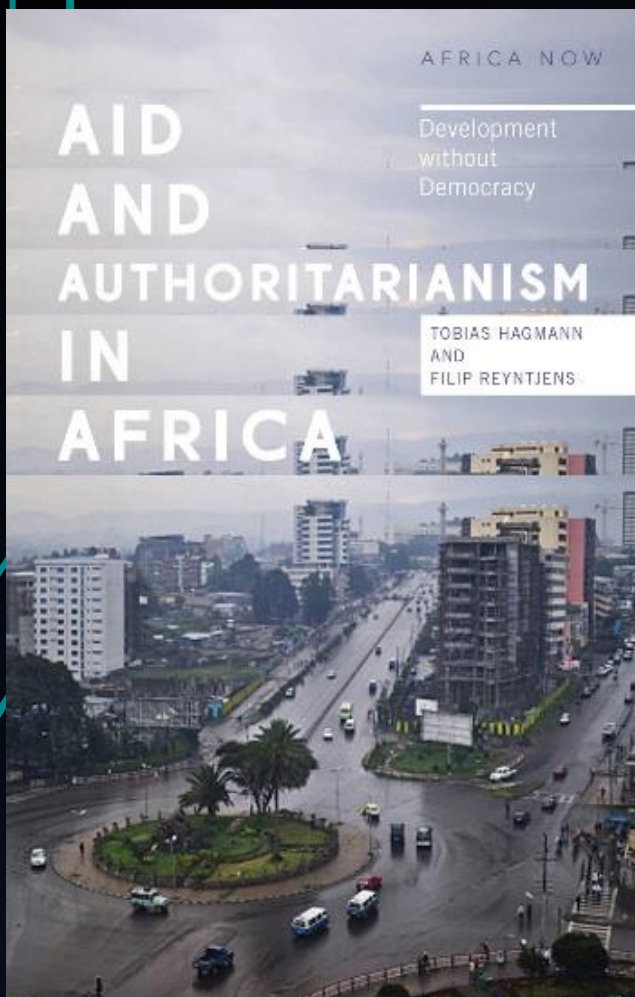


# DEVELOPMENTS IN THE POLITICAL SETTLEMENT LITERATURE AND IMPLICATIONS FOR AID AND FRAGILITY DEBATES

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

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#### Abstract

Sharing similar colonial and post-independence civil war experiences, Mozambique and Angola's development paths are often contrasted, with foreign aid-dependent Mozambique hailed a success compared to oil rentier Angola. This paper questions the so-called Mozambican miracle and contrasts it with Angola's trajectory over the past two decades. Paying attention to the political trajectory of the ruling parties as well as the different timing and conditions linked to the post-war political economy transition, we discuss differences and similarities in the post-conflict reconstruction trajectory, policy space, and relative institutional fragility. We suggest that large aid flows to Mozambique have contributed to a relaxation of its government's urgency in creating the financial structure capable of capturing rents from natural resources in contrast to Angola, while the relative absence of official development aid has led Angolan elites to seek tenure prolongation partly through high rent capture and incipient socialization of massive oil rents. We conclude by discussing the likely consequences of these factors in terms of the relative 'fragility' and 'robustness' of both states, and discuss implications for foreign assistance.

Keywords: Angola, foreign aid, fragile states, Mozambique, oil rents

JEL classification: N47, P45, P48, P52

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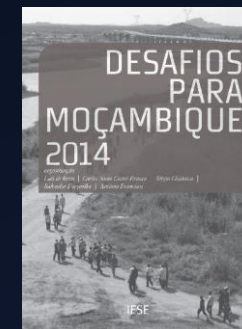
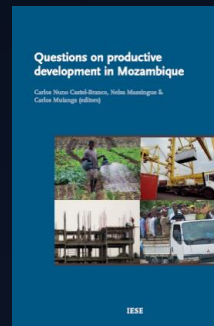
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# Mozambique and Angola: original project

- 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 → rents → resource allocation → 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

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