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# Inclusive political settlements: evidence, gaps, and challenges of institutional transformation

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# About this paper

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# 1. Introduction

This paper was commissioned by DFID to build on a literature review produced by Will Evans (2012) on whether existing evidence supports DFID's objective of promoting inclusive political settlements and political processes, as articulated in its "Building Peaceful States and Societies"(PBSB) framework (DFID 2010). The paper starts by defining what political settlements are. It provides a brief overview of how understandings of fragility and state-building have evolved within the donor community to locate where the interest in political settlements comes from and why political settlements are important. The analysis then shifts to ask whether the focus that DFID has placed on supporting more inclusive political settlement and processes is the right one. To do so, I briefly outline the main findings from Evans's review (2012), and I look at additional available evidence on whether inclusive political settlements do in fact help foster more stable, resilient states that are linked to society through legitimacy rather than coercion. The paper also identifies a few key gaps in the analysis of inclusive political settlements in both the DFID literature review (Evans 2012) and the PBSB framework itself. The analysis then seeks to further unpack and problematise what "inclusive" political settlements means, and it asks how processes of institutional change happen and whether and how these may in fact help to reshape political settlements. By way of conclusion, I provide some brief reflections on how donors have sought to foster more inclusive political settlements, and what the analysis in this paper may imply for ongoing efforts in this area.

# 2. Understanding political settlements: what are they?

### Academic thinking and research that engages with the substance of "political settlements"

In the academic literature, the term "political settlements" has not been very commonly used, except for a few exceptions such as Mushtaq Khan (2010, 2012) and Adrian Leftwich[1]. However, much of the evolving interpretation within the international development community of the kinds of dynamics and processes that political settlements embody enjoys a rich tradition in academic thinking and research on processes of state formation and political, social and economic transformation – even if this tradition is not often acknowledged or cited in donor literature, and it is not clear how well-known it is in those circles.

This academic research includes both structuralist approaches to state (trans)formation, and approaches more focused on agency, leadership and the choices leaders make. A seminal study in the structuralist tradition is Barrington Moore's *Social Origins of Democracy and Dictatorship* (1967), which sets out to explain how different agrarian structures, in particular the role of landed upper classes and the peasantry, led to the emergence of democracy in some instances and dictatorship from the left or the right in others from the 1920s onward. The literature on actors and agency focuses on "elite pacts" bargains, and the relationships between elites after periods of turmoil, especially in settings characterised by division and fragmentation. Consociationalism in particular, with the work of Arend Lijphart (1977 and 1999) at the forefront, focuses on the role of elites in preserving unity and stability in otherwise deeply divided societies. There is also an important body of peacebuilding literature that looks at post-conflict transitions and power sharing arrangements in settings as diverse as Northern Ireland,

[1] As the founding Director of Research of the Developmental Leadership Program, Leftwich anchored much of DLP's work around the notion of the political settlement. See also Hudson and Leftwich 2014.

the former Yugoslavia – Bosnia, Kosovo, Macedonia, Serbia – and South Africa (see Noel 2005; Wolff and Yakinthou 2011, among others). The "transitology" school developed a framework to understand the transitions to democracy in Latin America and Eastern Europe in the 1980s from an agency perspective based on elite divisions, uncertainty and contingent choice (see Higley and Burton 1992; O'Donnell and Schmitter 1986, among others).

There is also an important body of academic work that seeks to combine these two approaches more purposively, including, for example, the sweeping analysis of Rueschemeyer, Stephens and Stephens (1992) of what made the advent of democracy and development possible in some places and not others; and the work of Deborah Yashar (1997) explaining why state formation processes in Guatemala and Costa Rica took such divergent paths from the 1950s onwards, leading to an oppressive military regime in the former and democracy in the latter. The focus of this latter literature is to better understand what the balance of power is, not only between different elites but also between and among different social groupings (the military, different social classes, etc.). It also seeks to understand what coalitions become feasible between different groups, depending on the different interests driving them, and how these different coalitions shape the prospects for change in both more and less progressive ways. Elites and leaders are instrumental, but they are not free-wheeling agents and they operate within historical, institutional and structural boundaries that are important in shaping the choices they make.

## Understandings of "political settlements" in policy circles

If the terminology of "political settlements" has not been widely used in academic circles, it has only emerged in international policy-making circles relatively recently, and the concept remains contested. There are concerns that the term is too vague and is subject to multiple interpretations depending on how the term is used (Phillips 2013; Laws 2012; Laws and Leftwich 2014). Despite this conceptual ambiguity, however, there is an emerging consensus about what political settlements are, and much of the substance of what political settlements are meant to embody draws on a rich academic tradition about processes of state formation and political, social and economic transformation.

At their core, political settlements are about taming politics so that they stop being a "deadly, warlike affair" (Higley and Burton 1998). Political settlements constitute a common understanding or agreement on the balance and distribution of power, resources and wealth (Laws 2012; Jones et al 2014). This includes both formal institutions, and, crucially, informal ones. It is precisely this interplay between how formal and informal institutions interact that helps explain why settings that share similar formal institutional compositions (as well as endowments) can have different developmental trajectories and outcomes. Political settlements thus define who has power and, crucially, who does not. They outline the parameters of inclusion and exclusion in a given political system, be it in terms of process (such as who is included in decision-making) or outcomes (for instance, how wealth is distributed), or both.

But far from being static, political settlements are ongoing political processes that involve the negotiation, bargaining and contestation of the power relationships between key elite figures and groups, as well as between elites and the wider array of interests in society (Putzel and Di John 2012). As Ed Laws (2012) has put it, political settlements are "two-level games" that involve both horizontal dynamics and interactions between elites but also vertical linkages between elites and segments of the broader population. Political settlements evolve over time as both elites and different groups in state and society, through a combination of both horizontal and vertical interactions, continue to redefine the nature of their relationship. The diverging historical trajectories of Costa Rica and Guatemala offer an interesting, and contrasting, illustration of this (see Box 1).

**Box 1: The evolution of the political settlement in Costa Rica and Guatemala**

Up to the middle of the twentieth century, Costa Rica and Guatemala shared many important characteristics and similar periods of political change and development. This included seven decades of authoritarian rule beginning in the 1870s, just under a decade of democratic reforms in the 1940s, and brief but consequential counter-reform movements that overthrew the democratic regimes in the mid-twentieth century. Despite these similarities, however, the two cases undertook drastically different trajectories from then onwards. In the end, democracy took root in Costa Rica, while Guatemala experienced decades of authoritarian (and often brutal) rule. According to Deborah Yashar (1997), the key difference is that in Costa Rica, elite divisions combined with organised popular demands led to a progressive pro-reform coalition committed to democracy and broad-based development, whereas in Guatemala a much more reactionary regime prevailed based on the strategic alliance of the army with landed upper classes.

Thus, 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 Démocratico (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. The economic Guatemalan elites were less diversified than in Costa Rica, with power centralised more in large landowners and less in financial and merchant groups. Their interests were also much more closely aligned to those of the military. The ensuing political settlement was not designed for social welfare provision but for maintaining the status quo.

*Sources: Yashar 1997, Laws 2012*

Critical junctures, including, for example, peace processes to end periods of violent conflict, and/or the making of a new constitution, can (re)shape political settlements. The end of apartheid and the transition to multi-racial democracy in South Africa is perhaps one of the most iconic examples of this. By the 1980s, the ongoing struggle between the apartheid regime, led by the ruling National Party (NP), and the anti-apartheid movement, led by the African National Congress (ANC), had reached stalemate. The ruling coalition in government had control over the state, the police and defence force, while 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, and negotiations became unavoidable. The ensuing peace process in the early 1990s was highly participatory and inclusive, bringing together a diversity of actors and organisations (including political parties, police, trade unions, business, churches, traditional leaders), and South Africa has emerged as a much more open, inclusive and representative political system – even if the country continues to face enormous challenges, and the conditions of its poor (and still mostly black) population have yet to improve substantially.

In Kenya, the violence around the 2007 national elections became a crucial rallying point to redefine the nature of the political system. While the constitutional process it ushered in did not involve the same

level of consultation and participation as that in South Africa, the constitution itself represents a moment or opportunity of transformative change – and is perceived as such by many Kenyans (Domingo et al 2011). The vision of social equity that is enshrined in the new constitution marks a breaking point with the past. The underlying aspiration of the new Kenyan Constitution is that, through its numerous provisions and new vision of the state, the exercise of power and the distribution of resources can be transformed, and old grievances which have been at the root of violence, conflict and social exclusion can be addressed. These aspirations, however, have proven much more difficult to materialise in practice, and entrenched institutional dynamics and power structures have endured.

As the different examples provided here suggest, however, political settlements should not be reduced to any one single event or process. Such events and processes can be part of an underlying settlement, but the settlement runs deeper (Laws 2012). It is also important to keep in mind that political settlements are not just national in scope. They also often evolve over time at sub-national levels and in relation to broad policy areas or sectors. (Laws 2014; Castillejo 2014; Parks and Cole 2010; Parks et al. 2013; Elgin-Cossart et al 2012)

# 3. Why "political settlements"?

## Evolving donor thinking on fragility and state-building

Over the past fifteen years, donor thinking on fragility and on how to support pathways out of fragility more effectively has evolved considerably. While the concept of fragility remains contested (Grimm et al 2014[2]; Perera 2015), there is now widespread agreement about some of its key characteristics (Anten et al 2012). It is now broadly recognised that, at its core, fragility is a deeply political phenomenon. As the OECD/DAC has put it, a "fragile state has weak capacity to carry out basic functions of governing a population and its territory, and lacks the ability to develop mutually constructive and reinforcing relations with society". This understanding of fragility very much reflects the spirit of the International Dialogue on Peacebuilding and Statebuilding. In a fragile setting, the quality of the political settlement establishing the rules of the game is deeply flawed (especially in terms of its exclusionary nature), is not resilient, and/or has become significantly undermined or contested. A "social contract" binding state and society together in mutually reinforcing ways is largely missing.

There is also a growing appreciation that, rather than being binary, fragility is a multi-faceted, complex and dynamic phenomenon. Some countries represent entrenched and systemic state fragility, while others exhibit local and temporary fragile characteristics. Fragility thus has different drivers and finds different expressions and degrees of intensity in different settings (see Rocha Menocal 2013; Perera 2015, among others).

An emerging body of academic and policy literature has proven useful in understanding fragility along three key dimensions of the state – capacity, authority, and legitimacy (see Box 2).

[2] See, for example, Grimm et al 2014, who argue that the 'fragile states' concept was framed by policy makers to describe reality in accordance with their development and security priorities, while elites and governments in developing countries have co-opted the term to further their own political agendas. Perera 2015 makes a very similar point.

**Box 2: Key dimensions of the state**

**Capacity** refers to the state's ability to provide its citizens with basic life chances. These include the protection from (relatively easily) avoidable harmful diseases; a basic education that allows for an active participation in social and economic activities; social protection; and a basic administration that regulates social and economic activities sufficiently to increase collective gains and avoid massive negative externalities. **Capacity is not only technical but also political, institutional, administrative, implementation and economic**.

**Authority** has two essential components. One is **security** and relates to the extent to which a state faces an organised challenge to its monopoly of violence. The other refers to the extent to which the state controls its territory and national law is recognised. While **institutional multiplicity exists** to varying extents in all states, the question is the degree to which these are competing and overlapping in ways that undermine rather than complement formal state rules.

**Legitimacy** refers to the normative belief of key political elites and the public that the rules regulating the exercise of power and the distribution of wealth are proper and binding. Historically, states have relied on a combination of different methods to establish their legitimacy, including legitimacy based on performance, legitimacy based on rules and procedures, legitimacy based on ideas/ideology (for instance, nationalism, religious fundamentalism), and legitimacy based on international recognition, among others.

*Sources: Putzel 2010; Stewart and Brown 2009; Rocha Menocal 2013.*

These different dimensions of the state are conceptually and logically distinct, though they often overlap and interact in different ways (Call 2011; Stewart and Brown 2009). The most fragile of states are those where the state suffers considerable weaknesses or gaps in all three of these dimensions, which reinforce and feed on one another. These states lack the fundamental capacity, authority and legitimacy to mediate relations between citizen groups, and between citizens and the state, and to channel conflict through peaceful mechanisms (examples include DRC and South Sudan). These cases are qualitatively very different from states that may have a gap only in one or even two dimensions – they may, for instance, be stagnant developmentally or lack fundamental political freedoms/democracy, but remain relatively stable and peaceful. Fragility in a country like Bangladesh is qualitatively very different from fragility in Rwanda, which in turn is qualitatively very different from how fragility manifests itself in North Korea (see Putzel 2010; Stewart and Brown 2009; Call 2011; World Bank 2011, among others). And in all of these different settings, relevant elites and other political actors are likely to have different interests and incentives to address (or not) different dimensions of fragility. The main point to emphasise is that fragility comes in many different shades and varieties. It is essential to understand these multiple dimensions and combinations, as well as unpack issues related to the "political will" of elites and political actors to promote change, because they present different challenges.

Based on a more dynamic appreciation of fragility and its root causes, donor thinking on state-building has also evolved considerably over time. There is now growing recognition within the international assistance community that state building is not purely a technical exercise but rather a long-term, historically rooted process that is inherently political and must be driven from within.

Thus, from a narrow preoccupation with building/strengthening formal institutions and state capacity across various dimensions (for instance, security or public financial management), there has been an

important shift towards recognising that the state cannot be treated in isolation. The dynamic capacity of state and society to negotiate mutual demands and obligations and manage expectations without resorting to violence is central to the process of building more peaceful and effective states (see for example Elgin-Cossart et al 2012; Jones et al 2012; DFID 2010; OECD 2011; also discussion above on fragility).

This shift has placed the concept of the political settlement, and whether and how political settlements and political processes can become more inclusive – at the centre of the state building agenda. So state building is not simply about 'top-down' approaches of formal institution strengthening, but also about 'bottom-up' approaches and – crucially – about bringing these together (as captured in OECD DAC Principle 3; OECD 2007). In other words, at the heart of state building efforts lies the challenge to revitalise/re-shape the linkages between the state and different groups in society.

### Building peaceful states and societies

Building on the above, different international organisations and initiatives (such as INCAF, the OECD DAC's International Network on Conflict and Fragility, the Institute for State Effectiveness, the International Dialogue on Peacebuilding and Statebuilding, and the World Bank's 2011 *World Development Report*) have developed frameworks outlining what the key areas for supporting the building of peaceful and effective states and societies should be – with DFID at the forefront of much of this (DFID 2010). While each of these varies in some respects, giving different weight to different areas and assigning different characteristics/functions to the state, they all share fundamental similarities[3] (see Box 3 for examples from the OECD and the World Bank).

**Box 3: Examples of international frameworks to support the building of peaceful and effective states**

OECD State-Building Framework (OECD, 2010)

The OECD State-Building Framework focuses on three dimensions of state-society relations that influence the resilience or fragility of states:

- the political settlement which reflects the implicit or explicit agreement (among elites principally) on the "rules of the game" and how power is distributed and the political processes through which state and society are connected;
- the capability and responsiveness of the state to effectively fulfil its principal functions and provide key services; and
- beyond these core functions, the ability of the state to address broader social expectations and perceptions about what the state should do, what the terms of the state-society relationship should be and the ability of society to articulate demands that are 'heard'.

These three dimensions are meant to be understood within a larger regional and global policy environment, and as operating at multiple levels – national and sub-national - within the domestic polity. At the heart of the interaction between these three dimensions lies the social contract and the matter of legitimacy, which provides the basis for rule by primarily non-coercive means.

[3] This is probably not coincidental as frameworks have often been written and/or guided by many of the same people.

The 2011 World Development Report (WDR) roadmap to move beyond conflict and fragility and secure development (World Bank 2011)

The WDR argues that institutional transformation sits at the heart of successful transitions out of fragility, and that legitimate institutions, both formal and informal, are a country's "immune system" against external and internal shocks. The WDR avoids defining legitimacy in terms of narrow normative commitments to democratic principles and acknowledges that states can rely on a combination of different methods to establish their legitimacy.

Critical early steps in breaking the cycle of conflict and fragility and building legitimacy include:

- Restoring confidence in crucial institutions through the development of "inclusive enough coalitions" that should include not only state actors but also community leaders, NGOs, the private sector, and informal actors and institutions.
- "Getting the basics right" by focusing on the provision of citizen security, justice, and jobs.
- Progress along these priorities is essential in order to give everyone a stake in the (new) social order, improve the nature of state-society relations, and foster a sense of collective belonging.

As articulated in DFID's *Building Peaceful States and Societies* and other donor policy documents, current thinking on what is needed to rearticulate the linkages between state and society, strengthen the social contract, and foster legitimacy centres around the following:

- making political settlements and political processes more inclusive by including not only the relevant actors to the violent conflict, but also incorporating other groups that have traditionally been excluded or marginalised (women, for instance) and;
- strengthening key core functions of the state (however narrowly or broadly these core functions are defined);
- helping the state meet public expectations;
- nurturing social cohesion and a society's capacity to promote reconciliation.

The ultimate objective again is to revitalise state-society relations along more productive and reciprocal lines, which is the basis of the social contract.

While much of the state-building agenda has been developed by the international donor community, over the past few years, developing countries themselves have begun to play a more active role (Rocha Menocal 2013). An International Dialogue on Peacebuilding and Statebuilding was established in 2008, intended to bring together donors (including traditional bilateral and multilateral donors but also emerging ones like China and Brazil), recipient countries, and civil society actors to address the root causes of conflict and fragility in a more realistic and effective manner. Led by Timor Leste and the Democratic Republic of Congo, a group of countries affected by conflict and fragility, known as the g7+, has called for a New Deal for Engagement in Fragile States. This New Deal elaborates a series of Peacebuilding and Statebuilding Goals (PSGs) that are deemed to be essential preconditions for development in fragile and conflict-affected contexts (see OECD 2012 and Wyeth 2012):

- *Legitimate Politics*: foster inclusive political settlements and conflict resolution
- *Security*: establish and strengthen people's security
- *Justice*: address injustices and increase people's access to justice
- *Economic Foundations*: generate employment and improve livelihoods
- *Revenues & Services*: manage revenue and build capacity for accountable and fair service delivery.

These objectives and priorities are very similar to those espoused by the international community, and, at least in principle, they reflect a preoccupation with the need to make political settlements more inclusive and rearticulate state-society relations. However, it is also important to highlight that it is not always clear how much of this agenda is actually driven from within g7+ countries. As some observers have noted, a variety of donors and Northern/Western think tanks and academics have been heavily involved in writing background papers, providing technical assistance, and stimulating the agenda and pace. A recent assessment of New Deal implementation finds that there has been insufficient buy-in from different stakeholders within g7+ countries to give the real PSGs traction (Hughes et al 2014). Others have noted that g7+ leaders are more interested in other aspects of the New Deal, including calls for donors to engage differently with fragile states,[4] and see PSGs more instrumentally as means towards committing donors to do that. Nevertheless, even if commitment to PSGs remains superficial within g7+ countries (and beyond), it is also true that in terms of discourse they have been widely embraced in both the developed and the developing world, and this is also evident in the report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda (2013).

# 4. Is the focus on supporting more inclusive political settlements and processes the right one?

## DFID review of the evidence

A review of the literature informing DFID's *Building Peaceful States and Societies* paper (Evans 2012) seeks to unpack the core assumptions and concepts that constitute Objective 2 of that framework – on the need to support inclusive political settlements and processes – and to assess the evidence base supporting those assumptions. Looking at research up to 2010, the paper finds that, on the whole, DFID's framework is well-grounded on available evidence base. Some of the review's key findings include the following (Evans 2012):

- The PB/SB framework's consideration of elites, and the critical role they play in political settlements, is based on a substantial body of persuasive research.
- The evidence suggests that more inclusive political settlements (which at their heart embody elite bargains) do underpin more resilient and peaceful states and societies.
- The evidence on whether and how wider society can affect or shape political settlements remains more mixed, and in general the DFID framework is sufficiently nuanced in its treatment

[4] These are the TRUST principles for engagement elaborated in the New Deal: Transparency, Risk sharing, the Use and Strengthening of country systems, and the Timely and predictable delivery of aid (Hughes et al 2014)

of state-society relations so as to remain consistent with the contested nature of the research evidence on this issue.

The DFID review of the evidence looks at two main mechanisms through which more inclusive political settlements may be supported: democratisation processes, and post-conflict peace processes.

In line with available research, the review highlights that regimes in transition tend to be the most unstable, and that the introduction of democracy can be destabilising and cause conflict. It suggests that democracy on its own does not necessarily lead to the reshaping of a political settlement, and that "[t]he challenges in leveraging democratic processes as a mechanism for peace building and state building are manifest". The review also notes, however, that the DFID framework does not intend to make such claims (i.e. that democracy will automatically lead to more inclusive political settlements and processes).

Yet, the implications of this, and the fact that the DFID framework does assume that legitimacy needs to be bolstered at least partly through democratisation, are not explored further in that review. Evans argues that, as suggested by Afrobarometer, people tend to support/demand democracy, but the picture is much more nuanced and complex than that. A closer analysis of global and regional perception surveys covering countries in Africa, Latin America and Asia reveals in fact that the aspect of governance respondents care most about is that their governments 'deliver the goods' in terms of economic management, growth stimulation, job creation, health, education, etc. (Bratton 2010a and 2010b; Leavy and Howard 2013). Regional Barometer survey results show that the percentage of people pointing to economic concerns as the main challenge that their governments should address is much higher than concerns about democracy and rights. Thus, while people may support democracy, what they care about first and foremost is state performance and the ability of governments to deliver on key needs and expectations (Rocha Menocal et al 2014).

Even then, the relationship between improved performance and service delivery on the one hand, and state legitimacy on the other is far from linear. A key finding emerging from research in this area is that performance-based legitimacy is not simply based on objective criteria but needs be understood as socially constructed – with norms, ideas, state-society interactions and power dynamics all playing an important role in shaping it (McLoughlin 2014).[5] This leads to an important legitimacy conundrum: how to build the legitimacy of the state if neither the strategy of doing so procedurally (for instance, through democratic rules of the game) or through performance necessarily works?

In terms of peace processes, the review explores whether there is evidence to support assumptions embedded in the DFID framework that peace processes offer a crucial window of opportunity to reshape political settlements, and that inclusive political settlements are likely to prove more sustainable and less prone to relapse into violent conflict over time. Evans (2012) concludes that, while the theoretical case might be persuasive, empirical evidence on both 1) whether peace processes/agreements can make a political settlement more inclusive and 2) whether negotiated/inclusive settlements are more sustainable remains mixed if not "contradictory". Evans adds, however, that the framework takes all these complexities into account. Again, though, a key challenge remains what the implications of this are for the framework. While the review highlights many of the tensions, trade-offs and dilemmas that the literature on peace- and state-building has pointed to, how these ought to be managed remains an area that requires crucial attention. More empirical research is needed that illustrates how these tensions play

[5] The evidence on service delivery and legitimacy is intended to be explored in another paper.

out in practice in different countries/settings, whether they have been addressed more/less successfully and to what effect is needed.

Evans (2012) also concludes that the DFID framework does not adequately consider the historical process of institutional change in its treatment of political settlements, which is essential to appreciate why wider society's inclusion in the political settlement is often so difficult to achieve. The review briefly mentions the work of North et al (2009) on the shift from closed, to limited to more open political and social orders as an important attempt to start to do so, but Evans highlights that this is an area that requires much greater scrutiny. Since the question of institutional change lies at the core of whether and how political settlements can in fact become more inclusive and how state-society relations can become more mutually reinforcing over time, I offer some reflections on this issue later in this paper.

## Evidence beyond the DFID review paper

Beyond the DFID review paper, there are a few additional studies (some from before 2010 and others more recent) on inclusion and political settlements – and whether this is linked to fragility and conflict – that reinforce some of the conclusions in the DFID review (2012) highlighted above. This is especially true in terms of the central role that elites play in sustaining political settlements, and the importance of inclusive political settlements (including inclusive peace processes), at least for incorporating relevant elites, for the maintenance of peace and stability.

Lindemann (2008) argues that the postcolonial trajectories of civil war versus political stability in different states across Sub-Saharan Africa are largely determined by the varying ability of ruling political parties to overcome legacies of high social fragmentation by forging and maintaining 'inclusive elite bargains'. While 'inclusive elite bargains' foster political stability, 'exclusionary elite bargains' are more likely to lead to civil war, because failure to include elites from other groups incentivises them to foment rebellion. In Zambia, for instance, despite high levels of social fragmentation, internal violent conflict has been avoided through an inclusive elite bargain and the inter-group distribution of access to positions of state power. The ability of the ruling party in crafting the bargain was instrumental (Lindeman 2010).

The World Bank's 2011 World Development Report (WDR) reaches similar conclusions. Analysing all post-Cold War cases of civil war and relapse, the WDR found that the only cases that avoided relapse (with one exception) were cases that had adopted an "inclusive enough" political settlement – either through a negotiated end to war, or, in cases of military victory, through inclusive behaviour by the dominating elites. Cases where no mechanisms were put in place to include former opponents in political governance arrangements tended to fall back into conflict. (Elgin-Cossart et al 2012).

The WDR also emphasises the need to restore confidence as the first step in institutional transformation through the development of what it refers to as "inclusive enough" coalitions. These coalitions are needed at both the national and the local level, and they include not only state actors but also community leaders, NGOs, the private sector, and informal actors and institutions. This is helpful in moving the debate beyond simple dichotomies of state versus non-state actors and institutions as agents of change: both matter and in fact tend to work best when they build on one another. This, however, does not resolve the issue of what "inclusive enough" is, and this is a question that is addressed later in this paper.

In *Why Peace Fails* (2012), Charles Call also comes to similar conclusions. Examining the factors behind fifteen cases of civil war recurrence in Africa, Asia, the Caucasus, and Latin America, Call finds that, more than economic or social factors, it is it is political exclusion, especially among former opponents, that

plays the decisive role in the recurrence of violence conflict. Conversely, political inclusion of former combatants/potential spoilers, through power-sharing agreements and other mechanisms, is highly correlated with the consolidation of peace. Noting that exclusionary politics and behaviour was the most important causal factor in 11 of the 15 cases of renewed armed conflict, Call concludes that, while other factors help to explain this as well, exclusion is "the most consistently important one" (cited in Jones et al 2012).

More sweeping quantitative and qualitative historical research and conceptual analyses also find that, over the long term, states that are more inclusive also tend to be more peaceful and resilient and rooted in society on the basis of legitimacy rather than coercion. And inclusion here moves beyond incorporation of relevant elites among competing factions that can otherwise resort to violence to encompass the population more broadly.

In *Why Nations Fail* (2012), Daron Acemoglu and James Robinson find that institutions and the quality of governance are the critical hinge separating prosperous states like South Korea from stagnating ones like its neighbour to the north. In essence, they argue that countries with more inclusive political and economic institutions are less likely to suffer from infighting and civil war and have proven far more successful in promoting long-term growth and broader development than those with "extractive ones". This has been the case even though creating more stable political systems and more successful economic activity is often a protracted process that takes time and may initially lead to greater stratification in incomes and assets (and therefore increased inequality).

On the whole, then, Acemoglu and Robinson (2012) find that over the long term, democratic countries tend to be richer and better performing (see Keefer 2009, among others), and also more peaceful and (eventually) more equal. This is very much in line with Lipset's finding in 1959 that there is a strong positive correlation between (high levels of) wealth and (established) democracy, which to this day remains one of the strongest and most enduring relationships in the social sciences. It is also in line with the more general observation that, on the whole and over time, democracies in the developed world tend to be better governed, more peaceful, and also on the whole more equal (the US in particular is an important outlier) (Fritz 2008). This is also the reasoning that is embedded in Prime Minister David Cameron's "Golden Thread" narrative. However, it is not clear from the Acemoglu and Robinson's analysis (or the correlations that have been identified) what leads to what and how one gets to more peaceful, stable, inclusive, representative and wealthier political systems (Rocha Menocal 2012). This is a question that is explored further below in this paper.

North, Wallis and Weingast (2009) argue, for their part, that limited access orders – where institutions and organisations are controlled by a narrow elite and defined by deeply personalised relationships – are more prone to violent conflict than states that are grounded in the rule of law and impersonal (formal) institutions. They show a "virtuous circle" that discourages violence in open access orders, predicated on citizens' beliefs in equality and inclusion; the channelling of dissent through political avenues; and the costs imposed on any organisation that attempts to limit access. However, evidence from both their framework (2009) and a set of nine country case studies testing it (North et al 2013) also suggests that establishing the rule of law is a long-term process. It involves agreement on rules and their application first among elites – and such agreement must be secured if violence is to be overcome – before the rule of law is then expanded to the broader population at large in the measure that political orders make a transition from more "closed", to "limited" to "open access" ones.

# 5. Gaps in the DFID review and the PB/SB framework

Three important issues, both conceptual and empirical, lie at the core of the nature of political settlements and how inclusive they are, and they are largely unaddressed in both the PB/SB framework and the DFID review of the literature. They are: exclusion in relation to identity and nation-building; women's inclusion in political processes and systems; and mechanisms for collective organisation, specifically political parties. Each is analysed in turn below.

## Exclusion, identity and nation-building

As is widely recognised, exclusion is a deeply-rooted challenge in fragile states because at its core it undermines social cohesion. According to the 2011 World Development Report (WDR) (World Bank 2011), states and societies function better when there exist ties of trust and reciprocity and a rich associational life binding citizens together and linking citizens to the state. Importantly, such ties should also be multiple and overlapping/cross-cutting, rather than based on narrow identities (see, for example Varshney 2001, and critiques of the work of Robert Putnam and others on "social capital"). The quality and effectiveness of state-society relations are greatly impacted by the degree of cohesion that holds a society together and by the extent to which elites have or can develop a collective vision of a shared national project or common destiny with society at large. This is particularly true where relations between citizens have been fractured by conflict and violence, and/or where a sense of social cohesion or common identity of what brings people together has been defined in narrow and exclusionary terms.

In this respect, exclusion can be seen as the antithesis of social cohesion. Social exclusion actively militates against the creation of a collective identity or sense of a shared nationwide public (Ghani and Lockhart 2007). Through the different dynamics it generates in fragile states, exclusion undermines trust and hinders collective action in ways that transcend narrow identities of what brings people together (IDB 2008).

Exclusion is especially pernicious when it is based on identity, a point that is not addressed in Evans (2012) and is largely overlooked in the DFID SB/PB framework. Group- and identity-based exclusion, or what Frances Stewart refers to as "horizontal inequalities", is a leading driver of fragility and conflict because it undermines the legitimacy of the state (Stewart 2010), at least in the eyes of those groups that are excluded, if not beyond. As the 2011 WDR emphasises, exclusionary political arrangements/settlements and the ensuing patterns of state-society relations they generate – based on discrimination, inequality, and the denial of fundamental rights – breed resentment and generate grievances that can provoke or exacerbate violence and insecurity. This is especially true of horizontal inequalities based on political identity, while they become more acute when they overlap with horizontal inequalities based on social or economic identities (Stewart 2010).

Social groups who feel unequal and suffer from multiple disadvantages on the basis of *who they are identified as* may mobilise against the state and its ruling elites in an effort to challenge existing political understandings and arrangements. In effect, research over several decades has shown that identity-based exclusion and the political, economic and social forms of inequality it helps to generate are crucial factors associated with violence (DFID 2005; Stewart and Brown 2009). This speaks of the need to foster the inclusion of groups that have historically been excluded on the basis of their identity in political settlements if these are to prove resilient, viable and stable over time. As Stewart has articulated, addressing the conflict risks of horizontal exclusion is essential to establish

stability (based on acceptance of the rules of the game and legitimacy rather than on coercion), which is itself an important (pre-)condition to be able to address vertical exclusion.

Historically, state elites have played a critical role in shaping the way in which group identity (or identities) evolves, and whether and how it becomes salient and politicised. State actions and their consequences, both intended and unintended, frame the contours within which group identities develop and the terms in which definitions of belonging and of the nation-state itself are contested (see the work of Anthony Marx (1998) and Deborah Yashar (2007) among others). Nation-building can be defined as the construction of a shared sense of identity and common destiny to bring people together across other differences (such as ethnic, religious, territorial), and counter alternative allegiances (Gellner 1983; Anderson 1983). When state elites have used social exclusion as a key rallying mechanism in the shaping of identity by selectively including some actors in society but not others, this has led to biased processes of state formation and nation-building founded on exclusionary political settlements. They also undermine existing systems of norms (for instance, at the community level), and create fault lines in society that provide fertile ground for the outbreak of conflict.

Examples of this abound: the struggle against apartheid rule in South Africa, the rise of the indigenous population against the Americo-Liberian elite in Liberia, the north-south conflict in Sudan; exclusion along class and race lines in Guatemala; the conflict between ethnic groups in Burundi, Rwanda and Kosovo; the separatist movement in Aceh, Indonesia; and the sectarian violence in Northern Ireland. Research by the US Central Intelligence Agency-funded Political Instability Task Force (PITF) also finds that state-led discrimination is one of four variables that help explain a majority of cases of what it refers to as state failure.[6] The PITF found surprisingly strong results related to factionalism, which generates “extraordinarily high” risks of instability in situations of open competition. The task force also found that political and economic discrimination is strongly linked to instability and the risk of (violent) conflict. (cited in Elgin-Cossart et al 2012; Jones et al 2012; Castillejo 2014)

On the other hand, available evidence seems to suggest that political settlements that are grounded on *inclusive* nation-building project or, as Benedict Anderson would put it, an “imagined community” that can transcend more narrowly defined identities tend to be more stable and resilient over time. These kinds of political settlements, which can in fact be quite narrow in terms of actors/elites included at the top, help to promote social cohesion and more productive relations between state and society because they incorporate the population at large in a shared sense of national destiny. And the role of elites in shaping these more inclusive identities and nation-building projects has been crucial as well. Mexico under the rule of the Partido Revolucionario Institucional (PRI) (from the 1930s until 2000) was a powerful illustration of this. The political settlement that emerged after the devastating revolutionary war that the country experienced at the beginning of the 20th century was based not only on a project of elite/*caudillo* (war lord) inclusion; it also, over time, made possible the co-option of a wide variety of societal groups that were amalgamated by the party, and the development of an invented idea of nation based on the notion of Mexicans as neither Spaniards nor indigenous people, but as mixed-raced

[6] The other three include regime type, infant mortality (as an indirect measure of the quality of life), and the regional neighbourhood.

*mestizos.* In Ghana too, a multi-ethnic country that has proven remarkably peaceful and stable, especially when compared to other countries in West Africa (and beyond), state formation processes and state-society relations based on the promotion of social cohesion and a unified 'Ghanaian identity' emerged early on. Elites there have incorporated the notion of a social contract linking state and citizens as an integral part of the state and nation building project from the start (Lenhardt et al 2015; Jones et al 2014). More controversially, perhaps, contemporary Rwanda has also been able to develop a strong and widely shared vision for the future that is grounded in part on a re-invented sense of nation that considerably downplays (or even denies) the importance of identity.

More research is needed on this area to substantiate these findings, but it points to an important gap in the conceptualisation of inclusive political settlements and political systems more broadly within DFID, and in donor thinking and practice more generally. As Rowe (2012) noted in her dissertation applying DFID's SP/PB framework to Zimbabwe, state-building and nation-building are intricately linked processes. Efforts to support state-building without proper attention to nation-building may overlook the fact that issues of identity and how it is constructed are often leading drivers of conflict, and lie at the core of how inclusive or exclusive political settlements and broader political processes are.

### Women's inclusion and political participation

As different scholars have noted (Nazneen and Mahmud 2012; Castillejo 2014), political settlement frameworks tend to be gender blind. However, post-conflict and transitional settings can offer real opportunities to renegotiate women's political power, advance gender-equality goals, and thereby redefine the nature of the political settlement along more inclusive lines (Domingo et al 2014). A growing body of evidence on whether and how women's inclusion and political participation can affect political settlements is emerging, focused in particular on the inclusion of women in peace processes (including peace negotiations and constitution-making processes), as well as on quotas to increase women's presence and representation in the political system. A key conclusion from this research is that there is no straightforward or automatic link between women's empowerment and more inclusive political settlements, but it offers important lessons about the kinds of factors that are important in shaping women's influence/impact. The following are summarised from the work of Domingo et al 2014; Nazneen and Mahmud 2012; Castillejo and Tilley 2015; and Chambers and Cummins 2014.

- The number of women involved in both peace processes and political systems has increased significantly over the past two decades. However, while this kind of access matters, it is also essential to look beyond numbers to assess what difference the greater incorporation of women in political processes/systems is making. Women need presence and influence to shape the political agenda. Leadership requires the ability to bring a constituency along.

- Clientelist and personalist politics, and the nature of political parties and competition, also often obstruct women's presence and influence despite formal claims to access. This leads to a substantial gap between the formal empowerment of women and changes in power relations and dynamics in actual practice. Social and political change is incremental and depends on the interests and incentives of domestic actors, and whether they can work collectively to reform institutions. Informal institutions and relationships are as important as formal ones.

- A vibrant women's movement is critical to get women's interests on the table and to sustain pressure on governments to implement formal commitments. However, elite support for a gender equity agenda is absolutely essential to give it traction and momentum. So women and gender advocates also need to build policy coalitions to exert pressure for change, and make

alliances with key strategic actors and decision-making processes if they are to influence new institutional arrangements. On the other hand, it is also important to note that women themselves do not constitute a homogeneous group and often have different (or even competing) interests, so it should not be assumed that women will always be working towards the same shared agenda.

- Last but not least, transnational discourse, advocacy and actors have created important space and opportunities for women's empowerment and increased participation in political processes/systems.

The experience of women's empowerment in Burundi helps to illustrate many of the lessons above (see Box 4).

**Box 4: Women's opportunities for political influence in post-conflict Burundi**

Burundi's post-conflict constitution (2005) provides for a minimum threshold of 30% of women representatives in the Cabinet, National Assembly and Senate and, since 2009, local government. This quota has been met in the two post-conflict elections and has included the appointment of the first women to act as Vice President and Speaker of Parliament and women holding positions in lead ministries (for instance, justice, commerce, and foreign relations).

This was a hard-won victory for Burundi's transnational women's movement and its dogged lobbying for the inclusion of gender concerns and women's rights, first in the peace agreement and then in the constitution. It was also an important victory, given women's historical exclusion from public life in Burundi before the peace accords, when just 5% of representatives were women. While the visibility of women in public office normalises their political participation, they have found it difficult to influence policy on gender or on other issues.

Burundi's political system turns on clientelism: all politicians must obey their patrons and party to keep their position. Women also face patriarchal social norms. Party leadership is a male preserve, with women excluded from the real decision-making forums, which are often informal. Women are discouraged from voicing opinions, and particularly controversial ones. Some women are co-opted by party leaders to meet the quota, rather than being elected (so-called 'flowers'), casting more doubt on their credibility and their primary loyalties. The inability of women MPs to overcome resistance to draft legislation on equal inheritance rights indicates their relative weakness within their parties.

*Source: Domingo et al 2014*

### Mechanisms for collective organisation and political parties

There is a danger that discussions on political settlements become too wilful and agency focused, while it is essential to understand agency in interaction with structures and institutions. These latter two define the parameters within which actors interact (see the discussion in Section ll above on academic research on state formation and change). Leftwich was actually concerned about the opposite – that too much focus was being placed on structures and institutions. Presumably, however, the interaction between these different factors is what matters: actors can promote change, but they are not free-wheeling agents and they operate within institutional and structural boundaries (Hudson and Leftwich 2014). There is also a problematic treatment of elites in the policy-oriented literature on the formation of institutions – it is not just elites that matter but the constellation of power balance between different social groups and, crucially, how these groups are organised. Surprisingly little attention seems to be paid

in donor thinking about political settlements to this issue of collective organisation. Political parties are likely to be central to this.

Political parties are prime institutions linking state and society, and they are instrumental vehicles for collective action and organisation (Diamond and Gunther 2001; Burnell 2004; Carothers 2006). They have also played an instrumental role in driving political settlements as well as shaping government incentives to adopt policies that can foster more/less inclusion (including in terms of growth) (see the discussion on Lindemann above). As James Putzel and Jonathan Di John (2012) suggest in a publication synthesizing findings from a five-year research project on Crisis States, political organisations, and political parties in particular, shape the ways elites relate to each other, as well as how they relate to the state and executive authority at the national and subnational level, and how they relate to their social constituencies.

It is therefore essential to understand the kinds of incentives and interests that drive political parties and the contexts within which they operate, to better appreciate why they function in the way that they do. Their structure, organisation and strategy will be important in determining how effective they are at promoting stability and harnessing collective action towards more/less developmental aims. In Tanzania and Zambia, for example, well-established political parties were able to mediate the bargaining process and incorporate factions and individuals into security forces in a regulated and institutionalised manner, and this was one of the most important factors behind establishing a more resilient state (Lindemann 2010). Putzel and Di John also find that, in almost all cases of state resilience in poor countries, forms of centralised patronage and the management of rents have been organised by national political parties. On the other hand, they argue, where the basic parameters of the state remain contested – such as who is a citizen and who is not, or the basic authority to allocate property rights – the establishment of multiple political parties may allow rival elites and their social constituents to challenge the existence of the state itself, thus leading to exacerbated conflict.

Research carried out by Keefer (2009, 2011) suggests that states are more likely to pursue and implement policies that promote more inclusive development over the long term where there are institutionalised political parties in place. As defined by Keefer, institutionalised parties are organisations that can convey a programmatic policy stance and discipline party leaders and members and can facilitate collective action by citizens. For instance, the Communist Party in Kerala, India, built its strategy on a concerted attack on rural poverty. With its roots in social movements, the Partido dos Trabalhadores (PT) in Brazil is an extremely coherent, well organised and institutionalised vehicle for collective action. It has played an instrumental role in shaping government incentives to adopt policies that can foster more inclusive development. The same may be said of ruling political parties in China and Vietnam, as well as Ethiopia. Curiously, as Keefer notes, often non-democratic systems are much more likely to exhibit institutionalised ruling parties than democratic ones.

Arguably, programmatic or issues-based parties most likely to support collective action are least likely to emerge in patronage states where they may be most needed (Marquette and Peiffer 2014). A quantitative analysis of data by Keefer (2007a and 2007b) on 133 democratic episodes in 113 countries, both developed and developing, examined how a range of economic and social indicators vary with the age of democratic system. Of the episodes, 102 began after 1975. Keefer concluded that the clientelism present in many newly democratised states leads to inferior provision of public goods, greater corruption, and reduced growth. It is worth noting, however, that the evidence surrounding the assumption that programmatic parties deliver better and more inclusive outcomes remains inconclusive.

As has been noted here, some research clearly supports this assertion, but other analyses suggest that the superiority of programmatic parties cannot be taken for granted.

For example, research conducted by Kitschelt and others for International IDEA (2012) (based on seven case studies and quantitative analysis from 88 countries) suggests that while strong clientelism is associated with a slight reduction in economic growth, there is no marked association between programmatic politics and higher growth. Similarly, Kitschelt and others (2012) find that clientelism does not seem to have been associated with a reduction in human development indicators, and it may actually improve some such as life expectancy, literacy and subjective well-being.

Looking at contemporary and recent history in the USA, Galston (2010) argues that strong programmatic parties can be damaging for a polity if this leads to ideological polarisation that reduces the potential for compromise between political actors. This can lead to deadlock over legislation or rapid alterations in government policies, both of which are destabilising for society and the economy. More clientelist appeals may therefore be necessary to defuse social tensions and provide continuity of policies in certain circumstances. Moreover, as Kitschelt and others have argued, the “programmatic” versus “clientelistic" party categories are rarely as mutually exclusive as such labelling might suggest. Parties are likely to combine targeted clientelistic appeals with universal provision pledges and vice versa (Kitschelt 2012).

These different research findings once again point to the fact that the relationship between party form, motivation and development remains far from simple or linear, and context, the maturity of the political system, and the nature of political competition all matter. This speaks to the kinds of incentives that electoral competition can engender. The necessity of winning elections for political survival, or what Carothers has characterised as “relentless electoralism” (Carothers 2006), affects the kinds of development projects elected state officials choose to implement (Whitfield and Therkildsen 2011). Across much of the developing world, and especially in fragile settings, the constant struggle for power and access to state resources means that political parties are preoccupied with winning power and elections, while their concern for the public good is at best secondary. Election cycles and concerns with the immediate visibility of state action, and not the long-term viability of projects, are likely to shape investments in organisational competencies and infrastructural power (vom Hau 2012).

In addition, public financing of political parties across the developing world still remains rare – and with low levels of trust in and performance of parties, public opinion is often not in favour of its introduction. This makes the sustainability of parties quite challenging in the long run. In addition, it may in fact help to strengthen the relationship between economic and political elites even further, as only they can afford to maintain parties and are therefore dominant in the party system.

All of these different factors are likely to impact the developmental or more personalistic approach of political parties and the role they can play in shaping political settlements that are more/less inclusive.

## 6. What do “inclusive” political settlements mean? Problematising the concept of inclusion

Taken together, the evidence above suggests that, in fact, inclusive political settlements and political processes are essential to foster more peaceful and effective states and societies over the long term. Thus, DFID’s focus on inclusion is more than appropriate and justified. However, many questions remain unanswered and it is important to further unpack/problematise the concept of inclusion.

### Who is included in “inclusive” political settlements?

The analysis above also suggests that there are crucial questions about *who* is included in “inclusive” political settlements. If political settlements are about taming politics, then clearly including the relevant elites that otherwise can pose a credible, sustained and systemic challenge to peace and stability is an indispensable and essential condition. This is a central message that emerges from much of the existing literature, and also reinforces the finding in the DFID review (Evans 2012) that the emphasis of the DFID framework on the critical role of elites in political settlements is based on a substantial body of persuasive research.

But even at that elite level, how inclusive is inclusive enough? As discussed earlier, the 2011 WDR emphasises the importance of “inclusive enough coalitions” in identifying pathways out of conflict and towards increased institutional resilience. Drawing on the experiences of a wide variety of countries from different regions and at different levels of development, the report argues that coalitions are “inclusive enough” when they involve the parties necessary to restore confidence and transform institutions and help create continued momentum for positive change. They are also inclusive enough when there is local legitimacy for excluding some groups—for example because of electoral gains, or because groups or individuals have been involved in abuses. However, it is not clear from the discussion how it is possible to tell in real time what an “inclusive enough” coalition looks like and when “inclusive enough” is also good enough. All the cases provided in the WDR seem to suggest that in hindsight those were examples of “inclusive enough” coalitions, and further work and thinking is needed to assess the (lack of) inclusivity and its potential implications as events unfold. This is challenging especially because it is imperative to avoid the risk of doing harm.

Also, despite the recognition of politics, the WDR’s discussion of “inclusive enough coalitions” seems to be devoid of frictions and tensions that may be caused by power imbalances and struggles among different groups. The report seems to avoid dealing with some of the pressing challenges related to this.

How can coalitions bringing together different elements of state and society come together in the first place in settings characterised by a deep sense of mistrust? Under what conditions can excluded actors or groups can pose a genuine threat to the stability of the settlement? And what about groups that may be deemed undesirable by large parts of the population but still have enough power and authority to be able to derail state building processes if they are not included?

### What kind of inclusion?

Beyond the inclusion of relevant elites, there are also deeper questions about how political settlements can become more inclusive of broader groups in society. As Alan Whaites (2008) has put it: “Elites are prominent within the literature on statebuilding, but 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 or state-building." But what does the incorporation of these wider social constituencies mean for "inclusive" political settlements?

One dimension of this, addressed above, relates to the extent to which the nation-building project underpinning the state is inclusive or exclusionary. As discussed, the political settlement itself might be quite narrow in terms of the actors/elites that are included, but it nevertheless can project a sense of identity and "imagined community" that is more inclusive.

Another dimension relates to an important distinction between inclusion based on outcomes as opposed to inclusion based on processes. As with the issue of identity, political settlements that may be considered narrow in terms of the elites that constitute it can in fact produce distributional outcomes that are more broadly inclusive. The so-called "Asian tigers", including South Korea, Singapore and Taiwan, are all good examples of this. These states oversaw a remarkable socio-economic transformation over a period of 50 years that was based on the selective incorporation of some groups (business elites) and not others (labour). However, overall prosperity was much more widely shared and these developmental states, as they came to be called, became leading examples of performance-based legitimacy (see Evans 1995, and Fritz and Rocha Menocal 2007). Contemporary Rwanda and Ethiopia are also examples of this (Booth 2012): in both countries, institutional arrangements that limit democratic competition and other types of process-based inclusion have nonetheless encouraged significant growth with a degree of poverty reduction. The same can be said for China and Taiwan (even if poverty reduction itself has not been sufficient to tackle growing vertical inequality).

In all these examples, state capacity has been essential to securing inclusive developmental outcomes (vom Hau 2012), which, as Sam Hickey (2013) points out, has been "a central feature in all successful cases of long-run development witnessed in the post-World War II era, whether in terms of growth …, social provisioning … or broader forms of democratic development involving rights and redistribution ...". However, states can be highly capable without necessarily being committed to development, so – as Hickey (2013) also emphasises – the commitment of political elites to promote development, especially in terms of shared prosperity, has also proved critical.

By contrast, in countries like Democratic Republic of Congo, Kenya, Tanzania and Zambia, where a variety of reforms to promote process-based inclusion include the adoption of a new constitution, the holding of elections, and policies to combat corruption and promote transparency, those reforms have so far not been able to stimulate a trajectory of sustained growth and shared prosperity (Putzel and Di John 2012). A crucial part of the challenge in many of these countries is that, so far, political settlements have not managed to become more inclusive, and not only in terms of outcomes. In terms of process, efforts to increase citizen participation in decision-making processes have not necessarily helped to expand the boundaries of the political settlement in practice beyond the inclusion of relevant elites.

# 7. Understanding governance transitions and processes of institutional change

The analysis above points to a variety of difficult questions that are likely to have less than straightforward answers. How can countries break away from patterns of fragility and enhance their resilience and effectiveness over time? What are the key drivers and dynamic processes at play, in and out of fragility, and what explains change and defines the space for reform and potential transformation? To what degree can various forms of inclusion compensate for other ongoing weaknesses within the state and in the linkages between state and society? Are there any tensions, dilemmas and/or trade-offs between process-based inclusion (for instance, broad based citizen participation and inclusion in decision-making processes) and outcome-based inclusion (for instance, effectiveness in decision-making processes; promotion of growth, and what kind of growth?) What persuades elites to pursue more or less inclusive, either in terms of process, or in terms of outcomes, or both? What might be the right balance, if indeed there is one? And so on.

In other words, how does institutional change happen over time, and how do states and societies that are in fact more inclusive emerge? As Evans (2012) points out, this is a question that is not addressed in the DFOD PBSB framework, but it is fundamental, or rather foundational. It is not possible to give this question proper justice as part of this paper, but some of the key challenges it embodies are addressed in greater detail below.

## Multiple processes of change that may not be mutually reinforcing

Sustainable pathways out of fragility toward greater state resilience and effectiveness entail processes of change in the formal and informal institutions to ensure that the benefits for individuals choosing to act peacefully and lawfully exceed their costs. We can define this as governance transition.

Governance transitions are complex. Changes brought about by governance transitions may be relatively small or more fundamental. At their core, however, they involve some kind of re-articulation of the rules of the game about the use and distribution of power, and about the nature of the linkages between state and society. In other words, they involve an alteration in the political settlement undergirding a political system (see also Putzel and Di John 2012; Pritchett and Werker 2012; vom Hau 2012). Both politics and history matter: the domestic balance of power within different groups in and out of the state in a given country (North et al 2009; North et al 2013; Kahn 2012), mediated by historical legacies of state formation and patterns of state-society relations, as well as the state's particular insertion into the global state system and international political economy (Pritchett and Werker 2012 and others). These kinds of factors play a decisive role in framing the kinds of transformations that are possible.

As such, governance transitions are inherently political in nature and they are not likely to be free of conflict. There is nothing unusual about intense social confrontation during the transformation of institutions and the complex (and long-term) processes of social and political mediation that this may entail. But it also helps to explain why change and reform in fragile settings has proven so challenging and why reform efforts have so often fallen considerably short (WDR 2011). Movements toward increasing state capacity and authority, and demands for greater openness and accountability in the political system can lead to instability as power geometries realign— and a key issue for states in transition concerns whether political structures can move the parameters of tolerance and prohibition in such a way as to channel demand making through peaceful mechanisms.

Governance transitions include several (long-term) processes of institutional change and transformation in the nature of state-society relations to overcome different combinations of weak state capacity, authority and/or legitimacy that characterise fragility as explained above. These dimensions are likely to be iterative and interactive, and they can entail one or more of the following kinds of transition (see Fox 2008; Levy and Fukuyama 2010; Mamdani 1997; North et al 2009; Putzel and Di John 2012; Pritchett et al 2010; Rothstein 2011; World Bank 2011, among others):

- From war and/or violent conflict towards peace and the establishment of the monopoly of the state over the use of violence (essential especially for state authority)
- From political orders that are closed and exclusionary towards systems that are more open, representative, and inclusive (essential especially for state legitimacy)
- From clientelism and a narrow concern for particularistic interests to substantive citizenship and a greater concern for the public good (essential especially for state capacity and legitimacy)
- From patronage power/institutions towards greater impersonality of the political system and the rule of law (essential for state authority, capacity, and legitimacy)
- From a stagnating or narrowly-based economy, or an economy geared towards violence, towards investment, growth and jobs (essential especially for state capacity)

(Positive) transformations along these different dimensions are in turn essential in building the legitimacy and credibility of the state (Levy and Fukuyama 2010).

Because there are different dimensions of fragility, countries are likely to undergo one or more transition(s) simultaneously, in different arenas (for instance, political competition, the public sector, the market) and levels (national, subnational, or both) and at different paces and scales, to address different "gaps" or weaknesses. Some of these processes may reinforce each other. For instance, efforts to foster the establishment of the rule of law can encourage greater economic investment and also help build state capacity to perform key functions, like administering justice, as well as state legitimacy, because nobody is meant to be above the law.

Crucially, however, governance transitions are not linear, one-directional or always positive: the dynamism of social orders is a dynamic of change, and it does not necessarily imply *progress* in a neat, straightforward manner, with an obvious pattern and a particular end point in mind (North et al 2009, Hughes et al 2014). While change *may* occur simultaneously in all the dimensions outlined above, it often does not. Most states and societies move backwards and forwards with respect to political, economic, and social development, in uneven processes of evolution across sectors, and with differential impact on different groups and parts of the national territory. And they may transition back into violence and conflict after a period of relative stability, as in the case of Kenya and the electoral violence that convulsed it in 2007, reflecting the contested and conflictual nature of existing institutional arrangements and rules of the game (Branch and Cheeseman 2009).

Governance transitions are internally driven processes, but they do not unfold in an international vacuum. External dynamics/influences/incentives and stresses can impact different dimensions of transition processes in both positive and more negative ways (for instance, impact of illegal trafficking and money laundering; organised crime and tax havens) (DFID 2010; World Bank 2011;, Elgin-Cossart et al 2012; Jones et al 2012, among others).

In short, governance transitions along the different dimensions noted above may not always reinforce one another. As articulated in the DFID framing paper, they may in fact generate tensions, dilemmas, and potential trade-offs (Call 2011; Paris and Sisk 2008; Rocha Menocal 2011). The relationships among these

different dimensions – and the leads and lags among them that are possible within transitions counted as broadly successful – should not be treated as given or assumed, as is very often done in international development thinking and practice. Their complex linkages and dynamics remain one of the most important questions to be examined empirically, by research and policy lesson-learning.

Contemporary Rwanda, for instance, is an example of a state that has made remarkable progress in establishing its authority and capacity, especially in terms of generating economic growth, providing basic services, and establishing a monopoly over the use of violence, but considerably less progress in terms of making the political system more open, representative, and inclusive. Countries like Malawi, East Timor, and Haiti also offer a reminder that transitions can yield periods of greater instability and conflict, and they provide illustrations of the kinds of dilemmas that might be involved (for instance, tensions between what it may take to build state legitimacy versus state capacity; tensions between what is needed to establish state authority versus legitimacy) (Cammack 2011; Call 2011).

## Moments of transition

Governance transitions out of fragility that prove more sustainable and resistant to backsliding and the recurrence of violence over time are likely to result from the evolution/transformation of political, economic, and social organisations and institutions that make a state and society better able to cope with internal and external drivers of fragility, and to manage competing demands and (potential) conflict peacefully and without threatening the viability of the state (World Bank 2011). This is not about establishing perfect institutions but about developing "good enough" rules and procedures through enhanced state capacity, authority, and legitimacy to withstand crisis and ensure sufficient political stability. Or as the WDR (World Bank 2011) put it, it is about building the "immune system" of institutions so that they can cope with stress more effectively.

What may bring such changes about, and what kind of space for reform might governance transition processes facilitate? The literature suggests that, in particular, post-conflict settings offer a unique window of opportunity to "rewrite the future of history" – at least potentially (Ghani and Lockhart 2007; Anten et al 2012; Domingo et al 2014). These are moments of flux when the rules of the game are being contested and rearticulated, and such contestation provides a critical opening for reformers and leaders of political coalitions to make changes that would otherwise not be available. More generally, important shifts in policy and institutions become possible at key "moments of transition" – events that make efforts to prevent or recover from different dimensions of fragility possible. These events or moments of transition can involve space for deep and wide-ranging transformation (not only the end of a war, as noted above, but also a deep national crisis or a change in government after one party has been in power many years). There may be space for more limited change (for instance, a new governmental reform plan or shift in key appointments, negotiations or coalition-building between different actors in society; or events that spur reflection in society such as riots, military defeats, natural disasters, or key political anniversaries).

At such critical junctures, coalitions emerge in the context of divided elites and/or the rising organisations of marginalised sectors of society demanding political inclusion (See O'Donnell and Schmitter 1986; Berins Collier and Collier 1991; Yashar 1997, among others). These moments can be instrumental in bringing about institutional change as a transition from one equilibrium to another, both positive and negative (see Box 1 contrasting state formation trajectories in Costa Rica and Guatemala in Section 2 above) . For instance, the devastating tsunami in 2004 proved instrumental in facilitating a transition from conflict and fragility in Indonesia, whereby the ensuing humanitarian crisis and massive

reconstruction effort created common ground for the Indonesian government and the Free Aceh Movement to negotiate a peace settlement in earnest (World Bank 2011). The experience with hyperinflation in many countries in Latin America during the 1980s also enabled political leaders to undertake difficult but badly needed economic reforms. Another example of critical juncture is Ghana in 2003, where a potential conflict over succession rights between two clans in the north was avoided as incumbent leaders recognised the need for change and created enabling conditions to make it happen. The violence surrounding the elections in Kenya in 2007 created a critical juncture. (See also the discussion on critical junctures in Section 2 of this paper)

Yet a cautionary note may be in order here. Processes of governance transition can also be potentially destabilising and they are not often coherent and consistent. History also shows that changes in formal rules may do little to change informal institutions and actual practice of power, and that political settlements can remain highly exclusionary affairs even after a peace agreement that is intended to be more inclusive has been negotiated. The DFID framework highlights the experience of post-conflict Guatemala, where, as has been highlighted in this paper as well, underlying power structures and dynamics remain untouched even after an admirably participatory and comprehensive peace process. The experiences of Somaliland (Phillips 2012) and Kenya mentioned earlier also come to mind.

It is often the case too that relatively little is known about how processes of (progressive) change can actually occur and what the tipping points might be (for instance, the Arab spring) – and there is always the danger of exaggerating the potential for change that a particular window of opportunity may provide (again the Arab Spring). It is therefore essential to sharpen our understanding of when and why potentially developmental coalitions emerge, and how and why policies that can lead from violence and fragility to successful transition along the multiple dimensions outlined above are implemented during crucial – if brief – moments of transition. The role of political leadership, both within but also outside the state, is likely to be instrumental in this regard.

### Factors that have mattered in fostering governance transitions

Over the past few years there has been a growing emphasis in the governance and growth / development literature on the need to disaggregate the concept of governance and prioritise what governance improvements are most crucial at different stages of change/transformation in particular contexts to enable the promotion of development. There is a need to work harder at identifying what it is about governance that matters when, where and why in getting very poor countries to the next stage in their development process (World Bank 2011; Booth 2012; Grindle 2007). The answer to this must be country-specific, but there is an urgent need for some strategic thinking that may call for a more gradual/incremental approach to change, where each step can build on previous ones to foster further transformation. From the literature, and the analysis carried out in this paper, a few insights related to this have emerged.

- The need for security and stability is the absolute foundation for any kind of further transformation to take place.
- Rule of law, first among elites and then across the population as a whole, has been a hallmark of all successful transitions from limited to more open and affluent political orders.
- Basic state capacity has also proven elemental to make other transformations possible (for instance, democracy).

- In countries where such basic state capacity exists, processes to deconcentrate power and create more open and inclusive political systems have borne fruit (for instance, some parts of Latin America).
- There may be cases when bottom-up pressures for change can do much to catalyse governance transitions (for instance, South Africa, Ukraine in early 2000s, Egypt) – but such changes/transformations will rarely prove sustainable or sufficient on their own, and they will need other facilitating factors.
- A capable state that can foster growth even at low levels of economic development
- Elite commitment and political leadership.
- Political vision based on a shared sense of a national project/sense of national purpose
- Political parties that can mobilise around such a project and foster collective action (for instance, Brazil).
- Strategic coalition building with well-placed actors and allies.

Critical here is the balance between choice and constraint: how much scope do policymakers and other actors have to promote change along different governance dimensions, and how much is it historically conditioned and path dependent, especially in light of how power structures and relations have evolved over time?

# 8. Implications for donor approaches to "inclusion"

As different observers have noted (Jones et al 2012; Castillejo 2014), in donor policy there tends to be a normative bias towards process-based inclusion in efforts to (re)shape the political settlement. Channels and mechanisms have included, for example, supporting representatives of excluded groups to participate in peace negotiations and increase their presence and influence in the political system (for instance, through electoral quotas), supporting constitution drafting, elections, and other forms of political participation and representation, and/or supporting broader public consultation mechanisms. Much of the focus of this kind of support has been on formal rather than informal institutions, even though the DFID PB/SB framework also emphasises the importance of the latter.

From a practical perspective, it is easy to understand why donors choose to focus on the procedural aspects of inclusion, and promote, for example, formal mechanisms for participation like peace negotiation processes. This is an area where they have at least some leverage – even if at times there may be limited alignment between what donors and domestic actors understand by inclusion and how/why it matters. While such processes might be inclusive not just of parties to the actual conflict, but also of a broader set of stakeholders (for instance, women), the question remains of how inclusion may actually result in more meaningful and substantial transformation of the underlying political settlement and rules of the game. Donors tend to assume rather easily that an inclusive process to reshape a political settlement will somehow lead to an inclusive outcome. But as the DFID framework itself notes, such an assumption is deeply problematic and cannot be taken for granted (see more on this below). Laws, regulation and formal institutions on their own may not be sufficient to foster and sustain changes in favour of excluded or marginalised sectors of society, as they may not be thoroughly implemented, so it is also essential to look at how informal institutions work (Andrews 2014).

In his review, Evans (2012) also concludes that, while the theoretical case might be persuasive, empirical evidence on whether inclusive peace processes/agreements can make a political settlement more inclusive remains mixed. This remains the case not only for peace processes but also other mechanisms to promote greater participation in the political system. The discussion on women's empowerment and inclusion in the section above helps to highlight this. The political settlement in Somalia/Somaliland (Box 5) captures very similar challenges related to process versus outcome inclusion:

**Box 5: Somaliland's route to peace**

When Somalia's government collapsed in 1991, violence engulfed much of the country for over two decades. But the leaders of Somaliland – a self-proclaimed republic in Somalia's north-west – managed, in fits and starts, to negotiate an end to large-scale violence within six years. Drawing on existing institutions and establishing new ones, they created a hybrid political order consisting of locally appropriate (though imperfect) norms and rules of political engagement. The Government of Somaliland's unrecognised status made it largely ineligible for official international assistance. This meant that Somalilanders were not pressured to accept 'template' political institutions from outside and could – at their own pace – negotiate locally devised, and locally legitimate, institutional arrangements. The process involved a series of lengthy peace conferences. It was consultative, inclusive, and time-consuming. Negotiations were supported by networks of trust among (well-educated) elites, mostly forged at secondary school.

The lack of international involvement in Somaliland also motivated strong – though collusive – cooperation between politicians and business elites to secure the funding to disarm militias. In return for loans, President Egal gave a small circle of business leaders generous tax exemptions and opportunities for extraordinary profits through collusive currency trading schemes. This was widely accepted within Somaliland as legitimate, largely because of a powerful idea that continues to permeate society – peace above all else. In Somaliland's political settlement, protection from violence is exchanged for popular acquiescence to elite capture of the economy. And while there has been significant inclusion in terms of process, outcomes have been considerably less so.

*Source: Phillips 2013, summarised in Laws and Leftwich 2014*

The contrasting experiences from conflict to peace and from authoritarianism to democracy in Chile and Guatemala are also illustrative.

The pact that ended authoritarian rule in Chile was top-down, heavily controlled by the military, and highly restricted both in terms of the actors involved and the substantive issues it addressed. The military preserved important privileges and areas of autonomy for itself, including immunity from any kind of prosecution for human rights or other crimes, and the designation of General Pinochet as a Senator for life. From a process inclusion perspective, then, the pacted transition process in Chile seemed to offer little promise for transforming the underlying political settlement (Rocha Menocal 2015.

In sharp contrast, the peace process that ended the armed conflict in Guatemala, which was heavily supported by the international community, was exemplary in terms of its participatory and comprehensive nature. The negotiations included a variety of stakeholders. They included not only the rebels, who had in fact been beaten militarily, but also indigenous groups, women's organisations and religious leaders (as well as other, less progressive groups such as landed elites). The ensuing Peace

Accords are extraordinary in terms of their ambition to redefine the basis of the Guatemalan state and of the "social contract" binding state and society.

Yet, more than two decades on, of the two countries it is in Chile that a more inclusive political settlement seems to be developing, while fundamental power relations in Guatemala remain broadly intact, and the political settlement is still underpinned by the agreement (tacit or explicit) to preserve the privileges of the elites (Rocha Menocal 2015).

So where does all this leave us? The available literature suggests that, in the short term, more inclusive political settlements (particularly in the short to medium-term) *at the elite level* are crucial to establish the foundations for more peaceful political orders. Available evidence also suggests that, over the long term, states and societies that are underpinned by more open and inclusive institutions are also more resilient and stable, with stability grounded on legitimacy rather than coercion. They are also more effective at promoting sustained and broadly shared prosperity (North et al 2009; North et al 2013; Acemoglu and Robinson 2012; Khan 2012). However, there is a big gap between these two different findings, and this leads to what may be the most fundamental question of all. While it is clear that more inclusive political settlements and political processes are essential ingredients to building more peaceful and resilient states and societies, this does not say anything about how, in fact, the boundaries of a political settlement that may have a narrower focus on elite inclusion, at least in the short term, can be expanded to address wider state/society relations and create a more broadly inclusive political order – in terms of both process and outcomes.

This is a fundamental question which, as Evans (2012) points out, is an area that requires greater scrutiny. This paper has sought to argue that broadly inclusive political settlements do matter and are the right ambition over the long term. However, how different countries get there is a lot less clear. The path is likely to be complex and far from linear, and all good things may not necessarily align as part of that transformation. The analysis provided here is intended to invite further dialogue and exchange of ideas on how the international community might support developmental transformations more effectively, grounded on an understanding that the variety of transition processes involved may not be mutually reinforcing, and that there may be multiple paths to development and high institutional performance.

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