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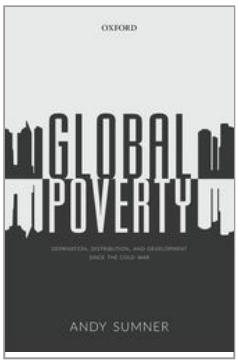

Global Poverty: Deprivation, Distribution, and Development Since the Cold War
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Catch-up Capitalism

How has the developing world changed since the end of the Cold War?

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Abstract and Keywords

The thesis of this chapter is threefold: first, that there has been a substantial amount of economic growth in the pursuit of ‘catch up capitalism’ in developing countries since the end of the Cold War leading to a large number of countries crossing the per capita income line into the category of ‘middle-income country’ (MIC). Second, that in spite of that growth, economic development—meaning structural change away from an agrarian economy—is only evident in a relatively small number of those developing countries who attained middle-income status in the last generation. Third, although many new MICs have not experienced more significant structural change, in average terms, MICs are much better off than those countries left behind, the remaining low-income countries but are still a considerable distance away from the structural characteristics of OECD countries.

Keywords: developing countries, growth, structural change, MICs, catch-up capitalism

1.1 Introduction

The argument of this chapter is threefold: first, that there has been a substantial amount of economic growth in the pursuit of catch-up capitalism in developing countries since the end of the Cold War leading to a large number of countries crossing the per capita income line into the category of middle-income country (MIC) though the actual catch-up in purchasing power parity terms with advanced nations has been limited to relatively few developing countries. Second, that in spite of that growth, economic development—meaning structural change away from an agrarian economy—is also only evident in a relatively small number of those developing countries who attained middle-income status in the last generation. Third, although many new MICs have not experienced more significant structural change, in average terms, MICs are much better off than those countries left behind, the remaining low-income countries (LICs). At the same time MICs are still a considerable distance away from the structural characteristics of advanced or OECD countries. In short, MICs are (as the label implies), in between the world's poorest countries and advanced countries. MICs may no longer be absolutely poor countries by various development indicators but may still be relatively poor countries compared to OECD countries.

The chapter is structured as follows: Section 1.2 asks how the developing world has changed overall since the Cold War. Section 1.3 then outlines the emergence of a greater number of MICs within this context. Section 1.4 then explores what being a MIC means. Section 1.5 concludes.

1.2 The developing world since 1990

As a result of considerable growth in income per capita there has been an increase in the number of MICs in the twenty-five years since the end of the **(p. 9)** Cold War and the last decade in particular.[1] Whether such growth illustrates a major change in the developing world since the end of the Cold War is a question worth posing. Certainly, such changes represent substantial rises in average income per capita. However, the changes in the developing world are, in some ways, far smaller than one might expect given the amount of economic growth. There are relatively few new MICs with clear evidence of structural change for example, suggesting that for some new MICs average income growth has been, at least to a considerable extent, commodity-led growth. This has implications: the future sustainability of that growth is vulnerable to global commodity prices. Even where there is evidence of some structural change, commodities, notably fuel exports have played a major role in growth.

Figures 1.1 to 1.5 give an overview of changes in the developing world since the Cold War. Countries are plotted in ascending order and on a linear scale. Where appropriate, the data is presented henceforth in GDP PPP per capita with LICs, LMICs, and UMICs shaded differently rather than by GNI Atlas per capita (that is the basis of the income classification of countries).[2] The five populous new MICs of China, India, Indonesia, Nigeria, and Pakistan are identified because much of global poverty is in these countries (see discussion in Chapter 2).

Collectively, the data show changes in some ways but little change in other ways.[3] First, economic growth: Figure 1.1 shows GDP PPP per capita (constant 2011 PPP$), 1990–5 versus 2010–12. The overall shift of the curve of countries upwards from the 1990–5 data (shown in circles for LICs, LMICs, and UMICs) to the 2010–12 data (shown in diamonds for LICs, LMICs, and UMICs) is pronounced and widespread. At the lower end, there are a relatively small set of countries stuck at the bottom—with low and barely growing GDP PPP per capita—but overall the curve of developing countries has shifted upward. Mean GDP PPP per capita in 1990 across all developing countries **(p.10)** was approximately $3,500. In 2012 it just under $8,000. Mean GDP PPP per capita for all countries (developing and advanced nations) was $9,000 in 1990 and just under $14,000 in 2012.

In contrast to Figure 1.1, Figure 1.2 shows convergence or catch-up with the richer nations, the OECD countries, in terms of GDP PPP per capita where OECD GDP PPP per capita is set at 100.0 in both 1990–5 and 2010–12. Figure 1.2 shows there has actually been little shift in this curve of developing countries overall, despite the increase in GDP PPP per capita evident in Figure 1.1. That said, there are some developing countries that have achieved some catch-up in GDP PPP per capita with OECD nations.[4] However, overall, the developing world is not that much closer to the OECD GDP PPP per capita but specific countries have moved closer and up **(p.11)** the chain of developing countries. China, as is well known, has experienced a large jump up the chain of developing countries. India’s movement is significant too. Other very populous new MICs, such as Indonesia and Nigeria have moved up the chain of developing countries but much less so than China and India. Pakistan has moved down the chain. For comparison the mean for developing countries has moved slightly from 18.4 per cent of OECD in 1990–5 to 20.2 per cent of OECD in 2010–12.

Second, structural characteristics: although there has been substantial economic growth in average per capita incomes in the developing world, there has been far less structural change away from agriculture overall since the end of the Cold War but substantial urbanization is evident as is a decline in aid dependency: Figures 1.3 and 1.4 and 1.5 respectively show agriculture as a proportion of output, urbanization, and aid dependency. It is worth viewing these figures together because they illustrate some differences: Figure 1.3 shows relatively little shift in the developing world overall in **(p.12)** terms of movement away from the proportion of agriculture in GDP. The five populous MICs have all moved down the chain of countries as agriculture as a proportion of GDP has fallen, although Pakistan's shift is small.[5] Figure 1.4 shows a major shift in the developing world in terms of urbanization, meaning the proportion of the population living in urban areas, clear in the shift of the curve overall for developing countries. Three of the five populous new MICs have experienced notable urbanization. The urbanization of India and Pakistan since 1990 is less pronounced. Urbanization without structural change away from GDP in agriculture sit uneasily together as one would expect a shift away from agriculture as a proportion of GDP (in short, economic development) to be associated with urbanization in general (see discussion of Chapter 4). Figure 1.5 shows the developing world by aid dependency (ODA/GNI) in 1990–5 versus **(p. 13)** 2010–12. One measure of whether a country is 'poor' is the extent to which it is absolutely or relatively dependent on foreign aid, measured as net ODA/GNI at above 9 per cent, taking the traditional donors' definition from OECD-DAC (2003).[6] There has been a tangible shift of the curve overall showing an overall decline in aid dependency. In this instance, the five big new MICs noted were already relatively low in aid dependency in the early 1990s and since then have moved down the chain of countries to a very low ratio of ODA-to-GNI. In the early 1990s, about a third of developing countries had ODA-to-GNI ratio below 3 per cent, about a third of developing countries had a ratio above 9 per cent and the remaining countries were in between. Looking at the 2010–12 data, what is evident is the decline of the number of highly aid-dependent **(p.14)** countries taking the OECD-DAC thresholds. In fact, half of all developing countries are below the 3 per cent ODA-to-GNI threshold and only about twenty-five countries and a set of islands are above the 9 per cent threshold. In short, the number of highly aid-dependent countries has virtually halved.

Taken together, these figures show that there has been a drastic increase in GDP PPP per capita and an accompanying decline in aid dependency in the developing world overall. This is evident in the shifts in the curve of plots. However, convergence with OECD countries in GDP PPP per person and a structural shift away from agriculture as a proportion of output is much less evident across the developing world since 1990 although some countries have moved along the chain of developing countries.

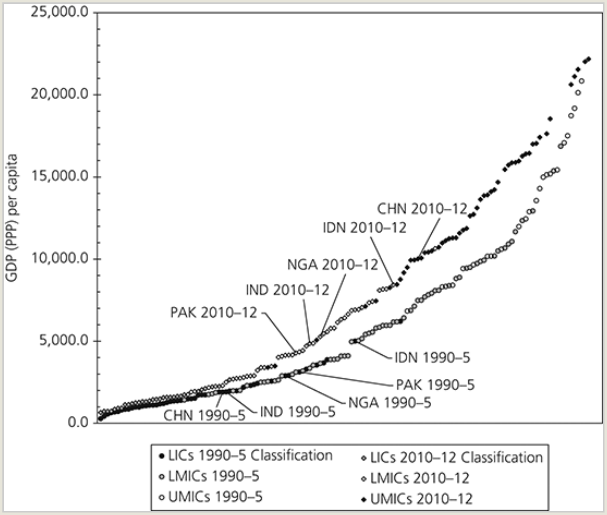

Figure 1.1 All developing countries (ascending order): GDP PPP per capita (2011 PPP), 1990–5 versus 2010–12

Source: Data processed from World Bank (2015).

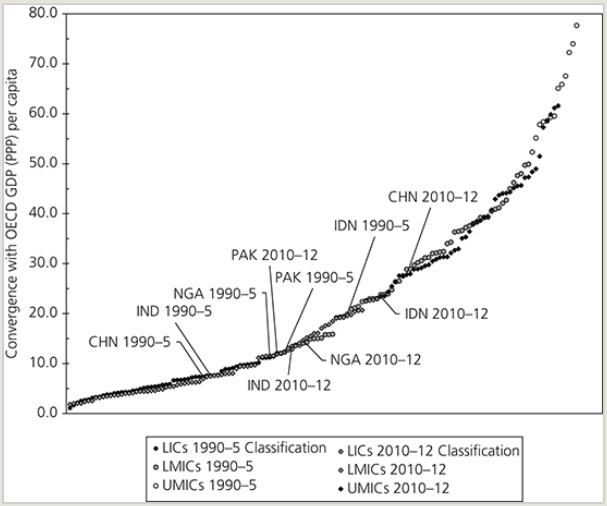

Figure 1.2 All developing countries (ascending order): convergence with OECD GDP PPP per capita (2011 PPP), 1990–5 and 2010–12 (OECD = 100.0)

Source: Data processed from World Bank (2015).

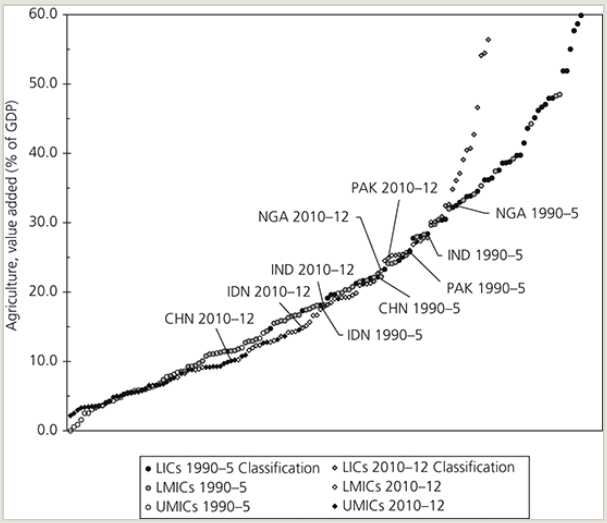

Figure 1.3 All developing countries (ascending order): agriculture, value added (as % of GDP), 1990–5 versus 2010–12

Source: Data processed from World Bank (2015).

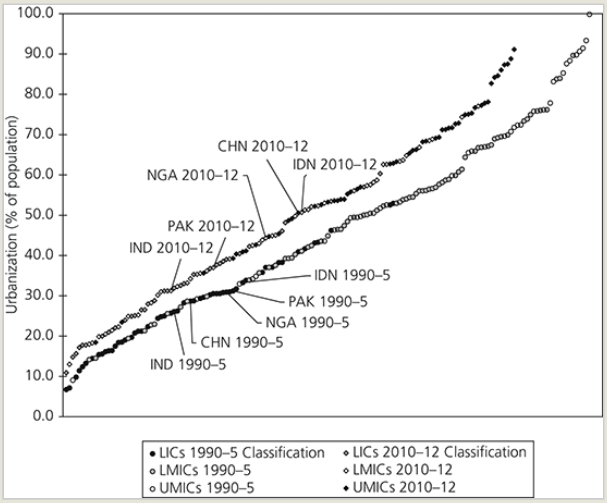

Figure 1.4 All developing countries (ascending order): urbanization (% population), 1990–5 versus 2010–12

Source: Data processed from World Bank (2015).

In section 1.3 we focus on those developing countries which have experienced rapid economic growth in average incomes, and where income per capita has risen sufficiently to cross the income threshold, taking the country from low- to middle-income country status. Thirty-six such countries have crossed the threshold since the end of the Cold War.

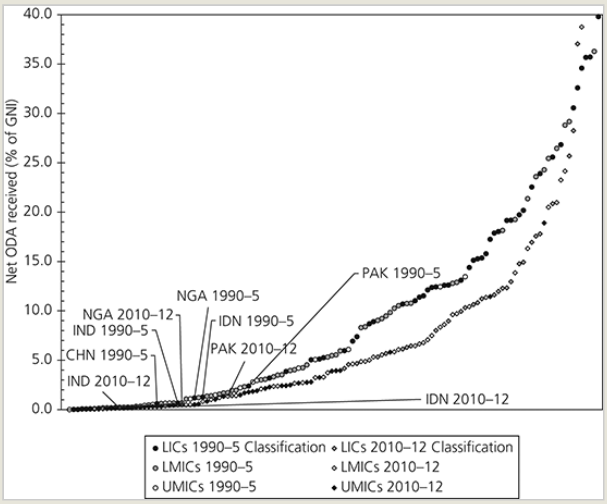

Figure 1.5 All developing countries (ascending order): Net ODA/GNI, 1990–5 versus 2010–12

Source: Data processed from World Bank (2015).

(p.15) 1.3 The expanding middle in the developing world

Since 1990, and since 2000 in particular there has been a decline in the number of countries classified as LICs as countries have grown into MICs. Table 1.1 shows the number of countries in each group and threshold ceilings for the groups since the Cold War. The three thresholds that separate low-income, lower-middle-income, upper-middle-income, and high-income countries were, respectively, approximately $1,000, $4,000, and $12,500 GNI per capita in the 2010–13 period. In the early to mid 1990s, after the end of the Cold War, the number of LICs increased, partly due to the break-up of the Soviet bloc to just over sixty countries. By 2013, that had fallen to closer to thirty remaining LICs with a total population of about 850 million people. In short, almost a ‘bottom billion’ in total population (drawing upon the label of Collier, 2007). The most populous remaining LICs are Bangladesh (with a population in 2013 of 160 million), Ethiopia (95 million), the Democratic Republic of Congo (70 million), Myanmar (55 million), Tanzania (50 million), Kenya (45 million), and Uganda (40 million). However, Kenya will be classified as a new MIC due to a statistical revision—an updating—of its national accounts, and Bangladesh and Myanmar will also ‘graduate’ to MIC status as their income per capita is close to the threshold.

Table 1.1 Number of countries classified as LIC, LMIC, and UMIC and thresholds used (upper ceiling), 1990–2013

Year	1992	1997	2002	2007	2012	2015
Year of data	1990	1995	2000	2005	2010	2013
Number of countries						
LICs	51	62	62	54	35	34
LMICs	56	64	54	58	56	50
UMICs	33	29	38	40	51	55
Thresholds (upper ceiling)						
LIC	610	765	755	875	1,005	1,045
LMIC	2,465	3,035	2,995	3,465	3,975	4,125
UMIC	7,620	9,385	9,265	10,725	12,275	12,745

Note: Data include countries which are no longer in existence; data also include countries whose status is politically contested; data are based on classifications two years after GNI per capita (e.g. 2013 data = 2015 classification).

***Source*: World Bank (2015).**

Once these three countries leave the LIC group that collection of countries will be home to just 600 million people, which will be split between the remaining four populous LICs above and a set of small or very small countries (meaning respectively less than ten million people or less than one million people).

The extent to which MICs reflect the broad characteristics of advanced or developed countries, typically identified as OECD countries is an important issue. In the following, it is argued that, at least in general terms, although **(p. 16)** MICs are really quite different from the world's very poorest countries, at the same time, MICs are also a considerable distance from the structural characteristics of OECD countries.

A useful point of departure is to revisit Seers' characterization of developing and developed countries. In a seminal paper, Dudley Seers (1963) argued that developed countries look different. One might even say that developed countries represent a 'special case' as Seers (1963) did in his discussion of the characteristics of developed nations, and their divergence from the characteristics of developing countries.[7] The developed or industrialized nations, he argued, represented 'a few countries with highly unusual, not to say peculiar, characteristics' (p. 80). This is in contrast to developing countries, for whom:

> The typical case is a largely unindustrialised economy, the foreign trade of which consists essentially in selling primary products for manufactures. There are about 100 identifiable economies of this sort, covering the great majority of the world's population. (p. 80)

This was written fifty years ago. Since then there has been industrialization and manufacturing export-led growth notably across East and Southeast Asia though the causes and consequences remain contentious (see for discussion, Wade, 1990; World Bank, 1993). The characteristic set out by Seers as the ‘special case’ does, though, represent an important set of features as to what defines an advanced economy. Seers (1963, pp. 81–3) identified the following list to demonstrate how one might differentiate developed nations from developing nations: by sectors of the economy (e.g. manufacturing much larger than either agriculture or mining), by public finance (e.g. reliance on direct taxes), by household consumption (e.g. very few people below subsistence level and a moderately equal distribution of income), by savings and investment (e.g. well-developed financial intermediaries), and by ‘dynamic influences’ (e.g. slow population growth and high urbanization). Drawing upon the thinking of Seers one could conceptualize contemporary developing and developed countries in various ways. In absolute terms, one might conceptualize ‘poor’ countries in terms of absolute poverty, relative poverty, or a non-poor country by mean (or median) income/consumption compared to an international (PPP) poverty line.[8] An alternative would be in terms of the overall ‘burden’ of absolute poverty, meaning the total poverty gap as a percentage of GDP, or by structural indicators as per Seers, such as the proportion of agriculture in economic output, employment, or exports. In relative terms, one could think of ‘poor’ countries relative to other countries, **(p.17)** be that relative to the OECD countries or to the poorest countries such as the LICs or the UN classification of least-developed countries (LDCs) or the classification of fragile and conflict-affected states (FCAS) (see later discussion on these classifications).[9] For example, by per capita income relative to per capita income in the OECD countries or low-income, least-developed, or fragile states; or by overall levels of absolute poverty (proportion of the population) compared to the OECD countries or low-income, least-developed, or fragile states; or by various structural indicators (e.g. aid dependency, the proportion of GDP in agriculture, exports, or employment), again relative to the OECD countries or low-income, least-developed, or fragile states.

Taking such characteristics as those outlined it is clear in the data that MICs are —on average at least—much better off than the world’s poorest countries defined as low-income, least-developed, or fragile states group averages (see Figure 1.6). The LDCs and FCAS in general have indicators comparable to LICs with the exception of GDP PPP per capita and the significance of fuel exports.[10] This is not surprising given the overlap between the low-income, least-developed or fragile-state country groups (see later discussion).

In section 1.4 we consider heterogeneity among MICs themselves beyond simply the difference between LMICs and UMICs. For the moment, if the income categories are considered by group averages, average (mean) GDP PPP per capita for the LIC group of countries is $1,500 per year (or about $4/day per person) but for LMICs it is almost $5,000 (approximately $15/day) and $13,000 (approximately $35/day) for UMICs.

In terms of economic development indicators there are some very large differences, even when large countries such as India and China are removed from LMICs and UMICs mean aggregates respectively. For example, take agriculture value-added as a proportion of GDP, and agricultural raw materials, ores, and metals as a proportion of merchandise exports: the data for LICs are, respectively, 33 per cent and 28 per cent, while for LMICs the corresponding data is 17 per cent and 14 per cent, and for UMICs the corresponding data are much lower at 8 per cent and 9 per cent. Furthermore, LICs have much lower levels of urbanization on average (31 per cent versus 45 per cent in LMICs and 63 per cent in UMICs) while average aid levels are much higher (14 per cent in LICs compared to 8 per cent in LMICs and 4 per cent in UMICs).

(p.18) MICs are still, though, some considerable distance from OECD countries. Figure 1.7 shows data for aggregate country groups relative to OECD countries in 2010–12. Although much better off than LICs, LDCs, and FCAS on average, MICs do not compare well with the OECD countries' mean. For example, GDP PPP per capita in LMICs and UMICs is respectively just 14 per cent and 36 per cent of the OECD mean. The data for economic development by agriculture value-added as a proportion of GDP, employment, and exports show too that LMICs and UMICs have a considerable distance to go to reach advanced nations' averages. Agriculture value-added as a proportion of GDP and employment in LMICs are, respectively, 670 per cent and 600 per cent of the OECD mean and even for UMICs are 300 per cent and 300 per cent respectively of the OECD mean. Urbanization levels are closer, respectively about 60 per cent and 80 per cent of the OECD mean for the LMIC and UMIC groups. Interestingly, the proportion of exports in agriculture, ores, and metals **(p.19)** in MICs is closer to the OECD mean suggesting some convergence. That said, fuel exports are about 200 per cent of the OECD mean in both the LMIC and UMIC groups, suggesting that MICs may be less reliant on agriculture and mining for exports, although fuel exports remain important.

In sum, MICs are substantially better off than low-income or least-developed countries or fragile states when one considers group averages. At the same time, MICs are a considerable distance from OECD countries in terms of structural characteristics. Of course, within all these aggregate data is considerable variance between countries within each group. Thus one needs to consider the 'new' or emerging MICs that have become MICs since the end of the Cold War in greater detail.

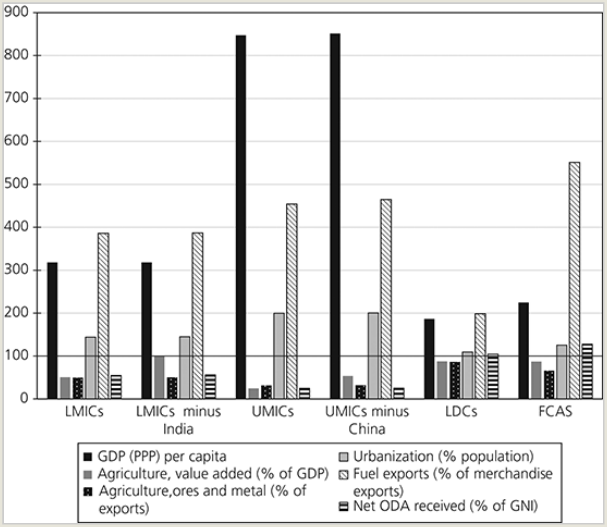

Figure 1.6 Structural indicators of country groupings (mean), relative to LICs, 2010–12 (LICs = 100.0)

Note: Insufficient data coverage for employment in agriculture (% of total employment) in LICs, LDCs, and FCAS.

Source: Data processed from World Bank (2015).

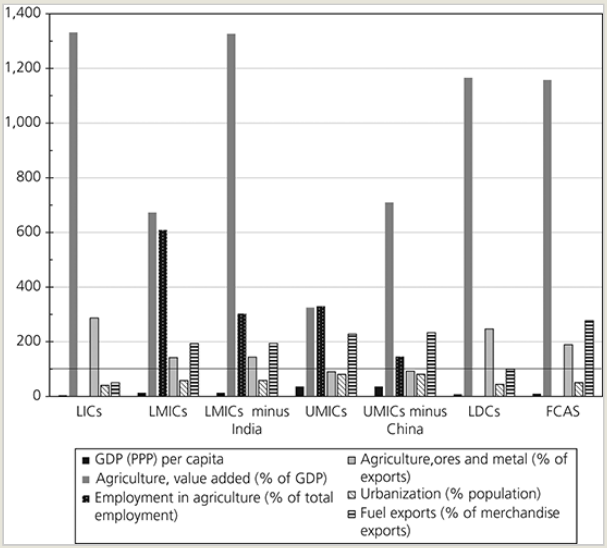

Figure 1.7 Structural indicators of country groupings (mean), relative to OECD, 2010–12 (OECD = 100.0)

Note: Insufficient data coverage for employment in agriculture (% of total employment) in LICs, LDCs, and FCAS thus no data is presented for these indicators in the figure.

Source: Data processed from World Bank (2015).

The new MIC set of countries is heterogeneous. The group of thirty-six new MICs includes former Soviet or former Communist countries such as **(p.20)** Ukraine and Albania and a number of small-island developing states such as the Maldives and the Solomon Islands and a set of other countries with populations of less than a million such as Bhutan and Guyana. If one removes former Soviet and Communist economies and small islands and countries the list of countries attaining middle-income status since 1990 falls to just twenty countries. One could argue that former command economies of the USSR and Eastern Europe are a special group themselves. Indeed, many of these countries are re-emerging, meaning that they were MICs then dropped back to LICs after the end of the Cold War due to the economic collapse and then in time grew again.[11] Many of these countries also have an industrial base to some degree. Further, one could also argue that small-island states or countries with small populations are a special group. Small-island developing countries have their own UN grouping in part due to a recognition of the shared concerns such as the typically volatile nature of small economies.[12]

Table 1.2 Selected new MICs, 1990–5 versus 2010–12

	Changes in output per capita				Structural change			
	GDP per capita PPP (constant 2011 international $)		Convergence with OECD GDP PPP per capita (OECD = 100.0)		Agriculture value-added (% of GDP)		Urbanization (% of population)	
	1990–5	2010–12	1990–5	2010–12	1990–5	2010–12	1990–5	2010–12
Genuine new MICs								
Angola	3,355.8	7,124.6	12.9	19.8	15.9	8.8	27.2	40.9
China	1,905.0	10,009.2	7.3	27.8	21.8	9.6	28.7	50.6
Ghana	1,970.3	3,392.9	7.6	9.4	43.6	26.8	38.3	51.4
India	1,913.9	4,857.1	7.4	13.5	28.4	18.2	26.1	31.3
Indonesia	5,005.3	8,439.8	19.3	23.4	18.1	13.9	33.3	50.7
Nigeria	2,895.9	5,275.7	11.1	14.6	32.5	22.7	30.9	44.4
Pakistan	3,124.7	4,281.2	12.1	11.9	25.8	25.0	31.2	37.0
Sri Lanka	3,682.0	8,179.7	14.2	22.7	25.1	12.0	18.5	18.3
Sudan	1,981.8	3,465.3	7.6	9.6	39.7	26.3	31.0	33.2
Vietnam	1,739.4	4,705.2	6.7	13.1	32.9	19.5	21.2	31.0
Pseudo new MICs								
Cameroon	2,298.4	2,506.2	8.9	7.0	24.1	23.4	41.1	52.1
Congo, Rep.	5,032.6	5,577.7	19.4	15.5	11.3	3.6	55.4	63.7

	Changes in output per capita				Structural change			
	GDP per capita PPP (constant 2011 international $)		Convergence with OECD GDP PPP per capita (OECD = 100.0)		Agriculture value-added (% of GDP)		Urbanization (% of population)	
	1990–5	2010–12	1990–5	2010–12	1990–5	2010–12	1990–5	2010–12
Côte d’Ivoire	2,887.2	2,689.0	11.1	7.5	29.7	26.9	40.3	51.3
Senegal	1,800.3	2,172.8	6.9	6.0	19.9	16.7	39.3	42.5
Yemen	3,546.7	4,020.0	13.7	11.2	23.3	10.1	22.3	32.3
Zambia	2,362.4	2,882.7	9.1	8.0	21.6	19.9	38.3	39.2
Small new MICs (1–10 million population)								
Lao PDR	1,737.2	4,140.7	6.7	11.5	58.7	30.1	16.3	34.2
Lesotho	1,400.2	2,295.8	5.4	6.4	19.1	8.9	15.4	25.3
Mongolia	3,652.9	7,422.5	14.1	20.6	24.1	15.7	56.9	68.5
Nicaragua	2,915.1	4,163.5	11.2	11.6	21.2	19.3	52.9	57.5

***Source*: Data processed from World Bank (2015).**

The twenty new MICs remaining of the original thirty-six countries are listed in Table 1.2 together with various economic development indicators as follows: GDP PPP per capita and convergence with OECD GDP PPP per capita, as well as structural change indicators of agriculture as a proportion of GDP, and urbanization as a proportion of population.[13] Some of these twenty new MICs have attained economic growth with structural change away from agriculture. Other new MICs have not. Indeed, a number of issues arise in the data. First, there are some pseudo MICs: some of the new MICs are actually not much better off in GDP PPP per capita terms now than in the early 1990s (e.g. Cameroon, Senegal, Zambia, and Yemen are only slightly better off, and Côte d'Ivoire is actually worse off in GDP PPP per capita than in 1990–5). Most of these countries have not experienced substantial economic development, which would suggest growth has been commodity-price-driven and is, in part, due to exchange rate movements, given the basis of GNI Atlas per capita in exchange rate conversion. If we remove from the set of twenty countries those countries not substantially better off in GDP PPP per capita terms we lose six countries.[14] Then if we remove countries with a population of less than ten million (Laos, Lesotho, Mongolia, and Nicaragua) on the basis **(p.21)** that these countries do not make a significant difference to global poverty, which is the primary discussion of this book, this leaves a set of ten new MICs on which to base discussions. This set of ten 'genuine' new MICs have all experienced substantial GDP PPP per capita growth and have populations of over ten million people.[15] That set of ten new MICs includes three countries from East Asia (China, Indonesia, Vietnam), three from South Asia (India, Pakistan, and Sri Lanka) and, perhaps surprisingly, four from Africa (Ghana, Sudan, Angola, Nigeria).[16] It is this set of new MIC countries that are home to most of the world's absolute poor.

(p.22) In these ten more populous new MICs, there are many unequivocal and dramatic increases in GDP PPP per capita and some catch-up or convergence with the OECD countries. For example, as is well known, China, Vietnam, India, and Indonesia have experienced drastic increases in GDP PPP per capita and notable convergence with OECD GDP PPP per capita. Surprisingly perhaps, there have been substantial increases in output per capita in a set of countries that one might not consider to be 'emerging economies' at least not in the high profile BRICS sense; that is, Angola, Ghana, Sri Lanka, and Sudan who have experienced large increases in GDP per capita in PPP terms. The remaining countries, Nigeria and Pakistan, have increased GDP PPP per capita also by substantial amounts.

Most of the set of ten new MICs have experienced structural change in the sense of a reduction of agriculture as a proportion of output and a significant increase in the proportion of the population urbanized. However, for one of the ten—Pakistan—the change in agriculture as a proportion of GDP is minimal over the course of the post-Cold War period. Furthermore, the extent of urbanization is much more evident in East Asia—in China, Indonesia, and Vietnam—and in the sub-Saharan Africa countries in the set of ten new MICs (with the exception of Sudan) but limited in South Asia—in India, Pakistan, and Sri Lanka.

One could say there are three stylized types of new MICs: first, ten genuine new MICs with populations of more than ten million people. These countries have a GDP PPP per capita that has substantially increased since the end of the Cold War and for the most part, structural change (though in Pakistan the structural change of output away from agriculture has been minimal over the period). Second, a set of pseudo new MICs: these are countries achieving MIC status in GNI per capita but progressing little in GDP PPP per capita. Third, small new MICs—meaning populations of less than ten million people. In this book it is the group of ten genuine new MICs with populations of more than ten million people that are the focus henceforth because most of the world's poor live in these countries.

One could further say there have been three types of economic development: first, a Polanyian 'great transformation' (see Polanyi, 1957), meaning an unambiguous shift from a low-income, subsistence-sector-dominated, high-absolute-poverty country to a middle-income, modern-sector-dominated, country as per the Lewis model of economic development. This is only evident in a small number of new MICs (e.g. the East Asian **(p.23)** new MICs of China, Indonesia, and Vietnam). Second, 'incomplete transformations', meaning undeniable change but the retaining of structural characteristics common in the world's poorer nations as per some new MICs (e.g. the South Asian and sub-Saharan African new MICs of Angola, Ghana, India, Nigeria, and Sudan). We could add a third: 'pseudo transformations'. These are countries with higher GNI (Atlas) per capita, driven by commodity-led growth resulting in relatively low GDP PPP per capita growth, remaining mass poverty and insecurity, as well as the same structural problems that poorer nations which would include the countries referred to as pseudo MICs in Chapter 1 (e.g. Senegal, and Zambia).

In sum, a transformation across the developing world is clear in output per capita, aid dependency, and urbanization. However, the thirty-six new MICs can be whittled down to as few as ten countries once one focuses on countries with unequivocal increases in GDP PPP per capita and population of over ten million people and thus of significance to global poverty analysis. Indeed, it is in this set of ten countries, and five of these new MICs in particular, where much of global poverty is situated.

1.4 The meaning of middle income

In the discussion so far this book has made use of the dominant classification of countries by income per capita into low- and middle-income countries. Judging by media reports and the national development plans that often set escaping LIC status as a goal in itself, national policymakers in developing countries typically view the attainment of MIC status, as an important line to cross.[17] This is because the attainment of MIC status has the symbolic value of a country departing from the group of the world's poorest countries. The attainment of MIC status is also generally associated with the attainment of private credit rating and thus access to non-aid finance in capital markets. This may be appealing to national leaders given that it does not carry the kind of conditionalities that aid does. Further, from the donor point of view, the status as an MIC itself has become viewed as some kind of departure from the world's unequivocally poor countries. Some aid donors view the crossing of the line in per capita income to MIC as sufficient cause to reduce, end, or at least change the terms of engagement and aid allocations.[18]

(p.24) There is a sense that the income classifications are significant, and they are indeed the 'root' of many other classifications and are embedded in the international system in various ways. As noted, the income classifications inform private credit rating agencies' decisions on country ratings that in turn are likely to play a role in determining the rate of interest a country will pay when issuing treasury bonds (by determining a country's level of creditworthiness). It is for these reasons that this book, while taking into account the weakness of the classifications and comparing income grouping with other groupings such as the UN LDCs and the World Bank's FCAS, focuses largely on the income classifications. Furthermore, in order to assess the nature of the change in the developing world since the end of the Cold War, some form of country classification is useful to see how countries have changed or moved between groups. Where appropriate data is presented on a continuous scale so the impact of the cut-offs is clear.

The income thresholds, though in need of updating and review, do have reasonable supporting logic in differentiating countries that are stuck at the bottom, poor and aid-dependent, for the foreseeable future from countries that are not. Almost all of the remaining LICs are likely to remain LICs in 2020 and the vast majority may remain LICs even in 2030 if one takes economic growth of the last five years as a guide.[19] In short, the income thresholds matter because they are embedded in many international agencies, their allocation models, in private credit-rating agencies and, in the mindsets of national policymakers and donors alike but also because they do separate those countries stuck at the bottom for the foreseeable future from those who are not.

It is worthwhile at this point setting out the methodology used to generate the thresholds in order to assess in more depth what it means to be a MIC and how well this dominant classification by income per capita differentiates the developing world. The World Bank's classification of countries by income has several underlying layers of historical oddity, obscurity, and complexity. The classifications of LIC, LMIC, and UMIC are based on the Bank's operational lending categories. The classifications were established by the World Bank in the late 1980s. The thresholds are based on gross national income (GNI) per capita produced using the 'Atlas method'. The Atlas method takes GNI in national currency and converts it to US dollars using the three-year average of **(p.25)** exchange rates. It takes the average of a country's exchange rate for that year and its exchange rates for the two preceding years, adjusted for the difference between national inflation and that of 'international inflation' (the weighted average of inflation in the eurozone, Japan, the UK, and the US as measured by the change in the International Monetary Fund's Special Drawing Rights deflator). The classification is connected to World Bank 'civil works preferences' and International Development Association (IDA) eligibility categories, that seek to give better conditions to poorer countries based on economic capacity as measured by GNI Atlas per capita. In this sense, the categories are a framing that has a real life impact on resources potentially available to developing countries.[20]

The thresholds for LIC/LMIC/UMIC are recalibrated annually in line with international inflation. This means that the lines are effectively held constant in real terms at least in the sense of being based on inflation rates in developed countries (which is itself contentious). So any country growing for sufficient time at a rate faster than 'international inflation' will cross the threshold eventually.

According to the short history of the Bank's classifications (World Bank, 2015), the basis for the original setting of the thresholds in income per capita was as follows:

> The process of setting per capita income thresholds started with finding a stable relationship between a summary measure of wellbeing such as poverty incidence…and economic variables including per capita GNI estimated based on the Bank's Atlas method on the other. Based on such a relationship and the annual availability of Bank's resources, the original per capita income thresholds were established.

The exact basis of how the thresholds were originally empirically established by the World Bank, however, is less clear. The documentation containing the original formulae are identifiable by their World Bank document numbers in **(p. 26)** World Bank (2015b), but these are World Bank board documents and not publicly available. Other relevant sources such Kapur, Lewis, and Webb (1997) in particular do have some relevant information about the period and discussions around the IDA charter and lending. However, Kapur et al. (1997) does not contain the exact formulae of the thresholds (IDA or LIC/MIC) as they have not been published. Indeed, the World Bank's Public Information Centre notes in personal correspondence that:

> There is no official document that we can find that ever specified an exact formula for setting the original income thresholds…When IDA was established in 1960, member countries were classified as Part 1 or Part 2 countries, *based more on a general understanding and agreement by the executive directors of each country rather than strict income guidelines* [emphasis added]—though, for the most part, the classifications were in line with per capita income levels. Part 1 countries were more developed countries that were expected to contribute financially to IDA; and Part 2 countries were less developed countries of which only a subset could be expected to draw on IDA's concessional resources.

World Bank (1989, pp. 8–13) does explain the background and the logic of the MIC-to-HIC original threshold setting and the correlations between GNI per capita and various other development indicators are noted. The MIC to HIC threshold was set at $6,000 per capita in 1987 prices which separated countries listed before that time as 'industrial' which then became categorized as 'high-income countries' (see World Bank, 1989).

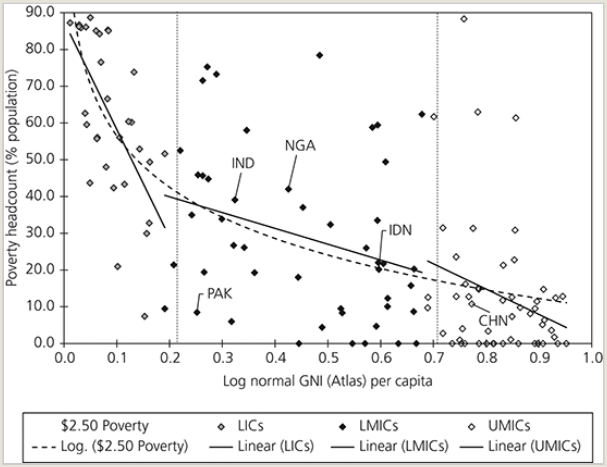

Figure 1.8 GNI (Atlas) per capita versus monetary poverty at $2.50 per capita (% population), 2010–12

Source: Data from Edward and Sumner (2015) and World Bank (2015).

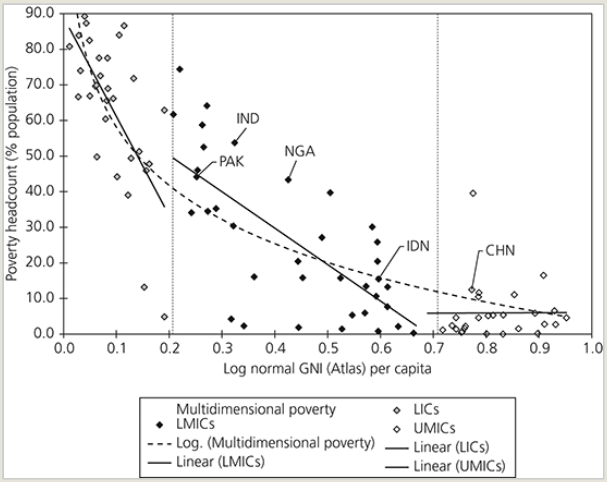

Figure 1.9 GNI (Atlas) per capita versus multidimensional poverty (% population), 2010–12

Source: Data from OPHI (2014) and World Bank (2015).

In fact, if one plots GNI (Atlas) per capita against poverty, taking the incidence of monetary poverty (at $2.50 per capita at 2011 PPP) and multidimensional poverty (a combined measure of a range of poverty indicators including health, nutrition, and education—see discussion in Chapter 2) (see Figures 1.8 and 1.9), there is considerable dispersal and the correlation between GNI (Atlas) per capita and poverty, although strong in LICs, weakens notably in MICs as income per capita rises.[21] The graphs are not presented here using a linear scale, but rather a lognormal distribution.

One could argue though that it makes more sense to take a whole-of-society indicator, to consider poor countries by their entire population and not just by the poorest population (which may be a minority of the population), as one is seeking to consider the status of a whole country rather than a proportion of the population. An indicator such as average life expectancy would do this. Such a relationship—that between life expectancy and income per capita—is known as the Preston curve after the demographer Samuel H. Preston, who first identified a relationship between average life expectancy and average income per capita. The basic idea is this: average life expectancy rises as **(p.27)** average income rises, but that rise levels out at a fairly moderate level of income per capita. Where that level of income stops contributing to higher life expectancy, or at least, where its contribution slows down considerably, might be a reasonable place to set thresholds between types of countries (for further discussion, and application as a poverty line for individuals, see Edward, 2006). A caveat to this is that life expectancy is, of course, distributed unevenly *within* countries. Therefore, one would really need to get the distribution of life expectancy across the entire expenditure distribution and find the median but such data are not easily available.[22]

Globally, mean life expectancy is about seventy years and ranges from forty-five years in Sierra Leone to more than eighty years in France, Switzerland, Iceland, Italy, Japan, and Hong Kong. The current mean life expectancy across the world's richest countries, the OECD countries, is also about eighty years (in 2013). The lowest life expectancy in an OECD country is currently **(p.28)** seventy-five years in Turkey (in 2013). One new MIC, Vietnam, did achieve a life expectancy similar to that of Turkey, seventy-five years, at just $1,000 GNI (Atlas) per capita in 2008 as it crossed the threshold into MIC status (and GDP PPP per capita was $4,000). In contrast, Turkey with the same life expectancy had a GNI (Atlas) per capita of almost $11,000, close to the HIC threshold (and $19,000 in GDP PPP per capita). However, when another new MIC, Nigeria, crossed the LIC–MIC threshold of $1,000 in 2008 it had life expectancy of just fifty years. In 2013, Nigeria and Vietnam, had virtually the same income or output per capita (in GNI and GDP PPP) but life expectancy remains fifty years in the former and seventy-five years in the latter. In short, life expectancy close to the lowest in the OECD has been reached at about $1,000 GNI per capita per year (or $4,000 GDP PPP per capita) but this is by no means guaranteed.

If one plots developing countries by GDP PPP per capita against average life expectancy (see Figure 1.10) one finds the correlation weakens as GDP PPP per capita rises. The logic here is that underlying the classification of countries is a relationship with life expectancy that is better assessed in PPP$ because, as noted, PPP dollars are superior for cross-country comparisons.

(p.29) In plotting average life expectancy against GDP PPP per capita, what is evident is that the crossover points of the linear curves for LICs, LMICs and UMICs are in general in keeping with the country groupings although there are a few countries the 'wrong' side of the intersect and a number of outliers. One finds that Vietnam is quite exceptional in the sense that the linear curves dissect at just over 60 years and at 70 years life expectancy meaning in general the LIC/LMIC threshold is associated with about 60 years and the LMIC/UMIC threshold with about 70 years life expectancy.

In sum, plotting life expectancy versus GDP PPP per capita lends qualified support to the current country groupings. Although unusual, life expectancy close to an OECD country can be reached at $1,000 GNI (Atlas) per capita, as was done by Vietnam. This would suggest that the LIC/LMIC threshold would best be considered as a minimum threshold for a country to be considered not among the world's very poorest countries. More importantly, if almost all of the remaining LICs are likely to be under that $1,000 threshold for some considerable time to come, the thresholds may separate the countries likely to be stuck at the bottom from the countries that are progressing.

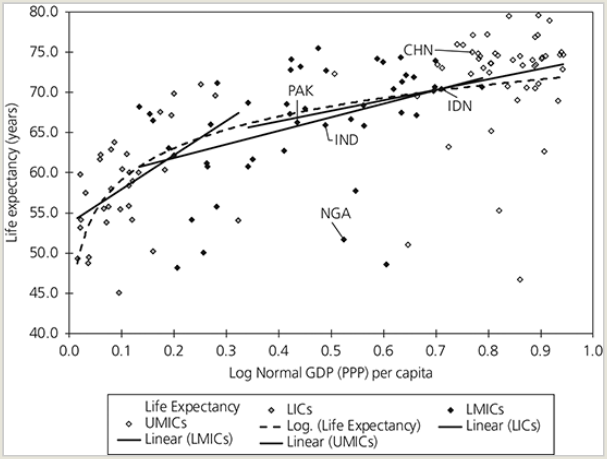

Figure 1.10 GDP (PPP) per capita versus average life expectancy (years), 2010–12

Source: Data processed from World Bank (2015).

(p.30) How well does the income classification tally with other classifications that go beyond solely income per capita? As used earlier in this chapter, two other classifications are the UN's Least Developed Countries (LDC) group and the World Bank's Fragile and Conflict-Affected States (FCAS). Both classifications incorporate income per capita and add other variables.

The UN LDC is based on a methodology that combines human assets (including nutrition, child mortality, school enrolment, and adult literacy), economic vulnerability (measures of the instability of agricultural production, population displaced by natural disasters, instability in exports, and the share of agriculture in GDP, and exports), proxies for economic 'smallness', 'remoteness', and *GNI (Atlas) per capita*. The main problem of the LDC category is that it is somewhat static. Guillaumont (2009), among others, has argued that the graduation criteria make it very difficult for countries to 'graduate' as the conditions for exit are difficult to meet.[23] Furthermore, some of LDCs are actually MICs which somewhat undermines the sense of the LDCs being the poorest countries across a set of dimensions if some are, at least in income per capita terms, not among the poorest. However, most LDCs that are MICs are small population or small-island developing states which as noted ought to be considered separately due to the specific macroeconomic vulnerabilities of such economies.

In contrast, the ‘fragile and conflict-affected states’ category of the World Bank is based on three criteria: the World Bank’s Country Policy and Institutional Assessment (CPIA) score; the presence of UN or other peacekeeping forces in the last three years and eligibility for concessionary lending under the International Development Association (IDA), of the World Bank as assessed by GNI per capita (World Bank, 2013b, p. 1). This last condition excludes better-off developing countries, meaning those countries who have ‘graduated’ from the World Bank’s IDA. These countries will be MICs above $1,985 GNI per capita in 2013 (the IDA eligibility thresholds) rather than $1,045 per capita (the LIC/LMIC threshold) though such countries can be included if there is a peacekeeping or political/peace-building mission.[24] Many countries that are not defined as ‘fragile’ by this classification may have fragile or conflict-affected sub-national areas (e.g. India’s Naxalite insurgency) and conversely, **(p.31)** those countries defined as fragile states may have large areas of territory that are not fragile or conflict-affected.

If we consider how LICs, LMICs, and UMICs are distributed across the classifications of LDC and FCAS (see Table 1.3), we can make two pertinent points: first, if one considers LDCs to be unequivocally poor countries, there is a close association between countries that are LDCs and LICs: thirty of the thirty-four LICs are also LDCs. Most MICs are not LDCs if one pulls out small countries with less than a million in population and if one pulls out small countries with less than ten million in population just five of the MICs are LDCs.

Table 1.3 Number of countries by income classification, least developed countries and fragile and conflict-affected states (FCAS), based on GNI per capita in 2013

	LICs	LMICs	UMICs	HICs	Total
Total	34	50	55	76	215
Total excluding countries of less than 1m	33	40	40	46	159
Total excluding countries of less than 10m	25	22	21	20	88
Least developed countries (LDC)	30	15	2	1	48
LDC excluding countries of less than 1m	29	8	1	0	38
LDC excluding countries of less than 10m	22	4	1	0	27
Fragile and conflict-affected states (FCAS)	19	12	5	0	36

	LICs	LMICs	UMICs	HICs	Total
FCAS excluding countries of less than 1m	18	9	3	0	30
FCAS excluding countries of less than 10m	12	5	1	0	18

Note: FCAS = World Bank definition (Harmonized List of Financial Year 2013).

***Source*: Author.**

Second, there is some overlap between MICs and FCAS, taking the World Bank's definition. About half of all FCAS are MICs, although many of these are small islands or small countries.[25] This would suggest fragility and conflict are not synonymous with the poorest countries by income per capita.[26] It also points towards the fact that a number of fragile states are bunched in between the LIC and IDA eligibility thresholds currently (meaning in between approximately $1,000 and $2,000 GNI Atlas per capita).

In conclusion, the use of the LIC/MIC threshold has some logic on the basis of average life expectancy. Further, the MIC group does tally somewhat with the non-LDCs suggesting that the MICs are different from the world's very poorest countries. That said, there are good reasons for the thresholds to be **(p.32)** updated given that the detailed methodology for original threshold setting has never been published but also because some twenty five years of new data have become available since the thresholds were originally established (the thresholds would presumably have been based on correlations using data from the 1970s and 1980s). Further, there are questions over whether 'international inflation' ought now to include China and other large emerging economies in its calculation. Or whether the use of 'international inflation' rates for the world's richest countries is an appropriate way to assess the thresholds over time for the world's poorer countries, which may have had inflation rates above the 'international inflation' rate. Also, the graduation of countries may reflect higher per capita income in exchange-rate conversions, but it would make more sense to use PPP conversion. Finally, the thresholds have been fixed in real terms over time but could alternatively be linked to world income or output per capita.

In spite of the limitations of the income classifications and the need to update them, the classifications, as noted, are embedded in the international system and in the minds of policymakers in developing countries and donors alike as the dominant analytical frames. For these reasons, and because of the reasonable correlation with life expectancy, the income categories are used in this book and compared to LDCs and FCAS in discussion throughout.

1.5 Conclusions

This chapter has sought to address the following question: how has the developing world changed since the end of the Cold War? This chapter has presented three arguments related to late or catch-up capitalism in the developing world. First, economic growth in developing countries since the early 1990s has been significant and many countries have crossed the line into the category of middle income. Second, those new MICs are very much better off, by a range of indicators, than the countries left behind but still far short of the OECD countries and their structural characteristics. Third, economic growth has been accompanied by structural change in relatively few new MICs and the group of thirty-six new MICs emerging since the Cold War can be quickly whittled down to just ten with a substantial increase in output per capita and more than ten million people in population size. As we shall see in Chapter 2, these ten countries, and five countries in particular, are central to global poverty.

The chapter has also argued that the income classifications are far from perfect and in need of review and update, but are difficult to dismiss, given their embedded nature in the minds of developing-country policymakers and donors and even credit-rating agencies. There is some reasonable logic with **(p.33)** reference to average life expectancy to suggest that the income classifications, as crude as they are, do differentiate countries, and do differentiate countries 'stuck' at the bottom from those countries growing fast and pulling away from the bottom.

In sum, there has been a substantial amount of economic growth in developing countries since the end of the Cold War leading to a large number of countries crossing the line into the category of middle income. In fact, only thirty or so LICs remain. The increase in the number of MICs should be placed in a broader context of changes in the developing world since 1990. Since the end of the Cold War, there has been rapid growth in average incomes in a number of countries and a consequential decline in countries that are aid-dependent. There have been some 'great transformations' in the developing world, meaning unequivocal economic development away from agrarian societies and attainment of unambiguous middle-income levels of per capita income, though these are relatively few. Indeed, there have also been a number of pseudo-MICs, meaning some countries attaining middle-income status are barely better off in PPP terms than in the early 1990s. As we discuss in Chapter 2, poverty rates remain higher than one might expect in many MICs despite average incomes increasing substantially since the Cold War. Although many new MICs have attained drastically higher average per capita incomes poverty or insecurity remain widespread.

Notes:

([1]) Such countries are currently defined by the World Bank as countries with GNI Atlas per capita (an exchange rate conversion) as follows: Lower Middle Income Countries (LMICs) are those with GNI Atlas per capita of approximately $1,000 to $4,000 and Upper Middle Income Countries (UMICs) are those with GNI per capita of approximately $4,000 to $12,500 per capita (see later discussion for further details).

([2]) This is for three reasons: First, because GNI (Atlas) per capita is largely based on exchange rate conversion and PPP comparisons are superior for comparing countries (although not without contention—see Chapter 2) especially so over time. Second, a number of developing countries do not have GNI PPP per capita data for the early 1990s to make a comparison but all have GDP PPP per capita data. Third, GDP is used in preference to GNI because it is a measure of production and further GDP is used in preference to GNI as it is—arguably—more reliable for cross-country comparisons given that the difference between GDP and GNI is that the latter adjusts GDP for factor incomes earned by foreign residents minus factor incomes earned by non-residents and the inclusion of this cross-border aspect means the comparability of GNI across countries is subject to a number of contentions. Of course there are various questions about GDP and any national account measures too (see for discussion Jerven, 2013).

([3]) Unless stated all data are processed from World Bank (2015) and are in 2011 PPP.

([4]) There could be a ‘dynamic Penn effect’ whereby economic growth comes with higher prices (see Ravallion, 2010b).

([5]) Unfortunately, the data set on labour force in agriculture is too limited for LICs, meaning insufficient plots to consider the change across all developing countries.

([6]) The thresholds for medium and high aid dependency at 3 per cent and 9 per cent ODA-to-GNI ratio are drawn from the OECD-DAC (2003). In reality, such thresholds are more complex: the best indicator of aid dependency would be official development assistance (ODA)/final absorption, where final absorption equals household consumption plus investment spending plus government consumption, which shows the share of total spending on final goods and services effectively ‘financed’ by ODA. However, the readily available data is ODA/GNI.

([7]) Seers (1972) was also influential in the critique of income or output per capita as a measure of development which is of relevance to the debate of this book.

([8]) Strictly speaking one would want to compare like with like (meaning average per capita consumption and a consumption poverty line).

([9]) The label used by the World Bank for this list is Fragile and Conflict-Affected Situations. In the text reference is made to fragile states as the commonly used label.

([10]) Of course, all aggregate groups are sensitive to outliers. In the case of GDP PPP per capita for example, the LDC outlier is Equatorial Guinea which is a high-income country and for FCAS, there are several outliers, specifically, Bosnia and Herzegovina, Iraq, Kosovo, and Libya.

([11]) In the group of thirty-six new MICs there are eight former Soviet or former Communist countries (Albania, Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Moldova, Ukraine, Uzbekistan).

([12]) In the group of thirty-six new MICs there are seven countries that are small-island developing states (Maldives, São Tomé and Príncipe, and Solomon Islands) or populations of less than one million people (Equatorial Guinea, Bhutan, Guyana, and Mauritania).

([13]) GNI PPP per capita is not used for the reasons previously outlined. In the set of countries listed the differences between the GNI PPP per capita and GDP PPP per capita are relatively minimal in general although the Republic of Congo is one exception to this. In all the countries listed here GNI PPP per capita follows the pattern noted in GDP PPP per capita: that the ‘genuine’ MICs have experienced substantial increases in GDP PPP per capita and GNI PPP per capita and the pseudo MICs have not.

([14]) These countries are: Cameroon, Republic of Congo, Côte d’Ivoire, Senegal, Yemen, and Zambia.

([15]) Even within this set of ‘genuine’ new MICs some have achieved MIC status previously then fallen back to LIC and then attained MIC status again (for example, Indonesia).

([16]) There is some overlap which the *Commission on Growth and Development* identified, taking a longer perspective of change:

> Since 1950, 13 economies have grown at an average rate of 7 percent a year or more for 25 years or longer. At that pace of expansion, an economy almost doubles in size every decade…. Thirteen economies qualify: Botswana; Brazil; China; Hong Kong, China; Indonesia; Japan; the Republic of Korea; Malaysia; Malta; Oman; Singapore; Taiwan, China; and Thailand. Two other countries, India and Vietnam, may be on their way to joining this group. (World Bank, 2008, pp. 1, 13)

([17]) For example, Ethiopia’s national development plan aims to attain MIC status by 2025 (See World Bank, 2013a).

([18]) Take for example, UK aid and the debate surrounding DFID’s withdrawal from India (in spite of working in low-income states within India), or the European Commission’s decision in May 2012 to withdraw bilateral development cooperation programmes from 19 MICs including India and Indonesia, both home to large numbers of poor people. For a detailed discussion of how the thresholds are used by UNICEF, UNDP, UNFPA, WFP, and the Global Fund to Fight AIDS, TB and Malaria see UNICEF (2007, pp. 76–80). For discussion of aid allocations and income classifications see, with reference to health aid allocations specifically, Ottersen et al. (2014).

([19]) These projections of LICs in 2020 and 2030 are based on a simple model of linear extrapolation of the LIC/MIC threshold for 2015–30 based on thresholds for 2009–14 and the average GNI (Atlas) per capita growth rate for each country.

([20]) Low-income countries are those with a GNI (Atlas) per capita of less than $1,045 in 2013 which tallies with the Bank’s operational ‘civil works preference’ lending category (civil works can be awarded to eligible domestic contractors for bids procured under a competitive, international bidding process). However, the thresholds for IDA eligibility and IDA allocation represent an additional layer of complexity due to resource constraints on the World Bank. In addition to the LIC to LMIC threshold there are two different thresholds for countries to access the World Bank’s concessionary lending via the IDA. First, there is the IDA eligibility threshold (the ceiling for eligibility), which is no longer applied due to insufficient resources. Second, there is the IDA allocation threshold, which is an operational cut-off currently used, and has become the actual or effective operational cut-off for IDA eligibility. The IDA allocation threshold has evolved to be slightly higher than the $ LIC/MIC threshold and it stood at $1,215 GNI (Atlas) per capita in 2013. The result of this is that some countries that are MICs may be still under the IDA allocation threshold and are thus still eligible to receive concessionary resources. In short, in operational terms even the World Bank, who established and revises the income classifications each year, uses a higher threshold for its own concessionary lending. Countries that are both MIC and still have access to IDA are labelled ‘blend’ countries by the World Bank but the available financing terms from IDA become less favourable compared to other IDA-only countries. Countries continue to access IDA resources on regular terms until Atlas GNI per capita exceeds the cut-off for three consecutive years, with exceptions being made for small and vulnerable economies.

([21]) These figures should be interpreted as descriptive. The use of scatter plots should not be interpreted as implying causation.

([22]) One would need comparable surveys that asked what a household consumed and in the same household, whether any household members had died during the last month.

([23]) Not only do countries have to meet a set of technical conditions, it is also necessary for the government to express a wish to leave the classification.

([24]) In contrast, the ‘non-official’ OECD-DAC fragile and conflict-affected states list has evolved in two stages: first, OECD (2010) combined the lists of fragile states produced by Brookings, Carlton, and the World Bank into a list of forty-three countries. As noted in Sumner (2010), only seventeen of those forty-three fragile states were common across the lists, and the differences in the countries listed mean that the proportion of the world’s poor in fragile states in 2007 ranged from 6 per cent to 25 per cent (see Sumner, 2010). For a detailed critique of the ‘fragile states’ lists, see Harttgen and Klasen (2010). OECD (2013) revisited the OECD-DAC category and one list, the World Bank list of conflict/post-conflict countries, was merged with a further source, the Failed States Index of the US think tank, the Fund for Peace, which had the effect of producing forty-seven countries. The result was that a third of all developing countries fall under the OECD-DAC definition and fragile states range from $300 per capita to $12,000 per capita. This book has used the World Bank’s definition on the basis that it has a consistent analytical basis across countries rather than an amalgamation of countries from different sources.

([25]) Those 17 fragile MICs (or HICs) are: Bosnia and Herzegovina, Republic of Congo, Cote d’Ivoire, Iraq, Libya, Kiribati, Kosovo, Marshall Islands, Micronesia, Solomon Islands, South Sudan, Sudan, Syria, Timor-Leste, Tuvalu, West Bank and Gaza, and Yemen.

([26]) For reference, use of the longer OECD-DAC FCAS list would lead one to find that two thirds of LICs are fragile states as are one third of LMICs. This point demonstrates that even better-off developing countries such as MICs may have fragile and conflict-affected characteristics.