Crisis States Research Centre

Crisis States Research Centre Report

MEETING THE CHALLENGES OF CRISIS STATES

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INTRODUCTION AND EXECUTIVE SUMMARY

The research agenda

When our team began its research in the year 2000, we decided to focus on what we called "crisis states" for two reasons. We wanted to investigate the processes that led states to collapse into violence and war or to recover from episodes of extreme violence – that is, "states in crisis" – and we wanted to examine how communities at the local and national level in poor countries coped with severe internal and external shocks – or "conditions of crisis" – and managed to avoid violence. A "crisis", we argued, is a situation where the political, economic or social system is confronted with challenges with which reigning institutions (or rule systems) are potentially unable to cope. In other words, crisis is a condition of disruption severe enough to threaten the continued existence of established systems. In this paper, we take up the findings of our second phase of research from 2005 to 2010.

We have sought to understand the conditions, actions and organisational processes that have allowed conflict to be managed peacefully, and those that have led instead to violence.

By the time we began the research international attention was focused increasingly on what were becoming known as "fragile states", which were vaguely defined but generally understood to be poor developing countries, which either had experienced violence and warfare or were in danger of collapsing into violence (Di John 2008). We set out to answer two broad questions. First, why and how, under the conditions of late development, are some fragile states able to respond effectively to contestation while others collapse and/or experience large-scale violence? Second, what are the factors that contribute to and impede state reconstruction in post-war periods?

We anchored the research programme in multidisciplinary development studies, strongly influenced by historical political economy and were committed to bringing together the insights that could be derived from both qualitative comparative analysis of a small number of cases and quantitative cross-national research. We aimed to develop a conceptual framework that could be applied to any state and determine whether trends pointed toward what we then formulated as state collapse or survival, but later understood as trends towards state fragility, state resilience or accelerated development. This was an important conceptual innovation, which allowed us to develop our political economy approach and interact with evolving debates in the policy community. The programme was divided into three overlapping teams: one undertaking comparative country-level research; another comparative research on cities; and a smaller third effort devoted to looking at regional and global dimensions of conflict.

The core case studies adopted at the national level (Afghanistan, Democratic Republic of Congo (DRC), Uganda, Rwanda, Colombia, the Philippines, Tanzania and Zambia) were chosen partly with partners in mind, but primarily to compare countries with markedly different experiences of war, state collapse and state reconstruction – with the inclusion of two control cases that despite deeply rooted poverty had not experienced war or state collapse. A secondary group of countries evolved with time, including Mozambique, Tajikistan and Pakistan.

The fifteen city case studies (Ahmedabad, Arua, Bogota, Dar-es-Salaam, Goma, Gulu, Kabul, Kampala, Karachi, Kigali, Kinshasa, Managua, Maputo, Medellin, Quetta) were chosen in part on the basis of our choice of country cases and the partners involved, but primarily to explore a range of cities based on their scale, experience of conflict and degree of geographical and economic integration with their central states. The smaller third stream of research at the regional level focused primarily on a comparative study of the role of twelve regional organisations in processes of peace making and security, but additionally involved research on security-sector reform and peace mediation.

In studying processes of violence and war we do not subscribe to the view that conflict or violence is "development in reverse". We reject the use of the term "post-conflict", because conflict is ubiquitous and a normal condition in human society, often driving development in progressive directions. We have sought to understand the conditions, actions and organisational processes that have allowed conflict to be managed peacefully, and those that have led instead to violence. Neither do we

conclude that development will necessarily be a route out of violence, since the processes involved in development can be highly conflictual and at times violence can be constitutive of state formation and development (Cramer 2006: 199-244). In the countries we studied, developmental processes were unleashed by violent challenges to existing state authorities: for instance in Uganda, when Museveni and his National Resistance Movement fought its way to power in 1986; and in Rwanda, where the Rwandan Patriotic Front waged a war to bring an end to an exclusionary regime that had committed genocide in its efforts to stay in power.

However, "human development depends on investing in the future, whether it is in education, infrastructure or productive assets" (Beall and Fox 2011) and where violence is endemic it creates profound uncertainty and tends to inhibit investment and development more generally (Bates 2001). Recent cross-country quantitative research has identified that outbreaks of violence are heavily correlated with the incidence of poverty where political regimes "are paralysed or undermined by elite divisions" (Goldstone et al. 2010). In our cross-country quantitative research we have found that the poorest developing countries are sharply differentiated between those that have experienced violence and war and those that have managed to avoid it (Gutiérrez et al. 2011).

We have argued that "fragile states" can be best understood as countries particularly vulnerable to outbreaks of large-scale violence, and we have sought to understand what has allowed some states to avoid violence and achieve significant periods of "resilience" even in conditions of low growth and extreme poverty. In our research we have identified the central role played by elite bargains embedded in wider political settlements in determining trajectories of violence and change in developing countries, a finding that is supported by recent econometric evidence that identifies regime type and political institutions as central to patterns of violence and political order (Goldstone et al. 2010). Our findings also sit well with those of Douglass North and his colleagues who have argued that for most of human history states have presided over "limited access orders", guaranteeing privileged access to sources of income and political decision making to elites as a means for managing violence (North et al. 2007, 2009).

In this paper we present the main findings of our research, which we believe make a significant contribution to wider scholarship on the role of the state and development, the study of violence and war, the study of urban change and the use of measurement tools to understand social and political processes. We believe the results of this research have major implications for current policy debates, design and implementation in the countries of the developing world in general and in what we have defined as both "fragile" and "resilient" states. By way of introduction we summarise here the main findings and their policy implications.

1 Seeing the state as a political settlement: elite bargains and social mobilisation

The dominant position in the policy community when addressing the condition of a state, or public authority, in the developing world is based on the proposition that "good governance", defined as liberal democratic and free market institutions, is the source not only of a state's ability to preside over peace and stability, but also over growth and development. These are generally assessed by the formal rules adopted by a state and the policies articulated and implemented. Our research suggests that a better understanding of the possibilities of progressive institutional change and policy reform can be achieved by seeing the state as a political settlement embodying a set of power relations.

Policy implications

1. The "design of institutions" (the rules and norms that govern behaviour), particularly formal state institutions, does not determine either political or economic outcomes. Democratic institutions in one state may be associated with violent conflict and economic stagnation, while in another they may be related to peaceful social relations

and economic growth. It is the underlying political settlement that determines political and developmental outcomes.

2. Understanding the state as a political settlement places the goal of democratisation in a new light. The insight that every state is based on a historically specific political settlement provides a route to understanding why very similar sets of formal institutions – like democratic rules, or rules governing macroeconomic management or trade liberalisation, or industrial policy – can have extremely divergent outcomes.

3. Focusing on the political settlement directs attention to the crucial role of elites in securing stability in a state, which should lead international actors to be concerned about the incentives elites face to play by the rules of a state. A uniform approach to opposing rent seeking may provoke instability and violence, and rent allocation or special privileges allocated to elites may be central to the maintenance of peace and state-building processes.

4. Patterns of inclusion and exclusion are central to the stability and resilience of political settlements, but important more in terms of outcomes than the formal institutional arrangements governing access to state power. If democratic rules are likely to lead to significant exclusion of either powerful elites, or important regional, ethnic, language or religious groups, then they may be inferior to forms of power sharing.

5. Support for reforms that promote the interest of non-elite social groups must be determined by the extent to which such groups have developed their own organisations capable of articulating such reforms and engaging in the political contests necessary to enact them. International actors need to be able to identify organised social constituencies for major political reforms if external support for such reforms is not only to be effective, but also avoid disrupting political systems in unintended ways.

6. Incorporating an analysis of political settlements can take the work done by DFID and others on understanding "the drivers of change" in the developing countries a step further. This lens allows an analysis of the contending interests that exist within any state, which constrain and facilitate institutional and developmental change. It provides a framework to analyse how the state is linked to society and what lies behind the formal representation of politics in a state.

7. To undertake development-assistance programmes without understanding the political settlement on which a state rests can lead to unintended consequences of all sorts. Not only does the political settlement set the constraints for what can and cannot be accomplished with foreign assistance, but foreign assistance itself can have an impact on the political settlement.

2 Distinguishing state fragility and resilience

There is a distinction among the poorest developing countries, between those that experience a condition of fragility – or a real danger of state breakdown and internecine violence – and poor countries where the state has achieved considerable resilience, or peace, even when economic development has been elusive. Both fragile and resilient states among the poorest countries are also distinct from states presiding over accelerated development. Not understanding these distinctions renders the idea of state fragility meaningless and can lead to serious problems in international interventions.

It is impossible to understand patterns of state fragility and resilience by looking only at the national state. In practice, the architecture of state authority in every society is a complex network of public organisations and institutions. Within this network, towns and cities serve as critical spaces of state formation, consolidation, transformation and erosion. Cities are particularly significant sub-national units of analysis and intervention in "fragile" states.

Policy implications

1. Policy practice directed towards "fragile states" has been confounded by a failure to make clear what distinguishes the particular problem of "fragility" from general problems facing all developing countries. Our definition of state fragility directs attention to factors that are most likely to provoke violence and lead towards state collapse: the lack of a basic legitimate monopoly over the means of large-scale violence, the absence of control over taxation, the failure of state organisations to operate in significant territories of the country and the existence of rival rule systems that take precedence over the state's rules.

2. There is clearly a category of "resilient states" among the least developed countries, which has not been given due recognition in theory or policy practice. States that have achieved and maintained peace over time, even when they have presided over economic stagnation, have been able to consolidate national identity, institutions of citizenship, and inter-community communication in ways that can insulate them against both external crises and the disruptive and violence-provoking characteristics of future economic development.

3. Analysis and policy discussion around fragile states has concentrated almost entirely on the "central state", failing to see the particular place of cities in state formation historically and the contemporary importance of growing cities as key sites of state building and state erosion. The concentration of high-value economic activity within the cities of fragile states renders them central to state-building processes. Elites capable of challenging the bargains on which political settlements rest are often located in cities, and growing civic conflict and violence threatens to undermine state consolidation.

4. Consolidating basic security needs to be seen as a precondition for not only more elaborate programmes of security-sector reform, but also for a wide set of governance reforms, from implementing competitive elections to carrying out programmes of decentralisation and devolution. Where the state's own security forces are either incapable of defeating non-state armed challengers or where the state cannot maintain power without unleashing violence on its population, priority must be given to the establishment of a unified chain of command, an end to all abusive practices against citizens, and ensuring that officers and enlisted personnel are paid and have a basic capacity to provide protection to elites and non-elites within the state's territory.

5. Taxation is a key indicator for measuring state performance and assessing the extent of fragility or resilience of a state. A state's taxation capacity can provide an objective means to assess the power, authority and legitimacy the state possesses to mobilise resources and the degree to which it monopolises tax collection. The level, diversity and manner of collection of taxes all provide indications of a state's position on the fragility to resilience spectrum.

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6. Assessing the reach of a state's organisations into its significant territory is a crucial indicator of a state's resilience or fragility. When a state's authority does not reach important sites of human settlement, economic resource mobilisation or areas bordering on neighbouring zones of conflict, this can be considered a major indication of state fragility. Programmes that aim to decentralise or devolve power in areas where the state is hardly present can aggravate fragility, while programmes that promote economic and social integration of the state's territory, even if economically "inefficient", may be important to establishing state resilience.

7. The extent to which the state's institutions, or rules, trump non-state institutional systems, whether anchored among regional, ethnic, traditional, religious or warlord actors in rural or urban areas, is a key indicator of state fragility or resilience. Where non-state institutions are not subsumed within the state's own rule system, they can act as important sources

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of legitimacy to those who mount violent challenges to the state. Programmes designed to promote participation and tap the resources of non-state organisations must be cognisant of this dimension of state fragility or they may potentially contribute to provoking or aggravating violent conflict.

8. Dominant approaches to measuring state performance, state fragility and state failure are poor guides to analysis and policy making. The advances made by the Crisis States Research Centre offer the basis for beginning to deal with the most important problems of ambiguity and aggregation, and to present a more useful database of performance indicators and a more powerful set of policy-relevant analytical tools.

3 Political organisations and trajectories of fragility and resilience

Political organisations shape the ways elites relate to each other. They shape the relations between elites and their social constituencies, and the fundamental characteristics of the political settlement (the institutions and organisations of the state): most importantly, the powers and the limitation of powers over executive authority at central and sub-national levels of the state. State resilience is most likely achieved when the political organisation(s) that control the state: (1) mobilise their social base in ways that accommodate the demands of a sustainable elite coalition without pursuing violent repression of non-elites; (2) establish executive authority within the state with the power and resources to discipline defectors and reward those who play by state rules; and (3) establish the executive authority independent of the particular individual(s) who occupy high office and subject it to checks against the abuse of its power.

Policy implications

1. Executive authority within the state is crucial to determining the inclusiveness and stability of elite bargains and the wider political settlement. Political organisations determine whether the executive authority has the power to articulate and enforce both positive incentives for elites to play by state rules and negative incentives that make it costly for elites to exit. Crucially, in establishing executive power within the state, political organisations play the central role in establishing checks against the abuse of power by the executive. Efforts to influence patterns of governance need to focus on how any reform or policy package may affect or be affected by the executive authority of the state.

2. Understanding the particularities of political organisation must be a prerequisite to efforts to promote governance reforms. The techniques political organisations use to win and maintain power and the patterns of collective action they promote are diverse and often difficult for outsiders to see, but understanding these in any given country is essential to understanding how politics works.

3. External actors should focus on areas of good performance of a state and attempt to understand the interests that have led to state effectiveness, rather than attempt to assess performance in the aggregate. In this way they can determine whether such performance can be duplicated elsewhere or why it may not be, and ensure that interventions designed to address one domain of activity do not undermine another central activity of the state – most notably conflict management. Differential performance of a state is deeply related to the way political organisations deal with the interests of elites and their social constituents. The creation of state capacities is deeply influenced by political decisions and is never simply the result of having the technical expertise necessary for a particular activity.

4. Political possibilities, and therefore governance reforms, are decisively linked to reigning elite interests at a given moment in time. The ways politics are organised are intimately linked to the interests of elites and their constituents

at given moments in history. Strategies for political or economic reforms that are radically at odds with interests embodied in a political settlement will either fail or are likely to provoke conflict.

5. The promotion of democracy in a country needs to focus on establishing mechanisms for checks and balances on executive authority rather than the form of political party competition. In almost all cases of state resilience in poor countries forms of centralised patronage have been organised in national political parties, though not all states with national political parties have achieved state resilience. Where the basic parameters of the state – like who is a citizen and who is not, or the basic authority to allocate property rights – remain contested, the establishment of multiple political parties may allow rival elites and their social constituents to challenge the existence of the state itself, thus leading to exacerbated conflict.

6. Political organisations tend to imitate those who succeed in gaining and keeping power regardless of what advice they may receive from at home or abroad. Once this is understood, it is possible to understand why particular techniques and patterns of collective action are adopted by political actors, even when in doing so they may challenge long established elite bargains and political settlements, or reproduce the same despite having long fought for change.

7. Possibilities exist for transformative political coalitions to emerge committed to establishing security, particularly in urban environments where a diversity of relatively well organised interest groups can challenge reigning political practices. Reformist politics are most likely to emerge when it is in the collective interests of newly emergent elites who do not have the means enjoyed by traditional elites to finance their security privately.

4 Politics of violent conflict: rebels, warlords and urban civic conflict

Our research on states and cities challenges crude economic determinist theories that seek to explain violence as driven by individual utility maximisation, or the economic returns combatants can expect from engaging in violence. It also rejects the idea that differences between armed organisations are primarily due to differential access to economic resources. All non-state armed organisations are not the same, but rather they differ not only in terms of their motivations and objectives but also crucially in the organisational mechanisms they deploy as they attempt to survive and grow over time. These are essential to understand, if non-state armed groups are to be defeated or brought into peace negotiations.

Our research has also found that cities are increasingly fraught by civic conflict and violence that does not necessarily appear to be explicitly political in nature. It suggests that violent civic conflicts (as well as assaults and homicides) have a political dimension that is often overlooked. In a quantitative study we found that cross-country variation in homicide rates (a rough proxy for "social" violence) is explained by a combination of traditional socioeconomic factors and variations in political institutional arrangements. City-level qualitative research also points to the significance of political factors in spurring violent civic conflict.

Policy implications

1. Understanding the particular organisational mechanisms and incentive structures within non-state armed actors is essential to understanding what sustains them, how durable they may be and on what grounds they might be defeated or brought into peace processes. While these organisations are all likely to be deeply involved in illegal activities to fund their operations, likely to attract young underemployed men as fighters and may behave brutally towards civilians, there are profound differences between them based on who they recruit, how they operate,

and why combatants join and remain in the organisations.

2. Organisational incentives are a far better analytical indication of the nature of non-state armed movements than particular patterns of access to natural or illegal resources. In Colombia, the paramilitaries and the FARC guerrillas have both been deeply involved in narco-trafficking, while in Afghanistan warlords working with or against the state and the Taliban have all been involved in the production and trade of opium poppies. What differentiates these organisations in terms of their durability and strength are the structure of incentives faced by their leaders and members.

3. Only an analysis of the organisational dynamics and sources of power and legitimacy that underpin warlord power can predict their potential role in processes of state consolidation and state destabilisation. The extent to which powerful non-state armed actors like warlords or clan bosses can be won over to state-building processes depends on the trade-offs they face between imperatives of bureaucratisation involved in state-building projects and preserving the relations of patronage on which their power depends.

© Tom Goodfellow, Kigali building where 10 Belgian soldiers serving in the UN Assistance Mission for Rwanda were shot by government soldiers during the genocide of 1994.

4. Quantitative large-N cross-national studies of episodes of violent conflict can identify important associations between the multitude of variables related to complex processes of violence, but on their own cannot explain causal or dynamic processes. Large-N research needs to be backed up by small-N comparative studies that can shed light on the organisational dynamics that determine the sustainability of armed challenges to the state. Comparative analysis of the organisational dynamics of FARC in Colombia and the Taliban in Afghanistan allowed us to formulate a model to understand their differential behaviour along a spectrum separating army-like and network-like non-state armed groups. In this way we showed that differences between them in terms of their relations with civilian populations were not determined by their resource base, but rather by the imperatives dictated by their organisational dynamics.

5. Cities are often havens of relative security in civil war, but it would be a mistake to take urban security for granted when war has ended. Major population movements and socio-economic ruptures often lead to widespread conflict in cities after civil war. Often municipal state capacities are eroded with long-term implications for development. People will come into cities during and in the wake of war, whatever happens, and unless issues such as urban employment, housing and basic services are addressed, civic conflict is likely.

6. Forms of civic violence are ubiquitous in the cities of the developing world and they are deeply political in character. Gang warfare, crime, terrorism, religious and sectarian riots, and spontaneous riots or violent protest are increasing throughout the developing world. While these conflicts are rarely fought as direct challenges to state power, they are nevertheless usually expressions of deep grievances towards the state or politically and economically powerful urban elites. Treating them as criminal activities, or simply repressing them, may achieve some peace and order

in the short-term, but this can also lead to deferred and even more explosive violent conflict in the future.

5 Military interventions, regional organisations and prospects for peace making and peace building

Since the end of the Cold War the rules governing international relations have changed. Where long-established principles of sovereignty appeared to trump concerns for the protection of human rights or conversely the pursuit of national security through pre-emptive action, new doctrines have emerged advocating the judicial use of international military intervention in pursuit of these goals. A rigorous large-N study of the long-term impact of military interventions in the developing world revealed that there is a large and negative association with the consolidation of democracy after interventions.

With the disappearance of the bi-polar world there appeared to be new room for regional organisations to become involved in maintaining security and peace-making and peace-building efforts within the regions of the developing world. However, there is little evidence that the confidence international actors have in these organisations is warranted. International efforts have been developed to promote peace-making and peace-building operations and to attempt to bring conflicts internal to states to a conclusion through international mediation. There is an urgent need to professionalise approaches to mediation and to ensure they are well resourced and given time to operate effectively.

Policy implications

1. There is a strong, negative and significant association between military interventions and democracy. A majority of cross-country comparative analyses of the impact of military interventions over time on patterns of democracy and development found their effect to be either positive or neutral, but these have suffered from serious methodological problems. By applying a rigorous definition of military intervention and reconsidering all episodes since the end of World War II, we found that large-scale military interventions have had a decisively negative impact on subsequent patterns of democratic consolidation.

2. Military interventions have tended to destroy a state's conflict-resolution mechanisms, often unleashed forms of politics incompatible with democracy, upset political settlements and critically weakened state systems in general. Many interventions have provoked long periods of armed conflict in invaded countries. They have often given rise to polarised nationalist and identity-driven politics. Invaders have often combined motives of democracy promotion with measures that have redrawn elite bargains and political settlements in ways that have made democratisation more difficult.

Invaders have often combined motives of democracy promotion with measures that have redrawn elite bargains and political settlements in ways that have made democratisation more difficult.

3. Despite the optimism among international actors that regional organisations can play a major role in achieving regional security and make a positive contribution to peace building, their effectiveness is constrained by a lack of common values among their member states. The mandate, norms, decision-making modalities, goals, strategies, programmes, structure, capacity and culture of regional organisations derive from their member states. Among the cases studied the effectiveness of peacemaking was limited by the absence of normative congruence among member states in Central Asia, South Asia, Southeast Asia and the various regional organisations in Sub-Saharan Africa. Only the European Union achieved the degree of normative congruence necessary to forge a security community.

4. Opportunities for positive engagement in mediation to bring about an end to conflict arise when the interests of belligerents align to make peace a more attractive option than continued warfare. The dynamics of war and peace can be understood as cyclical, but also efforts to understand them through an analysis of the causes for the outbreak of war are often thwarted by the fact that the motivations for participation in violence

change over time. Opportunities for peace often emerge when processes of accumulation of financial, ideological or political capital change the economic and political landscape and a range of actors share an interest in securing what they have accumulated. Understanding the cycle of war and peace can help to identify the most propitious moment for intervention through mediation.

Centralised patronage underpinned by an inclusive elite bargain and state control over resources can play an important role in maintaining political stability but may come at the cost of economic development.

5. There is an immediate need for international actors to professionalise their approach to mediation. Four measures are required to bolster international mediation capacity: (1) the implementation of a rigorous system for appointing and evaluating perspective mediators; (2) mediators need adequate support in the field to allow them to deal with the complexity of conflicts; (3) a learning culture needs to emerge based on review, assessment, research and adaptation; and (4) a confidence-building model needs to be adopted to deal with national conflicts, breaking from power-based diplomacy.

6. Mediation requires time necessitating a shift away from approaches that attempt to find a "quick fix" in peace agreements. Mediation takes time to take account of the complexity of conflict and the need to overcome hatred and mistrust among conflicting parties, who must be brought to feel they own a peace settlement. Mediation, pitched at the right moment in the cycle of war and peace, can have an important impact, when those involved have proper expertise and have mastered the skills and techniques of mediation.

6 Economic resource mobilisation: trajectories of accumulation and links to fragility and resilience in states and cities

Our research on economic resource mobilisation identified different dominant trajectories of accumulation in the case-study countries and cities, which are related to elite bargains and patterns of state fragility and resilience. In analysing the results we distinguish between formal and informal capital-accumulation processes that predominate in different settings. Our findings challenge some conventional wisdom in development theory and practice. First, resilient states with predictable formal rules of the game do not necessarily generate dynamic economic development outcomes. Second, our research at both the country and city levels suggests that processes of capital accumulation in the informal sector are underpinned by fragile, competing and/or exclusionary elite bargains typical of fragile states. Third, external intervention and external conditions impose constraints and incentives that have a profound impact on the choices open to actors in fragile and resilient states.

Policy implications

1. Centralised patronage underpinned by an inclusive elite bargain and state control over resources can play an important role in maintaining political stability but may come at the cost of economic development. Policy makers need to consider the extent to which deregulating an economy across the board will be politically destabilising and actually undermine economic reforms.

2. State capacity varies substantially across functions and sectors within polities – a central feature of fragile states not acknowledged in aggregate measures of governance – but this variation needs to be taken into account in the design of economic reforms in fragile states. Detailed historical analyses of the political coalitions and settlements underpinning specific state capacities are essential to increase understanding of variable state capacity within a polity. As such, investigating under which conditions the achievement of state resilience hinders or facilitates economic development is an important area of research.

3. The creation of organisations that can provide support for informal sector firms is central to improving production capacity and thus sustainable employment creation. Tax collection and other government strategies need to be linked to providing incentives for informal firms to register as taxpayers. A promising approach to this challenge could be to link the expansion of the tax base to the informal sector in exchange for providing incentives for small and medium-sized firms to increase productive capacity.

4. While sectors such as construction and the drugs trade provide livelihoods in the informal sector for a substantial number of people, they are unlikely to be sustainable in political economy terms. This is because these trajectories of accumulation take place in the context of fragile political settlements that undermine state building. Moreover, the dynamism of the informal sector means that capital accumulation proceeds without increases in the formal tax base of the state. This further undermines the prospects of state building.

5. Governments need to effectively regulate land and housing markets and deliver key public goods in an effort to formalise urban informal economies to avoid the emergence of political and economic entrepreneurs with powerful incentives to resist state consolidation. In urban settings, policies that contribute to state withdrawal are often evaluated on grounds of efficiency and equity, but almost never for their impact on the institutional resilience of the state. This is a major blind spot which has far-reaching consequences for the ability of states to embark upon or return to a path of institutional consolidation.

6. Assessing the initial conditions of a polity and the parameters of the political settlement on which the state is based must be a prerequisite before prescriptions for far-reaching economic reforms are adopted. Rapid economic liberalisation associated with structural adjustment programmes in Africa, even when these programmes were only partially implemented, had a much more devastating impact where political settlements and elite bargains were factionalised than where more solid political organisations reigned.

7 From fragility and resilience to development

Promoting development – or progress towards accelerated growth and poverty reduction – requires both transcendence of basic fragility and the creation of further state capacity to promote an intensification of economic integration within a state's territory and a step-change in productivity in agriculture, manufacturing, wider industry, trade and key service delivery. The way "state fragility" is defined in the policy community loses sight of the huge distance that must be traversed from both conditions of fragility and stagnant resilience to a situation where the state is presiding over accelerated growth and poverty reduction. A "developmental" or "transformational" state has to be able to create incentives and conditions for the holders of wealth to invest in productivity-raising economic ventures, and incentives and conditions for labouring people to work for wages.

While our research was focused more on the distinction between fragile and resilient states than on developmental success stories, we were able to observe several factors crucial to the transition from fragility and resilience to development. Many economically stagnant but resilient states depend heavily on resource extraction and we found that the ability of the state to create a regulatory framework to govern the sector is related to the political settlement in place when resource exploitation begins. We also found that the promotion of developmental patterns of capital accumulation may only proceed incrementally, sector by sector. Our research on taxation suggests that it can be deployed to encourage transformation of production and to establish a terrain favourable to the formation of political coalitions with an interest in growth and development. The research has contributed

to a growing body of work that illustrates that the way aid is delivered in fragile and resilient states can have a profound impact on its potential to contribute to sustained development. Finally, we conclude with a reflection on the types of coalitions that are most likely to provide the basis for positive developmental transitions.

Policy implications

1. Ensuring that resource-extractive industries contribute to wider developmental patterns through revenues generated and processing operations established, requires an activist state. A state needs capacity within its revenue and licensing agencies and in its law-making bodies, to design and implement sectoral development plans that ensure the contribution of resource-extractive industries to the creation of infrastructure, the emergence of processing activities and the development of skills among workers. In the face of political arrangements that block the development of a resource sector, the answer is seldom likely to be the wholesale withdrawal of the state from intervention within the sector.

2. The successful management of resource-extractive industries is most likely to happen in states that consolidate a national development coalition before the exploitation of resources begins. This means that the first step in assistance to a country that is engaging with international or domestic business to undertake exploration for minerals, fossil fuels or any other natural resource, should be the creation of knowledge, skills and agencies within the state capable of both bargaining with and regulating private investors.

3. Sustainable employment creation and poverty reduction in rural areas requires the development of effective organisations where the focus is on developing production strategies. Pockets of growth can emerge incrementally and these "islands of success" can form the basis of development projects. This approach is likely to yield greater success than "big push" macroeconomic reforms often advocated by international actors. The challenge will remain to replicate advances in single sectors to other sectors within agriculture and industry.

4. Taxation and tax reform can be deployed to promote investment in lines of production with good potential for growth. Tax allows governments to secure the revenues needed for social programmes and public investments. It can be organised both as a means to increase public accountability and as a nexus for political organising in society. Expanding the tax base geographically and sectorally can help to embed the state in society, and revenue expenditure by the state is one of the principal means to meet societal demands.

5. Aid needs to be channelled through the agencies of the state and it should give due priority to developing the core capacities of the state to govern economic development. Donors need to give due consideration to mechanisms that increase the capacity of states to raise their own finances. Aid channelled outside state systems or "off budget" can contribute to the creation of a "dual public authority" thus weakening states as the centre for decision making, in favour of potentially rival networks of patronage.

6. Developmental coalitions may emerge in less than democratic ways, or only within particular tiers or organisations of the state, but if they are inclusive and incorporate measures to check the abuse of executive authority they deserve the support of external actors. Political settlements and the elite bargains at their centre, which are capable of steering a course through the conflictual processes that may lift a government out of resilient stagnation, arise only rarely and are largely a matter of internal politics. External actors need to be able to recognise and support them even when they are organised along lines that fall short of the standards of modern liberal democracies.

This is an impressive example of academic research leading to good policy advice. It challenges much of the current conventional wisdoms, but makes clear forward looking proposals. All who pontificate about failed states should read it, and re-examine their policies.

Clare Short, UK Secretary of State for International Development, 1997-2003

The Crisis States programme at LSE has generated a huge trove of evidence and thinking that has changed the way we now see the fragile states phenomenon – defining the state as a political settlement, and then looking at how such settlements emerge in contexts with fractured histories and complex, competing elites. This pioneering work has underpinned new principles and approaches for support by the international development community. And it has stimulated the emergence of the g7+, a group of fragile states providing a new voice at the frontier of these fundamentally difficult issues, as they interface with external actors in piecing together and sustaining political settlements which enable a politically fragile country to find the way forward to peace and a transformational development path.

Richard Carey, Former OECD Director for Development Co-operation and former member of the World Economic Forum Agenda Council on Fragile States

The work on crisis states provides vitally important conceptual and practical clarifications for terms such as "fragility" and "resilience" that currently frame much development discourse. The power of this work lies in the rejection of loose thinking about "state fragility" and "state failure" focusing instead on the preconditions for "resilient states" that trump disorder and provide legitimate solutions to public goods challenges. External agencies seeking to support transitions out of conflict should take note.

Alison Evans, Director, Overseas Development Institute, London

This synthesis report of the work of the Crisis States Research Centre is a powerful testament to the importance of independent political research if the donor community wishes to be serious about thinking and working politically in development. The strength of the evidence and analysis about the politics that shape violence and conflict and the consequences of various kinds of external intervention is a stark reminder that the real binding constraints on development, stability and inclusion are political, in both crisis states and in the development agencies of the west.

Adrian Leftwich, Director of Research Developmental Leadership Program and University of York

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