Ending extreme poverty in fragile contexts
Getting to Zero: A USAID discussion series

Over the past 20 years, there has been encouraging progress towards the goal of ending extreme poverty, with nearly 700 million people rising above $1.25 a day since 1990. This impressive progress has made it conceivable for the world to eradicate extreme poverty by 2030. To do so, we need to support legitimate, effective governing institutions and promote robust and inclusive economic growth, but fragile states, in particular, face difficult hurdles. Poor and undemocratic governance, weak and corrupt institutions, and entrenched power dynamics all contribute to extreme poverty. Support for country transitions out of fragility, therefore, is a key element for accelerating and sustaining broad-based growth and reducing poverty.

Most of the gains in extreme poverty reduction over the past two decades have taken place in higher performing countries that have not experienced the challenges of conflict or the severely limited capacity of ineffective governing institutions. A country that experienced major violence over the period 1981-2005 has an extreme poverty rate 21 percentage points higher than a country with no violence. Of the seven countries unlikely to meet any of the Millennium Development Goals (MDGs) – including to halve extreme poverty – six are fragile states. Indeed, roughly 400 million extreme poor currently live in fragile states, a number that has remained essentially unchanged since 1990. Although this is currently only about one-third of the total global population living in extreme poverty, it is these types of countries that are projected to be home to roughly half of all those living under $1.25/day by 2015 and, between now and 2030, the challenges of extreme poverty will increasingly be found in fragile states. Ending extreme poverty, then, will not be possible without understanding and tackling the sources of fragility.

While making sustainable progress is challenging and complex, we know that development is possible, even in the most fragile environments. In 2011, trends indicated that not one low-income fragile state was on track to meet a single MDG, but by May 2013, roughly 20 low-income fragile states had hit at least one of their goals and eight fragile states, including Guinea, Nepal, and Timor-Leste, have now met MDG1 by halving their extreme poverty rate. Supporting such transitions will require that the international community learn more about the nexus of fragility and extreme poverty. This discussion paper frames the issue and lays out some of the questions for discussion in the months and years ahead.

This discussion paper seeks to provide background on some of the recent contributions to the policy literature on extreme poverty. It does not represent the official policy or position of USAID but is meant to spark and inform dialogue on important development issues, both within the Agency and with our external partners.

† See USAID’s discussion paper “Getting to Zero” (November 21, 2013) for more background, definitions, and a snapshot of the global trajectory towards zero.
‡ In order to draw on the broader literature, the evidence presented here relies on data and analysis based on several different definitions of fragility beyond our own (see Box 1), including the OECD and the World Bank. Though these approaches yield somewhat different lists of fragile states, there is significant overlap between them. Thus, we are careful to cite our sources, but we are not able to present a holistic overview of existing research and evidence without mixing the different definitions.
§ The Democratic Republic of the Congo, Cote d’Ivoire, Haiti, Somalia, South Sudan, and Kosovo
¶ The 20 countries are Afghanistan, Angola, Bosnia and Herzegovina, Comoros, Guinea, Guinea-Bissau, Iraq, Kiribati, Liberia, Libya, Marshall Islands, Federated States of Micronesia, Burma, Nepal, Sudan, Syria, Timor-Leste, Togo, Tuvalu, and West Bank and Gaza. Eight – including Guinea, Nepal, Bosnia and Herzegovina and Timor-Leste – have already halved extreme poverty.
CONNECTING FRAGILITY, CONFLICT, AND EXTREME POVERTY

The link between fragility and conflict has important implications for extreme poverty. Not all states experiencing conflict are fragile, but most of them are; and not all fragile states experience conflict, although most of them have. Conflict becomes more likely when segments of society question whether the government’s exercise of power is fair and inclusive. And the violence from armed conflict has severe consequences for economic growth — it destroys assets, undermines livelihoods, and diverts public resources from economically productive investments. It takes an average of 14 years to restore pre-war economic growth trajectories in countries that experienced civil war.

Much of the connection between fragility and armed conflict relates to legitimacy, the key elements of which include accountability, inclusiveness, and transparency. The lack of legitimacy in a state can lead to conditions where violent conflict is more likely, particularly where a history of violence exists. For more than a decade, the Democratic Republic of the Congo (DRC) has been recovering from a series of violent conflicts, including the deadliest conflict since World War II, the Second Congo War. Despite halting progress on political and economic reforms, the DRC is still faced with the challenges of weak institutions and corruption, and up to 85 percent of the population continues to live in extreme poverty. Governing institutions that lack the key elements of legitimacy have little ability to support the peaceful resolution of societal conflicts. For example, illegitimate governance can entail economic institutions or financial services that are corrupt and/or exclude large segments of society, thus limiting economic opportunity. Economic and social disenfranchisement are two of the most common drivers of internal conflict and instability, and this also has implications for poverty reduction.

Where there are weak or corrupt institutions, even high rates of economic growth will not necessarily translate to reductions in extreme poverty. Two illustrative examples can be found in Nigeria and Zambia, where rapid growth has not contributed to significant poverty reductions. A revealing indication of such ineffectiveness is a large gap in access to basic services between the poor and the non-poor or between genders. While the absolute number of the poor is equally divided by gender, existing inequalities in employment, health, education, and violence tend to make women more vulnerable to extreme poverty, e.g., higher overall work burdens, lesser access to productive resources, and fewer

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**This paper draws on the definition developed by the Uppsala Conflict Data Program, which defines a conflict as “a contested incompatibility that concerns government and/or territory where the use of armed force between two parties, of which at least one is the government of a state, results in at least 25 battle-related deaths.” Based on this definition, there were 24 countries experiencing active conflicts at the end of 2012. A conflict-affected country is either currently experiencing active conflict or had had a conflict end in the last ten years.**
assets to draw on in times of emergency.\textsuperscript{17} The extent to which growth reduces extreme poverty depends on context, including whether the country promotes policies and provides services that enable the extreme poor and vulnerable populations to participate in growth,\textsuperscript{18} evidence shows that it requires much higher growth rates to reduce poverty in countries with high levels of inequality.\textsuperscript{19}

**KEY FINDINGS**

Illegitimate governing institutions and ineffective delivery of key services—the cornerstones of fragility—contribute to extreme poverty. Moreover, the evidence suggests that fragility makes armed conflict more likely, too. When armed conflict does erupt, it further exacerbates extreme poverty. In all, the mutually reinforcing relationship between fragility and armed conflict creates circumstances that perpetuate extreme poverty. The following key findings highlight the evidence and underscore the importance for promoting more inclusive, effective, and accountable governance and supporting strengthened conflict prevention as a means toward reducing extreme poverty.

- **Extreme poverty will be increasingly concentrated in fragile states over the next two decades.** A growing evidence base suggests extreme poverty is not receding in those places affected most by fragility and conflict;\textsuperscript{21} where the absolute number of extreme poor has remained roughly the same since 1990.\textsuperscript{22} While one-third of the global poor lived in fragile states in 2010, projections indicate that roughly half will do so by the year 2015.\textsuperscript{23} A decade ago the majority of fragile states were low-income countries – today, fragility is almost evenly divided between middle-income (MICs) and low-income countries (LICs).\textsuperscript{24} Even as fragile states have reached MIC status, extreme poverty will increasingly be concentrated in fragile states. In these countries, economic growth projections are relatively pessimistic and population growth remains relatively high.\textsuperscript{25}

- **The mutually reinforcing relationship between fragility and armed conflict perpetuates extreme poverty.** There is a strong correlation between state fragility and conflict. Of the 37 countries identified as fragile by the World Bank in 2010, almost all were post-conflict or conflict-affected.\textsuperscript{26} Evidence from the 2011 World Development Report shows that violent conflict contributes to extreme poverty; on average, a country that experienced major violence over the period 1981 to 2005 had a poverty rate 21 percentage points higher than a country that saw no violence.\textsuperscript{127} For every three years of major violence, extreme poverty reduction in affected countries was 2.7 percentage points lower on average than in countries affected by only minor or negligible violence. Syria lost 35 years of development gains between

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\textsuperscript{**17**} Estimates based on the World Bank’s PovCalNet database, which calculates extreme poverty estimates for developing countries, i.e., low income, lower middle income, and upper middle income countries (up to $12,615 GNI per capita in 2012).
2011 and 2013 as a result of the conflict, according to a UNRWA study.\textsuperscript{28} Conflict can have long-lasting negative impacts on extreme poverty eradication even in MICs.\textsuperscript{21}

- **Fragility impedes significant reductions in extreme poverty.** By 2015, extreme poverty levels in fragile states are estimated to remain over 50 percent, higher than starting levels in 1990 and significantly higher than in non-fragile states.\textsuperscript{29} More challenging in these contexts is the “fragility trap” phenomena – a self-perpetuating cycle of weak institutions, low investment, slow growth, and repeated violence that keeps countries from strengthening the policies and building the institutions needed to transition out of fragility.\textsuperscript{30} The outlook is more promising, however, for countries that do escape fragility and conflict. According to World Bank classifications, 11 countries have graduated from fragile state status since 2004 while achieving average economic growth rates of 4.3 percent.\textsuperscript{31} Countries like Cambodia, Laos, Mozambique, Rwanda, Uzbekistan, and Vietnam experienced rapid economic growth following periods of severe political instability.\textsuperscript{32}

- **The “neighborhood effect” may negatively impact the ability to reduce poverty across a region.** Evidence shows that countries with neighbors experiencing civil wars suffered losses in GDP growth equal to 0.7 percentage points per year on average.\textsuperscript{33} Additionally, fragile states tend to be geographically clustered.\textsuperscript{34} However, even in regions where conflict-affected fragile states border others with no armed conflict, political instability and armed conflict in one country can generate subsequent unrest and instability in neighboring and regional countries\textsuperscript{35} as well as economic ripple effects through the region. Thus, the impact of a neighborhood war may have deleterious effects on extreme poverty in peaceful neighboring states. More recent research shows an even higher annual loss of 1.5 percentage points of economic growth for countries that border a “Low Income Country Under Stress”. Since these countries typically lose about 2.3 percentage points but have an average of three neighboring countries, the region’s aggregate losses are much higher than losses to the country itself.\textsuperscript{36}

**MOVING FORWARD**

An international effort between now and 2030 to assist more than 1 billion people rise out of extreme poverty requires a greater understanding of the nature of fragility. From years of experience, USAID knows there are opportunities to help lift populations out of extreme poverty through promoting inclusive growth, investing in institutions, and supporting capacity development efforts for state and non-state actors, among other interventions. To marshal the full potential of societies, it is essential to support inclusive and accountable governing institutions. Without the involvement of civil society, women, youth, and marginalized groups in efforts to support access to basic services, access to justice, and invest in transparency and accountability in public institutions, we will continue to live in a fragile world where shocks can wreak havoc, illegitimate leadership prevails, and extreme poverty remains. Going forward, we must scale existing partnerships and develop new ones to draw in fresh perspectives and innovative thinking. In doing so, we must focus on applying lessons learned, leveraging partnerships, and engaging in key policy discussions.

\textsuperscript{28} Development gains in this context classified according to the Human Development Index, which includes average income levels, health and education. See [http://www.unrwa.org/userfiles/2013071244355.pdf](http://www.unrwa.org/userfiles/2013071244355.pdf)
• **Applying Lessons Learned:** Much work has been done – by the OECD, World Bank, g7+ and others – on how to best support progress in fragile states.³⁷ This includes the need to focus on building confidence in institutions – which requires capacity development and sensitivity to historical animosities and marginalization – as well as building resilience in areas of chronic vulnerability (see Box 3). In countries lacking a credible governmental partner, work must continue to focus on civil society supporting their efforts to influence positive change. The key is rapid action to rebuild confidence combined with longer term structural reform based on careful analysis of the drivers of conflict.”³³ It is also essential to integrate democracy, human rights and governance principles and practices into our development approaches.”³³

The case of Nepal demonstrates a concrete example of real development progress in fragile contexts. After more than a decade of armed insurgency and lingering post-conflict challenges, Nepal is one of just eight fragile states to have already halved extreme poverty.³⁸ And they did so in just seven years – between 2003 and 2011, the extreme poverty rate fell from 53 percent to 24.8 percent.³⁹ Furthermore, Nepal has already met the target for access to an improved water source and for reducing the maternal mortality ratio by three quarters from its 1990 level.⁴⁰ These development gains, achieved in part from USAID and our partners, are the result of strengthened local institutions.⁴¹ It demonstrates that despite challenging circumstances, development in these contexts is possible.

Other contexts, like Afghanistan, show the feasibility of investing in local institutions to support development gains. For example, between 2003 and 2012, USAID invested in expanding low-cost health services, led by the Afghan Ministry of Public Health. The 2010 Afghan mortality survey demonstrates significant progress – life expectancy has increased by 15-20 years, infant mortality has dropped 57%, under five mortality has declined by 62%, and maternal deaths have decreased from 1,600 to 327 per 100,000 births.⁴²

• **Leveraging Partnerships:** The New Deal for Engagement in Fragile States, endorsed in 2011 by the U.S. and forty other countries and multilateral institutions, calls for the international community and fragile states to not only “do things differently” but to also “do different things”. Rather than delve into our traditional toolbox for fragile or conflict-affected countries and come out with cookie-cutter solutions, we must prioritize around five Peacebuilding and Statebuilding Goals (PSGs) – legitimate

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³⁷ See USAID’s [Resilience Policy](#)
³³ See USAID’s Policy on [Violent Extremism and Insurgency](#)
³³ See USAID's [Strategy on Democracy, Human Rights and Governance](#)
politics, security, justice, economic foundations, and revenue and services – identified as the main impediments to overcoming fragility. It is notable that this prioritization places politics, security, and justice together with jobs and services at the forefront of overcoming conflict and fragility. Indeed, this approach acknowledges the interdependent connections among security, governance, and development and the attendant need for systems thinking to consider these issues as a coherent whole in order to support the search for innovative solutions.

The New Deal represents the first time a coalition of (currently 18) self-identified fragile states has formed and articulated a vision for how the international community can better enable their movement from fragility and conflict to peace and prosperity. Already the New Deal has provided a platform in those countries that have adopted it for better strategic planning across governments and donor communities, deeper connections between government actors and populations, the creation or improvement of financial management and coordination units, and an improved focus on the inherent connection between politics and development in fragile states.

The New Deal represents a major sea change, but it is just a start. In countries that do not self-identify as fragile there is a difference of opinion regarding state effectiveness and legitimacy. International actors must respect government position, but also not be blind to internal dynamics that place development assistance at risk. In these contexts we must look to engage in frank conversations regarding citizens’ concerns through, for example, supporting improved national polling, enhancing civil society capacity and outreach, reinforcing cross-border learning, and engagement by regional institutions.

- **Engaging in Key Policy Developments:** The Post-2015 discussion is centered on what will replace the MDGs when they reach the end of their intended timeline in 2015. The global debate over this next iteration of goals is a key opportunity to sharpen the international focus on the link between fragility and extreme poverty, as ending extreme poverty is a core element in these initial discussions. A number of voices are now calling for a post-2015 framework that will help to foster the development gains in fragile states that are necessary for the eradication of extreme poverty. In this light, for sustainable development to be successful, we need to challenge ourselves to improve our ability to make and sustain development gains in fragile states.

To end extreme poverty by 2030, we must find better ways to support inclusive growth and mitigate fragility to enable the provision of health care, food security, education, and other essential services to the world’s most vulnerable and marginalized. As USAID’s *Strategy on Democracy, Human Rights, and Governance* points out, “Poverty is underpinned by poor and undemocratic governance, weak and corrupt institutions, and entrenched power dynamics that lead to political and economic exclusion.”

- **Asking the Right Questions:** The general findings from this discussion paper lead to a series of more specific questions that merit further discussion, research, and analysis. For example:

  **Questions on Linkages:**
  - How does advancement or backsliding on fragility influence progress toward eradicating extreme poverty?
  - What is the theory of change to solving the link between violence and poverty?
How can improvements in social, security, economic, or political domains lead to reductions in extreme poverty?

Gender inequalities mean women and girls are more vulnerable to the effects of extreme poverty, and poverty rates are highest among children. How are the most vulnerable extreme poor populations differentially affected by violence and conflict?

How do poor or missing data complicate the analysis of trends in extreme poverty in fragile states and limit our understanding of the linkages between fragility and extreme poverty?

**Questions on Programming:**

- What can be done to improve data to better guide development strategies to address extreme poverty?
- What specific examples of development programs demonstrate effective poverty reduction while also addressing the underlying manifestations of fragility?
- How do programs that are designed specifically to reduce poverty, e.g., jobs programs, infrastructure, etc., affect state-society relations in fragile states?
- Given the increasing number of middle-income fragile states with pockets of extreme poverty, how can development actors enhance the effectiveness of official development assistance and better link with foreign direct investment in those countries?
- Looking to the future, what technologies, modalities, resources, actors, or approaches will emerge or become more important and how will they affect extreme poverty?

In order to continue this dialogue, in the coming months, USAID will convene an expert’s workshop on fragility and an evidence summit on extreme poverty; these learning events will help identify gaps in knowledge and bring together evidence around the critical outstanding questions regarding extreme poverty in fragile environments. We will apply findings from these engagements to our ongoing learning in the field to define a framework for action and move us towards the realization of a world without extreme poverty within a generation.

**REFERENCES**

1. These and other data on global, regional, and country-level poverty statistics, including headcounts, populations, and other key figures, from 1981 to 2000, are based on the World Bank’s PovcalNet database, located at: [http://iresearch.worldbank.org/PovcalNet/index.htm](http://iresearch.worldbank.org/PovcalNet/index.htm).
43 World Bank, *The State of the Poor: Where Are the Poor, Where is Extreme Poverty Harder to End, and What is the Current Profile of the World’s Poor?* (Washington: World Bank, 2013)