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DRIVERS OF STATE STABILITY OR STATE FRAGILITY

Gabi Hesselbein
Crisis States Research Centre

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Patterns of Resource Mobilisation and the Underlying Elite Bargain: drivers of state stability or state fragility

Gabi Hesselbein[1]
Crisis States Research Centre

Introduction

In each state there exists an elite group – powerful military, economic and political people – who come to a common understanding about the 'rules of the game', especially concerning property rights, law enforcement and access to resources. The particular way in which the elite agrees among itself and organises support around a number of issues determines whether the result is a collapsed, fragile or resilient state, or a developmental state. While the elite is only one part of general society, historically it has hardly ever happened that non-elite masses, whilst they can be mobilised for all sorts of aims, overthrow the elite and come up with an entirely different form of state and form a new elite. It is much more likely that elites have specific connections with the wider society and are able to mobilise support for their plans.

This common understanding of the elite at a given point in time we call the 'elite bargain'. To every major player within this bargain it is clear who is in, who is out, who wants new access and who might want to challenge the entire arrangement. However, an elite bargain is very difficult to observe, as the bargain is usually unwritten and can be very distinct from what is described in a constitution or in written law – be that as existing or as wishful thinking.

Elite bargains and the strength of a state vary over time. We can gain an understanding of the shape and character of these unwritten elite bargains by examining the economy of a state, its degree of internal integration and its formal and informal sectors. Specifically, we suggest that examining the patterns of economic resource mobilisation (appropriation, taxation and gross capital formation) reveals the character of the elite bargain, which we suggest is central to a state's fragility or resilience. In order to observe these unwritten elite bargains, we attempted as a first step to look into the economics of a state, its internal integration, its formal and informal sectors and whatever linkages were observable. Resource mobilisation could be more inclusive or exclusionary, based on particular networks that could be more cohesive or more fragmented. In a second step we draw conclusions about the shape of the elite bargain in a given country.

The Crisis States Research Centre has investigated states in crisis both theoretically and empirically, with a focus on non-industrialised states. Research on resource mobilisation has been undertaken in Afghanistan, Colombia, the Democratic Republic of Congo (DRC), the Philippines, Rwanda, Tanzania and Zambia – countries that are poor or middle income, and which range from war-torn countries, to those partly affected by violence, and those that have

[1] I would like to thank the participants in the annual conference of the Crisis States Research Centre for their comments on drafts of this paper, in particular Joe Hanlon, Francisco Lara, Thandika Mkandawire, James Putzel and Charmaine Ramos.

escaped major episodes of violence. In order to understand elite bargains and different patterns of resource mobilisation, the first part of this paper will outline the theoretical framework used for this argument. The second part will deal with the countries researched and what the observables were, in order to understand the shape of the elite bargain. The conclusions point to policy lessons and areas for future research.

A framework of elite bargains

For the purpose of framing the concept of an elite bargain and its way of mobilising resources, we start with the concept of 'limited access orders' in contrast to 'open access orders' (North et al. 2008; 2009). We then discuss the current limits of this approach and try to expand the concept with more a detailed description of the threshold between different limited access orders, arising out of the research of the Crisis States Research Centre.

North et al. (2008; 2009) argue that in all pre-industrial stages of human development access to resources has always been limited, and thus access to rents was limited to members of the elite. These are therefore called limited access orders (LAO). Only if a certain threshold of development is achieved – defined by the authors as a per capita income of around US$8,000 or more – can a complicated process, which requires certain preconditions, be undertaken to move towards an open access order (OAO) in which every citizen enjoys equal access to economic and political liberty.

North et al. distinguish between three different types of LAOs:[2] fragile, basic and mature. The principle difference between limited and open access orders the following: all LAOs require a certain cooperation between elites in exchange for privileged access to rents and resources, whereas only in the OAO is there full economic and political competition.

Before describing the differences between LAOs, important insights about this concept should be highlighted.

Firstly, the limiting of access to, and cooperation over, rents should be seen as a solution to a problem as old as mankind, rather than a problem in itself: it creates the possibility of ending war and eternal violence and substituting it with an arrangement than can establish some kind of order without violence. While it is true that war has played its role in state building in Europe (Tilly 1992), Africa (Iliffe 1995) and elsewhere, contemporary wars are less likely to contribute to this aim for reasons that will be discussed later. An end to warfare in favour of cooperation and rent sharing can end large scale violence and insecurity. It can create the possibility of enforcing certain property rights and access to land, labour and resources for members of that coalition. This even provides some legitimacy for the rulers in the eyes of the general population, as they are likely to prefer relative stability over warfare.

Secondly, North et al. follow the grand theories of social science, such as those of Marx or Weber, which argue that societies slowly progress through history. They define development as movement along the spectrum from limited access orders (firstly fragile, then basic and later mature) towards open access orders. However, they reject Weber's construction of ideal

[2] In fact, even before the fragile LAO they see simple hunter-gatherer societies and some of these kind of societies play a role in countries we are researching. However, they do not seem to play a crucial function in the elite bargain, as neither Hazda in Tanzania nor Pygmies in the DRC seem to command significant economic, military or political power.

types, because the distinction between these different orders cannot easily be defined or observed in real life.

Thirdly, they point out that LAOs have their intrinsic logic. Even when elements of the OAO are implemented in the limited one by international forces, they are unlikely to work as they contradict the existing order.

This points fourthly to the important fact that there is no inherent necessity or plausibility to move only in the direction of progress. It is also possible for mature LAOs to regress into basic ones, or for basic ones to lose what they once achieved and regress into fragile ones.

The initial idea of development along the LAO spectrum can be outlined as follows. In a **fragile LAO**, the state can barely sustain itself and society is extremely vulnerable to the outbreak of violence. The state is a set of organisations with the basic function to create and enforce rents for the elite. Each faction of the dominant elite has access to violence, and when the allocation of rents is not in accord with military power and economic interests, factions demand more or fight for more. The institutional structures of such a state are simple and cannot support private elite organisation. Individuals of the elite do not necessarily follow rules, unless a third party from outside enforces them. The state struggles to enforce its own rules, and when the dominant coalition changes, the state's commitments may not be honoured. In a fragile LAO, these commitments are thus unpredictable *ex ante*.

Along the path of development a **basic LAO** might be formed. Here, the state is the only durable organisation and can, with a certain degree of stability, limit the outbreak of violence. Organisations other than the state are closely related to, or regulated by, the state. While this offers more organisational forms to citizens, an independent organisation is considered a threat to the state: that is, to the dominant elite coalition. However, at this stage a more sophisticated organisation and division of labour occurs and enables the management of trade, tax collection and education. While not every member of the elite is able to use arms as an alternative to staying within the elite bargain, elites are closely connected to specialists of violence, since a certain division of labour, and thus of power, emerges. Basic LAOs might have found a negotiated solution to the succession of a leader, but the danger is always around the corner that succession or other disputes between the elite might relapse into violence. However, as the more sophisticated organisation in a basic LAO gains credibility over time, the state can make more credible commitments and is therefore more stable and resilient to shocks than under a fragile LAO.

A **mature LAO** has durable institutional structures both inside and outside the state and provides methods of resolving conflicts within the state and thus within the dominant coalition. It is therefore capable of surviving changes within the dominant coalition and can allow a variety of public and private organisations to spread. Violence is contained and its organisation remains within state control. Outside the sophisticated structures of the state, all actors are both economic and political.

Only once they have reached these conditions can states enter the **open access order** (OAO), where 'political competition is necessary to maintain open access in the economy, and economic competition is necessary to maintain open access in the polity.' (North et al. 2008: 17). To pass the threshold between LAO and OAO three outcomes of the mature LAO are required: first, entry into economic, political, religious and educational activities is open to all citizens without restraint; second, the state supports organisational forms for all those activities that are open for all citizens; and third, the rule of law, which was previously limited to elites, is provided for all citizens.

The important point in the succession of orders is that in the beginning political, economic and violent actors cannot be distinguished, but over time elites intensify their cooperation and limit their (violent) competition, and along with development they specialise and trust other specialists. As the process continues, elites find it more and more difficult to sustain permanent rents through limitations of others, and opt for intra-elite competition as the means to secure their part of the rents (North et al. 2008: 24). The prerequisites for 'open access within the elite' must be laid in the mature LAO. Only then can institutions be established that define elites as citizens and all citizens as equal, and guarantee impersonal social arrangements.

An underlying idea of this development is the institutionalisation of the state (in this context we perceive the state as the political organisation of the elite bargain)[3] and its organisations over time. Throughout the LAOs the state is trying to trump rival organisations and establish its monopoly over violence and its monopoly over rival attempts to establish the 'rules of the game'.

We consider all the countries under research – Afghanistan, Colombia, the DRC, the Philippines, Rwanda, Tanzania and Zambia – to be somewhere along the LAO spectrum, as none of them has reached the level of per capita income or other conditions that characterise an OAO. However, we think that within LAOs more distinctions can be made, and in this paper we add the characteristics of the state, of its economic resource mobilisation and gross capital formation, and – partly following North et al.'s ideas – of international financial institutions and of international business actors in fragile, basic, and mature LAOs.

Fragile limited access order and fragile states

The definitions of state fragility, stability and resilience can be compared with North et al.'s categories of limited access orders and 'the fragile limited access order' would compare with a fragile state, or, in North et al.'s terms, 'where the state barely exists'. In Crisis States Research Centre's terms (Putzel 2010):

> 'The *key defining characteristic* of fragility is the failure of the state to exercise a monopoly over the use of force – e.g. the failure to protect the population from large scale violence and to ensure that non-state armed actors cannot rival the state's security forces (army and police). The *second indicator of fragility* is the failure of the state to develop basic bureaucratic capacity, identified in our qualitative research by assessing the extent to which the state has achieved a monopoly over legitimate taxation powers (DiJohn 2009). Our qualitative research has identified a *third characteristic of state fragility* as the failure of the state to ensure that its institutions (or rules) trump rival rules anchored in non-state institutional systems. In our quantitative research we identified a *fourth characteristic of fragility* as a significant deficit in territorial control … All four sets of characteristics are observable, mostly measurable, distinguish fragile from

[3] Institutionalisation of the elite bargain means that it becomes less and less the temporary frame in which individuals act. For example, an individual's bequeathability problem will not always challenge the entire bargain. With division of labour between elites, violence, business and politics form their institutions that cooperate, but do not blow up the entire bargain when there is a change.

> resilient states, and avoid confusing fragility with a general lack of progress in achieving development and democracy.'

Broadly speaking, there is quite a similarity in the two concepts. However, the Crisis States Research Centre has identified a number of observables that can be found in a fragile state and which are linked with the underlying elite bargain - the legitimacy of the use of force, bureaucratic capacity, the setting of rules and control over the territory - that coincide with North et al.'s concept of a fragile limited access order and fill in a few gaps.

Another observable is '**institutional multiplicity'** (Crisis States Workshop 2006), with warlords or traditional, religious or regional leaders all simultaneously commanding military, economic and political power, with their own rule systems independent of the state on the basis of which they can challenge the minimalist elite bargain that underpins the state. While institutional multiplicity to varying extents exists in all states – the rule systems of royals or ex-royals, religious groups or leaders, or powerful businesspeople – the difference in a fragile state is that there is an overlapping command of powers, with the state not achieving pre-eminence among them. Thus, negotiating with a warlord, a traditional chief, and a businessperson, each of whom is acting according to their own rules, requires effort and involves high transaction costs and the risk of being punished by one of them.

However, looking at the economics of such a fragile state offers further observables: there is usually disparate and un-integrated economic activity of a very simple sort – agricultural subsistence and, with luck, mining. Islands of regional markets are often connected with a neighbouring country rather than linked within the territory of a state. Exchange is often characterised by barter trade rather than monetary exchange and is highly concentrated in a few hands. The bulk of the economy is informal, as the elite has very limited powers to tax, although rival powers, such as warlords or traditional authorities, might try to impose taxation. If elites who are rivals to the state are in control of large parts of the territory, economic activity might also be illegal or beyond the regulatory reach of the authorities of the state. Likewise, business is not yet able to form its own organisations that actually matter in politics or in warfare and instead individual entrepreneurs form a symbiosis with a warlord in order to achieve some protection.

Basic limited access order and a resilient state

A more institutionalised cooperation between elite factions, and a certain division of labour between politicians, specialists of violence and business, characterise the basic LAO or natural state. The state is more durable than the fragile one but might relapse into fragility. The elite coalition supports, and is reinforced by, the state. This is what North et al. (2009: 20) call a 'double balance' and the Crisis States Research Centre a resilient state. The Centre (www.crisisstates.com) defines a 'resilient state' as:

> '..the opposite of a fragile state – one where dominant or statutory institutional arrangements appear to be able to withstand internal or external shocks and contestation remains within the boundaries of reigning institutional arrangements'.

While the state has progressed in institutionalisation, it is able to limit the outbreak of violence, and becomes the most important partner for individual elite members to organise more complicated actions. The economy of a resilient state is still vastly informal, but formal sectors are beginning to emerge and can be taxed for the sustenance of the state. However, decades and centuries can pass with little new input and technology, and traditional methods of farming and mining prevail, adding little value and thus producing at best slow growth. Some economic integration might take place but today's integration happens rather at the hands of international actors than domestic ones. The international influence on the 'natural state' will be discussed later. However, business is able to form an organisation closely related to the state, and the elite's rents are usually organised through the state.

However, an important insight of both North et al. and the Crisis States Research Centre is the fact that states from any given point in history can either progress towards a more sophisticated social order, or relapse into previous conditions, which were thought to have been overcome. For this purpose, we introduce here the definition of a 'crisis state' (Crisis States Workshop 2006):

> 'A crisis state is a state under acute stress, where reigning institutions face serious contestations and are potentially unable to manage conflict and shocks. There is a danger of state collapse. This is not an absolute condition, but a condition at a given point of time, so a state can reach a 'crisis condition' and recover from it, or can remain in crisis over relatively long periods of time, or a crisis state can unravel and collapse. Such processes could lead … to the formation of new states, to war and chaos, or to the consolidation of the 'ancient regime'. Specific 'crisis' within the subsystems of the state can also exist – an economic crisis, a public health crisis …, a public order crisis, a constitutional crisis, for instance – with each on its own not amounting to a generalised condition of a crisis state, although a subsystem crisis can be sufficiently severe and/or protracted that it gives rise to the generalised condition of a crisis state.'

The point of raising the term 'crisis state' in this section on fragile or resilient states is to illustrate the possibility of regression from a resilient to a fragile state, since there is no intrinsic logic that moves a state towards progression.

The mature limited access order and the developmental state

Cooperation between various elite factions and rent interests, a consolidated state, faster economic growth and diversification characterise a mature LAO, in which fast societal, technological and organisational diversification happens.

In researching fragil and resilient but stagnant states and the possibility of them moving towards rapid development, we use the term 'developmental state' and understand it as marking the beginning of industrialisation with a different division of labour and significantly higher productivity. According to Robert Wade (1990) a developmental state is characterised by: very high levels of productive investment, making for the transfer of techniques into actual production; more investment in certain key industries than would have occurred without government intervention; and the exposure of many industries to international competition in foreign markets, if not at home.

James Putzel (2002), starting from this concept, identifies six actions taken by the developmental states in North-East Asia: a redistributive land reform, state control over finance, macroeconomic stability to foster long-term investment, industrial policy fostering import substitution and export production, attention to agriculture and rural livelihoods, and an income policy that raises living standards while social organisations are suppressed.

These regulatory measures clearly indicate that the political order is still limited, but the state is trying to broaden access to rents and incomes to a much wider proportion of the population. According to North et al. (2009) a mature durable access order has durable institutions both inside and outside the state and provides methods for resolving conflicts within the state and thus within the dominant coalition. It is therefore capable of withstanding changes within the dominant coalition and can allow a variety of public and private institutions to spread. Violence is contained and its organisation is within state control. Outside the sophisticated structures of the state, all actors are both economic and political.

Observable in such a mature access order is that the state and business stimulate growth and rapid technological change. New enterprises and products will be visible, commercial interests are well organised, a national market with many linkages will be established and the bulk of the economy is formalised. A rising level of taxation goes hand in hand with more gross capital formation.

Only if a mature LAO develops extensively will it, according to North et al., reach the conditions that form a threshold to an OAO – that is, the transformation of closer and closer cooperation (which includes trust and the division of labour) towards political and economic competition. This transformation has not been observed to date before a per capita income of above US$8,000. Three outcomes of the mature LAO have to be ensured: firstly, entry into economic, political, religious and educational activities is open to all citizens without restraint; secondly, the state supports organisational forms for all those activities that are open for all citizens; and thirdly, the rule of law applies to all citizens. Only when these factors come together does a further transition into an OAO, or a liberal democracy with liberalised economics, become possible. In our country studies of fragile, resilient or developmental states, however, an OAO is not yet our concern. The succession of state building, if successful, is conceptualised as moving from more fragile to more resilient and eventually developmental states – as has been the case in Europe, the US and some Asian countries, although this has taken centuries. However, this succession can be reversed and allow a state to slide back into fragility. This observation is often overlooked by the international community. Prevailing conventional wisdom repeats the recipe of introducing open access institutions in both the political and economic realm of LAO societies. Not surprisingly, the outcomes are less than convincing, and in some cases have been recipes for disaster.

International intervention in fragile, resilient or developmental states

So far we have concentrated on the sub-national and national elite bargain. Depending on the trust, flexibility and inclusiveness of an elite bargain, which will help to institutionalise it over time, it is able to stimulate and mobilise resources in the national economy. Elites cooperate and come up with a division of labour, and will enter into cooperation with the state. The state is both dependent on the elite for its own resources, but also manages conflict within the elite and eventually achieves a monopoly of violence. If successful, this leads to less warfare and more growth.

However, in the real world these elites are not left alone to sort out their own business. As with their European or Asian predecessors, they have to come up with their own political settlement within a particular international environment. At the beginning of the 21st century, far more international interests, requests, standards and beliefs have to be met than in the previous centuries. Therefore, international intervention plays a crucial role in the particular shaping of a national elite bargain.

International actors can intervene in very different ways. The most violent one is the 'war on terror' and the 'war on drugs', which *de facto* means waging war within a distant country and shaping and re-shaping its potential elite bargain. To a lesser extent, the presence of UN peacekeeping forces also influences the potential outcome of the bargain, for better or for worse. However, for the purpose of this paper which is concerned with resource mobilisation, the focus will be on international financial institutions and international business actors.

The weaker the state, the more likely is the presence of the International Monetary Fund and the World Bank. These organisations come up with a framework for macroeconomic stability, the demand for a poverty-reduction strategy paper and numerous conditionalities that address a myriad of problems the country is supposed to solve. This is in line with other bi- and multilateral donors who expect a particular behaviour and financial discipline from the state. However, without taking the existing elite bargain into account, there is not much likelihood that these measures can be successfully implemented.

In these same circumstances of a fragile, or even collapsed, state international business actors can take advantage of certain sectors of the economy, most notably mining, but also drugs. International business actors can be companies of good reputation, but can also be drug networks or warlords, who shape the elite bargain in ways that make the state even more fragile. Finally, when either the 'war on terror' or 'the war on drugs' enters the country violently, almost all means to constitute a national elite bargain are gone, state bureaucracy, if left at all, finds itself tied hand and foot, and international interests try to set the rules of the game. The domestic elite tend to use all sorts of exit options: capital flight, health, education and business abroad or across borders. Some of the richer, more powerful elite members seem to be quite content with this situation, thus prolonging war and disorder.

In a resilient or stable state, international actors have to cooperate much more with the state to influence the elite bargain. They can impose some of the international list of remedies to stabilise the situation but that can undermine the revenue of the state. International companies also have to deliberate more with the state. There are still exit options for the elite, but at the same time at least some services work within the country. Most foreign investment is directed into very few sectors, usually mining.

The situation becomes very different when a state actually starts to develop on the basis of its own elite bargain. When loans and grants are not available from the international financial institutions, the state searches elsewhere and might guarantee loans for domestic companies from international banks. Likewise, the state can demand certain conditions from foreign companies: such as the employment of domestic workers, entering into joint ventures, provision of technology transfer, or the creation of domestic linkages. It can also steer local savings into local investments, or ask companies to use local produce as input.

International intervention can thus slow down the evolution of a national elite bargain. This seems to be more likely in cases of weak statehood. The stronger the internal elite consensus about what goals they want to achieve, the more helpful can international capital and influence be, as long as the state is involved in its direction.

Elite bargains observed through resource mobilisation in selected countries

The Crisis States Research Centre has undertaken research on economic resource mobilisation in seven of the countries of its overall country sample. Both the overall sample and those being researched for resource mobilisation and the elite bargain were originally selected according to their different experiences of conflict and state building: Afghanistan and the DRC experienced state collapse and continued warfare; Rwanda suffered a genocide in 1994 and is in the process of state reconstruction; Tanzania and Zambia avoided major episodes of violence and state collapse despite deeply rooted poverty and violence on their borders; and Colombia and the Philippines, both middle income countries, face persistent violent challenges in part of their territory, although state power has not been fundamentally challenged. What can resource mobilisation tell us about the character of the elite bargain, and to what extent does the elite bargain explain a country's position on the fragility, resilience and developmental spectrum?

The following synthesis of research findings will be organised first by looking at the informal, illegal or illicit economy and secondly by looking at the formal economy. The elite bargain cannot be made visible by looking only at the formal economy, which is taxed by the state. In order to get a clear picture of what is going on in actual resource mobilisation, the informal, illegal or illicit activities, which provide a terrain for activity in military, political or economic terms for the elite, or part thereof, have to be studied, as well as the formal resource mobilisation that is under the purview of the state. By looking at both the informal and the formal part of the economy we can develop a view not only of the shape of the elite bargain, but also the wider political settlement in which it is situated (DiJohn and Putzel 2009).

Afghanistan

Afghanistan[4] underwent a profound transformation during the war years. A new class of military entrepreneurs with regional politico-military structures and warlord politics developed. Fractionalisation of the country can be observed through the fact that provincial cities are better integrated into the economy of neighbouring countries. A further transformation related to the shift from subsistence farming to the export of poppies, which is the main export product of Afghanistan. Aid inflow provides some of the elite with rents, however it has contributed to the creation of a 'dual public sector' – partly provided by the state, partly by NGOs (Ghani and Lockhart 2008; OECD 2010) – and divisions are found between the centre and the periphery, and between the north and the south of the country. Modernisation meets fierce resistance, and there are continuities that survive in an economy heavily marked by war: the country remains characterised by informal institutions, insecurity and lawlessness. The formal taxable sector of the economy amounts to less than 10 percent of the GDP, while more than 90 percent of economic activities are informal, decentralised and fragmented. Local power holders collect 'taxes' at borders and rival both the state and other locals over taxation. There are some islands of growth, but they depend on construction financed by development aid. Otherwise growth does not happen in agriculture, mining or manufacturing. Levels of poverty are growing, from 33 percent (2005) to 42 percent (2007), and there is very limited infrastructure.

The opium industry has been shifting across provinces, and the area under cultivation has also changed. By 2005, poppy cultivation was taking place in all 34 provinces, whereas by 2011 20 provinces were without poppies, and 70 percent of the production now happens in the five provinces bordering Pakistan, with Helmand alone responsible for 50 percent of output. This is not so much the result of counternarcotics policies, but due to political arrangements, security regimes and protection rackets. The bulk of the value-added is added outside Afghanistan (76 percent), with only 24 percent staying with the farmers. Linkages to other

[4] This section is largely based on Goodhand and Mansfield (2010).

sectors of the economy – inside and outside the country – are provided by money dealers called *Hawaladar*, who organise money flows to banks, aid agencies, smugglers and warlords. Drugs have led to an expansion of labour-force participation and to accelerated inequality, and are shaping economic opportunities.

The elite bargain created in Afghanistan is fragmented and violently contested[5], partly with international help:

> 'military and financial support for the central state had the effect of lowering the price of loyalty, thus decreasing the necessity for central state elites to negotiate with peripheral elites. Conversely, CIA funding of regional 'warlords' artificially inflated the price of loyalty, strengthening the bargaining powering in relation to the central state. The bargaining processes play themselves out differently in different parts of the country depending on a range of different factors including: the contradictory policies of international actors; the extent to which the regions/groups benefited from rights and entitlements distributed at the Bonn agreement and afterwards; the power base of provincial elites; the perceived legitimacy of the central state at the local level; the magnitude and types of resources available at the provincial level relative to resource flows from the centre; the strategic and economic significance of the border region; the level of insurgent activity; and the degree of external (state and non-state) involvement in the region' (Goodhand and Mansfield 2010: 13).

Drugs are re-shaping the political settlement. This is not only the case for the Taliban, who finance part of their activities through the 'taxation' of the drug trade, but is also the case in 'official' politics, where poppies are important to buy votes, or gain access to parliament or senior positions. Furthermore, drugs provide the basis for political and military entrepreneurs. As Giustozzi and Orsini (2009) observed, due to the combination of patrimonial politics and periodic elections, drugs shorten the life cycles of political alliances.

Afghanistan's formal economy basically consists of employment by the state. Ministers, governors, soldiers and a number of employees are financed by the state, whereas many of them find additional income through the drug economy. Quite a number of employees, however, are financed by foreign aid, both from states and NGOs. Apart from the state, the sector that profits most from international aid is construction, where formal employment has increased in the past few years.

The elite bargain is shaped by the ongoing war and by military entrepreneurs, who are sometimes connected to the insurgency and sometimes to the local or central state. The informal and illegal economy prevails, which is driven by international actors who profit most from the enormous drug trade. Overall, multiple bargains in various regions are in place, which in some places overlap, and in some places highlight the elite fragmentation throughout Afghanistan. The best organised group within Afghanistan seems to be that of the money dealers. However, the bargain is very fragmented and permanently contested. It is not organised nationwide, but has different centres that are more regionally oriented, often involving cross-border activities with neighbouring countries. Internal and external state and non-state actors are massively involved. The state itself represents most of the formal sector,

[5] This is remarkably different from Tajikistan, where drugs constituted an important variable in peace negotiations, and the settlement involved the dividing up of drug trafficking routes between key protagonists (Goodhand and Mansfield 2010: 13). For an exploration of the condition of the state in Tajikistan, see Matveeva (2009).

joined by the construction sector. However, state representatives are often involved in the drug economy.

Afghanistan is therefore a fragile LAO where the state barely exists and it is still contested. The Afghan elite do not follow joint rules, but instead follow different rule systems in the areas that they control. In a fragile state like Afghanistan, outcomes are unpredictable because of rival institutional systems.

Democratic Republic of Congo

In the Democratic Republic of Congo[6] the wars ended officially in 2002. However, several rebel armies contest the legitimacy of the state, especially in the eastern part of the country. To make things worse, the official army FARDC (*Forces Armées de la République Démocratique du Congo*) is not under a unified chain of command and harasses the population in many ways: internally displacing them, burning villages, raping and looting. In the east, both the official army and unofficial military groups tap into the mining sector for revenue. Both illegal and informal mining provides the livelihood for about two million artisanal miners and their dependents, which constitutes about 18 percent of the population (Hayes 2008). Patrimonial networks or militias provide the trade connections to sell Congolese mining products abroad. While strategies to formalise the mining sector have been discussed, both at the international and national level, neither the informality of mining in the east nor the dangers of life and limb have been diminished since 2008. The resource mobilisation in mining in Congo's south is organised differently and will be discussed below.
The vast agricultural sector, however, is informal. Even in the centre of the capital Kinshasa people grow crops for their subsistence. Internal trade – for example cheese and beef from the east being transported to Kinshasa in return for wheat and vegetables – have long come to a standstill. The Congolese infrastructure, quite modern in the 1960s, has become a shambles, many roads are impassable, ships and railways are derelict or not working at all. Undernourishment in the DRC amounts to 74 percent of the population, and according to the United Nation's Food and Agricultural Organisation is by far the highest on the African continent.

In the southern province of Katanga, the governor has ordered mining companies to grow maize and cassava on 500 hectares of land each to provide food for the miners. However, this plan has never been implemented, and for the foreseeable future it is very unlikely to happen. The reasons are manifold: it would cost about 1 million US$ to buy the land and prepare it for agriculture and another half a million US$ to buy seeds, machines and fertilisers. The rivalry between mining companies and traditional chiefs drives land prices up. Furthermore, there is a lack of skills, technology and inputs, as agricultural extension services all over the DRC have ceased to exist, although in some places a few NGOs provide some training.

In the DRC there are basically two areas of formal employment: the state, as in Afghanistan; and part of the mining sector in the provinces of Katanga and Kassai. Some mining companies are partly state owned, like Gécamines for copper mining in Katanga and MIBA, the diamond company, in Kassai. A new mining code was adopted in 2002 and was supposed to ensure property rights, certainty of process and the attraction of foreign capital. Indeed, foreign companies either came on their own or entered into joint ventures with the previously state-owned enterprises, and almost doubled their investment in mining, mostly in copper in

[6] This section draws extensively on Hesselbein and Garrett (forthcoming), Hesselbein (forthcoming) and Hesselbein (2007).

Katanga. However, the mining sector still suffers a remarkable absence of the state, both in terms of tax collection and of a development vision of how the wealth in minerals could translate into wealth for the country as a whole. Furthermore, even in Katanga and Kassai there are huge numbers of artisanal miners. While the state has developed some ideas of formalising this sector, these remain largely on paper. Some companies have started to work with NGOs to train miners and provide some very basic tools to improve workers' safety. However, the volatility of copper prices led to the decision to make thousands of miners redundant and to scrap training programmes.

The Congolese and Chinese states have entered an agreement that will pump over 6 billion US$ into the Congolese economy. Part of the investment will go into Chinese mining companies or joint ventures, part of it will provide some infrastructure: roads, schools and hospitals. The project was delayed for years because of the intervention of the IMF, who objected to the original deal because it would have increased the DRC's debt burden. Outcomes of this investment still remain to be seen. However, within Katanga there is some hope that the mineral wealth might translate into developmental progress. Unfortunately, there are only a few companies in this sector that operate within the realm of the state. Of these companies, most are busy with the exploration of minerals rather than with their exploitation. Revenue collection has been continuously below the estimations of the World Bank. It is going to be a huge task to regulate and formalise this sector. While the state is largely unable to regulate and control the mining sector, some state representatives are very capable of harassing, destroying, or taking 'their' share of profits. There are numerous local deals in place that are still far away from a national elite bargain.

In agriculture there are no extension services, no provision of seedlings or any improvement of technology. These services existed in the 1970s and 1980s, but have collapsed and so far are not being rebuilt. Even the coffee sector, which contributed to the GDP decades ago, has entirely collapsed. Not even the big farms of the president or some military generals provide demonstration effects for the modernisation of the economy. Privatisation policies have attracted a few individual farmers with capital to the area. These farmers produce mostly for restaurants in Kinshasa. Because of ambushes and the various informal attempts to 'tax', the future of such farms depends on how much of a protection racket the supermarket backing the farmer can provide.

Overall, an elite bargain has not been established over the entire territory of the DRC. Elite bargains are at best local or regional, some of which are linked to national power holders. In some places they are threatened by armies and warlords, in others by traditional chiefs and their militias. The informal economy is supposed to produce about 90 percent of the Congolese GDP, which remains outside the purview of the state. Multiple bargains among Congolese elites are shaped by the ongoing war with both the official and rebel armies acting as entrepreneurs operating protection rackets. They are active in informal and partly illegal mining through a patrimonial structure where metals and gemstones are sold to foreign companies. The vast agricultural sector is informal, not organised in any way and without actors that could provide farm inputs in order to improve productivity. The lack of infrastructure makes this problem even more salient. Even in the south, where part of the mining is more formalised, there is not even a simple linkage between mining and agriculture in order to feed miners. A few scattered NGOs do not really address the agricultural sector in a significant form. State-owned companies have entered joint ventures with international companies, and a state-state relationship developed between the DRC and China, which will improve part of the mining and will provide some infrastructure that might open up economic opportunities. Numerous local deals are in place, often also across borders, and international companies play their part in both the legal and illegal parts of business.

The DRC is therefore a fragile LAO where the state barely exists. There are no joint rules observable, they are all contested, and outcomes therefore unpredictable. The DRC is a very fragile state with rival and often local institutional systems.

Colombia

Colombia[7] is an example of a country with fractured elite bargains in place: nationally, regionally and within the coffee sector. The informal sector is estimated to earn between 5 and 7 percent of GDP. While about 80 percent of the population live in the central and east *cordilleras*, the lack of land reform and the historical experience of 'colonisation' left vast amounts of the Colombian territory basically without infrastructure and without state institutions. It is here that coca is planted, sometimes transformed into cocaine and distributed to the US or Europe. A nexus of drug dealers, cattle ranchers and military officers formed paramilitary groups, while peasants in the state-abandoned areas formed guerrilla organisations like the FARC (the *Fuerzas Armadas Revolucionarios de Colombia*), all of which challenge the state. The drug money, however, enters the political system substantially and is able to buy votes and public office. A number of guerrillas and drug barons have got themselves elected as representatives of local communities and interests and in that sense form part of the political system. Paramilitaries were able to penetrate the state to an extent that they could block government programmes and finance electoral campaigns.

The informal economy in Colombia is able to provide rents to drug barons and for some time attacks on banks were a source of income, as well as kidnapping for ransom. However, the governments of Colombia and the United States declared a 'war on drugs' and attacked drug organisations and peasants. It is estimated that by 1995 one million hectares were controlled by narcotics dealers, and 2.5 million peasants were displaced. In this situation, elite bargains vary between the central level and different provincial levels, with different interactions in place between military actors, drug dealers, ranchers and politicians. In that sense, elite members have the option either to pay taxes or to engage in private forms of violence. Everyday violence – related to drugs, wars and to ordinary criminal violence – is pervasive. Additionally, around 50 percent of people who live in Colombian cities are believed to work in the informal sector.

fFr decades Colombia has enjoyed the export of coffee as the backbone of the formal economy (Ramos: forthcoming). Over time, a strong institutional arrangement between the coffee farmers and the state has been developed. Initially the coffee exporters were taxed on the basis of the volume of their exports. However, quite a substantial proportion of this public revenue was reinvested into the coffee sector and provided incentives for coffee farmers to become members of the *Federación Nacional de Cafeteros de Colombia* (National Federation of Colombian Coffee Growers). With the onset of World War II and the prospects of the European market shrivelling, Colombia joined the Inter-American Coffee Agreement, the aim of which was to divide the shares for the American market. A quota system was set up, and in order to make that work the Colombian state had to intervene in the domestic market. It set up the *Fondo Nacional del Café* (National Coffee Fund), and the farmers association bought, sold and stored coffee through this fund. Various mechanisms of taxation were used over time, and with this tax a number of goals were achieved: domestic prices were manipulated

[7] This section is largely based on Gutierrez et al. (2007).

and shielded the coffee producers from international price fluctuations. When world prices were high, quotas were decreased, and vice versa when world prices were low. This stabilised domestic prices. A further tax dealt with the currency differential between the US dollar and the Colombian peso. While part of this tax went to the national treasury, quite a portion went to the Coffee Fund and to the committees of the Coffee Farmers Association.

The various forms of taxing the sector over time had three purposes: to establish enough domestic market power to stabilise producer prices, to set up subsidiary organisations – including an agronomic research institute, a merchant marine organisation, a bank and storage warehouses – and to finance local public investment in the coffee-growing departments. The Coffee Farmers Association controlled and managed the funds.

The Colombian state thus entered an agreement with the coffee farmers which effectively managed the macroeconomic details of the entire sector. Re-investment into the coffee sector and the stabilisation of prices helped the sector to grow and improve, not least by expanding the capacity of the producers to engage in collective action. However, with the collapse of the International Coffee Agreement in 1989 coffee prices often sank below production costs and farmers tried to adjust elsewhere. In Colombia, coffee has lost its relative importance for the economy and is now overtaken by the export of oil. Colombia has not been able to repeat the successful coffee story in other sectors.

While at some point in history a nationwide bargain has emerged out of the period of '*la violencia*', this bargain was undermined through concessions to the oligarchy. The state did not penetrate the entire territory and thus gave way to the elite in the formal and informal economy allowing them to operate freely and often against the state. Today, the Colombian elite bargain is shaped by the contradiction between the formal sector and the state, on the one hand, and the drug barons, insurgents and paramilitaries on the other. However, in reality parts of the illegal/informal economy enter the formal one. No countrywide deal is in place, and ongoing violence reflects different deals in different regions. Through the 'war on drugs' the US plays a big role in shaping the elite bargain, both in destroying coca and in importing it. The well organised coffee sector provided the backbone of the economy for decades, but lost its position after liberalisation. The successful coffee story was not replicated in other sectors.

As a middle income country, Colombia is still at the stage of a basic LAO: elites are closely connected to violence and disputes relapse into violence. It is not as fragile as Afghanistan or the DRC, but it has not yet become a mature LAO. It is a crisis state facing acute stress and serious contestation.

The Philippines

The Philippines demonstrates how elite bargains brokered at both the sub-national (Mindanao) and sectoral level (agriculture) shape, and are shaped by, elite bargains at the national level (Lara and Campain: 2009). The Philippine state has been unable to extend its administrative reach and regulatory control over significant parts of the country, leading to an extended informal and partly illegal economy, existing in important parts of the archipelago, which has eluded quantification. The southern island of Mindanao is one of the critical areas that combine illegal economic activity and violence. Three organisations made world-wide headlines for their involvement in this deadly combination: the Moro National Liberation Front, the Moro Islamic Liberation Front and Abu Sayyaf. Mindanao is acknowledged as a major site for smuggling, gun running and unregulated land transfers. The informal economy is closely intertwined with clan politics, the strongmen of which have close relations to the Philippine central state. Clans provide the security and economic means to people that the state itself cannot provide.

Mindanao's porous borders to neighbouring countries enable the smuggling of consumer goods, and the illegal trade in weapons and drugs that has expanded since the 1980s, including incidents of kidnapping and piracy. According to Lara and Champain (2009), low risk informal activities included the unregistered transfer of land rights, illegal slaughter and sale of livestock, and the smuggling of pearls and other gems. More capital and risk taking is needed in such businesses as gunrunning, illegal drugs, illegal gambling, the sale of right of way privileges, forgery, the sale of government licences and the illegal recruitment of labour for export to the Middle East. Added to these are carjacking and kidnap-for-ransom activities that have become veritable cottage industries sustained by access to unregistered firearms.

Clans control various aspects of the informal economy, in particular the informal land markets that are often the cause of violent conflict. Fake land titles and systems of customary land ownership have combined to produce a weak and contested property rights regime, which regularly provokes violent conflict. The skills and abilities of clan leaders to deal with this type of horizontal conflict create a vicious cycle that further empowers the clans – bolstering their political and violent power and enabling them to capture local state positions. Once in command of local state power, clans are able to access state budgets and fund transfers (from the national centre to Mindanao-based clans and political elites) that were a central feature of the drive towards decentralisation and devolution in the Philippines.

These arrangements underscore the bargain between local clan elites and national politicians and bureaucrats – an elite bargain that rewards warlord clans with access to weapons and government funds in exchange for delivering local vote banks to national political elites. Every so often a spate of violence arising from inter- and intra-clan conflict leads to death and displacement that reminds the general population of the presence of another layer of informal holders of economic, military and political power apart from the rebels and other insurgent groups.

In the agricultural sector, the story of elite bargaining in a major export crop such as coconut reveals how processes of economic integration can provide the foundations for elite bargaining that rewards crony capitalist interests and enhances the rents available to national political elites, while retarding the productivity and incomes of the direct producers.

The Philippines is one of the major exporters of coconut,[8] an industry whose political economy foundations are characterised by the dominant control of a few landed elites and crony capitalists of surpluses produced by hundreds of thousands of small farmers and farm workers (Putzel 1992). From the 1940s to the 1970s protected access to the US market permitted the production of coconuts to increase – transforming the Philippines into the world's largest exporter of coconut oil and desiccated coconut. However, in the early 1970s elite interests started to diversify: a section of the elite started to favour import substitution rather than agro-export. Initially the state took the side of the agro-exporters and started to intervene in a particular way. Based on a law from 1971, the state collected taxes from coconut farmers with the purpose of capitalising a special investment company, the Coconut Investment Company. Farmers were organised into the COCOFED (Philippine Coconut

[8] The coconut story is largely based on Ramos (forthcoming).

Producers Federation) and their taxes went into building the capital stock of the company, but also into their own organisation, which used the money for scholarships. The purpose of the tax was to subsidise domestic consumers of coconut-oil products, subsidise seed development, buy a bank that would service the needs of coconut farmers, and purchase an oil mill and nationalise the oil milling industry. A government agency, the Philippine Coconut Authority was set up, controlled through COCOFED through seats afforded to the latter in the governing board of the agency. The investments into the bank and the mill were authorised through a presidential decree upon recommendation of the Philippine Coconut Authority.

The initial bargain collapsed quickly after Ferdinand Marcos declared martial law in 1972 and dissolved Congress. From then on his associates, not necessarily from the coconut sector, entered into the coalition that underpinned the bargain. Through presidential decrees the Marcos government increased the rate of taxation, expanded and specified the use of the funds, centralised control and gave Marcos' associates - and allegedly Marcos himself - access to the rents in the fund.

A decree that established a bank from the proceeds of the levy collected from farmers was supposed to solve the problem of credit for farmers, yet turned out to be very problematic. The United Coconut Planters Bank and the United Coconut Oil Mills were purchased, and in these enterprises the COCOFED started to feel increasingly uncomfortable. The funds had to be deposited in the Bank, and 5 percent of the pre-tax profits were to go to the Board of Directors and another 5 percent to the management team (Hawes 1987). However, it was a personal associate of the president by the name of Eduardo Cojuangco who cornered the profits. He brokered the deal to buy the bank, which was owned by his uncle, at above market rates. As part of the deal he received personal shares in the bank, which was officially owned by the coconut farmers. In the early 1980s, when the Marcos regime was about to collapse, the coconut boom had turned into a bust. Cojuangco had used 'his' bank shares to buy shares of the biggest food-processing company in the Philippines, the San Miguel Corporation.

Like many other government agencies after Marcos' fall from power the funds were sequestered. The ownership of assets became the subject of court cases after 1986. All presidents since Marcos have had negotiations with Cojuangco about these assets, and the Supreme Court has declared the funds to be public. However, the case remains unsettled.

The coconut farmers and their organisation were unable to establish themselves and achieve significant economic gains in contrast to what was achieved by the Colombian coffee sector. While initially the state had entered an elite bargain to promote export growth in coconut oil, this bargain was undermined completely by private interests of those who expropriated the funds. Presidential protection provided the cover for the double cross.

In sum, the elite bargain in the Philippines was divided between the formal, and the partly informal and illegal activities of different elite groups. In parts of the country, clans provided a regional protection racket. These clans were intertwined with the state, but they also partly threatened the state due to their ability to unleash violence. Meanwhile, in the formal sector such as the coconut industry, key members of the elite expropriated farmer's savings and 'privatised' them into their own pockets. These have led to low levels of productivity and inadequate diversification, and continuously high levels of poverty in the coconut industry.

The Philippines is a clear example of a basic LAO where the state is only partly setting the rules of the game, and only partly provides security or controls borders. The country still has a long way to go to become a mature LAO.

Rwanda

In Rwanda, Tanzania and Zambia the informal economy also plays a significant role in the real economy. In Rwanda the number of artisanal miners is estimated at 50,000, in Tanzania at 1.5 million and in Zambia at 60,000. Together with their dependents, they form 2.95 percent (Rwanda), 23.38 percent (Tanzania) and 3.08 percent (Zambia) of the respective populations (Hayes 2008). Qualified estimates for informal subsistence farmers are not available, but with percentages between 70 and 90 percent of the rural population living in subsistence the numbers are very significant. However, in these three countries there is no particular organisation active – as opposed to some individuals – to cream rents from this sector or to create military groups that are able to challenge the state. While this is true inside Rwanda, it is worth mentioning that the FDLR (*Forces Démocratiques de la Libération de Rwanda*) is rampaging in eastern DRC and collects 'taxes' on mining, and there seems so be quite an international organisation behind it.[9] This military group has the aim of overthrowing the Rwandan government.

Rwanda's formal and informal economy largely consists of mining and agriculture.[10] In the Rwanda National Innovation and Competitiveness Programme, Rwanda's minerals industry stakeholders aim to generate 106 million US$ in mineral exports in 2011 from metals and precious stones. There are plans for import substitution for a domestically focussed quarry sector (Government of Rwanda 2006). Although Rwanda's minerals sector is small in comparison with the DRC, it has contributed around 81 million US$ in export revenues and created an estimated 35,000 mining sector jobs (Government of Rwanda 2008).

In 2006, Rwanda's Investment and Export Promoting Agency (RIEPA) approved mining projects worth about 55 million US$ (The Monitor, May 28, 2008). Private national and international companies as well as joint ventures with the government are starting to move from exploration to the actual exploitation of minerals. Mining can be individual artisanal mining, artisanal mining in cooperatives, slightly mechanised mining, or fully fledged industrial plants. About 25 mining companies are organised in the Rwanda Mining Investment Forum, and they cooperate with artisanal miners.

International mining companies faced the accusation that mining products were stolen in the neighbouring DRC. In order to prove the legality of mining in Rwanda, they have lobbied for a certificate of origin which is now in place.

The government founded RIEPA, which facilitates and assists the strengthening of the supporting industry institutions of the mining sector by solidifying the legal and regulatory framework, developing the Kigali Mining Campus, developing Rwanda's national brand and promoting opportunities in the Rwandan minerals sector. The mining companies' CEOs praised this 'one stop shop' as effective and helpful. Furthermore, the Rwanda Geology and Mines Authority was established for the purpose of the promotion of growth and the

[9] Some commanders of the FDLR were put on trial in Germany and in the Netherlands in 2010 and 2011. There have not yet been outcomes.
[10] This section and the sections on Tanzania and Zambia are largely based on Hesselbein (forthcoming) and Hesselbein and Garrett (forthcoming).

coordination of activities of various parties involved in mining. The new mining law meets international standards and ensures predictability in the application of the law for investors.

Agriculture also plays a major role in Rwanda's 'Vision 2020' (Republic of Rwanda 2000) to become a middle income country, which requires annual growth rates of at least 7 percent. Agriculture accounts for more than 90 percent of the labour force, and in 2000 there was an average area of one hectare of land for a Rwandan family of nine people: too small a plot to earn a living, and including marginal land that drives down productivity. In order to change this situation, both the government and private entrepreneurs have started to deliver inputs into agriculture. Most notably, the government provides what financial institutions and donors find too risky to provide: credit for farmers to improve productivity. The Ministry of Agriculture facilitates programmes to make farming and marketing easier. These include buying fertiliser that goes to farmers at subsidised prices, sending agronomists to farmers to help them improve seedlings and techniques, helping cooperatives in teaching how to ask for a bank loan or how to make decisions on the next technological step. It also organises the consolidation of land in order to bring extension services, schools and health centres to the countryside. In order to create economies of scale, farmers are encouraged to produce the same crop on their neighbouring fields. Both the government and entrepreneurs are thinking about agricultural processing zones. In that light, even 'subsistence farmers' in Rwanda are in one way or another connected to the state – be it by 'the cow/provide grass' scheme, be it by receiving fertilisers, agronoms and marketing opportunities, or be it by industry organisations like those for tea or coffee, which sell Rwandan products to industrialised countries. Rwandan private investment takes the lead over international investment. An example is entrepreneur Gerard Sina and his company '*Urwibutsu*' (Things to remember), who started a small baking business in 1993. In 2008, the company consisted of a construction company with architects and the ability to build houses, schools and factories, a distribution centre for beer to the villages, a restaurant, a motel, two shops, a bakery with 24 staff, a conference room that is used for training people, holding receptions and marriages, a tailoring and laundry company for uniforms, a new factory for fruit juices and concentrates, an old juice factory for banana beer, wine and chilli sauce, a tile-making facility, a furniture workshop, a sawmill, and a spice and vegetable garden for training purposes. The company built a secondary school which now has 470 pupils and two primary schools. The background of the company is to contract farmers, teach them about diversification, and provide seedlings and agronomists. More than two thousand farmers are now under contract and grow the produce that is further processed in '*Urwibutsu*': banana, manioc, yams, potatoes, cauliflower, beans, carrots, grapes, pineapples, maracuja, sugar cane, strawberries and livestock such as cows, sheep, goats, pigs, fish, rabbits, chicken and other poultry. Farmers who are contracted answered the question why they had changed from subsistence production to market farming: the biggest incentive is to send their children to school free of charge, and secondly they saw that Sina's guarantee to buy all their produce at market prices was introducing more stability in their monthly income, which then started to rise. This is an example of an entrepreneur providing new inputs into agriculture in order to stimulate production, productivity and diversification.

Similar progress has been made in the coffee sector since the National Coffee Strategy in 2003. The Rwandan Coffee Development Authority (OCIR-Café) has helped to organise around a hundred producer organisations with 300,000 members. It has further pushed the establishment of coffee-washing stations, of which there were over a thousand in 2008. Each of these costs between US$100,000 and US$200,000 and the government has encouraged private capital to build these stations. The owner of the coffee-washing station – which could be a cooperative or a private coffee merchant – buys the coffee. However, OCIR-Café provides the certificate of origin and undertakes marketing activities to get Rwandan coffee into northern supermarkets and coffee shops.

The Rwandan example shows how informal activities can be transformed into formal ones. Both in mining and in agriculture the national elite has pushed miners and farmers to become more organised, which in turn has prompted significant national and international investment and increased productivity.

Rwanda's elite bargain is characterised by a much more coherent mobilisation of resources with many efforts to formalise the informal economy and increase productivity. Informal activities are not a threat to the state (with the exception of the FDLR which operates in neighbouring DRC, evidently with the backing of some of the elites who supported the pre-1994 state). The state supports both private businesses and cooperatives of farmers to change inputs into agriculture and transform farmers into businesspeople.

There is also a massive effort to get processing and manufacturing started in order to become a middle income country. The Rwandan state officials and elites inside the country clearly want to move farmers into formal manufacturing in order to create more wealth. They also support huge efforts to diversify and raise quality standards. There is no obvious illegal sector. More than half of the investment in Rwanda comes from Rwandans.

The country has moved from a fragile LAO to a basic LAO, where the state trumps rival institutions and undertakes many steps to move towards a mature LAO. The state embodies an elite bargain that is able to deal with crisis and that has made much progress in providing security and stability.

Tanzania

Mining and agriculture are also the economic backbones of Tanzania and Zambia. Tanzania has shifted its policy towards a liberalised and privatised economy. In mining, this means that both international companies and artisanal miners are engaged. Gold, diamonds, tanzanite and other gemstones in Tanzania contributed 2.3 percent of the GDP in 2008. Particularly the industrial gold-mining sector resulted in a reconfiguration of extracting frameworks from a public-private one to a private extraction framework. International companies have established a prominent presence. The government lowered taxes to promote investment. While the mining sector is achieving record turnovers, it contributes little to the fiscal revenue. This is partly due to the fact that these companies are first recouping their initial investments. However, mining companies are complaining that the government is not doing enough to exploit the potential (Government of Tanzania 2004).

One of the problems is the lack of linkages to other sectors of the economy, such as local supply chains, processing industries, energy, infrastructure or agriculture. The second one is the very moderate spending of mining companies on developmental projects or in paying taxes to the state. As a result, mining companies have a negative image on the national level, which might be a destabilising factor in the long term. There seems to be a national deal in place, but it remains fragile. Some initiatives have attempted to formalise the informal mining sector, but there is a long way to go to stabilise the national deal.

In agriculture, the 'Tanzania Development Vision' (United Republic of Tanzania 1999) states that about 17 million people live below the poverty line of $0.65 per day. About 80 percent of the poor live in rural areas, and the sale of agricultural exports accounts for about 70 percent of rural household income. The main constraints to achieving Tanzania's growth targets are: high transaction costs due to the poor state of infrastructure, the overall policy and regulatory environment governing market transactions and under-investment in productivity-enhancing technologies. Some 60 to 71 percent of households have no contact with research or extension services. There is limited access to finance for the uptake of technologies, unmanaged risk, limited capacity to manage land and water resources and weak coordination capacity in policy and implementation.

Tanzania has identified different levels of government responsibility for the implementation of changes: investment and the implementation of irrigation, crop production and protection, mechanisation, storage and post-harvest facilities are the responsibility of the district and field levels. The central government is responsible for the regulatory and legal framework, research and private actor development. So called cross-cutting issues, such as rural infrastructure and energy and the implementation of the Land Act, involve other government agencies.

The Ministry of Agriculture painted a much grimmer picture: farmers are too poor to buy seeds or fertilisers. Overall investment is very low, and even the government budget is only half of what it should be according to the Comprehensive Africa Agriculture Development Programme. Huge obstacles are the difficulty to get access to credit, the state of infrastructure, and the lack of storage, transport, roads, bridges and knowledge. As a consequence, by 2010 the number of people in subsistence farming was again on the rise.

As a consequence, neither the private sector nor the government have pushed for more resource mobilisation in agriculture. The Tanzanian elite do not seem to see agriculture as a potential for wealth creation. Under these circumstances it is highly questionable whether Tanzania can actually achieve some of its ambitious plans.

Tanzania is characterised by an elite bargain that concentrates on mining with international companies, whereas the huge informal sector, both in mining and in agriculture, is widely ignored. There are few efforts to reach out to farmers and increase their productivity. There are also few efforts to develop intersectoral linkages or to improve infrastructure. However, the informal sector does not constitute a threat to the state, and the state is largely able to enforce its rules or incorporate informal groups into its rules – such as the Sungu Sungu who initially tried to engage in private policing.

Tanzania has been a resilient, but more or less stagnant state, or a basic LAO. There are no major threats visible, but there is also no serious development effort to move towards a mature LAO. International actors mainly enter the elite bargain through mining companies.

Zambia

Since 1991 Zambia has undergone a similar privatisation process to Tanzania (DiJohn 2008). The previously state-owned mining companies, the backbone of the economy in the copperbelt province, were privatised. It took several years, and some of them were sold back and forth between the state and companies. Today they are owned by foreign companies. Since 1998 about US$1.4 billion has been invested (Fraser and Lungu 2007). This has translated into higher production and in the opening of new mines, and into new profits, in particular when copper prices on the London Metal exchange were high. This changed in late 2008, and tens of thousands of miners were made redundant.

However, there is vociferous criticism of this privatisation deal. It is seen as one-sided. The new owners are exempt from former liabilities of the companies, like pensions to retired workers, and exempt from paying most taxes, and from some national laws, notably on pollution. Many contracts, called ‘development agreements’, are still secret and a ‘stability period’ was granted in which the agreement cannot be changed. While the IMF and the World Bank have pushed the ‘Investment Act’ (1995), the government itself was very reluctant to exercise regulatory influence on employment, health, minimum wages or linkages to local business. Employment dropped from 45,000 to 22,000 workers between 1995 and 2000.

The absence of an industrial policy of the Zambian state is criticised by some. The most striking decision was made on royalties. While the law demands 3 percent, in reality mining companies pay 0.6 percent, and their income tax is fixed at 25 percent, whereas manufacturing companies pay 35 percent. As the former Deputy Finance Minister Mbita Chintundya Chitala (2002) writes, ‘privatization … has been a hell of a depressing experience where Zambia lost a great deal. …[I]t... transferred the state sector to transnational corporations and comprador elements in the country.’ This reflects the bargain between the Zambian state and international companies.

Government and parliament understood that things had to be changed and introduced a new approach: royalties should increase to 3 percent, tax on corporate mining income should be 30 percent and a windfall tax on mining should be introduced when prices at the London Metal Exchange rise above 2.50 US$ per pound. This was supposed to increase state revenue from mining from 18.7 percent to 21 percent of the GDP by 2008-2010, and create the space for development spending on infrastructure and human resources (International Monetary Fund 2008). It was expected that additional revenue of about US$145 million would be raised. However, the Zambia Revenue Authority was only able to collect half of it, from one company. The others complained in London and Toronto and threatened to sue the government, arguing that this tax rise was against their secret ‘development agreement’ (Chitengi and Kali 2008). In March 2009, the Zambian parliament scrapped the windfall tax. The bargain between international economic actors and the government continues unchanged at the expense of the Zambian state.

In agriculture the Fifth National Development Plan expects growth rates of 10 percent (Republic of Zambia 2006). This ambitious plan faces several obstacles: the lack of markets, the lack of finance, the lack of infrastructure and the constraints in the land-title system. About 10 percent of the land is in the hands of the government, and 90 percent is regulated by traditional authorities. Farmers in this 90 percent of the land cannot get a credit from the bank, and often not even a contract with a company. While private companies would like to expand, they face the same problem: there is no money for investment, as neither banks nor donors trust investment in agriculture.

Former government extension services to farmers have broken down. There is a Food Reserve Agency that buys food, but unfortunately only from the most remote areas at a subsidised price, which makes this maize the most expensive. Those who sell to the Food Agency don’t compete with farmers who try to sell to the market. However, there are examples that some companies, like ZAMBeef, contract cattle farmers. The overall sector is still down, and neither in the Zambia National Farmer’s Union nor in the Ministry of Agriculture nor on the Zambia Coffee Growers Association could audible voices be heard that could explain where the targeted growth of 10 percent per year could come from.

The elite bargain in Zambia, similarly to Tanzania, is shaped by the deals between the government and international mining companies, who pay very few royalties. There are very few efforts to create intersectoral linkages or to improve agricultural productivity. While the government drafted ambitious plans, they seem to be very far away from everyday reality. There is little outreach to farmers and little effort to help overcome the many obstacles they face. The elite does not seem to be overly concerned with agriculture.

The informal sector does not seem to pose a threat to Zambia, which is therefore a resilient state, but with many signs of stagnation. It is a basic LAO, but not moving significantly forward and without serious developmental efforts.

Conclusions

This paper has used the prism of resource mobilisation in order to reveal the character of the elite bargain that is underpinning each country's state. Deploying and expanding on the definitions developed by the Crisis States Research Centre and the concept of limited access orders articulated by North et al. we argue that in limited access orders – that is, in all pre-industrial or developing countries – it is the cooperation of elites rather than their competition that explains the relative fragility or resilience of the state. Without such an underlying national bargain there is neither an end to war, nor sufficient economic growth to provide the resources to sustain a state.

The seven countries reviewed are all still a long way away from the threshold for an open access order. North et al. see this threshold at a per capita income of about US$8,000. By 2009, Colombia's per capita income stood at US$2,364, the Philippines at US$977.13, Afghanistan at US$365, Zambia at US$309.32, Tanzania at US$273, Rwanda at US$218.02 and the DRC at US$84.72 (World Bank 2010). While all these states limit access to resources and rents, they are considerably different in their relative fragility or resilience.

Apart from insights into specific countries, we think we can draw several conclusions from the particular nexus between resource mobilisation, the elite bargain and the relative position of a country between fragility, resilience and developmental outcomes.

Firstly, it should be stressed that the often overlooked informal economy sheds a great deal of light on the elite bargain. Informal, sometimes illegal, activities provide a veritable power-base for violent entrepreneurs, be they warlords, drug barons or insurgents. This leads to a situation where there is no consolidated elite bargain within a country. This makes a state very fragile and violent, with the clearest examples among our countries being Afghanistan and the DRC. Even in otherwise more consolidated states, elites based largely in the informal economy can mount violent challenges to the state and the state finds it difficult to extend its authority. Those mounting violent challenges have been observed in middle income countries such as Colombia and the Philippines.

Any move that expands informality is likely to expand the realm of violence and fragility, a dynamic that has often been overlooked in the past when international agencies or state officials have pursued liberalisation policies that expanded the informal economy. Conversely, any move to formalise the situation and to incorporate those elites based in the informal economy into the state's regulatory framework can contribute to building peace. It is in this context that policy makers must assess the costs and benefits of any move to expand the informal sector at the expense of the formal sector, for instance in a country's mining sector. In the Philippines and Colombia, the long-term costs associated with elite bargains that limited the state's reach into important parts of its territory, created a breeding ground for the expansion of informal economic activity that has financed armed challenges to the state and threats to the security and well-being of ordinary citizens. The management of rents within a consolidated elite bargain is important for stability and allows movement towards a basic LAO and eventually towards development.

Secondly, the prism of resource mobilisation and the elite bargain allows the observation of processes that would remain invisible otherwise. It helps us to understand differential developmental outcomes in countries that have similar organisational forms of collective action. In our examples, the producers' federations of coffee in Colombia and of coconut in the Philippines, and their particular interaction with the state, had significantly different outcomes. The articulation of development plans and goals in Tanzania and in Rwanda, as much as they might appear similar on paper, have proved to be very different in practice, largely due to the differences in the shape of the elite bargain in the two countries.

Thirdly, the character of the elite bargain sheds light on developmental possibilities: that is, the consolidation of a basic LAO, or the move towards more resilience. The totally fractured elite bargain in the DRC makes developmental progress impossible, whereas the bargains in Tanzania and Zambia have proved incapable of tapping the potential of growth sufficiently in order to overcome stagnation. In contrast, the elite bargain in Rwanda allows the country to move forward with a developmental momentum. Starting from a very low base, Rwanda progressed from a fragile to a basic LAO and is establishing intersectoral linkages that will enable it to progress further.

Fourthly, elite bargains are not shaped without international actors and their participation can have a major impact on outcomes in terms of fragility, resilience or development. International actors enter the elite bargain in manifold ways – be it fighting a war on terror or on drugs, as in Afghanistan and Colombia, or be it through international companies such as in mining (DRC, Zambia, Tanzania). The particular way in which they enter into the elite bargain determines whether formal or informal elites will be strengthened or weakened.

The particular history of elite bargains and the ingredients that changed them over time are not elaborated or studied in these country cases. While we present snapshots of particular elite bargains, we do not seek to identify the crucial changes that altered the entire bargain, bringing a move towards fragility or resilience. We are not yet at a stage when we can say theoretically what made them more inclusive or exclusive – in a matter of decades – and what changed inclusive bargains into fragmented ones, in other words why part of the elite thought itself strong enough to challenge the previous one, without necessarily achieving this. While we think that economic resource mobilisation is a powerful tool with which to examine elite bargains, it is by no means the only one. Although resource mobilisation can tell us much about the shape of elite bargains, further work on historical comparisons is needed, as well as the development of indicators that might define an elite bargain. Nevertheless, this prism of analysis can provide political and economic actors with a deeper understanding of realities and therefore a basis on which to design different tools to improve future actions.

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