



TECHNICAL BRIEF

Extreme Poverty, Fragility, and Armed Conflict

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I. Introduction

In 2009 nearly 22% of the world's population lived in extreme poverty, which is defined as earning less than \$1.25 a day (in 2005 constant prices). Despite the enormity of the problem, efforts to end extreme poverty have achieved considerable success. In 1990 more than 34% of the world's population lived in extreme poverty; thus, between 1990 and 2009, there has been a significant reduction in the portion of the world's population living in extreme poverty. Unfortunately, progress has been uneven as Asian countries such as India and China have made great advances in addressing extreme poverty whereas many sub-Saharan African countries have struggled to reduce extreme poverty. More generally, Fragile and Conflict-Affected States (FCASs)—defined as countries that exhibit significant fragility, are experiencing ongoing armed conflict, or have recently terminated armed conflicts—have an extreme poverty rate of 54% as compared to 16% for other low-income countries (World Bank 2014). About half of the world's population living under conditions of extreme poverty can be found in FCASs. There are approximately 50 of these countries with a combined population of 1.5 billion, which means that of the 1.5 billion living in extreme poverty, approximately 810 million live in a fragile country. The enduring presence of extreme poverty in FCASs despite significant international efforts suggests that the presence of fragility may inhibit growth and development and reduce the impact of international poverty-reducing efforts.

Both the United States and the international community have displayed a compelling interest in combating extreme poverty. The Millennium Development Goals (MDG) established at the United Nations in 1990 have as their first priority the goal of cutting extreme poverty in half by 2015. The US—and USAID in particular—are strongly committed to supporting the goals of reducing extreme poverty as represented in the MDG. Given the underperformance of FCASs compared to the rest of the world in reducing extreme poverty despite a significant portion of Official Development Assistance (30%) going to these countries, there is increasing recognition of the need to better understand the interrelationship between extreme poverty, fragility and armed conflict. In this context a workshop on “Extreme Poverty, State Fragility, and Armed Conflict” was held on June 23, 2014. USAID's Office of Conflict Management and Mitigation (CMM) within the Bureau for Democracy, Conflict and Humanitarian Assistance (DCHA) convened the event, with the Center for International Development and Conflict Management at the University of Maryland and Tetra Tech ARD serving as hosts. The workshop brought together distinguished academics, US government officials,

policy experts, and staff from non-governmental organizations for a full day of presentations and discussion.

The next section of this technical brief distills pertinent insights from the workshop with respect to the (1) impact of conflict on extreme poverty, the (2) impact of extreme poverty on conflict and fragility, (3) recent findings from academics and policy analysts on what programs work to combat poverty, and the (4) political obstacles that must be overcome in order for further progress to proceed in combating extreme poverty. The final section outlines realistic goals for combating extreme poverty and policy implications for USAID. Particular attention has been paid to what development actors such as USAID should do differently to reduce extreme poverty in environments affected by conflict and fragility.

II. Workshop Central Themes

Conflict as a Cause of Extreme Poverty

There was substantial consensus in the workshop panels led by Chris Blattman and Ethan Kapstein—as well as in the scholarly literature—that conflict generally contributes to extreme poverty and that conventional macroeconomic approaches to economic downturns do not work. Armed conflict impacts extreme poverty directly by destroying physical and human capital and displacing populations that are key inputs to economic growth (e.g., Mankiw et al. 1992), undermining state social service provision and development programs that help to reduce poverty, and contributing to the creation of perverse elite behavior such as predation (the appropriation of public funds for private purposes through outright theft or systemic corruption), or the disorganization of security forces. Often, civil wars lead to distortions in market prices which increase inflation, reduce real incomes, and exacerbate extreme poverty as poor populations are least capable of responding to these price shocks for essentials like food and fuel.

Conflict in FCASs disproportionately impacts the poor and leads to even more extreme poverty. Civil wars kill or displace people and destroy capital (Coghlan et al. 2007), which directly reduces economic growth (Cerra & Saxena 2008). Civil wars also disrupt a state's ability to provide basic social services such as education and health provision (Lai & Thyne 2007). A number of studies confirm this basic relationship between civil war and declines in capital and economic growth. Another question addressed by the workshop panel was whether conflict has a lasting impact on the ability of a country to recover economically. Here the evidence is more

positive: once conflict ceases it is possible, with investment in physical capital, to rebuild and recover, often with high levels of growth (Blattman & Miguel 2010).

What is less clear is whether political and security institutions destroyed (or coopted for fighting) are able to be rebuilt for post-war economic recovery. Comparative political work on European state development has found a robust supportive relationship between interstate war and growing state capacity (Tilly 1992). This relationship appears to be reversed in many FCASs—far from war strengthening state authority it appears to weaken it significantly. One plausible explanation is that states no longer fear the threat of annexation from external threats, which reduces the incentive to build up bureaucratic capacity, competent militaries, and limits the need to mobilize or tax—and thus be accountable—to civilians (Atzili 2012; Fazal 2007).

Extreme Poverty as a Cause of Conflict and Fragility

Engaging in violence can have significant individual costs since it may result in significant injury to self or family. This usually deters individual participation in violence and makes it difficult for organizations to recruit active members even when these individuals support the organization's cause. In order to mobilize militants, rebel leaders must solve this collective action problem (Lichbach 1994). At the workshop, Chris Blattman noted that extreme poverty can help solve this collective action problem in two ways. First, extreme poverty lowers the opportunity cost for recruitment and the use of violence, which enables militant groups to more easily acquire civilian support (e.g., information, or low-skilled attacks). Second, extreme poverty can breed outrage, frustration, and injustice, which pushes people to redress these grievances through violence against the government. Feelings of injustice are especially likely in FCAS, where non-violent means of political participation are often limited.

Empirical evidence for these two mechanisms is mixed, however. If an individual is very poor they have less to lose by turning to violence—joining a rebel organization, in fact, may be the only way to make a living (Berman et al. 2011). Similarly, when individuals are unable to find work or experience negative economic shocks they may turn to the more steady wages that can be earned by participation in violence (Iyengar et al. 2011; Miguel et al. 2004). On the other hand, unemployment is not robustly associated with increases in insurgent violence in Afghanistan, Iraq, or the Philippines suggesting that other factors—such as increased security measures causing unemployment instead of the reverse, or mobilization of the unemployed by both states and rebels—may drown out the role played by opportunity cost in increasing rebel activity (Berman et al. 2011). Using surveys of demobilized combatants in from Sierra Leone, Humphreys & Weinstein (2008) find further evidence that extreme poverty increases mobilization for both militants and government forces.

In addition to lowered opportunity cost, sufficient injustice brought about by extreme poverty may lead to emotive violence against the political system viewed as perpetuating injustice (Gurr 1970). Academic work has found that economic grievances are not likely to drive mobilization (e.g., Blair et al. 2013) but that political exclusion can. For example, recent work has also focused on the role played by ethnic organizations in conditioning the impact of economic

inequality and political exclusion on conflict (Cederman et al. 2013). Overall, however, economic factors independent of organizational and mobilization capacities among aggrieved populations drive only a small portion of the variation in organized violence.

Evidence on Combating Poverty and Its Impact on Conflict Occurrence

Workshop presenters Laurence Chandy and Chris Blattman presented macro- and micro-level evidence on poverty reduction programs in FCAS. At the program level, Laurence Chandy challenged the conventional wisdom that developmental aid programs in FCAS face intractable problems. He points out that much of the variation in development aid program effectiveness actually occurs within countries and not across countries. Substantively, this means that while on the whole development programs have lower levels of success—according to World Bank criteria—in FCASs, there are programs that do work very well. The key task is to identify why some programs succeed and why others fail. Existing research finds that development projects have better performance when there is frequent and effective oversight over aid projects (Ramsey 2009), and when aid agencies have enough discretion to respond to the local environment they operate in (Honig 2014). In addition, small and short projects are more desirable than long and complicated projects that provide many opportunities for predation (Denizer et al. 2011).

An innovative development in academic research on the link between aid, conflict, and fragility has been the turn towards scientific experiments in the field, allowing more micro-level testing of the mechanisms linking aid interventions to conflict reduction. At the workshop Chris Blattman reviewed some of his own work and the work of others in this area. The principal findings were that capital and cash injections helped, programs designed to improve job skills training had mixed results, and that microfinance was largely unsuccessful. This is consistent with research highlighting that the main lasting consequence of civil war is the disruption of physical capital (the availability of money and machines). Improvements in human capital (skills training), by contrast, had a smaller impact. Blattman also presented results from his own research on programs that attempted to manipulate behavioral determinants of conflict, such as education on dispute settlement strategies. This work finds that intervention of this type can reduce risky behavior, and improve the success of informal dispute resolution (Blattman et al. 2014).

One of the important concerns of engaging in this type of community-level intervention is that it may not be sustainable. Because the programs do not go through the central government (and thus do not get buy in from higher-level elites or government officials) it is an open question if government officials in the future will allow the program to continue or invest sufficient national resources to support them. Thus a main impediment to community- or individual-level aid programs, which show promising results is the possibility of political obstacles to their long-term implementation and adoption.

Political Obstacles to Combating Poverty

Investment works best when it effectively builds human and physical capital in a country—improved skills and industry. This can be difficult to achieve when there is a large information gap between outside investors and local conditions. It can be challenging, for

example, to identify what types of commercial activity or skills to help develop or what the local political consequences of aid may be (see, for example, Easterly 2006, 2014). To bridge this information gap and reduce the chance that aid produces negative externalities it is important to work through local governments and communities—i.e., government officials and civilians populations need to “own their own development”—in conjunction with the private sector. This can be difficult to accomplish in fragile countries since the capacities of governments are often limited and the private sector underdeveloped. Equally problematic, there is likely to be an information gap domestically (the center does not know what is happening in the periphery), or incentives between outside organizations and domestic elites are misaligned (it is not in the elites’ interest to develop public goods such as infrastructure). As workshop panelist Philip Keefer argued, addressing extreme poverty and promoting development in fragile and conflict affected states is an inherently political process.

Political obstacles fall into two main categories: political instability such as the threat of future armed violence or regime change, and underproduction of public goods due to a lack of leader accountability or a lack of technical capacity of the government to deliver. Political uncertainty such as regime change or war are ubiquitous problems in fragile countries that cannot be directly addressed by development assistance due to the significant role played by other factors (e.g., international rivalry, external military support to rebel groups, etc.). In addition, aid is often in most demand at the least secure moments (e.g., refugee or humanitarian crises as a result of war). Assistance designed to reduce extreme poverty needs to be delivered in such a way that it is as robust as possible to environments with endemic security concerns. One method of doing this is to link security and aid provision, and design aid programs in a manner that they can be secured from capture and corruption. Ideally aid would also be targeted locally—as the US army did in conflict environments such as Iraq and Afghanistan using programs such as the Commanders Emergency Response Program (CERP)—in order to better address local concerns and build a stronger connection between government authority and local populations (Berman et al. 2013).

It is also possible for aid to directly address the problem of government underproduction of public goods. At the workshop Philip Keefer noted that when government engages in significant predation of its civilian population—either through violent appropriation or political patronage—a failure in governance is the result. Citizens, in effect, are not able to hold government accountable for its activity and as a result government produces private goods for distribution to its supporters instead of public goods such as security or infrastructure that would support economic growth (see also: Acemoglu & Robinson 2012). The inability to hold government accountable is often the result of a collective action problem—citizens are not able to mobilize and thus cannot exert political power over elites (Keefer 2012). This kind of failure is readily apparent in dictatorships where leaders are accountable to only a small group of people and often predate from their broader populace. Collective action failure also happens in new or weak democracies. Political participation occurs through political parties. When there are barriers to the development of political parties, or political parties are narrow in scope and relatively

powerless, it is difficult to get collective action and government accountability. In FCASs political parties tend to be personality based, internally fragmented, and clientelist. The result is a proliferation of parties with narrow interests, limited ability to mobilize votes, and reliance on illicit electoral tactics such as bribery, voter intimidation, and electoral fraud (Collier 2009; Keefer & Vlaicu 2008).

Another political obstacle to addressing poverty is the problem of effective security provision, which is directly related to the effectiveness of domestic security forces in promoting internal order. In dictatorships—and in other cases where there is a coup threat—governments actively attempt to exacerbate the military collective action problem in order to reduce the probability of a military coup against the government. Extending the logic of Beber & Blattman (2013) one possible coup-proofing strategy is to turn to the use of child soldiers, who are easier to control though they are less effective soldiers. Similarly, militaries with poor command and control are more likely to mistreat civilians (Humphreys & Weinstein 2006). The challenge for aid policies is to reduce the occurrence of coups without undermining the effectiveness of security forces.

III. Conclusion

When designing aid interventions to reduce extreme poverty it is important to be realistic about what can and cannot be achieved as well as to be open about the different possible pathways to reducing extreme poverty. At the workshop, Gary Milante led a productive discussion about feasible goals in reducing poverty over the medium- to long-term using advanced modeling simulations. Two main points resulted. First, reductions in the level of extreme poverty is possible (from >50% down to around 20%) but elimination of extreme poverty is not a realistic goal. Second, there are likely to be multiple paths to poverty reduction. Looking at the trajectory of various countries in sub-Saharan Africa—with a variety of different components of fragility, instability, or poor governance—we can see that success in poverty reduction occurred for a variety of reasons. Poverty reduction efforts should be sensitive to the fact that there are multiple paths to success and information on what does and does not work locally should be fed back into program developments to allow innovation to be informed by local contexts.

This summary of the discussions held by experts at last June’s workshop underlines the wide range of inter-connected issues that contribute to a complete understanding of how the consequences of fragility and conflict perpetuate extreme poverty. Although the participants shared expertise on many topics, there were four themes that were raised repeatedly. First, as noted by Laurence Chandy, there is a great need for better quality data on extreme poverty in fragile countries over time—especially data disaggregated spatially so that analysis can better understand the complicated relationship between conflict and poverty. Second, building off the evidence that suggests that there are cases of successful development programs in fragile and conflict-affected environments, more work is needed to consolidate learning about these experiences and to develop approaches for scaling these efforts up, especially if this can be done ‘by and through’ local government. Third, addressing extreme poverty in a sustainable fashion requires incentivizing political elites to address the needs of the most impoverished and marginalized communities in society. Fourth,

macro-economic mechanisms that are often manipulated to induce economic growth do not function predictably in fragile and conflict-affected environments, reinforcing the need to address the elements of fragility that impede the performance of these mechanisms before relying on them to promote sustainable economic growth. Within

each of these four areas, there is a clear need for continued research to better inform how development programs can more effectively reduce extreme poverty.

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