



Geneva Centre for the Democratic Control  
of Armed Forces (DCAF)

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**The Privatisation of Security in Failing States:  
A Quantitative Assessment**

*Željko Branović*



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## Abstract

Failing and collapsed states are a common marketplace for the private military industry, which has grown significantly in size and scope over the last decade. Today the private sector supplies a broad spectrum of military and security services to governments facing a lack of territorial control and law enforcement capacities. These services range from combat support to training for military and policing units, logistics and the protection of individuals and property. Yet a quantifiable picture of the extent to which these private security services are being used by failing or weak governments and the implications this use might have for the security environment has not been properly painted.

This paper aims to fill this gap by presenting statistical findings on the use of private military and security companies (PMSCs) in failing states. It utilises data from the Private Security Database that account for instances of military outsourcing by public actors (governments and international organisations) in failing states in the period 1990-2007. Starting from the assumption that PMSCs play an increasingly important role in the security environment in failing states by supplementing, substituting or compensating public forces, the paper raises three interlinked questions. To what extent is private security a common feature in countries that face episodes of state failure? Under which conditions are PMSCs present in countries with weak or failing governments? And what kind of effect do PMSCs have on political instability in general?

To address these research questions, the paper reviews the literature on the strategic role of PMSCs in contexts of conflict and state failure, and deduces empirically testable propositions and expectations based on the perspective of advocates and critics - arguments for and against. The data analysis is structured to reflect views from both sides. The key findings suggest that PMSCs are in fact increasingly involved in countries that face episodes of state failure. They tend to enter the theatre during and after those episodes - but do not trigger their outbreak - and accompany foreign intervention forces rather than acting on their own behalf. This finding is supported by the fact that there has been a significant shift towards an external client base since the end of the 1990s. When present in these countries, generally speaking PMSCs do not significantly contribute to a shortening of episodes of political instability; on the other hand, they do not harm local security institutions in terms of resource draining or militarisation. By presenting these additional quantitative insights, this paper contributes to the evaluation of theoretical arguments made about conditions and effects of private provision of security in countries where the public sector is limited in its ability to enforce the monopoly of violence and implement collectively binding decisions.

## About the author

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# The Privatisation of Security in Failing States - A Quantitative Assessment

*Željko Branović*

## 1. Introduction<sup>1</sup>

State failure and state collapse pose one of the main threats to international security in the twenty-first century (United Nations, 2004). Governments of these countries lose the monopoly of organised violence and lack territorial control and the capacity to enforce rules (Rotberg, 2003). This limitation in statehood creates opportunities for substate violent actors to challenge the state, establish quasi-state structures (Jackson, 1990) and different modes of security governance (Chojnacki and Branović, 2007) or support terrorist activities.<sup>2</sup> The Cold War offered an ideologically driven patronage system to troubled governments, guaranteeing that at least one of the bloc parties would intervene in ongoing political conflicts or provide different kinds of military resources (weapons, human resources). The breakdown of this support in the aftermath of the end of the Cold War left weak governments with a military resource gap and an increased demand for military goods and services (Lock, 1999). A market-based alternative to the former (state) support was briefly found. Political and technological developments<sup>3</sup> in the early 1990s promoted the evolution of a vibrant market for force and protection (Avant, 2005; Singer, 2008), which increased rapidly in size and scope and reached its latest peak with the current wars in Afghanistan and Iraq.

Today's private military and security companies (PMSCs) offer a broad spectrum of services ranging from combat support to training for military and policing units, logistics, equipping armies and securing individuals and property. During the early 1990s the involvement of PMSCs was mainly associated with intervening in ongoing conflicts (e.g. former Yugoslavia, Angola, Sierra Leone). Over recent years PMSC activities have become more and more an integral part of humanitarian interventions, peacekeeping missions, externally induced military training programmes and state-building projects such as security sector reform (SSR) (Shearer, 1998, 1999; Spearin, 2001, 2005; Bryden and Hänggi, 2005; Bryden and Caparini, 2006). The US Congressional Budget Office estimated that 'as of early 2008 at least 190,000 contractor personnel, including subcontractors, were working on U.S.-funded contracts in the Iraq theater' (CBO, 2008: 1). Approximately 30,000 of these contractors are said to be personnel of PMSCs providing diverse security services to the coalition forces and Iraqi government (ibid.: 15). A number of countries, notably the United States and the United Kingdom, are highly dependent on the private sector: engaging in full-scale military operations like military

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<sup>1</sup> The author gratefully acknowledges financial support by the German Research Foundation (DFG).

<sup>2</sup> Note that governments themselves might be the source of the problem. Neil A. Englehart's (2007) case studies of Afghanistan and Somalia present an interesting account of how governments precipitate the collapse of the state. In a nutshell, Englehart argues that governments might attack state institutions due to short time horizons and miscalculations, in order to prevent opposition by the bureaucracy or the military. The result is a self-destructive despotism in which governments are part of their own demise.

<sup>3</sup> The literature mainly lists the end of apartheid in South Africa, military downsizing by Eastern and Western governments, the revolution in military affairs and the dominance of the liberal market model.

interventions, peacekeeping missions or counterinsurgencies without PMSCs would be difficult, if not impossible (Spearin, 2007; Smith, 2002/2003).

These developments point to the fact that the market for force has obviously changed in recent years, suggesting that mercenaries have increasingly been supplanted by professionalised corporations. However, although PMSCs are a common feature in armed conflicts and post-conflict environments (Clapham, 1996; O'Brien, 1998; Shearer, 1998; Kaldor, 2006; Small, 2006), the literature provides quite an ambiguous picture of their strategic role in military and security affairs. Whereas some authors argue that PMSCs mainly increase dysfunction in troubled states and for weak governments (Musah, 2002; Leander, 2005), others argue that in cases like Sierra Leone and Angola PMSCs were more efficient and effective in providing security and stability compared to external humanitarian public forces (Lawyer, 2005; Spearin, 2001).

Beyond these accounts, one main problem in analysing the privatisation of security is the absence of systematic empirical information on the use of private security services, especially in countries with weak or failing state institutions.<sup>4</sup> As this paper argues, any judgement about disruptive or stabilising impacts in the context of state failure needs empirical evidence about the *conditions* and *effects* of privatised security. Further empirical analysis of these developments will contribute to our understanding of how force is used in the international system, and could have an important impact on theories of international relations (Avant, 2006).<sup>5</sup>

The paper aims to fill this empirical gap by presenting initial statistical findings on the use of PMSCs in failing states. It applies data of the Private Security Database (PSD) that account for instances of military outsourcing by public actors (governments and international organisations) in the period 1990–2007. Starting from the assumption that PMSCs play an increasingly important role for the security environment in failing states by supplementing, substituting and compensating public forces, this paper focuses on three interlinked questions.

- To what extent is private security a common feature in countries that faced episodes of state failure?
- Under which conditions are PMSCs present in countries with weak or failing government?
- What kind of effect do PMSCs have on political instability in general?

To address these research questions, the paper reviews the literature about the strategic role of PMSCs in contexts of conflict and state failure, and deduces empirically testable propositions and expectations based on a for/against perspective of advocates and critics. The arguments made from both sides accordingly structure the data analysis. Since there is still no coherent or comprehensive theory on the role of private actors in the provision of security in failing states, this endeavour contributes to the formulation of additional

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<sup>4</sup> Two exceptions should be mentioned: first, the list of mercenary activities in Africa produced by Musah and Fayemi (2000), which can be used for quantitative purposes; and second, the contribution of Chojnacki et al. (2009) considers the involvement of mercenaries in civil wars between 1950 and 2000.

<sup>5</sup> This is especially true for the fields of 'late state building' (Avant, 2006: 515 et seq.) and the study of the 'nature and frequency of conflict' (ibid.: 517 et seq.).

hypotheses and theoretical building blocks about conditions and effects of the private provision of security in countries where the public sector is limited in its ability to enforce a monopoly over the use of legitimate violence and implement collectively binding decisions.

As such this paper is an exploratory cross-country study on the quantitative dimension of privatised security in failing states. It is strictly descriptive and does not aim at proving causal relations, but offers an empirical base and starting point for an elaborated empirical research agenda in a field that is dominated by anecdotal evidence and speculative analysis. To accomplish this task, new data will be merged with some established datasets and the findings presented in an accessible and very easily understandable way, so readers are not required to have an in-depth knowledge of statistical methods and techniques. To enable a structured reading, each empirical section closes with a summary of key findings.

The paper is divided in four further sections. Since the term ‘privatisation of security’ is often broadly applied in the current literature, section 2 prepares the conceptual ground by narrowing the analytical understanding of the phenomenon. The paper deals with a very special class of countries that all experienced episodes of state failure; accordingly, it proceeds with a discussion about failing states and how these countries are assessed empirically by quantitative data. Section 2 further narrows the theoretical perspective and turns to the advocate and critique arguments about the role of PMSCs in failing states. As mentioned above, main propositions and expectations will be deduced from this literature and applied to the empirical data. To give an idea of the new data on PMSCs, the paper presents the database structure and discusses the event logic, labelled as *aggregated contractual relationship* (section 3). Section 4 then presents the empirical findings based on the arguments deduced from section 2. The paper closes with some main conclusions and prospects for further research (section 5).

## **2. Conceptual Framework**

### **2.1 Privatisation of security**

In the last three decades the privatisation paradigm has spread around the world like wildfire. Emphasising better efficiency and effectiveness, privatisation is often styled as a panacea for the clumsy and cost-intensive performance of public administrations. This kind of state-sceptic and private-sector-supporting thinking became politically most significant in the 1980s with the conservative governments of Margaret Thatcher in the United Kingdom and Ronald Reagan in the United States. Since then, very different modes of privatisation have been established to reduce state involvement in market activities, increasing the contribution of private actors in formerly public policy areas. These modes range from the *sale* of public-owned enterprises, *franchising* by giving a private firm the exclusive right to provide a service within a certain geographical area, *commercialising* by stopping the state providing a service and letting the private sector assume the function or *outsourcing* by contracting out the provision of specific services to the private sector. Conceptualised in this way, privatisation refers to the transfer of



ownership of an enterprise, business or service from the public to the private sector or the delegation of former government functions to the private sector (Feigenbaum and Henig, 1994; Berg and Berg, 1997).

In the security field, though, the literature speaks of two different phenomena when it comes to the privatisation of security. Firstly, privatisation refers to armed non-state actors that might challenge the state by waging civil wars or establishing locally bounded modes of security which call state legitimacy into question. In this reading, privatisation refers to any private actor that provides security or acts in a way in which the state is usually assumed to act. Conceptually speaking there are two such modes: security by coercion, with a certain degree of institutionalisation and reliability; and self-organised forms of protection against internal or external threats (Chojnacki and Branović, 2010).

*Coercive security* involves specific strategies of militarily potent actors that invest in the establishment of local monopolies on the use of force and advance processes of governance formation, i.e. the establishment of institutionalised political and economic systems of rule. Prototypes include rebel groups such as the Sudan People's Liberation Army in southern Sudan and the Fuerzas Armadas Revolucionarias de Colombia. But even local warlord factions in Afghanistan and Somalia have invested in the build-up of political and social regulatory structures, which produce both a certain degree of mutual expectations and collectively binding decisions for a defined group.

*Self-protective security*, in contrast, is usually a reaction to continual attacks by looting violent groups. Under these conditions, individuals or civilian groups affected by insecurity decide to counter the violent environment with investments in their own security through protective actions. Self-defence groups arm themselves in situations where violence escalates exceptionally, so that self-protection of property and life becomes the only means for survival. Whereas the former mode of security is a supply-driven strategy based on a specific opportunity structure that armed non-state actors face under conditions of state weakness or collapse (ibid.), the latter is demand-driven and reactive. Both modes can be subsumed under the label *bottom-up* privatisation (Mandel, 2001, 2002), which includes a much broader range of non-state actors that provide for their and others' security.

Another element of security privatisation refers to the increased use of PMSCs by governments and companies, mostly in conflict-troubled countries. Labelled *top-down* privatisation, this mode mainly focuses on commercial entities that offer security services for profit, usually based on a formal contract. As such they fit into the above-mentioned conceptualisation of privatisation.<sup>6</sup> This paper is focused on this mode.

The literature suggests differentiating between two types of companies: private military companies/firms (PMCs) (Shearer, 1998; Singer, 2008) and/or private security companies (PSCs) (Schreier and Caparini, 2005). PMCs are often defined as private companies providing offensive services designed to have a military impact, whereas PSCs refers to companies offering defensive services, mainly to protect individuals and property. Furthermore, the companies are plotted along a *tip of the spear* scale that indicates the

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<sup>6</sup> Contributions about the other modes can be found elsewhere - see Chojnacki and Branović (2010).

closeness of their activities/services to the front line: the closer a company supplies to the front line, the more it can be described as a military firm (Singer, 2001/2002: 200–202).<sup>7</sup> However, this distinction is not without problems, because what is perceived as defensive under a specific set of circumstances may well turn out to have offensive repercussions in another context.<sup>8</sup> Besides this, a lot of firms adapt quite quickly to a changing environment and offer security and military products and services at the same time. For practical reasons, the PSD project therefore eschews the distinction made between security and military and uses the term ‘private military and security companies’. By doing so, it applies an organisational logic to build up the conceptual and typological boundaries.

PMSCs are defined as commercial, benefit-oriented companies which provide military and security services.<sup>9</sup> They need to fit the following criteria:

- market-oriented logic of action
- high degree of professionalisation (official headquarters, business structure, trained military staff)
- organised under private law
- legal body/legally registered.

Since many companies offer quite a broad array of products and services, the main challenge is to differentiate these companies from other strategically relevant industries such as reconstruction or extraction. Three additional criteria are central in this regard.

- The contracted task is related to the process of *implementing internal and/or external security policy* goals by states and/or international organisations.
- The contracted task has to be *equivalent to tasks usually provided by military or policing organisations*.<sup>10</sup>
- The *use of private human resources* is taken as a discriminating criterion to differentiate between the privatisation of the *production* of military goods (like weapons) and of military and security *services* provided by human personnel. Implicitly, services like the maintenance of weapon systems by private employees are treated as a *task* (see below mentioned definition), whereas the supply of weapons or related dual use goods is excluded.

Contracting out in the military and security sector is best understood as strategy embedded in the overall new public management approach<sup>11</sup> emphasising the benefits of market mechanisms in public administration (Ortiz, 2010). The delegation of functions to

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<sup>7</sup> Alternatively, Christopher Kinsey (2006: 10-12) offers a classification that asks whether the object to be secured is *private or public* and whether the means of securing it are *lethal or non-lethal*. The US army in turn differentiates between different categories of contracts: battlefield contractors are generally referred to as theatre support contractors, external support contractors or system contractors (Department of the Army, 2003). Other terms like ‘peace and stability industry’ (see the self-description of the International Stability Operations Association, <http://ipoaworld.org/eng/aboutisoa.html>) are used as well.

<sup>8</sup> This is one problem for the justification of *defensive acts* by private contractors in Iraq.

<sup>9</sup> This definition should make clear that *ad hoc* mercenary groups and other forms of privately provided security are not counted.

<sup>10</sup> Hence firms that operate in the area of *reconstruction* without a military security-related objective are not counted.

<sup>11</sup> In the 1980s concepts like the ‘new public management’, borrowed from (micro)economics, established a new thinking about modern government - at least in theory and in the OECD (Organisation for Economic Co-operation and Development) world (Hood, 1995).

the private sector is usually associated with cost efficiency (especially long-run costs), better access to human resources and the capability for *ad hoc* just-in-time performance. This 'new' mode of allocating resources in the military and security field is accompanied by discussion on whether or not the private sector provides functions that are inherently governmental and therefore should not be delegated to third parties (Chesterman, 2008).

The discussion is centred around the question of whether there are core functions that only the state and its institutions are competent to provide. For the USA there are two main definitions of inherently governmental functions in federal law and policy. One statutory definition, enacted as part of the Federal Activities Inventory Reform Act in 1998, states that an inherently government function is one 'so intimately related to the public interest as to require performance by Federal Government employees'.<sup>12</sup> The more policy-oriented definition contained in OMB Circular A76 states that an inherently government function is 'an activity so intimately related to the public interest as to mandate performance by government personnel'.<sup>13</sup> Yet to date the absence of a clear-cut definition is usually accompanied by a quite flexible strategy of outsourcing by government agencies, causing problems of accountability and regulation (Luckey et al., 2009; Chesterman, 2008).

The interesting point here is that the literature discusses the top-down privatisation of security with regard to its consequences for the state monopoly on the use of force and the future of statehood (Avant, 2005, 2006). At the centre of this discussion is the question of whether private sector contributions to security should be treated as a threat to the monopoly of violence, i.e. its control by the state, or whether the private sector might even contribute to it in a stabilising way. Based on a neo-institutionalist approach, Deborah Avant (2005) analysed the functional, political and social control problems that come along with privatisation efforts in the military. Whereas Avant (*ibid.*: 253 et seq.) finds varying evidence of control problems, she identifies one major intervening variable in her analysis: varying state capacities. As Avant (*ibid.*: 7, emphasis added) notes:

*Strong states* that are coherent, capable, and legitimate to begin with are best able to manage the risks of privatization and harness the PSCs to produce new public goods, but they also have the most to lose if privatization tips the ledger and undermines the capacities of public forces or legitimacy of foreign policy. *Weak states* with ineffective and corrupt forces potentially have the most to gain (or the least to lose) from privatization, but are the least able to manage private forces for the public good – efforts to harness the private sector for state building in weak states are often desperate gambles.

Whereas the literature diligently analyses the implications of privatisation for political and social decision-making processes in consolidated democracies, its impact in weak or failing states is quantitatively speaking still underexplored. It is the purpose of this paper to provide a more comprehensive empirical base to evaluate this ambivalent assessment.

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<sup>12</sup> See [www.whitehouse.gov/omb/procurement\\_fairact/](http://www.whitehouse.gov/omb/procurement_fairact/).

<sup>13</sup> See [www.whitehouse.gov/omb/Circulars\\_a076\\_a76\\_incl\\_tech\\_correction/](http://www.whitehouse.gov/omb/Circulars_a076_a76_incl_tech_correction/).

## 2.2 Failing states

Since the early 1990s the notion and phenomenon of state failure and collapse have drawn growing attention (Manwaring, 1993; Zartman, 1995a, 1995b), and still remain politically and academically highly discussed topics (Milliken and Krause, 2002; Rotberg, 2003, 2004; Collier, 2009). Since 9/11 the literature on state failure has expanded significantly and new research projects have been initiated (Dorff, 2005).

One of the main contested conceptual and empirical questions is when and how governments fail or collapse. The answer is not as obvious as one might be tempted to think. The literature has offered a rich body of concepts to capture the (in)ability of states to perform basic functions such as providing security and guaranteeing a minimum set of public/collective goods.

To identify time and space of state shortfall many approaches use a benchmark of statehood: the modern constitutional and interventionist OECD state. Those countries lacking the capacities to provide a stable environment and (political) collective goods fail on the scale of modern democratic and interventionist states (Milliken and Krause, 2002).

Robert Rotberg (2003, 2004) was one of the first to propose a multistage typology of statehood. He differentiates between *strong*, *weak*, *failed* and *collapsed* states, indicating that there is a continuum of failure that can be measured.<sup>14</sup> According to Rotberg (2003), the main criterion for classification is the performance of states in the supply of political goods. These goods encompass 'expectations, conceivably obligations, inform the local political culture, and together give content to the social contract between ruler and ruled that is at the core of regime/government and citizenry interaction' (ibid.: 3). Furthermore, there is 'a hierarchy of political goods' (ibid.: 3), in which the provision of security is a necessary precondition to reach positive effects in the fields of authority and welfare (Konrad and Skaperdas, 2005). A collapsed state is therefore an extreme version of a failed state, characterised by an inability to execute territorial and institutional authority that can lead to the *ad hoc* provision of political goods by other actors (external public or private).

Given the problems inherent to measuring the quality of public goods in general, one of the most comprehensive data projects decided to apply minimal attributes of state failure such as the disruption of political order, the loss of physical control of the state's territory as a whole or in part and the destruction or dysfunctionality of central state institutions. The Political Instability Task Force (PITF)<sup>15</sup> collects 'information on cases of total and partial state failure (i.e. periods of political instability) that began between 1955 and 2007 in independent countries with populations greater than 500,000'.<sup>16</sup> Instability is identified based on four macro social events, namely *revolutionary wars*, *ethnic wars*, *adverse regime change* and *genocides and politicides* (Goldstone et al., 2010; Marshall et al., 2009). Since this dataset

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<sup>14</sup> Ulrich Schneckener (2004: 8-9) uses the terms states at risk/fragile states, and distinguishes between the dimensions security, welfare and legitimacy/rule of law to capture the performance of state institutions.

<sup>15</sup> The project was formerly known as the State Failure Task Force. As a reaction to critics who plausibly challenged the notion that the project researcher spoke of very different modes of political instability rather than of state failure as an isolated phenomenon, the project relabelled itself as the Political Instability Task Force. See <http://globalpolicy.gmu.edu/pitf/>.

<sup>16</sup> See <http://globalpolicy.gmu.edu/pitf/index.htm>.

is used to identify the countries under observation in the Private Security Database, the operationalisation of these events will be presented in brief.

*Revolutionary wars* are defined as:

episodes of violent conflict between governments and politically organized groups (political challengers) that seek to overthrow the central government, to replace its leaders, or to seize power in one region. Conflicts must include substantial use of violence by one or both parties to qualify as 'wars.'... 'Politically organized groups' may include revolutionary and reform movements, political parties, student and labor organizations, and elements of the armed forces and the regime itself. (Marshall et al., 2009: 5)

Two minimum thresholds are used to identify events of revolutionary wars: a mobilisation threshold, which requires that each party must mobilise 1,000 or more people; and a conflict intensity threshold which requires that 'there must be at least 1000 direct conflict-related deaths over the full course of the armed conflict and at least one year when the annual conflict-related death toll exceeds 100 fatalities'<sup>17</sup> (ibid.: 5).

*Ethnic wars* are defined as:

episodes of violent conflict between governments and national, ethnic, religious, or other communal minorities (ethnic challengers) in which the challengers seek major changes in their status. Most ethnic wars since 1955 have been guerrilla or civil wars in which the challengers have sought independence or regional autonomy. (Ibid.: 6)

As with revolutionary wars, the two minimum thresholds are used to identify events of ethnic wars.

*Adverse regime changes* are defined by the PITF as:

major, adverse shifts in patterns of governance, including major and abrupt shifts away from more open, electoral systems to more closed, authoritarian systems; revolutionary changes in political elites and the mode of governance; contested dissolution of federated states or secession of a substantial area of a state by extrajudicial means; and/or near-total collapse of central state authority and the ability to govern. (Ibid.: 10)

Adverse regime changes are identified in two ways: firstly, by a record of a six or more points drop in the value of a country's Polity index<sup>18</sup> over a period of three years or less; secondly, by those instances which are coded as interregnums in the Polity IV coding scheme.<sup>19</sup>

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<sup>17</sup> 'The "full course" of the armed conflict is defined as a continual episode of armed conflict between agents of the state and agents of the opposition group during which there is no period greater than three years when annual conflict-related fatalities are fewer than 100 in each year.' (Marshall et al., 2009: 5)

<sup>18</sup> The Polity IV Project collects data on the authority characteristics of states in the world system. See [www.systemicpeace.org/polity/polity4.htm](http://www.systemicpeace.org/polity/polity4.htm).

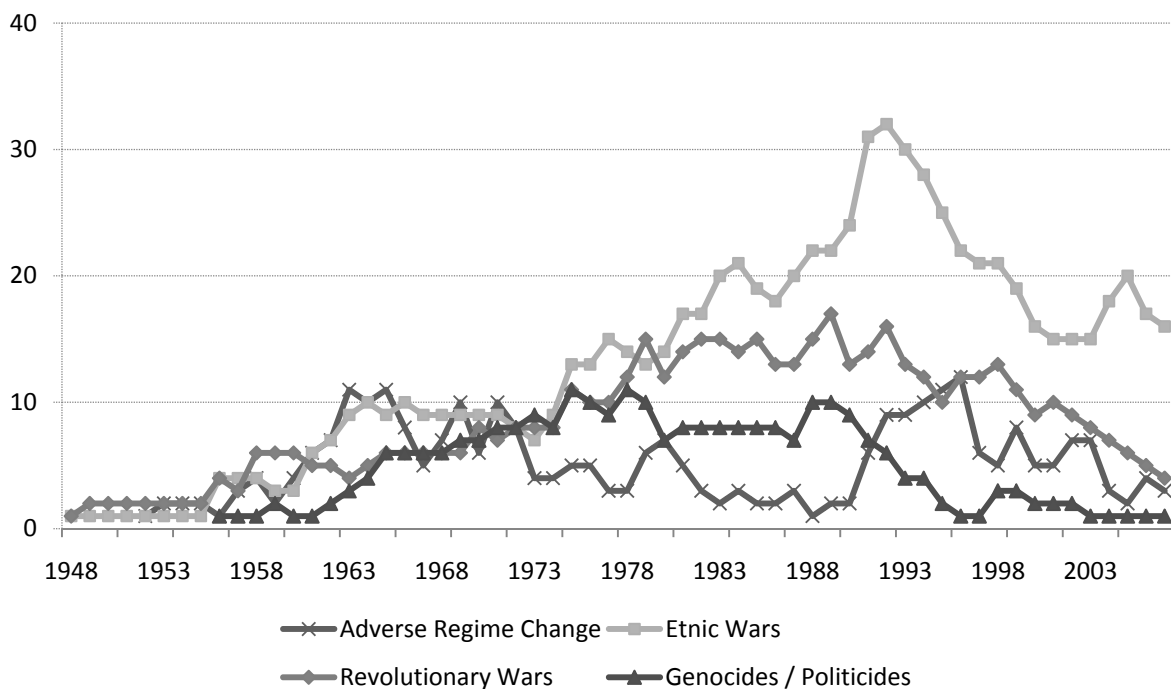
<sup>19</sup> Interregnums are those cases in which the central regime authority collapses in a way that no coherent or consistent authority can be identified over a substantial period of time (Marshall and Jagger, 2009: 17).

Finally, *genocides and politicides* are defined as:

the promotion, execution, and/or implied consent of sustained policies by governing elites or their agents – or in the case of civil war, either of the contending authorities – that result in the deaths of a substantial portion of a communal group or politicized non-communal group. (Ibid.: 14)

Between 1948 and 2007 these types of political instability developed differently. As indicated by Figure 1, instances of ethnic and revolutionary war increased steadily until the mid-1990s and have been on the decline since then. Taken together, these events account for nearly 70 per cent of all observed instability events. The relative increase of adverse regime changes in the early 1990s can mainly be explained by the dissolution of the Soviet Union and the instability that accompanied it in many satellite states.

Figure 1: Types of political instability, 1948-2007



While it is not the aim of this paper to analyse patterns of instability as such, or assess the efficiency of international efforts to deal with weak government, it does aim to clarify the role of PMSCs before, during and after major episodes of instability between 1990 and 2007. As mentioned in the introduction, PMSCs are assumed to have a significant impact on the security environment in failing states, yet an empirical assessment is still missing. Before turning to the key empirical findings of this paper, the main theoretical arguments made about PMSCs in failing states are presented and elaborated for the empirical analysis.

### **2.3 Theoretical arguments and empirical expectations about the role of PMSCs in failing states**

The role of PMSCs in failing states is assessed quite differently: ‘Write a cheque and end a war’ is Doug Brooks’s (2000) summary. Not surprisingly, the president of the International Stability Operations Association (ISOA) favours privately organised peacekeeping missions – especially in cases in which states are reluctant to intervene militarily. The return of the ‘new dogs of war’ (Muthien and Taylor, 2002) is another way of describing the current trend in security privatisation.

Against this backdrop the literature is divided between advocates and critics, both usually emphasising very similar dimensions of PMSC involvement in failing states but reaching very different conclusions. The following subsection presents the main arguments from advocates’ and critics’ perspectives. They will later serve as the theoretical background for the data presentation and analysis.

#### **Closing the security gap and breaking cycles of violence**

As for many other political developments, the end of the Cold War is at the heart of the re-emergence of private security. The ordering function of the bloc confrontation between the two superpowers divided the world into West and East and defined the logic of the military balance in the international system. Its disappearance had a significant effect on the supply of and demand for military service and created a ‘security gap’ that the private market filled (Singer, 2008: 49 et seq.).

In the early 1990s Western states postulated an area of peace and rationalised their war-fighting and defence-related capacities significantly, with far-reaching implications for the post-Cold War security architecture. While military downsizing created a market flood of weapons (especially small arms<sup>20</sup>) and soldiers – fuelling latent conflicts with material and human resources – Western nations and transitioning states of the former Soviet Union seemed unwilling to expand and adjust their military activities into these conflicts. What was left behind might be called the ‘security gap’, which indicates the absence of an ideological ordering system in which there is a natural reflex, i.e. clear perceptions and expectations about who has to respond to security demands or security threats. Consequently, the security gap mainly influenced states in which internal conflicts tended to be manifested under the ideological umbrella of the Cold War and where political struggles between the government and armed non-state groups (rebels, warlords, etc.) were usually accompanied by interventions or support by one of the superpowers.

In the post-Cold War period, armed non-state actors for their part increasingly connected war-fighting activities with the transnational black market (Kaldor, 2006). Whereas the diffusion of small/light weapons from former Soviet Union countries alleviated the military resource allocation, the growing density of transnational criminal channels offered opportunities to export (primary) goods plundered or looted during civil wars. The complex web of interconnected war economies is said to be one of the major

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<sup>20</sup> For empirical data on small arms trade see the Small Arms Survey ([www.smallarmssurvey.org/files/sas/publications/yearb2009.html](http://www.smallarmssurvey.org/files/sas/publications/yearb2009.html)) or the Norwegian Initiative on Small Arms Trade ([www.nisat.org](http://www.nisat.org)).

background conditions for the long duration of civil wars (Berdal and Malone, 2000). Troubled governments, on the other hand, benefited from the market flood of soldiers and the related increased supply of military services provided either by freelance mercenaries or PMSCs. It is this new market opportunity for governments on which this paper focuses.

A dominant argument for the case that PMSCs can be helpful in restoring public security and order in failing states is that they make it possible to break vicious cycles of violence. PMSCs are said to enhance this option either by compensating for political unwillingness to intervene militarily in a context of humanitarian emergency, or by serving as ‘force multipliers’ to local forces.

According to Martin Binder (2007: 307–308), the reluctance of Western democracies to intervene in ongoing civil wars – and instead to make use of PMSCs – can be explained by a contradictory effect of liberal norms and cost-benefit calculations. While liberal norms foster support for intervention in humanitarian crises, a lack of geostrategic importance and the risk of high costs of war in terms of blood and money make states reluctant to intervene (cost-benefit calculation). Yet Binder (2004) turns this argument upside down when he elaborates how states that might be willing to intervene use PMSCs to bypass international norms (non-interference in the internal affairs of states or international sanctions and embargoes).<sup>21</sup> Since PMSCs offer a good opportunity to satisfy the demand for humanitarian responsibility at low political cost, David Shearer (1998: 64) argues that the ‘persistence of internal conflict and Western reluctance to intervene mean that military companies are not a passing phenomenon’. This is why advocates emphasise that outsourcing of security functions to PMSCs has become such a regular practice by governments (for foreign security purposes and internally) that any discussion about mercenarism should be avoided, but a constructive debate about effective regulation must be put forward. Attempts to ban PMSCs from the post-Cold War security scene would open the door for freelance mercenaries again. As Doug Brooks (2000) puts it, ‘not using legitimate private firms will probably lead to a resurgence of uncontrollable individual freelance mercenaries who will flock to satisfy the profitable demand for military expertise, but who have far less regard for the legitimacy of their clients’.

Rwanda stands as exemplar for a context in which the international community faced a widespread agreement to break the cycles of violence characterised by the genocide committed against the Tutsi population, but at the same time widespread unwillingness to send troops (Gantz, 2003; Adams, 1999). Supporters of security privatisation therefore have a clear answer to the question ‘who will respond to tomorrow’s Rwanda?’ (Shearer, 2001: 29): the private security industry! Against this background, the ISOA wants to see the programmes in which the industry is already an important element expanded (African Crisis Response Initiative – ACRI / African Contingency Operations – ACOTA) (Langfitt, 2006; Bures, 2005).<sup>22</sup>

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<sup>21</sup> In a similar vein it is argued that using PMSCs strengthens executives relative to the legislative branch, because they allow the bypassing of democratic decision-making procedures (Avant, 2005).

<sup>22</sup> Under the umbrella of the Global Peace Operations Initiative (GPOI), ACOTA is mainly implemented by Northrop Grunman and MPRI. ‘Initially, under ACRI, U.S. soldiers provided field training and oversaw classroom training provided by private contractors. Because of the demand for U.S. soldiers in Iraq and Afghanistan, private contractors also began



PMSCs are also said to be ‘force multipliers’ for challenged governments which fail to obtain outside support. Intra-state wars and state failure offer a broad range of opportunities for PMSCs (Taulbee, 2002). In their search for strength (McIntyre and Weiss, 2007), weak governments hire PMSCs either to change the military status quo between themselves and contenders (e.g. frequently rebels, warlords) or as a military build-up help force (Howe, 2001). Particularly, African examples show that PMSCs are capable and willing even to reconquer territories and control for governments (Howe, 1998; Cleary, 1999; Lawyer, 2005). The most successful examples are the often-cited cases of Sierra Leone and Angola. In Sierra Leone, for example, Executive Outcomes arrested the Revolutionary United Front rebels close to the city borders of Freetown and brought the Strasser government back to power (Cleary, 1999; Douglas, 1999). Although cases of combat support are fairly rare events, the propping up of weak governments (Kinsey, 2007) through military support services has a strategic impact on the political and security environment of the countries in which PMSCs operate.

The advocates emphasising the claim that PMSCs help to sustain public security in weak states refer to the insufficiency of military and policing organisations in these countries. Being less trained and equipped and poorly paid, many public armed forces have looted and plundered in many cases, making them one of the major threats to peace and stability, especially on the African continent (Howe, 2001). A related problem can be found with UN intervention forces that are composed of soldiers from countries which themselves are often classified as weak or failing states. In Liberia and Sierra Leone, for example, the deployed ECOWAS (Economic Community of West African States) units which were sent in as peacekeeping forces became an active part of the internal conflict over time (Adebajo, 2002). According to the advocates of privatisation, this is not the case with PMSCs. Due to their highly professional training and equipment and the short time horizons of their missions, PMSCs are said not only to perform more effectively and efficiently but also to have less dysfunctional effects for the conflict dynamics on the ground (Lawyer, 2005).

Advocates usually refer to the respectable behaviour of PMSCs and their compliance with international law. They stress the fact that PMSCs are corporations, not individual mercenaries. Some operate as multinational businesses, have headquarters in capitals of some of the biggest public consumer markets (USA, UK), are traded on stock markets and have professionalised their public relations and lobbying activities. PMSC employees commonly have roots in the military (often special operations forces) and/or police, with a very good reputation (Spearin, 2006), and are said to take the values learned during their service into their job as contractors. As the argument proceeds, they have no more motivation to maltreat civilians than soldiers (Taulbee, 1998: 159). On the contrary, advocates argue that PMSCs are even less inclined to violate human rights or misbehave in a mission, because their motivation is less ideological and not rooted in loyalties to a nation, group or clan (Lynch and Walsh, 2000). Taken together, PMSCs are more interested in their long-run reputation as pro-state corporations that have never sought to challenge the state (Coker, 1999: 111).

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to conduct field training. By the time GPOI was initiated, private contractors, many of whom reportedly were retired military personnel and reservists, conducted most of the training, while active duty military officers played a minimal role. This remains true today.’ (Serafino, 2007: 5).

## Self-perpetuating markets and eroding state institutions

The market for force is in fact what Diego Gambetta (1994) has labelled an inscrutable market. Performance indicators of common markets, such as productivity and efficiency of services, are not measurable because there is no measurable hierarchy of priorities that should be given to different threats. Threats need to be defined in such a way as to define the means to deal with them. Due to this ambiguity, critics emphasise that there is an inherent logic to the market for force that creates its own demands (Leander, 2005: 612). Under conditions of market competition, PMSCs present themselves as risk assessment experts and market their services by offensively shaping the perception and understanding of threats of their clients.<sup>23</sup>

The market creates its own demand because PMSCs 'establish themselves not only as providers of security services but as security experts defining which services are needed' (ibid.: 612). By doing so, PMSCs contribute to what Barry Buzan and Ole Waever (1998) labelled 'securitization'.<sup>24</sup> Yet securitisation does not necessarily imply more violence in the first place (Neumann, 1998), but might contribute to the militarisation of a country.<sup>25</sup> Open access to the market of force offers rulers the opportunity to circumvent political restrictions (e.g. weapon embargoes) and (re)arm. The mission of Military Professional Resources Incorporated (MPRI) in Bosnia and Croatia proved how legal international obligations were circumvented to equip and arm the newly emerging armies of these countries (Cilliers and Douglas, 1999: 115; Gaul, 1998).

Indeed, the market is extending its supplies to very different areas, putting forward its functional diversification. As mentioned by Kinsey (2007: 602 et seq.), the market tends to concentrate on four distinct areas in the future: 'intelligence provision and analysis for governments and commercial customers; SSR programs; and support to stabilisation and post-conflict reconstruction operations and humanitarian and development assistance'.

This broad spectrum of involvement is due to the fact that over recent decades PMSCs have transformed themselves from small-scale and ad hoc domestic training assets or discreet tool of foreign military assistance into important global suppliers of military services (Cullen, 2008). Today, the companies are able to supply nearly any service in the provision and production chain of military and security services. As an industry representative put it in an interview: 'We provide what the governments want us to provide – even building schools.'<sup>26</sup>

The functional diversification of the market and the range of supply in failing states are crucial, since they develop alongside the question of the boundaries of inherently

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<sup>23</sup> As Anna Leander and Rens van Munster (2007) elaborate, the industry is also highly influential in the debate about future strategies and means of peacekeeping operations. According to the authors, one consequence of the agenda-setting influence of PMSCs is the depoliticisation of security as a public debate which narrowly focuses on technicalities and costs of military solutions, but leaves aside alternative political options, local knowledge and diplomatic alternatives.

<sup>24</sup> The process of securitisation refers to speech acts by actors trying to translate a topic away from politics into the realm of security concerns, thereby legitimising special means against socially constructed threats - including the use of force (Buzan and Waever, 1998).

<sup>25</sup> Whether militarisation, again, contributes to a higher likelihood of war is still disputed in the literature (Schofield, 2007; Krause, 1992). In what follows I adapt a definition of militarisation that is commonly used in quantitative studies: militarisation refers to the percentage of national budget or national GDP spent on defence.

<sup>26</sup> Interview conducted by the author. The source will be kept anonymous.

government functions. One problem with relying on private means in contexts of weak or missing state institutions is that 'Market-based security offers increases in short-run capacity for states but often enhances institutional malformation that weakens the prospects for strong state institutions to grow' (Avant, 2006: 515).<sup>27</sup>

Supporters of the idea that PMSCs could bolster public security usually do not evaluate their effects on political processes and institutions. Anna Leander (2005: 617) identifies two externalities for political processes which are produced by the market for force: the market weakens public forces, making it easier to contest established security orders; and it 'perpetuates a "Swiss cheese" security coverage – full of holes – undermining the legitimacy of public security orders and hence increasing the likelihood that it is contested by violent means'. As the argument goes, the market for force weakens public armed forces by diverting human and capital resources that otherwise might have gone into the construction of public security institutions.

The budgetary pressure imposed by external donors and investors (World Bank, International Monetary Fund) makes it tempting for governments to use private firms instead of local professional armies (Luckham, 2003). Beside the fact that PMSCs are assumed to be more cost efficient and conflict neutral, they provide opportunities to governments to displace the burden of financing security (Duffield, 2001: 170–187; Reno, 1998: 58–72).<sup>28</sup> They do not offer security as a public good (Chojnacki and Branović, 2010): protection-seeking companies, groups or individuals have to pay for their security directly. By applying this strategy of displacement, governments themselves contribute to the commodification of security (Krahmann, 2008) and its transformation into a private good.

Beyond these considerations, the market for force is said to divert human resources from public armed forces. Companies pay better salaries to their employees than any weak state would be able to do. This is not a particular problem of weak states, but also applies to consolidated democracies. Yet public armed forces in democracies remain a source of professional education and are formally embedded in democratic decision-making processes. On the contrary, in failing states the market for force 'drains human resources by eroding the status of public forces and accentuating the blurring of boundaries between public and private forces'<sup>29</sup> (Leander, 2005: 616). Again, governments – both on their own territories and outside of them – play a significant role in this process by pushing local armies to support themselves through the market, turning the armed forces into money-making ventures or creating incentives for former armed non-state groups to transform themselves into corporations.

Recently, critics of security privatisation have emphasised the dysfunctional effect of governments hiring private security providers for use outside their own territories. By employing local providers, who were often former militias, the international community

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<sup>27</sup> Abdel-Fatau Musah (2002: 911) even notes: 'Whether in its traditional "soldier of fortune" form, or in its current corporate cloak, the privatization of security injects an inflammatory element into the governance process in weak states.'

<sup>28</sup> To the author's knowledge there are no comprehensive studies available - at the time this paper was written - that confirm actual net savings by outsourcing in the military realm.

<sup>29</sup> As pointed out by Leander (2005: 617), Western governments convey the acceptability of moving from public to private forces by outsourcing their military training assistance programmes to private companies.

strengthens these actors relative to government institutions, local governors and police chiefs. Particularly in the Afghan case, the transformation of illegal armed groups into PMSCs appears to be a significant trend: 'Up to 20,000 Afghan "private security contractors" have submitted registration applications for permission to carry weapons; many of these companies are run by former militia commanders who might otherwise be disarmed' (Ayub et al., 2009: 40). As these examples show, the emergence of local PMSCs is highly interconnected with the actor and conflict setting on the ground. According to the critics of security privatisation, an increase in the number of companies that are hired by external state actors should negatively influence the development of sustainable state institutions in the long run. As McIntyre and Weiss (2007: 68) emphasise:

there are potentially negative impacts arising from the use of private force by states with poor performance in the areas of human rights and governance. Where states struggle to maintain monopolies on violence in the face of civil unrest or rebellion, PMCs are sometimes used to safeguard the commercial interests that are the very source of discontent, thus becoming embroiled in and potentially exacerbating local political conflict.

The weakening of public armed forces by privatisation has wide-ranging implications for the overall security architecture, as the likelihood increases that the public security order is contested by violent means – even by the armed forces themselves. As mentioned in the introduction, the limited ability for territorial control creates opportunities for armed non-state actors to challenge the state, establish quasi-state structures (Jackson, 1990) and different modes of security governance (Chojnacki and Branović, 2010) or even support terrorist activities, as happened in the frontier zone between Afghanistan and Pakistan.

The use of PMSCs might contribute to 'Swiss cheese security coverage' (Leander, 2005: 617) due to its uneven distribution on the ground. Governments, companies and individuals usually consume their security services in well-defined areas, creating islands of security rather than promoting a stable, secure environment in whole parts of a country.

The provision of private security in failing states also has significant long-run implications for the consolidation of state institutions. One of the most important mechanisms at work in the European state formation process and the formalisation of the relationship between ruler and ruled was the fact that citizens provided the material and human resources for the war-making activities of their rulers. As Charles Tilly (1985, 1990) has argued, European rulers needed resources to eliminate or neutralise their rivals. These resources were extracted from the local population by taxation, which again promoted growth of state institutions. As a reward, the population received protection against their rivals. This mechanism in the process of state formation is absent if rulers have the option to buy the military manpower they need on an open market in which they are not forced to agree on reciprocally binding agreements with their related population. In other words, as long as military allocation can be conducted by service contracts, its 'positive' side effects for the emergence of a social contract will not ensue.

## 2.4 How to turn from anecdotal evidence to empirical grip

Breaking out of a debate that is mainly characterised by anecdotal evidence implies an empirical evaluation of the arguments made above. Although not every argument can be analysed in detail due to missing data, the analytical perspectives formulated by this paper capture most of the questions and debates at stake. In what follows, the advocate and critic perspectives will be analysed empirically based on theoretical expectations that can be deduced from them (Table 1). Due to the data focus on outsourcing by public actors (section 3.2), arguments like the ‘Swiss cheese security’ order cannot be adequately analysed at this point, but the data project develops an integration of private actors as clients to capture this dimension.

Table 1: Arguments and empirical expectations

Arguments	Expectations
<b>The security gap and breaking cycles of violence</b>	<p><b>Force multiplier - Duration of state failure</b> If the argument holds that PMSCs serve as force multipliers to local governments, the duration of state failure should be shorter in cases where PMSCs are present and aim at propping up weak governments</p> <p><b>Intervention</b> Cases in which political instability took place but the international community did not intervene should display higher rates of PMSC involvement than others</p> <p><b>Arms embargoes</b> In cases in which a country faces an arms embargo, governments might be more tempted to make use of PMSCs than in others</p>
<b>Self-perpetuating markets and resource draining</b>	<p><b>Functional diversification</b> If the expansionary supply holds, the number of services should increase over time, although state performance improves</p> <p><b>Defence spending</b> Assuming that PMSCs are perceived as more cost efficient, cases with decreasing defence budgets should display higher rates of PMSC involvement than others</p> <p><b>Militarisation</b> Cases in which PMSCs are present should have higher militarisation rates than others</p> <p><b>Military personnel</b> An increased use of PMSCs should be accompanied by a decreasing number of military personnel</p>

## 3. Methodology: The Private Security Database

The PSD collects data on the use of PMSCs by public actors, and asks in general who consumed what kind of private security in failing states (where, for how long). The data presented in this paper are unique: it is to the author’s knowledge the first data-gathering project on the use of PMSCs. This is not to say that there have been no attempts to do so. Chojancki et al. (2009), for example, collected data on mercenaries in civil wars 1950–2000. Yet there are significant differences between this sort of data and the information collected by the PSD. Whereas Chojnacki et al. (ibid.) focus on civil wars but exclude episodes of non-war, the PSD covers the entire time period under observation, whether

political instability took place or not. Another major difference is related to the measurement of the activities of private actors. Using a binary indicator that captures cases in which mercenaries are involved in combat, Chojnacki et al. (ibid.) exclude activities such as training and armed logistic security detail from their analysis. In contrast, the PSD is prominently interested in all sorts of services provided by the commercial sector, including combat and non-combat-related tasks. Another data source is provided by Musah and Fayemi (2000), who offer an annexe with a data table on the use of private security on the African continent. Unfortunately the information is limited to Africa and reporting ends in 2000.

### 3.1 The sample

The data presented here are focused on a specific set of countries that experienced state failure or even collapse in at least one year in the period 1990–2007. In this paper these countries are said to display failing state characteristics, which are related to deficits in the effective control of territory, the monopoly of violence and the ability of state actors to enforce and implement political decisions (SFB700, 2005: 36).

To identify these countries, and taking this functionalist view of state security performance as a starting point, the PSD makes use of the PITF database presented above. As already mentioned, the PITF identifies instances of political instability based on four macro social events, namely revolutionary wars, ethnic wars, adverse regime change and genocides and politicides. The PSD particularly focuses on hard cases of political instability. To identify those states, the PSD selects all PITF cases that either begin in 1990 or start before 1990 but range inside the period of observation (1990–2007) and have the highest values on the variables MAGAREA,<sup>30</sup> MAGFAIL<sup>31</sup> and MAGVOIL.<sup>32</sup> Since the variable MAGAREA indicates the percentage of territory that is affected by war (ethnic or revolutionary), it can be assumed that state institutions are apparently not able to guarantee overall security (that is, the absence of physical violence) in defined parts of a state's territory. Hence MAGAREA pictures the territorial control of violence. MAGFAIL indicates by whom the disputed territory is controlled, i.e. who manages and controls the institutions that coordinate society. The higher the values in the variable, the more the state loses control over governance institutions. Finally, MAGVOIL indicates to what degree the state is challenged by other actors, i.e. how intensive and expansive violence is used to challenge state authority. The higher the values in the variable, the more challenged the state is by other violent actors.

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<sup>30</sup> 'Code based on source materials about how much of the country is directly or indirectly affected by fighting or political protest in a given year. A province, region, or city is "directly affected" if fighting/terrorist attacks/political protest occur there at any time during the year. It is "indirectly affected" if the area has significant spillover effects from nearby fighting, for example refugees flows, curtailment of public services, martial law imposed. If open conflict expands or contracts during the course of the year, code according to its greatest extent.' (Marshall et al., 2009: 9)

<sup>31</sup> 'This scale refers to situations in which the institutions of the central state are so weakened that they can no longer maintain authority or political order in significant parts of the country. Evidence includes shut-downs of routine government services, failure of security forces and administrators to carry out any government directives, and anarchic conditions in large parts of the country, with rival militias, warlords, or local or regional authorities attempting to establish autonomous zones of government. Scores on this variable often will change from year to year during a political crisis, as the balances of power and authority shift between the central government and its challengers.' (Marshall et al., 2009: 12)

<sup>32</sup> 'This scale records the extent to which the contenders for state power during an adverse regime change use armed violence against the state. The coding on this scale will often change during a multi-year regime crisis.' (Marshall et al., 2009: 13)

The sample is composed of those states that display highest values (= 4) on these three variables in at least one state-year constellation (Table 2).<sup>33</sup> These states are observed for the entire investigation period, 1990–2007, even if they only experienced one year of collapse.<sup>34</sup>

**Table 2: Sample of failing states**

Afghanistan	Croatia	Nigeria
Albania	Ethiopia	Peru
Algeria	Georgia	Philippines
Angola	Guatemala	Rwanda
Azerbaijan	Guinea-Bissau	Sierra Leone
Bosnia	Iraq	Somalia
Burundi	Côte d'Ivoire	Sudan
Cambodia	Lebanon	Tajikistan
Colombia	Liberia	Uganda
Congo-Brazzaville	Mozambique	Yugoslavia (Serbia + Kosovo)
Congo-Kinshasa	Nepal	

The sample includes divergent cases, Albania, for example, experienced an episode of political instability between 1996 and 1997. As a consequence of the collapse of a pyramid investment scheme – which resulted in the Lottery Uprising – and a change in government, the capital of Albania and southern half of the country were engulfed in fighting, looting and rioting. For the years 1996–1997 Albania is coded as a complex type of political instability, composed of adverse regime change accompanied by violence and a revolutionary war. On the other hand the sample includes Somalia, which is one of the most cited instances of state collapse (Milliken and Krause, 2002) and shows all types of political instability: ethnic war for the entire period of observation; revolutionary war until 1994; ongoing adverse regime change since 1991; and genocide and politicide in 1990–1991.

Nearly half the observed countries in the PSD are located in Africa (Table 3), followed by Asia and Europe: the numbers for the latter are mostly due to the collapse of Yugoslavia and related emergence of new sovereign states such as Croatia and Bosnia.

**Table 3: Regional distribution**

Region	Instances	%
Americas	3	9
Europe	5	16
Middle East	2	6
Africa	15	47
Asia	7	22
Total	32	100

<sup>33</sup> Not surprisingly, in most cases the three variables are positively correlated with one another.

<sup>34</sup> This approach allows analysis of the conditions before collapse and the subsequent political developments.

### 3.2 Aggregated contractual relationships and variables

Today, the demand side of the market for protection and force is composed of private and public actors. In failing states transnational corporations and non-governmental organisations hire PMSCs to protect their property, investments and humanitarian missions (Avant, 2007). Although these arrangements are an integral part of the overall security architecture in weak or collapsed states, the PSD collects data on public-private contracts.<sup>35</sup> Beside practical reasons of data access restriction, this approach was chosen in analogy to the fact that the privatisation of security is mainly discussed as a shift from the public to the private sector. Political science deals in particular with the changing nature of the monopoly of violence (Avant, 2005) and emerging modes of security governance beyond and below the state (Krahmann, 2003, 2005; Bryden and Caparini, 2006). To understand this (partial) shift from government to governance (Rosenau and Czempiel, 1992), the PSD project focuses on the conditions and motives that guide public actors to delegate main security functions to PMSCs.

Focusing on such delegation processes by public actors, two logical combinations have to be taken into account.

- A public actor (e.g. a weak government) delegates tasks to PMSCs on its own territory (*intern-intern constellation*).
- Security tasks are delegated by an external public actor to PMSCs on the territory of another failing state (*extern-intern constellation*).

Differentiating between these two constellations permits analysis of the domestic and foreign consumption of private security services.

Accordingly, the database surveys every instance in which public actors (governments or international organisations) hired PMSCs between 1990 and 2007. At first sight it seems obvious to use single contracts between a client and a contractor as the unit of analysis (Avant, 2005: 17). However, since information gathering on single contracts (contract variant) is hampered by complexity and information access, the PSD is composed of data about the aggregated contractual relationships between a Client and the Number of Companies handling a specific Task in a specific Location.<sup>36</sup> Applying this idea of contractual aggregation creates a database structure that uses events as units of analysis. An event is defined as every constellation where the variables Client, Location, Task and For Client and/or For Third Party are constant but the variable Year varies, i.e. a single event is composed of an event-time series which indicates the duration of an aggregated contractual relationship.<sup>37</sup> It follows that any evidence of change in the variables Client, Location and Task as well as For Client and/or For Third Party constitutes a new event.

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<sup>35</sup> We treat public actors as the sum of all institutions and bodies of states and international organisations.

<sup>36</sup> In contrast to the contract variant, this information can be obtained from articles, newspapers and reports.

<sup>37</sup> Hence each event-year constitutes one case in the database.



Table 4: Example PSD database structure<sup>38</sup>

Client (SCODE)	Client (CCODE)	Location (SCODE)	Location (CCODE)	non/transb oundary	where (SCODE)	where (CCODE)	Year	Task	For Client	For Third party	No. of firms
USA	2	IRQ	645	0	IRQ	645	2003	4	1	0	3
USA	2	IRQ	645	0	IRQ	645	2004	4	1	0	3
USA	2	IRQ	645	0	IRQ	645	2005	4	1	0	3
USA	2	IRQ	645	0	IRQ	645	2006	4	1	0	3
USA	2	IRQ	645	0	IRQ	645	2007	4	1	0	6

In sum, an *aggregated contractual relationship* is defined as a configuration of variables (event) that covers the contract partner, the supplied task and the location, and finally where and by whom services are consumed. The applied coding procedure takes this definition as a starting point, and collects data on the variables described below. For example, Table 4 displays a hypothetical event that lasts from 2003 to 2007. During that time the United States hired PMSCs to perform logistic support functions in Iraq. For the years 2003–2006 three companies provided that function for the USA; in 2007 the number of companies rose to six. For any new client, location or function a new event would enter the database.

*Client and Location.* The database starts with coding Client. It clarifies which public actor (client) hired companies for the provision of specific security services in a defined Location. Further, it assesses whether the task is provided across borders (Transboundary). In such cases, further countries are coded by the variable Where.

*Task.* The main variable under observation is the use of PMSCs in failing states, which is labelled as Task. It is measured with a 12-point scale, which covers most services provided by PMSCs (Table 5). The scale is sensitive for different military and security tasks and allows for variation in the degree of outsourcing. Due to its conceptualisation, it can be used in analogy to the *tip of the spear logic* (Singer, 2008: 93, Figure 6.2) as well as a scale of organic core functions of military and policing organisations.

Based on the closeness to the battlefield conceptualisation of Singer (ibid.), the scale can be aggregated to quasi-capture the distance to core and non-core governmental functions. For example, it might be assumed that tasks 1–3 fall very close to inherently governmental functions, since they comprise constitutive war-fighting activities. If war fighting is taken as the discriminating criterion for governmental functions (in this example for the ministry of defence), tasks 4–12 display a higher distance from core functions. However, since it is reasonable to argue that intelligence – especially for war-fighting purposes – might be thought of as a core function, this classification can only be hypothetical and should be modified according to the research question that is to be answered using the data.<sup>39</sup>

*For Client and For Third Party.* In contractual relationships it is not necessary for the client to consume the services it is paying for. Hence different possible contractual relationships are to be taken into account, in which services are not provided for the

<sup>38</sup> This is only an example and no data short cut.

<sup>39</sup> For a discussion about core and non-core functions in Western militaries see Petersohn (2008).

Table 5: The task variable

Scale	Task	Description
1	Combat and military operations	Armed private actors are directly involved in military operations and fighting
2	Military assistance	Private actors provide military training and consulting (e.g. tactics) to parties
3	Operational support	Private actors operate and/or maintain combat-related goods (e.g. weaponry, satellites) and/or fulfil certain functions in the command and control chain
4	Logistics support	Transportation of soldiers and/or combat-related goods
5	Intelligence	Private actors provide risk assessments, reconnaissance or translation services and/or are part of interrogations <sup>40</sup>
6	Quasi-police tasks (prevention) and border patrol	Private actors provide services that would usually be ascribed to the police, including the safety of public places and/or protection of state and local borders <sup>41</sup>
7	Security/protection (individuals and facilities)	Private actors provide (mobile) security for individuals and/or facilities; this task refers to protective services details
8	Police advice and training	Similar to military assistance, private actors provide training and/or consulting to police forces
9	Demining	Military and humanitarian demining for the destruction and removal of land and/or naval mines
10	Humanitarian aid	Private actors provide armed material or logistical services for humanitarian purposes, such as transportation of food in crisis zones
11	Weapons disposal/destruction	Deinstallation, destruction and disposal of warfare-related goods and facilities
12	Facility and infrastructural build-up	Private actors construct and build military infrastructure such as military bases

client but for a third party.<sup>42</sup> Assume, for example, that the USA is financing a training programme designed to build up Afghan police units. In this case the task is in fact supplied to a third party, although financed by the USA. By differentiating whether the (external) client consumes the services itself (For Client) or simply pays for consumption by another internal state (For Third Party), the *active* and *passive* uses of private security are covered.

*Number of Companies.* As mentioned, the PSD contains data on aggregated contractual relationships. The difference to the contract variant is that every further company that provides a specific task for a client is counted with the aggregated Number of Companies. Consequently, a company may have more than one contract related to the provision of a task in an event, as long as there is no time lag in the event-time series.

<sup>40</sup> The term 'intelligence' is often used very broadly to denote many different activities related to information gathering. Here the term is used in a narrower sense, including the collection of information that is not intended to be made public (Herman, 1996: 61-81) and as a analytical product of intelligence agencies, best understood as a risk assessment intended to guide action (ibid.: 111-112).

<sup>41</sup> This task is related to the safety of public spheres, and is differentiated from security/protection which are bounded to individuals and property.

<sup>42</sup> For example, an external client can hire a company to train the military personnel of another country. In this situation the variables Client, Location and Task are constant, but the variable For Third Party varies.

Furthermore, it assesses how long a company is active for a client; in other words, as soon as a company is not active for a client any more, the Number of Companies decreases by one unit. As long as at least one company provides a task for a client – without variation in the other constitutive variables of an event – the event-time series proceeds.<sup>43</sup> When counting the number of companies, their names are listed as well.<sup>44</sup>

### 3.3 Data-gathering strategy

Data collection on the private provision of security is challenging, as clients and companies treat information on their contractual relationships cautiously. The major challenge facing most researchers is to find and evaluate sources in regard to their information quality. Since the idea of contractual relationships is applied instead of analysing single contracts, the PSD can use reported instances of outsourcing to code the information. This is done based on a four-step data-collection strategy and different available sources.

The data collection started with summarising reported and studied cases offered by the literature and company homepages.<sup>45</sup> Since validity and reliability are crucial, the events were cross-checked with other sources before insertion into the database.<sup>46</sup> Secondly, LexisNexis<sup>47</sup> was used to search in all available English news sources, including main international newspapers like the *New York Times*, the *Washington Post*, *The Guardian*, *The Times* (London), *Newsweek*, *The Financial Times*, *The Economist* and *Time* magazine. While searching the news articles, different keywords were evaluated and finally systematised along a specific configuration.<sup>48</sup> Thirdly, the gathered data were supplemented by information received by news services (Alertnet, IrinNews, CrisisWatch database, Human Security Gateway, BBC Monitoring), and regional internet gateways (AllAfrica.com, Africa Confidential, Reliefweb). Finally, data based on a questionnaire were included and cross-checked with internet research.

All collected articles and reports will be made available for reliability checks by researchers who want to use the data. However, data gathered through interviews and surveys will be handled anonymously and not made available to third parties.

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<sup>43</sup> A new event with the same characteristics on the constitutive variables for an event emerges only if there is a time lag of one year for which we do not find evidence.

<sup>44</sup> By listing the company name, the data can later be recoded to cover the home countries of the companies.

<sup>45</sup> Despite their cautiousness, some websites serve as a good starting point for data collection. See for example the websites of ICI Oregon ([www.icioregon.com/](http://www.icioregon.com/)) and ArmorGroup ([www.armorgroup.com/](http://www.armorgroup.com/)).

<sup>46</sup> The reliability criterion requires that evidence for an event has to be reported by three independent sources before it is inserted as a *consolidated event*. As long as this criterion is not fulfilled, all information on possible events is treated as *hints*. Currently the list of hints encompasses as many events as the consolidated list, indicating that the overall number of events will increase in the future.

<sup>47</sup> LexisNexis is a provider of comprehensive information in a variety of areas: legal, risk management, corporate, government, law enforcement, accounting and academic. It gives customers access to 5 billion searchable documents from more than 32,000 legal, news and business sources. See [www.lexisnexis.com/](http://www.lexisnexis.com/).

<sup>48</sup> The configuration is 'military contractors OR security contractors OR military firm OR security firm OR military company OR security company OR military agency OR security agency OR military outsourcing OR defen! outsourcing OR mercenar! AND privat! AND [country of interest]'.

## 4. Key Findings: Assessing Private Security Services in Failing States

### 4.1 General trends

Based on the above definition of aggregated contractual relationships, the event dataset contains 621 instances (events) of military outsourcing by public clients. For presentational and merging purposes, the data were restructured into a panel dataset comprising a sample of 32 countries observed for the period 1990–2007. By applying this reorganisation strategy, the state-year dataset includes 580 cases<sup>49</sup> in which events are aggregated in single variables. In this dataset every country that displays at least one year of failure as defined above is observed from 1990 to 2007.

Table 6: PSD observations

Observations	Number	%
All states under observation	32	100.0
States with PMSC presence	28	87.5
States without PMSC presence	4	12.5
<hr/>		
All state-years <sup>50</sup>	580	100.0
All state-years with PMSCs	215	37.1
All state-years without PMSCs	365	62.9

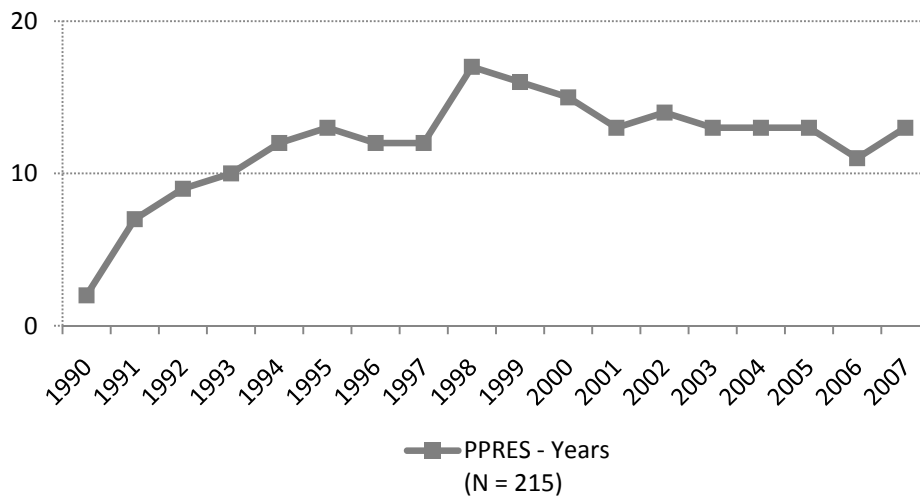
Of the 32 countries under observation, only four are absolute non-cases, meaning no information on the use of PMSCs was found for only 12.5 per cent. At first sight it seems that private security is normal rather than an exception. Yet for representative information about the distribution in the sample, state-years (e.g. Somalia 1990–1995 = 5 state-years) are to be taken into account (Figure 2). With 37.1 per cent ‘positive’ state-years in which PMSCs supplied services to public actors, their presence in failing states is a common feature: 55.4 per cent of all 215 presence-years account for episodes during political instability, and in 44.7 per cent of cases PMSCs were present either before or after political instability. Generally, the privatisation of security is an increasing trend. Two indicators are applicable to capture this development over time: a simply dummy variable, indicating whether or not companies were present in a state-year constellation, or a measure of the number of events (aggregated contractual relationships) found in a state-year constellation.

As the data indicate, there was a permanent increase in the number of countries in which PMSCs are active until the late 1990s, followed by a slight decrease until the year 2001 – in which the use of PMSCs probably increased due to the reaction on the attacks on the World Trade Center on 9/11. One might be tempted to interpret the decrease of state-

<sup>49</sup> Due to regime transitions in single countries, the dataset size increased from 576 (32 countries/18 years) to 580 cases.

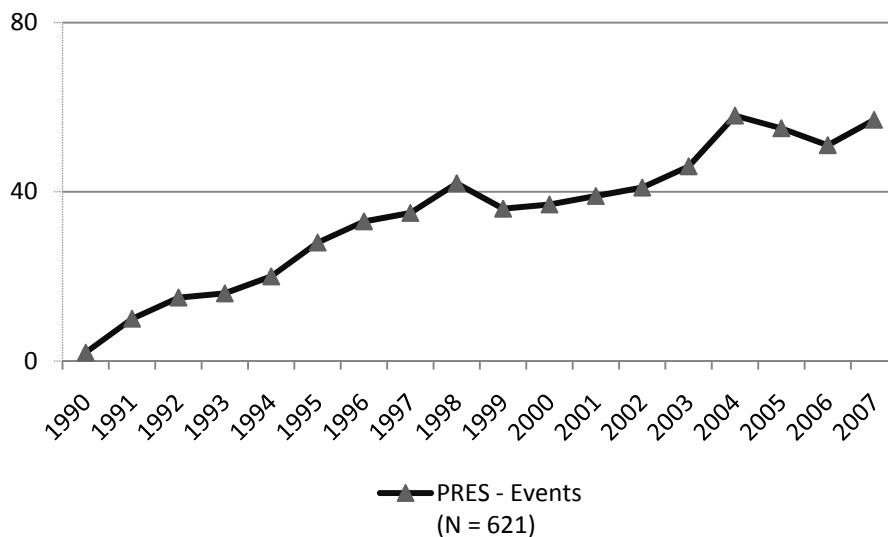
<sup>50</sup> The observations presented here are aggregations of the above-mentioned events into state-year units, which are the common units of analysis in panel data studies (Eck, 2005).

Figure 2: PMSC presence in failing states (state-years)<sup>51</sup>



years as a decrease of private security supplies in failing states. This is not the case if the number of events for the period of observation is taken into account (Figure 3).

Figure 3: PMSC presence in failing states (events)

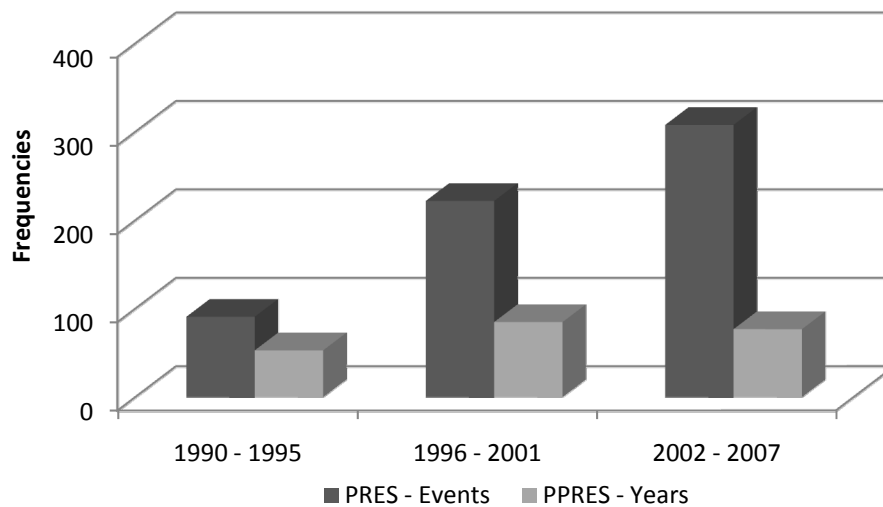


Contrary to the state-year trend, there is constant growth in events and only a slight decrease at the end of the 1990s. From 2001 onwards Iraq (25.9 per cent), Afghanistan (17.9 per cent) and Columbia (14.1 per cent) account for 57.9 per cent of all cases. Presented that way, the data confirm that the privatisation of security in failing states is in fact an ongoing trend. The difference between these two indicators is that the former only displays the number of countries in which PMSCs were active in a year under

<sup>51</sup> The figure shows the number of states in which PMSCs were present in a given year.

observation, whereas the later combines the number of tasks provided and the number of clients consuming private security. Put differently, one could argue that companies provided more services for more clients in fewer countries (Figure 4). The figure indicates that the market for force in failing states does not expand territorially but functionally and by client base. This aggregated trend is supported by the data on market participants (Figure 5).

Figure 4: Events and state-years combined



The end of the 1990s marks an interesting data point, since the client base changes significantly. Whereas we find a quite synchronic development in tasks that were provided for internal and external clients during the 1990s, providing tasks for external clients becomes regular rather than an exception. This finding can be interpreted in two ways without applying more advanced statistical analysis. Firstly, the data indicate that the demand side is shifting towards an external client base, supporting the increased use of PMSCs to implement foreign and security policies, especially in conflict zones. Secondly, this suggests that troubled governments do not attempt to close the above-mentioned security gap alone, but are aided by foreign governments applying private means of support.<sup>52</sup>

As for the question of what kind of services are mainly consumed in failing states, the data indicate that the functional diversification is highly biased towards the lower spectrum of the scale – tasks closer to the tip of the spear (Table 7; Table 5).

<sup>52</sup> Whether these externally financed private means are applied parallel to public means (e.g. foreign troops) will be part of the discussion in section 4.2.

Figure 5: Events on client base<sup>53</sup>

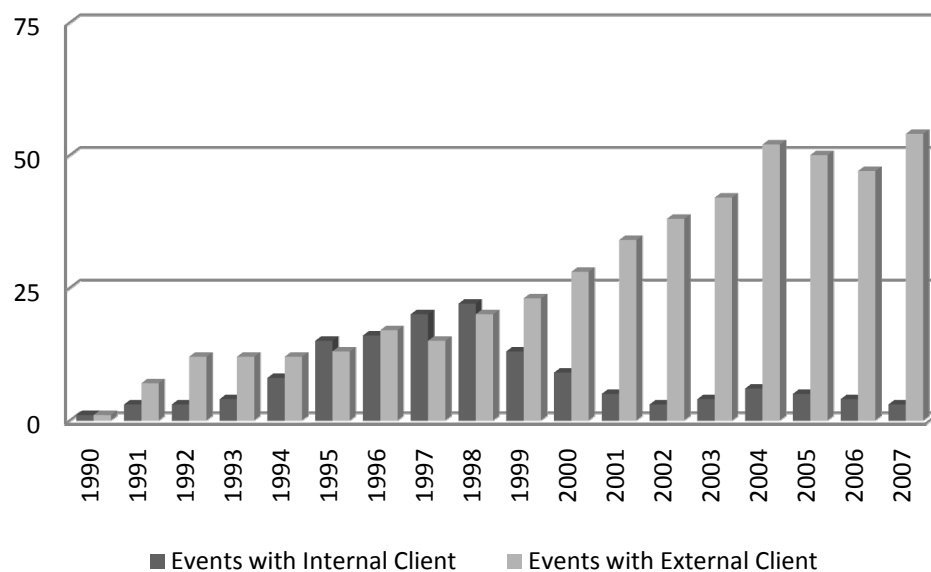


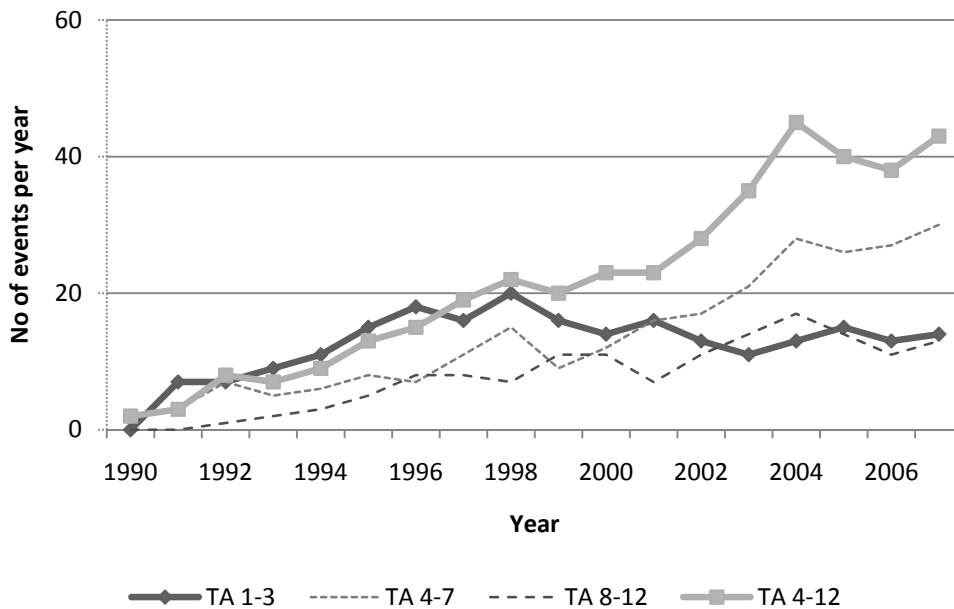
Table 7: Distribution of 'Task' (PSD version 1.2)

Scale	Task	Ratio (%)	Aggregated (%)
1	Combat and military operations	2.7	36.7
2	Military assistance	17.4	
3	Operational support	16.6	
4	Logistics support	18.2	40.3
5	Intelligence	5.6	
6	Quasi-police tasks (prevention) and border patrol	1.0	
7	Security/protection (individuals and property)	15.5	
8	Police advice and training	4.8	
9	Demining	8.9	23.0
10	Humanitarian aid	0.2	
11	Weapons disposal/destruction	1.9	
12	Facility and infrastructure building	7.2	
	<b>Total</b>	100.0	<b>100.0</b>

<sup>53</sup> The figure does not display the total number of internal or external clients, but the number of events in which the client was either a public organisation of the target country or a foreign public organisation.

Over time this picture changes significantly. External clients seem to have changed the functional scope of PMSCs. As with the change in the client base, the end of the 1990s marks a change in the consumption of security services (Figure 6).

Figure 6: Core and non-core tasks over time



As mentioned earlier, the task variable can be used to assess the functional horizon of core and non-core tasks provided for public clients. By assuming that tasks 1–3 (section 3.2) fall in the area of core government functions and all other tasks <4 do not, the data can be aggregated in two indicators. Figures 6 and 7 indicate that the demand for non-core tasks did in fact increase significantly. As the dotted lines of tasks 4–7 and 8–12 in Figure 6 show, the cumulative effect of merging all tasks <4 is mainly influenced by tasks 4–7. In other words, since the end of the 1990s the consumption seems to focus on the market segments ‘logistics support’, ‘intelligence’, ‘quasi-police tasks (prevention) and border patrol’ and ‘security/protection (individuals and facilities)’. Since 2001 the market share for tasks 4–7 has amounted to 41–52 per cent.

This is not to say that military assistance and operational support are no longer supplied. Rather, this part of the functional spectrum (task 1: combat and military operations; task 2: military assistance; task 3: operational support), although decreasing steadily since 1990, remains an integral part of supplied services over time.

As in other markets, the functional diversification of the supply side usually leads to increased competition between companies as well as to better market opportunities for new companies. This is no different in the market for force in failing states (Figure 8).

Similarly to the increasing events, the number of companies offering services to public actors increased steadily. Between the end of the 1990s and the year 2007 the number of companies active in failing states tripled from 32 to 122. It can be assumed that the relative explosion in the number of companies after 2001 is a response to the shifting demand due to the war-fighting activities in Iraq and Afghanistan on the one hand and



Figure 7: Relative ratio of tasks (%)

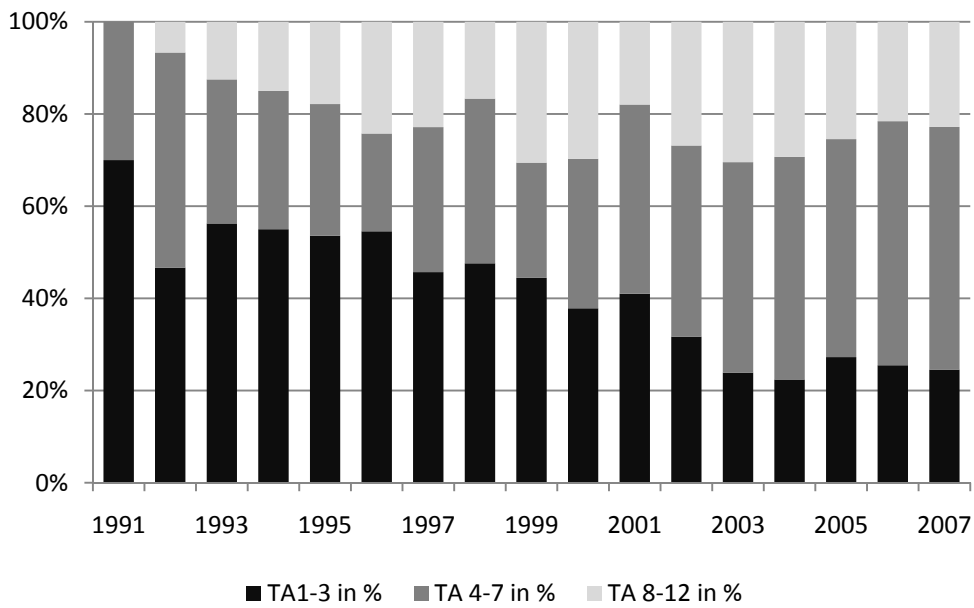
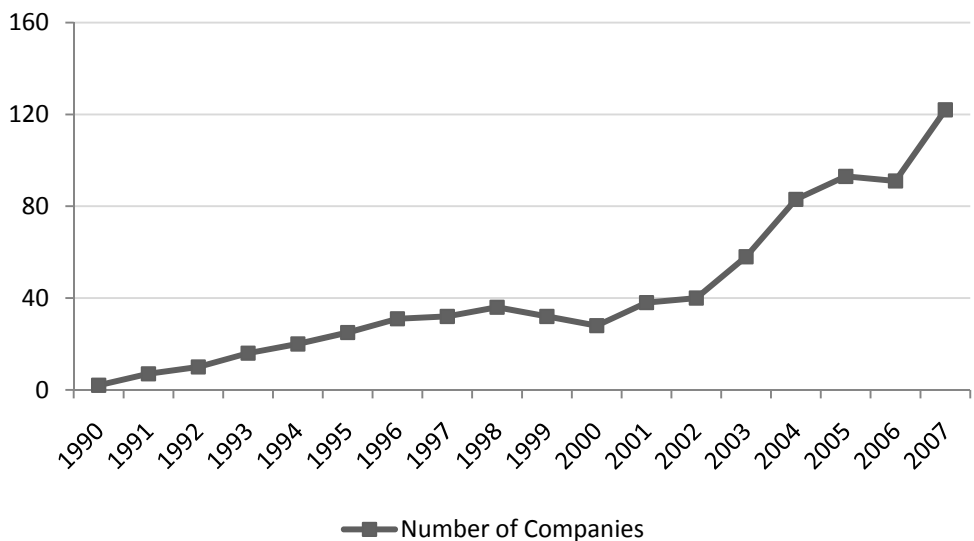


Figure 8: Number of companies per year



the global war on terror on the other. For the regulatory debate the fact that the absolute number of companies and their supplies in the functional spectrum of non-core tasks is increasing remains highly important. In a 2007 incident in which a Blackwater personal security detail escorted a US State Department convoy (task 7), the company was hired on the basis of an umbrella contract for diplomatic security, but not for core military functions. Consequently, regulatory approaches need to capture all companies (and services) supplying armed services in conflict-affected areas – be they part of core or non-core tasks.

The number of companies is a good indicator for the growth of the market and the extent to which private security is integrated in allocation of military and security resources in failing states. Apparently, the actual workforce (employees) would be a better

indicator to assess the quantitative dimension of public reliance on the private sector. Yet data gathering on actual numbers of contractors based on available sources is nearly impossible.

### Key findings

1. Security privatisation is in fact an increasing trend in failing states.
2. The market tends to expand functionally and in client base, but not necessarily territorially.
3. The number of external clients is increasing relative to internal clients, supporting the argument that PMSCs are more and more used as foreign policy proxies in weak and failing countries.
4. The consumption of tasks tends to focus on non-core rather than core tasks.

## 4.2 Assessing the security gap and force multiplier capacities

### Political instability

Since it is the explicit purpose of the PSD to focus on countries that experienced episodes of political instability, any further data analysis needs to clarify its scope between 1990 and 2007. For the entire period under observation we find 296 of 580 instances (51 per cent) to be characterised by one or more of the above-mentioned types of political instability. In 40.2 per cent of all cases with political instability we find PMSCs are present (Table 8).

Table 8: Political instability with PMSCs

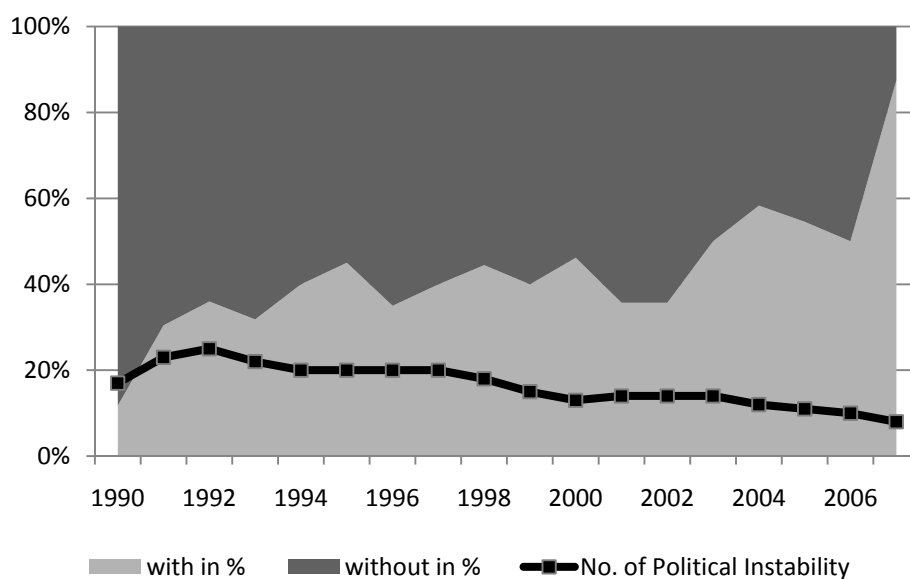
Observations	Number	%
State-years of political instability <sup>54</sup>	296	100.0
State-years of political instability with PMSCs	119	40.2

As discussed, instances of political instability have declined globally since 1990. This is no different in the smaller PSD sample. After a peak of 22 countries in the early 1990s, the number of instances (state-years) decreases constantly: 68 per cent of the countries observed by the PSD experienced their instability during the 1990s, whereas only 32 per cent fall in the twenty-first century. Interesting to note at this point is that, relative to the decreasing number of political instabilities, instances in which PMSCs were present did in fact increase.

As the distribution of all instances of political instability and those with and without PMSCs reveals, the declining number of instability years goes hand in hand with an increasing number of PMSC activities in these countries. However, the main argument that PMSCs help in restoring public security is that they might break vicious cycles of

<sup>54</sup> The table refers to state-year constellations. Those are different from episodes, which are the sum of years of political instability measured in a country.

Figure 9: Episodes of political instability with and without PMSCs



violence. As argued above, this would translate into shorter episodes of political instability when PMSCs are active. Table 9 summarises the duration years of all episodes with and without PMSC presence.

Table 9: Average duration of political instability

	All episodes	Without PMSCs	With PMSCs
Mean	7.9	5.7	9.2
Median	7.0	3.0	7.0
STD	6.0	5.2	6.1

On average, countries experience a duration of 7.9 years of political instability, regardless of whether PMSCs are present or not. The high standard deviation indicates that the observed countries either experienced very short or very long episodes of instability. Instances where PMSCs were not present at all tend to last 5.7 years on average, compared to 9.2 years of instability where PMSCs were present. As the table suggests, political instabilities with PMSC involvement last 3.5 years longer on average than those without. At first sight, the view of a force multiplier that helps breaking cycles of violence cannot be supported.

However, caution is required in interpreting these results. Firstly, it must be mentioned that five countries (Afghanistan, Colombia, the Philippines, Somalia and Sudan) were coded with political instability for the entire period under observation (18 years), meaning they account for 21 per cent of all years in the subset ‘with PMSCs’. Under these circumstances the standard deviation of 6.0 is very high, indicating that the data are broadly spread around the mean, which is generally supported by the difference between mean and median. In other words, although it can be said that PMSCs tend to be present in states that experience long episodes of instability, the means of the two subsets

(without-with) should not be compared with each other since they are not representative.<sup>55</sup> Secondly, a more general remark relates to the causal direction of this finding. Presented this way, the findings can be turned around by stating that PMSCs tend to stay longer in countries the longer those countries experience episodes of political instability. This is not surprising, since incapacity by states creates the best market opportunities for these companies. Finally, this method of analysis does not discriminate for the impact of specific tasks being provided by PMSCs.

### **Military intervention**

As the security gap argument emphasises, PMSCs serve as a way of compensating for unwillingness by the international community to get involved in ongoing military conflicts. As a consequence, instances of political instability in which the international community did not intervene should display higher rates of PMSC involvement than others.

To assess this expectation, the paper makes use of a new version of the International Military Intervention dataset presented by Pickering and Kisangani (2009). The authors updated the Pearson and Baumann (1993) dataset, which spanned the years 1946 to 1988, and expanded it up to 2005. The new version follows the operational definitions and coding procedures of the initial dataset, according to which ‘military interventions are defined... as the movement of regular troops or forces (airborne, seaborne, shelling, etc.) of one country into another, in the context of some political issue or dispute’ (ibid.: 1). As this definition stresses, non-state armed groups like paramilitaries, government-backed militias, PMSCs and other military units that are not part of the regular uniformed forces are excluded (Pickering and Kisangani, 2009: 593).

The advantage of the Pickering and Kisangani (ibid.) data is that they are nuanced for different reaction modes by the international community, including the motives and issues by which the unilateral or multilateral interventions are differentiated. These include:

- *‘domestic dispute issues* (interventions to take sides in a domestic dispute);
- *regime or policy change issues* (to change target political regime or its core policies);
- *strategic issues* (regional power balances, stability, or ideological issues mentioned by the intervener);
- *territorial issues* (intervention for acquisition or retention of territory, delineation of frontiers, or specification of sovereign status);
- *rebel pursuit issues* (pursuing rebel or terrorist forces across borders);
- *diplomatic protective issues* (intervention to protect own military and/or diplomatic interest and property inside or outside the target);
- *economic issues* (to protect economic or resources interests of self or others);

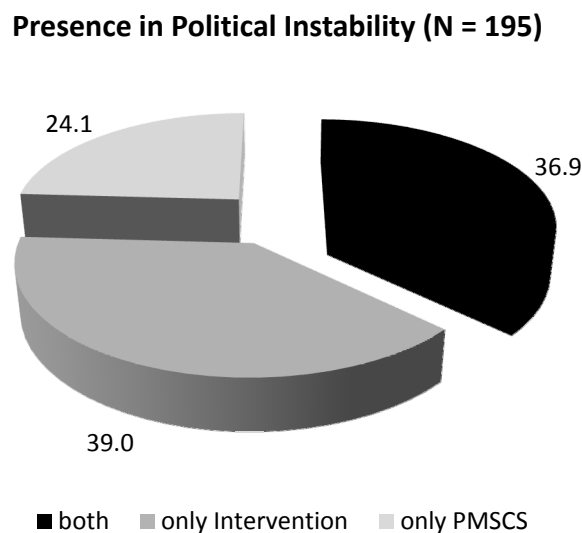
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<sup>55</sup> To give an idea of the problem, imagine data that range between 1 and 10. If 40 per cent are distributed in the range 1-3, 10 per cent in 4-7 but 50 per cent in 7-10, we would find the distribution to be U-shaped with a skew towards the right side of the scale. The mean value of this distribution would show the central tendency but not how precisely this value represents the majority of the values.

- *humanitarian issues* (to save lives, relieve suffering, distribute foodstuff to prevent starvation);
- and *social protective issues* (to protect a socio-ethnic fraction or minority in the target country).’ (Ibid.: 593)

Reaction by the international community as understood in this paper does not discriminate for the number of interveners (unilateral or multilateral), nor for their motives. Rather, all types of intervention conceptualised by Pickering and Kisangani (ibid.) are aggregated into one variable and coded as dummy; that is, if there was any type of intervention a state-year unit of observation was coded as 1. This approach seems plausible, since it is the general aim of the paper in a first step to isolate instances in which the international community did not react to domestic political instability at all from those in which it did.

Figure 10: Interventions in political instability (%)

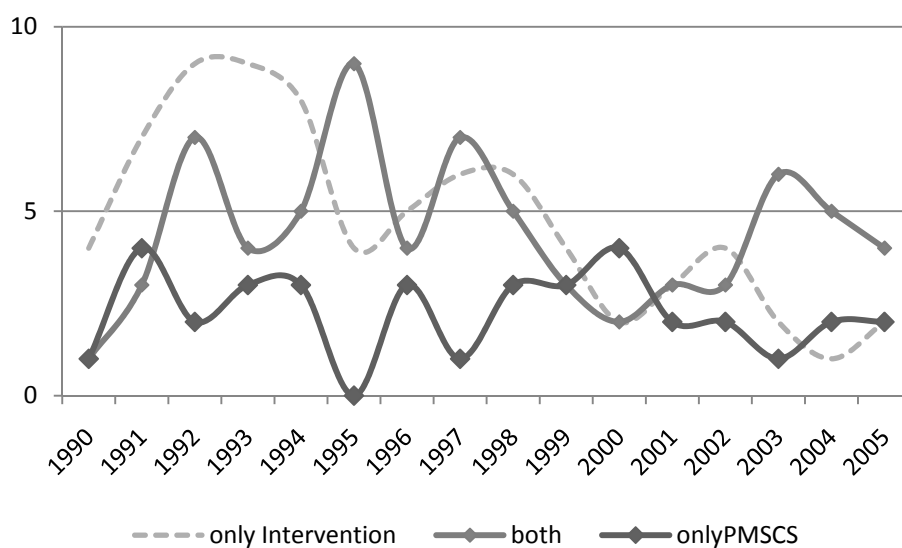


In 65.9 per cent of the cases with political instability (N = 296), interventions are found (N = 195). From this static view, the argument that PMSCs close the security gap by providing security in countries where the international community is reluctant to intervene cannot be supported, since only 24.1 per cent of the cases display the sole presence of PMSCs. Rather, PMSCs accompany international military interventions in episodes of political instability (both – 36.9 per cent).

In general, these findings confirm the assumption of Chojnacki et al. (2009), who argue that military interventions bear a special market opportunity for private military actors.<sup>56</sup> External governments either provide financial assistance to target countries that might hire PMSCs or hire companies on their behalf. Another market perspective can be added to this account by observing the above-presented distribution over time (Figure 11).

<sup>56</sup> It should be noted that the model of Chojnacki et al. (2009) focuses on mercenaries who offer active participation in combat. It excludes PMSCs in the broader corporate form and services besides fighting.

Figure 11: Interventions in political episodes over time



From Figure 11 two main findings can be derived. Firstly, since the end of the 1990s solely public interventions (that is, interventions in which there are no PMSCs at all) are relatively declining in countries with political instability. Comparing the development between public and private interventions reveals that there is no constant compensation relationship between the two. Rather, a decrease in public intervention activities is accompanied by a decrease in the number of cases in which only PMSCs were present.

Secondly, Figure 11 suggests there is an inverse relationship between cases in which only PMSCs were present and those where PMSCs accompanied one or more members of the international community. Due to their inclusion in two subsets ('both' and 'only PMSCs'), the conclusion for this trend is straightforward. PMSCs do not only have a compensating function by offering services to countries that failed to obtain outside help; they also have a supplementing function by accompanying military interventions from the outside. From a market perspective this means that companies filled the security gap from both sides. They offer their supplies to local demands in instances in which external states are reluctant to intervene *and* to external and internal demands during military interventions.

Both findings reveal a common market pattern: a high market share of military interventions goes hand in hand with a decreasing share of instances in which only PMSCs are active. Future research might shed some theoretical and empirical light on the question whether this pattern holds globally and over time, and what impact it might have on arguments about oversight of PMSCs and their ability to circumvent political and legal constraints on their actions.

### Arms embargoes

As argued by some authors, the privatisation of security offers special opportunities to governments to circumvent political and legal obligations. Arms embargoes are usually imposed on countries to cut off military imports that might fuel conflict and violence. In 33.1 per cent of the whole sample (N = 580) we find arms embargoes – as systematically

presented by the SIPRI Arms Embargo Database<sup>57</sup> – imposed by the UN, EU or other international organisations. Embargoes are often imposed in parallel, especially those set by the UN and the EU. Without discriminating against whom the embargo is imposed (that is, against non-state actors or governments), in 53.1 per cent of all embargoes, PMSCs were present (Table 10).

**Table 10: Embargoes and PMSCs**

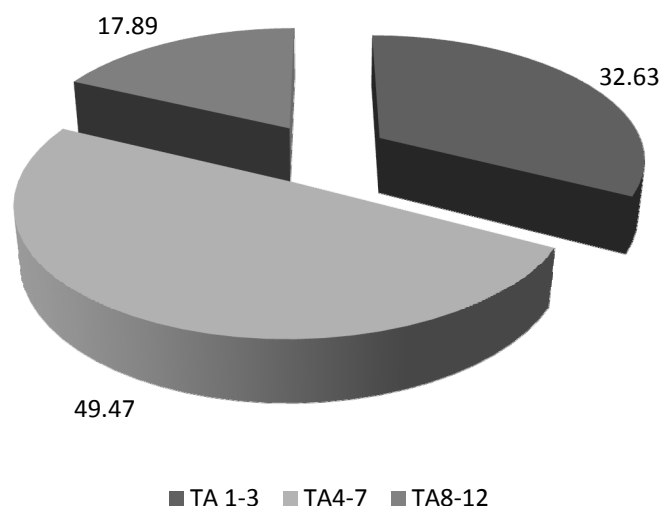
	All	PMSCS are present	PMSCS are not present
All embargoes*	192 (100.0%)	102 (53.1%)	90 (46.9%)
Government embargoes	131 (100.0%)	75 (57.3%)	56 (42.7%)

Source: SIPRI Arms Embargo Database.

\*Including government and non-state actors.

Governments of the target states (N = 131) are included in 68.2 per cent of all embargoes. In these instances the rate of PMSC presence is 14.5 per cent higher than cases in which PMSCs were not present. Moreover, of all PMSC presence years (N = 215), 34.9 per cent account for instances in which PMSCs were active in countries on which government embargoes were imposed. Against this backdrop it can be concluded that arms embargoes in general do not function as a market entrance barrier to PMSCs; rather, it seems that it does not make any difference whether a country is under embargo or not. The same pattern is found with the services provided under embargo (Figure 12).

**Figure 12: Tasks under embargo (%)**



The distribution of tasks mainly reflects the overall distribution shown in Table 7. Yet at this point the result is ambivalent, since it does not finally clarify potential changing patterns in the supply horizon and the degree to which PMSCs are used before or in the

<sup>57</sup> SIPRI collects information on all arms embargoes implemented by an international organisation, such as the EU or UN, or a group of nations. See [www.sipri.org/research/armaments/transfers/controlling/arms\\_embargoes/research/armaments/transfers/controlling/arms\\_embargoes/arms\\_embargoes\\_default](http://www.sipri.org/research/armaments/transfers/controlling/arms_embargoes/research/armaments/transfers/controlling/arms_embargoes/arms_embargoes_default).

aftermath of sanctions. Again, this will be an interesting point of departure for future analysis.

### Key findings

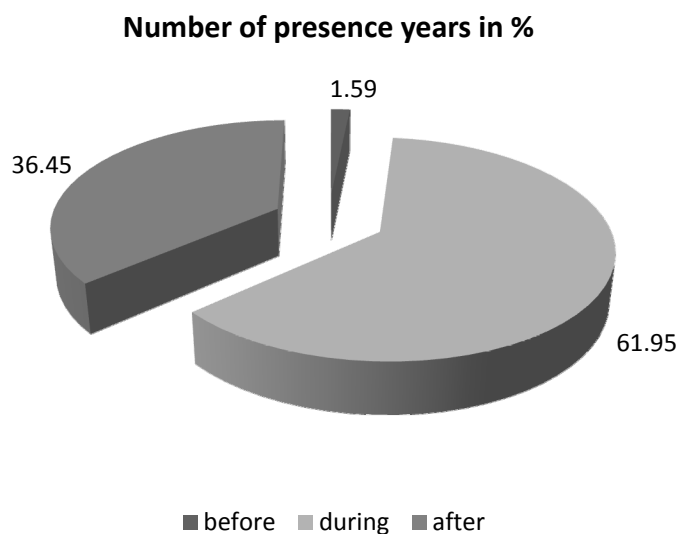
1. In a decreasing number of instances of political instability, the relative share of cases with PMSCs increases.
2. Episodes of political instability with PMSC involvement last 3.5 years longer on average than those without. Due to a high standard deviation and unclear causal directions, this finding needs further elaboration.
3. PMSCs operating alone fill the security gap by only 24.1 per cent.
4. Companies usually accompany the international community in military interventions.
5. Whether a country is under embargo or not does not make a difference with regard to the consumption of private security services.

## 4.3 Assessing expansionary supplies and resource draining effects

### Functional diversification

As stated above, one argument about expansionary supplies might be that the number of services increases over time although state performance improves. To assess this expectation, the sample was divided into three subsets which cover the presence of PMSCs before, during and after political instability (Figure 13). Since the years after political instability are characterised by improved performance of state institutions (this is obvious, since the state would be still failing otherwise), one might assume that compensatory services by the private sector are no longer as necessary as in episodes of political instability.

Figure 13: Number of events before, during and after political instability (%)

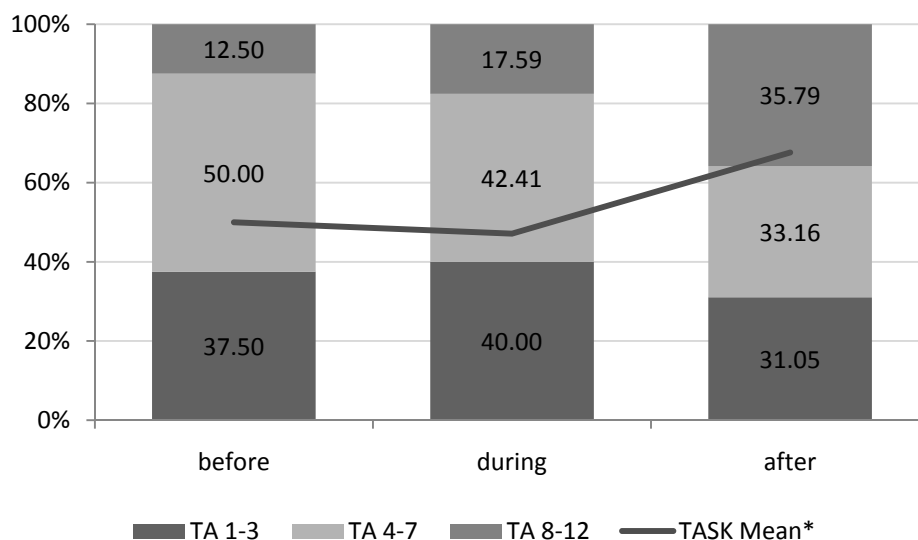




With regard to the three periods, generally speaking an active expansion cannot be found since the number of events decreases rather than increases in the aftermath of political instability. About 62 per cent of all events are found during episodes of political instability. The very low number of cases in which PMSCs were present in countries before the onset of political instability (1.59 per cent) indicates that additional analysis on the probability of onset of instability and the role of PMSCs will reveal non-significant relationships.

However, PMSCs remain in countries after the end of episodes of instability (36.45 per cent). Not surprisingly, the services provided moved towards non-core tasks at the upper end of the scale (Figure 14).

Figure 14: Tasks provided before, during and after political instability (%)



\*Read the TASK Mean as %/10.

This trend is supported by the task mean, which displays the average task value. Since the variable Task is conceptualised as scale, displaying the closeness to the battlefield (in analogy to the tip of the spear), its mean indicates whether the industry provides services on average closer to core (1–3) or non-core (4–12) tasks.<sup>58</sup> Put differently, the closer the task mean is to 1, the more core tasks are consumed in a country. Vice versa, the higher the task mean, the more non-core tasks are consumed in a country. According to Figure 14, services in episodes after state failure tend to get closer to non-core tasks.

### Defence spending

Since defence budgets are a common variable in security studies and the analysis of militarisation patterns in general, they need to be observed here. This paper makes use of data on defence spending provided by the Stockholm Institute for Peace Research (SIPRI).

<sup>58</sup> Please note that this classification is preliminary and needs further conceptual grounding.

**Table 11: Military expenditure and private security**

	Number of events	Number of tasks	Mean of task
Expenditure*	0.489**	0.491**	-0.475**

Military expenditure in US\$ million at constant prices and exchange rates, 2005.

\*\* Correlation is significant at 0.01.

Contrary to the expectation that PMSCs would be hired by governments with defence budgets under pressure, we find a positive correlation between ‘high’ spending on defence and the degree to which private security is consumed. Military expenditure remains significant in all modes of recoding and aggregation (to control for outliers), indicating that higher spending on defence goes hand in hand with higher rates of PMSC involvement, measured as the number of events or tasks per year. In other words, the more is spent on defence in general, the more private security is consumed by public organisations. Beyond this positive relationship the resource-draining argument cannot be elaborated further in defence spending, since that would require an indicator for the share of defence budgets spent on private security. These data could not be found by the author. Moreover, since the coefficients do not inform the direction of this relationship, further analysis of the interplay between financial resources for military procurement and the amount of spending that is related to private security is needed.

Whereas this finding assesses the quantity of private security, another interesting finding relates to the quality of private security, as displayed by the significant negative relationship between defence spending and the task mean. As the coefficient suggests, high rates of defence spending are associated with smaller task means, which again indicates services closer to the battlefield. In other words, the higher the spending on defence gets, the more core tasks are consumed. Since this paper has no theory for this finding, future analysis will focus on this dimension extensively.

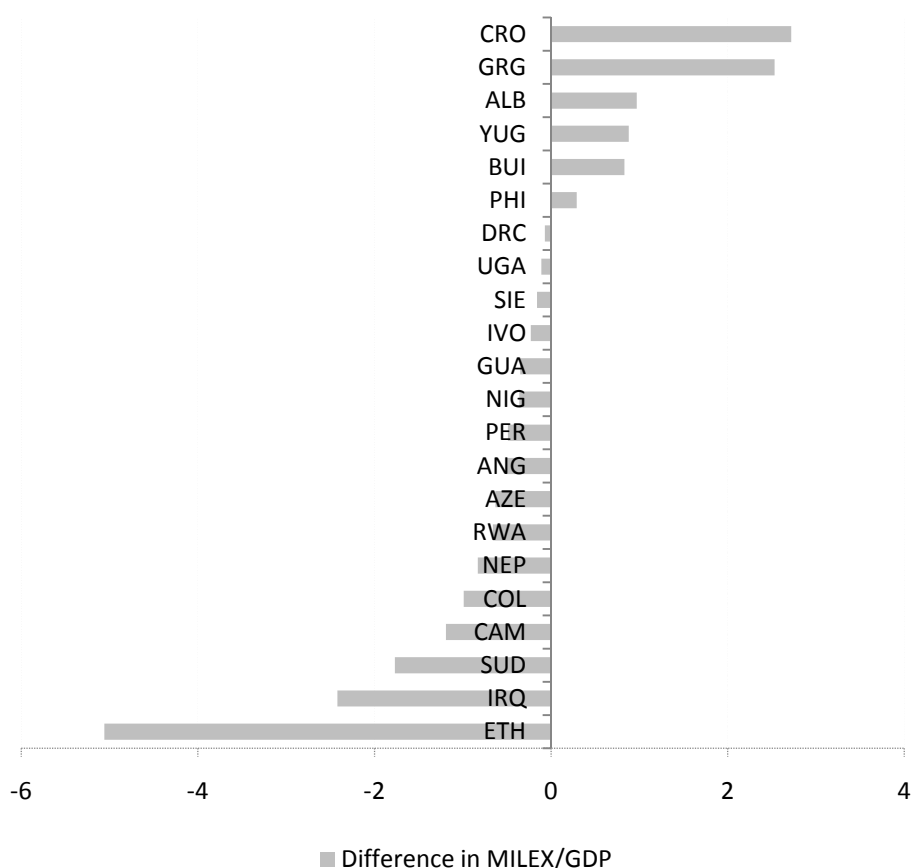
### **Militarisation as military expenditure/GDP**

In the quantitative literature, militarisation is usually operationalised as the percentage of national budget or national GDP spent on defence (MILEX/GDP).<sup>59</sup> In this paper data from the SIPRI yearbook were taken to assess the relationship between private security and militarisation. As stated by critics, security privatisation might contribute to the militarisation of a country. For the data perspective in this paper, this expectation would imply that cases in which PMSCs are present should have higher militarisation rates than others.

Assuming that PMSC involvement contributes to the militarisation of a country, an index can be created by subtracting the average MILEX/GDP with PMSCs from those years without PMSCs. Accordingly, positive values indicate an increase of MILEX/GDP and hence higher rates of militarisation, and vice versa.

<sup>59</sup> Other indicators that might be used to assess militarisation are the number of military personnel per thousand inhabitants, military spending in relation to health spending, military reserves in relation to population, military and paramilitary personnel in relation to physicians and heavy weapons in relation to population (for a good overview see BICC, 2008/2009: 18-23). Since data on personnel and heavy weapons are hard to obtain for failing states, spending is the most accessible indicator.

Figure 15: Military expenditure/GDP change



As Figure 15 illustrates, only 27.3 per cent of cases had a ‘positive’ change in the average MILEX/GDP, indicating higher militarisation rates. Most cases (72.7 per cent) have decreasing rates. Presented that way, the finding does not support the argument that PMSCs contribute to the militarisation of a country. However, data on defence spending in states in conflict are not as accurate as for industrialised countries that are not at war, and are frequently missing. An improvement in the quality of data on defence spending will improve the analysis of this relationship significantly.

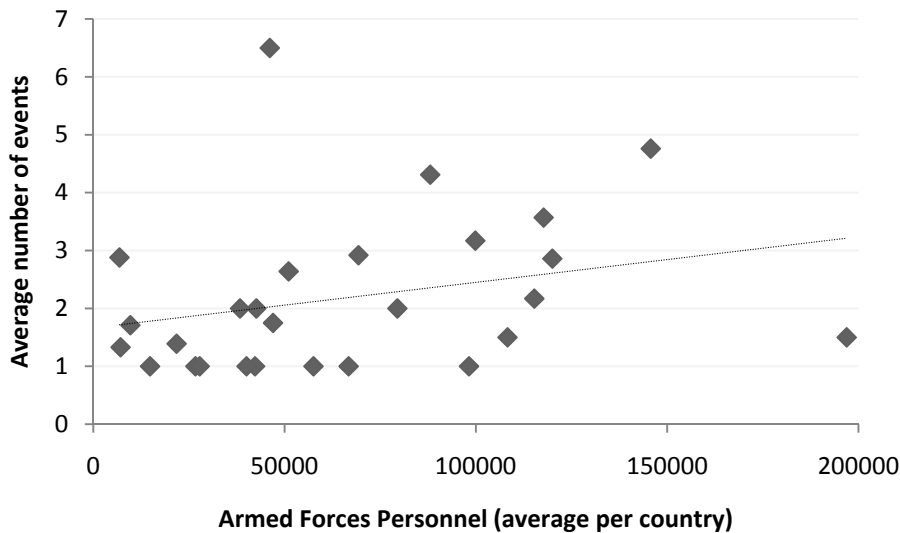
Yet another result bears interesting points of departure for the militarisation question. MILEX/GDP appears to be positively correlated with the number of PMSCs present in a country. This is surprising, since no significant correlation between the number of events or tasks and MILEX/GDP was found, although the number of firms covaries with the former two. As for the militarisation argument, this finding supports the statement that a higher number of PMSCs in a country is significantly associated with higher percentage of national GDP spent on defence. As Chojnacki et al. (2009: 6–8) argue, GDP in general is a significant predictor for the presence of what they call ‘mercenary involvement’ because it indicates there are financial resources in a country that serve to guarantee companies that they will be paid for their services.<sup>60</sup> Again, the result presented here needs additional elaboration, since it is related to defence spending and not to the overall wealth of a country.

<sup>60</sup> Based on this resource argument, the author ran some analyses on the presence of oil (offshore and onshore) or diamond facilities and the number of events. For this correlation no significance was found.

## Military personnel

The (human) resources-draining argument emphasises that a high degree of security privatisation might have a negative influence on the number of military personnel, since working for PMSCs offers higher potential earnings. Although the direct migration of soldiers to companies cannot be captured by the data, the development in the number of armed forces personnel can be compared with the number of events in a country (Figure 16).

Figure 16: Armed forces and number of events<sup>61</sup>



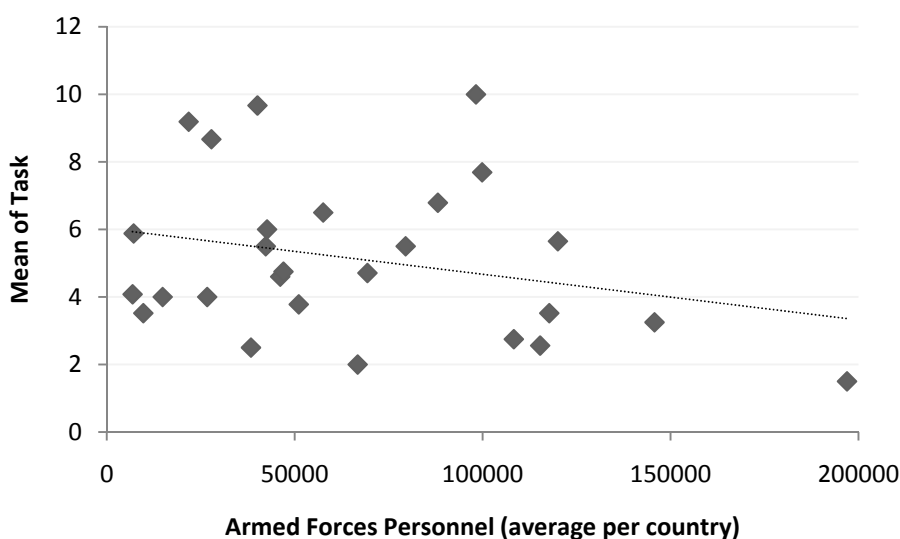
Generally, the number of armed forces personnel is positively correlated with the number of events performed in a state-year constellation, indicating that private security services are not replacing the work of publicly hired soldiers.<sup>62</sup> Another way to capture the human-resource-draining argument with PSD data is analysis of the supply for jobs offered to soldiers. A workable relationship between the number of companies present in a country – which would represent the supply base for jobs – and development in the number of armed forces has not been found so far. However, for defence spending we find a negative relationship between the number of armed forces and the task mean (Figure 17).

An adequate explanation for this finding is still in progress. Statistical tests reveal that military assistance (task 1) and operational support (task 2) are highly positively correlated with the number of armed forces. This is not surprising, since larger armies require more know-how and usually imply more facilities to be maintained. The future analysis will focus on the separate effect of each task.

<sup>61</sup> Although the case of Iraq supports the general direction of this relationship, it was excluded due to its high outlier quality on both variables.

<sup>62</sup> This result holds even if we exclude the outliers in this distribution: Iraq, Afghanistan and Ethiopia. Afghanistan is characterised by a high number of events for the years 2001 onward but a small number of armed forces, whereas Ethiopia has a relatively high number of personnel but a low number in events. In Iraq the number of military personnel has again increased since 2005.

Figure 17: Armed forces and mean of task



### Key findings

1. The supply of PMSCs is broader during episodes of political instability.
2. The supply is not expansionary after instability, yet tends towards non-core tasks.
3. The higher the defence budget, the more private security is consumed by public organisations.
4. The presence of PMSCs does not necessarily contribute to the militarisation of a country.
5. A high number of events is associated with a high number of armed forces personnel.

## 6. Conclusions

This paper presented some first statistical findings on the use of PMSCs in failing states by raising questions about the degree and conditions of their presence, and their impact in these countries. These guiding research questions were connected to main theoretical arguments about the role of PMSCs in failing states, which divide the literature into advocates and critics of security privatisation. Although the paper emphasised the need for better data and more advanced statistical analysis, some of the main findings already provide interesting information.

For *degree* and *conditions*, PMSCs are in fact a regular rather than an exceptional feature in episodes of political instability. The end of the 1990s seems to have changed the consumption of private security towards non-core tasks (understood in this paper as tasks 4–12 on the scale presented above). Contrary to expectation, external clients in particular contribute to this trend. Attempts to close the security gap are not conducted by troubled governments alone, but aided by foreign governments deploying private means of support. This finding is closely related to the supply side. PMSCs accompany international interventions rather than closing the security gap alone: PMSCs intervened alone in episodes of political instability in only 24.1 per cent of cases. Yet the fact that it makes no difference whether countries are under embargo or not needs additional elaboration to inform the future regulatory debate. The major question is whether the use

of PMSCs not only brings problems of accountability, but also weakens international norms and mechanisms which are already in place. The role of PMSCs in arms brokering and transportation of small arms in particular needs additional elaboration (Makki et al., 2001).

As for the *effects*, most of the findings do not support the notion that PMSCs have a substantial negative effect on the variables analysed here. High levels of defence spending and armed forces personnel are positively associated with the number of events in a country. A simple interpretation of these findings points to the fact that a bigger demand structure in countries implies a bigger supply by companies. Additionally, countries with PMSC presence generally do not have higher militarisation rates than countries without. On the other hand, episodes of political instability where PMSCs are involved tend to last longer than those without. Although companies seem to be attracted by long-lasting episodes of political instability, they do not fuel their onset. The number of cases in which PMSCs were present from before the outbreak of instability is statistically negligible.

The impact on duration and intensity of political instability requires additional and advanced analysis and the incorporation of battle-related deaths as well as the number of civilian fatalities. Adequate information about the actual armed impact of PMSCs will improve empirical understanding of this 'new' actor in conflict dynamics, and clarify the dysfunctional effect of armed companies in conflict zones.

Another important dimension that was left aside by this paper is the question of regime change, i.e. improvement versus aggravation of state institutions' performance. Since this highly important question needs elaboration, data of the Polity IV project which collects and presents data on political institutions in different regimes will be used in the near future to assess this relationship in detail.

To be sure, the results presented here can only serve as a starting point for a comprehensive analysis of the political and conflict-related impact of PMSCs. The current results are only short cuts of the broad analytical horizon offered by the PSD data. Generally, due to the focus on outsourcing by public clients, the data used here only cover one segment of private security. Since private-private constellations are not covered, the interplay between state weakness and compensatory consumption of private security cannot be assessed. However, although some questions were omitted, the PSD can already be used for advanced analysis in three major research areas.

- *The study of civil war.* PMSCs can be seen as a new actor group intervening in ongoing conflicts. If their presence is understood as an increase in the actor spectrum in ongoing political struggles or an external intervention, this is even more striking. The study of the involvement or participation of third parties in conflicts in favour of one party or in a neutral way has provided helpful insights for policy-makers about whether or not different modes of intervention (political, military and so on) play a constructive or disruptive role in (political) conflicts. Based on data provided by the PSD, conflict studies can integrate the private provision of security in their models and theories and test the

impact of PSC involvement on main variables like *onset*, *duration* and *termination* of conflict and the *intensity of violence*.

- *Interventions and state building*. Taking different stages of PMSC involvement into account, the literature currently discusses particularly their future role in humanitarian interventions, peacekeeping missions and state-building projects such as SSR (Shearer, 1998, 1999; Spearin, 2001, 2005; Bryden and Hänggi, 2005; Bryden and Caparini, 2006). Specifying and analysing empirically the conditions and timing of deployment/withdrawal and supplied services may help clarify the actual impact of PSC involvement in processes of state building and efficiency and effectiveness of supplementing or substituting public forces. As discussed in section 4.2., the functional horizon of PMSC activities during interventions might be differentiated along the different types of interventions to get a better qualitative understanding whether or not companies are used for specific function under specific conditions.

- *PMSCs as foreign policy proxies*. Western governments substitute and supplement their military forces with private contractors to promote their foreign policy in different ways and for different reasons (Binder, 2007). US governments in particular have turned to private contractors to carry out major functions like logistical support, site security, observation missions or foreign military training (Serafino, 2007). Some scholars argue that particularly political expediencies play a significant role in the military outsourcing decision by the USA (Binder, 2007; Kinsey, 2007). The PSD may help to test some of the theoretical arguments made about the *political costs*<sup>63</sup> that drive outsourcing decisions in US foreign policy in failing states.

As presented in this paper, the functional scope of private security changes significantly over time. The PSD offers the opportunity to analyse the trend and assess the extent to which public actors turn to more private solutions in the military and security field. It will also contribute to the question of how states define ‘inherently government functions’ in practice.

The empirically based analysis of this phenomenon will help to assess the future of statehood in the twenty-first century.

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<sup>63</sup> Since contractors are not counted in unpopular statistics of killed soldiers, it is assumed that outsourcing helps in reducing public dislike for military missions (the ‘body-bag’ argument). Furthermore, it is argued that PSCs are used in cases in which governments face a high normative pressure to intervene/engage in ongoing conflicts, but do not have a geopolitical interest in the region and discount a high political risk associated with the deployment of public forces (Binder, 2007). For these approaches, the PSD offers a dependent variable that can be tested for failing states.

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