

# INTRODUCING POLITICAL SETTLEMENTS

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# Introducing political settlements

Powerful local and national elites remain the ‘elephants in the room’ in discussions about international development. They are always in a position, and by definition have the power, to flout, coopt, thwart or even reverse good governance reforms and development-enhancing institutional change. Yet their influence is typically ignored; the analysis of their roles routinely depoliticised.

Warning signs are telling us that this needs to change. Corrupt politicians are reviled, yet they win the vote. Violent criminals are detested, yet many become *de facto* authorities, dispensing street justice. The reach of corruption in many countries has been more extensive than assumed. The understanding of political contestation has become confused. In other words, more analysis of the distribution of power held by different elite and interest groups in countries has become necessary to make reforms realistic and changes more firmly embedded.

In many circumstances, reforms can succeed only if allowed or tolerated by powerful elites who cannot be dislodged or pushed out. More studies now demonstrate that successful reforms and institutional change have not been forced upon but were in fact partly driven by elites, who found it in their interest to do so. For example, the social welfare programmes that brought stability to many developed countries were not forced on an unwilling capitalist class – ‘firms and business leaders cooperated in the creation of these programs’. (North et al, 2009:144)

So there seems to be no choice but to negotiate a bargain with, or present an arrangement to, such elites to create a ‘political settlement’, allowing space for development and growth to take root. A political settlement has been defined as ‘the balance or distribution of power between contending social groups and social classes, on which any state is based’. They are also ‘rolling agreements, at national or subnational level, among powerful actors that are constantly subject to renegotiation and contestation’. (Di John and Putzel, 2009; Parks and Cole, July 2010)

Shaping emerging political settlements in developing countries will be a great challenge. Yet it is a necessary step towards fixing poor governance and removing barriers to the institutional change needed to advance growth and development in poorer nations.

**Comments or rebuttals to this paper are most welcome.** Please email [egutierrez\[at\]christian-aid.org](mailto:egutierrez[at]christian-aid.org)

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# INTRODUCTION: INSTITUTIONAL CHANGE VERSUS ELITE BARGAINS

Good governance and stable institutions, which are the structures or mechanisms of social order, matter a great deal to economic growth and development. Indeed, poverty and conflict are often accompanied by poor governance. Thus, the conclusion of many development actors is that weak institutions – manifested by corruption, political patronage and ‘state capture’, under which certain groups manipulate policy for their own ends – are the binding constraints on economic growth and development. The solution such actors propose – good-governance reforms – has become deeply embedded in the development vocabulary.

This analysis is straightforward and persuasive, but needs to be challenged.<sup>1</sup> One reason for this is that there exist countries and economies that have actually grown and developed, *despite* having widespread corruption, political patronage, or a continuous condition of capture of state institutions by elite interests. China, for instance, an authoritarian one-party state,

is now the world’s second largest economy. In South Korea, another oft-cited example, rampant corruption has not led to economic collapse. Singapore’s ex-leader Lee Kuan Yew once suggested in a widely cited remark that ‘Asian values’ of conforming to authority explain Asian countries’ wealth. These states did not need good governance reform or any of its manifestations, such as transparency, accountability, free and fair elections, democratic participation and so on, to achieve their high rates of economic growth.

But there is a more compelling, yet continually overlooked, reason for challenging the prevailing good-governance approach that seeks to tackle weak institutions: in each country where good-governance reforms need to be considered, there exist powerful national and local actors who are *always* in a position, and by definition have the power, to flout, coopt, thwart or even reverse such initiatives. In other words, the efforts by donor agencies and NGOs to fix poor governance and strengthen weak institutions

<sup>1</sup> A number of influential analysts have challenged the proposition that good governance is a prerequisite for economic growth. Perhaps the most famous is the economist Jeffrey Sachs of the UN Millennium Project. See Sachs, Jeffrey et al (2004). *Ending Africa’s Development Trap* in Brookings Papers on Economic Activity 1: 117-240. Also see Glaeser et al (2004). *Do Institutions Cause Growth?* Working Paper 10568, National Bureau of Economic Research: Cambridge. However, the most sustained critique of the good governance agenda comes from Mushtaq Khan, professor of development economics at the School of Oriental and African Studies (SOAS), University of London. See Khan, MH (2006).

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through capacity-building, technical assistance or best practice from elsewhere will succeed *only if* allowed or tolerated by powerful elites. Yet the roles of these elites are typically ignored. Idealistic reformers are often oblivious to how their initiatives threaten those who have the political muscle to block institutional change. They therefore miss out on the critical power analysis that is necessary to make reforms realistic and to ensure that meaningful changes become firmly embedded.

Serious doubts have already been raised over the ability of good-governance work to bring about institutional change. 'Because developing countries are characterized by personalized, exclusive relationships of power between holders of political power and citizens,' notes Sue Unsworth in a 2007 paper, 'there are increasing doubts about the feasibility of quickly implementing systemic reform at all'. Therefore, 'rather than trying to implement ambitious institutional reform,' she argues, 'a more effective starting point might be to gain a better understanding of

the political incentives sustaining such relationships'. Donors such as the UK's Department for International Development (DFID) and the World Bank have opened up to such analysis. But Unsworth decries that what has advanced is still 'a technocratic and largely conventional agenda, with barely a nod in the direction of politics'. She concludes that there is a widespread 'failure to connect the rhetoric about politics with an operational agenda to improve governance and fight corruption'. (Unsworth, 2007)

The fact is that powerful elites remain the 'elephants in the room' of development analysis. Almost everyone knows them, but nearly no one addresses the often malevolent role they play in development. This has got to change. At the very least, their existence needs to be acknowledged. But more importantly, if they cannot be dislodged or pushed out, reformers do seem to have no choice but to negotiate and bargain with them. The outcome of such bargaining – which may be peaceful or violent, formal or *de facto*, extended or swift, wholesale or piecemeal – is a *political settlement*.

A political settlement has been defined as ‘the balance or distribution of power between contending social groups and social classes, on which any state is based’. It presupposes that different elite and interest groups in society contend and bargain with each other. What emerges from such contention and bargaining is a particular structure of property rights and entitlements. Some political settlements can be exclusionary, which result in continued conflict, instability or slow growth; and some can be more inclusive, founded on an agreement – which may or may not involve grumbling compliance of the groups involved – around an agenda for growth and development. (Di John and Putzel, 2009)

This paper builds the case for the adoption of a political-settlements approach to ending poverty, and includes:

- a presentation of the key limitations of conventional good-governance approaches, including the fatal depoliticisation of anti-corruption reforms
- a discussion of the difference between impersonal and personalistic politics that challenges common assumptions on power and political relationships
- a summary of the key literature on political settlements
- recommendations on how a political-settlements approach can be adopted and incorporated in policy and programme work.

I hope that this paper will spark discussions that will assist policy makers to reflect more comprehensively on strategy.

# 1. THE PROBLEMS OF CONVENTIONAL THINKING

The most basic flaw of conventional thinking around good governance is that it starts with a western model or blueprint of governance in mind, and then proceeds to make an assessment in terms of the gap between that model and the reality in developing countries. (Unsworth, 2007) This 'blueprint approach', implicit in the strategies of many good-governance champions, including leading non-governmental organisations (NGOs), is the root of much ineffective governance and anti-corruption work, as it tends to interpret local political realities through a western model, and fails to capture the nuances of each context.

Although the zeal of many development actors in dealing with corruption is to be applauded, the limitations of their strategies need to be addressed. Below are some of the most important examples of this:

## **Underestimation of the reach of the corruption problem in developing countries**

A key problem with much conventional good-governance thinking is that it underestimates the reach of corruption. In the mid-1990s, donor agencies started to make good-governance reforms a precondition to the granting of needed aid and loans to developing countries. One after another, these countries toed the line and followed the steps prescribed for them. Laws criminalising bribery, embezzlement and other forms of corruption were enacted. Ethics-related legislation and preventive measures were passed. Anti-corruption institutions were created and funded. New financial decision-making, accounting and reporting procedures, such as open-bidding, were put in place. (Oloka-Onyango and Muwanga, eds, 2007)

Soon, these reforms kicked in and delivered what in some countries were remarkable results. The 'big fishes' of corruption were caught – ex-presidents were charged, prosecuted and convicted in Peru, the Philippines and Nicaragua. In Africa, former presidents in Zambia and Malawi were brought to trial. Ministers were brought to court and jailed in Kenya, Nigeria and other countries, while a former police chief and head of Interpol was convicted in South Africa. These were, no doubt, dramatic victories.

Yet the curious fact is, despite these gains, corruption *remains* strong in these countries. Even the World Bank's

measurement of control of corruption in the states mentioned reveals no significant change.<sup>2</sup> This suggests that corruption is much more embedded in these societies than those advocating prosecution-based strategies have assumed. Prosecution alone, therefore, is not sufficient to deal with the problem.

As John Githongo argues, it is 'actually extremely difficult for politicians in office to deliver on anti-corruption promises'.<sup>3</sup> Political competition, he says, requires mobilising resources corruptly. In other words, 'corruption pays for politics'. When big fishes are caught, it does not signal that corruption is on the decline. It can be that those allowed to fry are merely being sacrificed, or that they have fallen out of favour with the ruling-elite coalition. Githongo now doubts the usefulness of anti-corruption institutions, which he criticises for perpetuating the myth that there are one-stop shops that can end corruption. The creation of commissions, he believes, is simply 'an excuse for elites to park corruption at the door of essentially toothless institutions'.

But more importantly, Githongo worries about inadvertent impact. In Kenya, a mix of anti-corruption campaigns and elections seems to have pushed the country to more instability as it led to the widening, rather than healing, of ethnic divides. Politicians, wanting to protect themselves, manipulated the anti-corruption agenda to incite ethnic hatred, and during the elections – the cost of losing which was great – this boiled over. The result was the bloodbath of early 2008. Githongo thus prescribes a better alternative. 'Before fighting corruption,' he states, 'we should first think about fixing politics. Before setting up anti-corruption commissions, we should first talk about empowering parliaments.'

## **Inability to understand the sources of legitimacy of corrupt and criminal organisations**

Another limitation of conventional thinking on good governance is that it fails to acknowledge that most corrupt politicians and even criminal organisations enjoy some form of legitimacy, through being accepted by people as an 'authority'. This has resulted in an inevitable dilemma that has not been properly addressed: anti-corruption strategies are designed to empower the poor, yet often target those that the poor support. In many ways, this scenario shares similarities with the 'ancient politics' of Robin Hood –

<sup>2</sup> See World Governance Indicators at <http://info.worldbank.org/governance/wgi/index.asp> for the actual scores of these countries in the indicator 'control of corruption'.

<sup>3</sup> John Githongo is an anti-corruption activist who became head of Kenya's Anti-Corruption Commission. His lecture is available on <http://governanceinfrica.wordpress.com/2008/11/15/john-githongo-governance-and-the-fight-against-corruption/>

involving individuals considered outlaws by the state, but enjoying popularity and support in their communities.<sup>4</sup>

There is no shortage of examples of this. The Red Shirt movement in Thailand has demonstrated the rural poor's massive support for Thaksin Shinawatra, a former prime minister eventually convicted of corruption. Similarly, in the Philippines, support from the poor for an ex-president convicted of plunder, Joseph Estrada, remains strong. He was granted a pardon, and went on to obtain the second-highest number of votes in the May 2010 presidential elections.

The Robin Hood phenomenon appears more pronounced in Latin America, where criminal gangs have not only grown in numbers, but have also become much more politically powerful. In Mexico, some newspapers have begun to recognise drug cartels as *de facto* local authorities. In Jamaica, a police operation to arrest a drug lord turned into a bloody debacle in May 2010 when the west Kingston community where he lived refused to turn him in, leading government to declare a month-long state of emergency. In El Salvador, widespread support for a national strike called by street gangs angry at a new law that criminalised gang membership paralysed the country for a week in September 2010.

The legitimacy that corrupt politicians and violent criminals enjoy suggests a number of things. Firstly, corrupt politicians or gangsters-next-door often seem more embedded in communities than central state authorities, while the government is perceived as a more detached or 'alien' institution, and not a local structure on which households can rely. Secondly, poor people's expectations of what authorities should deliver seem quite different from the assumptions of many of those working in governance; acts considered corrupt and criminal by the state may be seen differently by local people in different contexts. But perhaps most importantly, this legitimacy indicates that corruption and gangster problems are as much political as criminal in nature. Hence, implementing enforcement and legal instruments without a proper understanding of political relationships risks making state authorities look more like the Sheriff of Nottingham: an instrument of injustice and oppression, rather than equality and fairness.

<sup>4</sup> The English historian Eric Hobsbawm described the 'ancient politics of Robin Hood' in his book *Bandits*, where he explored how robbers and outlaws come to be regarded not as simple criminals, and even sometimes come to be considered as champions of social justice, avengers, or primitive resistance fighters.

<sup>5</sup> For more on the conventional definition of state capture, please refer to

## Confusion about the concept of state capture

Another key limitation of conventional thinking is confusion about *state capture*, 'the phenomenon by which vested interests influence and manipulate the policy-making process to their advantage'.<sup>5</sup> Extensive literature provides important insights into this, yet suffers from a fundamental flaw: it assumes that *only* bad guys try to capture the state.<sup>6</sup>

State capture is described as 'the most pernicious manifestation of political corruption. Its essence is shaping the formation of the basic rules of the game (that is, laws, rules, decrees and regulations) through illicit and non-transparent private payments to public officials. It is a strategy by powerful actors to weaken, co-opt, disable or privatize governmental agencies, territory and the state itself'. (Kupferschmidt, 2009) In other words, state capture is manifested by the 'purchase' of decrees and legislation, or by graft in procurement. Garay et al extend the discussion, saying that 'state capture is mainly developed through bribery while "co-opted state reconfiguration" is mainly developed through political and electoral agreements between legal and illegal agents. This process, through which political and electoral agreements are established, is defined as the instrumental capture of political parties'. (Garay et al, 2009)

Thus, the analysis is blind to how certain institutions – the World Bank, for example – influence and manipulate the policy-making process in developing countries to their advantage. In fact, it can be argued that in country after country in the developing world, the World Bank and the International Monetary Fund (IMF) have been highly successful in 'capturing' the state. They have shaped the basic rules of the game, influencing governance and effectively purchasing decrees and legislation by imposing policy conditionalities, such as anti-corruption reforms developed through the blueprint approach. State capture should therefore be defined simply as the reward for political contestation. It is normal political activity. Any political party is organised to capture the state. Even civil society organisations (CSOs) should be geared to capture the state, or at least gain footholds for leverage, so their advocacy work can influence state policies.

the articles posted at <http://web.worldbank.org/WBSITE/EXTERNAL/WBI/EXTWBIGOVANTCOR/0,,contentMDK:20713499~menuPK:1976979~pagePK:64168445~piPK:64168309~theSitePK:1740530,00.html>

<sup>6</sup> See, for example, Kupferschmidt, 2009; and Garay et al, 2009.

Thus, the assumption underlying much governance work, that state capture is reserved for corrupt politicians and criminal gangs, should change: various interest groups and classes in society compete with and contest each other. Some capture the state by legitimately winning elections. Some do it by buying elections. Others do it through violence or intimidation. Some infiltrate the state and build patron-client networks that often become more powerful than political parties. And the World Bank and IMF do it by imposing aid conditionalities.

If state capture is defined in this way and it is accepted that ‘good guys’ also do it, the governance questions will change. For example, Mushtaq Khan’s questions become much more relevant: *Why is it that elites who capture the state in some developing countries make money by growing their economies, while some make it by destroying their economies?*

### **Treating symptoms rather than root causes of poor governance**

A major flaw of much governance work is that it tackles the effects, rather than the causes, of corrupt governance. This can be explained when looking at attempts to protect and enforce property rights – one of the most important goals of good-governance reform.

With a stable property-rights system, contracts can be more easily enforced, transactions will be more secure and the economy will grow. Conventional thinking attributes the instability of property rights to the effects of corruption: the greed of political leadership is seen as the cause of unstable property-rights systems, and cracking down on corruption should therefore result in stabilising these. Yet such unstable systems *predate* most incumbent political leaderships; in many countries, highly unequal land ownership, chaos in land registries and conflicting land claims are often legacies of colonial rule. The causality is therefore the other way around – corruption in land transactions is possible as a result of opportunities offered by unstable property-rights systems, rather than being the cause of these.

So why is there so much support for prosecution-based strategies against those who abuse the weakness of property rights, yet so little for land and other non-market asset and resource reforms that would ensure stable property rights? This is because the underlying drivers of corruption and conflict have been missed, and the focus has been on treating the symptoms, rather than the causes, of poor governance. Clearly, this tendency must be addressed.

### **The tendency to endorse some forms of authoritarianism and overemphasise elections**

Two more failures of conventional thinking on governance need to be tackled: the tendency to endorse authoritarianism and the tendency to identify democracy with elections.

Singapore, for example, is widely regarded as a corruption-free country with an effective government. The World Bank’s World Governance Indicators (WGI) in 2009 rate it as the third best in controlling corruption and best in government effectiveness among 211 countries ranked. However, Singapore is also authoritarian, ranking 76th on the ‘voice and accountability’ indicator.

Recently, a developing country that appears to be mirroring Singapore’s experience has emerged – Rwanda. It has climbed consistently in controlling corruption, and has been praised and rewarded by donor agencies for its performance. Yet an *Economist* editorial from 5 August 2010 points to ‘a rising tide of criticism’ against President Paul Kagame, noting: ‘Few deny that Mr Kagame has achieved a great deal on the economic front and as a regional actor. It is his human-rights record that makes even his fans queasy.’

These examples raise a few questions. Does this mean that effectively cracking down on corruption requires authoritarian measures and the sacrifice of human rights? Can we say that authoritarian governments winning the fight against corruption are also good governments?

A July 2010 DFID report, though written in polite diplomatic language, basically acknowledges that the many experts of the international community got it wrong on elections. Support for polls in many developing countries did not deepen democracy, and in some cases, elections even exacerbated violence or deepened social or ethnic divides. Debates on how to manage trade-offs – particularly between electoral integrity on one hand and political instability on the other – were hushed and various examples demonstrated donors’ doublespeak. (DFID, July 2010: 8)

The question is less about why elections fail and more about why they work in some contexts and not in others. DFID argues that international support for elections must go beyond technical approaches to encompass political analysis and solutions. They propose nine principles for electoral support, including:

- understanding the local context better: distinguishing between elections in ‘hybrid’ and more ‘mature’

democracies; identifying the fine line between supporting a democratic agenda and potentially legitimising a flawed electoral process

- being clear when to advocate for and support elections, and when to hold back: that is, post-conflict elections must not be rushed; even relatively well-conducted elections can exacerbate violence
- recognising and acknowledging limitations, such as that the main areas of weakness in fragile states can persist despite the holding of elections
- following principles of ownership, harmonisation and alignment. Although elections alone do not equate with democracy, democracy cannot be achieved without them either. (DFID, July 2010)

To summarise, conventional thinking on good governance has failed to understand the nature, and underestimated the reach, of corruption in developing countries. It has also been unable to comprehend 'Robin Hood' politics, in which corrupt politicians and criminal gangs enjoy popular support. In addition, the flawed notion of state capture that has dominated good-governance literature has also confused understanding of political contestation.

As a consequence, policy reforms have been focused on treating the symptoms, and not the root causes, of poor governance. Sometimes, this has resulted in a tendency to endorse authoritarianism and to equate democracy with elections that often lack substance. An illusion of democracy is created, and that bubble must be pricked.

### **Texas and the Niger Delta: parallel histories of corruption?**

They may be worlds apart, but Texas and the Niger Delta seem to share parallel histories.

Both have been transformed by oil. The modern history of Texas is now sometimes said to have started on 10 January 1901, when oil was discovered on Spindletop Hill, near Beaumont. Within two decades, the Texas economy was being powered by oil, not agriculture. In the same way, the birth of the Nigerian oil industry is said to be on the day in June 1956 when Royal Dutch Shell opened Well Number One in Oloibiri, Bayelsa. The Delta region today is anything but agricultural – farms and fishing grounds have been lost to pipelines, depots, jetties and pumping stations.

The most remarkable parallels though are around the social and political decay that set in as the oil started to flow. Gambling, prostitution and trade in bootleg liquor turned the many oil boomtowns of Texas, such as Borger, into lawless areas. Similarly, areas such as Kuramo Beach in Lagos thrive today on drugs, prostitution and other illicit trade that feeds on oil cash.

Eventually, bandits roamed and established themselves in the Texas boomtowns, eager to grab their share of the oil wealth and join the 'feeding frenzy'. Some became 'celebrity criminals' like Bonnie Parker and Clyde Barrow. Gangs now thrive in the Delta, many of them led by media-savvy armed men like Alhaji Mujahid Dokubo-Asari of the Niger Delta People's Volunteer Force, or Adekunle Godwin Talabi, 'chief' and 'chairman' of the Bookshop Boys, a street gang so called because it was run from the Bookshop House crossroads on Odunlami Street in Lagos.

Corruption was big in Texas. During the chaos of its early days, the crude oil industry struggled with volatile prices. To deal with this, a 'proration' system was imposed, which limited production per well so that overall output, and therefore price fluctuations, could be placed under control. But the more enterprising oil barons who needed to make a quick buck could easily bribe or just muscle their way through those limits. Nigerian oil has its own version of chaos. Millions of barrels are stolen from the pipelines, feeding corrupt officials and sustaining gangs and the self-styled liberators of the Delta. Law enforcement agencies typically 'look the other way'. Governors with Swiss bank accounts have, until lately, been mostly tolerated. This tolerance is similar to how the US federal government allowed the Texas oil industry much higher tax deductions than any other industry in America – one reason why its oil barons became the world's first billionaires.

It may be counter-intuitive to say that economic growth and development can happen despite massive corruption and criminality. But that is exactly what the history of the oil industry in Texas tells us. Though some oil boomtowns died when the wells dried up, Texas endured decay to become the developed economy that it is today. Its corrupt elites eventually saw it as being in their interests to follow the rule of law. Many even became philanthropists. Nigeria obviously has a different story, given colonisation. But it is still possible to ask: will the oil elites of Nigeria be like the Texans, eventually behave, and take more or less that path of making their money by growing, not destroying, the economy?

Sources: Peel, 2009; and Yergin, 1992.

## 2. IMPERSONAL VERSUS PERSONALISTIC POLITICS

Why has the role of powerful elites been continually neglected in development analysis? One reason may be because the impersonal politics of more mature democracies are often confused with the personalistic politics that underlie relationships between these powerful elites and ordinary citizens in developing countries. Impersonal politics exist when governments 'can systematically provide services and benefits to citizens and organizations on an impersonal basis; that is, without reference to the social standing of the citizens or the identity and political connections of the organisation's principals'. (North et al, 2009: 113) But in many developing countries, such impersonality does not happen. Connections and social standing, not rights and entitlements, are what matters. Where impersonal politics dominate, a poor farmer whose cow is stolen can reasonably expect the

police, prosecution services and courts to deliver justice. But where personalistic politics rule, obtaining justice depends on social standing and the right political connections.

Personalistic politics have become difficult to understand because impersonal politics are often the default mode for understanding relationships, which leads to a whole web of misunderstanding. To illustrate the differences, Table 1 is presented below, developed from the distinctions made by a trio of eminent economic historians, North, Wallis and Weingast. They characterise domains where impersonal politics have developed as 'open access orders', and where personalistic politics dominate, as 'limited access orders'. As can be seen, relationships are dramatically different between the two domains.

**Table 1: Comparing impersonal and personalistic politics**

Marker	Open access order – impersonal politics	Limited access order – personalistic politics
<b>Rights and entitlements</b>	Citizens can reasonably expect their rights and entitlements to be delivered by government. It is the obligation of government to deliver and, typically, to do so impersonally with equal regard for all. If for some reason a government fails to deliver, there is widespread social insurance on which to rely that guarantees some form of social protection to citizens.	A constitution and laws may establish rights and entitlements, but citizens usually need to have the proper 'connections' to enjoy them. The demand is often on individual politicians, not on impersonal bureaucracy, to deliver. There is little or no social insurance, so citizens rely on family or social networks and individual politicians. Connections, rather than rights, are what matters.
<b>Contract enforcement</b>	Contract enforcement is routine, and carried out through legal and formal means should there be a dispute. There is rule of law, a system of courts and other institutions that make contract enforcement a legal and formal process.	Contracts can be better enforced through informal means, such as covert bargaining, use of informal authorities or even the use of credible threats and violence.
<b>Role of politicians, for example, an MP</b>	Responsibilities are standardised and prescribed in formal rules. Limits on the MPs' power are also prescribed and known to most. Boundaries between public and private domains are clearer.	MPs have wider and flexible roles. Aside from formal responsibilities, they need to 'open doors' for constituents so they get services and benefits. Some MPs grow to be private providers of services to constituents, which they are able to sustain by using their influence or by 'creating rents'. <sup>7</sup>
<b>Political competition</b>	Losers live to fight another day. Elections are mainly the mechanism for political competitions. Losers of the open competition begin to contemplate new ways of combining interests and political support on the day after they lose. Failing to innovate risks remaining out of power.	Losers are suppressed and the winner takes all. Political competition manifests not just in elections, but also in economic activities, social interaction and everyday violence. Losers tend to lie low and be in defensive mode, because on the day after, any political activity they undertake will be regarded as a threat by the winners. Winners consolidate victory by moving quickly to lock out (or coopt) losers and other potential opponents.

<sup>7</sup> 'Creating rents' or 'rent-seeking' refer to corruption. Economic actors are either producers or consumers of goods and services, but where corruption is rife, 'rent-seekers' emerge: those who seek positions of power from which they can extort payments in exchange for allowing normal economic activity to take place.

Marker	Open access order – impersonal politics	Limited access order – personalistic politics
<b>Political parties</b>	Parties are mainly differentiated by programmes and ideology. Party-switching is rare. The most successful parties are those able to combine a wide range of interest groups. Thus, parties tend to be big – made up of component groups and constituencies that compromise with each other on policy and moderate their demands so they can be united and stronger.	Parties are differentiated by individuals that lead them. Programmes and ideology are not important. What matters is the capacity to win the competition. Compromises within the coalition are not about policy, but mainly on how to cut up the pie of political positions and economic rents. Because parties are merely electoral vehicles of convenience, party-switching is the norm. Powerful executives typically do not have problems recruiting erstwhile opposition members to the ruling majority in the legislature.
<b>Elections</b>	Election rules are mostly fair. There is a great number and dense set of impersonal and perpetually lived organisations – trade unions, industry and professional organisations, faith-based organisations, NGOs and so on, that represent a range of interests and mobilise widely dispersed constituencies for elections. <sup>8</sup> Electoral competition can be intense and bitter, but elections are largely violence-free.	Election rules are not fair. Restrictions are imposed to make it difficult or impossible for the opposition to organise, field candidates or use the press. Organisations that mobilise interests for the elections are considerably less in number and density. Many of those that exist choose to remain ‘neutral’ of party politics and may also not have the capability to mobilise widely dispersed constituencies. Charismatic, individual leaders are often more effective in mobilising voters. Electoral competition can be deadly, and can deepen rather than heal ethnic, regional and other forms of division.
<b>Corruption</b>	Corruption and widespread rent-creation destabilises the incumbent coalition and serves to mobilise a great many groups against it. Corruption charges typically destroy reputations.	Corruption and widespread rent-creation consolidates the incumbent coalition. Winners in the political competition typically regard victory as ‘our turn’ to enjoy the spoils of rent-seeking. Corruption charges against personalities do not necessarily destroy reputations and can be seen as a process of settling scores.
<b>Market benefits</b>	Impersonal benefits from economic growth are typically widely shared, although markets are not always perfect.	Economic growth disproportionately benefits the elite – that is what they are in power for. Because of the inequalities, the poor tend to support populist policies that conflict with the markets.
<b>Market participation</b>	Markets are much more difficult to manipulate.	Entry to markets is systematically limited and typically given out as rewards to political supporters. Markets are typically less competitive.
<b>Civil society</b>	Open access democracy means a great number of impersonal organisations that have the capability to hold public officials to account.	The state’s use of privilege and rents to secure political order necessitates limited access that typically prevents a civil society capable of policing the government.

Source: North et al (2009)

<sup>8</sup> North et al define a ‘perpetually lived’ organisation as an organisation whose ‘life’ is independent of the life of its members. (2009: 23)

North, Wallis and Weingast reiterate the problem that, 'economists and political scientists fail to understand the personalistic, rent-creation basis of natural states that make it difficult for them to produce many of the common public goods and services associated with markets and economic growth'. (North et al, 2009: 113; 139-140) Their starting point is that systematic rent-creation or corruption is not simply a method of lining the pockets of the dominant coalition of elites – 'it is the essential means of controlling violence'. To put it simplistically, for any group of powerful elites to be convinced not to challenge the state – and thus minimise instability and violence – they need to be given a 'piece of the pie', or allocated rents, through some process of bargaining. For example, the warlords in eastern Democratic Republic of Congo (DRC) or in southern Philippines, when 'allowed' to exploit mineral resources or smuggle goods, can credibly commit to stop fighting once they realise that continued instability and violence will reduce the rents they enjoy. Over time, they begin to understand that other elites face similar incentives. In such contexts, the political system that emerges 'manipulates the economic system to produce rents that then secure political order'. (Ibid, 17-18)

However, persuasive as these statements already are, the ideas of impersonal rights still need to be improved in terms of gender analysis. It is well-established that, generally, men and women have *different* rights, even if they should be equal in theory. Such differences lead to distortions in the markets: women typically have lower wages or less income despite working longer hours; in many developing countries, they do not have the same property rights as men, and they are usually charged higher interest rates when accessing credit; and much of the work they do is not assigned a price. As these differences are institutionalised, access to opportunities is affected. For example, there is little value given to investing in women's productivity – in many rural communities, girls will not have the same opportunities as boys to go to school. This problem is compounded by lack of data – for example, it is typically not known how men and women benefit from public services, despite the differences

in their rights. Sometimes, certain policies are implemented that undermine the ability of women to contribute to productive activities that generate tax revenues. (De Ruyter van Steveninck and De Groot, 1998) In sum, any discussion of a shift from personalistic to impersonal rights needs to be informed by a certain level of gender awareness.

There are more questions to deal with, and it's worth noting that is often easier to criticise and deconstruct than to suggest alternatives. Indeed, we have criticised and presented the weaknesses of conventional good-governance strategies, but we have not made any suggestions of what the alternatives should be or how political systems can be fixed. For example, the problems around bypassing and weakening of parliaments have been pointed out, but how could they be strengthened, as Githongo has suggested? Prosecution-based strategies are criticised as blunt instruments that have underestimated the extent of the corruption problem, but then how can they be sharpened, and what are the alternatives? Anti-corruption policies are still necessary, so how can they be changed to respond to the challenges of personalistic politics? The sources of legitimacy of the Robin Hoods have been identified, but how can they be dealt with?

There are also the bigger questions of how property-rights systems can be made more stable, and what to do with the weak contract enforcement that is the main obstacle to securing people's property rights? How should elections be shaped to strengthen, rather than creating a mere façade of, democracy? How can the costs of democracy, in particular the costs of losing elections, be lowered? How do we manage the trade-offs, such as when a government achieves gains in controlling corruption, but at the cost of sacrificing certain civil and political rights? Finally, how do we remove gender blindness and improve gender awareness in governance strategies? The answers to some of these questions can perhaps be found by considering a political-settlements approach to good governance, which is outlined in the following chapter.

# 3. POLITICAL SETTLEMENTS AND STATE-BUILDING

The political-settlements approach is relatively new and is not widespread among development actors. Perhaps one reason why it is yet to take hold is that it has been difficult to override the default mode of governance analysis in development thinking. While most donor agencies and anti-corruption organisations already recognise the limitations of the ‘blueprint approach’, the policy and programme responses that come out are still largely based on the assumption that poor governance can be fixed through the transfer of knowledge, technical assistance and best practice from elsewhere.<sup>9</sup>

The discussion on impersonal and personalistic politics in chapter two suggests that the policy question ought to change from ‘how to build foundations for good governance’ into ‘*how societies develop the capacity to sustain impersonal rights*’. (North et al, 2009: 113) Our answer is two-fold. Firstly, societies may be able to develop that capacity by facilitating inclusive political settlements that structure relationships among powerful individuals and elite groups in a cooperative context, where such individuals and groups inevitably find it in their own interest to expand access. In other words, powerful elites are most often the problem, but they have to be included and relied on as part of the solution. Secondly, governments simply just need to build and institutionalise their structures, in order to provide justice, security and public services in ways that complement what markets can deliver.

To explain this answer in greater detail, we can start by looking at Di John and Putzel’s comparison of Costa Rica with Guatemala. In the 1950s, these two countries were nearly identical, in terms of population, topography, level of economic development and so on. Over the years, Costa Rica became stable with the most developed welfare system in Latin America. In contrast, Guatemala descended into strife, known today for its bloody past and troubled present. What caused this difference?

The authors explain that Costa Rica achieved its transition into a welfare state when the emergent ruling party, which was largely composed of the urban middle class, built an electoral base in the rural areas, successfully divided the landlord opposition and then pursued an economic agenda that included landlords (with their reduced power and ownership of assets) remaining as key players in growth.

<sup>9</sup> The World Bank, for example, states that ‘it is important to go beyond the symptoms of corruption to tackle it in a sustainable manner’. It states further that ‘combating corruption requires a complex approach that addresses the many causes, facets and structural issues that corruption entails’. See <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPUBLICSECTORANDGOVERNANCE/EXTANTICORRUPTION/0,,contentMDK:20221944~menuPK:1165494~pagePK:148956~piPK:216618~theSitePK:384455,00.html>

Despite land reform, no mass expulsion of landlords took place. This enabled the government to tax agriculture and use the resources collected to expand capacity-providing services such as education and health. In contrast, in Guatemala, the landlords not only consolidated and united politically, they also built and sustained an alliance with the military. In the decades that followed, this led Guatemala into the bloodiest conflict in Latin America. (Di John and Putzel, 2009)

The experience of Tanzania is similarly illustrative. Among the conflict-ridden countries of the Great Lakes region, Tanzania stands out as cohesive and the most politically stable. This is in spite of it being the most ethno-linguistically and religiously diverse country in the region, according to an index published by the IMF website.<sup>10</sup> How does Tanzania manage its diversity to achieve its remarkable levels of political stability? The Tanzania that emerged after independence was an authoritarian one-party state that implemented hugely unpopular policies such as ‘villagization’ of production, the forcible transfer of people to new collective farms and the nationalisation of key economic sectors. This led to the collapse of the economy in the early 1980s. However, no significant opposition emerged. One explanation is that Tanzania’s post-independence rulers successfully built national unity, mainly through the mechanism of strong but inclusive party structures that enabled traditional authorities and regional elites to bargain for privileges and rally behind, rather than challenge, central state authorities. (Lindemann and Putzel, 2010)

The key factor in these two examples is *inclusivity* – a potentially strong opposition from excluded elites was preempted by an inclusive political settlement. In Costa Rica, the ruling party enforced a bargain on its landlord elite, who in a manner of speaking acceded to being taxed rather than forcibly expelled. Eventually, the more agriculture expanded, which was to the reformed landed elite’s liking, the better it was, too, for government because the tax base expanded. In Tanzania, the party offered mechanisms for dialogue that led to compromises with traditional authorities and regional elites. In both cases, the ruling parties found it in their interest to expand access and so did the other elite groups. This, in effect, is the essence of a political settlement – the cooperative context in which conflicting social groups and elites find common ground. (Di John and Putzel, 2009)

<sup>10</sup> See Anthony Annett’s *Ethnolinguistic, Religious Fractionalization and Political Instability Index* - <http://www.imf.org/External/Pubs/FT/staffp/2001/03/pdf/annett.pdf>

In addition to this notion of inclusivity, political settlements are also explained in terms of a country's governance capability that will 'allow for the maintenance of enough political stability for the muddling through of social transformation to take place. Where political stability cannot be maintained, a more or less rapid descent to fragmentation takes place'. Khan emphasises that 'the governance challenge is to understand how in specific contexts, the management of political stability is being achieved using the historical endowments of institutions and power structures, and whether feasible changes in political institutions and political organizations can assist in strengthening political stabilization'. (Khan, 2006)

The Crisis States Research Centre offers three strategic reasons for a political-settlement-oriented definition of state fragility:

- **It provides a better understanding of the factors that are most likely to provoke or sustain violence in fragile states, enhance instability in others, or simply maintain the 'business as usual' politics that prevent the achievement of faster economic growth.**
- **It can lead development actors to support and value state-building, particularly achievements that underpin state resilience, such as elite bargains, or keeping executive and legislative offices as the central sites of decision-making. This may also mean that certain policies that enable central governments to build popular support especially in the peripheries (for example, provision of extension services, review of mining contracts, land reform) will be better considered.**
- **By appreciating the differences between fragility and resilience, development actors can avoid advocating inappropriate reforms that may actually aggravate fragility. Elections will not be seen as an automatic panacea. Downsizing and privatising state enterprises will be more carefully considered. (Putzel, September 2010)**

Yet in spite of this growing literature about political settlements, a comprehensive definition is still evolving. Parks and Cole, for example, propose that these settlements should not be associated with particular events, such as the

signing of a peace accord. This association with historical landmarks, they argue, 'does not reflect the conditions in most developing country contexts, especially in conflict-affected and fragile environments, where power relations are often fluid and dynamic, and where institutions are unable to enforce agreements'. Hence, they suggest that political settlements be understood as 'rolling agreements among powerful actors that are constantly subject to renegotiation and contestation'. (Parks and Cole, July 2010: 5-6)

Another important gap that Parks and Cole address is how political settlements operate at the subnational level. Most of the recent work on such settlements focuses on the national level, despite the fact that in a great number of countries there is intense competition for power at subnational level. In many cases, they point out that 'the state plays a defining role in the local balance of power, by supporting certain elite actors and excluding others. These dynamics very commonly lead to centre-periphery tensions that are a major cause of long-running, violent conflicts and undermine state legitimacy and capacity in these regions'. Hence, Parks and Cole propose a distinction between a *primary* political settlement (the informal configuration of power at central state level) and a *secondary* one (the struggle for local control in subnational regions). (Ibid, 3; 18)

To summarise, the growing literature on political settlements is unpacking so many of the complexities that have baffled donors, social scientists, public officials and activists for so long. It has become the framework for explaining contention and cooperation between classes and social groups, such as in Costa Rica and Guatemala. It has become a lens through which governance capacities for managing diversity and instability – evident in Tanzania, for example – can be viewed. If we expand our case studies to the Philippines and DRC – both of which have serious subnational conflicts – this framework is also useful, not only in explaining the puzzle of slow growth and industrialisation in the former, but also the persistence of localised conflict in the latter.

In the next section, we summarise some recommendations for designing and implementing a strategy to influence political settlements and state-building.

# 4. PURSUING A NEW AGENDA FOR GOVERNANCE, DEVELOPMENT AND SECURITY

'Despite the growing prominence of political settlements in emerging efforts to rethink aid policy,' write Parks and Cole, 'there is very limited experience in operationalising these concepts, and little guidance [is] available to donors and development organizations for program strategy and design.' Hence, what is necessary is 'to translate the insights into ways that make them more accessible and actionable for country strategy development and programs design'. (Ibid, 3)

A new agenda for governance can be explicitly about changing power relations and building community resilience. A June 2010 case study on Bangladesh published by the Institute of Development Studies showed that poor households who knew about their rights, were trained in collective action, and who opened spaces for engagement with their local governments also had marked improvements in their diets, ownership of farm assets (such as cows) and access to paid work. The work of more 'political' or activist NGOs in Bangladesh was delivering clear socio-economic impact – to the same extent as that of their 'socio-economic' or microfinance counterparts in the country. (Kabeer, Mahmud and Guillermo, June 2010) In short, aside from changing power relations, the communities were also building their resilience to poor governance, economic shocks and disasters.

Those looking to adopt an approach that changes power relations and builds community resilience might find useful the following four outcomes or goals on political settlements, recommended by Parks and Cole:

- **Stability** – political settlements must be able to maintain a basic level of stability, and specifically address security problems, especially in conflict-affected and fragile contexts.
- **Conduciveness to development** – political settlements should enhance prospects for accelerated economic and social development through bargains that align the interests of the ruling elite coalition with rapid growth and development transformation (as has happened in Japan, Korea, Taiwan, Singapore, for example).
- **Inclusiveness** – more inclusive settlements deliver more stability, better enhance prospects for development and provide greater legitimacy. Also, broadening inclusiveness limits the capacity for predation by core elites.
- **Reducing elite predation** [or the act or practice of plundering or marauding] – most developing countries have some degree of elite predation, which is generally much higher in the early stages of development of clientelist states [whose political systems are based on personal relations rather than merit]. Thus, nearly all political settlements will have some degree of predatory

behaviour by elites, which may be necessary to get 'buy-in' from potentially threatening or destabilising actors, who are better dealt with 'within the tent'. But over time, political settlements should be able to reduce elite predation. (Parks and Cole, July 2010)

Influencing political settlements can be construed as interfering inadvertently in the political affairs of sovereign nations. But Parks and Cole contend that aid has actually been influencing political settlements for decades now – for example, donor aid has strengthened the position of various 'developmental elites' in different countries. They contend further that influencing political settlements is not the equivalent of instigating regime change. What the political-settlements framework holds is 'the potential to facilitate more politically informed and targeted aid capable of exerting pressure on the political settlement to evolve in a more desirable way'. (Ibid, 25) Thus, they put forward the following principles for influencing political settlements:

- Influence should be used to encourage positive evolution of the political settlement (greater inclusion, development and stability, and reduced elite predation) and not to remove or undermine the current settlement.
- The long-term objective should be an inclusive, stable and pro-development political settlement (recognising that there may be trade-offs in the short term).
- Reasonable efforts should be made to avoid entrenching narrow, exclusionary political settlements that rely on predatory behaviour for sustenance.
- Influence should be exerted through legal and transparent means, such as development assistance.

In sum, Parks and Cole conclude that there is a legitimate role for international actors to influence political settlements through development assistance. The tools that can then be used for this role include the following:

- **Political-settlement mapping** – a baseline analysis to identify the key elements (actors, interests and institutions) of the current political settlement. It should identify and describe elite groups, plot their relationships with other and identify their interests. The mapping can also determine the level of resilience or weakness of the political settlement, based on an analysis of existing institutions.
- **Strategy development and scenario planning** – can be guided by the following questions: What is the core challenge being addressed? What are the best-case scenarios for the short and long term? Is it necessary to accept a trade-off among objectives in the short term? Are there scenarios that we are trying to prevent? What

are the plausible paths towards stability, inclusiveness, reduced predation, and development in the long term?

- Program design – six practical approaches are presented in the box on the right.

### Addressing problems of measurement

Policy research and programme development on political settlements will inevitably require a system of measurement to understand and analyse the issues properly, and to gauge the success of the approach. But measurement of political change is a problematic area. Political change cannot be easily split, broken up or expressed in units. Also, many would rightfully assert that the impact of any intervention for political change can only be understood within its context. Furthermore, the baselines are not always clear or precise. In many countries, certain basic information – for example, number of teachers or inventory of functional schoolbuildings – upon which goals can be evaluated may not even be available. What is the starting point, so that it can be assessed if there is progress or stagnation on arriving at political settlements?

In contrast, measuring economic performance is much easier – the Gross Domestic Product (GDP), a composite index invented in 1942, provides a quick assessment and can be used as a cross-country comparator. The question that has been asked is: can there be a political or democratic equivalent of a GDP? Another widely used tool is the Gini Coefficient, for measuring income inequality. Again it can be asked, can political or social inequalities be equally measured? In other words, measurement is about developing a **democratic 'GDP' or governance 'coefficient'** that crunches into a neat, discrete figure the complex realities of democratisation and governance in various countries.

The need for measurement has prompted the growth of indices that quantify, rank or assess country performance according to more political measures. Three examples are presented on pp16-18:

### Six practical approaches to program design that support political settlements

**Incrementalist approach** – this shifts benefits to excluded groups and reduces the political gains that come from control of aid resources. Over time, the excluded can develop more influence. Examples are: education programmes for minorities; rural development for regions affected by subnational conflict; small business development schemes that encourage private sector growth among the excluded.

**Supporting developmental elites** – aid can be designed to support the emergence of a developmental elite coalition that can influence the political settlement over the medium to long term. Examples: support to influential institutions (universities, CSOs, think tanks); research by pro-development elites that can persuade power-elite actors to enter alliances; strengthen regulatory agencies and support business associations.

**Transition moment** – during a period of political transition, aid can be particularly influential in shaping the emerging political settlement. Examples: support for a peace agreement, ceasefire monitoring, including peacekeeping forces; constitutional development; support for independent media.

**Improving centre-periphery relations** – development assistance can be used to address the main drivers of sub-national conflicts. Examples: support for land reform where settler-native conflicts exist; inter-group or inter-faith dialogues; devolution of power or decentralisation of authority; prosecution of corruption and addressing impunity of local government and security forces.

**Mobilisation of excluded groups** – under some circumstances, excluded groups can organise themselves and develop alliances with powerful actors. Examples: support to coalition groups; support for research and analysis by excluded groups to increase their influence in policy debates.

**Strengthening fragile political settlements** – in highly fragile environments, the most critical short-term objective is some degree of stability – that is, improving the ability of elites to manage that environment. Examples – support for interim political agreements; strengthening the capacity of government to deliver services and improve infrastructure; providing incentives to challengers to support the government.

Source: Parks and Cole (July 2010), pp36-42

Table 2: Excerpt from State Fragility Index and Matrix 2009 (scores of 0-25, 25 being most fragile)

	Fragility Index	Effectiveness Score	Legitimacy Score	Security Effectiveness	Security Legitimacy	Armed Conflict Indicator	Political Effectiveness	Political Legitimacy	Regime Type	Economic Effectiveness	Economic Legitimacy	Net Oil Production or Consumption	Social Effectiveness	Social Legitimacy	Regional Effects
<b>Somalia</b>	<b>25</b>	13	12	■	■	War	■	■	–	■	■		■	■	Mus
<b>Dem. Rep. of Congo</b>	<b>23</b>	12	11	■	■	War	■		dem	■	■		■	■	Afr
<b>Sudan</b>	<b>23</b>	11	12	■	■	War	■	■	aut	■	■	4	■	■	Mus
<b>Afghanistan</b>	<b>22</b>	12	10	■	■	War	■	■	–	■	■		■	■	Mus
<b>Chad</b>	<b>22</b>	12	10	■	■	War	■	■	aut	■	■	4	■	■	Mus
<b>Myanmar (Burma)</b>	<b>21</b>	11	10	■	■	War	■	■	AUT	■	■		■	■	
<b>Ethiopia</b>	<b>21</b>	11	10	■	■	War	■	■	dem	■	■		■	■	Afr
<b>Iraq</b>	<b>20</b>	10	10	■	■	War	■	■	–	■	■	22	■	■	Mus
<b>Sierra Leone</b>	<b>19</b>	11	8	■	■	*	■	■	DEM	■	■		■	■	Afr
<b>Burundi</b>	<b>18</b>	12	6	■	■	X	■	■	DEM	■	■		■		Afr
<b>Central African Rep.</b>	<b>18</b>	10	8	■	■	War	■	■	aut	■	■		■	■	Afr
<b>Liberia</b>	<b>18</b>	11	7	■	■	*	■	■	DEM	■	■		■	■	Afr
<b>Niger</b>	<b>18</b>	9	9	■	■	*	■	■	aut	■	■		■	■	Mus
<b>Nigeria</b>	<b>18</b>	9	9	■	■	War	■	■	dem	■	■	5	■	■	Afr
<b>Rwanda</b>	<b>18</b>	10	8	■	■	*	■	■	aut	■	■		■	■	Afr
<b>Angola</b>	<b>17</b>	8	9	■	■	X	■	■	aut	■	■	55	■	■	Afr
<b>Burkina Faso</b>	<b>17</b>	10	7	■	■		■	■	aut	■	■		■	■	Afr
<b>Guinea</b>	<b>17</b>	8	9	■	■	*	■	■	–	■	■		■	■	Mus
<b>Zambia</b>	<b>17</b>	9	8	■	■		■	■	DEM	■	■		■	■	Afr
<b>Zimbabwe</b>	<b>17</b>	9	8	■	■	*	■	■	dem	■	■		■	■	Afr

Source: Marshall and Cole, *Global Report 2010*, [www.systemicpeace.org/SFImatrix2009c.pdf](http://www.systemicpeace.org/SFImatrix2009c.pdf)

**Table 3: Excerpt from Index of State Weakness in the Developing World (scores of 0 to 10, with 0 = weakest)**

Rank	Country	Overall Score	Economic	Political	Security	Social Welfare	GNI Per Capita
1	Somalia	0.52	0.00	0.00	1.37	0.70	226
2	Afghanistan	1.65	4.51	2.08	0.00	0.00	271
3	Congo, Dem. Rep.	1.67	4.06	1.80	0.28	0.52	130
4	Iraq	3.11	2.87	1.67	1.63	6.27	1134
5	Burundi	3.21	5.01	3.46	2.95	1.43	100
6	Sudan	3.29	5.05	2.06	1.46	4.59	810
7	Central African Rep.	3.33	4.11	2.90	5.06	1.25	360
8	Zimbabwe	3.44	1.56	1.56	6.81	3.84	350
9	Liberia	3.64	3.39	3.91	6.01	1.25	140
10	Cote D'Ivoire	3.66	5.23	2.12	3.71	3.56	870
11	Angola	3.72	5.42	2.67	5.32	1.45	1980
12	Haiti	3.76	3.90	2.62	5.21	3.31	480
13	Sierra Leone	3.77	5.04	3.87	5.43	0.76	240
14	Eritrea	3.84	3.09	2.78	7.01	2.48	200
15	North Korea	3.87	0.52	0.95	7.28	6.73	n/a
16	Chad	3.90	5.80	2.42	6.18	1.21	480
17	Burma	4.16	4.72	0.89	3.96	7.07	n/a
18	Guinea-Bissau	4.16	5.22	3.83	5.96	1.69	190
19	Ethiopia	4.46	6.14	4.03	5.91	1.75	180
20	Congo, Rep.	4.56	5.08	2.77	6.45	3.95	1100
21	Niger	4.60	5.45	4.69	7.33	0.94	260
22	Nepal	4.61	5.17	3.84	2.94	6.50	290
23	Guinea	4.67	5.00	2.64	7.43	3.61	410
24	Rwanda	4.68	5.33	4.26	6.62	2.51	250
25	Equatorial Guinea	4.77	7.51	1.73	7.95	1.91	8250
26	Togo	4.80	4.78	2.68	7.38	4.38	350
27	Uganda	4.86	5.78	4.55	4.89	4.23	300
28	Nigeria	4.88	5.39	3.51	5.37	5.24	640
29	Cameroon	5.12	5.78	3.09	7.54	4.07	1080
30	Yemen	5.18	5.80	3.64	6.43	4.85	760

Table 4: Excerpt from the Failed States Index (FSI) 2009 – (scores of 0 to 120, with 120 = most failed state)

Rank	Country	I-1	I-2	I-3	I-4	I-5	I-6	I-7	I-8	I-9	I-10	I-11	I-12	Total
1	Somalia	9.8	9.9	9.7	8.5	7.7	9.5	10.0	9.9	9.9	10.0	10.0	9.8	114.7
2	Zimbabwe	9.8	9.1	9.1	10.0	9.7	10.0	9.8	9.8	9.9	9.7	9.5	7.6	114.0
3	Sudan	9.0	9.8	9.9	9.0	9.6	7.0	9.8	9.5	9.8	9.7	9.5	9.8	112.4
4	Chad	9.3	9.4	9.8	7.8	9.3	8.3	9.8	9.6	9.5	9.9	9.8	9.7	112.2
5	Dem. Rep. of the Congo	9.7	9.6	8.9	8.1	9.3	8.3	8.6	9.2	9.0	9.7	8.7	9.6	108.7
6	Iraq	8.7	8.9	9.7	9.1	8.6	7.6	9.0	8.4	9.3	9.7	9.6	10.0	108.6
7	Afghanistan	9.3	8.9	9.6	7.2	8.4	8.3	9.8	8.9	8.8	9.9	9.1	10.0	108.2
8	Central African Republic	8.9	9.0	8.6	5.7	9.1	8.4	9.3	9.3	8.9	9.6	9.5	9.1	105.4
9	Guinea	8.5	7.1	8.2	8.6	8.9	8.7	9.8	9.2	9.0	9.4	9.2	8.0	104.6
10	Pakistan	8.3	8.6	9.6	8.3	8.8	6.4	9.1	7.5	8.9	9.5	9.6	9.5	104.1
11	Ivory Coast	8.6	7.8	9.0	8.4	8.1	8.3	9.1	8.0	8.5	8.5	8.5	9.7	102.5
12	Haiti	9.3	5.8	7.3	8.6	8.2	8.9	9.2	9.5	8.5	8.4	8.3	9.8	101.8
13	Burma	9.0	8.8	8.9	6.0	9.5	8.2	9.5	9.0	9.0	8.4	8.7	6.5	101.5
14	Kenya	9.0	9.0	8.6	8.3	8.8	7.5	9.0	8.0	8.2	8.0	8.8	8.2	101.4
15	Nigeria	8.5	5.3	9.7	8.3	9.5	6.6	9.2	9.0	8.6	9.4	9.6	6.1	99.8
16	Ethiopia	9.4	8.0	8.2	7.7	8.8	8.3	7.9	8.2	8.5	7.5	8.8	7.6	98.9
17	North Korea	8.5	6.0	7.2	5.0	8.8	9.6	9.8	9.6	9.5	8.3	7.8	8.2	98.3
18	Yemen	8.8	7.9	7.7	7.4	8.9	8.2	8.3	8.5	7.7	8.4	9.0	7.3	98.1
19	Bangladesh	8.9	6.9	9.4	8.4	9.0	8.0	8.5	8.0	7.6	8.0	8.9	6.5	98.1
20	East Timor	8.4	9.0	7.3	5.7	6.8	8.4	9.4	8.4	7.0	9.0	8.8	9.0	97.2
21	Uganda	8.7	9.3	8.0	6.5	8.7	7.6	8.0	8.0	7.7	8.2	8.2	8.0	96.9
22	Sri Lanka	7.5	9.3	9.8	6.9	8.5	6.1	9.0	6.6	8.5	9.2	9.2	6.1	96.7
23	Niger	9.5	6.4	8.5	6.3	7.6	9.2	8.7	9.5	8.2	7.4	7.1	8.1	96.5
24	Burundi	9.2	8.1	7.5	6.5	8.4	8.0	7.5	9.0	7.6	7.3	7.7	8.9	95.7
25	Nepal	8.3	6.8	8.7	6.0	9.3	8.5	8.0	7.4	8.7	8.1	8.4	7.2	95.4
26	Cameroon	8.0	7.5	7.2	8.0	8.9	6.9	9.2	8.0	8.0	7.8	8.7	7.1	95.3
27	Guinea-Bissau	8.6	6.5	5.8	7.0	8.5	8.5	8.6	8.7	8.0	8.5	8.0	8.1	94.8
28	Malawi	9.3	6.3	5.9	8.3	8.5	9.1	8.3	8.8	7.5	5.6	7.8	8.4	93.8
29	Lebanon	7.0	9.0	9.2	7.2	7.4	6.3	7.8	6.2	6.9	9.1	9.1	8.3	93.5
30	Republic of Congo	8.9	7.8	6.5	6.1	8.0	8.0	8.6	8.8	7.9	7.8	7.1	7.6	93.1

## The Twelve Indicators (from Table 4)

### Social Indicators

- I-1. Mounting Demographic Pressures
- I-2. Massive Movement of Refugees or Internally Displaced Persons creating

### Complex Humanitarian Emergencies

- I-3. Legacy of Vengeance-Seeking Group Grievance or Group Paranoia
- I-4. Chronic and Sustained Human Flight

### Economic Indicators

- I-5. Uneven Economic Development along Group Lines

- I-6. Sharp and/or Severe Economic Decline

### Political Indicators

- I-7. Criminalization and/or Delegitimization of the State
- I-8. Progressive Deterioration of Public Services
- I-9. Suspension or Arbitrary Application of the Rule of Law and Widespread

### Violation of Human Rights

- I-10. Security Apparatus Operates as a "State Within a State"
- I-11. Rise of Factionalized Elites
- I-12. Intervention of Other States or External Political Actors

Source: [http://www.fundforpeace.org/web/index.php?option=com\\_content&task=view&id=391&Itemid=549](http://www.fundforpeace.org/web/index.php?option=com_content&task=view&id=391&Itemid=549)

Over the last few years, there has been a deluge in the production of indices to measure development. The United Nations Development Program (UNDP) Office of Development Studies, for example, provides a list of 178 indices.<sup>11</sup>

However, many of these indices are riddled with fundamental problems. For example, they make the mistake of confusing data recoded into nominal and ordinal numbers as having numerical qualities. Such scoring '*is very similar to an act of magic*', argues a recent report by the London School of Economic's Crisis States Research Centre (CSRC) and is a common mistake of aggregation. (Gutierrez et al, 2010: 71) Even indices developed by reputable institutions, such as the World Bank's Country Policy and Institutional Assessment (CPIA) and the Harvard Kennedy School Index of African Governance, make the same mistake. (Ibid, 79-81) As such, in their present form, CSRC concludes that, 'the indices are basically unsound', and that a substantial number of the ranks and scores they produce 'are an artefact of *ad-hoc* decisions that have no substantive justification. In crucial instances, they adopt extremely anti-intuitive assumptions. Many have not solved or even acknowledged several of the key problems they face'. (Ibid, 5)<sup>12</sup>

Another important limitation to be aware of is that these indices are often derived from expert opinion and are *not* actual counts of phenomena being observed. Experts are surveyed, and the answers they provide become the basis for the scores. The best example is Transparency International's Corruption Perceptions Index. The title itself

actually declares what it is – a survey of people's perception of how corrupt a country is, *not* an actual count of the incidence of corruption in each country. The World Bank's CPIA is also based on surveys – this time, of experts such as World Bank staff in the field. It may seem trivial, but this is actually an important and fundamental point: perceptions surveys have to be taken for what they are, and not confused as actual counts or recorded frequencies of certain phenomena.

Despite its damning criticism of many indices, the CSRC argues for their continued use. It demystifies, but does not recommend the wholesale discarding of, these indices. It points out that, indeed, indices are extreme simplifications of reality. But that is actually the job they are supposed to do. Therefore, do not expect indices to describe context or to tell the whole story. The job of indices is to isolate and simplify – and there are significant benefits of isolation and simplification. Because the numbers in indices are simple and context-free, it allows for some aggregation, generalisation and the comparison of apples and oranges based on certain attributes. (Gutierrez et al, 2010: 17-22)

Indices, therefore, 'are not reality: they are radical simplifications for the purposes of abstraction and data manipulation'. (Ibid) What is necessary, the CSRC team emphasises, is how to make the qualitative and the quantitative complement and reinforce each other. It presents the following summary of what not to demand from indices:

<sup>12</sup> Note, however, that the CSRC report limited itself to PSPIs – indices that measure poor state performance – and have thus not covered socio-economic and other forms of indices, such as the Human Development, Under Five Mortality or Education indices.

<sup>11</sup> See [http://www.undp.org/developmentstudies/docs/indices\\_2008\\_bandura.pdf](http://www.undp.org/developmentstudies/docs/indices_2008_bandura.pdf)

**Table 5: Dubious criticisms raised against indices (Gutierrez et al, 2010: 21)**

Criticism	Reason why criticism is dubious	Tenable aspect of criticism
<b>Indices simplify reality</b>	Indices <i>should</i> simplify reality	Researchers should be aware of the limitations of context-free products, but simplifications should not go too far
<b>They compare apples and oranges</b>	Apples and oranges have abstract qualities that can be measured and compared	Indices should be based on measurable questions. When these are measurable yet vague, this should be taken into account
<b>They isolate reality</b>	Once again, this is what they <i>should</i> do. The criticism actually leads to the bad practice of conceptual stretching [when a concept is broadened to include reputed causes and consequences]	Isolation should be sensible and theory-driven. Conceptual stretching should be avoided because it precludes establishing the associations that are useful for analysis
<b>They make no sense because of the poor quality of data</b>	This is a key matter, which must be dealt with carefully. However, many data problems can be reasonably solved	Indices should be meticulous and thorough in their treatment of data

Another useful feature of indices is that they can be employed to spot and outline nuances. For example, in the three sample indices above, the DRC comes out as a seriously troubled country – a fragile, weak and failed state. However, the DRC scores much better than more stable African states – such as Burkina Faso, Mali and Senegal – when it comes to education, as revealed by figures in the UNESCO Education for All (EFA) database and the UNDP’s Human Development Index.

Even the World Governance Indicators can be mined for some revealing nuances. For example, Zambia scores better than the UK and Spain when it comes to the rating of ‘political stability and absence of terrorism/violence’. Singapore scores on top in terms of government effectiveness and control of corruption, but ranks 76th – worse than Thailand, Guatemala and Kenya – when it comes to the indicator ‘voice and accountability’.

In sum, some form of quantification is necessary and relevant. Using proxies for a democratic ‘GDP’ or a governance ‘coefficient’ has its uses, not just in revealing nuances, but also in measuring overall political performance. However, quantification should not replace qualitative and more context-based evaluations. Quantitative indices are merely tools to isolate and simplify in order to further inform analysis on social and political phenomena that typically could not be counted.

The other problem of measurement is the need to establish baselines right from the beginning, which helps with following progress over time. Using Table 1 on p9 (which gives a comparison of impersonal versus personalistic politics), a simple matrix can be developed that could inform and guide measurement (see Table 6 on p21).

**Table 6: What to measure against**

Governance indicator	Baseline/starting point (personalistic politics persist)	Programs/interventions	Goals (greater capacity to sustain impersonal politics)
<b>Community access to basic services – health, education, water</b>	Political and social connections are necessary to secure access to services	Enabling marginalised groups to hold officials to account	Public services can be obtained impersonally
<b>Stability of property rights and access to common resources</b>	No reliable land registry. Access to forest and mineral resources typically obtained by a capacity for violence	Building consensus on a judicial process to settle conflicting land claims. Setting up a compensation fund for those who will be dislocated	The primary assets of poor households are secure. Mechanisms in place to resolve disputes
<b>Political competition</b>	Winner-takes-all system. Losers are suppressed or locked out	Political party reform legislation developed and submitted to Parliament	All actors regard system as fair, and losing is acceptable
<b>Elections</b>	Restrictions are in place to make it difficult or impossible for the opposition to organise themselves, field candidates or use the press	Electoral reforms	Parties get support from an increasing number of organisations representing various groups
<b>Corruption</b>	Systematic rent-seeking is the main tool for stability	Social-movement-driven demand-side campaigns	Corruption regarded as in no one's interest and can destabilise incumbent coalition
<b>Gender</b>	Governance and political analysis remain gender-blind	Resourcing and mainstreaming gender work	Power deficits of women are widely acknowledged, and will exist to resolve them

To conclude this section, significant work is already underway to create and implement a new agenda for governance, development and security. There exist practical tools that can be used to provide necessary guidance for further development of the political-settlements framework, an approach that shifts from attempts to replicate technical

best practice everywhere, to achieve what is 'politically possible and most useful in a specific place and time'. (Parks and Cole, 2010: 2) The political-settlements approach is an answer to the question of how societies can develop the capacity to create and sustain impersonal rights.

# CONCLUSION

This paper has argued that rather than focus on reforms based on institutional models of what good governance should be, reform agents should instead shape and influence the process of state-building and political settlements in developing countries where they work.

It presented the limitations of standard good-governance strategies: the underestimation of the reach of the corruption problem; the inability to understand the partial legitimacy of corrupt officials and criminal organisations; the confusion over the concept of 'state capture'; the failure to recognise structural reasons for the pervasiveness of corruption; or the tendency to endorse some form of authoritarianism or overemphasise form, rather than substance, of elections. It then zeroed in on a comparison of impersonal and personalistic politics, looking at how different the following are in impersonal and personalistic contexts: rights and entitlements, contract enforcement, the role of politicians, political competition, political parties, elections, markets and civil society.

Finally, this paper then suggested that the key question is not 'how can foundations of good governance be built?' but 'how do societies develop the capacity to sustain impersonal rights?' The answer – political settlements and state-building – was introduced, followed by some recommendations to adopt and implement a political-settlements approach.

It might be useful at this stage to imagine what questions and tasks may emerge if it were introduced in the following countries:

- Zimbabwe: how can the shape and direction of Zimbabwe's rehabilitation be structured to achieve stability, inclusiveness and development? Would taxation be an alternative to the continued policy of expulsion of its white landed class?
- Although Tanzania and Zambia have 'bought' political stability as a result of bargains made with their various elites, these deals are now impeding growth and development. How can they be transformed? Can the two countries now develop the ability to discipline their elites, and turn them into productive economic agents, rather than unproductive rent-seekers?
- Malawi has an extremely powerful tobacco- and tea-industry lobby. What would a political-settlements mapping show us in this country? What kind of transition or scenario could help Malawi expand its tax base and wean itself off a dependence on development aid?
- The DRC's conflicts remain intractable. Recent analysis shows that local land disputes are not really being addressed. Will elites in the DRC rally behind processes to settle such land conflicts?

Shaping emerging political settlements in these and in other developing countries will be a great challenge. Yet it is a necessary step towards fixing poor governance and removing barriers to the institutional change needed to advance growth and development in poorer nations.

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