DEVELOPMENTS IN THE POLITICAL SETTLEMENT LITERATURE AND IMPLICATIONS FOR AID AND FRAGILITY DEBATES

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Foreign aid, resource rents and institution building in Mozambique and Angola

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Abstract

Despite similar colonial and post-independence civil wars experiences, Mozambique and Angola’s development paths are often contrasted, with Mozambique increasingly believed to have a better record in aid recipient status. This paper questions the so-called Mozambique miracle and concerns it with Angola’s trajectory over the past two decades. Focusing on institutions in the political economy transition, we discuss differences and similarities in the post-conflict reconstruction trajectories, policy space and relative institutional fragility. We suggest that large civil wars in Mozambique have contributed to a unification of government’s advocacy in creating the financial structuring capital of exporting rents from natural resources to connect to Angola, while the relative absence of oil development in 1970s Angola allowed it to avoid these problems partly through high rent capture and lower socialization of resource benefits. We conclude by discussing the likely consequences of these factors in terms of relative fragility and institutions of both states, and drawing implications for foreign assistance.

Keywords: Angola, foreign aid, fragility, Mozambique, oil rents, UNCTAD Classification: 977, H1, Q1, 915

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Mozambique and Angola: original project

• Interrogate existing narratives (Mozambique - aid-driven success; Angola - resource curse)

• Different rents (aid, resources) and their effects of institution building

• The two countries shared commonalities but had important differences

• How the two countries diverged and what was the role of aid in this divergence?
POLITICAL SETTLEMENT FRAMEWORK (Khan 2010, 2018)

“The way institutions work in practice depends on the responses of the organizations operating under these institutions. The relative power and capabilities of organizations are therefore important determinants of how institutions work. The distribution of organizational power is defined as the political settlement.”

Institutions and policies $\rightarrow$ rents $\rightarrow$ resource allocation $\rightarrow$ inter-group competition
PSF and implications for Aid and Fragility debates

• Domestic power balances are more than the context for more effective programming and delivery

• Shifting the focus to the interaction between Aid and the distribution of organisational power

• How are groups’ interests and incentives affected by Aid; how is power mobilised to support and resist implementation

• Alignment between Aid and the political economy of structural transformation

• How aid interacts with other rents in sustaining the political settlement

• Endogenising donors as organisations within the political settlement
Focus on the (mis)alignment between institutions and power balances

- PSF Three dimensions
- Vertical distribution of power
- Horizontal distribution of power
- Material foundations of the Political settlement

Angola and Mozambique:
- Diverse fiscal structures through war and reconstruction
- Different role and timing of rents in the consolidation of the political settlement
- Angola: authoritarian and centralised ruling coalition
- Mozambique: fragmented ruling coalition
• Mushtaq Husain Khan, ‘Political settlements and the governance of growth-enhancing institutions’ (Research Paper Series on Governance for Growth, SOAS, University of London, London, 2010)