endowments or disadvantages. Political settlements have been a feature of state building in all states. Every state is based on a political settlement that represents the outcome (but also on-going process) of contention and bargaining between elites, and between social groups and those who occupy authority within the state and society more widely' (DfID, 2010b: 12).

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## Executive Summary

A growing body of recent scholarship puts political settlements at the centre of the development process. The political settlements approach focuses on the formal and informal negotiations, bargains, pacts and agreements between elite actors, as crucial drivers of the locally effective institutions and policies that promote or frustrate the achievement of sustainable growth, political stability and socially inclusive development. However, alongside a lack of detailed empirical case studies, the usefulness of the framework as it stands is hampered by:

- A lack of consensus over how to define and understand the key concepts
- A tendency in the literature to conflate key terms, i.e. to treat political settlements, elite pacts/ bargains and peace agreements as interchangeable. It is also unclear how governments of national unity should be defined and understood in relation to these other concepts.

This paper surveys and clarifies the conceptual field by addressing the following key questions:

### How should political settlements be defined and understood?

1. **Political settlements are not simply a form of ‘social-contract’ between states and societies.** ‘States’ and ‘societies’ are not, each, unitary entities or actors. They are always characterised by internal differences and a variety of interests and forms and degrees of power, especially in developing societies with weak institutions. There is, therefore, more or less disagreement, division and exclusion within both. This undermines the plausibility of thinking about a social contract between ‘the state’ and ‘the society’.
2. **Political settlements are on-going political processes that include one-off events and agreements between elites, but are not defined by them.** The ‘process’ aspect of the definition is important for political settlements analysis, by virtue of its focus on the on-going politics and the underlying and evolving longer-term elite power relations and negotiations that influence the shape of institutions and how players work within and around them. Equally important are the one-off events and agreements that provide rough markers for tracing the point at which settlements begin, end and change.
3. **Political settlements are typically the outcome of bargaining, negotiation and compromises between elites.** This is sometimes formal, open and public, but often informal or less open, and commonly both.
4. **However, political settlements are also typically played out across two-levels.** They involve not only the horizontal negotiations between elites but also vertical relations between elites and their followers. Political settlements are therefore best understood as ‘two-level’ games.
5. **Political settlements influence the form, nature and performance of institutions.** And institutions can in turn help to consolidate and ‘embed’ political settlements.
6. **Political settlements are not set in stone.** They can and should adapt in response to changes in

social, political and economic power relations and to contingent events and critical junctures.

7. **Political settlements can be more or less inclusive of social or political groups.** But the stability of settlements over time does not necessarily or always depend on the degree to which they are inclusive, at least in the short to medium term – though longer term settlements may require progressive ‘inclusion’.

### **How should elite pacts and governments of national unity (GNUs) be defined and understood?**

8. **Elite pacts/bargains and peace agreements are one-off events that are part of the on-going political settlement.** Retaining a distinction between elite pacts/bargains, peace agreements and political settlements is important for explaining how and why one-off pacts and agreements may fail to produce developmentally positive outcomes in the longer-term.
9. **GNUs are a type of inclusive elite pact aimed at establishing formal shared institutions and organisations of government.** They usually occur during or after a time of crisis, but may not last for very long.

The paper concludes by suggesting operational messages for the international community, and areas for further research to build on the conceptual work undertaken here.

### **Operational Messages**

- **Acquire local knowledge and understanding**

Donors and others will need to acquire a deep understanding of, and sensitivity towards, local political dynamics if they are to make best use of the settlements framework to guide their activities.

- **Take a long-term approach to influencing political settlements**

There are no ‘quick-fix’ policy implications of the political settlements framework. Influencing political settlements will require patience and long-term commitment.

- **Understand how elites relate to wider coalitions and their support bases**

In using political settlements analysis, donors need to be alert to the ways in which elites may come into conflict with wider coalition members, and must also be aware of the pressures on elites to satisfy their supporters.

- **Work to broker opportunities for elites to come together**

Negotiation, compromise and bargaining between elites are central to the formation of durable political settlements. Therefore, external players should look for opportunities to facilitate meetings, partnerships, alliances and coalitions between different elites.

- **Be aware of excluded groups**

Donors should be aware of the precise boundaries of a political settlement in order to anticipate possible challenges from excluded groups, and to identify if it may be appropriate to try to broker more inclusive arrangements.

## Further Areas for Research?

- **The role of external donors**

Can the international community work politically to encourage elite pacts and political settlements that are developmentally positive? If so, how?

- **Respect for national sovereignty**

Political settlements and elite pacts are political arrangements that are local to specific countries and need to be locally legitimate. Further research is required to give an insight into how, and in what ways, the international community can support, broker or facilitate developmentally positive settlements and pacts without compromising national sovereignty, but yet also remaining true to its normative goals. Does 'policy dialogue' offer a starting point?

- **Trade-offs between stability and inclusivity**

Are stable political settlements inevitably exclusive of certain social and/or political groups? Can the international community encourage stable and robust political settlements whilst also working to promote social, political and economic inclusivity?

- **Elite pacts and GNUs as components of conflict resolution**

What are the conditions under which elite pacts and GNUs help to resolve violent conflict and encourage developmental reform?

- **GNUs and developmental outcomes**

What have been the developmental results of GNUs? Other than contributing to immediate peace, or handling national crises, have they also contributed to sustained growth and political stability in the medium term? What is the typical 'length of service' of GNUs and what has happened after their dissolution?

## Introduction

The aim of this paper is to provide a critical survey of the conceptual definitions of political settlements, elite pacts, and governments of national unity (GNUs) that can be found in recent literature on the politics of development, and to suggest the most useful way of understanding their meaning.

Although these concepts are recent additions, they fit broadly into an historical tradition of political analysis that emphasises the importance of powerful actors in society as key determinants of political arrangements. For example - whilst they did not articulate their arguments through the specific language of settlements or pacts - a number of late 19th and early 20th Century political theorists, including Gramsci (1929-1935), Mosca (1923), Michels (1911) and Pareto (1901), argued that power relationships within and between competing elites were central to understanding the form and function of political regimes. More broadly speaking, much of the history of classical political theory, from Plato and Aristotle through to Machiavelli, Hobbes and Rawls, has been concerned with the problem of what types of political arrangements generate political stability – the necessary but not sufficient condition for sustainable growth and inclusive social development. Political settlements, elite pacts and GNUs are part of a renewed focus on the significance of the interactions and negotiations between local elite actors for understanding the conditions for robust political associations and for developmental reform (Di John and Putzel, 2009: 14).

It has become clear to many theorists and donor organisations that transferring technical skills, money and resources to aid-recipient countries is not enough to promote developmental goals, in the absence of locally appropriate institutional arrangements (DfID 2010a; DfID 2010b; Di John and Putzel, 2009; Leftwich: 2011; Parks and Cole, 2010; Gleason *et al.*, 2011). In line with a recent focus on the political processes that underpin development, the political settlements framework, along with associated concepts such as elite pacts and elite bargains, sheds light on new avenues for donor agencies and the international community to address the underlying causes of conflict, political instability and poverty in developing countries. GNUs have received far less scholarly attention, but they are included briefly in the final section of the paper because there is some conceptual overlap with settlements and pacts.<sup>2</sup>

Despite the recent attention they have received, the usefulness of the terms ‘political settlement’ and ‘elite pact’ is hampered by:

- A lack of clear definition
- A lack of consensus over the meaning and use of the terms, and
- A lack of detailed empirical case studies to support the conceptual claims made on behalf of the

<sup>1</sup> I would like to thank a number of people for their help. Alan Whaites and Joel Migdal clarified important points on the theoretical and historical background of the political settlements framework and directed me towards early works on the topic. Sam Hickey allowed me to cite his draft paper on settlements, and provided sound guidance on early definitions of the concept. Sue Ingram sharpened my summary of her work on the political settlement in East Timor. I would also especially like to thank Tom Parks for reading and commenting on the paper and for ideas that helped to strengthen the last section. Finally, I must thank Adrian Leftwich for reading and commenting on many previous drafts of the paper and for his support, encouragement, advice and guidance throughout. Any errors or shortcomings are of course my responsibility alone.

<sup>2</sup> This paper focuses only on political settlements at a national level. For a discussion of sub-national political settlements, see Parks and Cole (2010).

concepts.<sup>3</sup>

There is some consensus that these terms describe political arrangements between elite figures and that they are important for analysing the political dynamics of conflict-resolution, state-building, and developmental change.<sup>4</sup> But what this paper shows, in the first instance, is that once authors start unpacking the concepts in more detail and then applying them to specific case studies, they diverge in subtle but important ways. The term 'political settlement' is used to describe a range of different political phenomena, from peace agreements, one-off events such as the signing of a declaration or bill of rights, through to long-term political processes of state-building (Parks and Cole, 2010: 5-6; Evans, 2012: 7-8). Moreover, there is a tendency in the literature to conflate key concepts, i.e. to treat political settlements, elite pacts/bargains and peace agreements as interchangeable.

#### Box 1. Key points for clarification

- i. **What are the various ways in which political settlements have been defined?**
- ii. **What is the most useful way of defining political settlements?** Are they best understood as on-going political processes? Or do they represent a specific, clearly articulated agreement, or a one-off event?
- iii. **Are political settlements distinct from elite pacts, and other related concepts such as elite bargains and peace agreements?** If so, what is the most useful way to differentiate these concepts?
- iv. **How do GNUs fit into the conceptual terrain?** Do they presuppose prior elite pacts or political settlements or are they constitutive parts of them in some cases?

These four questions are addressed in sections 1 through 4 respectively. By aiming for conceptual clarity, the hope is that donors and policy-makers will have more useful conceptual tools to hand for analysing the political processes at work in developing countries, and for understanding how best to influence positively those processes.

<sup>3</sup> Laws (2010) looks at the 17th Century revolutionary settlement in England through the political settlements lens. A forthcoming stream of research work from the DLP will be looking at how the developmental achievements in Somaliland have been shaped by the country's political and economic settlements.

<sup>4</sup> According to Gleason *et al.* (2011: 11) state-building involves "fostering the development of strong, well run, democratic states that serve their citizens with transparency and accountability".

## 01

## What are the various ways in which political settlements have been defined?

### 1.1 Introduction

This section provides a critical survey of recent accounts of political settlements in the literature on the politics of development, points to areas of divergence, and draws out key points that should be included in a robust definition.

#### Box 2. Chronological summary of the key definitions and functions of political settlements

**Khan (1995) *Definition of a political settlement*:** the overall balance of power in society. ***Functions of a political settlement*:** explains the performance of formal and informal institutions.

**Fritz and Menocal (2007) *Definition*:** a negotiated agreement binding state and society. An on-going process, rather than a one-off event. ***Functions*:** provides the foundation for core state functions.

**OECD/DAC (2008) *Definition*:** The outcome of peace processes. ***Functions*:** underpins the social contract.

**Whaites (2008) *Definition*:** informal, unarticulated understandings between elites. ***Functions*:** brings about an end to conflict and prevents its re-occurrence.

**Menocal (2009) *Definition*:** a common understanding between elites about how power should be organised and exercised. Includes formal institutions and informal agreements. ***Functions*:** determines the success or failure of peace-building and state-building.

**Di John and Putzel (2009) *Definition*:** the outcome of bargaining and negotiation between elites. ***Functions*:** constrains and facilitates institutional and developmental change.

**Brown and Gravingholt (2009) *Definition*:** a two-dimensional concept - the outcome of an historical event and a property of society. ***Functions*:** the cornerstone of every social and political order. Leads to institutions that prevent violence.

**DFID (2009) *Definition*:** starts with a common understanding between elites then expands into a contract between state and society. An adaptable political process, formalised through or grounded upon one-off events like peace agreements. ***Functions*:** stabilises peace agreements and establishes state-society relations.

**Barnes (2009) *Definition*:** a common understanding between elites about how power should be organised and exercised. The outcome of peace processes in war-to-peace transitions. ***Functions*:** Defines the nature of institutions and the role and power of political organisations and their members.

**Khan (2009, 2010) *Definition*:** the 'social order'; a compatible, viable and sustainable combination of power and institutions. ***Functions*:** describes how societies solve the problem of violence and achieve minimum political stability and economic performance.

**DFID (2010a) *Definition*:** a common understanding between elites about how power should be organised and exercised. Includes formal institutions and informal agreements. ***Functions*:** establishes basic rules governing economic relations and resource allocation.

**DFID (2010b) Definition:** ongoing formal and informal bargains between elites. **Functions:** determines the extent to which countries successfully overcome internal conflict, promote developmental reform and reduce poverty.

**Parks and Cole (2010) Definition:** the arrangements that elites agree to in order to end violent competition over power and resources. Settlements are characterised by elite actors, pursuing their interests, thereby influencing the shape of institutions. **Functions:** determines the nature of development, governance and security institutions.

**Gleason et al. (2011) Definition:** dynamic, on-going negotiations between elites. **Functions:** connects states and societies by enabling the state to fulfil core functions and provide key services.

**Sharan (2011) Definition:** a framework for ending hostilities amongst competing elites. **Functions:** helps to secure peace and the post-conflict containment of failed states and their disorderly elites.

**AusAID (2011) Definition:** the formal and informal institutions, agreements, and understandings, between elites and between elites and the wider society, that underpin a political system. **Functions:** defines how power is organised and exercised in society. Central to the peace-building and constitution-making process in fragile and conflict-affected countries.

Four interrelated themes can be identified in this survey. Some authors side very clearly with one of these themes, whilst others draw on a combination of two or more.

- i. **Political settlements describe state-society relations.** They are a type of contract between states and societies, the public acceptance of which is central to understanding how states perform core functions and attain public legitimacy.
- ii. **Political settlements are the product of elite negotiations, which shape the character and performance of formal and informal institutions governing political and economic behaviour (the ‘rules of the game’).** They are central to understanding the way that political and social rules operate in a society, and the degree to which those rules support core state functions.
- iii. **Political settlements reflect the overall balance of power in society.** They are central to explaining the degree of economic and political stability in a country.
- iv. **Political settlements are the means through which societies overcome violence and political instability.** They are central to understanding the elite dynamics behind peace agreements in the aftermath of internal conflict, and arrangements that prevent a return to violence.

The overarching theme in all accounts of political settlements is that they are the *precondition for politics*.<sup>5</sup> In other words, a political settlement is only in place where competition for power and resources occurs through institutionalised non-violent political processes.

## 1.2 The origins of the concept<sup>6</sup>

The term ‘political settlement’ appears explicitly in the work of the historical sociologist Joseph Melling (1991) in his study on industrial capitalism and the welfare state in 19th century Britain (cited in Di John and Putzel, 2009: 4).<sup>7</sup> Although no precise definition of the concept is provided here, Melling uses the term to describe the political processes that shaped the emergence of social welfare policies. An early reference to political settlements within development studies can be found in Khan (1995: 71),

<sup>5</sup> Appropriate forms of politics, in turn, are the preconditions for stability, sustainable economic growth and inclusive social development. This point, alongside the prior questions of what politics is and why it is so important for development, is discussed in detail in Leftwich and Bavister-Gould (forthcoming, 2012).

<sup>6</sup> The remainder of this section traces the various definitions of political settlements according to themes, rather than chronological order.

<sup>7</sup> To the best of the author’s knowledge, Melling (1991) is the first example of the concept of a political settlement being used in an analytical sense.

where the author analyses the performance of institutions by means of the “inherited balance of power or ‘political settlement’”. The concept was later defined by Khan (2004: 168) as the “distribution of organizational and political power between competing groups and classes”. Khan’s more recent work on settlements is discussed in sub-section 1.10 below.

### 1.3 Political settlements as a state-society agreement

The concept of the political settlement did not gain significant traction in development studies until it was picked up by Fritz and Menocal (2007). The authors diverge from the Khan definition by putting forward an interpretation of settlements as a “negotiated agreement (at least in principle) binding together state and society and providing the necessary legitimacy for those who govern over those who are ruled” (*ibid.*: 27).<sup>8</sup> The political settlement lays the basis for core state functions: public administration, security and the rule of law (*ibid.*: 24, 27). The political settlement is not a “one-off event” but an on-going political process. Settlements can adapt to accommodate changes in the relationship between states and societies that arise due to different needs and emerging demands (*ibid.*: 27).<sup>9</sup>

### 1.4 What is the significance of elite actors in the political settlements framework?

What is conspicuously absent from the definition of political settlements in Fritz and Menocal (2007) is the role of political, economic or social elites.<sup>10</sup> Elites and inter-elite negotiations occupy a central place in all of the discussions of settlements that followed. By omitting any reference to the ‘horizontal’ negotiations between elites that most others regard as central to the political settlements framework, Fritz and Menocal (2007) develop a model that is based exclusively on the idea of a ‘vertical’ agreement between states and societies. The focus, in later studies, on horizontal elite negotiations is a key aspect of the settlements framework, providing an insight into the political dynamics that promote or hinder developmental goals. For example, according to AusAID (2011: 13), the political settlement is “an agreement between elites on the processes by which power and resources are shared and decisions made”.<sup>11</sup> Developing states are typically under the control of a coalition of elite factions, which compete amongst themselves for access to resources and political power (Parks and Cole, 2010: 6). This point can be illustrated by the example of elite factions in the Philippines (Box 3).

#### Box 3. The political settlement in the Philippines (Parks and Cole, 2010: 6)

Most of the key political and economic decisions in the Philippines are controlled by a small group of elites, consisting of long-established families, newcomers who have gained power through holding prominent positions in government, and elites from the private sector with ties to government. As the economy grew in the post-colonial era, the land-holding elites became involved with the private sector, while a new group of governmental elites exploited their position to secure rights to resources and markets. These elite factions exert their influence on government policy through closed, informal networks that can shift rapidly from alliance to rivalry. The slow pace of developmental reform in the Philippines has been attributed to the self-interested activities of these elites.

<sup>8</sup> The settlements framework outlined in Fritz and Menocal (2007) was picked up again in OECD/DAC (2008). Whilst the concept is not explicitly defined in this paper, it is used to describe the institutional foundations for state-building in fragile and conflict-affected states.

<sup>9</sup> There is a dearth of examples in Fritz and Menocal’s paper that would help to illustrate these abstract claims. But presumably, by implication in the definition outlined above, any change to a state’s institutions, service delivery or justice system will reflect a re-negotiation of the underlying political settlement.

<sup>10</sup> The authors do acknowledge that this is a significant omission of their paper (Fritz and Menocal, 2007: 21 *fn*. 18).

<sup>11</sup> The definition of settlements in AusAID (2011) as an elite agreement could be taken to suggest that settlements are a one-off, static event. However, there is a conceptual drift, as the paper develops, towards a definition of settlements as on-going political processes. For example: “political settlements evolve over time as different needs, demands and tensions arise” (*ibid.*: 92). In section 2 of this paper, I will argue that, although one-off events and agreements are part of the on-going political settlement process, settlements should not be defined as any particular event or agreement.

### 1.5 How useful is the state-society definition of political settlements?

The idea of a political settlement as a negotiated agreement between states and societies is rather abstract in its construction, and it is difficult to identify any solid empirical or historical cases where such an agreement, or 'social contract' between 'the state' and 'society', can be shown to have taken place. Moreover, the notion of an 'agreement' between 'state' and 'society' incorrectly assumes that (any) 'society' is a unified entity, *without* a diversity of more or less distinct social, economic and political groups with more or less different interests and, especially, different forms and degrees of *de jure* or *de facto* power. Such an assumption also seriously overlooks the fact that not all such groups share a common relationship with, or have comparable access to, the state, nor do they necessarily enjoy comparable civil, political or economic rights. Developing (and all other) societies typically encompass significant social, ethnic, religious and gender groups who are excluded from, or marginalised with respect to their access to, or participation in, formal institutions and organisations of the state. For example, the majority of minority ethnic groups in Nepal – accounting for almost 70% of the population – are disenfranchised (World Bank, 2011: 90). And although they may have other routes of influence and participation, the widespread exclusion and limited political representation and participation of women in many societies, past and present, is well documented (Phillips, 2011b; Hodes *et al.*, 2011; Tadros, 2011). So, if there are groups in society that lack the capacity to aggregate and articulate their interests, or are denied the right to do so, and hence are without 'agency', it is difficult to see how that 'society', conceptualised somehow as a single entity, can be party to a negotiated agreement with the 'state'. While this raises important questions about the complexity of the politics of institutional and policy change (and introduces the important notion of legitimacy), the idea of a political settlement as a state-society agreement papers over these divisions, disagreements and exclusions.

By recognising the fact of divided interests and excluded groups in all societies - and especially in developing societies - donor organisations will be more alert to opportunities to engage with pro-development factions and coalitions, to encourage the inclusion of marginalised groups. For example, efforts to encourage a more inclusive, stable, and developmentally-progressive settlement in Thailand in the late 1990s centred on identifying and seeking support from sympathetic groups in the emerging Thai middle class, the academic elite, and members of the business elite in Bangkok. Since the 2006 peace agreement in Nepal, the international community has supported a more inclusive constitution and encouraged political participation on the part of previously excluded ethnic groups (Parks and Cole, 2010: 14, 27). A robust definition of political settlements should therefore be alert to the fact of social divisions in developing societies.

### 1.6 Political settlement as a two-level game

Political settlements need to be responsive to the interests of the non-elite general public if they are to be sustainable over time, and in this sense Fritz and Menocal's (2007) definition is helpful. However, the example of the transition to democracy in South Africa, discussed below (Box 4), suggests that what is really at stake in the politics of developmental change is not so much agreements between states and societies, but rather the relations and interactions between key elites, and between those elites and their respective groups of followers – and that it is *this* combination of horizontal and vertical relations that should be at the centre of the definition of political settlements. If the negotiating process in South Africa had been exclusive in either the vertical or the horizontal sense (i.e. if key elites had been excluded from or left unsatisfied with the terms of the settlement, or if those key elites had been unable to retain support for the settlement from their followers) then it is unlikely that the ensuing settlement and the new democratic order would have been sustainable over any length of time.

#### Box 4. The South African transition to democracy

The transition to democracy in South Africa came to involve horizontal negotiations between the apartheid regime, represented by the National Party (NP), and the African National Congress (ANC). By the mid-1980s, the two parties had reached a stalemate. The ruling coalition in government had control over the state, the police and defense force, whilst the ANC enjoyed widespread popular support amongst the general populace, the trade unions, civic groups, and international advocates. Escalating civil unrest, violence and mounting international pressure on the NP made governance unmanageable. Horizontal negotiations became unavoidable.

The negotiating process was highly inclusive along the horizontal dimension, in that all political parties across the spectrum, from left to far-right, were urged to participate. Along the vertical aspect, both parties had to satisfy their respective followers and constituencies, as well as the national interest more generally. To be sustainable, the new political settlement had to address the aspirations of the black majority whilst assuaging the fears of the white minority (Nathan, 2004: 2-3). The debates over the terms of the new constitution were vertically inclusive in the sense that the non-elite members of political parties, members of the general public, and representatives from a broad range of civil society groups, were formally consulted throughout the process (*ibid.*: 4). The ANC established a Negotiations Commission that met regularly to conduct regional briefings and consultations between the elected National Executive Committee (the body with formal decision-making authority) and grassroots ANC supporters (Maharaj, 2008: 25). On the side of the National Party, a referendum was conducted solely within the white community, the results of which gave the party leader F.W. de Klerk a mandate to negotiate with the ANC. As nearly 88 per cent of registered white voters cast ballots, the endorsement had a high degree of vertical legitimacy (Wren, 1992).

However, the fractious relationship between the ANC and the country's third largest electoral party, the Inkatha Freedom Party (IFP), was the cause of considerable violence and instability in the run up to the 1994 elections. According to Sisk (1995: 95), the violence of the IFP supporters stemmed from their perception of being excluded from the close political relationship that had developed between the ANC and the NP, and their fear of being sidelined from the negotiations that preceded the elections.

In response to the escalating unrest, a peace deal was established between the ANC and IFP on January 29th, 1991, which established the legitimacy of the IFP as a formal electoral body with a seat at the negotiating table (*ibid.*: 100). After the first democratic election in South Africa in 1994, a Government of National Unity was formed and the IFP President, Mangosuthu Buthelezi, was appointed as a cabinet minister. His inclusion in the government helped to assuage the fear of the IFP leaders and their followers that the traditional and tribal structures of authority would be wholly swept away by the new democratic order (Sisk, 1996: 299). This example underscores the significance of the goal of inclusion in the political settlements framework – a point that is discussed in more detail in sub-section 1.1.1.

The difficulties noted above with the state-society definition of settlements are avoided by the definition put forward in a later DfID-commissioned paper by Alan Whaites. Horizontal understandings between elites are at the centre of Whaites' (2008: 4) definition; political settlements are "the forging of a common understanding, usually among elites, that their interests or beliefs are served by a particular way of organising political power". Whaites' (*ibid.*) discussion also refers to the importance of the vertical relations between elites and their followers: "elites can rarely take social constituencies for granted, they must maintain an ability to organise, persuade, command or inspire. Wider societies are **not** bystanders in political settlements...".<sup>12</sup> In this sense, he regards political settlements as a two-level game.

## 1.7 Political settlements in responsive and unresponsive states (DfID 2009)

The horizontal and vertical aspects of political settlements are also at the centre of the discussion of state responsiveness in DfID (2009). In 'responsive states', political settlements start with a common understanding forged between elites, then over time the settlement expands to reflect a broader understanding between state and society, as the former delivers on basic functions (security, revenue and the rule of law) and accountability. In 'unresponsive states', the political settlement is characterised by informal rules, patronage systems, and tensions between competing, predatory elites. Broadening the inclusivity of the settlement so that it includes all major social groups, i.e. strengthening the horizontal dimension referred to above, is a key element in the transition from unresponsive to responsive states. Political settlements in developing countries are likely to feature a combination of responsive and unresponsive features, as the examples of Cambodia (*Box 5*), Papua New Guinea (PNG) and the Solomon Islands (*Box 6*) illustrate.<sup>13</sup>

### Box 5. The political settlement in Cambodia (DFID, 2009: 9)

#### Responsive features

- The settlement is relatively 'robust', in so far as the governing Cambodian People's Party has uncontested authority, holding an outright majority in the National Assembly and the Senate.
- Progress has been made on establishing key 'survival functions' of the state, including security and macro-economic stability.

#### Unresponsive features

- There has been "uneven" progress on many core state functions; particularly on combating corruption and upholding human rights.
- Disputes between competing elites tend to be resolved through 'personal channels' rather than formal institutional mechanisms.
- There is a risk that competition over capturing anticipated rents from oil and gas reserves could provide a new source of conflict.

<sup>12</sup> Parks and Cole (2010: viii), DfID (2010b: 17) and Gleason *et al.* (USAID 2011: 5) put forward a similar two-level game definition of political settlements. Levi and Murphy (2006: 655) argue that effective coalitions are engaged in a "nested or two level game" when negotiating with representatives from other organisations.

<sup>13</sup> North *et al.* (2007) articulate the idea of responsive and unresponsive states through the concepts of open and limited access orders. Although they do not refer explicitly to 'political settlements', their work fits into the pattern of analysis that the settlements framework brings into focus, by recognising the centrality of elite negotiations in accounting for the stability and responsiveness of states.

### Box 6. The political settlements in PNG and the Solomon Islands

Both PNG and the Solomon Islands have political settlements based upon a traditional system of kinship and land-ownership known as *wantok*. The *wantok* is the primary source of clan loyalty for individuals; it is a system of affiliation based upon common language, kinship group, geographical area and religious grouping (Renzi, 2000: 21-22). In both countries, governance is impeded in certain respects because of the absence of a 'fit' between formal state institutions and the *wantok* (Fukuyama, 2007a: 4).

The PNG state has struggled to deliver certain core public services – per capita income has risen only very marginally since the country's independence in 1975, primary school attendance rates are extremely low, and roads, schools and health facilities are poorly maintained. These difficulties cannot be attributed to a lack of resources; the country has a wealth of timber, minerals, agriculture and energy (*ibid.*: 2). The difficulty stems instead from the fact that the traditional balance and organisation of political power (i.e. the political settlement) that is shaped by the *wantok* system conflicts with formal state institutions in a way that often impedes effective governance and the provision of public services (*ibid.*: 4, 6-7). PNG has a Westminster-style electoral system with single-member constituencies and first-past-the-post voting. When transposed onto the *wantok* system, this structure produces highly unstable ruling coalitions based upon personality and patronage. Candidates are typically elected with as little as 10 per cent of a district's votes. Very small changes in voting behaviour can result in different candidates coming to power, so there is a frequent turnover of leaders (Fukuyama, 2007b: 6). Ruling coalitions, in turn, are primarily concerned with seizing the largest amount of resources to distribute to their respective support bases – defined by *wantok* affiliation – rather than providing public goods on a national basis. Politicians have little incentive to tackle social problems that do not affect their constituency and there is no overarching national reform party (*ibid.*: 12).

In the Solomon Islands the *wantok* system has similarly caused difficulties for certain functions of governance. Whilst it has produced key social benefits at a local level – including comparatively low levels of crime, drug use and HIV/AIDS – there are elements of public policy and collective action on a larger scale that are frustrated (Monsell-Davies, 1993: 1). For example, commercial agriculture and foreign investment are constrained by the structure of customary land tenure (Fukuyama, 2008: 8). Moreover, as in PNG, the first-past-the-post electoral system typically results in unstable ruling coalitions that capture resources for their own support bases (*ibid.*: 10).

In the Solomon Islands, the Provincial Government Act of 1981 created a two-level government where authority is divided between an elected premier – at the national level – and a provincial assembly. According to a Diagnostic Study in 2004, the structure of authority has resulted in an unresponsive political settlement because it has been left unclear how authority is to be divided between provincial and central government. For the most part, locally elected officials are unclear of their powers and responsibilities, and they see themselves as competing with national MPs that represent their districts. As a result, there is little cooperation between the two levels and so the political settlement as a whole fails to deliver a coherent programme of governance and public policy (*ibid.*: 12). In a paper presented at the Australian National University, a coordinator working for the Regional Assistant Mission to Solomon Islands (RAMSI) identified a number of long-term challenges facing the Islands, including inadequate government services, a lack of economic opportunity, and failures in the delivery of law and justice (Wilson, 2009: 9).

It has been suggested that one important way in which the political settlement in both PNG and the Solomon Islands could be made more responsive to the needs of the general public would be to encourage the emergence of an overarching sense of national identity that would complement *wantok* loyalty (Fukuyama 2007a; Fukuyama 2007b; Fukuyama 2008). If such an identity is to emerge, it will most likely need to be created and managed through the activity of a class of elites. This, in turn, implies that nation-building in the Western Pacific may well rely upon appropriate forms of secondary and higher education, to create leaders with a national consciousness and loyalty to the overarching state (Fukuyama 2008: 19, 27).

## 1.8 Political settlements as adaptable processes

In his paper for DfID, Alan Whaites (2008: 7) suggests that a single political settlement can endure across numerous changes of government, so long as the structures and institutions of power, defined by horizontal negotiations and understandings between elites, remain more or less intact. But to be sustainable in the long-term, a political settlement will have to adapt in response to social developments. States that are responsive towards demands for political or social change are, by implication, founded upon an adaptable political settlement (*ibid.*: 10). However, settlements are not infinitely malleable. When there is a fundamental shift, a critical juncture or a “step-change” in the nature of political power and/or institutions, a new settlement may emerge. Such changes occurred with the fall of communism in Eastern Europe and the end of apartheid in South Africa (*ibid.*: 7).

### Box 7. Political settlements can adapt in response to social developments

A settlement that excludes an emerging social class will likely face pressure to expand the franchise. The 1832 Great Reform Act in Britain fundamentally altered the terms of the political settlement in place at the time, by introducing wide-ranging changes to the electoral system in England and Wales. The act was designed to give greater representation to the cities of the industrial North, which had been growing steadily in size and economic power.

The Act increased the electorate from around 366,000 to 650,000 – from approximately 5% to 7% per cent of the total adult-male population in England and Wales (Cook and Stevenson, 2001: 81).

Although the 1832 Reform Act did not significantly broaden the franchise, it initiated a process whereby the political settlement gradually became more inclusive, as more people from the lower classes – and eventually women, in 1918 – gained political representation through further Acts. The 1867 Reform Act extended the right to vote further down the class ladder, adding approximately one million voters drawn mostly from the working classes, thereby doubling the electorate to two million and enfranchising about 16% of the population. The 1884 and 1885 Redistribution Acts tripled the electorate again, by extending the vote to most agricultural laborers – by which point 28.5% of adult males had the vote. Women were excluded from the franchise until 1918, when women over thirty were given the vote. In 1928, the Equal Franchise Act amended this age limit to twenty-one, with the result that 97% of the total population were entitled to vote (*ibid.*). This example illustrates how political settlements can expand to reflect the changing nature of social relations and class structures once an institutional precedent, or principle, for inclusion has been set.

## 1.9 Political settlements as the product of elite bargains

The papers discussed above define political settlements as a reflection of a common understanding between elite actors. Di John and Putzel (2009: 4) argue that this emphasis on common understandings is unrealistic in its suggestion of agreement and consensus. Instead, they define political settlements as the outcome of bargaining, primarily between elites but also more generally between state and society actors, whose interests may be in contention.<sup>14</sup> They argue that political settlements do not

<sup>14</sup> Arguably, Di John and Putzel (2009) overstate their objection to the idea of ‘common understandings’ in previous definitions of political settlements. These definitions can still accommodate the point that, in reaching a common understanding or agreement, elites had to go through a process of bargaining and negotiation.

reflect common understandings, but more often emerge from “a narrow or forced bargain imposed by authoritarian regimes...compromises between previously warring parties, or...more pluralist bargaining arrangements, as in democratic regimes” (*ibid.*: 4).

The significance of bargaining and compromise in the formation of a political settlement can be illustrated by the experience of Tanzania and South Africa. Despite its high level of ethno-linguistic and religious diversity, Tanzania is one of the most stable and cohesive countries within the conflict-prone area of the East Africa. Notwithstanding two military coup d'état attempts, in 1969 and 1982, no significant opposition to the ruling party has emerged to contest state power, despite a series of economic crises, widespread poverty, and external security challenges. One explanation for the stability of the Tanzanian political settlement is that, from the outset, the post-independence rulers established inclusive state institutions through which traditional leaders and tribal authorities were encouraged to bargain for privileges, power and resources. Instead of looking to circumvent or over-throw state institutions, traditional leaders and elites were given the opportunity to seek compromises with government (Gutierrez, 2011: 12).<sup>15</sup>

Bargaining and compromise between the ANC and the apartheid regime was a critical element in the successful transition to democracy in South Africa. This was underscored by Mandela (1995: 513), who wrote that: “Both sides regarded discussions as a sign of weakness and betrayal. Neither would come to the table until the other made significant concessions”. During the course of the negotiations, the main protagonists made a series of reciprocal compromises. In return for the release of political prisoners, the ANC agreed to a unilateral cease-fire; in return for the repeal of racist legislation by the Government, the ANC took the initiative in lifting the sporting and cultural boycott of South Africa; in return for the Government’s agreement to set out a road map for the negotiations with definite time-frames, the ANC agreed to lift economic sanctions (Haysom, 2004: 5). Bargaining and compromises between elites – whose immediate political interests may be in contention – should be at the centre of our understanding of political settlements.

### 1.10 Political settlements shape institutions

According to Brown and Gravingholt (2009: 1), political settlements have two separate dimensions: “the fixed outcome of a certain historical event and a particular characteristic or *property* of a society, reflected in the conduct of political actors”. The ‘event’ dimension of settlements describes occasions where political participants fundamentally re-negotiate the institutions of their polity; for example, by signing a peace accord or establishing a new constitution (*ibid.*: 7). On the ‘property’ dimension, political settlements are characterised by the decisions and behaviour of political actors, which lead to the formation or re-negotiation of formal institutions along the ‘event’ dimension. The meanings of ‘fixed outcomes’ and ‘properties of society’ are highly elusive and these terms do not give a clear enough indication of how to understand and recognise political settlements. A plausible explanation of what the authors have in mind is that settlements are defined partly by particular political events and institutions, as well as on-going political processes. I argue in support of this definition in the following section.

Parks and Cole (2010: 6) put forward a three-part definition of the key elements of a political settlement: (i) a coalition of elite *actors*; (ii) operating in the pursuit of their *interests*; (iii) to establish or reshape political *institutions*, which include formal state institutions and informal arrangements. The historical example of the political settlement in Belgium illustrates the importance of including institu-

<sup>15</sup> Further to this, the Land Reform Act and the Village Land Act in 1999 decentralised land administration in rural areas, awarding responsibility for recognising land rights and titles to elected village governments with a high degree of local legitimacy. This ‘downwards’ devolution of power has the potential to make land transactions more transparent and accountable. However, work remains to be done to improve the implementation of the system in practice. A lack of resources and training for local authorities, incoherence within the administration structure and an absence of enforcement mechanisms have obstructed the effective functioning of the programme (Pedersen, 2011).

tional development within the definition of political settlements.

### Box 8. The evolution of the political settlement in Belgium through the interaction of elite actors and institutions

Since its creation in 1831, Belgium has always been multi-national, and composed of Dutch (also referred to as Flemish), French and German speakers (alongside a host of more local dialects). In the 1930s, language laws were introduced that made Dutch and French the official languages of administration in Flanders and Wallonia respectively. However, Belgium did not become a federal state, with formal borders demarcated by the language spoken, until 1993. In the 1960s, a group of Flemish politicians emerged who had been educated entirely in Dutch-speaking schools, and who were consequently highly vocal in demanding strict observance of the language laws. This helped to fuel demands for devolution. The political resources of the Flemish were further strengthened when, in the aftermath of the decline of the post-war coal and steel industries in Wallonia (the heart of French-speaking Belgium), the bulk of socio-economic power and policy-making shifted to Flanders, where Dutch was the official language.

According to Swenden (2003), the political and economic power of the Flemish political elites enabled them to establish their territorial view of language politics, against the resistance of minority pockets of French speakers in and around Flanders. In this way, the current political settlement in Belgium has been shaped by the informal interaction and negotiations between elites, on the one hand, and formal institutions, i.e. the demarcation of linguistic autonomy within a federal system of rule, on the other.

## 1.11 Mushtaq Khan on political settlements, power and institutions

The relationship between political settlements and the performance of institutions is also at the centre of Khan's work (Khan, 1995, 2004, 2010, 2011, 2012). For Khan, a political settlement only emerges when the distribution of economic benefits, supported by both formal and informal institutions, is compatible with the distribution of power in society, and where this is sustainable, i.e. economically and politically viable.<sup>16</sup> Khan uses the political settlement as an analytical tool for understanding the governance issues that are necessary for sustaining growth, and to explain why apparently similar institutions can work very differently in different countries (Khan, 2010: 4).

Khan's definition goes beyond those accounts that look just at agreements, compromises or bargains between elites, by focusing at a deeper level on the compatibility (or lack thereof) between institutions and the distribution of power and economic benefits amongst powerful groups in society: "A political settlement is a combination of power and institutions that is mutually compatible and also sustainable in terms of economic and political viability" (*ibid.*). Khan defines power in this context as holding power, which is "the capability of an individual or group to engage and survive in conflicts" against other elite actors or the state itself (*ibid.*: 6).

<sup>16</sup> Acemoglu and Robinson (2008) use the term 'political equilibrium' when arguing that political and economic institutions need to be compatible with *de facto* political power if they are to be sustainable over time. They do not offer a precise definition of 'political equilibrium' but they use the term in a way that is very similar to Khan's (2010) definition of political settlements discussed above, i.e. as the underlying balance of power between elite members of the dominant coalition, which influences the form and developmental performance of economic institutions. Neither 'political settlement' nor 'political equilibrium' (nor any equivalent concept) was used in their most recent book, *Why Nations Fail* (2012), where they focus instead on 'inclusive' and 'extractive' institutions. It could be argued that the language of 'equilibrium' suggests a kind of stasis that is at odds with the dynamic character of the political processes and elite power relations which the settlements framework brings into focus. On this point, see Sen (forthcoming 2012).

A sustainable political settlement is one that creates “minimum levels of economic performance and political stability” for a society to function over time (*ibid.*: 4). To say that a political settlement is a combination of power and institutions that are ‘compatible’ means that powerful groups are deriving a sufficient share of economic benefits for them to comply with the institutional order. When elites do not comply with the institutional order, the settlement has broken down. Elites will typically strive to shape the character and evolution of institutions in order to create the distribution of benefits that they desire (*ibid.*).

To say that the combination of power and institutions in society is ‘economically viable’ means that the political settlement is sufficiently productive to avoid economic crisis. To say that the combination of power and institutions is ‘politically viable’ means that conflict and violence do not reach levels that threaten core institutional and political arrangements (*ibid.*: 20-21). Where there is compatibility, sustainability and viability in the structure of power and institutions in society, a political settlement will be able to reproduce itself over time. In the absence of a political settlement, or in the event that a political settlement breaks down, a society is likely to be characterised by violence or anarchy, and economic development is highly unlikely (*ibid.*: 8).

According to Khan, institutions and the distribution of power in society are dependent on one another: institutions affect the distribution of power by creating economic benefits for different groups, whilst the distribution of power affects institutions because powerful groups will work to create the institutions that will deliver them favorable economic benefits (*ibid.*: 22). Once this combination of power and institutions is compatible, viable and sustainable (as defined above), a political settlement has emerged. However, robust political settlements are not static. They must be characterised by flexible distributive arrangements in order to respond to “ongoing social mobilizations”, which will continuously alter the distribution of political power (*ibid.*: 7). The kind of incremental and gradual change that occurs as a compatible, viable and sustainable settlement responds to shifting power dynamics in society is very different to the sharp disruption that can occur when a settlement breaks down due to elite dissatisfaction with their share of benefits (*ibid.*: 4-5).

In developing countries, the distribution of power underlying the political settlement is shaped heavily by informal institutions – primarily patron-client rules governing the allocation of economic benefits. Developing countries typically have in place what Khan refers to as a ‘clientelist political settlement’, where elite power is based largely on incomes that are generated outside formal institutions and outside the productive, capitalist sector of the economy (*ibid.*: 8, 53-58).<sup>17</sup> In clientelist political settlements, there are two key factors that can explain differences in the performance of institutions. The first is the power of excluded factions relative to the power of the ruling coalition, and the power of lower-level supporters. This reflects the significance of vertical and horizontal relations in the political settlements framework, discussed above. The greater the power of excluded factions, the greater the vulnerability of the ruling coalition, which will affect the kind and duration of economic policies it will be willing to undertake. The greater the power of lower-level factions, the weaker the capacity of the ruling coalition to enforce institutional rules upon them (*ibid.*: 9). The second factor that accounts for differences in the performance of institutions is the technological capabilities of entrepreneurs in society and their relationship to the ruling coalition – a factor that is illustrated clearly by Khan’s discussion of the political settlement in Thailand, summarized in *Box 9* below (*ibid.*).

Khan’s analysis has important implications for the goal of creating ‘good governance’ in developing

<sup>17</sup> By contrast, advanced countries typically have ‘capitalist political settlements’, where the economy is dominated by the formal productive sector (Khan, 2010: 8). Khan (*ibid.*: 49) describes two further types of political settlements. ‘Pre-capitalist’ political settlements are characteristic of feudal societies where land rights and military rights are aligned with the distribution of political/military power in society. ‘Political settlements in crisis’ are characteristic of societies where formal institutions have mostly collapsed and informal economic activity is based primarily on the threat or practice of violence.

countries. It suggests that the creation of the formal institutions characteristic of economically advanced countries (for example, democratic elections and accountability mechanisms) is an unrealistic short-term aim, because the power of local elites – who can act as ‘spoilers’ in the process of sustaining such formal institutions – is typically derived from informal institutions (*ibid.*: 4-5, 127). Given that a robust political settlement is a combination of institutions and power that are supportive of one another, any attempt to bring about institutional changes must be compatible with this structure, or it will be resisted by elites (*ibid.*: 5). Resistance can take the form of legal intervention, non-compliance, withdrawals of investments, the organisation of strikes, and violence (*ibid.*: 31-32). Institutions are more likely to be effective and sustainable if the distribution of benefits under those institutions are not contested by groups with holding power (*ibid.*: 6). Conversely, conflict is liable to break out when groups feel that their holding power is not adequately reflected by their share of benefits (*ibid.*: 7).

Alongside a host of detailed case studies, Khan has used this framework to explain the performance of economic institutions in Thailand.

### **Box 9. The clientelist political settlement in Thailand between 1960-1970 (Khan, 2010: 76-78)**

From the 1932 revolution until the student uprising of 1973, the Thai political settlement was characterised by competition and conflict between various military-bureaucratic factions. Generals developed a practice of seeking out business contracts through ‘kickbacks’ and taking on appointments to the boards of companies. Between 1960 and 1970, the military-led ruling coalition did not acquire the characteristics of a developmental coalition, primarily because factionalism within the army meant that generals built their own competing economic power bases.

These features of the political settlement in Thailand help to explain the shape of economic institutional performance at this time, and also why a more sophisticated industrial sector – as experienced in South Korea and Taiwan, for example – did not emerge. The kind of institutions required for industrial policy (e.g. based on technology acquisition) would have been difficult to impose on a system where capitalists were virtually always the clients of a powerful general.

On the other hand, this clientelist political settlement was highly conducive to other types of growth-enhancing formal and informal institutions. The capital base of the emerging capitalist class was enhanced by the informal system of granting favourable government contracts for construction, imports and exports, and sectors such as logging. Entry into the market by individual capitalists was relatively easy provided they could pay for informal protection and support from the authoritarian ruling coalition. This meant that capital accumulation and start-up support were quickly accessible, leading to rapid growth, particularly in technologically straightforward manufacturing industries.

## **1.12 Political settlements and inclusivity**

The concept of ‘inclusivity’ is a key feature of the literature on political settlements, and is said to account in large part for the stability and legitimacy of states (Barnes, 2009: 3-4; DfID, 2010a: 7, 14; Parks and Cole, 2010: 8; Whaites, 2008: 18). When excluded groups have sufficient numbers and resources, they are likely to challenge the terms of the political settlement from which they are excluded, and its distributional implications. For example, DfID (2010b: 13) traces the outbreak of civil war in Uganda and Cote d’Ivoire to the fact that major groups were systematically excluded from power.<sup>18</sup> Similarly,

<sup>18</sup> The recent experience of coalition politics in Uganda is also discussed in detail in Kjaer and Katusiimeh (2012). The authors note

Tadros (2012) identifies the spearhead for the Egyptian uprising in 2011 in the socially, economically and politically excluded youth groups, citizen groups and civil society activists who - although they lacked elite representation or a coherent organisational structure - were able to form a sufficiently strong collective coalition across ideological, class and social divides to destabilise the political settlement under President Mubarak. Conversely, comparatively peaceful states such as Ghana often have comparatively inclusive settlements, which are exemplified by power-sharing mechanisms at the level of the state (in Ghana there is an informal convention that the president generally includes people from the major regions and ethnic groups in government) (DfID, 2010b: 14).<sup>19</sup>

However, it is important not to make a straightforward link between the inclusivity of political settlements and the stability of states or countries.<sup>20</sup> Formal power-sharing provisions have been a feature of the political settlement in Nigeria since 1979, when the 'federal character' principle became a feature of the constitution, requiring that appointments to public service institutions reflect fairly the linguistic, ethnic, religious and geographic diversity of the country (DfID, 2010b: 14). Despite this inclusivity, in recent years the country has experienced outbreaks of civil unrest on a large scale. For example, in January 2012, Nigeria was brought to a virtual standstill over strikes concerning government corruption and the removal of fuel subsidies, which caused prices to rise from US\$1.70 to at least US\$3.50 a gallon (The Economist, 2012). Thousands of protestors took to the streets and violence broke out in Lagos and Kano - evidence that some aspects of the stability of the vertical dimension of the political settlement were breaking down.

There are two further case studies worth mentioning here, both of which provide a more careful appraisal of the relationship between inclusivity and the stability and durability of settlements: the Glorious Revolution in late 17th Century England, and the transition to democracy in post-1958 Venezuela. These examples suggest that, in some cases, the political exclusion of a particular group in society can be a key factor in explaining the stability of a particular settlement, at least for a certain period of time (DfID 2010a: 14; Parks and Cole 2010: 23)

### Box 10. The 'Revolutionary Settlement' in 17th Century England

The close of the 17th Century witnessed the 'Glorious Revolution' in England, when the Catholic Monarch James II was displaced by the Protestant Dutch Prince, William of Orange. When William III came to the throne, the constitutional details of the revolutionary settlement, codified in the Bill of Rights in 1689 and the Act of Settlement in 1701, stipulated that no Catholic could ever take the English throne. The exclusion of the possibility of a Catholic lineage to the throne contributed to the stability of the settlement in place under William, by providing reassurance to key elite figures in the Anglican Clergy and amongst the landowning elite that their interests would not be threatened by a Catholic monarch, as they had been under the reign of James II (Laws, 2010).

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that the power and influence of lower-level groups within the ruling coalition in Uganda has been increasing in strength in recent years, causing further fragmentation and disrupting governance (*ibid.*: 13).

19 The IMF and World Bank have historically appointed their respective Presidents according to an unwritten agreement that the former will be European and the latter will be nominated by the United States. The recent appointment of the US-sponsored Jim Yong Kim to the head of the World Bank, over the Nigerian finance minister Ngozi Okonjo-Iweala, has stirred controversy, inviting comments from certain sectors of the media that the system of appointment is based on national affiliation rather than on merit (Rushe *et al.*, 2012).

20 For example, AusAID (2011: 32) assumes that "the political settlement will be strengthened if it is broadened to include a wide spectrum of society". Later on, the authors offer a more nuanced position, stating that "Narrow political settlements between elites can play an effective role in maintaining stability and allowing for development in the short-run" (*ibid.*: 37).

## Box 11. Venezuela: Exclusive Pacts in the Transition to Democracy

In 1958, in the aftermath of the collapse of the military regime under Marcos Pérez Jiménez and in preparation for the transition to a democratic order, the three largest political parties in Venezuela - the centre-left Democratic Action (AD), the centre-right Social Christian Party (COPEI), and the Democratic Republican Union (URD) - entered into a series of formal pacts and agreements to establish the political and economic institutions of the new democratic era. This included the Punto Fijo pact and the Declaration of Principles and Minimum Program of Government.

The Declaration of Principles laid out a national economic development strategy based primarily on upholding property rights and on protecting foreign and domestic private capital accumulation. The agreement featured a program of state compensation to landowners whose tenure would be threatened by new agrarian reform policies, and subsidies for domestic industries. Both of these were to be paid for with assets derived from the state's oil wealth. Inclusive social development was to be pursued through housing programs for the poor, new labor regulations, trade union rights, the right to freedom of association and progressive policies on public health, education and social security (Karl, 1987: 85).

The Punto Fijo pact established a power-sharing arrangement whereby the parties agreed to divide up power and state resources broadly in proportion to the share of votes each received. Importantly for our purposes here, the Communist party (the PCV) was specifically excluded from the pact (although the party was a signatory to the Worker-Owner Accord, an agreement concerning workers rights and contract negotiation mechanisms).

This act of exclusion is regarded as a key factor in accounting for the comparative stability of the pacts and coalitions that characterised the early years of democratic politics in Venezuela. The marginalisation of the far left provided reassurance to industrial and business elites, the Catholic Church and key elements in the military that their respective interests would not be undermined by a revolutionary transformation of Venezuelan society and politics (Kornblith and Levine, 1995: 46). In this way, the exclusion of the Communist party helped, temporarily, to stabilise horizontal elite relations in the new political settlement.

In terms of vertical elite-follower relations, the Punto Fijo settlement also appeared reasonably stable, so long as the country's oil wealth continued to deliver the finances to support public services and progressive social development policies. During the 1970s, revenues derived from the boom in oil prices enabled the state to meet the terms of the Declaration of Principles, and along with low domestic tax rates there was improvement in the provision of basic public services in health, housing, education and welfare (McCoy & Smith, 1995: 122; Leftwich, 2000: 185).

However, in the 1980s Venezuela experienced a sharp economic downturn. The mismanagement of the economy by successive governments, a stark decline in oil revenues and rising levels of public debt, poverty and inequality put severe strain on the stability of the political settlement and the public legitimacy of the Punto Fijo regime. These problems were exacerbated by IMF austerity programmes, to which the country became committed in the late 1980s. Despite the progress made in social welfare, social security benefits were still the preserve of well-organised urban workers with affiliation to the AD-controlled Workers Confederation of Venezuela (CTV). Those unorganised rural peasants who had migrated to the large cities between the 1950s and 1970s were mostly excluded from the welfare system, living in vast shanty towns and contributing to escalating levels of crime, poverty and social exclusion (Lapper, 2005). The scale of public unrest was underscored in February 1989 when, in response to proposals for economic restructuring that included cuts in petrol and diesel subsidies and a rise in public transport fares, massive protests and rioting in Caracas left several hundred dead.

*(Continued overleaf)*

### Box 11 Continued

In the mid 1990s Hugo Chávez and his supporters entered the political arena, forming the Movement for a Fifth Republic and putting Chávez forward as a presidential candidate. Chávez accused the Punto Fijo regime as being economically inept, corrupt and exclusive of the lower stratum of Venezuelan society (Faria, 2008: 525). Chávez came to power in 1999 on the back of a campaign that promised to eliminate state corruption, introduce constitutional reform and provide a new deal for the poor (Lapper, 2005). His election victory marked the end of the Punto Fijo power-sharing arrangement.

In the short-term, the transition to a democratic order in Venezuela was stabilised and consolidated through politically exclusive elite pacts and agreements. However, the settlement was both economically and politically unsustainable in the long-term, as made evident by the economic upheaval of the 1980s and the dramatic rise to power of Chávez in the 1990s. Had management of the economy been better, and had the governments pursued more consistent and inclusive welfare policies, the outcome may have been different. But it was not so, and the key point here is that the political dynamics of inclusion and exclusion, and how they relate to the short and long-term stability of political settlements, are both highly complex and context specific. It is therefore important not to assume that inclusive political settlements are necessarily any more or less stable than exclusive settlements.

What seems to be of key importance is the relative political power of the elites that are included in the negotiations, pacts and agreements that make up the settlement process, in comparison to the power of those elites that are excluded (Hickey, 2011: 20; citing Khan, 2010).<sup>21</sup> In some circumstances, it may be helpful to substitute 'inclusive' for 'inclusive enough', as the goal for political settlements.<sup>22</sup>

### 1.13 Conclusion

This section has provided a survey of the definitions of political settlements from recent literature on the politics of development. The following progress has been made towards the most useful way of defining political settlements:

- Political settlements should not be defined solely as a contract between states and societies
- Political settlements are two-level games; they involve horizontal negotiations between contending elites, and vertical relations between elites and their followers
- Political settlements should not necessarily be defined as a reflection of a common understanding between elites; they are defined typically by bargaining and compromise
- Political settlements are not set in stone (i.e. they are never truly 'settled'); they can adapt in response to changes in power relations
- Political settlements influence the form, nature and performance of institutions
- Political settlements can be more or less inclusive; but the stability of settlements is not necessarily dependent on the degree to which they are inclusive.

The following section builds on these insights to develop a robust definition of political settlements.

21 Hickey (2011: 21-22) also makes the point that the meaning and significance of the goal of inclusion in the settlements framework varies depending on the type of inclusion that is being referred to. A settlement may exclude certain groups from political representation – i.e. it may be ethnically or regionally exclusive – but nevertheless perform well in terms of economic growth, and therefore be inclusive in an economic sense. According to Parks and Cole (2010: 9) this has been the broad trajectory of Cambodia's political settlement over the last decade.

The highly complex and contextually specific relationship between practices of democratic inclusion in relation to the stability of political settlements in multi-ethnic countries is also illustrated in Mihailescu (2008). This paper looks at the transition to democracy in post-communist Slovakia and Romania. It argues that the inclusion of ethnic Hungarian minorities in the opposition political parties in those countries helped to contain the potential for violent conflict.

22 World Bank (2011: xvii) makes a similar point in the context of discussing inclusive coalitions: "Coalitions are 'inclusive enough' when they involve the parties necessary to restore confidence and transform institutions and help create continued momentum for positive change; and when there is local legitimacy for excluding some groups ...".

## 02

## What is the most useful way to define political settlements?

### 2.1 Introduction

In this section, I argue that political settlements should be defined as on-going and adaptable political processes that include specific one-off events and agreements. The two stages of this argument are illustrated, firstly, by a comparison of taxation institutions and developmental reform in Costa Rica and Guatemala, and the experience of the United Nations state-building project in East Timor, and then, through the example of the revolutionary settlement in 17th Century England.

### 2.2 Political settlements are on-going processes; they are not identical to institutions and/or one-off events

The long-term development or 'process' dimension of political settlements helps to explain why similar forms of political organisation and similar institutions can have starkly different outcomes in different political contexts. Dynamic, shifting and on-going power relations between elites, and between elites and their followers – which underpin but cannot be reduced to specific institutions – are part of the reason why countries with similar institutions and similar endowments experience different developmental outcomes. This point is illustrated in *Box 12* below, which looks at the way in which the political settlements in Costa Rica and Guatemala influenced the performance of tax institutions and developmental reform. The point of this case study is to show that if political settlements are identified too narrowly with specific, formal institutional details and one-off agreements, the framework will lose sight of the underlying power relations between elites, which determine partly the contrasting performance of similar institutions in different contexts (Khan, 2010; Parks & Cole, 2010: 5-6).

*Box 13* looks at the experience of state-building in East Timor under the United Nations Transitional Administration project. The political settlements framework – with its focus on elite power relations, and relations between elites and their respective groups of followers – helps to explain why the formal state institutions erected under UNTAET were unable to secure long-term peace and stability. Again, the point of including this case study here is to illustrate that political settlements should not be defined exclusively in terms of formal state institutions. To do so weakens the explanatory power of the framework, by not focusing attention on the underlying vertical and horizontal power relations that help to explain the developmental performance of different states.

**Box 12. Tax performance and the political settlement in Costa Rica and Guatemala (Di John and Putzel, 2009: 11-13; citing Yashar, 1997).**

After the 1948 independence revolution, Costa Rica consolidated a democratic regime, which was subsequently characterised by political stability and relatively rapid economic growth. From very low levels in the 1960s, both tax collection as a percentage of GDP and income tax collection rose steadily to the point where Costa Rica achieved the highest tax take of any Central American country in 2005. Despite its very similar institutional, historical, economic and geographic context, Guatemala's political and economic trajectory over the same period was starkly different. The country experienced much slower economic growth, the rule of its military authoritarian regime persisted through the second half of the 20th Century, and it was riven by political violence. According to Di John and Putzel (2009, 11-13, citing Yashar, 1997), what accounts for the pro-development trajectory of Costa Rica, in comparison to Guatemala, is the emergence of a political party that transformed the nature of the political settlement underpinning the state.

The Partido Social Democrático (PSD) came to power in Costa Rica in 1951 by gaining political control of the countryside. In addition to weakening the power of land-holding elites, the PSD undermined the oligarchic elite by nationalising the banking system and dismantling the army. By challenging traditional elites in this way, the PSD created the political space in which to press for political and economic reform, including redistributive policies, land reform, and the creation of an inclusive welfare state financed by drastic increases in tax takes and income tax.

The different experience of Guatemala in this period starts with its military regime stamping down on popular demands for democracy and social reform throughout the 1940s and 50s and introducing a long-term ban on political parties and trade unions. Guatemala did not see the rise of any party, equivalent to the Costa Rican PSD, capable of challenging the power of its oligarchic elites and their hold on the state and economy. This was due, first, to the fact that the Guatemalan economic elites were less diversified than in Costa Rica, with power centralised more in large landowners and less in financial and merchant groups. Second, the military regime in Guatemala appropriated a number of large estates and lent its support to the practice of labour coercion on the part of the landowning elite. The landowning elite were co-opted into a political settlement that was not designed for social welfare provision but in maintaining the status quo. As the military became powerful landowners themselves, there was little prospect of imposing higher taxation on this economic sector (Yashar, 1997: 4-7).

**Box 13. The political settlement in East Timor: illustrating the distinction between formal institutions and the political settlement (Ingram, 2012)**

In 1999, after 24 years of Indonesian occupation, the people of East Timor voted resoundingly in favour of independence. The election results were followed by a savage campaign of organised violence, dispossession and destruction on the part of pro-Indonesian militias, with the complicity and direct involvement of local Indonesian military and police. In the face of massive international condemnation, Indonesia withdrew all claims on East Timor and the United Nations Transitional Administration in East Timor (UNTAET) was deployed to stabilise and administer the territory, up to the point of formal independence.

Ingram (2012) uses political settlements analysis to explain the failure of UNTAET to create the conditions for lasting peace and stability in the country. By focusing exclusively on achieving certain formal elements of the state and government, UNTAET did not pay due attention to the consequences of its decisions for the internal political settlement, with the result that widespread violence broke out again in 2006.

*(continued overleaf)*

### Box 13 Continued

UNTAET was widely regarded as a success at the time of East Timor's independence in 2002. Amongst its list of achievements, it could count the restoration of security and the containment of the militias, the return and re-integration of many Timorese who had been displaced across the border, and the building of a police and military force from scratch. The mission had assembled much of the formal apparatus of government and state from the ground up, including voter registration, a peacefully elected Constituent Assembly, a national civil service, a physical infrastructure for government, and the groundwork for national economic management and public finance.

Despite the considerable achievements of UNTAET, Ingram (2012: 2) argues that the project built "the wrong peace" by failing to engage with the underlying political settlement. The legacy of Indonesian occupation had created "corrosive" relationships between key elite figures and their respective followers.

By not recognising and dealing with the unstable and volatile aspects of the underlying political settlement, the formal institutions and state and government structures put in place under UNTAET exacerbated tensions between elites and between elite interests and the wider society. In other words, the political settlement was both horizontally and vertically unstable.

From the outset, few provisions were made to include the Timorese people in executive decision-making or administration within the UN Transitional Administration. UNTAET ploughed ahead with the technical exercise of constructing the apparatus of the state and government with little evident insight into the manner in which those institutions impacted on local interests and the character of elite relations. Further, UNTAET had little understanding of indigenous political organisation, and did not engage extensively at the local, village level. Where it did engage, it did so in a haphazard, *ad hoc* fashion that for the most part failed to facilitate constructive interaction (*ibid.*: 9).

Understanding the local context was of paramount importance, as the years of occupation and exile had created deep social, political, economic and linguistic cleavages. The protracted resistance struggle had exposed and intensified fierce ideological divisions between former comrades in arms, and the united resistance movement, which formed in 1998, masked serious differences and grievances across its component political elites. Other divisions subsequently opened up. Those individuals who had left the country during the time of occupation and now returned to East Timor with wealth, education and the language competencies required for the new administration were deeply resented by those who had stayed behind and found themselves economically and professionally marginalised in the new political order. The younger generation that had led the resistance through the decade of the nineties was also resentful of the impositions of the older generation of leaders (*ibid.*: 4-5).

The process of constructing a Constitution and parliament further exacerbated the underlying tensions. A Constituent Assembly was formed to draft the Constitution, but the way in which the assembly was elected narrowed the basis of popular representation and therefore local legitimacy. The Assembly subsequently voted to transform itself into the first parliament at independence. Horizontally, this created conflicts of interest for the members of the Assembly, as it meant that they had to deliberate over a critical policy choice that directly impacted on their own interests and prospects. Vertically, it was problematic as the citizens of East Timor had not elected this body to govern them into the future. Voters had been denied an opportunity to hear the policy agenda of the parties, with the result that the government lacked democratic legitimacy from the outset (*ibid.*: 12-13). Moreover, the President, Xanana Gusmao, was a bitter political opponent of the Prime Minister, Mari Alkatiri. The 'dual leadership' system of the Constitution had the effect of creating two rival power centres, with the potential to destabilise the state.

UNTAET faced considerable pressure from the Timorese leadership and the UN Security Council to complete its mission as quickly as possible. In the rush to construct the formal structure of an independent state and to finalise the Constitution, the mission achieved the core goals that it had been set but did not create a stable platform for the state (*ibid.*: 16).

### 2.3 Political settlements should be defined partly by particular events, agreements and institutions

The case studies discussed above make clear that political settlements should not be considered identical to formal institutions or one-off events. However, if - on the other hand - political settlements are characterised exclusively as on-going political processes, and are not identified in part by their embodiment in formal institutional details, agreements, pacts, events, and so on, then a risk is that they simply become synonymous with 'politics' more generally. 'Political settlement' would simply be another word for all of "the pervasive and unavoidable (and necessary) activities of conflict, negotiation and compromise involved wherever and whenever human beings in groups have to take decisions about how resources are to be used, produced and distributed" (Leftwich, 2011: 3). The concept would lose analytical precision because it would fail to pick out and identify any specific feature(s) of politics.

Second, if settlements are not embodied in or expressed through formal institutional arrangements and particular events, then for practical purposes it would be very difficult to specify the point at which one settlement ends and another begins.<sup>23</sup> If external aid agencies and donors want to use the concept as a tool for analysing political arrangements in developing countries, then it would seem to be important that settlements have a beginning and an end-point (even if those boundaries are more-or-less vague and contestable). For this reason, it is important to retain a place for institutional details and one-off events, pacts and agreements, within the definition of political settlements. These events afford some historical precision to political settlements analysis, as rough 'markers' to distinguish one settlement from another.

#### Box 14. Illustrating the need for one-off events in the settlements definition

The revolutionary settlement in 17th Century England, referred to above, was the outcome of a long and complex process of parliamentary reform. It is a truism to point out that the social and political chain of cause and effect which led to the displacement of James II in 1689 could - in principle - extend as far back as recorded history. In order to use the political settlements framework to analyse and understand the Glorious Revolution with some precision, we need to identify key events as markers, which signify roughly the point at which the settlement under James II came to an end and was superseded by the 'revolutionary settlement' under William III.

There are a number of critical moments in the revolutionary story which provide such markers; historians converge on the central importance of the birth of James' male heir in June 1688.

The prospect of a Catholic dynasty in England galvanised political opposition to James' rule across the Anglican clergy, the commercial class, key stakeholders in the landowning elite, the military, and a broad spectrum of the general, non-elite population.

By the following year, a coalition of elites, which became known as the Immortal Seven, had negotiated the invasion of England by William III, and a new political settlement had begun to unfold. The birth of James II's male heir was an event, or a critical juncture, that occurred during the course of the political settlement in place during his period of rule, and which provides a rough marker for tracing the genesis of the revolutionary settlement that was to follow shortly thereafter (Laws 2010).

<sup>23</sup> As Brown and Gravingholt (2009: 6) point out, "The longer the timeframe adopted ... the harder it is to pinpoint the nature and boundaries of a settlement and the less precise the notion becomes".

## **2.4 How should we understand the relationship between political settlements and associated concepts such as peace agreements, elite pacts and elite bargains?**

I suggest that peace agreements, elite pacts and elite bargains are concepts that can usefully help to capture the event dimension of political settlements, acting as markers in the manner alluded to above. Justifying that conceptual move, however, first requires a closer look at the way these concepts have been used in recent literature and a look at real-world examples where a distinction between political settlements and peace agreements, elite pacts and bargains would be helpful. This is the purpose of the following section.

## 03

Are political settlements distinct from elite pacts, and other related concepts, such as elite bargains and peace agreements?

### 3.1 Introduction

In this section, I argue that political settlements are distinct from elite pacts and related concepts such as elite bargains and peace agreements. Political settlements are on-going, dynamic processes whereas elite pacts/bargains and peace agreements are specific one-off events. Alongside briefer examples, the experience of Nepal is discussed to illustrate the usefulness of maintaining this distinction.

### 3.2 Peace agreements and political settlements

Fritz and Menocal (2007: 59) regard political settlements as equivalent to peace deals: “One of the most infamous political settlements is the peace deal reached in Sierra Leone in 1999, giving the rebel leader (Fadoy Sankoh of the Revolutionary United Front – RUF) control over the mining sector ... and amnesty from prosecution ...”.<sup>24</sup> A number of authors who touch on this point disagree with this equivalence. Instead, they regard peace deals and agreements as specific, one-off contracts that bring about an end to violence and thereby lay the foundation for a new or re-negotiated political settlement. According to Whaites (2008: 7), “Political settlements are not the same as peace agreements (although the latter may be part of establishing the former)”.<sup>25</sup> DfID (2010a: 15) states that peace agreements can provide a “window of opportunity” for re-negotiating the terms of an existing political settlement; by leading to a new constitution, for example, or by extending the franchise to previously marginalised groups (*ibid.*: 23).<sup>26</sup>

It is important to retain a distinction between peace agreements and political settlements. First, the concept of a political settlement provides a useful framework for understanding forms of developmental change outside of the context of war-to-peace transitions. For example, Tonga is currently in the process of transitioning from an absolute monarchy to a more balanced and democratic constitutional monarchy. This transition began in 2006 when – in response to public pressure and civil unrest – the political system was opened up by holding parliamentary elections and allowing for the position of Prime Minister to be held by a citizen. Further to this, the late King George Tupou V gradually stepped back from direct involvement in the day-to-day running of government. He also advocated increasing the number of people’s representatives in the 32 seat legislative assembly from nine to seventeen, making its composition half nobles and half commoners. The transition to democracy in Tonga is still a work in progress. At the time of his death in March 2012, King Tupou V still held ultimate veto authority over policy-making, and unelected nobles still controlled half of the assembly (Dawson, 2012). The pace and trajectory of democratic reform in the coming years will most likely be determined by a complex process of negotiation between King Tupou VI and his royalist supporters, anti-monarchical

24 The Lomé peace agreement was the outcome of a complex and protracted negotiation process which saw President Kabbah concede to the demands of the RUF for political, economic and military power-sharing.

25 This point is also made in Barnes (2009: 13-14) and DfID (2009: 10-11).

26 DfID (2010a: 23), OECD/DAC (2008: 34) and Barnes (2009: 3, 13-14, 29) make a similar point.

reformists in government and the wider society, and moderate parliamentary blocs (Buchanan, 2012). In other words, both horizontal negotiations and vertical, elite-followers relations will shape the transition to democracy in Tonga. Therefore it is an example of a political settlement unfolding. This shows that it is arbitrary to restrict the concept of a political settlement solely to peace processes and peace agreements, because it also provides a useful analytical tool for understanding how new rules of the game become established in other kinds of transitional polities that may not be emerging from outright civil war.

Second, political settlements shed light on the underlying, longer-term political dynamics that can account for continued instability or exclusion in a country, in spite of formal resolutions to end a conflict. Two useful examples are provided in DfID (2010a: 24). In Guatemala an inclusive peace agreement was signed in 1996, bringing an end to a civil war that had lasted for 36 years. But the peace agreement has not delivered a political settlement that is responsive to greater gender equality, indigenous rights or pro-poor policies. In Kenya in early 2008, in the aftermath of post-election bloodshed, Kofi Annan mediated a peace agreement. This agreement included the formation of a coalition government, with power being shared amongst different ethnic groups.<sup>27</sup> Despite bringing about an end to the immediate causes of the bloodshed, the coalition has faced great difficulties in responding to the more fundamental sources of political instability in Kenyan society. The key points of tension – ethnicity, regional identity, and the distribution of land ownership according to informal institutions – have not been addressed satisfactorily by the political settlement. The result is that peace and political stability in Kenya remain fragile.<sup>28</sup> The point here is that peace agreements (if they hold) may well bring bloodshed and conflict to an end. But where they do not address the fundamental power dynamics in society (that may have been amongst the underlying causes of the conflict), and, especially, its associated economic dimensions, they may simply leave an ‘unresponsive’ settlement in place. Therefore it is very important for analytical purposes to maintain a conceptual distinction between peace agreements and political settlements.

### 3.3 Elite pacts, elite bargains and political settlements

As with peace agreements, some authors treat elite pacts and elite bargains as equivalent to political settlements. For example, Brown and Gravingholt (2009: 2) state that: “As inter-elite pacts, settlements are all exclusionary to a certain degree”. Similarly, Gleason *et al.* (2011: 19) state that “The political settlement in Southern Sudan is an elite bargain”.

Lindemann (2010: 3) defines elite bargains as the “inter-group distribution of access to positions of state power” (Lindemann, 2010: 3). There is common conceptual ground between this definition of elite bargains and the definition of political settlements in Khan (1995), which refers to the overall balance of power in society. Lindemann (2008) draws a distinction between inclusive and exclusive elite bargains in the context of understanding more and less successful transitions from civil war to peace. Inclusive elite bargains involve a ruling party that integrates a broad coalition of key elites by defining inclusive access to state structures (e.g. jobs in government and the army) and state resources (e.g. commercial rents and land titles). Exclusive elite bargains involve a ruling party that establishes a narrow coalition of elites by defining exclusionary access to state structures and resources. The capacity of sub-Saharan African countries to overcome social fragmentation and violence is said to be determined by the varying ability of ruling parties to forge and maintain inclusive elite bargains (which

27 Arriola (2009: 1346, frnt. 3) accounts for the comparative political stability in Kenya under the former President Daniel arap Moi in terms of an ethnically inclusive distribution of cabinet positions.

28 In 2010 Kenya voted in a new constitution that was designed to correct the long-standing power imbalances that had contributed to bloodshed in 2007, by introducing a more decentralised political system with limited Presidential powers, local counties in place of what were widely seen as corrupt provincial governments, and a land commission to settle disputes over ownership. However, pockets of violence in early 2012 between rival ethnic groups in the North of Kenya, sparked by conflicts over grazing rights for farmers, suggest that political stability remains fragile.

are also referred to as 'inclusive political coalitions') (Lindemann, 2008: 2; citing Putzel, 2007; and Di John, 2008).

### Box 15. Zambia: Inclusive elite bargains and political stability

Lindemann (2011) considers the reasons behind Zambia's avoidance of civil war since its independence in 1964, focusing on the inclusiveness of the country's elite bargains. Zambia's post-colonial government managed to accommodate social fragmentation and avoid civil war by creating a high level of political, economic and military power-sharing between the country's major ethno-regional groups. Soon after independence in 1964, the United National Independence Party (UNIP) forged an inclusive elite bargain to achieve national unity. This was achieved through a policy of 'tribal balancing', which distributed access to positions of state power equally amongst the country's five main language groups. This policy has successfully ensured relative political stability to the present day, in an otherwise highly unstable region.

### Box 16. Uganda: Exclusive elite bargains and political instability

Lindemann (2010) argues that the history of civil wars in Uganda, since its independence in 1962, can be explained in terms of the country's exclusive elite bargains. Exclusive elite bargains "privilege certain social groups at the expense of others and therefore fail to accommodate the dominant social cleavages" (*ibid.*: 5). Exclusive bargains are likely to result in inter-group conflict, as competing groups mobilise to contest the distribution of power and resources, ultimately favoring a trajectory towards the onset of civil war (*ibid.*: 7). The 'inner core' of state power in Uganda has mostly been dominated by representatives from a small number of tribal groups, as have the top positions in the Ugandan army. This extreme bias in the distribution of power has been a key grievance in the country's civil wars. In recent years there has been a movement towards greater power sharing with previously marginalised northern areas through the setting up of new districts that provide local elites with greater power and resources. According to Lindemann (2010), this broadening of power explains the end of civil war in the North.

However, Kjaer and Katusiimeh (2012: 17) dispute this inference. They point out that whilst an increasing number of local government units have been established, power has in fact been *recentralised* because appointments to local posts have been moved back to the central government. Moreover, funding for local government has not increased, and is now being distributed amongst a larger number of small district units, meaning less for each individual district. This would suggest that greater inclusivity is not, in fact, the key factor in securing peace in Northern Uganda.

## 3.4 Elite pacts as on-going and adaptable processes

Chandhoke (2010) discusses elite pacts in the context of accounting for state instability in Sri Lanka and India. Exclusive pacts can lead to political instability as disempowered groups struggle for power, resources and representation. For example, the violence that broke out in the Kashmir Valley in the late 1980s is attributed to the fact that the Congress Party and the National Conference Party blocked the entrance of other groups into the electoral process. In the face of heavily rigged elections in 1984 and 1987, excluded contestants felt compelled to mount violent resistance to the discriminatory system (*ibid.*: 5).

As with Lindemann, in Chandhoke (2010) there are clear points at which the concept of a political pact is being used to do the same analytical work as the idea of a political settlement. For example,

Chandoke (2010: 4) claims that: "...the capacity of a political pact to lend stability to a society, and enhance the durability of a state, depends to what extent this pact can expand or contract, be refashioned or reworked, to accommodate the interests of currently significant political elites". Pacts are defined here as dynamic and adaptable processes, rather than particular agreements that represent discrete events. World Bank (2011: 86) agrees that although elite pacts are personalised agreements between powerful figures in society, their capacity to secure peace rests on the extent to which they can be renegotiated to accommodate changing circumstances: "...'elite pacts' can establish limits on violence, but this type of agreement is subject to constant renegotiation as circumstances change, and the threat of violence remains".

### 3.5 Sharpening the distinction between elite pacts and political settlements

I suggest that – rather than being defined as fluid and adaptable processes – elite pacts and bargains should be defined as discrete events/agreements, established between powerful actors, that may occur during the longer-term, on-going, settlement process. This distinction, between long-term political settlements and one-off elite pacts, is alluded to elsewhere in World Bank (2011: 8). The authors note that South-central Somalia has experienced periods of low-conflict in the last 30 years, based on agreements by a small number of elites. However, these "temporary elite pacts" (*ibid.*) cannot in themselves provide the grounds for sustained security and development, unless they are accompanied by a wider and longer-term reform of vertical elite-constituency relations, of the type described by stable and inclusive political settlements. Elite pacts are "generally short-lived because they are too personalized and narrow to accommodate stresses and adjust to change" (*ibid.*). An elite pact or a peace agreement can leave an exclusive or predatory political settlement in place. Hence, it is important to retain a distinction between the concepts. Elite pacts/settlements/bargains refer to particular *features* of political settlements; they are not equivalent to political settlements.

The conceptual distinction between political settlements and elite pacts (and associated concepts such as elite bargains) should be maintained, then, in order to signify that political processes of development and institution-reformation need to be conceptualised in the long-term, and involve wider elite-constituency relations. Elite pacts and peace agreements can bring about an end to political turbulence in the short-term, but societies remain vulnerable to the same tensions that brought about violence and instability in the first place, if such horizontal pacts and agreements are not accompanied by progress in the inclusivity and responsiveness of the wider political settlement, along the vertical dimension discussed above. Donors need the additional, conceptually distinct idea of a political settlement – as a longer-term political process – to support and guide their involvement in aid-recipient countries, in the event that an elite pact or peace agreement fails to engender positive developmental outcomes. Brown and Gravingholt (2009: 3) allude to this distinction when they observe that: "A focus on political settlements instead of peace agreements expands the temporal scope of conflict analyses and brings attention to the need for settlements to evolve". The importance of this distinction between elite pacts/peace agreements and political settlements can be illustrated by looking at the National Pact and the Ta'if Agreement in Lebanon, and the recent trajectory of Nepal.

### Box 17. Illustrating the distinction between political settlements and elite pacts: the case of Lebanon

The National Pact and the Ta'if Agreement in Lebanon are two examples of elite pacts that have failed to establish stable and responsive political settlements. Lebanon is composed of 18 religious sects and has a history of almost continuous conflict and instability. The National Pact was an unwritten agreement that came into being in the summer of 1943 as a result of meetings between Lebanon's Maronite president, Khuri, and the Sunni prime minister, Riyad as Sulh. The pact formalised a sectarian political system through a 'confessional distribution' of high-level government posts. The President was to be a Maronite Christian, the Prime Minister a Sunni Muslim, and the Chamber of Deputies (the Lebanese Parliament) was to be elected on the basis of six Christians for every five Muslim seats. In addition, sectarian divisions were institutionalised in schools, the mass media, professional associations, and youth movements; in short, across all spheres of Lebanese life (Kliot, 1987: 71).

This confessional balancing was initially designed as an interim measure that would eventually be discarded as national solidarity superseded sectarian allegiances. In fact, between the signing of the National Pact and the outbreak of civil war in 1975, sectarianism became even more entrenched and the principle of balancing, which created multiple power centres, frequently inhibited the political process. Ministers felt obliged to represent the interests of their religious communities, sects and clans rather than the national interest. The result was an absence of coherent programs for government, few clear-cut policy lines and no intervention of the government in economic matters (*ibid.*: 66).

Many commentators believe that it was primarily the inability of Lebanon's leaders to agree on a new power-sharing formula, in line with demographic realities, that led to civil war. Prior to the outbreak of the conflict, the confessional distribution was based on the 1932 census. As this census was never updated officially, the growing number of Muslims was not taken into account, thus giving the Christians disproportionate political power. The regime breakdown has been attributed to a variety of other internal factors, including the rise of a radicalised intelligentsia supportive of socio-political change, foreign military interference – particularly on the part of Syria and Israel – and the inability of Lebanese elites to deal effectively with regional developments and socioeconomic disparities which generally disadvantaged Muslims (Seaver, 2000: 257).

The Ta'if Agreement, signed in October 1989, brought an end to the 1975 civil war. Under the terms of the new agreement, members of Parliament agreed to a 50-50 Christian-Muslim balance in Government. Despite the movement towards greater parity of participation, the practice of confessional representation remained the same (Salibi, 1992). In fact, Ta'if appeared to deepen sectarianism, especially in the top executive institutions. In pre-war Lebanon, during the relatively peaceful periods, the President of the Republic, although a Maronite, enjoyed widespread support from the Muslim communities. But in post-war Lebanon, executive power has been distributed among a "troika" whose leaders are more narrowly identified with their respective sectarian constituencies (Krayem, 1997).

Neither the National Pact nor the Ta'if Agreement established a responsive political settlement that delivered political and economic stability. One commentator, shortly before the signing of the agreement, wrote that the survival, development, and stability of the Lebanese system would "depend on whether the Lebanese republic can break with its history to become truly a commonwealth involving citizens rather than community rights" (Salibi, 1988: 12).

Such a change needed a new, non-sectarian balance of power and a different political and civic culture – in other words, a fundamental alteration to the underlying political settlement. Today, more than twenty years after the signing of the Ta'if Agreement, political stability and social justice remain elusive for many Lebanese people. Lebanese politics are still dominated by confessional elites, state institutions are frequently corrupt, unaccountable and unrepresentative, and elite power-brokering has repeatedly taken precedence over socio-economic reform (Picard & Ramsbotham, 2011: 1).

### Box 18. Illustrating the distinction between political settlements and elite pacts: the case of Nepal

Over the past two decades, Nepal has experienced a series of exclusive elite pacts that have failed to curtail violence and instability because little progress has been made on institutional reform and the political settlement has remained exclusive and unresponsive. Nepal is composed of over 100 ethnic groups and has a caste system that dictates group-based opportunities. The recent history of Nepal has been characterised by an on-going struggle between elites, on the one hand, and the majority, who are excluded from the national patrimony and institutions, on the other. In 1990, a coalition of democratic and leftist political parties contested the executive rule under King Mahendra, and pressed for social and economic reforms. However, the parties that came to power in the wake of this movement failed to institute a responsive and inclusive political settlement (i.e. one in which formal state institutions are representative of all social and religious groups), relying instead on a narrow elite pact to draft a constitution that retained the pre-eminence of the Hindu religion and preserved the King's rule over the army.

In the absence of real institutional change, conflict flared up again in 1996 as the Unified Communist Party of Nepal Maoist (UCPN Maoist) launched a campaign of violence with the support of politically, socially, and economically marginalised groups. The Maoist movement united with political parties to overthrow the King and establish a 'New Nepal'. In signing a peace agreement in 2006, the Maoists and political parties vowed to institute a democratic transition and to reform Nepal's traditionally exclusive political and economic structures. However, since the signing, little progress has been made toward these goals and national politics continues to be dominated by narrow, exclusive elite pacts. Consequently, Nepal remains highly vulnerable to various forms of violence and political instability stemming from disempowered and impoverished groups. Inter-group political violence, political extortion and organised crime have all increased markedly since the end of the civil war (World Bank, 2011: 55). Arguably, political and economic power needs to be divided more equitably amongst Nepal's many ethnic and caste groups for real progress to be made on social and political stability and on developmental reform more generally. Such reforms would represent a fundamental alteration to the underlying political settlement.

Since the initial peace agreement of 2006, Nepal's two largest political parties – UCPN Maoist and Nepali Congress – have held on-going consultations on the prospect of forming a shared government, as a way of addressing the country's on-going social, economic and political tensions. By 2011, these talks had been extended to the third largest party, the Communist Party of Nepal Unified Marxist-Leninist, and the Joint Madhesi Front, a coalition of five parties representing the Madhesi ethnic group. However, negotiations have repeatedly been stalled by the Maoists' refusal to comply with the Nepali Congress' insistence that they lay down arms and disband their paramilitary branch (Indian Express, Nov. 03, 2011).

It is beyond the scope of this paper to address whether Nepal's political instability – and its exclusive and unresponsive political settlement – would be rectified by the formation of a government that was composed of all the major political parties, i.e. a government of national unity (GNU). However, it will be useful to clear a place for GNUs within the conceptual map – involving political settlements, elite pacts and other related concepts – that has been sketched out in this paper.

## 04

## How do GNUs fit into the conceptual terrain?

## 4.1 Introduction

GNUs are the subject of very few conceptual or analytical studies, despite the fact that, in recent years, the institutional, political and/or economic crises in a number of countries – including Cote D'Ivoire, the Democratic Republic of Congo (DRC), Liberia, Somalia, Sudan, South Africa, Mozambique, Angola, Lebanon, Palestine, Macedonia and Burundi – have prompted the formation of a coalition government that could be characterised as a GNU (Khadiagala, forthcoming: 1).<sup>29</sup> A GNU will often be formed in the event of a crisis or external threat to the state. The alliance between the Labour Party and the Liberal Party, forged by the British Prime Minister Winston Churchill during World War Two, is an historical example of a GNU that was formed as “a patriotic response to a national crisis” (Kotzé, 2002: 9). In this brief section, I argue that GNUs should be defined as a type of inclusive elite pact.

## 4.2 Defining GNUs

When authors use the term ‘GNU’, they are typically describing formal institutional power-sharing arrangements that aim to provide security and political stability in fragile and/or conflict-affected countries. According to GSDRC (2009: 1), GNUs are “broad coalition governments consisting of all parties (or all major parties) in the legislature”. They are typically formed “during a time of conflict or other national emergency as relatively brief arrangements” (*ibid.*). GNUs often serve to bring an end to conflict between roughly evenly-matched elites; for example, the Transitional National Government formed between hostile Somalian parties in early 2000. Alternatively, they are used by victorious parties to accommodate their defeated rivals; for example, the Ugandan National Resistance Movement and the Rwandan Patriotic Front extended political accommodation to their opponents in the aftermath of their respective country’s civil wars (Khadiagala, forthcoming: 2).

Kotzé (2002: 8) favors a narrow and functional definition of GNUs, stating that “a GNU is solely aimed at emphasising national unity and reconciliation in post-conflict situations”.<sup>30</sup> According to Kotzé (*ibid.*: 7-8), “the overarching principle of any GNU is that it must be inclusive of all the political or politically relevant movements who can muster popular support or that have a military capacity that can threaten the incipient political dispensation”.

<sup>29</sup> There is an extensive body of literature on power-sharing in post-conflict countries, which touches on similar themes to the literature on elite pacts/bargains and GNUs. See, for example, Hartzell and Hoddie (2003); Jarstad and Nilsson (2008); Lijphart (1977) and Walter (2002).

<sup>30</sup> Kotzé (2002: 4-6) elaborates on this definition through the following classification: GNUs: (1) Protect and consolidate against an external threat (e.g. UK 1915-1919; 1940-1942); (2) are part of a negotiated agreement to ensure political consolidation (e.g. Macedonia 11 May 2001); (3) are elected to secure political consolidation (e.g. South Africa 1994-1999; 1999-); (4) are formed in response to political instability caused by economic crisis (e.g. West Germany 1966-1969); (5) are formed in the aftermath of a ‘failed government’ or ‘electoral deficiency’ (e.g. Israel 1984); (6) are formed to enforce an agreement or build peace (e.g. Afghanistan 2001); (7) are formed after a conflict with a common socio-economic reconstruction agenda (e.g. post-World War II Belgium, France, Italy and Austria).

### 4.3 GNUs and power-sharing

According to LeVan (2011: 34; citing Spears, 2000), GNUs are a specific, formal institutional mode of power-sharing and political inclusion, “understood as a purposeful distribution of government posts among the most powerful political parties or groups”. In states with profound ethnic divisions and a history of conflict and fragility, a GNU may help to reduce the risk of violence associated with ‘winner-takes-all’ elections (LeVan, 2011: 10). For example, power-sharing arrangements are said to be the key to understanding the moments of comparative stability during the transition from civil war to peace in Burundi. Peace in Burundi is the result of a “negotiated settlement with, at its core, a multi-layered and multi-faceted power-sharing arrangement that emerged after a lengthy peace process” (Vandeginste, 2009: 64). Barkan (2008) argues that power-sharing between the two major political parties in Kenya, The Party of National Unity (PNU) and the Orange Democratic Movement (ODM), was a crucial component of the efforts to overcome the economic crisis and politically and ethnically motivated violence in the aftermath of the 2007 elections.

However, LeVan (2011) has a number of reservations about the positive impact of institutional power-sharing on the quality of democratic politics.<sup>31</sup> Such arrangements often provide a formal channel through which electoral losers can re-negotiate their return to power, and they can legitimise exclusive elite bargains that alienate citizens from politicians (*ibid.*: 3). When power-sharing is the result of an “extra-constitutional agreement” via a pact brokered between elites, it constitutes a “democratic reversal” because it side-steps the need for broad-based popular support. Critics of the recent power-sharing pacts in Kenya and Zimbabwe, for example, have complained that instead of selecting leaders according to a democratic mandate, they resemble “arbitrary bargaining processes, where the rules of the game can be renegotiated to determine the winner and losers may reasonably demand power” (*ibid.*: 12).<sup>32</sup> Moreover, with the Kenyan and Zimbabwean GNUs, voters have had difficulty in ascertaining which party is responsible for which set of policies or decisions, which creates the perception of a lack of accountability (*ibid.*: 32; citing Shugart & Carey, 1992).

### 4.4 Mapping GNUs in relation to political settlements, elite pacts/bargains and peace agreements

The existing literature provides scant instruction on how best to understand the relationship between GNUs and political settlements, elite pacts/bargains, peace agreements, and other related concepts. Hartzell (2009: 347, *fn.* 1) suggests that these terms are conceptually indistinct when she writes: “I use the terms *settlement*, *agreement*, and *bargain* interchangeably to refer to the terms agreed to by civil war adversaries at the conflict’s end”.

There is some broad overlap between the way that GNUs, and political settlements, elite pacts, and so on, have been used within the literature on peace-building, to account for political stability and the success (or otherwise) of transitions from war to peace. However, according to the argument of this paper, political settlements should be defined as on-going political processes, of which power-sharing institutions in the aftermath of conflict may only be one part. In the case of South Africa, for example, the GNU that emerged in 1994 was one element of the transition to a democratic political settlement that included an election, a truth commission, the reform of economic and land policy and the integration of the armed forces (GSDRC, 2009: 5; citing Kotzé, 2002). GNUs are part of a package of agreements, events and institutions that are included within an on-going political settlement.

31 Kotzé (2002: 10) and Vandeginste (2009: 71) address a similar concern.

32 According to Bratton and Masunungure (2011), the failure of developmental progress in Zimbabwe can largely be attributed to the fact that, at certain critical junctures, leaders accepted power-sharing arrangements that were hastily negotiated, largely imposed on the country by international actors and government representatives of the Southern Africa region, and accepted only with great reluctance.

The GNUs that were formed in Sudan in the aftermath of the Comprehensive Peace Agreement in January 2005, in the DRC after the Pretoria agreements in 2002, and in Burundi in the wake of the Arusha negotiations in 2002, are examples of transitional power-sharing arrangements that emerged from elite pact-making (Khadiagala, forthcoming: 2). If a GNU is understood as a coalition government formed of all the major political parties in a country, then it follows that GNUs are a particular type of inclusive elite pact, focused specifically on establishing shared governance through formal state institutions.<sup>33</sup>

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<sup>33</sup> Khadiagala (forthcoming: 1) agrees that GNUs are “forms of elite pact making”.

# 05

## Conclusions and directions for further research

### 5.1 What is the most useful way of defining political settlements, and related concepts such as elite pacts and GNUs?

What this paper has shown, in the first instance, is that the term 'political settlement' has been defined and used in a variety of different ways. Moreover, it is often left unclear how political settlements relate to other concepts such as elite pacts, elite bargains, peace agreements and GNUs. Despite the lack of clarity, these concepts are clearly important for understanding the political processes and arrangements at work in all countries, and especially in developing countries. This makes it all the more important that there is a greater degree of consensus on how to define and use them. To that end, this paper has argued for the following five core conclusions:

1. Political settlements are ongoing political processes that include one-off events and agreements
2. Political settlements are two-level games, involving horizontal negotiations between elites and vertical relations between elites and their followers
3. Political settlements shape the form, nature and performance of institutions. In turn, institutions and their interaction with organisations can consolidate and embed political settlements.
4. Elite pacts, elite bargains and peace agreements are discrete political events, rather than dynamic processes
5. GNUs are a type of inclusive elite pact aimed at creating formal power-sharing institutions.

### 5.2 Operational Implications for the international communities

#### Acquire local knowledge and understanding

- Using the political settlements framework outlined here to guide donor activity is an inherently political activity. Given that political settlements are on-going political processes that include one-off events, donors and others will need to acquire a deep understanding of and sensitivity towards local political dynamics. This includes institutions (the rules of the game), and the political processes carried out within those institutions (the games within the rules).

#### Take a long-term approach to influencing the political processes of settlements

- There are no 'quick-fix' policy implications of the political settlements framework. Instead, the international community should be prepared to take a long-term view with the expectation that influencing political settlements will require patience and commitment. However, as noted in section 2.3, the problem with adopting a long-term perspective is that it becomes difficult to monitor settlements and for donors to understand whether development assistance is having a positive influence. How can external actors measure incremental changes in the settlement?

In the conceptual framework put forward in this paper, it has been suggested that particular one-off events, policy changes, elite agreements, and so on, can work as rough markers to follow the evolution of political settlements. By tracing and comparing the course of such events and elite agreements in recipient countries, it may be possible for analysts to understand the evolutionary trajectory of a political settlement across a manageable time-frame. For example, tracing the frequency of the turnover of key elites in important positions in government could provide an insight into the overall stability of a settlement; monitoring levels of voter registration from one election to the next could suggest whether a settlement is becoming more or less democratically legitimate.<sup>34</sup> Moreover, the extent to which groups in civil society – business organisations, unions, professional associations, think-tanks, and others – are able to campaign and participate in public discourse and peaceful policy dialogue with offices and officials of the state may also be an important indicator of a stable and consolidated political settlement.

Lastly, donors can engage in what Parks and Cole (2010: 28-31) describe as ‘mapping’ the political settlement, which at one level involves tracing the key actors who hold power in a dominant coalition, understanding their source of influence and legitimacy, and becoming aware of the position of excluded group(s) relative to the dominant elite coalition. If excluded elites are then brought into the settlement, it may be possible to see whether the settlement is becoming more responsive to their interests and the interests of their followers, by looking at subsequent changes (if there are any) to the policy environment. Tracing the shifting boundaries of inclusion/exclusion in the dominant coalition, and then comparing those boundaries over time to the formal policy agenda, will provide a rough guide to the extent to which a settlement is opening up to the influence of newly included groups and actors.

These suggestions are pitched at the level of formal institutions and government policy. Understanding how to monitor and influence the *informal* institutions and networks of power that often play a key part in defining the contours of a political settlement in developing countries remains a thorny obstacle to using the framework to guide donor activity.

### Understand how elites relate to wider coalitions and their support bases

- Whilst elites and negotiations between them are central to the political settlements framework, this paper has emphasised that elites are part of wider coalitions and often have to respond to the interests of a non-elite support base. In order to be alert to the political dynamics that may hamper the stability of settlements, donors need to be aware of the ways in which elites may come into conflict with wider coalition members or fail to satisfy their non-elite support bases. The example of UNTAET in East Timor in section 2.2 showed that the project failed to secure long-term peace and stability because it did not operate on the basis of a detailed understanding of the underlying power dynamics between elites, and between elites and their followers.

### Work to broker opportunities for elites to come together

- It has been shown in this paper that negotiation, compromise and bargaining between elites are central to the formation of durable political settlements. Therefore external actors should look for opportunities to facilitate meetings, partnerships, alliances and coalitions between different elites, as structures through which such interactions can unfold. Understanding the structure of elite interests, incentives and political beliefs will be important for identifying potential coalitions.

<sup>34</sup> However, it is important to recognise that the presence of formal democratic institutions does not necessarily mean that policies will be determined by the preferences of voters. In the Philippines and Bangladesh, for example, there are regular competitive elections with a frequent turn-over of leaders, and yet there are few alterations made to the *status quo*. In other words, democracy is not necessarily the antidote to an unresponsive political settlement. I'm grateful to Tom Parks for drawing this point to my attention.

## Be aware of excluded groups

- The dynamics of how inclusion and exclusion relate to stable and developmentally positive settlements are highly complex. This paper has mentioned a number of cases where groups have worked to undermine a settlement from which they are excluded. Donors should be aware of the precise boundaries of a political settlement in order to (i) anticipate possible challenges from excluded groups, and (ii) identify if it is appropriate to attempt to broker more inclusive arrangements.

## 5.3 Directions for further research

### How to work within the boundaries of sovereignty, ownership and alignment

- The importance of ensuring that aid and external development assistance is in line with locally legitimate politics has recently come very much to the fore of development thinking, and has been linked in some circles to the emerging discussion of political settlements. For example, of the five core goals put forward by 'The International Dialogue on Peacebuilding and Statebuilding' – comprised of the G7+ group of 19 fragile and conflict affected countries – the first is "Legitimate politics – foster inclusive political settlements and conflict resolution" (OECD/DAC, 2011a: 2).

However, the political settlements framework itself raises important issues concerning the appropriate role of external donors when looking to engage in local political dynamics (Parks & Cole, 2010: 3, 26; Hickey, 2011: 41, citing Booth, 2005). How donors can exercise a legitimate degree of positive influence on political settlements without infringing sovereignty, and the local ownership and alignment of policy and institutional reform on the part of aid recipient countries, is a pertinent issue for further enquiry, because such engagement is a necessarily political activity.<sup>35</sup> The concept and practices of 'policy dialogue' may be an important tool for reaching a common understanding between aid-recipient governments and external donors, of how development assistance can work to improve the prospects for stable and developmentally positive political settlements without thereby trampling over local policy priorities.<sup>36</sup>

### How to achieve a balance between the stability and the inclusivity of political settlements

- As we have seen in this paper, stable political settlements may involve narrow and exclusive elite negotiations and pacts. Does this imply that the international community should be prepared to accept possible trade-offs between the stability of political settlements, on the one hand, and democratic accountability, on the other?<sup>37</sup> For how long are such trade-offs tolerable? To better grasp the answers to such questions, more detailed empirical work needs to be done, in order to trace the interaction between inclusion and stability in real-world political settlements.

### How to understand the role of elite pacts and GNUs in achieving peace and promoting developmental reform

- Much more remains to be known about the circumstances under which elite pacts and GNUs function effectively as methods of conflict resolution, whether and how they lead to stable and

35 Parks and Cole (2010: 26) suggest four principles that should guide donors when looking to influence political settlements: (1) the objective should be to encourage positive change within a political settlement, and not to undermine a settlement; (2) inclusivity, stability and pro-development reform should be the end-goal of development assistance; (3) aid should not be channelled towards bolstering a narrow or exclusionary settlement; and (4) influence should always proceed through transparent and legally accountable channels.

36 According to the Paris Declaration on Aid Effectiveness (OECD/DAC 2005: 16), *ownership* entails that "Developing countries determine and implement their development policies to achieve their own economic, social and environmental goals". *Alignment* entails that "donors base their overall support on partner countries' national development strategies, institutions and procedures" (*ibid.*: 3). For a critique of the coherence of the idea of ownership in development practice, see Buijter (2007). For an account of the importance of policy dialogue within AusAID sponsored aid programmes, see Bazeley *et al.* (2012).

37 Evans (2012: 22) points out that: "Stability requires elite inclusion, but the limitation of the political settlement to unprogressive elites is unsatisfactory in the long-run".

developmentally positive political settlements in practice and, in turn, to inclusive growth.

### From 'political settlements' to 'political orders'?

- This paper has explored the varying conceptual uses of the notion of 'political settlement'. It has suggested that the most useful way to think about the concept is as an on-going process that may include a series of one-off events along the way (such as agreements or pacts in the course of its consolidation). But if a successful political settlement is an on-going **process**, then the idea of a 'settlement' may, in any event, be too static a term to use in this context, as what it actually appears to be conceptualising and identifying is an on-going 'political order'. So perhaps future research needs to devote more time to building a better conceptual framework for analyzing political orders. As an initial thought, any political order would presumably be constituted by (a) a set of more or less stable, accepted and legitimate institutional arrangements (formal and informal) that were 'worked out' as part of an on-going political process, *including rules for changing the rules*; and (b) the processes of politics that reflect, sustain and might change these arrangements. Any and all political orders (and there is of course a great variety) are necessarily constituted by these two key features. If so, it may well be that from now on we need to go further and think more about not only what constitutes *a political order*, but what kind of political orders contribute to stability and hence constitute the necessary platform for achieving sustainable and inclusive economic growth and social development. This will require a far more forensic set of analytical tools than those provided by most current versions of 'political economic analysis'.

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