The Concept of Political Settlement in Development Policy, and Why it's Useful

Political Settlement: Part 1

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The 'political settlement' concept has been around for a long time, but like any smart virus it has morphed along the way to suit its various hosts. It appeared first and has its widest currency in the international relations and peace literature, where it describes a negotiated settlement to conflict which spells out how power is to be distributed and managed in the post-conflict state.[1] Its next relevant incarnation, for the purposes of this paper, was in the mid-1990s in the writing of Mushtaq Khan, who used the concept to challenge the explanations offered by new institutional economics for state failure in developing countries (Khan 1995). Don't just focus on the institutions, he argues, but look to the political settlement. The performance of institutions, in his analysis, is determined not only by the form of those institutions, but by the way that the inherited balance of power or political settlement interacts with them. He returned to this theme in later writings, and the logic was later taken up by a small band of political economists working with think tanks funded by the United Kingdom development agency, DFID.

The concept made its debut in development policy some 12 years later (Whaites 2007) as policymakers wrestled with the central challenge of how to promote stability and growth in fragile and conflict-affected states. Technical approaches to institutional reform and development following liberal-democratic and market economy templates were patently not working as intended and the spotlight was shifting to the political dynamic driving the approaches of partner governments and the interests closest to them. The political settlement concept offered a means both to better understand the complex development context and to calibrate development interventions in response to that context.

The adoption of 'political settlement' as a framing concept was led by DFID, and from there it spread to the OECD's International Network on Conflict and Fragility and its members. In the policy analysis that emerged, political settlements were seen as positioned on the cusp of peacebuilding and statebuilding, which were interrelated and overlapping processes. The political settlement was characterised as both the circuit-breaker for conflict and the platform for statebuilding: it established the conditions to end a conflict, and it provided the foundation of every political order.

The concept took off before its usage was settled, leaving its proponents to reflect on the absence of definitional clarity (Whaites 2008:7) or its still unfolding interpretation (OECD 2011:31), while nonetheless elevating it to the centre stage of statebuilding policy. Within DFID, the definition underwent minor adjustments over its first few years to emerge in a major DFID practice paper in the following terms:

> Political settlements are the expression of a common understanding, usually forged between elites, about how power is organised and exercised. They include formal institutions for managing political and economic relations, such as electoral processes, peace agreements, parliaments, constitutions and market regulations. But they also include informal, often unarticulated agreements that underpin a political system, such as deals between elites on the division of spoils (DFID 2010:22).

In a major policy guide, OECD characterised the term as referring to:

> how the balance of power between elite groups is settled through agreement around the rules of political engagement. Political settlement may be (re)shaped by the outcome of a single event (such as a peace agreement), or it may reflect an ongoing process of exchange and (re)negotiation that extends over time where what matters is the conduct of key actors … Political settlement refers not only to the formal architecture of politics, but also to the web of political institutions — the informal rules, shared understandings and rooted habits that shape political interaction and conduct, and that are at the heart of every political system. (OECD 2011:31).

Despite the caveats around the unsettled usage of the term, there are significant common elements in the DFID and OECD definitions. First, political settlements are centrally about the organisation and exercise of power. Second, their forging is an elite affair. Third, they involve not only formal institutions but also the informal institutions that underpin a political system. These features recur in the usage adopted by other development agencies (AusAID 2011:13; UNDP 2012:18).

The adoption of political settlement as a framing concept highlights the quintessentially political character of statebuilding and development more broadly.

Following this logic, it is the political settlement and not the design of institutions that is instrumental in shaping political and developmental trajectories. An understanding of the political settlement is thus essential for framing effective development interventions, for assessing the potential impact of those interventions on the processes of statebuilding, and for avoiding doing harm.

So far, the discussion of political settlements in development policy has been largely conceptual and normative. There are few empirical studies that analyse the character of the political settlement and how it affects institutional behaviour. Three recent publications from development think tanks (Booth and Golooba-Mutebi 2014; Golooba-Mutebi and Booth 2013; Phillips 2013) begin to fill the gap, applying the concept to several African case studies. The next two *In Briefs* in this political economy series address the concept in the Melanesian context.

In Brief 2014/11 by Barbara and Connell explores the utility of the concept for informing more effective democratic governance programming in Melanesia. The authors suggest a political settlement lens brings with it a focus on three key elements of democratic governance which have often been overlooked by donors in the region: the potential of emerging elites to influence democratic politics; the realities of the distribution and exercise of power; and the impact of informal institutions on formal institutional performance.

Craig and Porter (*In Brief* 2014/12) use a political settlement lens to examine the prospects for stability after withdrawal of the Regional Assistance Mission to Solomon Islands and potential points of vulnerability. Drawing on Dan Slater's work on 'protection' and 'provisioning' pacts, they suggest that provisioning remains the most important driver of pact formation and wider politics in Solomon Islands. The corollary is a preoccupation by politicians with accessing a share of the rents concentrated in Honiara to disburse within their constituencies. Recently the pattern has intensified, with a greater share of on-budget revenues directly disbursed by members of parliament. Donors also protect and provide, and their modalities shape the incentives of politicians. A central question is whether future provisioning arrangements will be adequate to avoid conflict relapse.

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Endnote

1   The concept of a negotiated settlement goes back at least as far as the 1945 UN Charter, although the term 'political settlement' only became widely used from the late 1980s as the Cold War was winding back.

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