What is Chronic Poverty?

The distinguishing feature of chronic poverty is extended duration in absolute poverty. Therefore, chronically poor people always, or usually, live below a poverty line, which is normally defined in terms of a money indicator (e.g. consumption, income, etc.), but could also be defined in terms of wider or subjective aspects of deprivation. This is different from the transitorily poor, who move in and out of poverty, or only occasionally fall below the poverty line.

www.chronicpoverty.org

Fragile states, conflict and chronic poverty

Key points

- The CPRC redefines fragile states as those that do nothing to reduce individual risks for citizens, or in fact increase them through predatory behaviour.

- Conflict intensifies and perpetuates chronic poverty – as people lose assets and income and access to markets, and as social service spending falls. Chronic poverty can also lead to conflict – particularly through social discontent and where violence offers a means of livelihood for poor people.

- In fragile states and post-conflict situations needs are enormous and there is a focus on maintaining security and ‘kick-starting’ the economy. It is vital that policies for recovery include the needs of the poorest. These must be underpinned by a viable ‘social compact’ and fiscal reform.

- A viable social compact is a set of mutual obligations between the state and its population, and is fundamental to notions of justice, legitimacy, and for long-term peace and stability. Risk-reducing interventions are critical to building a social compact in fragile and post-conflict situations, and achieving just and efficient taxation and good revenue collection performance should form its basis.

- Basic service provision aimed at the poorest and hard to reach, infrastructure to remote areas, and social protection can help stimulate growth, ensure basic standards of living, increase livelihood security, and lessen the potential for renewed conflict.

- Policies must be based on an understanding of the political economy, and of who is involved and how, in each context.

- It is often best to prioritise one or a few focused and tractable solutions that respond to major risks, ensuring transparency and limiting the space available to ‘predators’. Aspects of law and order services, social service delivery, and social protection would be leading candidates for this in many fragile or post-conflict situations. The Paris/Accra aid harmonisation and alignment agenda is especially relevant in fragile states.
Introduction

Some 22 out of the 32 Chronically Deprived Countries (CDCs), are classified as ‘fragile states’, along with ten Partially Chronically Deprived Countries. ‘Fragile state’ is the somewhat ambiguous term the international community applies to countries that have bad relationships with other states, export insecurity or conflict, or struggle to provide any kind of worthwhile public goods or services for their citizens. The circumstances of chronically poor people in fragile states are particularly bleak, with violent conflict often being added to the myriad of risks and insecurities they are already forced to grapple with. The Chronic Poverty Report 2008-09 has delineated the links between chronic poverty, state fragility, and violent conflict, emphasising how conflict leads to the five chronic poverty traps – particularly insecurity and limited citizenship.

This policy brief builds on this work and draws out key policy messages from recent research carried out by the CPRC on chronic poverty, conflict, and fragile states.

‘Risk’, the state, and redefining ‘fragile states’

Chronic poverty entails a situation of multiple risks. Informal mechanisms of risk reduction exist at the family and community level in all societies, and formal insurance markets develop alongside economies (but such are rare in low-income countries). Many risks, however, cannot be significantly reduced – risks that either affect most people in a community (for example, a natural hazard, a highly infectious disease, or economic recession), or that cannot be insured against, because formal insurance markets do not exist. The state can absorb those risks that the individual and community cannot (although there are limits, such as climate change), where political will and state-capacity exist. For chronically poor people this is vital, because the fear that goes with poverty is itself highly debilitating and limits the possibility of high-risk, high-return livelihood strategies.

To have useful meaning, the term ‘fragile state’ must be based on an understanding of the individual’s relationship to the state. From the perspective of the individual – what is the state for? The CPRC suggests that the first obligation of a well-functioning state is to reduce individual risk. As such, we redefine the ‘fragile state’ as a state that either does nothing to reduce individual risks for citizens, or actually increases risks through predatory behaviour. Individuals may be entirely ignored (receiving no help, but paying no taxes either), or they may pay tax but receive little by way of risk reduction in return. This lack of risk-reduction support may apply to the population as a whole, but can also be confined to certain groups and/or regions. For example, in the Solomon Islands, living conditions in rural areas are especially difficult, in part because government revenue tends to be invested in Honiara rather than redistributed to poorer provinces. In the worst cases, the state is violently predatory, dramatically increasing people’s risks and impoverishing them. Myanmar and Sudan are two examples, with the former using forced labour, the latter turning to violence to ensure a hold over oil wealth.

The CPRC’s definition of a fragile state is a useful conceptualisation for development policy in that it focuses on state functionality and risk – a functional state has an obligation to assume risk-reduction responsibility. This definition moreover, focuses on the outcomes of poverty reduction policies, and is further congruent with the ‘right to protect’ – the principle that the international community has an obligation to intervene in cases of gross human rights abuses when the state turns predator. This is particularly important in the case of internally displaced persons (IDPs) and refugees, who are disproportionately found among the chronically poor.

Fundamentally, fragile states are those that never managed to create a social compact post-independence, or where the social compact has disintegrated, or countries where the social compact is under great stress – usually from economic pressure. The result is often violent conflict.

State fragility, conflict, and chronic poverty

Violent conflict is pervasive in fragile states and poses a significant problem for CDCs. Nineteen of the 32 CDCs have experienced major conflict since 1970. Conflict and chronic poverty often reinforce each other leading to a vicious downward spiral. Conflict intensifies and perpetuates chronic poverty. Poverty can also be a cause of conflict, for instance through fuelling social discontent and providing a better livelihood for chronically poor people, where other economic opportunities are lacking. There are four main channels through which state fragility intersects with poverty, and three of these relate to violent conflict.
Fragile states often fail to provide public goods and services to their populations – and especially to those living in remote regions. Fragile states are often at war, and in the high-risk environment of violent conflict, overall economic activity and employment are reduced. Faced with the income and asset losses, and starting from a low initial base, chronically poor people may become (even more) food insecure. During times of war, health, education, and nutrition suffer. The negative economic and health legacies of conflict are most often borne by the chronically poor.

Conflict destroys social capital – for instance through flight and displacement – often for many years. In the worst cases, young children are inducted into armies and forced to commit atrocities against their own people as a way of severing their social ties and hardening them to violence, as for example in the cases of Sierra Leone and Northern Uganda. This has devastating implications for poor people who often rely on social networks as a safety net in times of crisis. Even in such fragile and extremely challenging contexts, establishing interventions that have a high risk-reduction impact in the short term and potential for scale-up in the longer term is

### Box 1: Some interventions on reducing risk for chronically poor people

#### Civil Society

- The Foundation for People and Community Development (FPDC), an NGO in Madang, Papua New Guinea, works with grassroots groups in community forestry, development, and advocacy. For example, FPDC is helping a family in Aware Forest to cut timber using sustainable methods, and to sell it to a company in New Zealand.

- Alternative Basic Education for Karamoja (ABEK), an NGO in North East Uganda, works with nomadic pastoralist groups to facilitate mobile schooling by training teachers who travel with classes and by developing a curriculum that is adapted to children’s responsibilities (e.g., cattle-herding). The number of children enrolled rose from 7,000 in 2000 to 32,000 in 2005. Basic literacy and numeracy rates among those enrolled are approximately 50 percent, compared to an average of eleven percent in the region.

#### Local Government

- The state government of West Bengal, India enacted land reforms that increased the security of tenancies and distributed land to the landless. Nearly two million households benefited, and political violence and the rural poverty rate have declined markedly.

#### National Governments

- The Unit for the Assistance of Vulnerable People (GAPVU) was established by the government of Mozambique and provided food subsidies to the urban destitute. Its work has been expanded under a new body, the National Institute for Social Action (INAS). Under INAS, the programme has expanded into rural areas, and now includes cash-for-work and income-generating programmes.

- In 1975, the new military government of Bangladesh launched the Vulnerable Groups Feeding/Development Programme. The program offered a monthly food ration for poor women, and is still in existence today, having been expanded to include microfinance and income-generation components. Key to governmental support for the programme has been the fact that it serves to enhance the credibility of local political elites.

- The Government of Malaysia established a network of health sub-centres and midwife posts to deliver a virtually free, comprehensive service package in spatially disadvantaged rural areas. Dramatic improvements in the ratio of health personnel to population and health outcomes in rural areas were achieved.

#### International Actors

- The Khmer HIV/AIDS Alliance and the WFP have collaborated to provide a monthly food ration to households that contain people living with HIV/AIDS and/or orphans or other vulnerable children. Results among beneficiaries have included improved health and fewer loans spent on health expenses (as opposed to income-generating activities).

feasible. Comprehensive risk-reduction programs lie at the centre of building a viable social compact for lasting peace and stability (see Box 1).

**Post-conflict recovery and chronic poverty**

Poverty reduction is possible, although undoubtedly more challenging, amidst violent conflict. Except in the case of near-complete state disintegration (e.g. Somalia, Sierra Leone), governments usually continue to exert control over some parts of the country in times of war. For example, in Sri Lanka, the state continued to provide support to the war-affected population in the North East, thereby playing a key role in addressing some of the effects of conflict on chronically poor people. Similarly, in Nepal, since the mid-1990s, even during times of conflict, cash transfers have been provided to elderly, disabled, and widowed people. Opportunities for poverty reduction in the post-conflict period are significantly better than during war. The influx of foreign aid that follows the cessation of conflict also provides scope for poverty reduction, post-war economic growth can be rapid when it does come (e.g. as farms and enterprises restart themselves) and the (re)connection of rural markets and towns can create national and regional food markets to move food to deficit areas.

However, in fragile and post-conflict situations, where needs are enormous and there is a focus on maintaining security and ‘kick-starting’ the economy, the needs of chronically poor people are at risk of being ignored. This is particularly evident where new leaders seek to deliver ‘quick wins’ to get off on a good start, the impetus to pacify potential ‘spoilers’ may eclipse the needs of the poorest, and where poverty is seen through a ‘security’ lens (which is often the case). This leads to a focus on those social groups seen as constituting a security threat—usually ex-combatants and poor young men – diverting attention from those are perceived as less likely to pose a threat, such as women, young children, and the elderly. However, chronically poor people are often those most in need of support and are unlikely to be lifted by the ‘rising tide’ of post-war recovery. As such, there is a strong moral and practical case to be made for paying particular attention to chronically poor people in the post-conflict period. Given the links between chronic poverty and conflict, such a focus would have significant positive implications for security and stability in the medium to long-term. Moreover, the provision of such support is a central component of the state building process, and of the (re)establishment of a social compact between the state and citizens.

Policies need to target the insecurity and limited citizenship poverty traps. Basic service provision aimed at the poorest and

**Box 2: Social protection interventions post-conflict**

Social protection plays a key role in the fight against chronic poverty, and is particularly important given the very high levels of risk that exist in conflict and post-conflict settings.

The chronically poor increase in number (e.g. widows, people with disabilities, orphans), become poorer and sicker, and lose recourse to standard coping mechanisms during violent conflict. Well-designed social assistance programmes (e.g. cash or in-kind transfers) can protect chronically poor people from shocks, help them to conserve and accumulate assets, and facilitate investments in human capital, thereby improving longer-term livelihood prospects.

In the immediate aftermath of conflict, social assistance tends to be provided primarily by humanitarian organisations. However, humanitarian support does not offer the necessary long-term solution. It is short-term, determined by (usually underfunded) appeals, and is often dominated by food aid to the exclusion of other alternative responses, such as cash transfers. The post-conflict period can offer a window of opportunity for getting social protection on the policy agenda long-term. This has proved to be the case in Uganda, whose Poverty Eradication Action Plan identifies social protection as a cross-cutting issue, and where there is currently a conditional cash transfer pilot ongoing in 11 districts. Establishing social assistance programmes in post-conflict settings is undoubtedly extremely challenging (e.g. lack of data and large population movements make targeting difficult, political instability raises the stakes the stakes of offering preferential support to any particular group, infrastructure and financial system disruptions may make the delivery of benefits difficult. Nevertheless, it can be done, as evidenced by successful cash-transfer programmes in Somalia, Afghanistan, and the DRC. It is important that the actions required (e.g. health, education, land-security) are determined by the specific context.

hard to reach, infrastructure to remote areas, and social protection transfers can help stimulate wider growth, ensure basic standards of living, increase livelihood security, and possibly lessen the potential for renewed conflict.

**Prioritising post-conflict development**

Pursuing focused and tractable solutions that respond to the major risks faced by individuals offers a lens to prioritise actions for domestic as well as international actors. Donors are often keen to apply their own interpretations and priorities in fragile states, and the aid effectiveness harmonisation and alignment agenda has been slower to be applied in these states than where states have a more progressive political and policy trajectory. This means that there are often more policy priorities than fragile host country implementation mechanisms can cope with. Donors need to select one or a very few policy measures to focus limited implementation capacity on, and stick to that agenda sufficiently long enough to build credibility and legitimacy around it. Aspects of law and order services, social service delivery, and social protection would be leading candidates in many fragile or post-conflict situations. However, the narrower and more tractable the programme can be, the better.

This means that the Paris/Accra machinery of inter-donor collaboration and aid harmonisation is especially vital in fragile states. As far as possible, influential non-state external actors should also be encouraged into a harmonised way of operating. At least a proportion of aid could be delivered on the basis of results achieved, giving a significant impetus to prioritising tractable interventions, which are nevertheless significant in terms of increasing wellbeing. An example of narrowing the focus can be seen in the case of Papua New Guinea where health issues are clearly very important in terms of impact and the credibility of government. Getting domestic political actors and donors to focus together on

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**Box 3: Solomon Islands: a case study**

Chronic poverty is difficult to measure in the Solomon Islands, mainly due to a lack of data (e.g. data constraints make it difficult to determine the deprivations faced by different groups of people in different provinces). However, it is possible to suggest that chronic poverty is widespread among the majority of the rural population. This has been exacerbated by civil-strife and long-term political instability. Recent economic growth is limited to a narrow formal economy, in which the majority of people do not participate. Eighty-four percent of people live in rural areas, with very limited access to education, health, or other social services. They are serviced by poor or non-existent transport, electricity, or telecommunications infrastructure, and rely on subsistence farming for their livelihoods.

To address this, pro-poor economic growth must originate from growth in the rural agricultural sector. Poverty reduction strategies designed by the Solomon Islands Government and other international financial institutions (e.g. ADB, IMF) have failed to explicitly focus on this sector. Instead they have emphasised private sector productivity, public sector capacity, and improved infrastructure. While important, such reforms are insufficient to fully address the circumstances of poor people. Alternative approaches to development that prioritise the poor and rural agricultural development are now required.

The Solomon Islands benefits from abundant natural resources. Community ownership of these resources combined with cohesive communities, will provide opportunities for all to benefit from the long-term harvesting of these natural resources.

The current poverty reduction strategy proceeds in the shadow of a period of civil strife that severely affected the social and economic circumstances of the poor. Much of the immediate focus of development interventions in the post-conflict context has focussed on relief and rehabilitation (ADB 2004 cited in Clarke, 2007). While important, these poverty reduction strategies are likely to ‘miss’ those in chronic poverty, by seeking to only grow the formal economy. Efforts have been made by the Solomon Islands Government and donors to achieve peace and increase economic growth in order to raise the standard of living. While law and order has been normalised and economic growth recently recorded, it is unlikely that the benefits associated with this increase productivity have reached the majority of the rural population. Alternative policies that directly address the poverty experienced by 80 percent of the population living outside urban centres must be now implemented across the country if chronic poverty is to be reduced. There is a need to collect further data for accurate measures of chronic poverty in order to assess changes in the circumstances of the poor over time.

*Source: Clarke, M. (2007)*
a limited set of health priorities would challenge the widespread popular belief that nothing will get better. Delivering on promises is critical to increasing the legitimacy of the state. In the Solomon Islands natural resource management is a critical area for improvement and therefore a focus of external and domestic actors.

Dealing with ‘spoilers’ and ‘predators’

The international community should play an active role in removing those who use violence to become powerful and wealthy, within the full framework of international law. However, once such ‘spoilers’ are removed peace is not a certainty and building a social compact must take over as the driver. Moreover, in reality, ‘spoilers’ often have to be included in political settlements to achieve peace. Where predatory actors are included in a political settlement, there can be significant trade-offs between achieving peace and the development of a social compact between state and citizen. In this situation it is important for external actors to have a good understanding of the political economy and character of domestic actors, and also to prioritise programmes and investments which cannot be captured and manipulated to the purposes of predatory actors. Donors have choices about how much of resources they channel through governments, and whether they emphasise, for example, infrastructure investments, where contracts can be easily captured and manipulated, or service delivery programmes (e.g. malaria control) where the poverty benefits are still clear, but where there would be far fewer incentives for capture. At the least, donors should always ask what the poverty and broader social impacts of investments and programmes are likely to be.

Building a viable social compact

Ending conflicts requires dealing with those who use violence to become powerful and wealthy. But their removal (or containment) is no guarantee of peace. To bring about lasting peace, societies must build a viable social compact, which can drive the process of social, political, and economic change. This is where the state acts to reduce people’s risks, in return for their commitment to the state (including their willingness to finance the state through taxation). As such, viable social contract is central to people’s perceptions of justice, legitimacy, and to the realisation of citizenship. This is especially important in fragile states where new leaders must gain credibility rapidly, utilising any opportunities for new and better government. They need ‘quick wins’ (e.g. in terms of infrastructure development and service delivery), and must thereby work to fulfil the fundamental obligation of all states – to reduce individual risk. Building a just and inclusive social compact is about recognising chronically poor people as equal citizens and partners in development.

There are many ways to build a social compact, but common to all is an effective system of public finance, including revenue generation. Post conflict growth can be narrow in its benefits, which risks excluding the poorest. A sound fiscal system is important for mobilising revenue created by growth and must focus on the poor and their needs, so that the social compact becomes integral to people’s perception of justice and fairness. In resource rich countries, resource revenues should be transmitted into pro-poor public spending. In societies characterised by high levels of inequality in access to land and other productive assets, redistribution must be incorporated into the fiscal system (e.g. through progressive taxation) to finance public spending to improve livelihoods and human capital for the poor (direct redistribution of assets may provoke further conflict).

Revenue

Achieving a better taxation and revenue collection performance is the basis on which a more progressive social compact is constructed. However, achieving improved tax designs and better revenue collection is not straightforward, especially in low income countries, where agriculture and informal employment predominate, and revenue sources are typically volatile. Tax administrations may be archaic, with limited ability to assess tax liabilities accurately, and limited backing from political leaders for strengthening the necessary independence as well as capacity of tax authorities. Corruption has remained a major factor in keeping tax compliance at low levels. There are simple rules to follow in designing tax systems and implementing revenue collection: increasing compliance rates generates increased revenues without increasing tax rates – which is more difficult; and keeping tax structures simple – e.g. having one rate of income tax. This technocratic agenda is well known: the politics is more challenging, though there are success stories, such as Rwanda. Legislators are often from higher
income and property owning groups, who may not be keen on this agenda for reasons of personal and family self-interest. There is a role for social movements pressing for change in tax regimes in order to create a more progressive social compact, and international agencies could support such movements.

Conclusion

Fragile states are redefined as states which do nothing to reduce individual risks for citizens, or actually increase them through predatory behaviour. It is evident that there are no easy solutions to the problems facing poor people in fragile states, but pursuing focused and tractable solutions which respond to the major risks faced by individuals offers a lens to prioritise actions for domestic as well as international actors. Where predatory actors are included in a political settlement, there can be significant trade-offs between achieving peace and the development of a social compact between state and citizen, which brings legitimacy to state institutions and is the foundation for long term stability.

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Endnotes

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The Chronic Poverty Research Centre (CPRC) is an international partnership of universities, research institutes and NGOs, with the central aim of creating knowledge that contributes to both the speed and quality of poverty reduction, and a focus on assisting those who are trapped in poverty, particularly in sub-Saharan Africa and South Asia.

Further references and reading


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