From Elite Bargains to *(More)* Open and *(More)* Inclusive Politics

Research report

**Corinne Heaven, Alina Rocha Menocal,
Sarah von Billerbeck and Dominik Zaum**

Contents

Capstone Paper
From Elite Bargains to (More) Open and (More) Inclusive Politics

Corinne Heaven,[1] Alina Rocha Menocal,[2] Sarah von Billerbeck,[3]
Dominik Zaum[4]

1. Context

1.1 This paper synthesises the key themes of four thematic papers on the pathways from elite bargains towards (more) open and (more) inclusive politics, commissioned by the Foreign, Commonwealth, and Development Office (FCDO). It identifies cross-cutting issues and draws out the implications of the analysis for external actors seeking to support more inclusive politics. While this capstone paper can be read on its own, its focus is on high-level themes, and it leaves more detailed discussion and analysis to the thematic papers. Readers interested in the details should consult those for greater depth and analysis.

1.2 Elite bargains – discrete agreements, or a series of agreements, often brokered and supported by international military, political, and economic interventions to end violence, that explicitly re-negotiate the distribution of power and allocation of resources between elites (Cheng, Goodhand, and Meehan 2018: 3) – are critical to stabilising armed conflicts and limiting violence. However, much of the literature on narrow and deal-based elite bargains also notes that they have a tendency to become entrenched, which makes it more challenging for such deals to evolve into more open and inclusive settlements in the short to medium term (Cheng at al 2018; McCandless et al 2019). Furthermore, the stability of exclusive, deal-based elite settlements does not necessarily mean that they contain political violence, which instead can play a critical role in the functioning and reproduction of such bargains.

1.3 If pathways from elite bargains are not linear, this raises important questions about i) what contextual factors enable or hinder potential transformations from narrow and exclusive elite bargains towards (more) open and (more) inclusive settlements based on agreed and broadly shared rules of the game, both formal and informal' and ii) how external actors might be able to support such transitions. Cross-sectional data consistently shows that, over the long term, such societies tend to be more prosperous and resilient, and the correlations (while causation is more challenging to establish) are robust (Rocha Menocal 2020).

1.4 To explore these questions, the remainder of this paper is divided into four parts. Section 2 outlines our understanding of the internal dynamics of elite bargains, focussing on the importance of elite incentives and their determinants. Section 3 summarises the insights of thematic discussions of three key areas we expect to shape the dynamics of elite bargains: state capacity, (elite) identities, and the role of business actors. Section 4 identifies a range of cross-cutting themes that emerge from this analysis, while the final section (5) suggests a range of lessons from this analysis for external actors engaged in supporting transitions from elite bargains.

1   Wissenschaftszentrum Berlin fuer Sozialforschung (WZB)
2   Overseas Development Institute (ODI)
3   University of Reading
4   University of Reading

2. Understanding the Dynamics of Elite Bargains

2.1   Elites are frequently the gatekeepers to post-conflict political and economic bargains. Given this strong gatekeeper role, elite interests and preferences are essential in shaping prospects for more open and inclusive settlements. Yet, elites do not exist in a vacuum. Rather, they operate within a variety of contextual historical, structural, and institutional factors that are in dynamic interaction and shape and influence the positioning, orientation, interests and behaviours of elites in an iterative manner. Consequently, one critical question that needs to be addressed is when, how, and why elite interests and preferences might change to support more open and inclusive politics. In states and societies that have been sharply divided by violent conflict, a further question may be how and why elites might be encouraged to move beyond exclusivist, simplified and binary identities and have a stake in fostering a vision and a set of shareable values for a plural, or multicultural, political system, in ways that do not simply include elites from different groups but also society more broadly.

2.2   Interests and preferences of elites can change in response to exogenous political and economic constraints or incentives (e.g. Acemoglu and Robinson 2008; North, Wallis, and Weingast 2009), such as changed economic conditions, or changes in the geopolitical environment.[5] Interests and preferences, however, also develop through changes in the internal dynamics of elite bargains and broader contestation with social groups, such as internal divisions or changes in their membership; changes in power balances and coalitions of elites and different constellations of social actors; or changes in the formal and informal institutional constraints and opportunities. Such internal dynamics have a more gradual effect, as elites adapt to changes in their environment, but over time these can be significant.

2.3   How do the internal dynamics of elite bargains change elite preferences and incentives? Through processes of engagement and interaction inherent in any elite bargain, actors can both be inducted into the norms and rules of a given community and led to adopt a community's practices – a process often referred to as socialisation (Checkel 2005: 804) – or they can challenge and modify them. Such processes of socialisation can clearly cut both ways: groups originally pushing for more open orders, for example, might be socialised into the rules and norms underpinning a more exclusive political order once they are beneficiaries of the existing rules; or they might form common interests and preferences around greater openness.

2.4   Recognising the importance that the internal processes of engagement and interaction in elite bargains can have on their evolution is important for two reasons in particular. First, bargains where elites share a common ideology, identity or narrative are likely to be more stable (see for example Hickey 2012), and thus less susceptible to change (both peaceful and violent). Second, socialisation processes, like elite bargains, are dynamic processes, and the ability of actors to push "their" norms is likely to be shaped by their power and capacities to engage and mobilise. This has implications for the role of external actors in supporting internal efforts or pressures towards more open and more inclusive bargains.

2.5   In discussions of elite bargains and political settlements, the term "inclusive" is used liberally and not always consistently. For the purposes of this discussion, it is therefore helpful to unpack the term further. One important distinction relates to the question of who is included, with a distinction commonly drawn between the inclusion of different elites (horizontal inclusion) on the one hand, and the inclusion of non-elites (vertical inclusion) on the other. For clarity, we use the term 'inclusive' when referring to horizontal, or inclusion across elites (which is often fostered along and across identity lines); while using the term 'open' to refer to vertical inclusion, or inclusion between elites and other social groups more broadly.

---

5   While these conditions for change are exogenous to an elite bargain, it is important to note that the impact of any exogenous change is also translated through structures and dynamics internal to the bargain before it shapes the interests and incentives of elites.

2.6 In the context of elite bargains and political settlements, "inclusion" has both a procedural and an outcome dimension. Procedural inclusion in such contexts suggests that a wide range of actors (elite and non-elite) can meaningfully participate in deliberative and decision-making processes, voice their positions, and influence decisions. With regard to outcomes, inclusion relates to how equitably resources and political power are distributed within and across groups. Open and inclusive processes do not automatically lead to more open and inclusive outcomes (Rocha Menocal 2020), and vice versa, though the evidence does suggest that states and societies characterised by trust and significant interactions and engagement across identity groups are more peaceful and resilient (Cox and Sisk, 2017).

2.7 One immediate implication of unpacking "inclusion" in these ways is to shift attention beyond the specific actors (e.g. excluded elites or non-elites) to a focus on the formal and informal institutional arrangements that underpin their participation in (or exclusion from) deliberation and decision-making, and to the distribution of power and resources. It is important not just to understand who can participate in or benefit from a political settlement, but also how this is shaped by the visible and invisible "rules of the game".

2.8 Different typologies have been developed to help understand how the structural characteristics of political settlements are associated with different outcomes – both economic (such as Pritchett et al.'s (2017) typology of the political dynamics of economic growth) and in terms of governance (such as North et al.'s (2009) Limited and Open Access Orders, or Johnson's (2005) syndromes of corruption). Such typologies can help to understand both the drivers of progressive change in elite bargains, and the barriers to them. While each typology has its own theoretical assumptions informed by their specific focus, many distinguish along two structural characteristics: membership, and the nature of the rules and institutions governing a settlement.

2.9 *Membership of Elite Bargains*

2.9.1 With regards to membership, most typologies tend to distinguish between broader and more inclusive, and narrow and exclusive political settlements. Elites' willingness to move toward more inclusion and openness is shaped by a variety of factors that affect their positioning and sense of security. If elites feel secure enough that such a change does not fundamentally limit their access to resources and political power, or their very survival as a socially defined group, they may be willing to extend the benefits of an elite bargain to others. This, though, cannot be taken for granted: a feeling of security among elites who have power and access may lead to a preference for the status quo. This is why elites within a particular bargain may be pushed towards greater inclusion and openness through pressures from others (which can include excluded elites as well as more bottom-up pressures, external actors, or a combination of all these). These pressures can be violent: excluded elites have incentives to capitalise on social fear and instability among their group members to foment rebellion in an effort to challenge existing power dynamics and political understandings and arrangements (Rocha Menocal 2015a and 2015b; Jones et al. 2012; Elgin-Cossart et al. 2012; Stewart 2010; Stewart and Brown 2000). Others might lack the capacity (and desire!) to mobilise for violent resistance but resort to other forms of influence on elite bargains. Women, for example, tend to be more strongly represented across Civil Society Organisations (CSOs) than state institutions or armed groups (True 2018; Domingo et.al. 2013), so they might influence elite bargains through civil society and the international community, e.g. by seeking to leverage international pressure and action, and/or by pushing for broad based and inclusive peace processes. This inherent tension underscores the fact that elite bargains entail ongoing processes of negotiation and contestation that evolve in response to both longer-term security concerns and shorter-term pressures.

2.9.2   Recent research highlights that, empirically, there has been a trend towards bargains that are increasingly inclusive of a wide range of elites, to minimise external threats to the bargain and risks of a return to violence (Raleigh and Wigmore-Shepherd 2020). Such inclusion, however, is not risk free. While reducing the risk of challenges from outside the bargain, traditionally, inclusive bargains have been associated with a greater risk of coups by regime "insiders" (Roessler 2011). However, dominant elites can manage these risks of inclusion (and the access to resources it gives to a larger number of actors with diverse interests) through the composition of the ruling coalition and differential access to power and rents. This highlights that inclusion and the dynamics of elite bargains have to be understood not just through the perspective of the actors involved, but also the rules and institutions governing their participation.

2.9.3   The evidence also suggests that such inclusive bargains can harden and reify identity-based fault lines of conflict (Mehler (2009; Reilly 2012; Horowitz 2014), for example by constituting power-sharing agreements on the basis of ethnic identity. Formalising and entrenching the political salience of particular identities (i.e. ethnic or religious) inevitably comes at the expense of addressing other forms of exclusion, such as gender-based exclusion (True 2018). Broadening elite bargains by including a wider range of elite actors does not necessarily create pressure for change and for opening up: the voice and capacity of those pushing for greater openness might be constrained by stratified access to rents and resources; or groups newly incorporated into an expanding elite bargain may be co-opted into the existing extractive practices, developing a stake in the status quo and reducing pressure for change.

2.9.4   On the other hand, more inclusive, if heterogeneous, elite bargains offer more access points for external actors to support changes towards more open and inclusive politics (Bell and Popsipil 2017; Berg 2020), e.g. by providing resources to "insiders" with shared interests and preferences in ongoing bargaining processes, to enable them to mobilise support for change. Trying to influence the evolution of a bargain is arguably more feasible in situations where power and access to rents are more widely distributed and less concentrated. Also, such influence is more feasible in political environments that are not highly polarised, especially around identities that become exclusivist, singular and binary (Kaldor et al. 2020; Cox and Sisk 2017; Sisk 2017). Polarisation increases the cost of losing because differences become increasingly indivisible. This is key because the cost of losing determines the willingness of elites to open up bargains, to shift from "deals" to "rules", and to risk their hold over power and rents. If the threat or cost of losing is existential then elites are more likely to keep any bargain exclusive, if necessary with violence, to limit challenges (Kaldor et al. 2020; Cox and Sisk 2017).

2.10   *The Rules and Institutions of Elite Bargains*

2.10.1   The other key dimension along which typologies of settlements vary is the degree of institutionalisation. Institutions, which we understand as the rules, both formal and informal, that shape and influence human behaviour in economic, social and political life, define the way in which power is exercised and the parameters (including opportunities and constraints) for different groups to voice preferences in a dynamic, iterative manner.[6] They also mediate, manage, and aggregate interests and preferences, and shape enforcement of decisions and "deals". They therefore help to structure bargaining processes, dynamics, and outcomes, both within elites, and between elites and broader social groups.

---

6   For a fuller discussion of what institutions are, see Hodgson 2006

2.10.2   The degree of institutionalisation of a settlement, or the extent to which the rules of the game are broadly agreed, shared and followed, and formal and informal institutions are aligned or mutually reinforcing, matters for three reasons in particular. First, institutions mean that certain decisions are rule-based, making outcomes more predictable, and enabling participants in a bargain to take greater risks in their interactions. Second, (formal) institutions de-personalise interactions and decisions and allow for collaboration based on extended trust (Freitag and Buehlman 2009), rather than just narrow clientelistic networks. Third, institutions can help to overcome collective action problems by addressing information and collaboration problems, and thus help to overcome some of the security dilemmas that otherwise plague elite bargains and limit inclusive practices (Ostrom 1990).

2.10.3   While narrow elite bargains can often coordinate and resolve conflicts without formal rules and institutions, more inclusive bargains require greater institutionalisation and formalisation to maintain a bargain and its benefits. Similarly, greater openness can only be maintained in the presence of appropriate institutions that enable and protect access of non-elites. At the same time, rules can be used to entrench uneven power relations and to formalize inequalities and exclusion, often along identity-based lines, in ways that make the continued domination of particular elites or groups the anchor of a political bargain and of broader political reality, both de facto and de jure. The trajectory towards a greater degree of institutionalisation is therefore not without risk, and the design, content, and shape of rules and institutions will make a material difference to whether they lead to more openness and inclusion, and to whether these are sustained over time.

2.10.4   Institutions also matter for shaping and changing elite behaviours, interests and preferences, and the ways in which identities are constructed and become salient and politicised. First, they affect how interests of different groups (and thus the preferences reflected in a bargain) are aggregated, and the extent to which elites are encouraged to seek out coalitions that can bring to the fore the preferences of groups with an interest in more open and rule-based political settlements, and to appeal to followers and foster social cohesion in ways that transcend narrow identities, for example through electoral and party systems (e.g. Reilly 2013). Second, institutions matter in how they change bargaining dynamics in favour of actors with stronger preferences for openness so that the aggregate interests reflect them. Human rights institutions, for example, can provide focal points for action by groups otherwise marginalised in elite bargain, as exemplified by the Helsinki Committees in Soviet-dominated Eastern Europe in the 1980s (Thomas 2001). Third, institutions matter in how they constrain behaviour (if not preferences) by giving voice (and bite) to otherwise side-lined elites in a bargain that constrains rent seeking and deals-based practices. Research shows for example that when opposition parties have access to parliamentary powers or an independent judiciary, they can contain overt rent seeking and patronage and reduce perceptions of corruption among the governing party (Alt and Lassen 2008); and that multiparty coalitions are less overtly rent seeking than single-party governments (LeVan and Assenov 2016). Overall, the evidence suggests that more formal institutions are required for more inclusive bargains to have positive effects on the nature of the political settlement.

3. State Capacity, Identity, and the Role of Business

3.1 As argued earlier, elite bargains do not exist in a vacuum but are embedded into a wider political, economic, and social context with which they interact. Understanding elite interests and preferences, and the opportunities for influencing them, thus requires engagement with salient contextual factors. From our knowledge of the field and review of the literature, we have identified three factors in particular, which we would expect to shape the dynamics of elite bargains, including questions of membership and institutionalisation. These three contextual factors are state capacity, (elite) identities, and the role of business actors. It is the interplay of these three contextual factors, rather than each on their own, helps define the prospects for more open and inclusive politics. However, explicit exploration of these interplays in the literature currently appear to be very limited.

3.2 State Capacity

3.2.1 The capacity of the state is inherently linked to the institutions of the state – describing their ability to develop and implement policies, generate revenue to fund state activities, and enforce rules and decisions. However, state capacity is distinct from institutions as we understand them: while the latter describe formal and informal *rules* that shape human behaviour, state capacity concerns an ability to develop and enforce a sub-set of institutions (those relating to the state and its roles), by developing and enforcing them. In contexts where institutions conflict (for example where the formal and informal rules of allocating power and resources diverge), state capacity clearly matters for the degree and the character of institutionalisation of an elite bargain.

3.2.2 State capacity shapes the opportunity structure for elites. It both generates and influences economic opportunities and incentives. It impacts elites' ability to extend patronage or services; and it affects their ability to use coercive power to manage challenges to an existing bargain. Importantly, state capacity can also shape the ability of non-elites or excluded elites to engage with or challenge an elite bargain. While it can be critical to restricting or deterring challenges (i.e. when elites can use the coercive capacity of the state to deter challenges); it can also facilitate them (i.e. where state institutions have independent capacity to enable non-elites to challenge the status quo, e.g. through the courts).

> **Box 1: Competition over authority and legitimacy**
>
> *For countries transitioning out of conflict, the role of coercive capacity (or the lack thereof) is particularly important. First, the nature of coercive capacity is fundamentally different to, for example, the capacity to provide access to education or clean water, as it is about the state's authority vis-à-vis other actors that are also competing for power, as well as the citizens' acceptance or recognition of such power to enforce security and justice (Carment et al. 2009). Second, in many post-conflict states or fragile situations, the state lacks an uncontested monopoly over the means of violence. It may therefore not have full control over its territory and other actors may compete to establish their own authority. Where formal institutions, such as the military or police, are weak, elites can use militias to (violently) renegotiate the existing political settlement.*
>
> *The state may also be competing with non-state actors for authority and legitimacy. The study by Blattman et al. (2021) on gang violence in Colombia, for example, shows that many citizens live a "duopoly of violence": they are ruled both by the state and by non-state actors, such as street gangs or drug cartels that charge citizens for their protection. Here, the state competes with a range of other non-state actors for authority and legitimacy. Expanding state capacity into areas of competition does not lead to a reduction of the rule of these non-state actors. Rather, as the expansion of capacity includes additional controls, criminal groups are incentivised to strengthen their rule to avoid state presence. "Thus, criminal governance may be as much a product of state strength as of weakness; in the presence of lucrative illegal markets (themselves created by state prohibition of drugs and other activities) criminal groups need to govern more when state presence threatens their broader rents" (Blattman et al. 2021:2).*

3.2.3   There is no simple, causal relationship between degrees of state capacity and more open and inclusive politics. Such transitions are principally shaped by elite interests and preferences, which interact with structural factors such as state capacity. In this reading then, state capacity is both a factor constraining or enabling elite interests and behaviour and a 'result' of those dynamics itself. Understanding how state capacity shapes internal elite bargain dynamics is critical to think about how external actors can influence change.

3.2.4   In post-conflict contexts, elite bargains are both constitutive of state capacity, and shaped by it. They are constitutive as neither the character nor the capacity of the state can be separated from the nature of an elite bargain. Where elite bargains serve to distribute rents between former conflict parties to ensure their literal buy-in into the political order, ministries and agencies are government agencies are likely to be instruments of rent extraction and distribution, rather than instruments of regulation or service delivery; and security forces are more likely to be personal militias than have a basic commitment to providing public safety. However, bargains, and the elite incentives that inform them, are also shaped by the capacity of state institutions – they are both a resource (for extraction, coercion, or service delivery) that elites can draw on if they control them; or a constraint on elite behaviours. In contexts where state institutions have high coercive capacity (or extensive international military support they can draw on), the imperative to broaden an elite bargain and bring in excluded elites that could otherwise violently challenge a bargain is low. Thus, state capacity is a result of different social relationships. State capacity is both a factor that explains specific developmental outcomes and a function of political settlements, or power.

3.2.5   State capacity is critical to achieve more inclusive and open politics both in terms of process and outcomes. With regard to the former, it is required to negotiate new rules; to monitor, implement or enforce them; and to foster social cohesion between different social groups with diverging interests, identities, and to allow social groups access to power and resources. With regard to the latter, extending the benefits of public goods and services such as healthcare or education beyond clientelistic relationships requires a degree of autonomous state capacity; as does the need to extract resources for taxation to fund public services. State capacity can be considered a necessary, but not a sufficient condition for the organisation and implementation of polices and mechanisms fostering more open and inclusive politics (vom Hau 2012, Dimitrova et al. 2021). The capacity to create and maintain an infrastructure to provide inclusive outcomes may vary across states, within states, and over time and according to the specific type, outcome, and legacy of conflict. Within states, capacities may vary across different institutions, functional domains, as well across its territory.

3.2.6   Therefore, state capacity can be found at subnational level, even when states are weak at the national level. Even in "areas of limited statehood" (Risse 2015), where the central state lacks the capacity to implement decision across its territory, there is governance (which requires a degree of capacity), often by a range of state and non-state, local and transnational actors. A corollary of this is that degrees of inclusion and openness might vary at the sub-national level, especially if an elite bargain at national level leaves sub-national units with significant autonomy, as in Iraq, for example. This importance of the sub-national level is not always reflected in the existing literature, which in its interrogation of transition processes tends to focus on the state level and state level elites.

3.3 Identity

3.3.1   Identity issues are at the heart of many of the conflicts that elite bargains seek to end (reflected in the salience of horizontal inequalities); and also frequently reflected in the formal mechanisms of elite bargains such as power sharing mechanisms. Identities, or the way groups are defined or choose to define themselves, are not necessarily given but fluid. Even if narratives around identities often frame them as preordained, primordial, and unchanging (as in the "ancient hatreds" argument in the former Yugoslavia), they are shaped and reshaped through a dynamic process of interaction between state and society ((Kaldor and de Waal 2020; Cox and Sisk 2017; Sisk 2017; Stewart 2010).

3.3.2   As identities shape interests and preferences, they also shape the opportunities and obstacles for pathways towards greater openness and inclusion. Historically, the state and state elites have played a critical role in shaping, altering, and even manipulating the way in which group identities and accompanying ideologies evolve, in whether, how and why they become salient and politicised, and in how inclusive or exclusivist (that is singular, binary and fixed) they are (Rocha Menocal 2015a and 2015b). When competing elites have used social exclusion as a key rallying mechanism in the shaping of identity, this has led to biased processes of state formation and nation-building founded on exclusionary political settlements.

3.3.3   Identity-based violence, especially in relation to ethnic, religious, and sectarian lines, is a leading fault line of violent conflict. Existing evidence strongly suggests that horizontal inequalities along political dimensions are the most pernicious or destabilising, while they become all the more potent when they are coupled with other dimensions (Cox and Sisk, eds. 2017; Call 2012; Stewart 2010). This can be seen, for example, in the case of apartheid South Africa, in China in relation to the Uighur population, as well as in Myanmar with respect to the Rohingya.

3.3.4   Ethnic, sectarian and religious identities are among the most dominant causes of violent conflict. As a result, they are frequently the focus of external efforts to negotiate elite bargains and consequently are reflected in the institutions managing them, such as power-sharing mechanisms. These faultlines of conflict tend to overshadow other pervasive identity-based forms of inequalities and violence, e.g. on the basis of gender, at worst entrenching or exacerbating them (True 2018). Efforts to move elite bargains towards more open and inclusive settlements thus need to be sensitive to wider identity-based inequalities even if these are not at the root of previous political violence.

3.3.5   A crucial question related to potential pathways from narrow elite bargains toward more inclusive politics is the extent to which different identity groups can foster ties of trust and reciprocity within and between each other that are multiple and overlapping/cross-cutting, rather based on narrow, simplified and binary identities. Institutions are central to this puzzle. Different governance dynamics and institutional arrangements (both formal and informal) may have an impact on the kinds of identities that are shaped and whether and how narrowly based identities can exist alongside or be transcended by broader ones to enable more inclusive politics.

3.3.6   Among the principal factors to consider from a governance/institutional perspective are: power sharing; elections; political parties and party systems; electoral systems; decentralization; and new media/information and communications technologies (Bermeo 2002; Brancati 2009; Sisk 2017).

3.3.7   Yet as existing evidence suggests, there is no one institutional model that can overcome narrow divides. Different institutional models or arrangements will all have important advantages and drawbacks, and they will generate tensions, dilemmas and trade-offs (e.g. power sharing arrangements may be essential to get elites to lay down arms, but these very arrangements will harden and reify identity-based faultlines of conflict in ways that can pose serious challenges to longer term goals around state-building and democratisation along more inclusive lines) (See also the example below on elections).

> **Box 2: Elections and their effect on identity**
>
> *In post-conflict settings in particular, elections offer an opportunity to redefine the rules of the game and make a political system more inclusive – at least potentially (Rocha Menocal 2016). They make mass political participation possible, especially among previously disenfranchised groups, and also provide a critical opening to empower leaders and reform coalitions to make changes that would otherwise seem unimaginable. The 1994 elections in South Africa, which ushered in multi-racial democracy, come to mind.*
>
> *Yet, elections also have considerable limitations. As a growing body of research suggests, post-conflict political settlements are often destabilised by the prospect of competitive elections. In some places, they can spark violent conflict, especially when they generate "winner takes all" dynamics that raise the stakes of political competition (Paris and Sisk, eds., 2008; Snyder 2000; Kaldor and de Waal 2020). Elections mark either a shift towards a more consolidated monopoly by the ruling party or a new and potentially violent contestation. As the examples of Kenya in 2007 and Egypt in the aftermath of the Arab Spring, and elections in Afghanistan and Iraq before that, all illustrate, this can be especially treacherous where competing elites can tap into and mobilise ethnic, religious, sectarian or other identity-based fault lines of conflict as a dominant source of political allegiance. In addition, elections tend to be associated with increased clientelism and corruption. The relentless pressure to win elections generates incentives to focus on the short-term needs and demands of narrowly defined constituencies, often along identity lines, at the expense of the broader public good and longer- term policy-making priorities (Rocha Menocal 2016).*

3.3.8 The literature also suggests that women can make and have made significant contributions towards sustaining peace and fostering more inclusive politics. There are compelling examples from countries like Colombia and Northern Ireland where women have been able to come together across political divides to drive agendas of shared interest (True 2018; Rocha Menocal and Domingo 2015). There are some indications that among other things, peace agreements which have included women as signatories have proven more durable over time, and have also tended to include more provisions aimed at political reform and higher levels of implementation (Krause et al., 2018; True et al 2018). Thus, the inclusion of women seems to be important to secure more open and inclusive political systems over time.

> **Box 3: Women and pathways from conflict**
>
> *The presence of gender provisions in peace agreements affects women's participation in post-conflict societies as well as the chances that a post-conflict society will move towards gender equality. But why and how are peace agreements with gender provisions adopted? Research from True and Riveros-Morales (2018) analysing 98 peace agreements across 55 countries between 2000 and 2016 finds that peace agreements are significantly more likely to have gender provisions when women participate in elite peace processes. Their work also shows that the likelihood of achieving a peace agreement with gender provisions increases when women also have significant representation in national parliaments and in activism through civil society.*

3.4 The Role of Business

3.4.1   Business actors can be key sources of rents that support an exclusionary elite bargain, but they can also play a critical role in pushing for more rule-based orders to create a more predictable environment and support access to international markets. Indeed, business actors are often part of an elite settlement or have close connections to it (Khan 2010) and are thus in a position to influence the interests of members of the bargain. Business actors are also diverse and vary in the degree to which they prefer a rule-based order or a more deals-based environment; understanding the role(s) of business is therefore important for understanding the opportunities to shift elite bargains towards greater openness and inclusion.

3.4.2   The relationship between businesses and political elites in elite bargains is symbiotic: elites sustain their bargains through the distribution of rents generated from lucrative deals with particular businesses, while these businesses in return secure (exclusive) access, favourable taxation arrangements, and profitability through close personal relationships with political elites. These constitute a set of informal 'rules of the economic game' that can become entrenched over time. Rents generated in this 'deals space' (Pritchett et al. 2018: 24) are inefficient and rarely benefit society as a whole – and in fact can inhibit development altogether. Some businesses may prefer the continuation of this system, as a lack of competition and discretionary preferential treatment enables them to maximize profits over the longer term.

> **Box 4: Symbiotic relations between political and business elites in Afghanistan**
>
> *After the 2001 Bonn Agreement, economic activity in Afghanistan was dominated by those with ties to political or military actors and groups, and it was often conducted outside of formal rules and procedures. Strongmen and military leaders used their access to coercive means and their de facto control of particular regions to secure lucrative business deals for themselves; those who moved into political roles maintained their ties with or co-opted militias for the same reason. In Balkh Province, for example, the governor, a former warlord, co-opted military actors and actively cultivated good relations with business actors. Importantly, this deals-based system created a degree of stability that enabled commercial activity to increase, compelling central authorities to look the other way in the interests of encouraging economic growth.*

3.4.3   Indeed, the distinction between public and private actors in fragile and post-conflict states is often unclear or non-existent. Instead, many states are characterized by elites who act both in public and private capacities and derive rents from their activities in both spheres. This has important implications for the generation and distribution of economic revenues, the establishment of a fiscal base, and the relationship (or lack thereof) between taxation and the social contract. Indeed, the mixed public-private nature of many elites may cement the exclusive character of the political order and limit openness because taxation and the provision of public services become sites of personal or narrow group gain rather than opportunities for inclusive economic growth and of improving living conditions more broadly, thus disrupting, displacing, or even eliminating any links between the state and society.

3.4.4 At the same time, businesses also usually benefit from increased transparency, predictable enforcement of regulations, state infrastructure, and fair rules governing competition. The uncertainty, lack of competition, and opacity of a deals environments can serve as a deterrent for businesses and can inhibit investment, ultimately leading to poor growth, higher prices, and worsening living conditions. Some businesses may therefore lobby for greater enforcement, regulation, and openness, helping to spread economic benefits horizontally to a greater number of elites and vertically to a greater proportion of society. Importantly, because of the strong ties businesses have with political elites, they are in an advantageous position to push for more openness and inclusion and for a more rule-based political and economic order.

4. Shifting Elite Bargains Towards Greater Openness and Inclusion: Crosscutting themes

4.1 What are the implications of this analysis for external actors seeking to support pathways towards open and inclusive settlements? A focus on actors and the importance of the relationships between them (encapsulated in the language of bargains) highlights how external actors through their actions can become participants in the processes of perpetual renegotiation of elite bargains: they can serve as additional sources of rents, strategically provide resources of different kinds (material and ideational) to particular actors, or provide an implicit 'stamp of approval' for exclusionary elite behaviour. External actors can wittingly or unwittingly reinforce identity divides and (gendered) power dynamics through their support to, for example power sharing arrangements. At the same time, properly timed and balanced, their contributions and interventions can help to bolster both the security and pressure necessary for elites to accept opening up their settlements and complying with formal rules. Short of external shocks that significantly shift the underlying power balances and dynamics, pathways towards more open and inclusive politics are likely to be slow and gradual; and external actors can expect to seek marginal, slow steps towards this. Even where external shocks significantly change power dynamics, as in the "Arab Spring" in 2011, we frequently see a reassertion of power by established elites, and a slowing or even reversal of earlier changes. From the analysis above, some broad, crosscutting themes can be identified.

4.2 Changing Elite Incentives: Security and pressure

4.2.1 Elites develop preferences for (or an acceptance of) greater openness under two conditions: first, if they feel secure that the opening of a bargain will not pose a significant (let alone existential) risk to their political power and economic interests; and second if they are under pressure to change. A transition in an elite bargain thus has to both reflect and change the underlying power relationships. It is immediately obvious that these two conditions are not naturally complementary.

4.2.2 One implication of this is that, if working with the grain or internal dynamics of a bargain, progress towards greater openness and inclusion mostly happens at the margins. Short of an exogenous shock or intervention that dramatically changes the underlying power dynamics, interventions can nudge an elite bargain along, promoting gradual changes at the margins e.g. by supporting actors with an interest in greater openness during the perpetual renegotiation that is an elite bargain; and through strategic support for institutions trying to shore up these gradual changes.

4.2.3 An important question the evidence reviewed for this study raises, and one that is hardly explored in the literature, is whether for the purposes of pathways from elite bargains, "security" means something different for elites as compared to non-elites. While identity is frequently highlighted as an important faultline of (violent) conflict,

the well-documented degree of economic cooperation between elites across identity lines in conflict settings from Afghanistan to Bosnia to South Sudan suggests that it is inherently less salient for elites than for non-elites. Indeed, as highlighted above elites frequently manipulate and instrumentalise identities for their political advantage. Threats from inclusion might thus appear more existential to non-elites than to elites: a more inclusive bargain that broadens access to forms of patronage such as government jobs, for example, might reduce access to such benefits to previously advantaged groups, and fuel resentment.

4.3 Remembering the Critical Role of Institutions

4.3.1   Over the last decade there has been consistent and often appropriate criticism of early approaches to statebuilding as technocratic and de-politicising.[7] These criticisms have rightly focussed on a possibly naïve emphasis on the transformative power of formal institutions in the aftermath of violent conflict. The response to this has been twofold. On the one hand, it has focussed on the way in which external actors engage, with calls on practitioners to "think and work politically" or to "work with the grain", recognising and utilising the impacts of interventions on local political dynamics, and vice versa the impact of power and political structures on the impact and efficacy of interventions. On the other hand, the objectives of interventions have become both more modest in their transformative ambitions, and more securitised with a focus on "stabilisation" and prioritisation of containing violent conflict, as reflected in the focus on elite bargains. As a result of the at times transactional focus on bargains to end violent conflicts, focus has shifted away from the inevitable questions of how to move beyond such bargains, which tend to remain narrow around certain (male) elite circles drawn in particular from conflict parties, and make the benefits of such agreements stick, while gradually overcoming their often exclusionary aspects.

4.3.2   Elites and elite bargains do not exist and interact in a vacuum. Institutions, both formal and informal, not only reflect elite bargains and relative power balances, but also structure and shape their interactions. The question of how to encourage and support pathways from elite bargains towards more inclusive and more open politics thus inevitably brings attention back to power and how it is contested. It focusses attention on institutions and statebuilding – not on the assumption that broadly liberal institutions and processes by necessity result in liberal (or open and inclusive) politics, but more modestly by recognising that external actors can (sometimes at the margins, sometimes more significantly) shape elite dynamics and chivvy them towards greater openness and inclusion: by shaping formal legal and political frameworks (e.g. through constitutions or electoral processes) within which political dynamics play out; by seeking to build the capacity of state institutions (as distinct from, if often linked to, particular elite groups); and by recognising and thus legitimising the authority claims of particular elites (Zaum 2017).

4.3.3   Formal and informal institutions and how they interact are not independent from the distribution of power, interest, orientation and opportunities of elites. On the contrary, they often frame the space within which elites operate. Overall the evidence suggests that while formal institutions frequently codify inequality and exclusion (e.g. around gender) and reinforce often exclusive social political identities (e.g. through power-sharing based on ethnic identities), formalised institutions are required for more inclusive bargains to have a positive effect on a political settlement, as they affect the ability of non-elites or excluded elites (including women) to challenge and influence exclusive elite bargains, and shape their distributive outcomes. On the other hand, if power continues

---

7   In addition to a wider critique of "neoliberal statebuilding", which has become a largely inward-looking, sorry affair.

to be exercised and transacted through informal rules of the game that have very little do with what formal provisions say on paper, formal rules on their own will not be able to alter the power dynamics underpinning a given elite bargain or political settlement.

4.3.4   Institutions matter for the dynamics of elite bargains in a range of different ways. First, they matter for aggregation of elite interests. Institutions associated with power sharing or elections, for example, not only influence how elite identities are shaped, but can also affect whether they become salient and politicised, or more inclusive and cross-cutting. Electoral systems, for example, can create incentives for the creation of "bridging" parties or coalitions that have to reach out to different groups and thus aggregate and respond to a wider range of values and interests, supporting greater inclusion and openness. In contrast, they might also encourage elites to mobilise support around narrow and exclusive identities when access to political authority is defined in ethnic terms, for example. Different electoral mechanisms can also make provisions to ensure the formal representation of groups that are otherwise marginalised or excluded (e.g. quotas for women or ethnic minorities) – even if the question of whether their greater participation does in fact translate into actual evidence cannot be taken for granted (Rocha Menocal 2016).

4.3.5   Second, institutions matter as focal points for collective action. Institutions can provide a rallying point for otherwise disparate actors to collectively push for change, offering a common cause and a common language. We earlier mentioned human rights institutions as such focal points for critics of communist regimes (Thomas 2001). Other examples include elections, where during the "colour revolutions" of the early 2000s electoral fraud and defending the integrity of electoral institutions fuelled collective action against ruling elites (Tucker 2007). The women's caucus in the Colombian legislature has also been important in pushing for progressive change across political divides (Rocha Menocal and Domingo 2015). In the context of elite bargains and conflict affected states, the last decade has seen a wave of protest movements that have frequently crystallised around defending institutions such as presidential term limits (as in Burkina Faso, Senegal, or the DRC) or parliamentary rules (as in Hong Kong) (Carothers and Youngs 2015) – if not always with success.

4.3.6   Third, institutions matter by constraining the behaviour (if not the preferences) of elites, and giving voice to marginalised groups. Research shows that when opposition parties have access to institutions, they can contain overt rent seeking and patronage and reduce perceptions of corruption among the governing party (Alt and Lasse 2008). The literature also suggests that, in different settings, civil society institutions have been important in enabling women to mobilise support and to increase their influence in political processes that otherwise remain exclusionary (True 2018; Rocha Menocal and Domingo 2015). In all these cases, institutions provide greater transparency (e.g. making rent seeking more visible and enabling criticism of it), organisational capacity, or a framework or forum where criticism can be voiced. As non-elites tend to lack the power and social capital to advance their interests outside formal institutions, opening up elite bargains arguably requires external efforts to strengthen the capacity and compliance with formal institutions that enable and support non-elite participation – while remaining aware once again that formal institutional change will get limited traction if it does not reflect how power works in actual practice.

4.3.7   While institutions are critical to any process of gradually nudging an exclusive elite settlement towards greater openness and inclusion, it is worth reiterating that the evidence does not suggest that institutionalisation is inherently progressive and developmental. Institutions, formal and informal, can often entrench and harden existing power balances and (polarised) identities. Again, electoral systems and power-sharing

arrangements are good examples. Institutions can open spaces and generate opportunities for those excluded from a settlement, but by themselves do not ensure more open or inclusive politics.

4.4 Tensions between Openness and Inclusion

4.4.1   While, from different perspectives, both greater openness and greater inclusion in a political order are desirable, one does not necessarily translate into the other, and in particular greater inclusion of different elites (which through power sharing agreements as part of a peace agreement frequently the starting point of any transition process (Hartzell and Hoddie 2003)) does not necessarily pave the path to more open politics and the inclusion of non-elites.

4.4.2   While bargains are often extended to other elite groups to reduce the risk of violent challenges and increase stability (Raleigh and Wigmore-Shepherd 2020), they may not generate sufficient incentives to (vertically) open it up to non-elites. While the larger number of actors involved in an inclusive bargain potentially increases the access points for those seeking reforms, and increases the possibilities for reform coalitions, new elites are often effectively incorporated/socialised into extractive practices limiting their desire for reform, or through differential access to rents and power their ability to influence a bargain might be limited.

4.4.3   While more inclusive bargains reduce the risk of violence inherent in narrow, exclusive settlements (a non-trivial benefit); the presence of multiple parties in a bargain reduces the time horizon of individual parties (greater competition), and makes growth supporting coalitions less likely. If power is dispersed across multiple parties in an elite bargain, coalitions between different actors are likely to shift, with no single party able to dominate the bargain. As a result, rent-seeking (mitigating against an environment of longer-term growth) is more likely as rents become a key currency in efforts to builds coalitions in a "neopatrimonial marketplace" (De Waal 2009). Similarly, we would expect a bargain with multiple parties in a fragile environment to be associated with a more factionalised security sector (correlation, not a causal link!); and thus violence playing a greater role in the (constant) re-negotiation of a bargain. Both mitigate against greater openness.

4.5 The Salience of Identities

4.5.1   Not only do the breadth of elite bargains (in terms of the number of participating parties) and the distribution of power between different actors matter for understanding the opportunities for and obstacles to transitions towards more open and inclusive politics; but so do their identities (which shape their interests) and how polarised they are – how divided are different members of an elite bargain over key issues, and how strong the affiliation is with a particular group's identity (i.e. ethnic or religious). High degrees of polarisation between competing elites increase the cost of losing, as differences become increasingly indivisible. The cost of losing, however, determines the willingness of elites to open up bargains, and shift from "deals" to "rules" and risk their hold over power and rents. If the cost of losing is existential, elites are more likely to keep any bargain exclusive to limit challenges.

4.5.2   Institutions and institutional design can play an important role in shaping identities, and whether and how they become salient and polarised. But it is also clear from the analysis in the background papers that different institutions and institutional innovations (including e.g. power sharing, elections, decentralisation; efforts to include women) offer both opportunities and challenges to the prospects of building identities that are broader and more inclusive and/or foster "bridging" as opposed to "bonding" social capital.

4.5.3   However, there are strong arguments that identities are politically salient for elites because they are politically useful for mobilisation and demarcation, not because of an inherent and immovable attachment. The literature on war economies is littered with examples of close if clandestine economic cooperation between elites during conflict over apparently unbridgeable ethnic differences (see for example Andreas 2011 with regard to the siege economy of Sarajevo). This has inherently interesting implications for elite bargains: a highly polarised environment might not so much prevent the limited elite collaboration required to sustain an inclusive bargain; but will limit the open cooperation that elites can sustain without risking a loss of support from their communities, and inherently limit opening up a bargain.

5. Key Implications for External Actors

5.1   The purpose of this project is to understand the dynamics of elite bargains, and the opportunities and constraints for pathways towards open and inclusive politics that they pose. From this, we cannot develop an account of "what works" or develop detailed policy or operational guidance. However, a number of broader lessons to inform the engagement of external actors with elite bargains can be identified.

5.2   *Recognise Path Dependency*

5.2.1   There is no single pathway from elite bargains towards more open and inclusive politics. The reasons for this are obvious: both the starting points of a transition process (the character of the elite bargain), and the background conditions vary across different transition processes. While we tend to recognise the importance of the contemporary context (such as the local political economy, or the regional economic, political and security context), it also important to note the historic context, and to recognise how past choices and conditions shape the "art of the possible" with regard to transitions. This encompasses both the past choices of local elites, and the past choices of external actors.

5.2.2   Early choices in the formation and institutionalisation of elite settlements shape and constrain the opportunities for future external engagement. Institutional choices at the formation of an elite bargain through peace negotiations, or initial post-conflict constitutional settlements can structure political dynamics and create pathways of political, economic, and social development that can be difficult to undo. Examples of this include both Bosnia and Iraq, where early choices made by external actors defined and formalised the elite bargain in identity terms – ethnic in the case of Bosnia, and religious in the case of Iraq.

5.2.3   Transition pathways from elite bargains are also shaped by the pre-conflict and conflict political economies, not least institutional capacity. The history of state capacity – and associated memories of the role of the state – matter both for expectations towards institutions of the state, perceptions of their legitimacy, and expectations of compliance with them. We would expect the transition pathway of Rwanda, with a tradition and memory of a strong and intrusive state, to be very different from that of Afghanistan or Somalia, where the state and its role have been more contested. The recognition of path dependency thus raises questions about sequencing, such as the impact of "security first" approaches that risk embedding repressive and authoritarian politics. It also raises questions about the degree of change that can be achieved with the support from external actors with a justifiable use of resources and within a meaningful timeframe. It raises difficult, and possibly uncomfortable, questions about the possibility of doing nothing, of not intervening if both history and contemporary context offer little prospect of engendering sufficient positive change: questions that cannot be answered solely with reference to the characteristics of a particular elite bargain, but require recourse to reflecting on external actors' own priorities and interests.

5.3 External and Internal Drivers of Change

5.3.1   The political settlements and elite bargains literature notes the importance of external shocks as a key driver of transitions not least because they disrupt existing political patterns and dynamics and open opportunities for change. However, by their nature external shocks are unpredictable not just in their occurrence and their nature, but also in their consequences. We know that more often than not, ruptures in the political settlement are followed by (renewed) elite capture, or further political violence.

5.3.2   Local or external actors want to use the opportunities for change that external shocks might generate. The impact of most external change – both sudden shock and more gradual development – would normally be mediated through the internal dynamics and institutions of an elite bargain. These therefore remain important access points for external actors seeking to utilise the opportunities such shocks might offer.

5.3.3   External factors can have a systematic impact on elite settlements. Elite settlements and the formal and informal institutions associated with them exist in a wider regional and international context that shapes incentives, resources (political and economic), and opportunities both of political elites and of actors capable of influencing them, such as businesses. In the context of business actors and elites for example, targeted sanctions might directly affect elite incentives and opportunities; and international regulatory requirements on multinational and transnational firms (e.g. with regard to transparency) might affect the ways in which such businesses engage with national elites. The external context within which elite bargains operate has to be a central part of the analytical and policy making processes supporting transitions towards more open and inclusive politics.

5.4 The Implications of Gradualism

5.4.1   The analysis informing this paper not only returns the focus to the importance of rules and institutions, but also supports the case for an approach that gradually seeks to effect elite incentives such that they enable greater openness and inclusion. Such an approach requires suitable modesty about the degree of change that can be achieved in the short to medium term and emphasises the importance of helping consolidate any gains made, and making them "stick" by institutionalising them.

5.4.2   Such an approach requires a long-term perspective, involving both the willingness to provide sustained support and resources for activities expected to support positive change. For external actors, especially when driven by short-term electoral or budgetary cycles, it means finding ways to institutionalise approaches to carry across short-term expediency or political pressures.

5.5 The Limitations of Consent

5.5.1   External engagement in fragile contexts, both civil and military, is normally based on consent.[8] There are sound legal, as well as pragmatic reasons for seeking host government consent: the effective implementation of any intervention normally relies on support and engagement of local elites. Any external efforts to extend and open up elite bargains will have more traction and are likely to advance faster and further if they align with the interests of elites. Strengthening institutions that support elite objectives are likely to face fewer obstacles than efforts to strengthen institutions that constrain elites and their interests. Advancing such efforts in the absence of significant overlap with elite interests requires significant political and economic leverage, and the willingness to use it.

---

8   Host government consent is normally the legal basis for any significant military deployment (normally through a Status of Forces Agreement (SOFA)). Even for military deployments that are based on UN Security Council Chapter VII resolutions, government consent is normally sought

5.5.2 However, it is important to recognise that this reliance on consent significantly reduces the leverage that external actors are able and willing to deploy should the interests of ruling elites not align. It gives elites an implicit veto (or at least a strong voice) over particular interventions; and reduces the ability and willingness of external actors to challenge and call out governing elites' behaviour: from human rights violations to corruption. Recent work on the role of peace operations in embedding authoritarianism has demonstrated this (von Billerbeck and Tansey 2019).

5.5.3 The constraints on external actors by the importance of local consent are particularly pronounced where ruling elites have been legitimised by democratic elections, often organised or supported by external actors. In such situations, the legal and pragmatic reasons for consent and alignment with elite interests are further reinforced by the normative constraints of democratic legitimation.

5.6 Not All Good Things go Together

5.6.1 There is a tendency in some of the literature to look at the "building blocks" of open and inclusive societies to be mutually reinforcing (e.g. Acemoglu and Robinson 2008), at times extending to arguments about a "golden thread" of peace and development, or a "virtuous circle" where progress in one area – e.g. more effective provision of public services – supports progress in other areas, such as improved rule of law, at least in the short to medium term.

5.6.2 This notion that interventions in different policy areas mutually reinforce and straightforwardly build on each other is deeply problematic. It implies that those seeking to support transitions to a "developmental peace" do not have to make trade-offs between different objectives, but merely need to choose priorities on the basis of what has the biggest effect. As highlighted earlier in this paper, there are tensions both in the objectives of openness and inclusion, and the interventions that support them. Not all good things go together, and there remains a need for both local elites and external actors to make and manage difficult political choices and trade-offs.

5.6.3 The key question this raises for external actors is on what basis, and on the basis of what data, are such decisions and trade-offs made? Arguably, such decisions require nuanced and contextual knowledge, and underlines the importance for external actors to have such knowledge and the capacity to generate and refresh it through political (economy) analysis, and to combine it with the technical expertise necessary to design appropriate interventions.

Towards Open and Inclusive Settlements: The Role of Internal Dynamics of Elite Bargains

Dominik Zaum[1]

1. Background

Elite bargains – discrete agreements, or a series of agreements, often brokered and supported by international military, political, and economic interventions to end violence, that explicitly re-negotiate the distribution of power and allocation of resources between elites (Cheng, Goodhand, and Meehan 2018: 3) – are critical to stabilising armed conflicts and limiting violence (see also Lindeman 2011; World Bank 2011; Rocha Menocal 2015; as well as the extensive literature on power sharing, in particular Hartzell and Hodie 2003 and Horowitz 2014). However, much of the literature on narrow and deal-based elite bargains also notes their tendency to become entrenched and their resistance to evolve into more open and inclusive settlements in the short to medium term. In their study, Cheng et al. (2018: 80) point out that "[n]one of the cases offer a clear example of immediate post-conflict transitions to a developmental peace, warning against unrealistic expectations of transformational change to occur within a short timeframe." Another comparative research study on forging more resilient social contracts and promoting sustainable peace in 11 (post-)conflict settings reinforces such conclusions (McCandless et al. 2019). Similarly, the World Bank's *2017 World Development Report* cautions that "Most elite bargains are deals-based and "exclusive," and they tend to resist adaptation." (World Bank 2017: 200). Furthermore, the stability of exclusive, deal-based elite settlements does not necessarily mean that they contain political violence. In fact, violence can be a defining mechanism, whether implicit or explicit, to build political order and stability, and therefore plays an important role both in maintaining and defending the settlement against challenges, and in contesting the distribution of rents (see for example Bell and Pospisil 2017; Pospisil and Rocha Menocal 2017) even as the actors involved, their preferences and incentives, and the broad dynamics of the bargain, often remain stable. In other words, violence may thus not simply be the reflection of political crisis but may be a core characteristic of the very functioning and reproduction of a political order where informal institutions continue to trump formal ones (Pospisil and Rocha Menocal 2017).

This raises the question of how, when the immediate crisis in a given context is beginning to abate – external actors can support pathways from narrow and exclusive bargains between elites towards more open and inclusive settlements based on rules, given the strong evidence that more broad-based inclusive and open societies also tend to be more prosperous and resilient (Rocha Menocal 2020) – even if the causal links between these remain far from established. Building on the recent work by Cheng et al. (2018), this paper explores the trajectories of elite bargains, the opportunities and constraints for pathways towards open and inclusive politics, and the factors that shape these dynamics.

This short paper thus aims to bring together key lines of thought and evidence on the impact of internal dynamics of elite bargains on transitions towards more open and inclusive settlements, examining both how internal dynamics might translate exogenous factors into change, and how they might open opportunities for change directly. It starts by defining key terms and outlining our approach to synthesising the evidence pertaining to the questions above. The paper then looks at drivers of change in political settlements, and explores what this suggests for efforts to develop typologies of political settlements.

1   University of Reading

Definitions and Methodological Caveats

Elites: We adopt Cheng et al.'s (2018:10) definition of elites: "those within society that control a disproportionate amount *of* political power, wealth and/or privilege [both formally and informally] and are thus able to make or influence decisions and implement policies that affect wider populations." Elites can draw on resources, or otherwise defined as rents, and have the capacity for social mobilisation, or bargaining power. Elites are not necessarily a homogenous group, and they can be functionally differentiated (e.g. from spheres including politics, the economy and business, religion, the military, organised crime, etc) – though these different spheres often overlap and reinforce each other.

Political Settlements: For consistency, we follow Cheng et al.'s (2018:10) in adopting a definition of political settlements which draws on the work of both Di John (2008) and Kahn (2010): Political settlements are "the redistribution of power on which a polity and a society are based, which results from conflict and negotiation between contending elites".

Inclusion: We draw on Rocha Menocal (2015) to unpack inclusion around two important dimensions: who is included and around what. In terms of who is included, there is a distinction between horizontal inclusion (of different elites) and vertical inclusion (of non-elites). To avoid confusion, we will use the term 'inclusive' when referring to horizontal inclusion and 'open' to refer to vertical inclusion. This distinction draws on North, Wallis and Weingast's (2009) notion of 'Open Access Orders', understood as a social and political order that allows all citizens access to institutional rights and protections. To emphasise the 'openness' of developmental orders alongside inclusion shifts the attention not only to specific actors (non-elites), but the institutional arrangements and mechanisms that maintain open access and competition. Inclusion around what highlights an important difference between inclusion as process (e.g. who is included in decision-making processes and whose voices matter more/less) and inclusion as outcome (e.g. how wealth, prosperity and well-being are distributed within and across groups) – and these are not one and the same. As we know from existing evidence, open and inclusive processes do not automatically translate into more open and inclusive outcomes (Rocha Menocal 2020).

Methodological Caveats

The analysis presented in this paper is based on a review and synthesis of existing research and evidence. While the synthesis critically engages with the assumptions and theories underpinning the research on elite bargains, it does not constitute comprehensive new theoretical or empirical work. As with any review and synthesis, it is as much about identifying the gaps in the evidence as it is about filling them. We use case studies to illustrate specific points or examples, but these should not be understood as comprehensive descriptions of particular settlements, their dynamics, and their consequences.

Pathways from narrow elite settlements do not run along a single dimension and a single direction (from less to more inclusive, or closed to open). Settlements evolve over the long term and they are embedded in wider social, political, and economic contexts that shape their dynamics. Context matters – and mitigates against simple "what works" answers, which this synthesis does not aim to provide. In addition, the distinction between factors shaping elite bargains and those shaping transitions from an elite bargain towards an open and inclusive settlement is inherently artificial. Whilst we work from a particular understanding of inclusion and openness, as outlined above, this reading is not uncontested. We acknowledge that groups and individuals experience the shape that settlements take and the dynamics they display in different ways.

Why and how do political settlements change?

Pathways towards open and inclusive settlements are driven by changes to elite interests and preferences. But are changed interests and preferences merely responses to events or to political and economic constraints or incentives, external to the rules and dynamics of an elite bargain? Such exogenous change is emphasised in particular by Acemoglu and Robinson (2008), but is also implicit in work that explains the transition from "limited access orders" to "open access orders" (North, Wallis & Weingast 2009), where pressure on elites to increase access to institutions plays a critical role. As a result, elites feel secure enough to share access, power, and rents. Multiple exogenous factors can shape elite incentives: changed economic conditions; the emergence of new elites as a consequence of economic, social, or technological change; geopolitical changes; or the rise of new political or military actors. The impact of any exogenous change on elite bargains is also translated through structures and dynamics internal to the bargain before it shapes the interests and incentives of elites.

Elite incentives and interests, however, do not just respond to external shocks but can change endogenously over time – for example as a result of socialisation processes (Lane 2011) that shape the identities and interests of actors.[2] While the literature on socialisation is vast, there has been limited attention to its role in transitions towards more inclusive orders, even if the impact of polarised settlements with few common interests, and with indivisible conflicts, is emphasised by a number of studies (e.g. Cheng et al. 2018; World Bank 2017; Østby et al. 2011; Montalvo and Reynal-Querol 2008). Similarly, the importance of a common ideology for informing both interests and actions of political elites has been highlighted in the literature (Hickey 2012), suggesting that bargains where elites share a common ideology are likely to be more stable. Ideologies, like interests, can evolve and thus create space and opportunities for changes to elite bargains.

Trajectories and Typologies

It is worth unpacking the logic of different trajectories from the perspective of the *internal* dynamics of an elite bargain. Cheng et al. (2018) identify three trajectories of elite bargains, based on observable outcomes: first, they can return to violence; second, they can be stable but characterised by "elite capture", which keeps the bargain exclusive. Third, they can lead to developmental peace, entailing a more open and inclusive settlement.

Return to Violence

Different dynamics can drive a return to violence. Excluded elites are an important driver of violence. Who can use violence and mobilise economic and political grievances to challenge an exclusive elite bargain (e.g. Buhaug et al. 2014; Cederman et al. 2011). The relationship between horizontal political and economic exclusion and civil war is firmly established in the literature. An important question this raises are the incentives for elites to keep a bargain exclusive, which is explored further below.

A second driver of violence is internal to bargains: the breakdown of the elite bargain or, in the words of Bell and Popsipil (2017) a "general unsettlement". Reasons for a breakdown can vary and include unresolved "security dilemmas" that the rules of an elite bargain – such as political or military power sharing – are not sufficiently addressing (Hoddie and Hartzell 2003); or where conflict issues have remained indivisible (Cheng et al. 2018), where high degrees of polarisation, and thus little common ground between elites, increases the risk of a return to violence (Vu 2007). The return of violence can be driven by a further internal dynamic between elites: whilst the

---

2   Socialisation describes processes of engagement whereby actors are inducted into the norms and rules of a given community (Checkel 2005: 804).

broad rules about membership of the bargain remain in place, the distribution of rents is violently contested or re-negotiated between elites, as vividly described by Alex De Waal in his discussion of the "patrimonial marketplace" (De Waal 2009). Bell and Pospisil (2017: 581) describe such environments as "permanent political unsettlement", where "forms of political order may continue within the formal and informal institutions, political bargaining will also be undertaken through extraordinary use of violence and extraordinary state responses to it." Such a permanent unsettlement can be stable and self-reinforcing in as much as it remains a contest between elites included within a bargain, and actors individually lack the capacity to undo the structures that contain the settlement. These forms of "unsettlement" are more susceptible to external shocks (which can fuel violence or open opportunities for a more open and inclusive order), as they are often more open to other actors entering and renegotiating the bargain.

Elite Capture

Under the "elite capture" scenario, violence diminishes as elites realise that they benefit from peace, and the rules of the bargain which they help to shape provide them with a predictable and stable framework to manage their security dilemmas and extract rents. In terms of the internal dynamics between elites, most or all of them will protect the bargain given the significant benefits it offers (Pritchett and Werker 2012). Especially if such a bargain is inclusive of most elites, even if positions of power are allocated unevenly to reduce the risk of coups (Raleigh and Wigmore-Shepherd 2020)), there are few effective external challenges to the bargain. As Stefan Lindeman (2011) highlights, "elite capture" scenarios are not static, and bargains might be adapted in terms of their inclusiveness to co-opt new or rising elite groups. If new elites are successfully co-opted into a bargain, however, their inclusion does not necessarily change the rules and wider framework of the bargain unless these groups have significantly different preferences and interests, which would make their inclusion more challenging. Bargains characterised by elite capture can also remain highly exclusive, with challenges to the bargain not managed through co-option, but rather through coercion. "Elite capture" and "violence" trajectories are thus not mutually exclusive, but might both be aspects of a stable elite bargain. David Lewis and Sanya Sagnayeva (2020), for example, demonstrate the critical role of violence in protecting rents and maintaining an exclusive elite bargain in Kyrgyzstan.

Developmental Peace

Under a trajectory to a "developmental peace", an elite bargain both includes wider elite groups, and opens up to non-elites. In this trajectory, the membership of the elite bargain expands, horizontally, to other elites; in addition, the relatively clear distinction between elites and non-elites is blurred, for while elites are likely to retain many of their traditional advantages such as their political and social connections and economic power, access to rules and institutions and the security and opportunities this affords is extended to non-elites. The extension of access to rules and institutions inherently changes their character as well: it de-personalises them, and institutionalises the means of enforcement. Throughout the process of a transition from exclusive elite bargains to an open and inclusive "developmental peace", the existing included elites are likely to remain gatekeepers to the bargain and its institutions – they retain significant influence over any change. As Merilee Grindle (2012) highlights, changes and political reforms that in retrospect look like restrictions on patronage and deals-based settlements can be driven by ruling elites' attempts to slow down change and protect patronage networks.

From Trajectories to Typologies

These trajectories approach transitions from elite bargains from the perspective of the outcomes of these transitions. To better explore and more systematically understand the drivers of these outcomes, and barriers to them, it is helpful to map these onto typologies. This can enable us to distinguish between different structural characteristics of political settlements, and to explore further how the internal dynamics between elites matter for these trajectories and their outcomes, and the transition from one form of settlement to another. Typologies of political settlements are informed by different theoretical accounts of the drivers of political and economic order. For the purposes of this paper, we can map the trajectories identified by Cheng et al. (2018) on two different typologies: Pritchett, Sen, and Werker (2017), who aim to explain the political dynamics of economic growth; and Johnston (2005), who aims to explain different governance outcomes through the lens of corruption.[3]

	Open	Closed
Ordered	**Developmental Peace** • "Rent space" generates new elites with preferences for open institutions • Elite preferences are broad and diverse, institutions manage tensions and trade-offs between them • Rules are enforced reasonably effectively and consistently • Rules and institutions change in an orderly way reflecting changes in power balances between elites.	**Elite Capture** • Access to elite bargain is limited • Rising elites co-opted into rules and institutions • Elite preferences are stable and not very heterogeneous • Nature of the "rent space" unlikely to generate demands for openness from business elites • Rents are protected, little incentive for defection or challenge to rules.
Disordered	**Violence ("general unsettlement")** • Elite preferences are heterogeneous and polarised • No strong institutions managing access to rents • Limited shared objectives of elites make the bargain prone to changes in alliances (including with groups external to the bargain) • Violence as a means to challenge the bargain and compete over rents.	**Violence/Elite Capture ("formal political unsettlement")** • No entry • competition over rent distribution • use of violence to enforce and protect narrow elite bargain.

Table 1: (based on Pritchett et al. 2018)

---

3   While similar typologies could be developed on the basis of other theoretical accounts, we highlight those two because of their focus on economic growth and on governance, rather than on violence and conflict, to expand further the focus of the initial elite bargains work.

	Competitive	Concentrated
High institutionalisation	**Influence markets (Johnston) (developmental peace)** • Heterogeneous elites • Competitive political system, with competition managed through open and formal institutions • Open and mature economies	**Elite Cartel (Johnston) (elite capture)** • Narrow elite • Impersonal, bureaucratic rule • Competition between elites managed through formal institutions, but access to them constrained • Economy partially liberalised, but strong elite influence
Low Institutionalisation	**Oligarchs and Clans (Johnston) (violence)** • Heterogeneous and polarised elites • Highly competitive political system, but no strong formal institutions managing competition • Dispersed economic and political power, shifting alliances between elites • Violent competition over rents	**Official Moguls (Johnston) (elite capture/violence)** • Narrow elite, personalistic rule • Concentration of economic and political power in same hands • Weak or no institutional constraints • Importance of personal patronage • Important role of violence in enforcement of rules.

Table 2: (based on Johnston 2005)

Both typologies are developed along two similar dimensions: membership in a bargain (open/ closed in the case of Pritchett et al. (2017) and competitive/concentrated in the case of Johnston (2005); and rules and institutions (ordered/disordered for Pritchett et al. (2017); and highly or weakly institutionalised for Johnston (2005). In both cases, the four types of deals in the space demarcated in this way can be broadly matched to the outcomes of transition trajectories. How do membership and institutions shape the trajectories of elite bargains?

Membership

The key questions for transition towards open and inclusive politics regarding membership is
a) what dynamics make membership more inclusive (horizontally); and
b) whether a more horizontally inclusive membership creates pressure to open up the bargain (leading to a vertical extension of rules and institutions)?

With regard to (a), Raleigh and Wigmore-Shepherd (2020) note in their study of cabinets in African countries that elite bargains tend to be very inclusive of different elites in order to minimise external threats to the elite bargain and risks of reverting to violence arising from exclusion of elites and mobilisation around associated grievances. Similarly, Lindeman's case study of Zambia (2011) highlights how evolving elite bargains have managed and adapted to include different groups as the balance of electoral and economic power changed over time. Similar dynamics have characterised elite inclusion in Malaysia (Cheng et al. 2018).

However, as Roessler (2011) outlines, there are drivers that mitigate against broad, inclusive coalitions in fragile states. For ruling elites, inclusion increases the risk of coups (as more and more diverse elites share rents and might seek to change the distribution of rents) and fuels security dilemmas. In a narrow bargain, the coup risk is reduced through access to rents (as fewer parties have access to rents, the benefit from membership in the bargain is greater, and parties therefore have a greater stake in maintaining it) and/or a more homogenous membership with greater overlap in interests and preferences. When considering membership in the bargain, elites balance concerns about internal security dilemmas and coups on the one hand, and the risk of external challenges from excluded groups on the other. However, as Raleigh and Wigmore-Shepherd's (2020) more recent data highlights, the coup risk can be managed not just by size of the bargain, but by the composition of ruling coalitions and differential access to power and rents, and the ability to resort to violence if necessary.

With regard to (b), the evidence suggests that more horizontally inclusive elite bargains do not necessarily create pressures within the bargain for change and for opening up. There are different possible reasons for this. First, even if a bargain is inclusive, the voice and ability of different elites to push for their interests within the bargain might differ significantly. As Raleigh and Wigmore-Shepherd (2020) highlight, differential access to power and rents can be used within inclusive bargains to limit internal challenges to the status quo (see also Aziz 2021). Second, elites newly incorporated into a bargain as it evolves and becomes more inclusive can be co-opted into existing extractive practices, undermining contributions to economic growth (see for example Freund 2007 on South Africa; or Sharan 2011 on Afghanistan). Co-opted elites develop a stake in the status quo, reducing pressure for change. However, more inclusive, heterogeneous, elite bargains offer more access points to support changes towards a more "developmental peace" (Bell and Popsipil 2017; Berg 2020). External actors (or well-resourced non-elites/excluded elites) can provide resources to "insiders" with shared interests and preferences in ongoing bargaining processes (see also Menkhaus 2018 with regard to Al-Shabab and the Somali elite bargain); and external actors can support institutionalisation and formalisation of governance by restricting access to rents.

This discussion highlights the importance of examining not just the membership of elite bargains, but also the distribution/concentration of power among different elites within bargains. Trying to influence bargaining processes and "coalitions for change" within a bargain (see also World Bank 2017) is arguably more feasible in situations where power and access to rents are less concentrated (as in Johnston's "Official Mogul" environments), as such environments offer more access points, and bargains are not dominated by a single group. Furthermore, it highlights the importance of polarisation – the ideological distance between parties to a bargain (an issue explored more in the paper on identities). High degrees of polarisation increase the cost of losing, as differences become increasingly indivisible. The cost of losing, however, determines the willingness of elites to open up bargains, and shift from "deals" to "rules" and risk their hold over power and rents. If the cost of losing is existential, elites are more likely to keep any bargain exclusive to limit challenges.[4] Starkly opposed preferences raise the risk of violence (Vu 2007), and limit inclusivity.

Institutions

It is critical that the language of "bargains" and "deals" does not distract from the importance of institutions. Institutions – the formal and informal rules that shape and influence human behaviour in economic, social and political life – structure bargaining processes, dynamics, and outcomes. They shape the opportunities for different groups to voice preferences, and they shape enforcement of decisions and "deals". To understand the impact of degrees of inclusion on bargain dynamics, trajectories, and outcomes, we therefore need to understand the nature

---

4   However, as Slater (2010) notes, sometimes elites agree to open up a bargain to pre-empt the risk of being overthrown and losing everything.

of and access to institutions; how institutions work and why; and how they mediate, manage, and aggregate different interests. Institutions matter for the internal dynamics of elite bargains for several reasons, of which three are particularly important.

First, institutions mean that certain decisions are rules-based, and that outcomes are more predictable and not driven by the whims of individuals. Predictability means that participants in a bargain can take greater risks.

Second, institutions de-personalise interactions and decisions and allow for collaboration based on extended trust (Freitag and Buehlman 2009), rather than just narrow clientelistic networks.

Third, institutions can help to overcome collective action problems by addressing information and collaboration problems, and thus help to overcome some of the security dilemmas that otherwise plague elite bargains and limit inclusive practices (Ostrom 1990).

Smaller and more exclusive bargains are easier to coordinate in the absence of institutions as they can manage commitment problems more easily (Mailath and Postlewait 1990). By implication, more inclusive bargains require greater formalisation and institutions to maintain a bargain and its benefits. This raises the key question of how institutions matter for the formation and change of elite interests and preferences, and for elite behaviours. We suggest they matter in three ways.

First, institutions matter in how they help to aggregate interests. How do institutions encourage elites to seek out coalitions that would bring to the fore the preferences of groups with an interest in more open and rule-based political settlements? Evidence from different political contexts suggests that both electoral systems and party systems are critical to this. Electoral systems that encourage coalition-building rather than appeals to a core (often ethnic) vote, and that do not reward polarisation but moderation, are more likely to bring to the fore elite interests in greater openness. (see for example Dodge 2013 on Iraq; and discussion below on identity and institutions). Similarly, party systems that reward the evolution of parties into depersonalised "bridging parties" that reach beyond narrow constituencies and are more likely to aggregate wider interests (see Reilly 2013).

Second, institutions matter in how they change bargaining dynamics in favour of actors with stronger preferences for openness so that the aggregate interests reflect them. Human rights institutions, for example, can provide focal points for action by groups otherwise marginalised in elite bargain, as exemplified by the Helsinki Committees in Soviet-dominated Eastern Europe in the 1980s (Thomas 2001).

Third, institutions matter in how they constrain behaviour (if not preferences) by giving voice (and bite) to otherwise side-lined elites in a bargain that constrains rent seeking and deals-based practices. Research shows that when opposition parties have access to institutions, they can contain overt rent seeking and patronage and reduce perceptions of corruption among the governing party (Alt and Lasse 2008); and that multiparty coalitions are less overtly rent seeking than single-party governments (LeVan and Assenov 2016). Overall, the evidence suggests that more formal institutions are required for more inclusive bargains to have positive effects on the nature of the political settlement.

Civil-Military Relations

There is a vast literature on civil-military relations and security sector reform. The purpose here is not to summarise it, but to highlight the role of civil-military relations in elite bargains, and in particular their role with regard to the transformation of such bargains, and the underlying shift in elite interests. Security organisations – both formal (police, armed forces) and informal (militias) are not explicitly reflected in the growth and governance focussed typologies, but play and important role in elite bargains. Their role depends on their relationship with ruling elites, and the control elites exercise over military forces – formal and informal (See also Staniland 2015).

Security organisations (or more specifically their leadership) can be actors in their own right in an elite bargain, and in the economy and market underpinning it. The economic role of militaries in particular is well documented (e.g. Broemmelhoerster and Paes 2003), e.g. with regard to Myanmar (McCarthy 2019) or Egypt (Abul-Magd 2017). As both examples show, security actors might interfere in the transition towards more open political settlements to protect their economic and political interests.

Security organisations can also be part of the institutions that maintain and/or shape an elite bargain and its trajectory, as instruments of coercion and deterrence; and as sources of patronage. The coercive power of security organisations makes them both an important resource for elites to maintain their power or challenge an existing bargain; but also makes them an inherent threat as reflected in perennial concerns about coups. Security forces might be instrumentalised by elites in internal power struggles of efforts to deter or repress external challenges to their power (Quinlivan 1999; Talmadge 2015); or they can develop as autonomous actors within an elite bargain in their own right (Savage and Caverley 2017).

If mapped onto the typologies outlined earlier, security forces can be a source of repression to maintain an existing bargain and a (most likely narrow) elite settlement. This role is most likely to be associated with an exclusive and exclusionary settlement, and one where power is concentrated in a small group (especially in "Official Moguls" in Johnston's typology). They can be a source of patronage, with senior positions given out to balance between different parties to an elite bargain. Control over security forces is dispersed across different parties to reduce security dilemmas, and lucrative position co-opt different groups into the bargain. It assumes a degree of formal control over security forces to manage the broad representation of different parties across security forces without fragmenting them. We would expect such outcomes in particular in environments with stronger formal institutions (developmental peace or "elite cartels"). Security forces can also be a threat to the bargain, where security actors are not formalised but more often take the form of political militias. Rather than an instrument of patronage, security actors are instruments of extraction and predation, and in competition with each other over the control of rents. Such an outcome is most likely in weakly institutionalised, inclusive bargains where power is dispersed, and elites compete over rents and influence.

From this brief discussion of civil-military relations and the roles of security forces in the context of elite bargains, a number of key questions emerge for their role in the internal elite dynamics of a bargain:

- First, who controls security forces and how; and how do control and control mechanisms align with the dynamics of an elite bargain?
- Second, are civil-military relations personal or institutionalised?
- Third, how fragmented are security forces, and what are relations between them?

With regard to the dynamics of elite bargains, it is worth highlighting three key themes in the literature.

First, highly factionalised security forces fuel instability and risk of violence (Menkhaus 2018 on Somalia; Sedra 2007). However, factionalisation also provides access points for international leverage where security assistance can help to reduce the threat from military factions and stabilise and elite bargain (Berg 2020). However, arguably such assistance supports centralising control over security forces and formalising/institutionalising it, but does not necessarily support a more inclusive and open settlement. As Dodge (2013) has highlighted with regard to Iraq, security sector assistance helped to centralise control over security forces, but the associated exclusion (and use of security forces to that end) undermined both the existing elite bargain and fuelled civil war.

Second, maintaining the support of security forces can be an important limiting factor in opening up elite bargains; as highlighted by Loughlin's work (2020) on patronage networks in Cambodia, and the tension between maintaining interests of the military and wider "mass clientelism", and the reversal towards a renewed reliance on coercion and repression to maintain the elite bargain that he documents.

Third, while not explicitly explored in the literature, the evidence suggests that civilian control over security forces is important to enable (if not sufficient to support) transitions towards more open and inclusive settlements. Civilian oversight and control mean that security forces are less likely to be an active participant in an elite bargain pursuing their own political and economic interests; but that they are instruments of civilian elites. To the extent that military business and political interests are more explicitly threatened by more open settlements (as they are conditional on exclusive and protected access), as actors in a bargain without civilian control they will be more likely to oppose transitions threatening their interests.

From Elite Bargains to (More) Open and (More) Inclusive Politics: The Role of State Capacity

Corinne Heaven[1]

Introduction

Fragile and conflict-affected states (FCAS) – states with high levels of social and institutional fragility or states experiencing violence – are often described as lacking *capacity*. They are, for example, described as lacking the capacity to deliver core government functions, such as economic opportunity and security to meet the demands of its citizens (Bosetti, Ivanovic and Munshey 20166) or lacking the institutional capacity to provide basic services to the population (Carment et al. 2009). This literature emphasises the need for institutions to be capable and effective in delivering outcomes such as reduction in poverty or violence. States with higher levels of capacity are more likely to achieve higher levels of poverty reduction at the national level (Hulme, Savoia and Sen 2014), and subnational 'pockets of effectiveness' can delivery policy outcomes even if state capacity is unevenly distributed across the state's territory (Hickey 2019).

For countries transitioning out of conflict, state capacity – the ability of states to enforce rules across their territory and implement policies – also plays a crucial factor: Drawing on country case studies in Africa, Asia, Europe and the Middle East[2], the research by Gisselquist (2014) finds that states recovering from conflict that can draw on some level of existing state capacity are able to implement reforms and incorporate aid in ways that states without a minimum level of capacity cannot. Historical state strength may thus more important in explaining the variation in institution-building in fragile states than ethnic division or conflict dynamics[3], as states that can draw on a degree of existing institutional effectiveness are more likely to be able to deliver (some level of) core government functions.

Two observations follow from the above: first, one discussion in the literature concerns itself with state capacity as the explanatory variable to understand outcomes such as economic development, reduction in violence or service delivery. A second debate then addresses the origins of state capacity, viewing state capacity as the phenomenon itself that requires explanation (Berwick and Christia 2018). As Gisselquist (2014) shows, country-specific context and historical legacy play a crucial factor in understanding contemporary state capacity. We should therefore also recognise the importance of the temporal dimension of state capacity. The 'contours' of current state capacity are shaped by "deep historical process, for example, patterns of colonialism, types of political economies, socioeconomic inequalities, wars, struggles of national liberation, and ethnic relations […]" (Centeno et al. 2012: 8). Institutions emerge at specific 'critical junctures' (Collier and Collier 1991), such as significant changes in power relations and the rules of game, which includes peace processes, formative elections, environmental shocks, or economic crisis (Rocha Menocal 2020). These critical junctures can create the space for changing political orders that are more open and more inclusive and provide an opportunity to build new institutions that can sustain such orders. Specific historical events and their legacies, particularly that of colonialism (Acemoglu et al. 2002) emphasise the impact of current state formation and state capacity. State institutions are thus often path-dependent (Vom Hau 2012).

State capacity is thus at once at factor that explains specific outcomes and a phenomenon to be explained. With regards to the former, early approaches to statebuilding have focused on technocratic solutions to strengthen state capacity, but as the literature on political settlements

1   Wissenschaftszentrum Berlin (WZB).
2   For the specific country case studies see: https://journals.sagepub.com/toc/anna/656/1.
3   Note that not all fragile state experience large-scale conflict.

has demonstrated, strengthening formal institutions alone ignores the importance of underlying political factors that shape transitions out of fragility and conflict. Central to transitions from war to peace is an understanding of the underlying power relations and the dynamics of elite bargains (Cheng et al. 2018). These discrete agreements, or series of agreements, often brokered and supported by international military, political, and economic interventions to end violence, that explicitly re-negotiate the distribution of power and allocation of resources between elites (Cheng, Goodhand, and Meehan 2018: 3) are critical to stabilising armed conflicts and limiting violence.

However, this literature also notes the resistance of narrow and deal-based elite bargains to evolve into more open and more inclusive settlements. We refer to inclusion as both a process (such as democratic participation) and outcome (the ways in which wealth is distributed and shared). It entails both horizontal inclusion of elites and vertical inclusion of non-elites. In the following, we use the term 'open' to refer to vertical inclusion and the term 'inclusive' when referring to horizontal inclusion. This distinction draws on North, Wallis and Weingast's (2009) notion of 'Open Access Orders', understood as a social and political order that allows all citizens access to institutional rights and protections. To emphasise the 'openness' of developmental orders alongside inclusion shifts the attention not only to specific actors (non-elites), but the institutional arrangements and mechanisms that maintain open access and competition, e.g., organisations that promote economic competition and that monopolise the use of force, that is, the military and the police.

These institutional arrangements and mechanisms can be crucial to anchor more open and more inclusive politics, e.g. by implementing policies and instruments to provide more inclusive access to healthcare. However, there is no single or direct pathway from narrow and deal-based bargains to more open and more inclusive settlements. These pathways are shaped by elite interests and preferences – but elites also interact with a range of structural factors, such as state capacity. In this reading then, state capacity is both, a factor constraining or enabling elite interests and behaviour *and* a 'result' of those dynamics itself. Accordingly, state capacity can be seen "as an iterative process, born of relationships between different social groups" (Berwick and Christia 2018: 74).

State capacity shapes the opportunity structure for elites, e.g. their economic opportunities, their ability to extend patronage or services, or their ability to use coercive power to manage challenges to an existing bargain. It can also shape the ability of non-elites or marginalised groups to engage with or challenge an elite bargain. Elite behaviour is thus influenced by the way they interact with state institutions. And if elites find that institutions serve their interests, they may choose to support these, whilst attempting to limit their influence, should they not meet their needs and demands (Cheng et al. 2018:21–22).

Yet, elites are also part of state institutions and compete over the shape of the latter. For example, ruling elites that have limited ability to collect taxes are unlikely to strengthen this capacity if faced with an emerging economic elite that may be prompted to gain power and use the increased capacity to their own advantage. At the same time, if these economic elites are able to gain profit from their economic assets, they may seek to minimise the likelihood of increased taxation in the future, with no preference of strengthening the state's capacity to collect taxes (Garfias 2018), resulting in a so-called low-capacity trap. This poses a challenge for pathways to more open and more inclusive settlements, as taxation constitutes one of the central ways to redistribute income and to finance public programmes to reduce inequality and poverty. Furthermore, regardless of the presence of formal institutions, elite relationships (at the national and subnational) often form the foundation for governance control and capacity, even if these governance structures are at odds with formal mechanisms and formal rules.

Against this background, in exploring the role of state capacity for more open and more inclusive politics it helps to conceptualise state capacity as "a 'two-way-street' – both a product and a producer of political settlements" (Vom Hau 2012:35). Even more so, political settlements as well as elites are, what vom Hau (2012:10) calls, "the major causes of state capacity". Elite dynamics are at once shaped by (historical legacies of) state capacity, and elites shape state institutions.

To illustrate this dynamic, iterative and often contested process, this paper proceeds in three steps: first, it provides a short overview on the conceptualisation of state capacity and illustrates how different dimensions of state capacity may interact with elite interests and preferences. Second, it unpacks the dynamics between state capacity and political settlements. Third, the paper sketches out several questions how state-elite dynamics matter for pathways towards more open and more inclusive politics.

Unpacking Different Dimensions of State Capacity

States vary in their ability to promote developmental peace. The capacity to create and maintain an infrastructure to provide inclusive outcomes may vary across states, within states and over time. Within states, capacities may vary across different institutions, functional domains as well across its territory. A state may be well equipped to delivery poverty-reduction programmes but is unable to reform an ineffective health care sector (vom Hau 2012:3). A range of contributions is therefore concerned with disaggregating the different dimensions in which states build capacity. Consequently, a key question is to explore whether the different dimensions of state capacity matter in different ways for the promotion of more open and more inclusive outcomes, especially in states transitioning out of conflict, and how these are shaped by elite interests.

Broad consensus exists on the basic definition of state capacity: the ability of the state to monopolise the use of force and to establish institutions to implement its policies. This understanding builds on Weber's definition of the state as an organisation that can make and implement rules (see for example Geddes 1994). Most scholars also highlight the importance of disaggregating the concept of state capacity in multiple dimensions. Drawing on existing literature, we can identify (at least) four dimensions of state capacity: coercive, legal, extractive and administrative capacity.

Coercive capacity refers to state power, getting others to do what they would not otherwise do (Dahl 1957). This includes its monopoly of the use of force (Tilly 1992) and its claim of the legitimate use of physical force (Weber 1978). In this reading, the state's ability to uphold its claim to legitimate use of force is seen as the key criteria of statehood (see for example Herbst 2000; Carment, Prest and Samy 2009). However, Mann's concept of despotic power (1984) where state elites can rule without 'infrastructural power', the negotiation with civil society, has also informed a range of studies that emphasise the importance of 'infrastructural power' for democratisation processes (see for example Fortin-Rittberger 2014).

Legal capacity relates to the state's ability to enforce contracts and property rights as well as its ability to provide security to its citizens through the rule of law (Beswley and Perrson 2009). Legal capacity matters for the inclusiveness of political institutions by providing legal frameworks and checks and balances on the executive power. This in turn affects elite bargaining processes, as the institutional checks and balances affect the 'rules of the game' that elites operate with (Cheng et al. 2018:22).

To uphold its coercive and legal capacity, the state requires resources. It therefore requires *extractive capacity* to raise revenues from the collection of taxes and to manage rents (Besley and Persson 2009 and 2011). The capacity to raise taxes and debt financing is central to state capacity as it requires a broad infrastructure to do so (Bräutigam, Fjjelstad and Moore 2008) and costly penetration of society, as devices such as registries for national tax collection are required (Brewick and Christia 2018). Acemoglu (2005) furthermore argues that building states with fiscal capacity is key to state formation and performance in the provision of public goods. The key relationship to consider here is that between state institutions seeking to acquire resources and those that possess them, e.g. powerful economic elites.

Finally, all state capacities and their associated functions are underpinned by the state's *administrative capacity*, or in the Weberian tradition, an effective bureaucracy. In Geddes' (1994) reading, state power can only be implemented with "effective bureaucratic decisions during the course of implementation"

(Geddes 1994:14). The capacity to create and maintain an infrastructure or bureaucracy is also crucial for the delivery of public service and goods (a dimension that some scholars treat separately). Acemoglu, García-Jimeno and Robinson (2014), for example, study the 'network' between national and local state authorities and find that investment in extractive and administrative capacity can be a strategic response by local municipalities vis-à-vis neighbouring authorities. If neighbouring municipalities invest in state capacity, political pressure may increase to do the same in response to citizen's demands. Administrative capacity is also crucial to negotiate the relationship between state agents and citizens, especially economic elites, as bureaucracies – or civil servants – mediate the relationship between the state and its constituencies, assuming compliance by those state agents (Berwick and Christia 2018:76). As mentioned above, FACS are often described as lacking the ability to address collective action problems, and bureaucracies and the knowledge and expertise that they develop and provide can help to coordinate collective action.

For countries transitioning out of conflict, the role of *coercive capacity* (or the lack thereof) is particularly important. First, the nature of coercive capacity is fundamentally different to, for example, the capacity to provide access to education or clean water, as it is about the state's authority vis-à-vis other actors that are also competing for power, as well as the citizen's acceptance or recognition of such power to enforce security and justice (Carment et al. 2009). Second, in many post-conflict states or fragile situations, the state lacks uncontested sovereignty and a monopoly over the means of violence. It may therefore not have full control over its territory and other actors may compete to establish their own authority. Where formal institutions, such as the military or police, are weak, elites can use militias to (violently) renegotiate the existing political settlement. Rent-sharing arrangements between elites therefore may stabilise such violence, but can undermine other development goals, such as recognition and redistribution.

Coercive capacity is an important factor in explaining different outcomes related to conflict and violence, both for the onset of violence and the duration of protracted conflict. Fearon and Laitin (2003), for example, find that lower coercive capacity – measured through GDP per capita – constitutes one of the key factors explaining the outbreak of civil war. DeRouen (2010) argues that higher state capacity is important for the implementation of peace agreements, finding that third-party interventions play a more significant role in states with low-level capacity. However, these studies associate weak state capacity with violence at the aggregate (or national) level. In contrast, Koren and Sarbahri (2018), for example, find that civil wars are more likely to erupt with the expansion of state capacity, which varies at the sub-national level. Their evidence provides three mechanisms to explain this observation: first, state presence may attract challengers to its authority. Second, despite relatively strong coercive capacity, newly emerging elite fragmentation may cause civil war onset. Third, as state capacity expands into areas with formerly lower degrees of state capacity, non-state actors react violently to this expansion and challenge it, as the expansion of central state capacity undermines existing local settlements. What is more, the state may also be competing with non-state actors for authority and legitimacy. The study by Blattman et al. (2021) on gang violence in Colombia, for example, shows that many citizens live under so-called duopoly of violence: they are ruled by the state and by non-state actors, such as street gangs or drug cartels that charge citizens for their protection. Here, the state competes with a range of other non-state actors for authority and legitimacy. Expanding state capacity into this area does not lead to a reduction of the rule of these non-state actors. Rather, as the expansion of capacity includes additional controls, criminal groups are incentivised to strengthen their rule to avoid state presence. "Thus, criminal governance may be as much a product of state strength as of weakness; in the presence of lucrative illegal markets (themselves created by state prohibition of drugs and other activities) criminal groups need to govern more when state presence threatens their broader rents" (Blattman et al. 2021:2).

However, it is not only the *coercive* capacity of the state that plays a role in explaining the occurrence of violence. Böhmelt, Bove and Gleditsch (2018) find that higher levels of *administrative capacity* are positively associated with lower risks of political violence linked to refugees, as stronger state

institutions are better equipped to respond and manage potential tensions between refugees and local citizens competing over economic resources. As the authors argue, the case of the Rohingya refugee crisis illustrates this case: Many Rohingya, who have fled violent prosecution in Myanmar, have also faced violence by the local population in India. Refugee populations are associated with non-state violence. As this study shows, it is the mediating effect of administrative state capacity that addresses negative externalities between refugees and the local population, such as competition over resources. Sullivan (2020) also examines the link between sub-national *administrative* capacity – the presence of local authorities and expertise of its staff – and violent repression of protests in Mexico. She finds that local authorities with higher levels of administrative capacities are less likely to use violent repression, as they can use other, more cooperative, protest management tools, given the higher level of administrative resources they can draw on.

Finally, it is important to recognise that the different dimensions of state capacity are interrelated, but non-linear. For example, a state's capacity to protect its borders does not necessarily mean that citizens have access to public services, or do not suffer from violence meted out by the country's security forces. Nor do high levels of extractive capacity necessarily lead to fair and equal redistribution. What is more, potential tensions arise between the different dimensions: for example, strengthening the coercive capacity of the state requires some degree of the centralisation of state power, which can affect the effectiveness and responsiveness of administrative capacity at regional or local level, if resources for the investment in infrastructure and expertise are limited.

Interactions between State Capacity and Political Settlements

As noted earlier, state capacity is both, a factor constraining or enabling elite interests and behaviour *and* a 'result' of those dynamics itself. This also plays a crucial factor for transitions out of fragility and conflict. As Cheng at al. (2018) suggest, there are three broad trajectories of war-to-peace transitions:
a) a return to violence: where elite bargains do not hold,
b) elite capture: where elite bargains hold and levels of violence are reduced, but where elites monopolise the benefits of peace and
c) developmental peace: where elite bargains facilitate a move towards a more open and more inclusive political settlement.

For each of these trajectories, state capacity – especially its absence – plays a crucial role. A volatile political settlement and elite exclusion are important drivers of violence, as well as the relationship between horizontal exclusion and conflict. The breakdown of violence can also be internal to elite bargains, where increased polarisation between elites increases the risk of the resort to violence. The capacity (or lack therefore) of the state to monopolise the use of force or the capacity to provide alternative structures of contestation and negotiation, e.g. through its legal capacity, is an important factor shaping these trajectories.

However, a focus on state capacity should not disregard the actual governance practices in place. Even "areas of limited statehood" (Risse 2015), where the state lacks the capacity to implement decision across its territory, are governed, often by a range of state and non-state, local and international actors. Elite relationships and state-elite dynamics therefore have important implications for pathways towards more open and more inclusive settlements. The work by Raleigh and Dowd (2018) further helps to explain the dynamic relationship between state capacity and political settlements: the authors find that specific constellations of governance relationships incentivize forms of political violence by actors and elites that emerge in the contestation of power. The authors identify four political environments that are determined by the degree of elite fragmentation and the degree of central government authority:

- monopolies with a high degree of central government authority and capacity with extensive powers from the local to the national level and elite allegiance at the national level

- oligopolies with high elite fragmentation at national and subnational level and limited centralised regime power; the regime becomes one of many actors competing for power
- cartels where a central government regime is able to maintain some degree of authority and capacity, but is in constant negotiation with different subnational elites that hold significant local power
- bifurcated states where two ore more regimes are in power, supported by subnational and local elites that legitimise their authority and exert their capacity through governance networks.

These four constellations create different opportunities for actors to compete over power and thus increase the likelihood of violence. They also draw attention to subnational dynamics and associated causes of violence. Much of the literature outlines the key relations between state capacity at the national level and national elites – though it is worth disaggregating both state capacity and the type of elites (see for example Pritchet and Werker 2013). Elites are not a homogenous group, they have differing interests, resources, and access to power. For that reason, the state-elite dynamics outlined in the four constellations highlight two important structural dimensions of political settlements: their membership and their degree of formal institutionalisation at state level. This differentiation may also help to design or create certain entry points for international engagement: In monopolies, there is – at least in this reading – a coherent and centralised elite, though in turn incentives to open up this settlement may be limited. In oligopolies, elite fragmentation may present several different entry points, as external actors can engage with powerful local elites (Raleigh and Dowd 2018:1681).

State Capacity and Transitions to More Open and More Inclusive Politics

One key question to consider is how inclusion (and what kind of inclusion – horizontal or vertical) matters in the short to long term in promoting more stable and inclusive states. Different findings have emerged from the literature: the well-known contribution by Acemoglu and Robinson (2012) suggests that long-term development requires 'inclusive institutions' (as opposed to extractive institutions) that protect the property rights of all citizens (not just elites) which allows for economic activity and competition, as well as institutions that allow citizens to participate in political decision-making. Similarly, the concept of 'Open Access Orders' (North et al. 2009) suggests that states with open access to organisations allowing for political and economic competition and states that can maintain the rule of law to limit violence tend to more peaceful, with higher economic growth. Both contributions thus indicate that longer-term development outcomes are associated with vertical inclusion, or openness. However, the literature also finds that – in the short to medium term – institutions which are horizontally inclusive are required to overcome violence and maintain peace and stability. As Kahn (2010) suggests, stability is created by inter-elite agreements. 'Exclusionary elite bargains' are more likely to lead to conflict, as powerful elites respond to their exclusion. Elite inclusion is therefore important for resilience against violent conflict, but at the risk of entrenching a non-developmental order (Call 2012; North et al. 2009).

Greater horizontal inclusion can occur under two conditions: elites move from narrow deals to broader ruled-based agreements to sustain their power or to provide insurance against a future loss of power. It may be less costly including new actors than repressing their contestation in the future (World Bank 2017). The assessment of this cost is based on the extent of polarisation between elites: Vu (2007) notes that the more diverse the preferences and interests of different elites, the more likely the risk of conflict and violence. Whilst, as mentioned, above, historical and country-specific context shape the possibility of change and adaption, elites also calculate risks of power loss and the associated degree of political uncertainty, in other words, whether they feel safe (or unsafe) with regards to maintaining their access to resources and political power.

With regards to state capacity, there is broad consensus that some degree of (historical) state strength is required for any transition. Even limited access orders, where only a small number of elites have access to services or economic opportunity require some degree of existing state capacity

or infrastructure. And for transitions to more open and more inclusive orders, some level of state capacity is also necessary: it is required to negotiate new rules; to monitor, implement or enforce them; to finance new services; to create the mechanisms to redistribute wealth; to foster social cohesion between different social groups with diverging interests, identities, and to allow social groups access to power and resources. So, we might treat infrastructure as a necessary condition for the organisation and implementation of polices and mechanisms fostering more inclusive development (vom Hau 2012, Dimitrova et al. 2021). However, it is worth remembering that this process does not take place independently from ruling elites that form part of the state.

To examine the role that state capacity plays in shaping transitions, Dimitrova et al. (2021:20) distinguish between so-called stabilising and universalising effects of state capacity: "Stabilising effects of state capacity are those that allow the state to make and enforce its rules and policies (including repressing dissent), acquire and re-distribute resources and provide public services. Universalising effects provide opportunities for broader access for various groups or individuals to state institutions and support societal organisations in monitoring and participating in governing". State can strengthen specific dimensions of state capacity, e.g. its coercive capacity, which may lead to a stabilising effect, as the state is able to control its border through the presence of its military forces and police. But for universalising (or more open and inclusive politics) effects, the state requires the infrastructure to incorporate new social groups or create possibility for reform coalitions.

This poses both opportunities and challenges for state-elite dynamics: first, elites need to feel relatively secure and require incentives for the institutionalisation and formalisation of power relations – though this does not necessarily lead to more open and inclusive processes and access for formerly marginalised groups. Second, formerly excluded groups require the resources to voice their demands and pose a credible challenge to elites. This raises the challenge *how* to manage these two processes that do not go together easily.

Pathways to more open and more inclusive settlements require the negotiation between elites, emerging elites and non-elites that shape the content of reformed institutions, as well as the formal and informal 'rules of the game'. This places an emphasis on electoral reforms, power-sharing provisions, democratisation processes and greater participation of citizens. Here, participation refers to both the extent to which elites and non-elites can participate in and influence the decision-making processes and which form this participation takes. But there are trade-offs that need to be considered: power-sharing arrangements, especially if based on identity-based mobilisation, can also reinforce political polarisation.

What is more, participation does alone does not mean that social groups have a meaningful opportunity to influence decision-making processes. Whilst the role of citizens may be formalised through specific institutional arrangements, such as quotas or power-sharing provisions, this may only be followed on paper. How meaningful they become in practice is also influenced by informal understandings and rules. This raises the question how to move from informal to formal rule-following (if these are at odds with each other). Some authors argue that this question places a particular emphasis on the *coercive* and *legal* capacity of the state. Strengthening the legal capacity of the state supports the codification of inclusive politics, e.g. in legislative reforms, which can support increased representativeness of citizens, at least on paper. Legislative reforms may thus alter the make-up of institutions, allowing that "larger segments of the population have access to, and influence over, decision making – with a specific emphasis on (previously) marginalised societal sectors who by tradition, culture or history have limited resources and entry points to access, influence and participate in the power infrastructure. These marginalised actors and groups are often (but not limited to) indigenous populations, women and specific regional, cultural, religious, linguistic or ethnic groups" (Dudouet and Lundström 2016:9). The inclusion of (formerly) marginalised groups, and especially women, is therefore seen as a key factor to create and support more open processes (Rocha Menocal 2017).

As noted earlier, *extractive* capacity is essential to finance its operations and redistribute revenues. First, fiscal capacity is essential to provide the resource for core state functions and to provide public services. Second, strengthening taxation requires states to develop the administrative capacity to do so: it requires the registration of citizens and businesses to be able to collect taxes in the first instance: "In particular, states must be able to reach their populations, collect and maintain information, possess trustworthy agents to manage the revenue, and have enforcement capabilities to ensure compliance" (Pomeranz and Vila-Belda 2019). Yet, high levels of extraction are not necessarily associated with efficient use of taxes, or more inclusive outcomes (Dimitrova et al. 2021). With regards to state-elite dynamics, Slater (2010) finds that fiscal capacity of the state is a function of elite coalitions: Where there are so-called 'protection pacts', elites are willing to pay higher taxes in exchange for the provision of security by the central state and protection from competing actors. In turn, with a greater tax base, states have higher administrative capacity, as it can allow for more effective redistribution.

The literature on state capacity has also established strong evidence for the link between higher levels of state capacity and economic development (see for example Besley and Perrson 2009, Salter and Young 2009, Dincecco and Katz 2014). Importantly, Dincecco (2017) shows how states can develop economic growth by strengthening state capacity to support markets. Additional studies have linked economic failure to limited state capacity (Herbst 2000; Centeno 2002).

However, economic development and growth is not always inclusive, and marginalised people do not always benefit from it. In addition, economic growth can be a conflict driver itself and may increase competition among political elites that depend on high-rent industries (for an overview see Lindemann 2008). And as Robinson and Acemoglu (2008) argue, existing economic institutions are difficult to reform, being the result of collective political choices and reflecting the power distribution within the society they have been created. Approaches to reform economic institutions are therefore reliant on an understanding of the distribution in political power.

Finally, the effective implementation of public service delivery rests not only on the state's administrative capacity to, for example, reform institutions, but also on its legal capacity to control the executive. Checks and balances on the executive can create incentives to develop service delivery that serves a broader base of citizens through two mechanisms: ": (1) a strong legislature which finds the need to generate broad-based coalitions, thereby offsetting the narrow focus of the executive, and (2) an independent judiciary which promotes broad-based access to public services through statutory service obligations or rights-based arguments and rulings" (Ricciuti, Savoia and Sen 2019: 974). What is more, the delivery of public services forms a key component of state legitimacy, and elites' calculations of political returns can lead to improved service provision.

Equitable service delivery matters for transitions to more open and more inclusive politics to avoid exacerbating existing inequalities. However, the relationship between capacity and legitimacy is complicated by a range of factors. Citizens may not attribute service delivery to the government (Mcloughlin 2015) or international actors (both governmental and nongovernmental) supporting the provision of services decrease the visibility of state actors (Cometto, Fritsche, and Sondorp 2010). Moreover, the relationship between state capacity and state legitimacy is shaped by the expectations of citizens of what the state should provide and how easy it is for them to judge the significance of these services (Mcloughlin 2015). The link between capacity and legitimacy is further complicated by situations in which non-states actors provide some of these services, such as armed groups that generate their income in exchange for basic services.

As Krassner and Risse (2014) point out, it therefore is the *wider* institutional environment that shapes broad-based provision of public goods and services: it requires legalisation and resources. Thus, *administrative* capacity is underpinned by *legal* and *extractive* capacity, highlighting the interdependencies of the different dimensions of state capacity introduced above.

Conclusion

State capacity is a result of different social relationships. State capacity is both a factor that explains specific developmental outcomes and a function of political settlements, or power. Whilst the literature examined for this paper places an importance on institutional arrangements and mechanisms that can be crucial to anchor more open and more inclusive politics, there is no single or direct pathway from narrow and deal-based bargains to more open and more inclusive settlements. These pathways are shaped by elite interests and preferences – but elites also interact with a range of structural factors, such as state capacity. In this reading then, state capacity is both, a factor constraining or enabling elite interests and behaviour *and* a 'result' of those dynamics itself.

From Elite Bargains to (More) Open and (More) Inclusive Politics: The Role of Business

Sarah von Billerbeck[1]

Introduction

Why Do We Focus on Business Actors?

In countries transitioning out of violent conflict, business actors have a key role to play in pushing for more rules-based settlements that create predictability and support access to international markets. Indeed, the 'return' of business after conflict is often taken as a sign of improved security and increasingly reliable governance, and where these do not exist, both domestic and international businesses are less likely to expand operations or make large investments. Businesses are particularly important in this regard as they often have close ties with and access to key political actors, and as they join elite bargains, they are thus able to shift the nature of those bargains towards more openness and inclusion.

At the same time, it is important to recognise the diversity of business actors and both the risks and opportunities different environments offer them. As we discuss below, in some environments, certain types of businesses may in fact benefit from opacity, deal-making, or even illicit activity, and not all businesses will have an interest in more open and inclusive politics or the existence and enforcement of rules and regulation. Indeed, because of their ability to provide rents, under certain conditions businesses can in fact entrench closed, exclusive settlements or generate only short-term economic booms that failed to substantially alter the nature of the political settlement.

Types of Business Actors

Business actors vary across a number of vectors:

- International/multinational vs. domestic firms
- State-owned vs. private vs. cooperative
- Export-oriented vs. domestic market: 'firms put different kinds of pressures on governments to act in particular ways depending on the extent to which the firms are producing for domestic or international markets, and the availability of rent-seeking opportunities in the relevant sector' (Hickey et al. 2015: 8)
- Industry (manufacturing, extractives, agriculture, services, banking, etc.)
- Size (large transnational corporations vs. large domestic firms vs. small and medium enterprises (SMEs)) (Marques and Utting 2010: 18; Kildornay and Reilly-King 2013: 28)
- Formal vs. informal: while much literature focuses on the formal economy, the lion's share of economic activity in post-conflict, fragile, and developing countries is informal (Ford 2015: 11; Carnahan 2015: 177).

1   University of Reading

Based on these considerations, Pritchett and Werker (2012) categorize business into broadly four groups:

	High-rent	**Competitive**
Export-oriented	**RENTIERS** Natural resource exporters, agricultural concession exporters	**MAGICIANS** Manufacturing and service exporters, other agricultural exporters
Domestic market	**POWERBROKERS** Legislative monopolies or oligopolies, natural monopolies or oligopolies, government services	**WORKHORSES** Importers, traders, retailers, subsistence farmers, local manufacturers, producers of non-tradeables

Table 3: The Rents Space (Pritchett and Werker 2012: 53)

The above framework implies but does not make explicit the difference between domestic firms and international or multinational ones. This distinction is likely to be important for several reasons. First, international firms usually face higher barriers to entry and higher up-front costs for investment in fragile, post-conflict economies than domestic firms, and they will therefore make investment decisions based upon very different risk calculations than domestic companies. Second, international firms may be able to bring much higher levels of investment to post-conflict economies, including not only funds, also new technologies, and innovation that can help certain domestic industries grow, but they may also be deterred by the regulatory environment and security risks present in post-conflict countries. Finally, as much as international firms may be deterred by post-conflict economies, they may also identify lucrative opportunities, and may be more willing to take high risks to take advantage of them. However, they may attempt to mitigate those risks through corrupt deal-making, tax evasion, offshoring, and subcontracting, which all have negative effects for the domestic economy (Turner et al. 2008: 5). These issues are explored in more detail below.

Furthermore, it is insufficient to consider business only at the level of the firm; it is also important to understand the role of individuals, because business elites are frequently also political elites. As Grimm and Weiffen (2018: 262–3) note, '[o]ften, relevant individuals are leading politicians and economic or security entrepreneurs at the same time.' Kelsall (2011b: 77) concurs, observing that political elites often 'use the power of the state to gain a foothold in business' and elite bargains are often a mechanism for personal enrichment. In this way, while treating them as separate categories may carry some analytical utility, in practice individual political and business elites may be harder to distinguish. A final important consideration is the at times unclear boundary between licit and illicit business, including the informal economy, and the relationships between business and organized crime in transitions to development (Williams 2002). Again, this will be further discussed below.

Per the framework above, **rentiers** include large, export-oriented firms that depend on exclusive access to large tracts of land. In particular, mining and agricultural firms fall into this category and, because of the high capital costs of operating in these sectors, they are almost always international firms. In exchange for the right to exploit and sell resources, they pay a set of fees and taxes to the state. Their contribution to open, inclusive politics is ambiguous. They can open up new industries in a country, create jobs, and pay high levels of taxes, and because they benefit from good state infrastructure, may compel the state to invest in this area (though often only a particular type of infrastructure). At the same time, they benefit from negotiating access to land without going through formal channels or needing to compete against other bidders, they will often seek to minimize the taxes and fees they pay, and they benefit from low state capacity for regulation, negotiation, and enforcement (Pritchett and Werker 2012: 55). For example, Glencore, an Anglo-American mining firm with operations in, among other countries, the Democratic Republic of Congo, Zambia, and

Western Sahara, is accused of securing access to mining concessions in DRC at vastly undervalued prices through corrupt payments to officials and of off-shoring to avoid taxes and payments (Goodley and Borger 2012). In this regard, 'administrative weakness…[may] be carefully cultivated,' rather than simply being the result of low capacity or lack of technical know-how (Moshonas 2018: 35).

Magicians are export-oriented firms, but ones that operate in competitive industries, such as manufacturing, agricultural products, and tourism. Similar to rentiers, they benefit from low tax rates, but again, can have a positive impact in terms of job creation, and they also benefit from greater regulation and good infrastructure. Moreover, as Pritchett and Werker (2012: 55) note, '[t]he low-tax regime that rentiers want results simply in higher profits, whereas the low taxes that magicians want may result in greater competitiveness and a higher market share abroad.' In this regard, magicians can help to lobby state officials to abide by regulatory commitments and invest in infrastructure.

Powerbrokers are high-rent firms but that cater to the domestic sector, for example, in forestry or state utilities. Because of this, they often face little or no competition (as in the case of state-owned enterprises) and are able to set prices that vastly outstrip costs in order to maximize profits. These firms therefore often prefer an environment in which they can form close links with government officials in order to continue such practices without sanction. For example, officials in the *Société Nationale d'Électricité* (SNEL) in Congo operate with a tacit understanding that they may negotiate payments outside of official mechanisms, install fraudulent networks, and even cut electricity in order to charge users for its restoration. In short, as Mpiana Tchitenge (2018: 68) notes, they appear to 'operate on the basis of other rules that disguise, relativize, or adapt those issued by the company.' As such, powerbrokers benefit from weak institutions, the absence of rules and regulation, and low enforcement capacity by the government, along with the existence of high barriers to entry into their sector. At the same time, their effects are not fully negative, since in many cases they do provide access to at least some basic services for citizens, even if on an uneven and inconsistent basis (Pritchett and Werker 2012: 54).

Finally, **workhorses** are domestic firms that work in competitive industries, including subsistence farmers, the hospitality sector, builders, hairdressers, and petty or informal traders. Workhorses provide a large amount of employment and goods and services, but often operate informally and outside of rules and regulations. Even where they are not a part of the shadow economy, certain sectors may be dominated by particular identity groups, where networks and cronyism give them a competitive edge and enable them to maintain an overwhelming market share. For example, in North Kivu province in eastern DRC, the Nande ethnic group has established an increasing monopoly over trading and commerce (though they do still face competition from ethnically Tutsi groups in the province), a dominance that in turn reinforces their group identity (Hale 2010). Still, workhorses in general benefit from stronger infrastructure, regulation, and open, inclusive politics (Pritchett and Werker 2012: 55), but often lack the political clout to influence elite bargains. Indeed, in the absence of state investment, the Nande in North Kivu have begun to invest in roads, air transportation, and electricity to further their economic activities (Hale 2010: 22–28).

How Does Business Shape Elite Bargains?

Businesses as Sources of Rents

A key feature of elite bargains is the distribution of rents according to the negotiated political settlement and the relative power of the various involved actors (Cheng et al. 2018; North et al. 2009). Businesses are a primary source of such rents (Kelsall 2011b: 82), and therefore firms that generate high levels of rents (rentiers/powerbrokers), rather than firms that operate in competitive international and domestic markets (magicians/workhorses), are likely to be the most important business players during the negotiation of elite bargains. Pritchett et al. (2017: 21) refer to this as the 'rents space' – that is, the 'structure of economic opportunities' that exists in a country.

As much as political elites need businesses for the generation of rents for distribution, so too do businesses, in particular rent-generating ones, need political elites. National or sub-national political elites are 'often the gatekeepers for business' (Miklian et al. 2018: 18) and therefore businesses need them to secure operational access to the country. Indeed, the ability of firms to generate profits will often depend on a range of discretionary actions on the part of government, including physical access (particularly in the case of geographically-fixed or -concentrated resources), the issuing of commercial licenses, the granting of (exclusive) mining concessions, favourable tax deals, the enforcement (or non-enforcement) of relevant regulations, and the provision of insider information for economic decision-making (see, for example, Pritchett et al. 2017: 21). The sign-off of or even formal partnership with local government is thus crucial for businesses and indeed sometimes required by law (e.g. Myanmar) (Miklian et al. 2018: 16; Miklian and Schouten 2019: 5; Le Billon 2008). Moreover, in geographic areas where the government's presence is weak or its authority contested, such access may need to be negotiated with local chiefs, 'big men,' military commanders, warlords, or rebel leaders (Milkian et al. 2018: 16; Miklian and Schouten 2014: 16–17; see also Cheng 2013).

Importance of Rules and Deals for Rent Generation by Businesses

These arrangements are constitutive of what Pritchett et al. (2018: 24) call the 'deals space,' in which '[p]olitically connected firms are able to obtain preferential treatment in business regulation for themselves as well as raise regulatory barriers to entry for newcomers' (World Bank 2017: 9). These arrangements are thus often arbitrary and are based upon personal connections and informal relationships, rather than formal rules and institutions. Accordingly access and advantage are differential, and deals tend to entrench the limited access orders that characterize elite bargains. Indeed, linking the ability to conduct business and generate profit to the discretion of those who are politically connected usually serves to embed inequality and exclusion, in particular because those who are politically connected are frequently those who did well out of war, including armed group leaders and often unelected local bosses and officials. Furthermore, there is little incentive for the involved political elites to revisit these arrangements, so long as they continue to derive rents from them. The unofficial, opaque, and sometimes legally questionable 'rules of the economic game' that are set at this stage can thus easily become fixed. There are, however, important exceptions to this, which are addressed below.

Moreover, the rents that result from economic activity enabled by these discretionary actions, referred to as 'regulatory rents' (Pritchett et al. 2018: 21), are often economically inefficient and rarely benefit society as a whole. Instead, because they are arbitrary and personalized, can limit market entry, and often distort the market value of the goods and resources involved, they can discourage growth, or at least make it highly volatile and irregular. They also provide little resilience against exogenous shocks or changes, such as commodity price shocks, technological change, increases or decreases in aid or remittance inflows, or structural adjustment programmes imposed by donors (Pritchett et al. 2018: 28) Finally, they are also subject to the short time horizons of the elites involved in the political settlement, and thus do not encourage long-term reforms or institution-building that could contribute to inclusive development and the extension of economic benefits horizontally to other excluded elites or vertically to society more broadly. In short, the deals environment and the resulting regulatory rents tend to be 'predatory and unproductive' (Hickey 2013: 11).

One area in which these effects are particularly negative is taxation. Rates of personal taxation in post-conflict countries tend to be very low due to a lack of government capacity and the fact that the informal sector usually dominates; corporate taxation, particularly of large companies, therefore tends to be relatively more important for the economy overall (Carnahan 2015: 176–177). Yet because this represents a large cost for such firms, they will often negotiate favourable private tax arrangements for themselves or attempt to avoid taxation altogether through profit shifting, offshoring, or the creation of subsidiaries and shell companies (Carnahan 2015: 179). This in turn depresses state revenue collection and helps to inhibit growth, the development of state

administrative capacity, and the provision of public services, further cementing the exclusive nature of elite bargains and the weakness of state-society relations. Importantly, the ability to transfer revenue outside of the country is particularly pronounced for large multinational firms, which may have the mechanisms and capacity to do so, may have the resources to pay off the necessary domestic political elites who would otherwise collect revenue from them, and are likely to have low(er) vested interest in the domestic social contract.

In Afghanistan, in the aftermath of the Bonn Agreement in 2001, economic activity was often dominated by those with ties to political or military actors and groups, and it was often conducted outside of formal rules and procedures. Strongmen and military leaders used their ability to deploy coercive means and their *de facto* control of particular regions to secure lucrative business deals for themselves, and those who moved into political roles also maintained their ties with or co-opted militias in order to avail themselves of such opportunities (Torjensen 2013: 57). Indeed, Giustozzi (2007: 75) notes that at the time, 'President Hamid Karzai … followed a strategy of selective co-optation of strongmen,' which enabled nearly all of them to 'indulg[e] in business activities.' While ultimately, Karzai's objective was to gradually marginalize such actors, this strategy often instead served to consolidate their positions and led to the rise of a system of informal economic rules.

The case of Atta Muhammad Noor is illustrative of this. A former warlord, Atta was appointed governor of Balkh Province by Karzai in 2004, a position he held until 2018 despite supporting Karzai's rival in the 2009 elections (Gall 2010). During that time, he both co-opted local military actors and built strong ties with business actors. By appointing military actors to local government posts, he was able to maintain a degree of stability that enabled commercial activity to increase while also making his own investments and channelling economic activity towards friends and partners (Mukhopadhyay 2009: 11–12). As Giustozzi (2007: 79) notes, '[t]his indirect and non-official involvement in business activities [of former warlords] of course rested on their lasting ability to intimidate their business partners … and on their capacity to punish whoever tried to violate their interests.' For his part, Atta was accused of 'tak[ing] a cut of every investment that flows through the region,' something he denied (Gall 2010).

This system of informal rules of the game is sometimes embedded within more formal structures. For example, Ghani et al. (2007: 165) describe how the system of payments in Afghanistan was governed by an understanding that at each step of a payment, cash and bribes would be paid to involved officials. More specifically, as a payment request moved from the Ministry of Finance's budget and treasury departments to the central bank, government ministries, central government, and provinces, a certain amount would be siphoned off at each stage, so that a final payment could be as much as 25% less than originally requested.

How Does Business Matter for Trajectories towards Open and Inclusive Politics?

The Characteristics of Business in Deals Environments

While the deals environment can inhibit development, let alone inclusive development, there are, as mentioned, exceptions to this. Bräutigam et al. (2002) have explored the role of what they call 'growth coalitions,' where business and government elites find shared pro-growth goals, in promoting development in Africa. Similarly, Abdel-Latif and Schmitz (2010) note that informal alliances between business and government contributed to positive growth in Egypt, while Van Wyk (2009) examines how elite coalitions contributed to growth in post-1994 South Africa. Kelsall (2011a: 1) likewise argues that neo-patrimonial systems based upon the distribution of rents according to personal connections and cronyism can be developmental and, in certain circumstances, 'may even help … the climate for business and investment.'

However, while these studies indicate that informal deals are not necessarily growth-inhibiting, growth in a deals environment is only possible under very specific conditions, ones that are rare in post-conflict and fragile countries. More specifically, they require strong, developmental leadership; long (or longer) time horizons; technocratic state capacity; shared understandings between businesses and policymakers about the potential and problems of particular sectors; a degree of institutionalized interaction between businesses and government; and a mechanism for sharing at least some economic benefits with other political actors (Bräutigam et al. 2002; Abdel-Latif and Schmitz 2010; Kelsall 2011a; Kelsall 2011b).

Even where these conditions do exist, these contexts are likely only to see rapid but short bursts of growth, or growth acceleration, often tied to particular industries or geographic areas (such as mining zones), rather than sustained growth over time in multiple sectors and benefitting a greater proportion of the population (Pritchett et al. 2017; Werker and Sen 2021). This will result in enclaved growth or 'pockets of growth' (Sen 2015: 54; Mohan 2015: 286), which can potentially reintroduce inequalities or entrench the exclusive character of the elite bargain.

Two features of the deals environment help to explain this. First, deals vary along two dimensions: they can be *ordered* or *disordered* (whether or not they are enforced once negotiated), and they can be *open* or *closed* (whether they are widely available or only open to an exclusive group) (Pritchett and Werker 2012: 46). In post-conflict states, deals tend to be closed and disordered – that is, they are only available to specific individuals/businesses and they will only be honoured as long as they remain in the short-term interests of political elites (Pritchett et al. 2017). In order for growth to be sustained and inclusive by contrast, states must shift first from closed, disordered deals to open, ordered ones – that is deals that are available to all and that will reliably be respected – and eventually from deals to rules (though this is a much longer process).

A second important characteristic of the deals environment is the degree to which the existing political settlement is a *dominant party* one or a *competitive* one. In the former, most power rests with a single dominant party and rents are distributed within a closed circle of allied elites; as a result, deals may be more ordered, because elites may feel more secure in their positions and therefore adopt a longer-term view that enables them to commit to more developmental policies with more broadly distributed benefits. In the latter, no single party holds a preponderance of power and instead there is continuous competition between political parties; this in turn shortens time horizons for elites, resulting in disordered deals with businesses aimed at maximizing quick rents for themselves and their cronies (Pritchett et al. 2017: 32–33). Dominant party settlements are thus more likely to give rise to the kind of developmental deals just described, and can in fact be relatively stable – that is, the business environment isn't necessarily marked by chaos or rampant opportunism, but instead consists of an organized if inefficient or even illicit set of informal rules and expectations (Ghani et al. 2007: 165). From the perspective of businesses then, informal and personalised relationships matter most (Pritchett et al. 2017: 24), while 'legal or de jure policies are of only minimal relevance to business decisions' (Pritchett and Werker 2012: 4) or, indeed, completely 'irrelevant' to them (Cutler 2002: 34).

Of course, post-conflict states are 'seldom complete regulatory vacuums of virtual impunity and "de facto legal anarchy"' (Ford 2015: 34). Indeed, as noted, *de jure* regulations may exist, such as those that oblige businesses to cooperate with particular political elites, to procure certain goods from particular suppliers, or to employ personnel locally, particularly in the case of multinational firms. However, in post-conflict states, such regulations are likely to reinforce exclusive bargains rather than pave the way for more inclusive settlements, because they can help a small set of political actors consolidate their positions, increase their individual wealth, or gain political popularity locally.

This regulatory complexity is compounded for multinational or transnational firms that are also required to comply with regulations and legislation (for example relating to anti-corruption) in the country(ies) where they and their subsidiaries are incorporated. For these types of firms, regulatory rents can create serious dilemmas: the elites, both state and non-state, who can grant

them operational access are often more interested in the creation of rents that they can distribute to themselves and others, but this may cause serious compliance and legal headaches elsewhere for these companies.

From the point of view of businesses, the need to comply with both official *de jure* rules, regulations, and institutions and unwritten *de facto* rules and institutions means that they are subject to a range of regulatory imperatives, which necessarily entail costs for them (Ford 2015: 33–34). This in turn can create conflicting incentives for businesses, depending on the type of firm they are.

For rent-generating companies (rentiers and powerbrokers), this regulatory environment may induce them to seek beneficial arrangements for themselves in order to counteract the costs of compliance (Werker and Sen 2021: 8). Critical for these companies are up-front contracts or concessions for access to physical resources (e.g. mines or land); the regular renewal of exclusive rights to and dominance of certain industries or sectors; and the creation of barriers to entry for others. Such deals are often most expediently done through the building and maintenance of close and sometimes corrupt relationships with political elites, and these firms are often willing to accept the costs of doing so. In particular in the case of powerbrokers, this can result in 'strong businesspeople buying off politicians and bureaucrats to entrench their market position' (Pritchett et al. 2017: 23). Over time, this creates a negative economic feedback loop whereby these firms pursue ever-closer personal informal relationships with political elites, seek to capture the process of licensing and contracting, and attempt to create barriers to entry for other firms (Pritchett et al. 2017: 31; Werker and Sen 2021: 9). In short, it can perpetuate a closed, disordered deals environment and the continuation and entrenchment of limited access orders.

As noted above, deals between business and political elites have particularly strong implications for the establishment of a functioning tax regime and thus the generation of much-needed revenue that could promote more inclusive development. As noted, many deals bestow favourable tax arrangements on businesses or enable them to siphon profits through shell companies and subsidiaries or to offshore accounts. This is particularly the case with large corporations, especially multinational ones, for the reasons noted above. Such tax evasion in turn inhibits the collection of state revenue and therefore contributes to the ongoing weakness of the state and inhibits the delivery of public services to the broader population. Moreover, tax avoidance can mean not only the loss of important tax revenue in absolute terms, but also an unequal sharing of the tax burden between large and small businesses, thus further entrenching of the dominance of large rent-generating firms and inhibiting the rise of entrepreneurial SMEs (Carnahan 2015: 176). Ultimately, because many businesses, in particular rentiers and powerbrokers and multinational firms, do not have any major vested interest in the improvement of state-society relations and the development of social cohesion, except where they might have an impact on their operations, they are likely to pursue courses of action that will minimize costs rather than contribute to the opening up of the deals environment and more inclusive development.

Business and Organised Crime

In some cases, the role of businesses can, as mentioned above, slip from the licit into the illicit, and open space for organized criminal groups to become parties to the political settlement, further distorting the possibilities for growth and inclusion. Indeed, in many post-conflict, fragile, and developing countries, 'organised crime is closely intertwined with politics, including at the highest levels of the state' (Reitano and Hunter 2018: 6–7). As Williams (2002: 180) notes, 'when public authority is weak and state legitimacy is low, other less formal, often illicit forms of authority will thrive,' including organized crime. This situation is often further complicated by inflows of both foreign aid and international corporate capital that tend to accelerate after conflict and that thus present additional opportunities for capture and graft. Reitano and Hunter (2018: 7) contend that as a result of these overlapping groups and financial flows, 'organised crime has been allowed to creep unchecked into the "space between" governance, economic stimulus and development.'

This in turn can further undermine state capacity and legitimacy, entrenching informal, opaque, and even violent institutions and threatening 'individual citizens' access to livelihoods, their sense of security and community, and their confidence in their state and its institutions' (Reitano and Hunter 2018: 7). Indeed, illegal activities, like artisanal mining, illicit fishing and logging, and poaching, are often 'an important source of livelihoods' and the illicit economy often overlaps with the informal one (Reitano and Hunter 2018: 4), leaving average citizens caught within the legal grey area of these distorted economic structures.

In the most extreme cases, which are likely to include fragile and post-conflict states governed by a deal-making logic, 'criminal groups take the place of legitimate government' (von Lampe 2015: 8). Such displacing of the state can have a stabilizing effect in the short-term, with organized crime groups bringing a degree of order, hierarchy, governance, and even service provision to particular geographic areas or neighbourhoods. On a larger scale, organized crime groups can become *de facto* regulators, with 'legitimate businesses routinely turn[ing] to criminals to solve a dispute over a contract or to collect an outstanding debt because there is no faith in the efficient functioning of the legal system' (von Lampe 2015: 8). However, these rarely result in inclusive, productive, or equitable distribution of resources and opportunity, and in the long-term are generally negative for developmental outcomes. Indeed, where criminal groups capture or displace the state, the state may find it more expedient or profitable to allow such groups to continue to fulfil those regulatory and service delivery functions and thus 'will take measures to ensure that organized crime functions unhindered and uninhibited' and will 'provide sanctuaries or safe havens for criminal organizations' (Williams 2002: 180). For their part, businesses already operating according to informal rules may calculate that the risks of cooperating with organized crime networks are outweighed by potential profits, much in the same way that they may make deals with warlords, militias, and 'big men' to secure access for their operations immediately after conflict. In this regard, businesses will share a vested interest with political elites and powerful criminal networks, which often have coercive means at their disposal, in allowing criminal organizations to continue operating undisturbed.

Shifting to an Open, Ordered Deals Environment

It would, however, be a mistake to think that all firms benefit from a closed, disordered deals environment or one that involves illegal activities and networks, or that those who benefit from one initially continue to do so. Indeed, for most businesses, a shift from a disordered to an ordered deals space means increased profitability (Pritchett et al. 2017: 29), and many will therefore want to see a shift towards an open access order. Disordered deals spaces are marked by uncertainty, which means that firms will 'frequently face risk and resources shortages' and thus may be deterred from investing in the first place, in particular if doing so entails large upfront sunk costs as noted (Sen and Te Velde 2009: 1269). Even where they do invest, longer term planning and decision-making will be rendered difficult or impossible and thus will likely negatively impact profitability, growth, and innovation.

The deterrent effects of this environment may be particularly marked for multinational firms, which usually do face such upfront costs to investment, and which may also be subject to legislation and regulations in other parts of the world or which are uneasy about operating in contexts still characterized by insecurity, sporadic violence, or arbitrary detention. Indeed, the potential for profit-making must be sufficiently high for companies to decide to invest in the first place and many will be wary of closed, disordered, and possibly illegal deals spaces.

This uncertainty may be partly reduced where the political settlement is dominated by a single party, since this will allow political elites to make and maintain credible commitments to businesses. However, dominant party settlements will not remove all of the costs of uncertainty for firms, since dominant parties can also of course lose relative power either over time or suddenly, due to unexpected shocks. Moreover, where a dominant party settlement exists, the benefits of more predictable enforcement of regulations (formal or informal) by state officials may be partly outweighed by the highly personalized nature of state-business relations – that is, commitments may be more credible, but they are only

available to a small group of firms or businesspeople (Pritchett et al. 2017: 30) and often on the basis of 'kinship structures, social norms, and patron-client networks' (Sen 2015: 39).

For these reasons, in contrast to the view that businesses in post-conflict states are necessarily predatory (Ford 2015: 2), many businesses may in fact want a more open, ordered environment, where operational access is impersonal and competitive and where the enforcement of regulations and contracts is reliable and institutionalized. This is particularly the case for competitive, as opposed to rent-generating, firms (magicians and workhorses), who rely on reduced red tape, equitable enforcement of formal rules, and regulated competition to remain operationally viable and eventually to grow and innovate. Importantly, not only is economic growth likely to accelerate in a more open, ordered deals space and in particular to benefit magicians and workhorses, but this can also lead to a 'positive feedback loop' in which these firms contribute to 'a more inclusive business sector and … further predictability in the business environment,' ultimately leading to growth maintenance (Werker and Sen 2021: 9). In other words, growth episodes that result from the 'structural transformation' of the deals space into an open, ordered one, as opposed to closed, disordered or closed, ordered, can result in growth maintenance, as opposed to the erratic 'boom and bust' growth described above (Werker and Sen 2021: 9, 3).

Business, Regulatory Capacity, and Influencing the Policy Process: A Role for Business in Regulation?

Importantly, many businesses not only want greater enforcement, regulation, and openness, they can actually help with their establishment. This is both because businesses may have strong technical knowledge of such mechanisms, including from other countries, and because they can have a strong influence on the policymaking process. First, as Ford (2015: 3) notes, 'where state regulatory capacity is weak after conflict, it makes sense to identify and enrol legitimate and effective non-state sources of conflict-prevention, peacebuilding and governance strength.' Businesses often have exactly the kind of technical expertise in regulatory frameworks, trade, corruption, and compliance that may be needed (Miklian et al. 2018: 30) and that in fact '[s]tretched government bureaucracies often welcome' (Marques and Utting 2010: 20).

Second, businesses have an immense capacity to affect public policymaking. Ford (2015: 3) notes that businesspeople and firms are 'important social actors that can give substance to policy goals,' and there thus may be a role for them in holding public authorities to account. Indeed, businesses often enjoy unprecedented access to political elites, 'who are often more inclined to listen to businesses over NGOs, academics, or foreign policymakers' (Miklian et al. 2018: 30–31), access that amplifies their ability to shape public policy. Marques and Utting (2010: 13) concur, asserting that 'the structural power of business is immensely important in shaping both fiscal and social policy.'

The influence of business on policymaking can of course vary, in particular with regards to policies that have both fiscal and social impact: businesses can be passive, hostile, neutral, or favourable (Marques and Utting 2010: 19). They are usually assumed to be interested exclusively in public policies that benefit them financially, with little regard for, or even hostility towards, policies that emphasize social impact – that is, they are assumed to favour limited access orders that give them exclusive access and fiscal benefits. Pritchett and Werker (2012: 53) contend that 'when the state is weak, it can be exploited by those who would seek to subvert the regulatory power of the state for their own benefit,' and after conflict, the state is indeed usually weak, thus creating incentives for businesses and political elites alike to 'use' the state in this way. They add that attempts to overcome this may be futile anyway: 'when the private sector and the state have been interacting on a discretionary, rather than rules-based, interface, changing the rules alone may be a waste of time' (Pritchett and Werker 2012: 59).

Nevertheless, there are also possibilities for synergy, where pro-business and pro-society interests overlap and thus where fiscal and regulatory policies that support businesses are also conducive to social cohesion and inclusion (Marques and Utting 2010: 19). Marques argues that 'progressive social policies are prevalent when business has low structural power relative to other social actors; industrial production is heavily dependent on a highly skilled labour force; social pressures affect a large cross-section of the business community; and collaborative institutions, including encompassing business associations, facilitate social dialogue and policy-making' (Marques and Utting 2010: 13, see also 21). As mentioned above, Bräutigam et al. (2002) as well as Kildornay and Reilly-King (2013) reiterate the importance of business associations, labour unions, civil society organizations in helping to create such synergies and hold both state and non-state political elites and businesspeople and firms to account. Werker and Sen (2021: 10) add that businesses may 'advocate not only for certain state capabilities around the investment climate but also regarding basic functions of the state, including investments in health and education.'

Still, many caution against assuming that the influence of businesses in the policymaking process will be positive or that it will necessarily become positive over time. Indeed, the close and opaque relations between business and state actors and the establishment of patterns of interaction between them can instead lead to or entrench 'an exclusionary policy-making process that marginalizes social policy' (Marques and Utting 2010: 20) as much as it can lead to more open policies that benefit society. This again is likely to vary according to the type of firm. Rent-generating firms (especially rentiers) that are less dependent on state infrastructure and human capital are likely to prefer a continuation of a deals-driven logic because they 'do not see a return in investing in basic services,' while competitive firms are more likely to prefer policies that do see such investments (Werker and Sen 2021: 12–13).

This is also likely to vary depending on whether a firm is international or domestic. While some multinational companies 'may simultaneously pursue private profit and social welfare' (George et al. 2012: 672), many international businesses are likely to be less invested in the development of an effective state and a resilient social contract in the host country, so long as the minimum capacity required for their operations is in place. Again, this is particularly true of rent-generating multinationals, which may be less reliant on local labour or infrastructure, and only require the sign-off of key political elites. These firms may therefore engage in policy advocacy that benefits them in terms of access, regulatory processes, and taxation, but be ambivalent or even hostile towards the social implications of policymaking and legislation. Indeed, international firms may lobby against economic policy that attempts to, for example, increase taxation in order to fund domestic investments in human capital, education, and health, or, as described above, simply circumvent them through off-shoring or sub-contracting (Miklian and Schouten 2019: 9).

Finally, this may be exacerbated by the mindset of elites (and indeed international interveners and donors) after conflict, who are often willing to tolerate patrimonial economic practices in the short-term in the interests of maintaining an elite bargain and preventing a return to conflict. Smoke and Taliercio (2007: 55–56) call this a 'peace and security mentality,' which they contrast with a 'developmental mentality.' The former focuses on short-term threats to a fragile stability, while the latter takes a longer-term view with a focus on pro-poor economic growth. When the peace and security mentality dominates, 'priming the patronage pump is accepted as the "price of peace"' and it 'is used to justify the adoption of a reform framework with formal principles that in practice are often subjugated to the perceived need to use resources to maintain fragile alliances that benefit the various elements of the ruling coalition, including the military' (Smoke and Taliercio 2007: 55).

In many countries, this peace and security mentality and the resulting tolerance for opaque or corrupt business practices provides comfortable cover for companies that find the current system of informal rules profitable. These can range from large multinational rentiers in the extractives industry to smaller firms operating in the domestic manufacturing industry. For example, in DRC, large oil and mining companies, such as Tullow Oil, Total, Glencore, China Molybdenum, Barrick, and AngloGold Ashanti, have historically benefitted from opaque and secretive negotiation processes for exploration and

exploitation rights, enabling them, as mentioned above, to secure permits and concessions at bargain prices. For example, Dan Gertler, an Israeli businessman and close ally of former president Joseph Kabila who has been investigated for corruption numerous times and is currently on the US sanctions list (BBC 2021), reportedly bought a copper concession for US$15 million in 2010 and sold it only a few months later for US$75 million (Carter Center 2017: 40). Combined with extensive off-shoring, layers of parent companies, and under-declaring the value of imports and exports, many such firms have also managed to pay only minimal taxes on their profits or even to claim that they are operating at a loss (Radley 2018). Close relations with the regime have proven lucrative in this regard: in additional to personal relationships with President Kabila and his closest advisors, some companies, like Fleurette (one of Gertler's many firms), have allowed Congolese political elites to acquire shares in their subsidiaries (Carter Center 2017: 40–41). The companies thus ensure the flow of rents to these actors, while also ensuring that government accusations of corruption will remain minimal.

Both domestic and international firms in other sectors can also benefit from a deals environment. For example, Bralima, the main brewing company in Congo (owned by Dutch brewer Heineken since 1986), operated uninterrupted during the war years. During that time, the company reportedly paid extensive taxes to one of the main rebel groups in the east of the country, the RCD-G, and in fact constituted one of their main sources of tax revenue, thus ostensibly fuelling their war effort, human rights abuses, and other illegal activities (Schouten 2013: 19–20). Later, Bralima cut deals with the RCD-G for tax reductions, taking advantage of the weak regulatory environment to increase their own profitability (Schouten 2013: 19). Since the end of the war, allegations of deals with state actors to avoid tax payments have persisted. According to van Beemen (2019b: 170), Bralima officials have described how 'it is particularly important to have friends at the Ministry of Economic Affairs, at customs, the revenue service and among officials at the Ministry of Finance,' as well as instances of direct payments to officials for their collusion in facilitating tax evasion. In this way, though the company would likely benefit from improved infrastructure and certain other forms of regulation, it also has an interest in the continuation of an opaque operating environment and a closed political settlement in which it can cultivate close relationships with key political elites to maintain its market dominance and ensure tax payments are kept to a minimum. For its part, Heineken has always touted its dedication to fair working conditions, human rights, inclusive development, and corporate social responsibility (van Beemen 2019a), but its practices, along with those of other similar companies, suggest that the existence of an entrenched political elite and a deals environment where the enforcement of rules is unreliable or non-existent serves to boost profits (Miklian et al. (2018: 32) describe a similar dynamic in neighbouring Burundi, where Heineken was the single largest taxpayer in the country and in this way was indirectly responsible for keeping a corrupt and abusive regime in power).

Donor Approaches

Several scholars note that this effect has, ironically, been encouraged by Western, neoliberal approaches to economic reconstruction in post-conflict states, even though the intention behind such approaches is in fact to promote a shift towards open, ordered deals and eventually a rules-based order. As Muthien and Taylor (2002: 184) argue, the neoliberal approach of Western donors and IFIs has, in many parts of the world, 'eroded the neopatrimonial state that came into being in the postcolonial period, and [has] subsequently invited the elites largely to abandon formal state-derived authority and prestige.' This in turn 'rolled back' the state and encouraged elites to 'privatize' their activities (Muthien and Taylor 2002: 185, 184), seeking rents and benefits through informal channels instead of through bloated state bureaucracies. While the latter were of course also economically inefficient, they were not replaced by more efficient and transparent processes, but instead by the personalization, informalization, and privatization of rent-seeking. Businesses, as entities formally outside the state, thus became important sites of private gain.

After conflict, this effect may be even more extreme, where the weakness of the state opens up room 'for a more individualist, indeed private, model of accumulation for elites' (Murthien and Taylor 2002: 184), away from institutions and central authority. This in turn encourages businesses to use these same channels in order to secure the operational access they need. As Cutler (2002: 34) argues, '[t]he privileging of private ordering and self-regulatory arrangements among corporations through autonomous process of dispute resolution and the private arbitration of trade and commercial disputes, though special corporate tax arrangements, and through increasingly delocalized financial relations is minimizing the development of explicit rules of law and enhancing the influence of private, *ad hoc*, and discretionary practices.' Kildornay and Reilly-King (2013: vi) add that the push away from nationalization and towards privatization also has effects for a shift towards more inclusive development, noting that donor-led neo-liberal approaches 'diminish the policy space for developing countries to establish socio-economic models specific to their national (and regional) contexts that take into account the views of citizens.'

The Role of Identity in Shaping Prospects for More Inclusive Politics

Alina Rocha Menocal[1]

Introduction

Identity is a crucial issue, both conceptual and empirical, that lies at the core of the nature of political settlements. It defines the parameters of who is included and who is excluded from a given political system and a sense of common destiny, how, and why, and as such plays an important role in shaping prospects both for fragility and conflict and for more peaceful, cohesive and inclusive states and societies.

This paper explores identity and how inclusive/exclusionary it is along two key dimensions:

- Inequality and exclusion *between* different identity-based social groups and corresponding elites, or "horizontal inequalities"; and
- Nation-building and historical narratives of belonging / exclusion linking together state and relevant elites with society and different social groups therein in a shared sense of collective destiny.

The paper looks at the impact of both of these dimensions of identity and inclusion/exclusion on (violent) conflict and social cohesion. It also explores the question of how governance affects and shapes prospects for fostering social cohesion across narrowly based divides and nurturing inter-group social bonds as well as trust between different social groups and the state. The paper focuses in particular on governance dynamics and institutions including power sharing, elections, political parties and party systems, electoral systems, decentralisation, and new media/information and communications technologies.

Identity and group-based exclusion: horizontal inequalities

Exclusion between social groups based on collective identity/identities – be it in terms of ethnicity, race, religion, gender, geography, etc – is an economic, political, social and/or cultural construct that is shaped through a dynamic process of interaction and contestation both across social groups and between state and society over the distribution of power and resources. Patterns of inclusion and exclusion are deeply entrenched in the underlying and institutional arrangements, power relations, and 'rules of the game' that underpin a given social and political system or political settlement. Inequality and the social exclusion it engenders occur when belonging to a certain identity-based group has a considerable impact on group members' ability to participate in the political process and exercise their rights, as well as their access to opportunities, development, and other resources (Bermeo 2009; Klasen et al. 2018).

This is what Frances Stewart (2000; 2010) and Stewart and Graham Brown (2009) have defined as "horizontal" inequalities *between*, as opposed to *within*, social groups. Certain groups (including both elites and larger populations belonging to a given group) are systematically excluded, discriminated against and disempowered on the basis of a defined characteristic or shared identity (DFID 2005). These processes of inequality and exclusion take place along a variety of domains (see Box 1). They are sustained, reinforced and reproduced over time and space through political and social institutions (both formal and informal), economic structures and relations, legal frameworks, and behaviours

1   ODI

that are embedded in or reflect prevailing political structures, power relations, and social and cultural attitudes and values (Castillejo 2014; Stewart and Brown 2009). Apartheid South Africa (Marx 1998), Liberia under Americo-Liberian rule, and the oligarchic and discriminatory regimes that ruled in many countries across Latin America (Bolivia, Ecuador, Guatemala) for much of the twentieth century (Yashar 1998) are all powerful examples of how patterns of institutionalised, identity-based inequality and marginalisation produce and reproduce themselves over time.

Box 1: Domains of horizontal inequalities

Horizontal, or identity- or group-based inequalities, occur along a number
of domains, including:

- *Economic* dimensions, where it is not just income, but landownership and employment, among other aspects, that are relevant to people's wellbeing and grievances;

- *Social* dimensions, such as access to health and education;

- *Political* dimensions, encompassing participation, representation, and control in central and local government, the bureaucracy and the army, as well as other sources of power;

- *Gender* dimensions, whereby girls/women and boys/men are treated differently on the basis of assumed roles and responsibilities and social expectations

- *Cultural* dimensions, including societal respect for a group's religious practices, language, or dress.

- *Territorial* dimensions, including rural and urban divides as well as regional imbalances

---

Source: Stewart (2010).

Identity-based exclusion and conflict

Horizontal Inequalities and Conflict

Research consistently finds that horizontal inequalities provide the basis for inter-group animosity (Stewart and Brown 2009, Stewart 2010, Stewart 2000). Identity-based violence, especially in relation to ethnic, religious, and sectarian lines, is a leading fault line of conflict and thereby presents grave threats to prospects for peace and security (Cox and Sisk, eds, 2017; Sisk 2017). As examples like the Central African Republic, Iraq, Myanmar, Nepal, Somalia, Syria, Yemen, and Ukraine all help to illustrate, identities that are exclusivist – or built on "a binary difference defined in opposition to others, asserting an impermeable boundary between 'us' and 'them'" (Kaldor and de Waal 2020) (including for example, racism, ethnic nationalism or religious fundamentalism) – are an especially pernicious challenge in fragile states. Pervasive societal fear of discrimination, marginalisation, and disadvantage creates conditions conducive to conflict recurrence and deeply protracted identity-based violence (Cox and Sisk, eds, 2017).

Existing evidence strongly suggests that horizontal inequalities along political dimensions (see Box 1) are the most pernicious or destabilising, while they become all the more potent when they are coupled with other dimensions (Cox and Sisk, eds, 2017; Call 2012; Stewart 2010). Exclusionary elite bargains and the ensuing patterns of state-society relations they generate – based on the instrumentalization of state functions in pursuit of power and material resources along identity lines (Kaldor and de Waal 2020) – and the discrimination, inequality, and denial of fundamental rights that they engender – breed resentment that can provoke or exacerbate violence and insecurity (World Bank 2011). These exclusionary arrangements are more likely to lead to violent conflict, including civil war. Elites from disfavoured groups who feel unequal and suffer from disadvantages on the basis of *who they are identified as*, especially in terms of political decision-making, have incentives to capitalise on social fear and instability among their group members to foment rebellion in an effort to challenge

existing political understandings and arrangements (Rocha Menocal 2015a and 2015b; Jones et al. 2012; Elgin-Cossart et al. 2012; Stewart 2010; Stewart and Brown 2009). As Kaldor and de Waal (2020) have put it, what is at stake in identity politics as a socio-political project is the forging of exclusivist, binary and singular identities by all involved (leaders and followers) as a basis for mobilisation in the competition for power and symbolic and material resources and how they are distributed.

Research by the US Central Intelligence Agency-funded Political Instability Task Force (PITF), for example, found that state-led discrimination (both political and economic) is strongly linked to instability and the risk of violent conflict, and that it is one of four variables that help explain a majority of cases of what it refers to as state failure (cited in Elgin-Cossart et al. 2012).[2] This is especially the case where patronage relationships run largely along identity-based lines, including ethnicity in particular, and elites can "play the ethnic card" (Sisk 2013; Waldorf 2019). As Cox and Sisk, eds, (2017) have put it, drawing on cases like Guatemala, Kenya, Myanmar, Nigeria, and Sri Lanka, where political power and access to power to distribute state resources is linked to processes of ethnic mobilization, there are high levels of fragmentation, mistrust, and fear among competing groups that embattled elites can exploit to instigate violent conflict. Research led by Kaldor and de Waal (2020) in countries including the DRC, Somalia and Syria reinforce such arguments. In the case of Congo, for instance, they note that "[o]ne of the striking features of ethnic capital … is that it seemingly gains in value in moments of intensified competition over power and rupture' and can lead to episodes of large-scale collective violence" (Kaldor and de Waal 2020).

Examining the factors behind fifteen cases of civil war recurrence in Africa, Asia, the Caucasus and Latin America, Charles Call (2012) also finds that political exclusion, especially among former opponents, is the decisive role in the recurrence of violent conflict. Conversely, political inclusion of former combatants/potential spoilers, through power-sharing agreements and other mechanisms, is highly correlated with the consolidation of peace. The contrasting trajectories between the Ivory Coast and Ghana that Langer (2008) examines point to a similar conclusion. While the two countries have severe socio-economic horizontal inequalities between the North and the South, Ghana has remained consistently politically inclusive and has avoided any major national conflict. The Ivory Coast, on the other hand, experienced a civil war in the 2000s that was rooted in the political exclusion of the Northerners and compounded further by cultural exclusion. A similar dynamic was at play in Ukraine where the Luhansk / Donetsk separatists had genuine grievances about limitations being placed on the use of the Russian language by the Kiev government following the EuroMaidan protests and the change of administration[3].

Gender inequality itself is not a leading cause of violent conflict at the macro-level (so for instance it does not tend to lead to civil war, or to military combat). Yet, there is a correlation between gender inequality and the likelihood that states will engage in conflict through military action, both internally and internationally (Domingo et al. 2013).

Women also experience violent conflict differently from men, and "systemic gender discrimination and sexualized or gendered violence persist and even increase after a formal cessation to conflict" (True 2018). Evidence suggests that gender norms are an essential part of singular and exclusive identity formation (Kaya 2020). In the case of ISIS, for example, the construction of identity through sexual violence has taken place within a socio-economic and political context and long-term history, wherein gender and identity-based hierarchies intersect. This has been possible because of the existence of repertoires of values, perceptions and practices of hegemonic and militant masculinity (Kaya 2020).

---

2   The other three include regime type, infant mortality (as an indirect measure of the quality of life), and the regional neighbourhood.
3   From Tom Rodwell.

Conflict-related violence against women is, therefore, a security issue in itself, which can serve a particular purpose in a conflict (Domingo et al. 2013). Efforts to end war and conflict therefore need to be sensitive to gender inequalities and differences if they are to be effective and sustainable (Domingo et al. 2013; True 2018).

Role of State Elites in Shaping Identities and Historical Narratives of Inclusion/Exclusion

Identities, or the way groups are defined or choose to define themselves, are not necessarily given but fluid. Even if narratives around identities often frame them as preordained, primordial, and unchanging (as in the "ancient hatreds" argument in the former Yugoslavia) (Kaldor and de Waal 2020), they are shaped and reshaped through a dynamic process of interaction between state and society, over both the short term and the *longue durée* (Gunderson and Holling, eds, 2002). As noted above, processes of inclusion or exclusion are political, social and cultural constructs embedded in the political settlement and underlying rules of the game. Ideologies and identities are closely related. Particular ideological claims can both stem from and inform shared commitments based on religious, ethnic, local, and/ or national identities (think for instance of apartheid in South Africa, religious fundamentalism in Iran, or anti-US socialism in Cuba). Collective historical narratives of belonging thus give substance and meaning to the ideas and ideologies that animate a society's degree of exclusion and inclusion (Sisk 2017; IFIT 2021), and this is often an iterative and mutually constitutive process.

Historically, the state and state elites have played a critical role in shaping, altering, and even manipulating the way in which group identities and accompanying ideologies evolve, in whether, how and why they become salient and politicised, and in how inclusive or exclusivist (that is singular, binary and fixed) they are (Rocha Menocal 2015a and 2015b). In other words, the state is not neutral when it comes to inter-group relations (Sisk 2017). State actions and their consequences, both intended and unintended, frame the contours within which group identities develop and become salient, giving rise to horizontal inequalities as discussed above, as well as the terms in which broader, society-wide definitions of belonging and of the nation-state itself are defined and contested (see e.g. the work of Anthony Marx (1998) and Deborah Yashar (2007) among others).

Nation-building can be defined as the construction of shared narratives, sense of identity and common destiny, often based on the creation of a "common" history and foundational myths, to bring people together across other differences (such as ethnic, religious, territorial), and counter alternative allegiances (Gellner 1983; Anderson 1983). Nation-building and the narratives that sustain them are systems of stories that help people make sense of their experiences and to create a coherent view of the world (IFIT 2021). They unconsciously shape understandings and beliefs about identity, community, group belonging and relationships with 'others'. Social groups often have different stories about what happened in the past and why it happened, about things they selectively agree to remember, forget, or reinterpret (think of the selective representation of the history of Empire in the UK, which is now being increasingly contested), and what it will take to create a lasting peace that benefits their group and larger society. These established narratives together form a narrative "landscape" that is specific to each context, which can either deepen or mitigate divisions (IFIT 2021).

Elites require their own strong narratives to bring people together for a common aim and to justify their existence, goals and decisions. When competing elites have used social exclusion as a key rallying mechanism in the shaping of identity, narratives, and sense of nation or belonging by selectively including some groups in society but not others, this has led to biased processes of state formation and nation-building founded on exclusionary political settlements. This can be seen, for example, in China in relation to the Uighur population, as well as in Myanmar with respect to the Rohingya. As outlined below, this kind of identity-based exclusion often creates grievances and fault lines that provide fertile ground for the outbreak of (violent) conflict.

A key debate in the literature in relation to this is ethnic patronage politics and the extent to which elites use ethnic and other identity-based networks to distribute public goods and other state resources so as to empower their own group at the expense of others. Patterns of economic

accumulation along ethnic lines, enabled by state capture, vary widely. In some cases, like South Africa under apartheid, this pattern was explicit and unambiguous. From 1948–1990, the state engaged in very deliberative policies of ethnic favouritism to lift Afrikaners out of poverty and to continue to benefit the English-speaking white minority, at the expense of the unfranchised, developmentally disadvantaged, and economically exploited majority-African population (Sisk 2017).

Ethnic patronage is a recurring issue in Kenyan politics as well, but in ways different to the historical example of South Africa. Because political coalitions have crystallised along ethnic lines, and efforts have been put into place (for example after the 2007–2008 election-related violence) for ethnic quotas, jobs in the public sector have become patronage rewards for political elites seeking to solidify and extend their political base. Decentralisation in Kenya, which was to have helped ameliorate such dynamics, may have instead shifted or multiplied patterns of ethnic favouritism to the local level. So newly empowered local governments are often engaged in managing identity-related issues such as land tenure and use, which is a common cause of localised ethnic conflict in Africa (Sisk 2017).

In Lebanon, too, sectarian elites benefit from the status quo. Similarly to Kenya (and many other settings as well), the patronage system still drives politics, with severe implications in relation to issues ranging from state capacity to service delivery. Arguably this will continue to be the case as long as there are no substantive incentives for shifting away from a clientelist sectarian system (Sisk 2017). A live test is the growing mobilisation in Lebanon, especially among young people, who are coming together across confessional identities for the first time to demand greater state responsiveness and accountability (Kassir 2019).

Beyond this specific issue of political capture and economic accumulation, available evidence also seems to suggest that political settlements that are grounded on a more *inclusive* nation-building project or, as Benedict Anderson (1983) 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. This does not negate different identities that individuals and groups may have, but in more inclusive narratives of nation-building and belonging, such identities can be complementary and overlapping rather than exclusivist, singular and binary.

The role of elites in shaping these more inclusive identities and nation-building projects has been crucial as well, especially where relations between different groups in state and society have been fractured by conflict and/or violence. Mexico under the single-party 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, but also, over time, involved a wide variety of societal groups that were co-opted into the party-state through an extensive network of clientelism and patronage in exchange for political loyalty. Ideology also played a crucial role in the creation of a shared Mexican identity along two prongs. The first was the development of an invented idea of nation based on the notion of Mexicans as neither Spaniards nor indigenous people, but as mixed-raced *mestizos*. The second was the promotion of an ideological narrative grounded on socialism nationalism (especially in relation to the USA), and state-led development (through, among other tools, the national oil company, PEMEX, for example). This (quite flexible) promulgation of shared identity and ideology helped to create cohesion and mask underlying political and socio-economic cleavages, all while providing legitimacy to and a justification for one-party rule. As Nobel Laureate Mario Vargas Llosa described it, Mexico was "the perfect dictatorship".[4]

---

4   https://elpais.com/diario/1990/09/01/cultura/652140001_850215.html

Botswana provides another example: after independence, the new elected leadership developed a 'political strategy of balancing regional, ethnic and racial interests' that enabled the Botswana elites to work together and to establish a series of overlapping and reinforcing agreements and consensus on the emerging rules of the game across a variety of divides (e.g. traditional–modern sectors, political parties, ethnic-racial divisions, public–private sectors) (Sebudubudu and Molutsi 2009). An inclusive sense of collective identity has also been central in the experience of Taiwan, South Korea and Malaysia, where the very issue of national survival was at stake (Rocha Menocal 2017a). That sense of unity and shared identity, very much driven from the top down, has been essential in anchoring the political settlement in Oman and harnessing its developmental transformation over the past few decades (Phillips and Hunt 2017).

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. 2012). 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 (Blouin and Mukand 2019).

Identity and Social Cohesion

As discussed above, identity and accompanying ideas, ideologies and narratives provide the grammar and vocabulary for shared understandings of the world and the common practices and rules that make society function (Kaldor and de Walle 2020). Thus, identity-based exclusion is an especially pernicious challenge in fragile states because, at its core, it undermines social cohesion, or a sense of common destiny and the fabric holding a society together across divides.

As defined by the Canadian government's Social Cohesion Research Network, social cohesion is "based on the willingness of people in a society to cooperate with each other in the diversity of collective enterprises that members of a society must do in order to survive and prosper. Willingness to cooperate means they can and do freely choose to form partnerships and have a reasonable chance of realizing them, because others are willing to cooperate as well" (quoted in Aall and Crocker 2019). As stressed in 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. Without shared myths to bind societies together, the risks of fragmentation, polarisation, culture wars and actual violence increase dramatically (Evans 2017).

Importantly, ties binding people together should not be based on narrow identities that exclude others, but rather need to be multiple and overlapping/cross-cutting, rather (see, for example Varshney 2001; Linz and Stepan 1992). This is a crucial distinction that is made in the literature between "bonding" social capital and "bridging" social capital (Sisk 2017, Cox and Sisk 2017; see also Castells 1997 on reforming identities). Bonding social capital helps to strengthen within-group ties and reflects "kin-like" loyalty and attachment – which can exacerbate horizontal inequalities and exclusion between groups. Bridging social capital, on the other hand, nurtures ties across different groups and identities, which is essential to build bridges across divides that can be anchored in shared values, a sense of common destiny, parity of esteem (or mutual respect and tolerance), and dense networks of interaction, interdependence and engagement across ethnic, racial, religious, indigenous, caste, or other lines of difference, in ways that transcend group lines. This kind of cross-cutting social cohesion can help prevent the escalation of polarization into violence when lines of conflict sharpen, tensions mount, and crises occur (Sisk 2017; Aall and Crocker 2019), and it is therefore essential in fostering social-wide resilience.

Thus, the quality and effectiveness of state-society relations is greatly impacted by the degree of cohesion that holds a society together, and by the extent to which states and societies have or can develop a collective vision of a shared national project or common destiny that binds them together. In this respect, identity-based exclusion can be seen as the antithesis of social cohesion. Through the different dynamics it generates in fragile states, it actively militates against the creation of a collective identity or sense of a shared nationwide public, hinders collective action across narrowly defined groups, and is a leading driver of fragility and conflict (Kaplan et al. 2017; Cox and Sisk 2017). Even where violent conflict does not ensue, the experiences of countries like Papua New Guinea and Guinea Conakry help to illustrate that the lack an overarching sense of national identity can make it very difficult for political settlements to be responsive to the needs of the general public (Rocha Menocal 2017b).

How to Foster Cross-cutting Social Cohesion?

Identity and Governance

As Cox and Sisk (eds) (2017) have noted, in deeply divided, conflict-affected settings, perhaps the single most significant threat to already delicate social cohesion is the pervasive existential fear that identity-based inequalities and exclusion, violence, and biased and captured institutions leave in their wake. Thus, a critical challenge that emerges from the discussion above is how to move beyond an exclusivist, simplified and binary identity and foster cross-cutting social cohesion and the articulation of a vision and a set of shareable values for a plural, or multicultural, political system, in ways that do not simply include elites from different groups but also society more broadly. Importantly, a more inclusive sense of identity is not intended to be limited to a single 'shared narrative' where all people are expected to agree on and tell the same story. Rather, it is the result of a rich landscape of many different narratives growing from some core, common or interwoven roots and branching into innovative and responsive branches (IFIT 2021).

Institutions are central to this puzzle. Different governance dynamics and institutional arrangements (both formal and informal) may have an impact on the kinds of identities that are shaped and whether and how narrowly based identities can be compatible with/ transcended by broader and all-encompassing ones to enable more inclusive politics.

Among the principal factors to consider from a governance/institutional perspective are: power sharing; women's formal inclusion and political participation; elections; political parties and party systems; electoral systems; decentralization; and new media/information and communications technologies (Bermeo 2002; Brancati 2009; Sisk 2017).

Power Sharing

Power sharing can be understood as a set of institutions and processes that prioritise inclusion, consensus decision-making, and the institutionalisation of norms of peaceful coexistence in the state (e.g., through an ethnically mixed police or military) (Sisk 2013). Earlier work on deeply divided societies in the twentieth century, especially in Europe, suggested that existential fears emerging from the prospect or spectre of identity-based violence could be contained by providing security guarantees to ethnic groups and structuring the state in a group-based or consociational power-sharing framework (see e.g. Lijphart 1969). This consociational model relies in particular on inter-elite agreement to prevent further violent conflict along identity lines. Or as Sisk (2017) has put it, "because they guarantee representation and rights to groups and limit democracy, ... power-sharing institutions ... are essentially mechanisms for institutionalizing fear".

It is in large part because of this that the international development community has supported and relied on power-sharing arrangements and some form of identity-based consociationalism to try to end what otherwise seem like intractable intrastate conflicts (e.g. Afghanistan, Bosnia, Iraq,

Lebanon, South Sudan, Syria) (Reilly 2012; Sisk 2017; Kaldor and de Waal 2020). In situations where internal violent identity-based struggles continue to escalate, and where in particular partition is off the table, power-sharing offers the potential to forge a new elite bargain to lay the foundations for peaceful co-existence. In the case of Syria, for example, this approach has called for grand coalition governments, proportionality (especially in the electoral system), mutual or minority veto, and territorial or 'corporate' federalism (Sisk 2013). However, these elite-negotiated pacts to end violent conflict and share power do not on their own address the deeper issue of how such bargains may eventually evolve into political systems that may be more open and more broadly inclusive. In effect, they can make trajectories toward greater inclusion (vertical as well as horizontal, and in terms of both process and outcome) much more challenging (Sisk and Cox 2017; Horowitz 2012).

Critics of the consociational approach have argued that power sharing tends to harden and reify identity-based faultlines of conflict in ways that can pose serious challenges to longer term goals around state-building and democratisation along more inclusive lines. In a study of post-war power-sharing in Africa, for instance, Mehler (2009) argues that incorporating power-sharing elements in peace agreements in explicit ethnic-group terms has had long-term negative consequences for sustainable peace. Among other things, he finds that elites then have incentives to subsequently frame ostensibly non-ethnic issues in ethnic terms in order to obtain concessions, leading to a mutual escalation of demands. There are also concerns that power sharing may reward "spoilers". In many post-war contexts with identity-based war-ending elite bargains, moreover, the power-sharing institutions that were created generate their own incentives for perpetuation. This is because the political economy of distribution of public goods, state-managed rents, and other forms of identity-based patronage politics create powerful stakes to sustain the system (as can be seen poignantly in cases like Iraq, Lebanon and Nigeria) (Sisk 2017).

Through their support of power-sharing agreements, external actors may, wittingly or unintentionally, help boost nationalistic or exclusive forces at the expense of building cross-cutting, conflict-ameliorating (Sisk and Cox 2017). This is why scholars like Horowitz (2014) and Reilly (2012) have emphasised that what is needed to prevent a relapse into violent conflict are alternative models, institutions and practices that can eschew identity-based representation and instead create incentives for the formation of coalitions that can transcend narrow communal interests and protect minority or cultural rights through other mechanisms. Horowitz (2014) has also argued that (ethnic) power-sharing systems are prone to failure and gridlock because they generate too many veto players, while systems which foster interethnic political coalitions provide the basis for greater collaboration and compromise and a more inclusive social contract based on interethnic or cross-cutting political coalitions. Lebanon once again comes to mind as a state that is remarkably ineffective as a result of a political settlement that has remained narrowly based on the horizontal inclusion of elites across confessions (Apprioual 2016).

Women's Formal Inclusion and Political Participation

As different scholars have noted (Nazneen and Mahmud 2012; Castillejo 2014; True 2018), elite bargain and political settlement analysis can overlook the importance of gender in understanding conflict dynamics and prospects for peace and for more inclusive politics. 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; Rocha Menocal 2015).

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.

The literature suggests that women continue to be marginalised and considerably excluded from elite bargains and are therefore not adequately represented at the table (True 2018).

Yet, available evidence also shows that women can make and have made significant contributions towards sustaining peace and fostering more inclusive politics. Among other things, peace agreements which have included women as signatories have proven more durable over time, and have also tended to include more provisions aimed at political reform and higher levels of implementation (Krause et al. 2018). There are also compelling examples from countries like Colombia and Northern Ireland where women have been able to come together across political divides to drive agendas of shared interest (True 2018; Rocha Menocal and Domingo 2015). Thus, the inclusion of women seems to be essential to secure more open and inclusive political systems over time.

Simply including women in formal processes, however, is not enough to ensure substantive and meaningful equality. Reinforcing an important point emerging from much of our research across this project, this is likely to involve more drawn-out processes of contestation and bargaining in terms of how the real terms of the political settlement are negotiated and play out. In addition, the evidence also suggests that, in order to maximise the prospects for embedding gender equality goals in the emerging rules of the game, efforts to include women in peace agreement and/or constitutional processes need to be made from the outset in a systematic manner, and not treated as add-ons or afterthoughts in an ad hoc manner.

A key conclusion from this research is that there is that there is no straightforward or automatic link between women's empowerment and more inclusive politics, 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 synthesised in Rocha Menocal 2015:

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.

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, dynamics and relationships are as if not more 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.

Elections

In post-conflict settings in particular, elections offer an opportunity to redefine the rules of the game and make a political system more inclusive – at least potentially (Rocha Menocal 2016). They make mass political participation possible, especially among previously disenfranchised groups, and also provide a critical opening to empower leaders and reform coalitions to make changes that would otherwise seem unimaginable. The 1994 elections in South Africa, which ushered in multi-racial democracy, come to mind.

Yet, elections also have considerable limitations. As a growing body of research suggests, post-conflict political settlements are often destabilised by the prospect of competitive elections. In some places, they can spark violent conflict, especially when they generate "winner takes all" dynamics that raise the stakes of political competition (Paris and Sisk, eds, 2008; Snyder 2000; Kaldor and de Waal 2020). Elections mark either a shift towards a more consolidated monopoly by the ruling party or a new and potentially violent contestation. As the examples of Kenya in 2007 and Egypt in the aftermath of the Arab Spring, and elections in Afghanistan and Iraq before that, all illustrate, this can be especially treacherous where competing elites can tap into and mobilise ethnic, religious, sectarian or other identity-based fault lines of conflict as a dominant source of political allegiance. In addition, elections tend to be associated with increased clientelism and corruption. The relentless pressure to win elections generates incentives to focus on the short-term needs and demands of narrowly defined constituencies, often along identity lines, at the expense of the broader public good and longer-term policy-making priorities (Rocha Menocal 2016).

Political Parties and Party Systems

When a peace agreement includes provisions for elections, there is a widespread expectation that the leaders and constituencies of armed organisations will be represented by political parties (Sisk 2013 and 2017; Reilly 2012). Yet, the emergence of integrative political parties that are cross-cutting and can transcend group identity over time has remained extremely challenging. In large part, this is because newly formed political parties consist of the former armed groups that have morphed into civilian parties, which maintain their constituencies through clientelistic relations (Kaldor and de Waal 2020; Sisk 2017; Snyder 2000). Another important reason for this is that international development actors have focused many of their efforts in (post-)conflict settings on the inclusion of different identity-based groups in electoral processes (see discussion below) which, whether intentionally or not, have tended to encourage the disaggregation and fragmentation of party systems by rewarding narrow sectarian or splinter parties at the expense of programmatic ones (Reilly 2012). This can be seen in the kinds of fragmented multiparty systems that have taken root in countries like Afghanistan, the Democratic Republic Congo, Iraq, and others. Since no single party is likely to win a majority and govern outright, and most need only a small percentage of votes to win representation, there are strong incentives for them to focus on providing sectoral benefits to their supporters, rather than public goods to the electorate as a whole (Reilly 2012).

As Reilly (2012) has noted, one common factor among the few genuinely stable and sustainable democracies across the developing world is the presence of broad-based, heterogeneous, catch-all parties with no strong links to the cleavage structure of society – or what Sisk (2017) has called 'bridging' political parties. But the fact that so few broad-based, programmatic and institutionalised parties have emerged is a fundamental reason why post-conflict states struggle to aggregate social demands and to deliver meaningful policy agendas. In the absence of such parties, the easiest way to attract voters in post-conflict settings is by appealing to the very same identity-based grievances and insecurities that generated the original conflict in the first place. This means that instead of attempting to win support through cross-cutting policy appeals, post-conflict parties have a strong incentive to mobilise voters along identity lines (Reilly 2012). Rather than supplying public goods, these kinds of 'bonding' political parties (Sisk 2017) tend to focus on winning and maintaining voter support by providing private or 'club' goods to their supporters – goods which benefit their own community rather than the broader electorate. While such distributive politics can be electorally rewarding, diverting state resources towards narrow ethnic constituencies in this way undermines prospects for building social cohesion across groups and for fostering a broader, widely shared sense of nation and belonging (Reilly 2012). The discussion below on decentralisation explores this in relation to regional political parties in particular. A key puzzle of how to nurture and incentivise political parties and party systems that are less fragmented and better able to appeal to voters in more additive ways, not focused on narrow identity concerns but on more programmatic and cross-cutting issues like income inequality, job creation, economic development, thus remains.

Electoral Systems

In terms of electoral systems, scholars disagree as to which electoral systems may be most appropriate in divided or conflict-prone states and societies. Two schools of thought predominate. One has long argued that some form of proportional representation is needed in the face of deep-rooted ethnic divisions, in order to give minorities adequate representation. Such approaches emphasize the need for divided societies to develop mechanisms for elite power-sharing and consociationalism (Lijphart 1969). Other scholars have argued that systems based on proportional representation are more likely to exacerbate fault lines of conflict and exclusion because they encourage fragmentation and the hardening of narrow identities (Horowitz 2003). According to this tradition, what is needed are electoral systems that can generate incentives for conciliation among different groups and to help build bridges across groups by making such behavior essential to secure electoral success. Electoral systems in the plurality family are believed to provide those kinds of incentives more readily, because candidates need to cast a wider net of support in order to win.

Advocates of this perspective point to systems such as Nigeria's method of presidential elections – whereby winners must garner 25% of the vote in two-thirds of the 36 states – as an example of how institutions may provide incentives for cross-cutting political coalitions (Sisk 2017). There are no easy choices, though. Plurality systems may be more likely to encourage broad-based, catch-all, heterogeneous parties that have wide, cross-cutting appeal and exclude extremist parties (see discussion above), but this is only the case if electoral support is not geographically concentrated, and there may be drawbacks in terms of fairness and representation that may simply prove too high to bear (Rocha Menocal 2012).

The sequencing of elections at different levels may also matter, though there is no agreement in existing literature as to what the most effective sequence of electoral contests might be to nurture broader and more inclusive identities. Some scholars have argued that, especially in newly emerging democracies, holding elections at the national level before they take place at lower levels of governance can be important in generating incentives to create national, catch-all political parties that are based on widespread appeal across populations (Linz and Stepan 1992). Such was the case of Spain after its transition from authoritarian rule, in an effort to foster a nation-wide Spanish identity that could flourish and co-exist with other regional identities. Others have argued that simultaneous national and local elections are a better option, as they can facilitate the mutual dependence of regional and national leaders. This was the approach used at Indonesia's transitional 1999 elections following the collapse of the Suharto regime, with identical party-list ballots at simultaneous elections for national, provincial and local assemblies in a calculated effort to strengthen the nascent party system (Reilly 2012).

Yet other analysts have posited that it is better to start with municipal and other sub-national level elections, and to hold elections at the national level after that. According to Paris and Sisk, eds, (2008), this is the approach that international development actors increasingly follow, in part because local elections tend to bring issues to the fore that are more directly focused on people's everyday needs, especially in relation to service delivery. Still, as the discussion on decentralisation below highlights, the process of how local electoral contests can help develop a more inclusive and broader sense of belonging that is not caught up in narrower identity-based struggles and can then link up to the national level is far from obvious – especially since service delivery can easily remain biased along group-based dynamics and patronage networks at the local level.

Decentralisation

While, alongside power sharing, decentralisation has become one of most frequently used mechanisms to try to address violent, identity-based conflict – and ethnic conflict in particular (see e.g. Afghanistan and Iraq) – the existing evidence suggests that the relationship between federalism/decentralisation, identity-based conflict, and prospects for sustainable peace and more inclusive politics is complex.

Part of the appeal of decentralisation is that, in principle, it can reduce ethnic conflict and secessionism by bringing government closer to the people, increasing opportunities to participate in government, and giving identity-based groups more control over their own affairs in their regions and thereby protect them against predatory politics from the centre (Bracanti 2006 and 2009; Siegle and O'Mahony 2006). The conflict-mitigating rationale for decentralisation in ethnically diverse societies is that, by enabling minority group representation, participation and voice, it provides political channels through which differences can be mediated and reconciled peacefully. Thus, in regions where ethnic groups are concentrated and where they represent a relatively large part of the population at that level, decentralisation enables such groups to, for example, pass legislation to protect specific interests and concerns, including for instance the use of language, economic development, environmental policy, security, etc. (Bracanti 2006 and 2009; Siegle and O'Mahony 2006). Decentralisation is also seen as facilitating the dispersal of power from the centre to the periphery and the building of additional checks and balances into a given political structure. Spreading power among a wider array of actors, furthermore, is intended to increase incentives to participate and cooperate, which in turn should help to reduce grievances, moderate extremist or violent positions, and incorporate relevant actors into the political process. In this way, decentralisation is meant to foster national dialogue, cohesion, and state legitimation. (Bracanti 2006 and 2009; Siegle and O'Mahony 2006)

Yet, as many analysts have argued as well, decentralisation does not automatically have these kinds of effects on identity-based conflict. Instead, it can intensify conflict and undermine prospects for building more sustainable, open and inclusive political systems by accentuating divisions, especially in contexts and settings with highly fragmented societies and weak state structures (eg former Yugoslavia, Indonesia, Nepal, Nigeria). Decentralisation can reinforce regionally based ethnic identities, produce legislation that discriminates against certain ethnic or religious groups and other regional minorities, weaken vital linkages to the central government, dilute a sense of belonging and identity within a wider system, and provide groups contesting for power at the regional level with the mechanisms and resources needed to engage in ethnic conflict and secessionism, including regional legislatures, regional forms of media, and regional police forces (Bracanti 2006, Siegle and O'Mahony 2006).

According to Bracanti (2006 and 2009), these more and less positive effects of decentralisation on identity-based conflict dynamics are mediated through regional political parties. As she has put it, the nature and strength of regionally based political parties and their ability to win elections in regional legislatures and influence policy independently of national-level organisational structures is an essential factor in helping to understand whether and how decentralisation can reduce ethnic conflict and secessionism. Among other things, where ethnic and regional boundaries overlap, intense competition between regional parties can facilitate ethnic outbidding and the espousing of increasingly extreme and polarising views to attract votes. Decentralisation may reward incompatible or uncompromising political platforms, advance parochial interests, and create a contentious atmosphere in which negotiated solutions to policy differences are difficult to achieve (Marshall and Gurr 2005). So subnational political leaders in decentralised systems may find it expedient not to seek compromise with the central government. As a result, rather than building a stronger sense of ownership of and affinity with the state, decentralised authority may accentuate differences between regions, foster citizen identification with ethnic or geographic groups at the exclusion of broader affinity with the state at the national level, and embolden demands for particularised services by minority groups (Bracanti 2006 and 2009; Siegle and O'Mahony 2006).

Decentralisation can also increase vulnerability to external influences by opening up ready cleavages outside actors can exploit. Of particular risk are contexts in which an ethnic group engaged in sectarian conflict has a strong base of support just across the border. Indeed, secession is more likely if the groups are located close to international borders. There is also some evidence linking countries with large diasporas (i.e. countries that have had a long history of conflict) with sustained internal conflict due to the additional access to resources this represents. Similarly, there are

indications that ideologically motivated funding from the ultra-conservative Wahhabi-sect of Islam targeting youth in Muslim cultural centres, youth organizations, schools, madrassas, and mosques has contributed to the increasingly militant views of previously moderate Muslim populations (seen, for example, across the Sahel). Inter-religious tensions and demands for greater autonomy and the supplanting of secular with Sharia law is likewise on the rise in these societies (Siegle and O'Mahony 2006).

Other work in this area (Siegle and O'Mahony 2006) highlights that decentralisation has highly differentiated effects on whether and how identity issues become salient, politicised, and potential triggers for further conflict. Some research suggests that decentralisation initiatives that support increased levels of local government expenditures, employment, and elected leaders are less likely to succumb to ethnic conflict. Conversely, countries with higher levels of local government taxation or designated structures of regional autonomy have been more susceptible to ethnic conflict. This pattern suggests that it is local government control over expenditures rather than source of revenues that improves government responsiveness to local citizen priorities. Indeed, it may be that a relatively greater share of local expenditures originating from national sources serves a valuable conflict reduction function by strengthening the bond between the national and subnational levels of government, particularly in the many developing and democratizing countries where national identity is weak. Local governments that raise a large share of their own resources, on the other hand, may feel comparatively less affinity with and need for national structures. Greater levels of local government control over revenues may also heighten interregional tensions when large disparities in access to local resources emerge. This is certainly the case in many natural resource revenue generation arrangements where local governments jealously protect their access to these revenues (Siegle and O'Mahony 2006).

A final crucial insight from this research is that the central government – and the state – are indispensable in ensuring social stability as well as facilitating decentralisation. The most stable decentralisation tends to be in cases where the central state is legitimate, relatively capable, accountable, and subject to a system of checks and balances. Policies guarding against the politicisation of ethnic cleavages, cultivating national pride and identity, ensuring adequate protections for minority groups, and redistributing resources to marginalised areas, among others, are all initiatives that need to be orchestrated and implemented from the centre (Siegle and O'Mahony 2006; Fritz and Rocha Menocal 2007). This provides a cautionary note for attempts at promoting decentralisation in the absence of an effective and capable central state, as examples like Afghanistan, Libya and Nepal help to illustrate.

Identity and New Media/Information and Communications Technologies

In his 1983 classic, Benedict Anderson argued that the arrival of the printing press in the Americas in the eighteenth century played a pivotal role in the birth of nationalism. While people across vast stretches of geographical space were not able to engage in face-to-face contact, the printing press enabled them to create a sense of nation across territories as "Imagined Communities" and to project an image of themselves as a collective. The advent of the digital revolution almost three centuries later has generated tremendous enthusiasm about the potential of information and communications technologies (ICTs) – or as Larry Diamond (2010) has put it, "liberation technology" – to change the way in which people relate to one another and interact.

Among other things, in principle ICTs can expose people to more diverse viewpoints and enable them to connect across time and space at a speed and scale that was unimaginable before. In an age where long-established mediators, ranging from political parties and traditional media to intellectual elites and experts, have become discredited in the eyes of populations across the world, ICTs provide innovative mechanisms to engage in the political arena in ways that transcend "politics as usual". As the example of movements like Black Lives Matter illustrates, social media has proven essential in helping marginalised communities and excluded groups to come together and make their voices

heard, influence important policymaking agendas at both the domestic and international levels, and place inequality and justice at the centre of debates (Rocha Menocal 2018).

Over time, however, unbridled techno-optimism has given way to more pessimistic appraisals about the impact of ICTs. Instead of imagined communities, ICTs seem to be feeding atomised and polarised ones. In particular, two increasingly disruptive forces – anger over social changes that many perceive as a threat, and the perception that social media is upending the ways that ideas spread and communities form – are colliding. This has given rise to increasingly polarised and rancorous political climates. What were once fringe movements or ideologies are becoming more accessible, more influential, and more extreme and intolerant (Margetts et al. 2015, Paladino 2018, Taub 2018). The creation of "filter bubbles" and/or "echo chambers" of ideologically like-minded people have made exposure to different ideas and attitude-changing information extremely difficult.

These problems have been exacerbated by "fake news". Disinformation tends to stoke tensions and conflicts and feed divisions, which can have profoundly detrimental effects on the politics of identity. As several studies have documented, there has also been a disturbing rise in the incidence of riots, lynchings, and other manifestations of violence and hate crimes in countries ranging from India, Kenya, and Mexico to Myanmar, the Philippines and Thailand that are instigated through hate speech, rumour, and "fake news" / (mis)information spread online, usually along identity lines (Rocha Menocal 2018).

Moreover, research also suggests that ICTs tend to reinforce the socio-cultural, economic, and gendered environments in which they are embedded. Such bias risks empowering certain pockets of the population while further marginalising others. This serves to entrench discrimination and social exclusion rather than increase accountability to the broader public (McGee and Carlitz 2013, Pew Research Center 2017).

While every story of misinformation and manipulation is unique, different stories share common characteristics related to how social media/ICTs can unintentionally amplify certain messages and tendencies that turn out to be dangerous. Some of these are anchored on uncomfortable tensions embedded in the way that social media platforms work given their business and financial models. As Amanda Taub (2018) has explained in the particular case of Facebook: "Facebook's news feed, for instance, runs on an algorithm that promotes whatever content wins the most engagement. Studies find that negative, primal emotions – fear, anger – draw the most engagement. So, posts that provoke those emotions rise naturally."

This does not mean that platforms like Facebook, Twitter or Google intend to spread misinformation or feed intolerance and extremism. What they are interested in is maximising advertising revenues. Thus, these platforms are caught in a catch-22: on the one hand, there may be dismay at witnessing how social media can be exploited for unsavoury purposes – but on the other, bottom lines are improved by increasing user engagement, and people tend to be drawn to content that is more divisive. This puzzle of how social media giants can help to address social problems they have helped to exacerbate without hurting their revenues and growth is one of the leading challenges confronting reformers in this space (Naughton 2018). It is also important to keep in mind that digital technologies are not responsible for creating social divides and fault-lines of conflict, and they cannot on their own solve the challenges of apathy, disillusionment, and distrust between people and those who rule them that have become entrenched across the world. Technologies may amplify or exacerbate certain kinds of social and human behaviour, but they are not the root such behaviour (Fuchs 2017).

References

Aall, P. and C. Crocker (2019) 'Building Resilience and Social Cohesion in Conflict'. *Global Policy* 10(S2): 68–75.

Abdel-Latif, Abla and Hubert Schmitz (2010) 'Growth Alliances: Insights from Egypt', *Business and Politics* 12(4): 1–27.

Abul-Magd, Z, (2017) *Militarizing the Nation: The Army, Business and Revolution in Egypt*, Columbia University Press.

Acemoglu, Daron (2005) 'Politics and Economics in Weak and Strong States', *Journal of Monetary Economics* 52: 7, 1199–1226.

Acemoglu, D. and Robinson, J.A. (2008) 'Persistence of Power, Elites and Institutions', *American Economic Review 98*(1), 267–93.

Acemoglu, Daron and James A. Robinson (2012) *Why Nations Fail,* London: Profile Books.

Acemoglu, Daron, Camilo García-Jimeno and James A. Robinson (2015) 'State Capacity Economic Development: A Network Approach', *The American Economic Review* 105: 8, 2364–2409.

Alt, J.E. and D.D. Lassen (2008) ,Political and Judicial Checks on Corruption: Evidence from American State Governments', *Economics and Politics* 20(1): 33–61.

Anderson, B. (1983) *Imagined Communities: Reflections on the Origin and Spread of Nationalism*, New York: Verso.

Andreas, Peter (2011) *Blue Helmets and Black Markets: The Business of Survival in the Siege of Sarajevo*, Ithaca: Cornell University Press.

Apprioual, A. (2016) 'Lebanon's Political Stalemate: The Failure of the Sectarian Regime', *POMEAS Policy Brief*, Istanbul: Project on the Middle East and the Arab Spring.

Aziz, Ibrahim Muhammad (2021) *Power-Sharing in Iraq after 2003: The Role of the US-led Coalition and Consociationalism*, Lexington Books.

Barnett, Michael, Songying Fang and Christoph Zürcher (2014) 'Compromised Peacebuilding', *International Studies Quarterly* 58: 608–620.

BBC (2021) 'Dan Gertler: The Man at the Centre of DR Congo Corruption Allegations', 23 March 2021. Available at: https: //www.bbc.co.uk/news/world-africa-56444576.

Berg, Louis-Alexandre (2020) 'Elite Bargains and External Influence: Security Assistance and Civil-Military Relations in Post-war Liberia and Sierra Leone', *Civil Wars* 22(2–3): 266–288.

Bermeo, N. (2002) 'The Import of Institutions: A New Look at federalism', *Journal of Democracy* 13(2): 96–110.

Bermeo, N. (2009) 'Does Electoral Democracy Boost Economic Inequality?', *Journal of Democracy* 20(4): 21–35.

Besley, Timothy and Torsten Persson (2009) 'The Origins of State Capacity: Property Rights, Taxation and Politics', *American Economic Review* 99(4): 1218–1244.

Besley, Timothy and Torsten Persson (2011) *Pillars of Prosperity: The Political Economics of Development Clusters*, Princeton, NJ: Princeton University Press.

Birch, Sarah, Ursula Daxecker and Kristine Höglund (2020) 'Electoral Violence: An Introduction', *Journal of Peace Research* 57(1): 3–14.

Blattman, Christopher, Gustavo Duncan, Benjamin Lessing and Santiago Tobón (2021) 'Gang Rule: Understanding and Countering Criminal Governance', available at https: //osf.io/preprints/socarxiv/5nyqs/.

Blouin, A. and S.W. Mukand (2019) 'Erasing Ethnicity? Propaganda, Nation building and Identity in Rwanda', *Journal of Political Economy* 127(3): 1008–1062.

Böhmelt, Tobias, Vinenzo Bove and Kirstian Skrede Gleditsch (2019) 'Blame the Victims? Refugees, State Capacity and Non-state Actor Violence', *Journal of Peace Research* 56(1): 73–87.

Bosetti, Louise, Alexander Ivanovic and Menaal Munshey (2016) *Fragility, Risk and Resilience: A Review of Existing Frameworks*, Tokyo: United Nations University Centre for Policy Research.

Brancati, D. (2006) 'Decentralisation: Fueling the Fire or Dampening the Flames of Ethnic Conflict and Secessionism?', *International Organisation* 60: 651–685.

Brancati, D. (2009) *Peace by Design: Managing Intrastate Conflict through Decentralization,* New York: Oxford University Press.

Bräutigam, Deborah, Lise Rakner and Scott Taylor (2002) 'Business Associations and Growth Coalitions in Sub-Saharan Africa' *The Journal of Modern African Studies* 40(4): 519–547.

Bräutigam, Deborah, Odd-Helge Fjeldstad and Mick Moore (2008) *Taxation and State-Building in Developing Countries: Capacity and Consent*, New York: Cambridge University Press.

Brömmelhörster, J. and W. Paes (eds) (2003) *The Military as an Economic Actor: Soldiers in Business,* Springer.

Brown, D.S., M. Touchton and A. Whitford (2011) 'Political Polarization as a Constraint on Corruption: A Cross-national Comparison' *World Development* 39(9): 1516–1529.

Call, C. (2012) *Why Peace Fails: The Causes and Prevention of Civil War Recurrence*, Washington DC: Georgetown University Press.

Carment, David, Stewart Prest and Yiagdeesen Samy (2009) *Security, Development and the Fragile State: Bridging the Gap between Theory and Policy*, London: Routledge.

Carnahan, Michael (2015) 'Taxation Challenges in Developing Countries', *Asia and the Pacific Policy Studies* 2(1): 169–182.

Carter Center (2017) *A State Affair: Privatizing Congo's Copper Sector,* Atlanta, GA: The Carter Center.

Castells, M. (1997) *The Power of Identity, The Information Age: Economy, Society and Culture,* Vol. II, Chichester: Wiley-Blackwell.

Castillejo, C. (2014) 'Promoting Inclusion in Political Settlements: a priority for international actors?', Report for the Norwegian Peacebuilding Resource Centre (Noref), Oslo: Noref.

Cederman, Lars-Erik, Nils B. Weidmann and Kristian Skrede Gleditsch (2011) 'Horizontal Inequalities and Ethnonationalist Civil War: A Global Comparison', *American Political Science Review*: 478–495.

Centeno, Miguel, Atul Kohli, Deborah J. Yashar (2017) 'Unpacking States in the Developing World: Capacity, Performance and Politics', in: Miguel Centeno Atul Kohli and Deborah J. Yashar (eds) *States in the Developing World*, Cambridge: Cambridge University Press: 1–32.

Charley, Joseph P. Chris and Freida Ibiduni M'Cormack F (2012) 'A "Force for Good'? Police Reform in Post-conflict Sierra Leone', *IDS Bulletin* 43(4): 49–62.

Checkel, Jeffrey T. (2005) 'International Institutions and Socialization in Europe: Introduction and Framework', *International Organization* 59(4): 801–826.

Cheng, Christine (2013) 'Private and Public Interests: Informal Actors, Informal Influence and Economic Order after Qar.' in *Political Economy of State-building: Power After Peace*, edited by Mats Berdal and Dominik Zaum, Abingdon: Routledge: 63–78.

Cheng, Christine, Jonathan Goodhand and Patrick Meehan (2018) *Securing and Sustaining Elite Bargains that Reduce Violent Conflict*, Synthesis Paper, Stabilization Unit, UK Government.

Coburn, Noah (2011) *The Politics of Dispute Resolution and Continued Instability in Afghanistan*, Special Report, Washington DC: United States Institute of Peace.

Collier, Ruth Berins and David Collier (1991) 'Critical Junctures and Historical Legacies', in: Ruth Berins Collier and David Collier, *Shaping the Political Arena: Critical Junctures, the Labor Movement and Regime Dynamics in Latin America,* Princeton, NJ: Princeton University Press: 27–39.

Cometto, Giorgio, Gyuri Fritsche and Egbert Sondorp (2010) 'Health Sector Recovery in Early Post-Conflict Environments: Experience from Southern Sudan', *Disasters* 34(4): 885–909.

Cox, F.D. and T.D. Sisk (eds) (2017) *Peacebuilding in Deeply Divided Societies: Toward Social Cohesion*, London: Palgrave Macmillan.

Cox, Gary W., Douglass C. North and Barry R. Weingast (2019) 'The Violence Trap: A Political-Economic Approach to the Problems of Development', *Journal of Public Finance and Public Choice* 34(1): 3–19.

Cutler, A. Claire (2002) 'Private International Regime and Interfirm Cooperation', in *The Emergence of Private Authority in Global Governance*, edited by Rodney Bruce Hall and Thomas J. Biersteker, Cambridge University Press: 23–40

De Waal, Alex (2009) 'Mission Without End? Peacekeeping in the African Political Marketplace', *International Affairs* 85(1): 99–113.

Department for International Development (2005) 'Reducing Poverty by Tackling Exclusion', London: DFID.

Di John, Jonathan and James Putzel (2009) *Political Settlements*, University of Birmingham: GSDRC.

Diamond, L. (2010) 'Liberation Technology', *Journal of Democracy* 21(3): 69–83.

Dimitrova, Antoaneta, Honorata Mazepus, Dimiter Toshkov, Tatsiana Chulitskaya, Natallia Rabava and Ina Ramasheuskaya (2021) 'The Dual Role of State Capacity in Opening Socio-political Orders: Assessment of Different Elements of State Capacity in Belarus and Ukraine', *East European Politics* 37(1): 19–42.

Dincecco, Mark and Gabriel Katz (2014) 'State Capacity and Long-run Economic Performance', *The Economic Journal* 126: 590, 189–218.

Dincecco, Mark (2017) *State Capacity and Economic Development: Present and Past*, Cambridge: Cambridge University Press.

Dodge, Toby (2013) 'Back to the Future: The Failure to Reform the Post-war Political Economy of Iraq', in Mats Berdal and Dominik Zaum (eds) *Political Economy of State-building: Power after Peace*: 191–208.

Dudouet, Véronique and Stina Lundström (2016) *Post-war Political Settlements: From Participatory Transition Processes to Inclusive State-building and Governance*, Research Report, Berlin: Berghof Foundation.

Dudouet, Véronique, Hans J. Giessmann and Katrin Planta (2012) *From Combatants to Peacebuilders: A Case for Inclusive, Participatory and Holistic Security Transitions*, Policy Report, Berlin: Berghof Foundation.

Elgin-Cossart, M., B. Jones and J. Esberg (2012) *Pathways to Change: Baseline Study to Identify Theories of Change on Political Settlements and Confidence Building*. New York: Center on International Cooperation, New York University.

Englebert, Pierre and Emmanuel Kasongo Mungongo (2016) 'Misguided and Misdiagnosed: The Failure of Decentralization Reforms in the DR Congo', *African Studies Review* 59(1): 5–32.

Evans, A. (2017) '<u>Why Progressives Should Worry about the Myth Gap</u>', O*penDemocracy* (January 11).

Fearon, James D. and David D. Laitin (2003) 'Ethnicity, Insurgency and Civil War', *American Political Science Review* 97(1): 75–90.

Ford, Jolyon (2015) *Regulating Business for Peace: The United Nations, the Private Sector and Post-conflict Recovery,* Cambridge: Cambridge University Press.

Freitag, Markus and Marc Bühlmann (2009) 'Crafting Trust: The Role of Political Institutions in a Comparative Perspective', *Comparative Political Studies* 42(12): 1537–1566.

Freund, B. (2007) 'South Africa: The End of Apartheid and the Emergence of the "BEE Elite"', *Review of African Political Economy 34*(114): 661–678.

Fritz, V. and A. Rocha Menocal (2007) 'Developmental States in the New Millennium: Concepts and Challenges for a New Aid Agenda', *Development Policy Review* 25(5): 531–552.

Fuchs, C. (2017) Written Evidence Submitted to the House of Commons-Digital, Culture, Media and Sport Select Committee's Inquiry on Fake News. London: London: House of Commons, Digital, Culture, Media and Sports Committee.

Gall, Carlotta (2020) 'In Afghanistan's North: A Former Warlord Offers Security', *New York Times*, 18 May 2020, Section A, p. 4.

Gellner, E. (1983) *Nations and Nationalism*. Ithaca: Cornell University Press.

George, Gerard, Anita M. McGahan, and Jaideep Prabhu (2012) 'Innovation for Inclusive Growth: Towards a Theoretical Framework and a Research Agenda', *Journal of Management Studies* 49(4): 661–683.

Ghani, A. and C. Lockhart (2007) 'Writing the History of the Future: Securing Stability through Peace Agreements', *Journal and Intervention and State-Building* 1(3).

Ghani, Ashraf, Clare Lockhart, Nargis Nehan, and Baqer Massoud (2007) 'The Budget as the Linchpin of the State: Lessons from Afghanistan', in *Peace and the Public Purse: Economic Policies for Post-war State-building,* edited by James Boyce and Madelene O'Donnell, Lynne Rienner Publishers: 153–183.

Gisselquist, Rachel M. (2014) 'Aid and Institution-building in Fragile States: What do we know? What can comparative analysis add?', *ANNALS of the American Academy of Political and Social Science* 656(1): 6–21.

Giustozzi, Antonio (2007) 'War and Peace Economies of Afghanistan's Strongmen', *International Peacekeeping* 14(1): 75–89.

Grimm, Sonja and Brigitte Weiffen (2018) 'Domestic Elites and External Actors in Post-Conflict Democratisation: Mapping Interactions and Their Impact', *Conflict, Security and Development* 18(4): 257–282.

Gunderson and C. Holling (eds) (2002) *Panarchy: Understanding Transformations in Human and Natural Systems,* Washington DC: Island Press.

Grzymala-Busse, A. and P. Jones Luong (2002) 'Reconceptualizing the State: Lessons from Post-communism', *Politics and Society* 30(4): 529–554.

Hale, Aaron (2010) 'Weathering and Taming the Storm in "Hard Times": The case of Nande Economic Influence and Power in North Kivu, DRC', Conference Paper, APSA 2010 Annual Conference. Available at https: //papers.ssrn.com/sol3/papers.cfm?abstract_id=1644121.

Halvard Buhaug, Lars-Erik Cederman, Kristian Skrede Gleditsch (2014) 'Square Pegs in Round Holes: Inequalities, Grievances and Civil War', *International Studies Quarterly* 58(2): 418–431 https: //doi. org/10.1111/isqu.12068

Hendrix, Cullen S. (2010) 'Measuring State Capacity: Theoretical and Empirical Implications for the Study of Civil Conflict', *Journal of Peace Research* 47(3): 273–285.

Heo, Uk and Alexander C. Tan (2001) 'Democracy and Economic Growth: A Causal Analysis', *Comparative Politics*: 463–473.

Herbst, Jeffrey (2000) *States and Power in Africa: Comparative lessons in Authority and Control*, Princeton: Princeton University Press.

Hickey, Sam (2019) 'The Politics of State Capacity and Development in Africa: Reframing and Researching "Pockets of Effectiveness"', ESID Working Paper 117, Manchester: University of Manchester.

Hickey, Sam (2013) 'Thinking About the Politics of Inclusive Development: Towards a Relational Approach', ESID Working Paper 1, Manchester: University of Manchester.

Hickey, Sam, Kunal Sen and Badru Bukenya (2015) 'Exploring the Politics of Inclusive Development: Towards a New Conceptual Approach', in *The Politics of Inclusive Development: Interrogating the Evidence*, edited by Sam Hickey, Kunal Sen, Badru Bukenya, Oxford University Press: 3–32.

Hickey, Sam (2012) 'Turning Governance Thinking Upside Down? Insights from "the Politics of What Works"', *Third World Quarterly* 33(7): 1231–1247.

Hoddie, M. and C. Hartzell (2003) 'Civil War Settlements and the Implementation of Military Power-sharing Arrangements', *Journal of Peace Research 40*(3): 303–320.

Horowitz, D. (2003) 'Electoral Systems: A Primer for Decision makers', *Journal of Democracy* 14(4): 115–127.

Horowitz, D. (2014) 'Ethnic Power Sharing: Three Big Problems', *Journal of Democracy* 25(2): 5–20.

Hulme, David, Antonio Savoia and Kunal Sen (2014) 'Governance as a Global Development Goal? Setting, Measuring and Monitoring the Post-2015 Development Agenda", ESID Working Paper 32, Manchester: University of Manchester.

Institute for Integrated Transitions (2021) 'The Role of Narrative in Managing Conflict and Supporting Peace', IFIT Discussion Paper, Barcelona: IFIT.

Inter-American Development Bank (2008) *Outsiders? The Changing Patterns of Exclusion in Latin America and the Caribbean,* Annual Economic and Social Progress Report, Washington, DC: IADB.

Johnston, M. (2005) *Syndromes of Corruption: Wealth, Power and Democracy*, Cambridge: Cambridge University Press.

Jones, B., M. Elgin-Cossart and J. Esberg (2012) 'Pathways Out of Fragility: The Case for a Research Agenda on Inclusive Political Settlements in Fragile States'. New York: Center on International Cooperation.

Kaldor, M. and A. de Waal (2020) 'Identity Formation and the Political Marketplace', *Conflict, Security and Development* 20(5): 519–538.

Kaplan, S. (2017) *Inclusive Social Contracts in Fragile States in Transition: Strengthening the Building Blocks of Success*, Barcelona: IFIT.

Kassir, A (2019) 'Lebanon's "October Revolution": An End to the Civil War?" *OpenDemocracy* (13 November).

Kaya, Z. (2020) 'Sexual Violence, Identity and Gender: ISIS and the Yezidis', *Conflict, Security and Development* 20(5): 631–652.

Kelsall, Tim (2011a) 'Developmental Patrimonialism? Rethinking Business and Politics in Africa', Africa Power and Politics, Policy Brief 2.

Kelsall, Tim (2011b) 'Rethinking the Relationship between Neo-patrimonialism and Economic Development in Africa', *IDS Bulletin* 42(2): 76–87.

Kelsall, Tim, David Booth, Diana Cammack and Frederick Golooba-Mutebi (2010) 'Developmental Patrimonialism? Questioning the Orthodoxy on Political Governance and Economic Progress in Africa', Africa Power and Politics, Working Paper 9.

Kildornay, Shannon and Fraser Reilly-King (2013) 'Investing in the Business of Development: Bilateral Donor Approaches to Engaging the Private Sector', North-South Institute and Canadian Council for International Cooperation.

Klasen, K., G. Cornia, R. Grynspan, et al. (2018) 'Economic Inequality and Social Progress', in: International Panel for Social Progress (ed.) *Rethinking Society for the 21st Century: Report of the International Panel on Social Progress,* Cambridge: Cambridge University Press.

Knutsen, Carl Henrik (2013) 'Democracy, State Capacity and Economic Growth', *World Development* 43: 1–18.

Koren, Ore and Anoop K. Sarbahi (2018) 'State Capacity, Insurgency, and Civil War: A Disaggregated Analysis', *International Studies Quarterly* 62(2): 274–288.

Krassner, Stephen D. and Thomas Risse (2014) 'External Actors, State-Building, and Service Provision in Areas of Limited Statehood: Introduction', *Governance: An International Journal of Policy, Administration and Institutions* 27(4): 545–567.

Lane, D. (2011) 'Identity Formation and Political Elites in the Post-socialist States', *Europe-Asia Studies 63*(6): 925–934.

Langer, A. (2008) 'When Do Horizontal Inequalities Lead to Conflict? Lessons from a Comparative Study of Ghana and Côte d'Ivoire', in F. Stewart (ed.) *Horizontal Inequalities and Conflict: Understanding Group Violence in Multi-ethnic Societies,* London: Palgrave.

Laws, E. (2012) 'Political Settlements, Elite Pacts, and Governments of National Unity: A Conceptual Study', Background Paper 10, Birmingham: Developmental Leadership Programme, University of Birmingham.

Le Billon, Philippe (2008) 'Resources for Peace? Managing Revenues from Extractive Industries in Post-conflict Environments', Political Economy Research Institute, University of Massachussetts and Center for International Cooperation, Working Paper 167.

Lee, Melissa M., Gregor Walter-Drop and John Wiesel (2014) 'Taking the State (Back) Out? Statehood and the Delivery of Collective Goods', *Governance* 27(4): 635–654.

Lenhardt A., A. Rocha Menocal and J. Engel (2015) 'Ghana, the Rising Star: Progress in Political Voice, Health and Education', Development Progress Case Study, London: ODI.

LeVan, A. and A. Assenov (2016) 'Parties or Portfolio? The Economic Consequences of Africa's Big Cabinets', *Government and Opposition* 51(4): 661–690.

Lewis, David G. and Saniya Sagnayeva. (2020) 'Corruption, Patronage and Illiberal Peace: Forging Political Settlement in Post-conflict Kyrgyzstan', *Third World Quarterly* 41(1): 77–95.

Lijphart, A. (1969) 'Consociational Democracy', *World Politics* 29(2): 207–225.

Lindemann, Stefan (2011) 'Inclusive Elite Bargains and the Dilemma of Unproductive Peace: A Zambian Case Study', *Third World Quarterly* 32(10): 1843–1869.

Linz, J. and A. Stepan (1992) 'Political Identities and Electoral Sequences: Spain, the Soviet Union, and Yugoslavia', *Daedalus* 121(2): 123–39.

Lipset, S.M. (1959) 'Some Social Requisites of Democracy: Economic Development and Political Legitimacy', *American Political Science Review* 53(1): 69–105.

Loughlin, Neil (2020) 'Reassessing Cambodia's Patronage System(s) and the End of Competitive Authoritarianism: Electoral Clientelism in the Shadow of Coercion', *Pacific Affairs* 93(3): 497–518.

Luna, Juan Pablo and Hillel David Soifer (2017) 'Capturing Sub-national Variation in State Capacity: A Survey-based Approach', *American Behavioral Scientist* 61(8): 887–907.

Mailath, George J. and Andrew Postlewaite (1990) 'Asymmetric Information Bargaining Problems with Many Agents', *The Review of Economic Studies* 57(3): 351–367.

Mansfield, E. and J. Snyder (1995) 'Democratization and War' *Foreign Affairs* 74(3): 79–97.

Margetts, H., P. John, S. Hale and T. Yasseri (2015) *Political Turbulence: How Social Media Shape Collective Action,* Princeton, NJ: Princeton University Press.

Marques, José Carlos and Peter Utting (2010) 'Introduction: Understanding Business Power and Public Policy in a Development Context', in *Business, Politics and Public Policy: Implications for Inclusive Development*, edited by José Carlos Marques and Peter Utting, Palgrave Macmillan and UNRISD: 1–29.

Marshall, M. and T.R. Gurr (2005) *Peace and Conflict: A Global Survey of Armed Conflicts, Self-determination Movements and Democracy,* Maryland: Center for International Development and Conflict Management, University of Maryland.

Marx, A. (1998) *Making Race and Nation*: *A Comparison of South Africa, the United States, and Brazil,* Cambridge: Cambridge University Press.

McCarthy, G. (2019) *Military Capitalism in Myanmar: Examining the Origins, Continuities and Evolution of 'Khaki Capital',* ISEAS-Yusof Ishak Institute.

McGee, R. and R. Carlitz (2013) 'Learning Study on "the Users" in Technology for Transparency and Accountability Initiatives: Assumptions and Realities', Hivos.

Mcloughlin, Claire (2015) 'When Does Service Delivery Improve the Legitimacy of a Fragile or Conflict-Affected State?', *Governance: An International Journal of Policy, Administration and Institutions* 28(3): 341–356.

Mehler, A. (2009) 'Introduction: Power-sharing in Africa', *Africa Spectrum* 44(3): 2–10.

Menkhaus, Ken (2018) 'Elite Bargains and Political Deals Project: Somalia Case Study', DFID Stabilisation Unit.

Miklian, Jason and Peer Schouten (2014) 'Business For Peace: The New Paradigm of International Peacebuilding and Development', PRIO/NAI Working Paper.

Miklian, Jason and Peer Schouten (2019) 'Broadening "Business", Widening "Peace": A New Research Agenda on Business and Peace-building', *Conflict, Security and Development* 19(1): 1–13.

Miklian, Jason, Peer Schouten, Cindy Horst and Øystein H. Rolandsen (2018) 'Business and Peacebuilding: Seven Ways to Maximize Positive Impact', Oslo: Peace Research Institute of Oslo.

Mohan, Giles (2015) 'China in Africa: Impacts and Prospects for Accountable Development', in *The Politics of Inclusive Development: Interrogating the evidence*, edited by Sam Hickey, Kunal Sen, Badru Bukenya, Oxford University Press: 279–303.

Montalvo, Jose G. and Marta Reynal-Querol (2008) 'Discrete Polarisation with an Application to the Determinants of Genocides', *The Economic Journal* 118, no. 533: 1835–1865.

Moshonas, Stylianos (2018) 'Power and Policymaking in the DR Congo: The Politics of Human Resource Management and Payroll Reform', Working Paper 2018.01, Institute of Development Policy, University of Antwerp.

Moshonas, Stylianos (2019) 'Reform of the Public Wage System in the DRC: The Système Intégré de Gestion des Ressources Humaines et de la Paie and Its Prospects', in: *Negotiating Public Services in the Congo: State, Society and Governance*, edited by Tom De Herdt and Kristof Titeca, London: Zed Books.

Mpiana Tshitenge, Jean-Pierre (2018) 'Le service public d'électricité dans la périphérie de Kinshasa: entre regulation de contrôle et regulation autonome', *Anthropologie and Développement* 48–49: 67–95.

Mukhopadhyay, Dipali (2009) 'Warlords As Bureaucrats: The Afghan Experience', Carnegie Papers No. 101. Washington, DC: Carnegie Endowment for International Peace.

Muthien, Bernadette and Ian Taylor (2002) 'The Return of the Dogs of War? The Privatization of Security in Africa', in *The Emergence of Private Authority in Global Governance*, edited by Rodney Bruce Hall and Thomas J. Biersteker, Cambridge University Press: 183–200.

Naughton, J. (2018) 'Facebook Can't Control Its Users. And it has no incentive to do so', *The Guardian,* 26 August 2018.

North, Douglass C., John Joseph Wallis and Barry R. Weingast (2009) *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History*, Cambridge: Cambridge University Press.

North. Douglass C., John Joseph Wallis, Steven B. Webb and Barry R. Weingast (2013) *In the Shadow of Violence: Politics, Economics and the Problem of Development,* Cambridge: Cambridge University Press.

Østby, Gudrun, Henrik Urdal, Mohammad Zulfan Tadjoeddin, S. Mansoob Murshed and Håvard Strand (2011) 'Population Pressure, Horizontal Inequality and Political Violence: A Disaggregated Study of Indonesian Provinces, 1990–2003', *Journal of Development Studies* 47(3): 377–398.

Ostrom, Elinor (1990) *Governing the Commons: The Evolution of Institutions for Collective Action*, Cambridge: Cambridge University Press.

Paladino, B. (2018) 'Democracy Disconnected: Social Media's Caustic influence on Southeast Asia's Fragile Republics', Washington, DC: The Brookings Institution.

Paris, R. and T. Sisk (eds) (2008) *The Contradictions of State Building: Confronting the Dilemmas of Post-war Peace Operations,* London: Routledge.

Pew Research (2017) '10 Facts about Smartphones as the iPhone Turns 10', 29 June.

Phillips, S. and J. Hunt (2017) 'Without Sultan Qaboos We Would be Yemen': The Renaissance Narrative and the Political Settlement in Oman', *Journal of International Development* 29(5).

Pritchett, L., K. Sen and E. Werker (eds) (2017) *Deals and Development: The Political Dynamics of Growth Episodes,* Oxford: Oxford University Press.

Pritchett, Lant, Kunal Sen and Eric Werker (2017) 'Deals and Development: An Introduction to the Conceptual Framework', in *Deals and Development: The Political Dynamics of Growth Episodes*, edited by Lant Pritchett, Kunal Sen and Eric Werker (Oxford University Press): 1–38.

Pritchett, L. and E. Werker (2012) 'Developing the Guts of a GUT (Grand Unified Theory): Elite Commitment and Inclusive Growth', Effective States and Inclusive Development Research Centre (ESID) Working Paper, 16/12.

Pritchett, Lant and Eric Werker (2013) *Developing the Guts of a GUT (Grand Unified Theory): Elite Commitment and Inclusive Growth,* Boston, MA: Harvard Business School.

Quinlivan, J.T. (1999) 'Coup-proofing: Its Practice and Consequences in the Middle East', *International Security 24*(2): 131–165.

Radley, Ben (2018) 'Why Mining Execs Don't Care If Congo Hikes Up Its Profit Tax', *African Arguments,* 29 March 2018. Available at: https: //africanarguments.org/2018/03/why-mining-execs-dont-care-if-congo-increases-its-profit-tax-mining-code/.

Raleigh, Clionadh and Daniel Wigmore-Shepherd (2020) 'Elite Coalitions and Power Balance across African Regimes: Introducing the African Cabinet and Political Elite Data Project (ACPED)', *Ethnopolitics* (online first)

Reilly, B. (2013) 'Elections and Post-conflict Political Development', in Mats Berdal and Dominik Zaum (eds), *Political Economy of State-building: Power after Peace*, pp.33–47.

Ricciuti, Roberto, Antonio Savoia and Kunal Sen (2019) 'What Determines Administrative Capacity in Developing Countries?', *International Tax and Public Finance* 26: 972–998.

Rocha Menocal, A. (2012) 'Why Electoral Systems Matter: An Analysis of Their Incentives and Effects on Key Areas of Governance', Political economy note prepared for the World Bank.

Rocha Menocal, A. (2015) 'Inclusive Political Settlements: Evidence, Gaps and Challenges of Institutional Transformation', Birmingham: Development Leadership Programme, University of Birmingham.

Rocha Menocal, A. (2015b) 'Political Settlements and the Politics of Inclusion', *DLP State of the Art Paper 7,* Birmingham: Development Leadership Programme, University of Birmingham.

Rocha Menocal, A. (2016) 'Elections: Transformational, or Blunt Tools of Representation?' DLP Blog, Birmingham: Developmental Leadership Programme, University of Birmingham.

Rocha Menocal, A. (2017a) "Inclusive Development and the Politics of Transformation: Lessons from Asia', DLP-UNDP Research Paper. Birmingham: Developmental Leadership Programme, University of Birmingham.

Rocha Menocal, A. (2017b) 'Political Settlements and the Politics of Transformation: Where Do "Inclusive Institutions" Come From?', *Journal of International Development* 29(5): 559–575.

Rocha Menocal, A. (2018) 'Digital Technologies and the New Public Square: Revitalising Democracy?' Pathways for Prosperity Commission Background Paper Series 17, Oxford, United Kingdom.

Rocha Menocal, A. (2020) 'Why does Inclusion Matter? Assessing the Links between Inclusive Processes and Inclusive Outcomes', OECD Working Paper 71.

Roessler, P. (2011) 'The Enemy Within: Personal Rule, Coups and Civil War in Africa', *World Politics* 63(2): 300–346.

Rustad, S.A., P. Le Billon and P. Lujala (2017) 'Has the Extractive Industries Transparency Initiative Been a Success? Identifying and Evaluating EITI goals', *Resources Policy* 51: 151–162.

Salter, Alexander William and Andrew T. Young (2019) 'Polycentric Sovereignty: The Medieval Constitution, Governance Quality and the Wealth of Nations', *Social Science Quarterly* 100(4): 1241–1253.

Savage, J.D. and J.D. Caverley (2017) 'When Human Capital Threatens the Capitol: Foreign Aid in the Form of Military Training and Coups', *Journal of Peace Research*, *54*(4): 542–557.

Schouten, Peer (2013) 'Brewing Security? Heineken's Engagement with Commercial Conflict-dependent Actors in the Eastern DRC', CDDA Project Report.

Sebudubudu, D. and P. Molutsi (2009) 'Leaders, Elites and Coalitions in the Development of Botswana', *DLP Research Paper 2*, Birmingham: Developmental Leadership Programme, University of Birmingham.

Sedra, Mark (2007) 'Security Sector Reform in Afghanistan and Iraq: Exposing a Concept in Crisis', *Journal of Peacebuilding and Development* 3(27): 7–23.

Sen, Kunal (2015) 'The Political Determinants of Economic Growth: An Analytical Review', in *The Politics of Inclusive Development: Interrogating the evidence,* edited by Sam Hickey, Kunal Sen, Badru Bukenya, Oxford University Press: 35–59.

Sen, Kunal and Dirk Willem Te Velde (2009) 'State Business Relations and Economic Growth in Sub-Saharan Africa', *Journal of Development Studies* 45(8): 1267–1283.

Sharan, T. (2011) 'The Dynamics of Elite Networks and Patron–Client Relations in Afghanistan', *Europe-Asia Studies* 63(6): 1109–1127.

Siegle, J. and P. O'Mahony (2006) 'Assessing the Merits of Decentralization as a Conflict Mitigation Strategy', Washington, DC: Office of Democracy and Governance, USAID.

Sisk, T.D. (2017) 'Preventing Deadly Conflict in Ethnically Fractured Societies: An Overview and Analysis of International Development Assistance for "Bridging" Social Cohesion', Background Paper for United Nations–World Bank Flagship Study, *Pathways for Peace: Inclusive Approaches to Preventing Violent Conflict*, Washington DC: World Bank.

Sisk, T.D. (2013) 'Presidentialism, Ethnic Violence and the Risk of Overgeneralization', *Ethnopolitics* 12(1): 86–88.

Slater, D. (2010) *Ordering Power: Contentious Politics and Authoritarian Leviathans in Southeast Asia*, New York: Cambridge University Press.

Smoke, Paul and Robert Taliercio (2007) 'Aid, Public Finance and Accountability: Cambodian Dilemmas', in *Peace and the Public Purse: Economic Policies for Post-war State-building,* edited by James Boyce and Madelene O'Donnell, Lynne Rienner Publishers: 85–118.

Snyder, J. (2000) *From Voting to Violence: Democratization and Nationalist Conflict*, New York: W.W. Norton.

Staniland, Paul (2015) 'Militias, Ideology and the State', *Journal of Conflict Resolution* 59(5): 770–793.

Stewart, F. (2000) 'Crisis Prevention: Tackling Horizontal Inequalities', *Oxford Development Studies* 28(3): 245–262.

Stewart, F. (2010) *Horizontal Inequalities as a Cause for Conflict: A Review of CRISE Findings,* London: Centre for Research on Inequality, Human Security and Ethnicity (CRISE), UK Department for International Development (DFID)

Stewart, F. and G. Brown (2009) 'Fragile States', CRISE Policy Paper 51, Oxford: Centre for Research on Inequality, Human Security and Ethnicity, Queen Elizabeth House, University of Oxford.

Sullivan, Heather (2020) 'Subnational State Capacity and the Repression of Protest: Evidence from Mexico', *Political Research Quarterly*, online first.

Talmadge, Caitlin (2015) *The Dictator's Army: Battlefield Effectiveness in Authoritarian Regimes,* Ithaca, NY: Cornell University Press.

Taub, A. (2018) 'On Social Media's Fringes, Growing Extremism Targets Women', *New York Times* (9 May).

Thelen, Kathleen (2010) *How Institutions Evolve: The Political Economy of Skills in Germany, Britain, the United States and Japan,* Cambridge: Cambridge University Press.

Thomas, Daniel C. (2001) *The Helsinki Effect: International Norms, Human Rights and the Demise of Communism*, Princeton University Press.

Tilly, Charles (1992) *Coercion, Capital and European States, AD 990–1992*, Oxford: Basil Blackwell.

Torjesen, Stina (2013) 'Transition from War to Peace: Stratification, Inequality and Post-war Economic Reconstruction', in *Political Economy of State-building: Power After Peace*, edited by Mats Berdal and Dominik Zaum, Abingdon: Routledge, 48–62.

Turner, Nicholas, Obijiofor Aginam and Vesselin Popovski (2008) 'Post-Conflict Countries and Foreign Investment.' Policy Brief 8, United Nations University.

Utting, Peter and José Carlos Marques (2010) 'Introduction: The Intellectual Crisis of CSR', in *Corporate Social Responsibility and Regulatory Governance: Towards Inclusive Development?*, edited by Peter Utting and José Carlos Marques, Palgrave Macmillan and UNRISD: 1–25.

van Beemen, Olivier (2019a) 'Heineken Claims Its Business Helps Africa. Is that too good to be true?' *The Guardian*, 12 February 2019. Available at: https: //www.theguardian.com/news/2019/feb/12/heineken-claims-its-business-helps-africa-is-that-too-good-to-be-true.

van Beemen, Olivier (2019b) *Heineken in Africa: A Multinational Unleashed*, translated by Bram Posthumus, London: Hurst.

Van Wyk, Jo Ansie (2009) 'Cadres, Capitalists and Coalitions: The ANC, Business and Development in South Africa', Developmental Leadership Programme Research Paper 1, University of Birmingham.

Varshney, A. (2001) 'Ethnic Conflict and Civil Society: India and Beyond', *World Politics* 53(3): 362–398.

Vom Hau, Matthias (2012) *State Capacity and Inclusive Development: New Challenges and Directions*, ESID Working Paper 2: University of Manchester.

von Lampe, Klaus (2015) *Organized Crime: Analysing Illegal Activities, Criminal Structures and Extra-legal Governance,* SAGE Publications.

Vu, Tuong (2007) 'State Formation and the Origins of Developmental States in South Korea and Indonesia', *Studies in Comparative International Development* 41(4): 27–56.

Waldorf, L. (2019) 'Legal Empowerment and Horizontal Inequalities after Conflict', *Journal of Development Studies* 55(3): 437–455

Werker, Eric and Kunal Sen (2021) 'Deals and Development in Fragile and Conflict-Affected States', FCDO/UNU-Wider Policy Lab.

Williams, Phil (2002) 'Transnational Organized Crime and the State', in *The Emergence of Private Authority in Global Governance*, edited by Rodney Bruce Hall and Thomas J. Biersteker, Cambridge University Press: 161–182.

World Bank (2011) *World Development Report 2011: Conflict, Security and Development*, Washington, DC: World Bank

World Bank (2017) *World Development Report 2017: Governance and the Law*, Washington, DC: World Bank.

Yashar, D. (1998) 'Contesting Citizenship: Indigenous Movements and Democracy in Latin America'. *Comparative Politics* 31(1): 23–42.

Yousuf, Zahbia (2018) 'Navigating Inclusion in Peace Transitions: Beyond Elite Bargains', Accord Spotlight, Conciliation Resources.

'Elite bargains' is a term used to describe the discrete agreements, or a series of agreements, often brokered and supported by international military, political, and economic interventions to end violence, internal conflict and civil war. They often involve an explicit renegotiation of the distribution of power and allocation of resources between elites – and are critical to stabilising armed conflicts and limiting violence.

This paper identifies cross-cutting issues and their implications for external actors seeking to support the pathways from elite bargains towards (more) open and (more) inclusive politics in fragile states.

The research was commissioned by the UK's Foreign, Commonwealth, and Development Office, and consists of a capstone paper and four in-depth analysis papers. These four papers explore:

- the internal dynamics of elite bargains, focussing on the importance of elite incentives and their determinants

- how the dynamics of elite bargains are shaped by state capacity, (elite) identities, and the role of business actors

- a range of thematic issues, especially the role of identity in shaping prospects for more inclusive politics

- lessons for external actors engaged in supporting transitions from elite bargains.

Contact details

Professor Dominik Zaum
Department of Politics and International Relations
University of Reading
d.zaum@reading.ac.uk

Matching your donations with

ukaid